

The Sun

Status: Lost

By PAMELA MOORE
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[New York](#) doctors used to be among the happy, wealthy, and elite. They led city society — the doctor was always someone welcome at a dinner party. But these days New York physicians are rapidly becoming depressives. They are facing financial trouble — sometimes, even bankruptcy — and their status is declining as well.

The problem is a national one. Here's what one physician wrote to me about her efforts to stay afloat last year: "We pinched pennies. We cut back. We let go of employees. We cut back our benefits plans. We did all that we could to save money. And all the while, working like a dog, staying here until 7 at night, doing surgery one day a week and seeing patients in my office five other days each week, I still only managed to make a salary of \$20,000 last year!" She's actually lucky. I routinely speak to physicians who can't pay themselves anything at all after paying for staff and rent.

We hear plenty these days about out of control health care costs, and physicians taking the blame. Yet their story often goes untold. They need better public relations.

But getting back to New York; in the Northeast, physicians get an average of \$52 from managed care companies for a 15-minute typical office visit — a patient comes in with a bronchial infection and, while there, discusses a diabetes or hypertension problem — according to an annual survey conducted by Physicians Practice, a business magazine for physicians.

In comparison, a man in New York could pay \$45 for a short haircut done with a razor blade. It takes about 20 minutes. Sometimes, the hairstylist is not paying attention to what he does. In other words, a board-certified, internal-medicine physician makes \$7 more an hour than a hairstylist, less if you include a tip.

When did the decline begin? When managed care began devaluing physicians in the 1980s.

The situation is now dire, especially in the Northeast. Between 2005 and 2006, in the New York market, physician reimbursement by commercial managed care plans dropped 27%. From 2002 to 2006, commercial reimbursement for office visits dropped 17% across the country. Managed care plans in New York now pay less than [Medicare](#).

Come January, however, Medicare payments will also come down. This is not because of free-market forces, but because the federal government sets its payments based on a sustainable growth rate. Basically, it's what Medicare wants to afford, never mind that, according to the [American Medical Association](#), Medicare payments in 2007 will have fallen 20% below increases in physicians' costs since 2001, just as the baby boomers enter Medicare in force. More demand equals lower prices in Medicare's world.

Medicare does give raises to hospitals each year. They expect a 3% raise in 2007. And the American Medical Association says Medicare Advantage plans—the health maintenance organizations and preferred provider organizations New Yorkers can opt into instead of Medicare — will get 7% more in 2007 than in 2006. [UnitedHealth Group](#), [America's](#) largest

insurance company, and a big presence in New York, saw its net earnings go up 38% in the third quarter of 2006. It is not the insurance companies or the hospitals but the community physician who is taking the hit.

How else is the New York doctor tortured? Well, of course there are those delays in payment. The New York metro area Medicare intermediary takes 43 days to pay. New York Medicaid takes a whopping 119 days to pay on average, according to "Payer View," a report ranking payers printed in the magazine *Physicians Practice* and *athenahealth*, a revenue cycle management company for office-based physician practices. (The ranking is published annually by the magazine and is regularly updated at athenahealth.com.)

It's easy to blame government bureaucracy for the payment delays, but other states do it better. New York Medicaid came in 11 out of 12 Medicaid programs ranked in the Payer View report based on multiple metrics of how difficult it is for physicians to work with them. For example, [Ohio](#) pays physicians within 44 days for treating its Medicaid population. [South Carolina](#) does it in 36 days.

There is tremendous administrative waste in New York's Medicaid program. For example, physicians are required to submit preprinted paper claims for reimbursement, and they get only a limited number of forms. If they see more Medicaid patients than they did the previous month, essentially they can't bill for them at all.

It's nice to think state sovereignty over Medicaid dollars would lead to more innovation. Instead, it's a free-for-all with some states doing it well—and presumably having more cash left over to actually deliver care—and some, like New York, doing it poorly with more money spent on administration. It makes nationalization or at least setting some bottom line for performance sound powerful.

So where does that leave a doctor?

The cost of running a medical practice rose nationally nearly 40% between 2000 and 2004, according to the annual Cost Survey, a published report by the Medical Group Management Association, an organization for business people who manage medical practices. In New York, thanks to the high value of real estate and the need to pay top salaries, those costs started high and got higher. In most practices over 50% of overhead goes to staff salaries. Why so much?

Each physician in a primary care office typically needs five staff people to handle the administrative costs associated with the care he or she delivers. For example, in an office with just one physician, staff spend 209 hours a year on the phone with pharmacies, largely managing refills, based on research by the Medical Group Management Association. That's a task for which no health maintenance or preferred provider organization pays. An additional 267 hours a year is spent verifying insurance coverage.

Caught between low pay and high costs, most primary care physicians are in a state of financial crisis and need to see about 40 patients a day to stay out of bankruptcy. The average nine-minute American doctor's office visit is slightly shorter than the average American shower. That is bad for patient care and bad for physician morale. No one decides to become a primary care physician in order to rush patients through appointments and make \$20,000 a year. Nearly 60% of physicians have considered leaving the practice of medicine because they're discouraged over the state of American health care today, according to a new survey by the [American College of Physician Executives](#), an association for physicians who act as business leaders in their medical organizations.

I recently attended a meeting of primary care physicians, where I spent 30 minutes trying to convince one [Queens](#)-based internist that it's okay for her to expect to collect from her over 300 patients who owe her more than \$1,000 each. She just continues to see them gratis.

A family physician at the same meeting quizzed me at length, trying to figure out how to get Medicare to cover the preventive services she thinks her older patients need. Medicare covers few preventive services, but rather than ask her patients to pay for such services out of pocket, she tries to bill for them as other services. She is trying to save her patients from the effects of a broken system, but there is no reason the failures of Medicare should fall on the physician's shoulders. If her Medicare patients had to pay for what isn't covered under their plan, maybe they would decide to get MediGap

coverage or push legislators to change Medicare. Instead, her efforts to protect her patients mean she gets paid nothing, flirts with fraud, and no one can see the real problem.

There may be fat cats in medicine, but they aren't America's or New York's—primary care physicians.

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