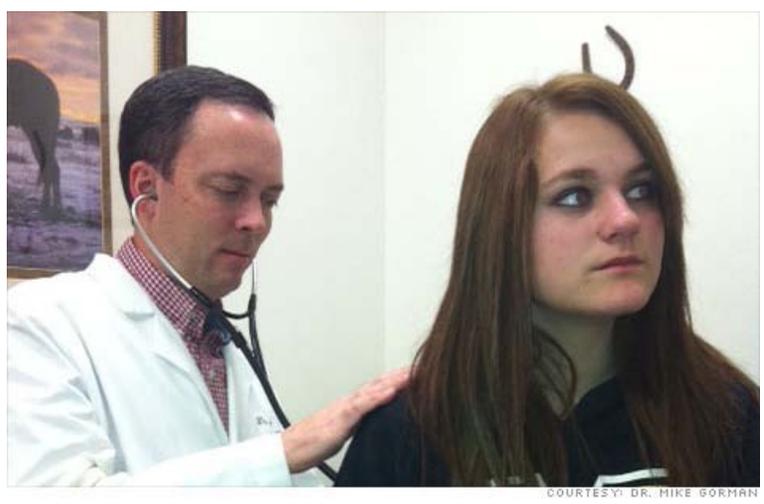


Doctors going broke



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By Parija Kavalanz @CNNMoney January 6, 2012: 9:39 AM ET



COURTESY: DR. MIKE GORMAN

Dr. Mike Gorman has taken out an SBA loan to keep his rural solo practice running in Logandale, Nev. "If things don't improve fast, I will have no choice but to close my doors," he said.

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NEW YORK (CNNMoney) -- Doctors in America are harboring an embarrassing secret: Many of them are going broke.

This quiet reality, which is spreading nationwide, is claiming a wide range of casualties, including family physicians, cardiologists and oncologists.

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Industry watchers say the trend is worrisome. Half of all doctors in the nation operate a private practice. So if a cash crunch forces the death of an independent practice, it robs a community of a vital health care resource.

"A lot of independent practices are starting to see serious financial issues," said Marc Lion, CEO of Lion & Company CPAs, LLC, which

advises independent doctor practices about their finances.

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Doctors list shrinking insurance reimbursements, changing regulations, rising business and drug costs among the factors preventing them from keeping their practices afloat. But some experts counter that doctors' lack of business acumen is also to blame.

Loans to make payroll: Dr. William Pentz, 47, a cardiologist with a Philadelphia private practice, and his partners had to tap into their personal assets to make payroll for employees last year. "And we still barely made payroll last paycheck," he said. "Many of us are also skimping on our own pay."

Pentz said recent steep 35% to 40% cuts in Medicare reimbursements for key cardiovascular services, such as stress tests and echocardiograms, have taken a substantial toll on revenue. "Our total revenue was down about 9% last year compared to 2010," he said.

12 entrepreneurs reinventing health care

"These cuts have destabilized private cardiology practices," he said. "A third of our patients are on Medicare. So these Medicare cuts are by far the biggest factor. Private insurers follow Medicare rates. So those reimbursements are going down as well."

Pentz is thinking about an out. "If this continues, I might seriously consider leaving medicine," he said. "I can't keep working this way."

Also on his mind, the impending 27.4% Medicare pay cut for doctors. "If that goes through, it will put us under," he said.

Federal law requires that Medicare reimbursement rates be adjusted annually based on a formula tied to the health of the economy. That law says rates should be cut every year to keep Medicare financially sound.

Although Congress has blocked those cuts from happening 13 times over the past decade, most recently on Dec. 23 with a two-month temporary "patch," this dilemma continues to haunt doctors every year.

Beau Donegan, senior executive with a hospital cancer center in Newport Beach, Calif., is well aware of physicians' financial woes.

"Many are too proud to admit that they are on the verge of bankruptcy," she said. "These physicians see no way out of the downward spiral of reimbursement, escalating costs of treating patients and insurance companies deciding when and how much they will pay them."

Donegan knows an oncologist "with a stellar reputation in the community" who hasn't taken a salary from his private practice in over a year. He owes drug companies \$1.6 million, which he wasn't reimbursed for.

Dr. Neil Barth is that oncologist. He has been in the top 10% of oncologists in his region, according to U.S. News Top Doctors' ranking. Still, he is contemplating personal bankruptcy.

That move could shutter his 31-year-old clinical practice and force 6,000 cancer patients to look for a new doctor.

Changes in drug reimbursements have hurt him badly. Until the mid-2000's, drugs sales were big profit generators for oncologists.

In oncology, doctors were allowed to profit from drug sales. So doctors would buy expensive cancer drugs at bulk prices from drugmakers and then sell them at much higher prices to their patients.

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"I grew up in that system. I was spending \$1.5 million a month on buying treatment drugs," he said. In 2005, Medicare revised the reimbursement guidelines for cancer drugs, which effectively made reimbursements for many expensive cancer drugs fall to less than the actual cost of the drugs.



Hospital battles infections with robots

"Our reimbursements plummeted," Barth said.

Still, Barth continued to push ahead with innovative research, treating patients with cutting-edge expensive therapies, accepting patients who were underinsured only to realize later that insurers would not pay him back for much of his care.

"I was \$3.2 million in debt by mid 2010," said Barth. "It was a sickening feeling. I could no longer care for patients with catastrophic illnesses without scrutinizing every penny first."

He's since halved his debt and taken on a second job as a consultant to hospitals. But he's still struggling and considering closing his practice in the next six months.

"The economics of providing health care in this country need to change. It's too expensive for doctors," he said. "I love medicine. I will find a way to refinance my debt and not lose my home or my practice."

If he does declare bankruptcy, he loses all of it and has to find a way to start over at 60. Until then, he's turning away new patients whose care he can no longer subsidize.

"I recently got a call from a divorced woman with two kids who is unemployed, house in foreclosure with advanced breast cancer," he said. "The moment has come to this that you now say, 'sorry, we don't have the capacity to care for you.' "

Small business 101: A private practice is like a small business. "The only thing different is that a third party, and not the customer, is paying for the service," said Lion.

"Many times I shake my head," he said. "Doctors are trained in medicine but not how to run a business." His biggest challenge is getting doctors to realize where and how their profits are leaking.

My biggest tax nightmare!

"On average, there's a 10% to 15% profit leak in a private practice," he said. Much of that is tied to money owed to the practice by patients or insurers. "This is also why they are seeing a cash crunch."

Dr. Mike Gorman, a family physician in Logandale, Nev., recently took out an SBA loan to keep his practice running and pay his five employees.

"It is embarrassing," he said. "Doctors don't want to talk about being in debt." But he's planning a new strategy to deal with his rising business expenses and falling reimbursements.

"I will see more patients, but I won't check all of their complaints at one time," he explained. "If I do, insurance will bundle my reimbursement into one payment." Patients will have to make repeat visits -- an arrangement that he acknowledges is "inconvenient."

"This system pits doctor against patient," he said. "But it's the only way to beat the system and get paid."

--- Are you a doctor who has made financial decisions you came to regret? E-mail [Parija Kavilanz](#) and you could be part of an upcoming article. Click here for CNNMoney.com [comment policy](#). ■

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fascinero, 6 minutes ago



There's no mystery. When the need for medical care is at an all-time-high and doctors are in fact in short supply, the likely problem is that people simply can not afford it. With fewer people who can afford health care, you see more doctors going broke even in the face of rising need. However, the incomes of the wealthiest 5% have easily matched or exceeded the inflation rate of health care costs, while the incomes...[show more](#)

LIKE FLAG



macc59, 12 minutes ago

Sometimes the Government needs to get involved. We have too many special interest lobbying to keep things the same. Cost have skyrocketed and Dr are broke? Someone is making money!

LIKE FLAG



Tod Schwarze, 8 minutes ago in reply to macc59

govt has become a for profit business to provide for itself, THAT'S where the money that it extracts goes at an ever increasing rate and why it's losing its' value. NONE of what you send in goes toward the debt, it all goes for maintainance of the appropriate constituencies so the officers of the court can profit

LIKE FLAG



privatepracticemd, 19 minutes ago

Well, not so fast. What's going to happen, in my opinion, is that a subset of doctors will switch to a non-traditional private practice model such as direct pay. At some point the hospitals are going to get pinched for costs, and they'll not only have hired all the docs they can, they'll actually start laying some off. Plus many of the physicians who sold their practices to hospitals to become "employed" physicians will start...[show more](#)

5 people liked this.

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Mohammad Shegeft, 21 minutes ago

Its also important to point there are a group of well qualified doctors that some states don't recognize. Naturopathic doctors (those whom have graduated from a credited 4 year medical school and are board certified) are still only licensed in 15 states and even then, within some of these states they only have a limited scope of practice.

1 person liked this.

LIKE FLAG



famdoc23, 5 minutes ago in reply to Mohammad Shegeft

15 very scary states and a terrifying "board certification". You obviously haven't read up on Naturopaths, they are "credentialed" quacks who don't vaccinate and use juice to "cure" cancer and HIV.

1 person liked this.



SharingNews, 15 minutes ago in reply to Mohammad Shegeft

Absolutely! Napropaths are another fine example of a great sub-sect of non-recognized doctors.



Healthguy, 22 minutes ago

Medical care in the USA is one of the very few items we purchase where there is no correlation between cost and quality. The hospital that provides the best care could be the least expensive and vice versa. In addition for the most part no one knows what a provider will charge before the work is done. There is very little data available for determining quality/care or incentive for someone to find the most cost...[show more](#)

2 people liked this.



privatepracticemd, 24 minutes ago

Right. And call your lawyer (or accountant, or consultant) for advice and get a bill (for 15 minutes of his/her time even if the call lasted 3 minutes). I'm a doc. I sometimes end up in a 30 minute phone call with a patient for no reimbursement.

4 people liked this.



SharingNews, 11 minutes ago in reply to privatepracticemd

And, sometimes, in my job where I made \$23k a year, my boss would call me at 9:00 at night on a Sunday, or better yet a co-worker would! I'd be on the phone with them for at least 15 minutes. Did I get paid? Nope!

Or how about getting questions answered while I'm on lunch so I don't get a full break? Do I get paid for that? Nope. How about when I had...[show more](#)



muddie34, 14 minutes ago in reply to privatepracticemd

Correct, but your average patient believes that they have a right to medical care and do not want to pay for it. Folks have the impression that a doctor is rich and does not need any money. Folks don't know or understand how difficult it is to become a physican. I have had folks say that Doctors, Nurses, and anyone in the medical area go to the same school. That there isn't much of a...[show more](#)

2 people liked this.



larryking11, 17 minutes ago in reply



to privatepracticemd

Doctors deserve top pay for what they do..Unfortunately with Obama as President,he prefers to reward the welfare recipients,minorities,government employees and all unions ..So sad...

4 people liked this.

LIKE FLAG



muddie34, 7 minutes ago in reply to larryking11

I am a minority where's my money? Is it Obama that thinks that doctors should not get paid, or is it the guy sitting in the doctors office that thinks that doctors get paid too money anyway and doesn't want to pay his medical bills? OR is it the same person that sits on a jury and awards millions of dollars in a malpractice suit because doctors make too money and should be punished for...[show more](#)

1 person liked this.

LIKE FLAG



privatepracticemd, 27 minutes ago

I love how the article talks about doctors' "lack of business acumen" or whatever. It's not that doctors can't learn business principles, it's just that typical business principles don't apply to American medicine. So many entities, the government and insurance companies to top the list, have inserted themselves between the doctor and patient, that a doctor doesn't know how much he'll be paid (just less than he charges), or when he'll be paid, or how...[show more](#)

5 people liked this.

LIKE FLAG



Robin Shafer, 19 minutes ago in reply to privatepracticemd

Perfectly stated!

1 person liked this.

LIKE FLAG



Robin Shafer, 27 minutes ago

I may be starting a whole new fight here, but I think a big part of this problem are the PAs. There is a lot of politics going on there too. The Physician's Assistant is trying to move in and take the place to the more educated Physician. Sometimes the PA has only had a couple years education out of high school. Yet they diagnose, treat and prescribe meds

4 people liked this.

LIKE FLAG



larryking11, 12 minutes ago in reply to Robin Shafer

Because of the cost for treating simple colds,flu's,infections,etc...Problem is government not paying doctors for services and then discounting them when they do...Do you think the government is late with the welfare checks,social security,unemployment

and other useless money handed out ?? Hell NO..Pay the doctors...

LIKE FLAG



Hookerderm, 30 minutes ago

I am a physician in private practice and yes I agree that it is a very difficult job trying to take good care of patients and run a business with fixed/declining reimbursement and ever increasing overhead. Yes one of the problems is the increasing cost of dealing with insurance companies and ever increasing regulations and prices for supplies and labor.

However, whenever I tell patients who complain about us being the only developed country without...[show more](#)

muddie34 and 7 more liked this

LIKE FLAG



larryking11, 9 minutes ago in reply to Hookerderm

I'll bet 90% of the people take more from the government than what is paid in..Obama wants more from the rich to fund the do-nothings...That is why US is bankrupt with trillions in deficits...

LIKE FLAG



stockman1903, 13 minutes ago in reply to Hookerderm

"Seventy percent of people in the U.S. get more back from the government than they put in at this point. " I do not know where you get that "fact" but it is not true. The Federal government has 3 big expenditures: Social Security, Medicare and the military. Social Security and Medicare are paid for by payroll taxes that everyone pays and has no deductions. By the way the Medicare expenditures goes to pay medical...[show more](#)

1 person liked this.

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