The Demise of Private Practice

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Not long ago, when a preemie went home from their NICU, they could be referred to a host of private practices offering continuity with one doctor, availability every day, and open communication with the parents with that one doctor familiar with the particular complex case.

However, there are fewer and fewer private practices as economic pressures favor larger entities that have negotiated contracts with third-party payers. These contracts are paid double or triple what independent practices are paid, not to mention how much cheaper supplies can be bought for those larger entities. Because of this, large entities can offer nurses higher salaries and pay new doctors out of training more money. This all gradually erodes independent practices of their ability to stay in business.

Some private practices have attempted to renegotiate their third-party contracts by offering extended hours, cell phone access, weekend hours, suturing, blood draws, etc., in order to get better rates. However, I know of no cases where an independent practice has been offered anywhere close to large entity rates even with an equal or better quality of care and individualized service and follow through. This is true even with professional negotiating help.

In addition to this, most of the independent contracts offered have multiple codes that pay less than the cost on such items as breathing treatments, antibiotic injections, steroid injections, viral testing, and some vaccines.

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Some independent practices have responded to this stone wall by charging a concierge or administrative fee to the patient or balance billing the patient for items that are paid at less than the payer's cost. They might also send patients to the more expensive ED or urgent care for these underpaid items. The payers I have talked to insist it is illegal for a PPO provider to charge a concierge or administrative fee or balance bill. They insist that paying $5 for a $40 cost item is still a covered benefit that can only be billed to the health plan. I contend that insurance companies should have an obligation to pay reasonable and customary fees for services, and they argue that they only have an obligation to pay usual and customary charges where they decide what is usual.

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The result of all this is the obvious erosion of independent practice, with new doctors preferring to work salaried positions for large business entities rather than being their own boss. If this is what the recent graduates want, it is their choice, but what about equal pay for equal work or antitrust rules? The Academy of Pediatrics and the CMA are always there to fight for Medi-Cal and CCS causes as well as a huge number of great social causes. However, we also need them to lobby for a level playing field and the preservation of independent practices. By doing so, they can also combat the skyrocketing of overall healthcare costs caused by this unequal payment system.

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