

Medical Clinic/Physician Office

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Physician and clinical services accounted for 22% or \$352 billion of total health care expenditures in 2002, behind hospital expenditures (31%). Total health care expenditures amounted to \$1.6 trillion in 2002 and are expected to reach \$2.5 trillion by 2005. According to Dun & Bradstreet, there are a total of 312,536 establishments, utilizing 2.7 million employees in this industry. The number of employees per establishment is estimated to be around 9, with average sales per physician practice at \$800,000. This industry's total sales amounted to \$239.7 billion. What follows is a chart of the number of physician office practices (including all specialties) by number of employees, and total sales:

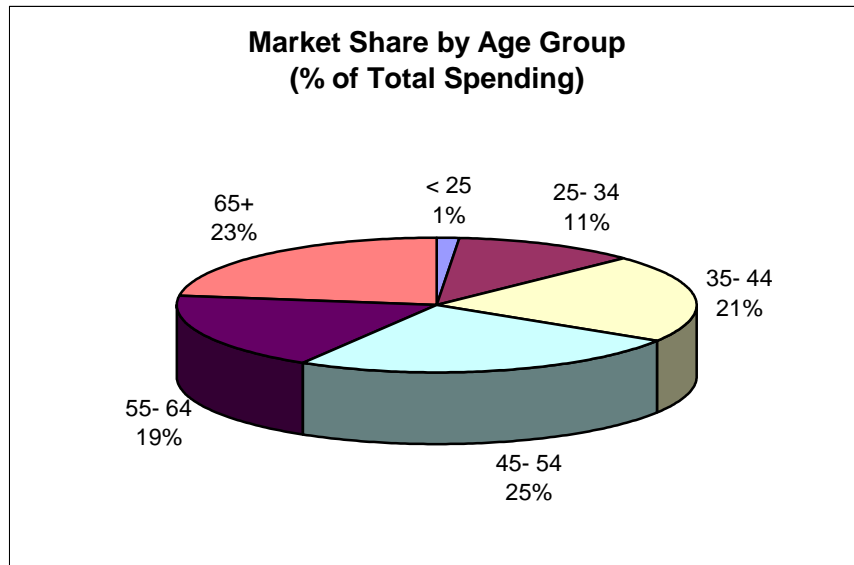
Number Employees	Number of Businesses	% of Total	Total Employees	Total Sales (millions)	Avg. Employees	Avg. Sales (millions)
Unknown	5,109	1.6	NA	\$6,395.8	NA	\$3.3
1	19,806	6.2	19,806	\$1,917.1	1	\$0.3
2 to 4	186,097	58.6	667,270	\$49,312.4	4	\$0.5
5 to 9	51,447	16.2	328,351	\$23,213.0	6	\$0.8
10 to 24	37,677	11.9	540,769	\$37,088.7	14	\$1.1
25 to 49	11,561	3.7	367,471	\$27,543.2	32	\$2.8
50 to 99	3,886	1.2	238,135	\$21,400.2	61	\$6.9
100 to 249	1,247	0.4	168,328	\$20,875.0	135	\$24.8
250 to 999	417	0.1	172,993	\$33,662.2	476	\$50.0
1000 - 4999	86	0	165,811	\$24,234.5	2,371	\$622.0
5000 - 19999	6	0	50,000	\$2,931.3	8,333	\$870.5
20,000 +	1	0	20,151	\$4,425.1	20,151	\$4,425.1
Total/Avg.	312,536	100	2,696,975	\$239,678.5	9	\$0.8

Source: zapdata.com/Industry-reports/

Of the total establishments, there are 112,212 offices of Primary care medical doctors in the US, which represents 35.9% of all medical specialties offices. These offices employ 797,526 staff persons from health care allied careers and generate 55.1 billion on sales. The average number of employees is 7, with sales averaging \$500,000 per year. These primary care offices are tools of economic development both in rural and urban settings; economic development practitioners and SBDC counselors need to consider and begin partnering with medical schools, graduating physicians (start-up) and existing medical offices (expansion) to provide technical assistance and know-how to these businesses which play an important role in the community.

Demographics

Although medical clinics and physician offices provide services to the entire population, usage varies depending on age of the market. As we can see from the statistics in the following table, the oldest two groups (representing persons 55+) have a large demand of physician clinical services, as would be expected. However, since the middle groups (ages 35- 54) comprise nearly half the total population (42.6%), this group actually represents the largest market, with 46.1% of total expenditures. When medical entrepreneurs are laying out the medical clinic-marketing plan, neither the age group nor the composition of the population can be ignored. A mix of patients based on age has to be projected as production goals for the medical clinic.



Source: Household Spending for Health Care, United States, 2004, Third Wave Research

Insurance covers the greatest percentage of health care expenditures, though not the majority. According to Centers for Medicare and Medicaid Services, private insurance covers 35% of expenditures; out of pocket spending accounts for 14% of expenditures; Medicaid accounts for 16% of spending; and 17% is covered by Medicare. Other government health programs (covering military & veterans, school children, injured workers, public health) expenditures account for 18%. However, there are 35 to 40 million Americans (16% of population) that do not have insurance coverage at all, and therefore lack access to physician’s clinical services and other health care services.

Industry Trends

In the early 1990s the health care industry addressed the issue of rising health care costs by changing delivery of services through Health Maintenance Organizations (HMO). HMOs control costs by requiring patients to use a “network” of approved doctors and hospitals and reviewing what these health care providers do. This health care delivery trend has overtaken the kind of medical practice in which doctors engage. For example, approximately 1 out of 6 physicians were self-employed. About half of salaried physicians and surgeons were in office-based practices, and almost a quarter of them were employed by hospitals. Others practiced in federal, state, and local governments; educational services and outpatient care centers. A growing number of physicians are partners or salaried employees of group practices. Organized as clinics or as associations of physicians, medical groups can afford expensive medical equipment, high cost malpractice insurance coverage and realize other business advantages.

Another significant trend that is altering medicine is the specialization and sub-specialization of physicians. The most recent inventory of physicians showed that there are:

Specialty	Number of physicians	Rank
Internal medicine	124,160	1
Family Medicine	67,583	2
Pediatrics	58,743	3
Obstetrics/Gynecology	38,872	4
General Surgery	38,312	5
Psychiatry	37,089	6
Anesthesiology	34,146	7
Emergency Medicine	21,690	8
Orthopedic surgery	21,180	9

Source: www.aafp.org, About US, Table #1, Federal and Non-Federal Physicians by Specialty, 12-31-1999

Other Services Performed in Physician Offices:

Recent statistics from The American Family Practice Association indicates that there are a myriad of additional diagnostic procedures and laboratory services that are performed in the physician's office. In the following chart we present the top 5 diagnostic and laboratory procedures:

Procedures	% of FM offices using procedures
EKG	88.4
Dermatology procedures	86.0
Endometrial sampling	66.6
Spirometry	56.3
Audiometry	49.8
Laboratory Procedures	
Dipstick /tablet urinalysis	97.4
Fecal occult blood	92.5
Urine pregnancy test	91.4
Rapid Strep	86.0
Source: www.aafp.org , Diagnostic Procedures	About us, Table #57 & 59, Lab and Performed by Family Medicine MDs

Although it is important to point out that these procedures are basic tools for diagnosing and treating patients, from the business side of the equation, these procedures and tests bring additional revenues to the physician's office. A mix of these procedures and tests should be incorporated into projection of revenues when starting up or expanding medical offices. It is also important to include budget items related to equipment (leasing or purchasing) and personnel costs for operating the equipment when preparing the income and expense statement for the clinic.

Sources:

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