

Opinion

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Can My Practice Remain Independent?

Until recently, most ophthalmology practices were small, private, and independent. Then, over the last decade, pharmaceutical companies, insurers, health systems, and pharmacy benefit managers consolidated at an accelerated rate. A common assumption—that bigger is better—created pressure to grow larger ophthalmology practices for survival. Some groups were acquired by integrated health systems while others acquired smaller practices or merged. In the last three years, dozens of groups have been purchased by private equity (PE), and many more are considering this option. Despite the buzz about PE, most ophthalmologists are still in private practice. These physicians ask, “Can my practice remain independent?”

The pressure to sell a practice or to be acquired by a large health system arises from three factors: the increased complexity of managing a medical group, the perceived need for strategic growth, and the transfer of equity in a mature business. Each of these issues must be addressed if a group chooses to remain independent.

Historically, ophthalmology groups were small and often family-owned businesses. An office manager could submit claims, oversee the technicians, manage cash flow and payroll, and perform HR tasks. Today, each aspect of health care management requires expertise. Both small and large ophthalmology practices must hire or develop employees with specialized skills (and be realistic about the expense of keeping well-trained managers). And while some ophthalmologists want to concentrate on their own expertise—providing quality eye care—and leave the business of medicine to others, those who wish to remain independent must embrace both. A successful independent practice must have one or several physician-owners who are committed to running an efficient and well-managed business, which requires a lot of additional work, reading, and networking.

A second issue that must be addressed while charting the course of independence is strategic growth. Amazingly, 26% of ophthalmologists are still in solo practice.¹ While some may choose to remain solo, all must analyze the local market and be knowledgeable about their practice’s viability. Many groups seek to grow through geographic expansion and/or adding physicians, especially an array of subspecialists.

Groups that wish to remain independent must define that growth strategy and dedicate resources for making it happen. Like all growth, strategy is the first step, but implementation requires resources and a lot of old-fashioned hard work.

As for the retirement of senior partners, this is perhaps the main driver for considering PE. Although it is a thorny issue, the question of how to transfer the equity of a well-run, mature practice is a wonderful problem to have. It reflects the savvy, commitment, and resources that the senior partners dedicated to building a great business. Maintaining a practice’s independent status requires careful succession planning and commitment to that plan from all colleagues, senior and junior.

A valuable exercise is to map out the scenario of selling to PE versus remaining independent. In doing so, junior partners get an education in what’s required to remain independent. It’s also imperative that independent groups cultivate leadership among younger partners, as the task of running a practice takes decades to learn. When they really understand what’s involved, they can make a more informed decision about whether they wish to stay the course (with the requisite work and investment) or support a move to sell.

It will be interesting to look back in 20 years and reflect on which practice model did the best at providing superb ophthalmic care and nurturing well-run medical practices. I predict that some private and some PE-owned groups will achieve these goals—and some of each will fail. For now, it’s important that ophthalmologists understand that the key issues that drive consideration of PE are the same issues that must be addressed to remain independent.

And yes, you *can* remain independent.



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¹ 2017 American Academy of Ophthalmology Practice Environment Survey.