

# Small Change:

## Can Income Growth Offset a Shrinking Dollar?

**Declining purchasing power is just the latest setback neurology incomes face. And yet, in our 7th annual income survey, some neurologists made up for it with modest income gains.**

By Jack Persico, Editor-in-Chief

**E**ach year, Practical Neurology surveys its readers in the spring, asking you to share your thoughts and experiences on income trends with your colleagues. It's a fascinating, but also sometimes dismaying, experience to hear the pervasive frustration that's so evident in the responses. Over the seven years that we've conducted this survey, trends pointing to an economic "perfect storm" have remained constant: neurologists continue to lament the steady erosion of

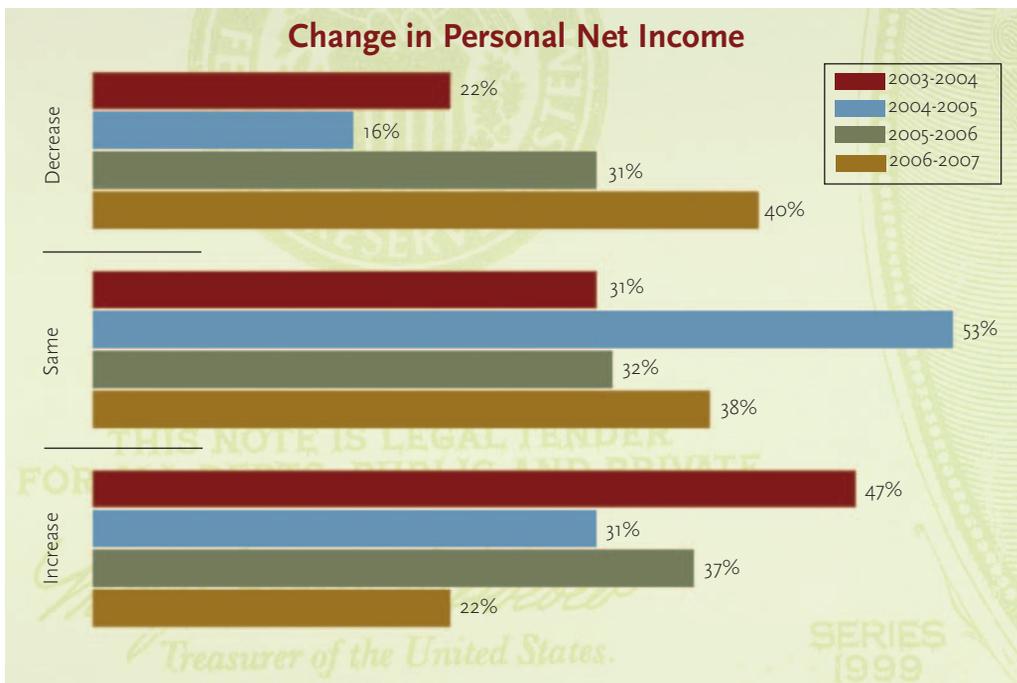
Medicare and other third-party fees, the encroachment of other medical professionals into the realm of neurologic care, and the necessity for neurologists to work longer and harder simply to keep up. Now consider the added difficulty of grappling with these ineluctable, long-term "mega-trends" in

a year beset by declines in the value of the dollar and consequent soaring prices for energy and seemingly everything else.

How can your practice grow when the dollar is shrinking? "The cost of living is rising, the cost of doing business is rising and insurance company reimbursement to physicians has been flat for years," lamented one private practice neurologist from New York in this year's survey. "With my experience, I should not be working as hard as an entry level physician to maintain status quo."

That characterization seems to be borne out by our findings. According to the US Department of Labor, cumulative inflation as measured in the purchasing power of the dollar from 2001 to 2007 was 17 percent. Using our data collected over that same period, neurologists' average net incomes rose 14.8 percent, from \$189,818 in 2001 to \$216,751 in 2007. Of





those on the front lines. “We need to develop inroads for contract negotiations, like anesthesiologists do,” said a neurologist from Pennsylvania. “We need to be able to band together to be able to have some clout. Without this, we are sitting ducks for the multi-billion dollar insurance industry.”

### Earnings and Profitability Grow, Leisure Time Does Not

That \$216,751 average net income from patient care activities in 2007 marks a fairly robust gain (relatively speaking, in light of the constraints neurology faces) of seven percent over 2005’s figure of \$201,919. However, over the same period, personal gross income declined slightly from an average of \$384,337 in 2006 to \$374,810, a year-over-year decrease of 2.5 percent. This is in line with the common refrain about stagnant or declining reimbursement rates related by many of our survey respondents. “The cost of doing business is growing, yet reimbursement is decreasing,” a Rhode Island

course, it’s important to bear in mind that our surveys are not statistically rigorous, and should more appropriately be considered an opinion poll. But with seven years of data collected using the same methodology from year to year, the survey reveals some of the motivating factors behind those megatrends, not to mention any number of personal stories from

reader wrote. “The amount of effort needed to collect and deal with denials, request prior authorizations from plans with restrictive formularies, approvals for prescriptions, is very costly. We are not able to pass the additional overhead costs associated with these additional bureaucratic requirements along to either the third party payer or to the patient.”

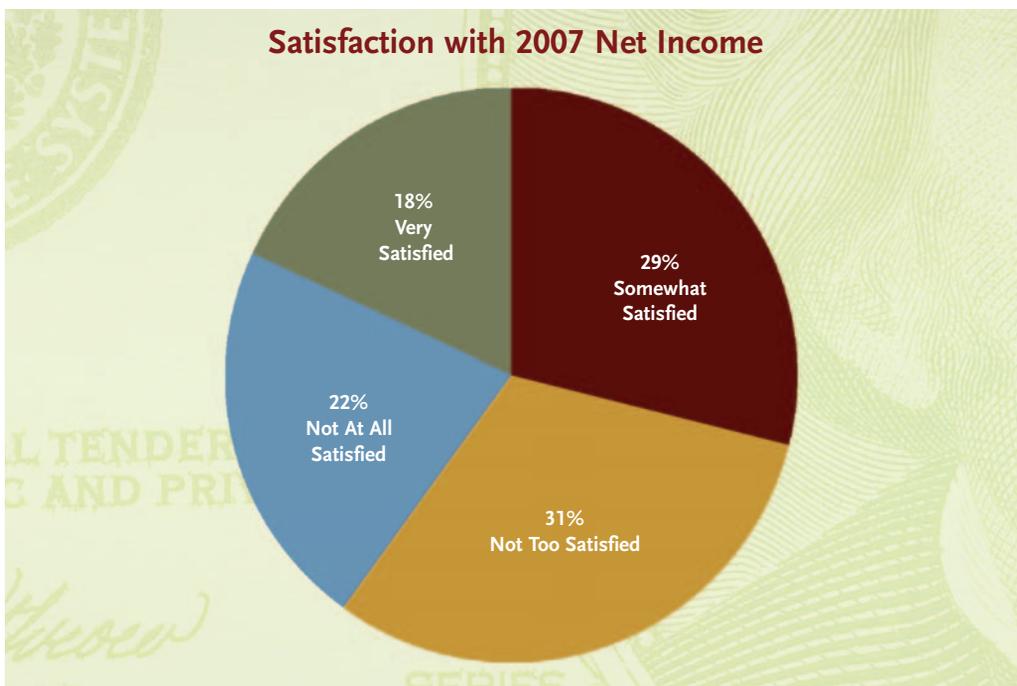
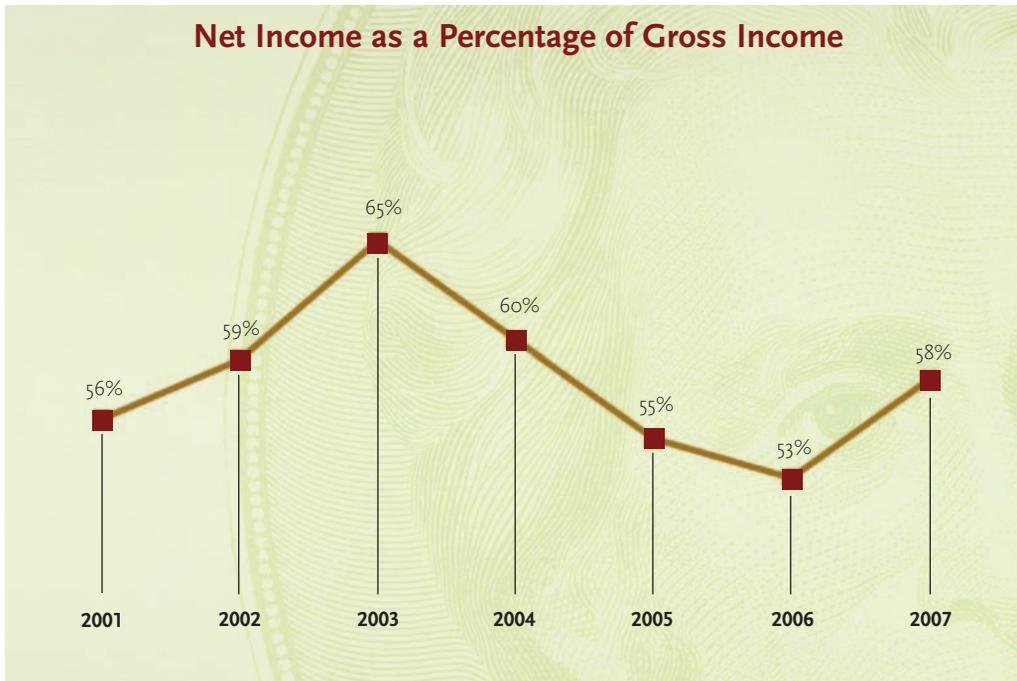
Despite this inability to pass on cost increases in the forms of higher exam fees, neurologists did manage to take home more of their gross income in 2007 than in the prior year. The ratio of net income to gross income grew from 53 percent in 2006 to 58 percent in 2007. Though the reasons for this are multifactorial, the most significant contributor seems to be higher patient volume. In 2007, the neurologists who took part in our survey reported that they saw an average of 77 patients per week, a 10 percent increase over last year's figure of 69 patients per week. This statistic tends to rise steadily in each year. Three years prior, in 2004, the average was 57 patients seen per week.

Though one would hope that this boost in patient volume comes from newfound office efficiencies and greater delegation of responsibility to other members of the practice, the predominant reason is more prosaic: 53 percent of our survey respondents said they have added (or soon will add) to the number of hours they put in at work, shouldering the additional workload themselves to

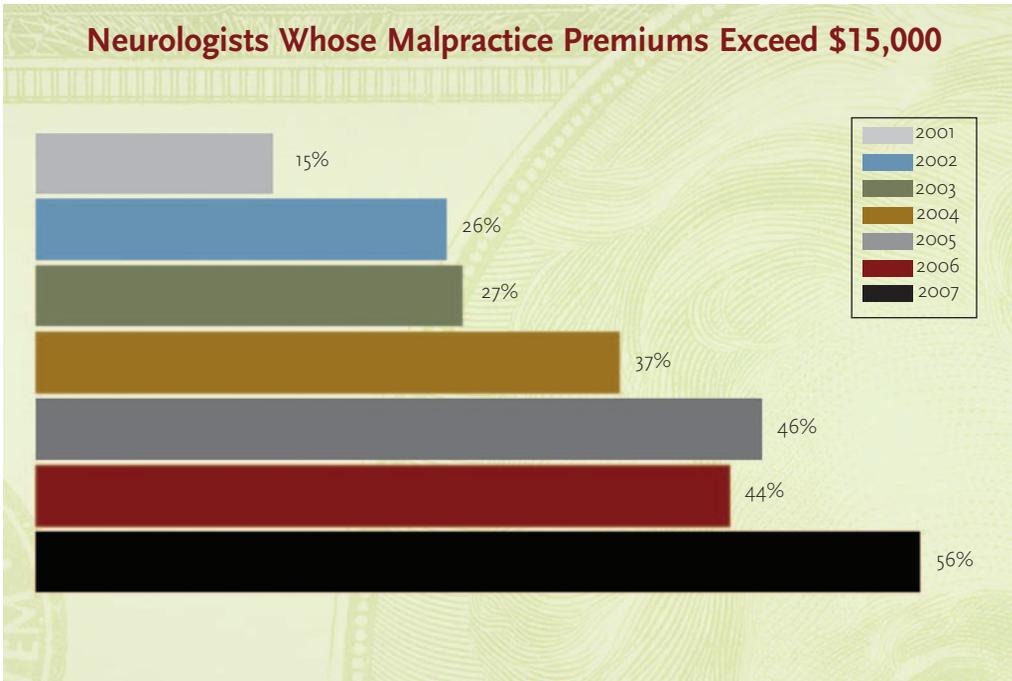
offset the declines recorded in billings. As in year's past, this propensity is stronger among private practitioners than among salaried employees of a practice or institution: self-employed neurologists saw 84 patients per week in 2007 vs. 64 for employed neurologists. Both subsets, however, did add to their workload compared to the prior year: from 78 in 2006

to 84 per week in 2007 for self-employed neurologists and from 56 to 64 for salaried neurologists.

Not surprisingly, burning the candle at both ends doesn't do much for one's sense of contentment with his or her income. In this year's survey, only 18 percent of respondents said they were "very satisfied" with their net income in 2007

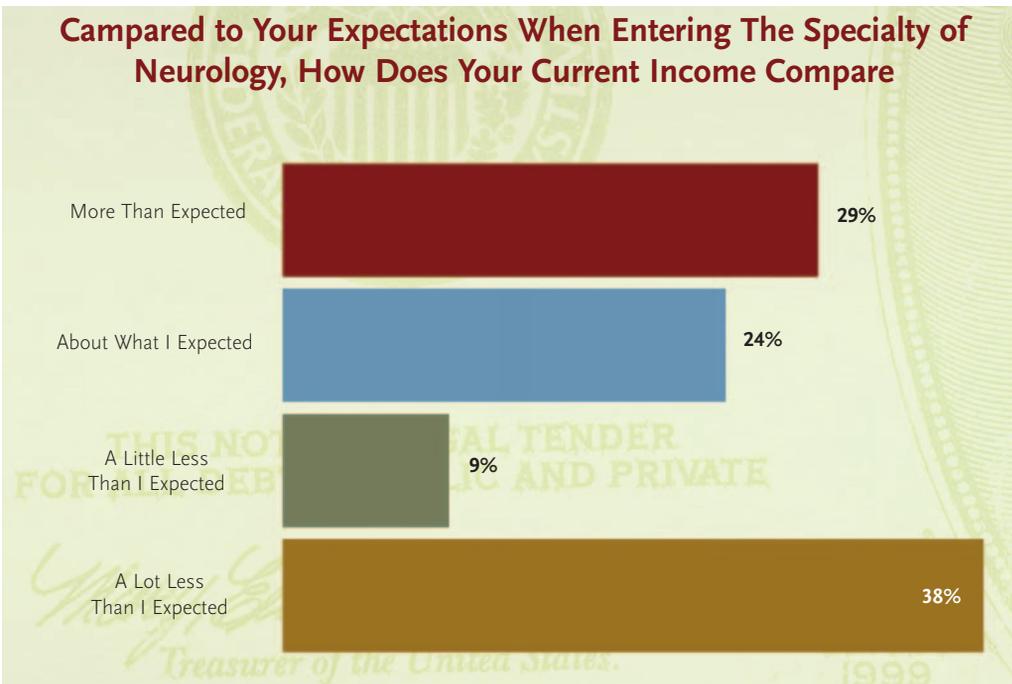


**Neurologists Whose Malpractice Premiums Exceed \$15,000**



Surely one other component of those low satisfaction scores is the scant number of respondents who posted income gains—just 22 percent of respondents—while sizable numbers said their income either stayed about the same (38 percent) or declined (40 percent) from 2006 to 2007. The fact that the overall average net income rose by seven percent even though only one in five respondents reported an increase suggests a growing income disparity among respondents.

**Compared to Your Expectations When Entering The Specialty of Neurology, How Does Your Current Income Compare**



Significant regional differences in operating costs and reimbursement levels may be fueling such a divergence. “The cost of living here, including oppressive taxation at the state and local level, make for a very unfavorable medical practice climate in the state of Rhode Island and the dubious distinction of the worst state in the union for the practice of medicine if you expect to get paid for what you do,” lamented one reader. Neurologists who responded to our survey again posted widely varying costs for

compared with 30 percent of respondents in 2006, and 29 percent said they were “somewhat satisfied” (vs. 33 percent in 2006). Taken together, only 47 percent of respondents said they were either very or somewhat satisfied with their income in 2007, the lowest figures recorded in the seven-year history of this survey (see Table 1).

their malpractice premiums, from a low of \$5600 by a practitioner in Idaho to a high of \$40,000 in Florida. Overall, the average malpractice premium paid by survey respondents declined from \$22,910 in 2006 to \$19,264 in 2007. However, the percentage of neurologists whose premium exceeds \$15,000 increased from 44 percent in 2006 to 56