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# Hospital Employment vs. Private Practice: What Makes Sense for Orthopedic Surgeons?

Written by Laura Miller | March 21, 2012

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While many specialists are becoming employed by hospitals and health systems, orthopedic and spine surgeons are among the last hold-outs for private practice groups. According to the American Academy of Orthopaedic Surgeons census data for 2010, 43 percent of orthopedic surgeons are still in private practice and 20 percent are in solo practitioners. Only 8 percent of respondents reported being employed by hospitals. However, many are predicting this number will increase as the healthcare environment becomes more difficult to predict.

"There are definitely pros and cons to hospital employment, but ultimately it's up to the individual physician to decide what they want out of their career and life," says David Ott, MD, president of Arizona Orthopaedic Associates in Phoenix. "For a new graduate, there is a lot of convenience to becoming employed. The disadvantage is you give up independence and autonomy."

Here, Dr. Ott discusses the pros and cons of both hospital employment and remaining independent in a private practice.

## Pros

**Hospital employment:** Hospital employment can be a good option for orthopedic and spine surgeons who want steady hours, guaranteed income and relief from the administrative duties associated with running a private practice. Hospital employment also guarantees an immediate patient base, which can be difficult to build from the ground up in a private practice.

"One of the interesting thing hospitals have been doing for employed physicians is paying a wage to a new graduate that are substantially higher than what they would make in private practice for the first year or two," says Dr. Ott. "So they capture many of the new graduates. While they may be spending more on the professional services side, they recoup hospital charges when these surgeons bring patients to the facility for surgery or diagnostic testing."

For general orthopedic surgeons, the starting salary is \$500,000 with a sign-on bonus at \$35,000, according to the "2011 Orthopedic Recruiting Trends & Starting Salary Overview from Orthopedic Recruiting Group. Hip and joint on average receive \$597,000 salary and \$50,000 sign-on buns, while spine surgeons receive \$452,000 salary and \$40,000 sign-on bonus.

According to the survey, orthopedic surgeons receive five weeks of vacation and two weeks of continuing medical education/paid time off on average when signing their first hospital contract.

**Private practice:** One of the biggest advantages of maintaining a private practice is the autonomy physicians claim over their business. They can make decisions based on care instead of hospital policy, and they can change processes more quickly because they are smaller than hospitals.

Another key aspect of working in private practice is the motivation to increase revenue by taking more cases. Surgeons employed by hospitals receive the same amount regardless of whether they perform more or fewer than their target, with little incentive to go beyond their goals.

"I personally believe a good quality physician who wants to be compensated for the work they do would be better off in a private practice," says Dr. Ott. "Joining a group with an established track record which knows the essentials of business, allows a new graduate to maintain autonomy and still be profitable."

Additional opportunities are available for orthopedic and spine surgeons to increase their revenue through ancillary services. In orthopedics, ancillary revenue could include physical therapy, surgery centers, imaging centers and other rehabilitative services. "Orthopedists specifically have a lot of potential for ancillary revenue streams," says Dr. Ott. "Those are eliminated when you come employed by the hospital. Oftentimes, the best scenario is a well-run physician group that allows other revenue streams to be available to orthopedic surgeons, including consulting work with device companies."

Additionally, if one surgeon is able to cover their expenses for the month, they have the potential to keep any additional profit, which doesn't exist in the hospital. "We don't profit from them — we think that is the right practice model," says Dr. Ott.

## Cons

**Hospital employment:** One of the biggest disadvantages for orthopedic surgeons when it comes to hospital employment is loss of autonomy. When considering this loss against the potential for gain, some surgeons would still choose a hospital contract. However, they may regret their decision further down the line.

"When someone is employed by the hospital, hospital executives tell them where to do surgery, what devices to use and what materials they can have," says Dr. Ott. "When they are in a private practice, they have a choice of where they want to perform cases and what they want to do. Autonomy is the major difference."

Without autonomy, orthopedic and spine surgeons also lose the ability to profit from ancillary services driven by their practice and often aren't allowed to serve as consultants for device companies.

Hospital employment can also be a slippery slope when it comes to compensation. Many surgeons are enthusiastic about their salaries in the first contract, but if they don't deliver the cases and revenue hospitals want to see, their next contract won't be as fruitful. "Hospitals have commoditized orthopedic surgeons and the wages will likely be dropping as more doctors choose to become employed," says Dr. Ott. "If that happens, I don't think we are going to see the \$500,000 starting salaries anymore; they will be dropping dramatically."

Furthermore, when surgeons aren't incentivized to drive patient volume, they can be a drain on the healthcare market.

"Working for a hospital, it doesn't matter what you do, you'll still be paid," says Dr. Ott. "They haven't found a reimbursement model that works well for orthopedics and spine. Some are beginning to implement RVUs, but there are still problems related to employed physicians because they collect a salary whether they do a lot or a little for the hospital."

**Private practice:** Starting salaries for orthopedic and spine surgeons are also less in private practice than in hospital employment. "The hospital can make that balance right off where as someone joining a private practice can't be paid high wages to offset their expenses if they aren't contributing the revenue," says Dr. Ott. "I can't pay someone \$500,000 to join when their net collections are less than that. The hospital can recoup on facility collections expenses; we can't."

Additionally, surgeons in private practice are paid based on their contributions to the practice and whether the practices' profits are up or down. "If someone joins a private practice, they should have the understanding that they will be compensated for what they do," says Dr. Ott. "There may be a waiting period, but if they collect more than their expenses we let them keep the balance."

One of the major pros of private practice is that it affords surgeons more autonomy; however, surgeons can't completely disregard the rules of business. "While you can determine what you want to do in your practice, you still have to run your practice like a business," says Dr. Ott. "You can't just ignore all those things."

Opening a private practice and running it profitably for a few years doesn't mean surgeons are set for life; they must continue to change with the times. This can be difficult when they are also concerned with updating medical technique and maintaining case volume.

"One of the things physicians don't understand is that they need to continually re-engineer their practice," says Dr. Ott. "We know we need to learn new techniques in medicine, but we have to re-engineer our practice as well. This can be a burden, but to me it's an opportunity to improve."

## What makes the most sense?

The most beneficial practice setting really depends on what the surgeon's professional goals are and where they are in their careers. Surgeons just finishing training may have a different outlook on their options than surgeons in the middle or at the end of their careers.

For someone just beginning their practice, depending on their lifestyle, either hospital employment or joining large group practices can be beneficial. Most agree, however, that the days of solo practitioners are nearly over. "Outside of a rural community setting, I don't think trying to set up shop as a guy who just graduated is very doable," says Dr. Ott. "There is a lot to overcome in terms of building a patient base and meeting new healthcare regulations."

Someone in the middle of their careers who may have once been a solo practitioner but isn't able to keep their practice running in the modern healthcare world has two options: hospital employment or joining a large, established group of physicians. "For someone in the middle, my personal belief is joining a larger, well-run group will give them more freedom, autonomy and ability to make revenues than joining a hospital," says Dr. Ott.

Physicians who are winding down their practice often want to focus more on patients and less on administrative work, or see fewer patients per week. There are multiple options for these surgeons as well.

"Later in your career, there are advantages of hospital employment for surgeon who want to limit their case volume and not worry about the administrative side of their practice," says Dr. Ott. "You may want to work three days per week, but you still have to pay rent and expenses for five days per week. For someone who is trying to wean down their practice, being employed offers a lot of opportunities."

There may also be opportunities for surgeons at the end of their careers with larger orthopedic and spine groups. Dr. Ott's group currently includes two surgeons—one who has limited his practice to part time and another who only sees non-surgical cases—who are able to cut back on their case load without becoming employed by the hospital. The practice charges them as half of a full time employee — or one FTE together — in overhead calculations and the surgeons share an office space and medical assistant.

"The office space becomes snug at times, but this situation allowed them to continue their careers longer," says Dr. Ott.

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