Can New Practice Opportunities Bolster Income Growth?

With incomes rising only slightly over the past five years and expectations of future growth weak, dermatologists are eyeing practice improvements to augment the bottom line.

— Practical Dermatology Staff
Outcomes are important in medical practice. From the disappointing outcomes of a major clinical trial to the outcome for a patient under a specific therapeutic regimen, physicians often want to know the bottom line. Yet, when it comes to incomes, the topic gets a little more complex. Everyone still wants to know the bottom line, but income is generally treated as a less noble topic.

The fact is that medical practice is an altruistic undertaking, and it takes a certain combination of knowledge, expertise, and desire in order to be a successful physician. But, at the same time, physicians are professionals who deserve and require fair compensation commensurate with their skill and training (which is becoming increasingly expensive). So, to help dermatologists identify what is a “fair” compensation, to determine the rate of satisfaction with that salary, and to aid future personal and practice planning, we surveyed readers about their 2004 income and key practice financial data. The results are promising, but they identify budding areas of concern.

**Satisfaction**

Head-to-head comparison of salary figures can have little meaning out of context. After all, what’s impressive for one profession or field of work may be laughable for another. So we framed our investigation of current dermatology income trends within the context of satisfaction. We reasoned that exactly how much money dermatologists make is less important than whether or not they’re happy with that income.

Responses to our survey reveal that most dermatologists are at least somewhat satisfied with their incomes for 2004, but there’s good and bad news. The number of respondents who say they are “very satisfied” with their income doubled from last year: 41 percent of respondents this year versus just 20.5 percent last year. But the overall percentage of at least somewhat satisfied dermatologists remained about the same.

In all, 45 percent of this year’s respondents say they are somewhat satisfied with their 2004 income. This represents a decrease of nearly 20 percent from last year. There’s a sign of favorable trends, though; presumably many “somewhats” transferred to the ranks of the “very” over the past 12 months. The number of “not at all satisfied” respondents remained about the same—two percent this year, while the percentage of “not too satisfied” inched up from 10 percent last year to 12 percent this year.

Increases in satisfaction echo increases in income from patient care (about six percent of respondents characterized their primary mode of practice as academic; the remainder selected “patient care.”). This year’s average overall reported personal net income ($315,900) climbed 10 percent above last year’s average ($285,900). The average personal net income among the very satisfied jumped 25 percent this year from $409,000 to $541,730. Interestingly, the average reported net income among those somewhat satisfied actually dropped notably: 20 percent from $275,211 last year to $222,566 this year.

This year’s not-too-satisfied respondents reported an average personal net income of $175,600. That’s actually a 15 percent improvement for this group over last year’s reported $150,000 income. The not-at-all satisfied dermatologists dropped a full 17 percent from an average personal net of $145,000 last year to a comparatively meager $120,000 this year.
The not-too and not-at-all satisfied respondents reported a mixed bag of increases, decreases, and stability in personal net income over the last 12 months. By comparison, 40 percent of the "somewhat satisfied" enjoyed an increase in net income from last year, and an equal number stayed about the same. Just 15 percent of respondents in this group reported income decreases.

Not surprisingly, half of the very satisfied reported increases in net income from last year. Thirty-five percent of this group say personal net income stayed about the same. Just five percent report income decreases.

The average reported gross practice income for our survey was $1,168,838.18. The average reported net practice income was roughly 50 percent of that figure: $580,808.23. Note that about 60 percent of total participants provided practice data.

When asked to predict change in income for the coming year, respondents seemed hopeful, but most showed no signs they expect significant raises. Half of respondents said they expect their personal net income to stay about the same. A lucky 31 percent of respondents anticipate increases, while about half that number (16.6 percent of total respondents) anticipate declines. Expectations of practice revenue in the coming year almost identically reflect expectation of personal income (see table).

Interestingly, while those anticipating salary declines next year report a fair mix of each level of satisfaction, those who expect to remain flat are almost evenly split between the somewhat and very satisfied. Of those anticipating increases, however, nearly a quarter (23 percent) say they are not too satisfied. The remainder of those anticipating one-year increases are evenly split between "somewhat" and "very" satisfied.

Of course, all these responses came before the AMA launched a campaign
warning that Medicare’s annual reimbursement cut—annually threatened but in recent history never enacted—could actually take effect for 2006. If it does, it will spell a 4.5 percent decrease in reimbursement for physicians, significantly impacting future earnings. One respondent feared looming Medicare cuts, warning, “‘Easy’ dollars for procedures from Medicare will decrease!”

Looking Back, Looking Forward
Warren Buffett once noted that in business, the rearview mirror is always clearer than the windshield. With that in mind, we asked dermatologists about income trends over the past five years and their expectations for the coming five.

Nearly 70 percent of all respondents report that their income has generally trended upward over the span of the last five years. Close to 40 percent of all respondents (38.8 percent) say that that increase was slight, while 30.6 percent say that it was significant. The 24.5 percent of respondents who say their income was generally flat over the past five years may consider themselves luckier than the six percent who saw declines during the same time period.

But respondents aren’t overwhelmingly optimistic about the years ahead. Only about five percent of respondents anticipate significant increases in income in the next five years. Forty-two percent anticipate slight increases, and just under net income of $285,900—a variation of just under seven percent.

Due to variability in response rates, the regional data should be viewed simply as reflective of trends, not as a sophisticated indicator of income. Don’t take our data as an excuse to pack up and relocate to the South, though Medical Economics agrees that southern physicians tend to report the highest earnings.


We mailed our survey to a random sampling of 1,000 readers and received 102 responses. Note that some respondents elected not to provide all the requested information; reported responses may not always total 102 and rates may not always equal 100 percent.

While we’re confident that the average overall salary data are in-line with trends, our response rate doesn’t suggest that findings are gospel. Note, though, that Medical Economics reports the average net income for dermatologists in 2003 was $266,000.* Our income survey for 2003 (May 2004, p. 32) reported an average

Methods and Meanings
To paraphrase a quote attributed to Aaron Levenstein, statistics are like a bikini: What the data reveal may be of less interest than what the data hide. While there’s no attempt to conceal information in our report, it is worth noting that our unscientific survey may not provide a full view of current salary trends. Our goal is to provide a broad picture of the specialty that will help readers begin to assess their own personal and practice revenues.

We mailed our survey to a random sampling of 1,000 readers and received 102 responses. Note that some respondents elected not to provide all the requested information; reported responses may not always total 102 and rates may not always equal 100 percent.

While we’re confident that the average overall salary data are in-line with trends, our response rate doesn’t suggest that findings are gospel. Note, though, that Medical Economics reports the average net income for dermatologists in 2003 was $266,000.* Our income survey for 2003 (May 2004, p. 32) reported an average

Due to variability in response rates, the regional data should be viewed simply as reflective of trends, not as a sophisticated indicator of income. Don’t take our data as an excuse to pack up and relocate to the South, though Medical Economics agrees that southern physicians tend to report the highest earnings.

2nd Annual Salary Survey

35 percent expect income to stay flat. Most disheartening: 18.6 percent of respondents say they anticipate drops in salary over the next five years.

Although dermatologists in our survey aren't generally reporting tremendous actual or anticipated salary increases, most say that their income matches or exceeds their salary expectations upon entering the field. Thirty-one percent of respondents say they're now making more than they expected, and 37 percent say they're making “about what they expected.”

Only six percent report making much less than they expected; a quarter say income is a “little less” than they anticipated. Though there are no clear correlations within the other groups, the vast majority of respondents “very satisfied” with their current income also report that their income is more than or about what they expected upon entering the field.

Thirty percent of dermatologists in the survey say that potential income was “not at all important” in their selection of dermatology over another medical field. An equal number said potential income was “somewhat important.” Slightly more respondents (36 percent) say potential income was “not too” important, while about four percent deemed potential income “very important” in their selection of dermatology as a specialty.

Finding Fault

Dermatologists who anticipate salary decreases next year identify some contributing factors. Forty percent of those who anticipate decreases blamed declining patient loads, and an equal proportion cited cuts in third party reimbursements. Only two respondents claimed a financial impact from competition either from other dermatologists or other physicians. But others clearly see a threat from other physicians.

When we asked respondents whether they agreed that “competition from general practitioners, cosmetic surgeons, Ob-Gyns, and other specialists has forced me to change some aspect(s) of my practice,” the greatest proportion of respondents (42.2 percent) said they agreed somewhat, while 30.6 percent of respondents disagreed strongly. About 18.5 percent of respondents disagreed somewhat; about four percent agreed strongly.

For one respondent, starting a new practice contributed the greatest financial strain: “It costs much more than I expected. Debt is my greatest problem.” Ironically, one respondent suggested, dermatologists can be “the victim of your own success. All patients get well so soon and easily.”

Unlike some other specialties, dermatology seems to remain relatively insulated from soaring malpractice premiums. The reported average premium this year was $13,643.24. About 10 percent of our sample reported premiums at or above $25,000. The highest reported premium was $50,000. CME costs prob-
ably aren’t eating into revenues; the average reported cost per year paid by the individual respondent or his/her employer was $3,976.92.

Respondents also attempted to credit the sources of anticipated income increases. By far, increasing patient load was the most common source of optimism, cited by 77 percent of respondents. Thirty-eight percent of those anticipating increases credited increased professional fees, while 23 percent felt increased service offerings would improve incomes. In the future, one respondent predicted, “More dermatologists will drop insurance and go cosmetic and their incomes will increase.” Interestingly, this observer noted personal opposition to the trend.

**Seeking Opportunities**

Nearly two-thirds of participants said they would try at least one practice change or update in the coming year in efforts to increase revenue. Respondents were asked to identify which option(s) they would consider from a list of eight. One respondent noted that the practice had and would continue to try every proposed remedy.

The following is a listing of the proposed opportunities in order of popularity. Percentage reflects the percentage of respondents who recently had or soon plan to implement each item (Respondents could choose more than one).

- Adding low-level elective services, such as Botox, chemical peels, microdermabrasion (33 percent)
- Adding product dispensing (25 percent)
- Increasing weekly work hours or adding evening/weekend office hours (23.5 percent)
- Adding mid-level elective services, such as IPL, non-ablative resurfacing, etc. (21.5 percent)
- Adding an on-site esthetician or expanding esthetician services (11.5 percent)
- Dropping Medicare and/or HMO insurers (15.5 percent)
- Adding high-level elective services, such as laser resurfacing, liposuction, etc. (10 percent)
- Participating in clinical trials for pharmaceutical manufacturers (8 percent)

Although a few respondents commented that they felt cosmetics tarnished the stature of dermatology as a medical specialty (“I refuse to sell out to worthless cosmetic procedures…I would rather enjoy life and not be so greedy,” one wrote), many are obviously eyeing cosmetic services—particularly low- and mid-level procedures—as their practice’s fiscal salvation. In fact, 18 percent of respondents said they agreed strongly with the assertion that dermatologists must provide some cosmetic services to earn a reasonable income.
Another 29 percent said they agreed somewhat. Only 26 percent disagreed strongly, and 27 percent of respondents disagreed somewhat.

As noted in our article on financial decision-making (p. 44), there’s growing interest in medically-based practice opportunities, especially medical subspecialization. “‘Specialty’ areas of dermatology, such as pediatric dermatology, may see small increases in compensation (or less decrease) in recognition of the higher level of care,” one respondent commented. Another respondent noted a “crimp on the supply of general derms.”

Interestingly, many dermatologists could be neglecting potentially lucrative opportunities beyond traditional patient care activities, such as lecturing, conducting research, or advising to pharmaceutical companies. Just a few more dermatologists reported taking advantage of ancillary opportunities this year (43 percent of total respondents) than last (38.5 percent).

Don’t see the benefit of such ventures? Consider that one respondent claims income of $200,000 and another claims $300,000 from such endeavors last year. These exceptions prove the rule that opportunities exist.

Although a few more dermatologists are earning income beyond the realm of patient care, dermatologists in this year’s survey report significantly less income from activities outside of patient care compared to last year’s respondents. In last year’s survey, those dermatologists who pursued opportunities outside of patient care—lecturing, teaching, consulting, research, etc.—earned an average of $20,615 in additional income from these activities. This year, the average reported income from such activities (excluding the two outliers noted above) was a relatively paltry $7,629.73. Nonetheless, eleven percent of total respondents earned $5,000 or more from non-patient care activities.

Winds of Change
As cosmetic advancements continue to open new opportunities for dermatologists, “traditional medical” dermatology is also developing apace—engendering even more opportunities for practice advancement. As the economy overall demonstrates a continued (though dawdling) recovery, dermatologists generally continue to report income increases and are hopeful for the future. Satisfaction is high, reflected in comments like, “I practice dermatology for love only,” or, “I am very happy with my present income—I could retire at any time but enjoy what I am doing and enjoy the lifestyle that additional income provides.”

The greatest challenge ahead for dermatologists may be Medicare cuts, but the fight is underway to block them. Meanwhile, responses to our survey suggest that dermatologists are dedicated to improving efficiency and uncovering opportunities for practice advancement. As they do so, income increases will hopefully develop as well.

Tell us what you think.

We want to know what you think about our survey, the results, or the financial trends currently affecting the practice of dermatology. Send your letter to Paul Winnington, Editor-in-Chief:
pwinnington@avondalemedical.com
630 West Germantown Pike, Suite 123
Plymouth Meeting, PA 19462