Executive Summary

Primary care doctors often serve as the first point of contact for individuals seeking healthcare, which has contributed to strong demand over the past five years. The burden of chronic illnesses, which are disproportionately prevalent in older adults, has risen significantly due to a demographic shift to an aging population. Most important to growth, however, has been the passage of the landmark Patient Protection and Affordable Care Act (PPACA). Beginning in 2014, all individuals were required to obtain healthcare coverage either through their employers, government-provided health insurance programs or the private market; the PPACA also provided insurance subsidies to low-income individuals under Medicaid. State and federal health insurance exchanges have worked to create a more competitive market for health insurance, better enabling individuals to obtain coverage and thereby increasing primary care demand. Over the five years to 2017, industry revenue is expected to increase an annualized 2.3% to $248.2 billion. Revenue is expected to grow 2.0% in 2017 alone.

The increase in the number of insured individuals has also exacerbated the shortage of primary care doctors. Despite marginal growth, the number of primary care doctors has not expanded enough to keep up with demand. This has driven several reforms under the PPACA, including the provision of grants and contracts to support entry into primary care. Most importantly, the PPACA has increased reimbursement rates for primary care services through Medicare and Medicaid, aimed at bridging the substantial pay gap between primary care and specialist physicians in an effort to encourage more primary care doctors.

Current trends are expected to accelerate over the next five years as an aging population and rising health insurance coverage drive demand for primary care doctors. As a result, industry revenue is expected to increase an annualized 4.3% to $305.8 billion over the five years to 2022. This period is also expected to bring structural changes encouraged by the PPACA, such as the consolidation of industry establishments. However, the regulatory environment of this industry has the potential to change significantly over the next five years, as the Republican party under the Trump Administration has suggested repealing and replacing the PPACA. IBISWorld forecasts are based on the current regulatory environment; however, as changes are made to the PPACA, forecasts are also subject to change.

Medical Offices Industry at a Glance

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>Revenue</th>
<th>Annual Growth 12-17</th>
<th>Annual Growth 17-22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit</strong></td>
<td>$39.0bn</td>
<td>2.3%</td>
<td>4.3%</td>
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<tr>
<td><strong>Revenue</strong></td>
<td>$248.2bn</td>
<td></td>
<td></td>
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<tr>
<td><strong>Wages</strong></td>
<td>$111.5bn</td>
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<td></td>
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<tr>
<td><strong>Businesses</strong></td>
<td>189,079</td>
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</tbody>
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Medical Offices Industry Activities

This industry includes general practitioners who possess a Doctor of Medicine (MD) or Doctor of Osteopathy (DO) degree. These doctors primarily work using a broad understanding of all illnesses and do not restrict their practice to one particular field of medicine. Doctors in this industry are trained for comprehensive first-contact and continued care for individuals with any undiagnosed health concern.
The Primary activities of this industry are:
• Diagnosing ailments and diseases
• Prescribing disease and symptom treatments
• Educating patients
• Referring patients to specialists
• Counseling patients
• Administering preventative care (e.g. check-ups and screenings)

The major products and services in this industry are:
• Diagnosis of general symptoms
• Diagnosis of symptoms related to the musculoskeletal system
• Diagnosis, screenings and preventative care
• Disease treatment
• Diagnosis of symptoms related to the respiratory system

Associations and Additional Resources
• American Academy of Family Physicians: www.aafp.org
• American Medical Association: www.ama-assn.org
• American Osteopathic Association: www.osteopathic.org
• American College of Physicians: www.acponline.org

Industry Jargon

ALLIED HEALTH PRACTITIONERS
Healthcare professions distinct from dentistry, nursing, medicine and pharmacy. They provide a range of diagnostic, technical, therapeutic and direct patient care and support services.

FAMILY MEDICINE
A specialty devoted to comprehensive healthcare; a form of primary care that provides continuing healthcare for the individual and family across all ages, sexes, diseases and parts of the body.

FEE-FOR-SERVICE
A health plan where individuals choose the doctor, hospital or clinic, and the insurance pays for part or all of the cost according to a schedule laid out in the policy.

GYNECOLOGY
The surgical specialty dealing with health of the female reproductive system.

HEALTH INSURANCE EXCHANGE
A set of state-regulated and standardized healthcare plans from which individuals may purchase health insurance eligible for federal subsidies.

OBSTETRICS
The branch of medicine dealing with childbirth and care of the mother.

PEDIATRICS
The branch of medicine concerned with the treatment of infants and children.
Key Success Factors – What keeps them up at night

Access to highly skilled workforce: Industry operators need to attract and retain quality medical, nursing and administrative staff in order to deliver superior patient care.

Proximity to key markets: Consumers prefer to access facilities in convenient locations which are close to their homes or offices.

Understanding government policies and their implications: Doctors and related staff must have an understanding of Medicare, Medicaid and private health insurance regulations and compliance, including the effect of these on costs and incomes.

Having a loyal customer base: Large practices should aim to lock in referral and customer bases to ensure a steady flow of patients and to make sure that patients are seen regularly for preventative care.

Recommendation or accreditation from authoritative source: Participation in Medicare, Medicaid and managed care contracts can bolster income. Certification with specialty medical boards is sometimes necessary in order to be included in networks and receive reimbursements.

Effective product promotion: Industry operators need to strongly market services to referrers, insurers and the public to ensure successful practices.

SIC Codes represented in this vertical

There are a few SIC codes represented in the Financial Consultants vertical. They include:

SIC Code
Internal Medicine SIC 8011
Laser Eye Surgery Physicians SIC 8049
Optometrist SIC 8042
Osteopathic Physicians SIC 8031
Podiatrist SIC 8043
Acupuncturists SIC 8049

Underwriting Tips
In addition to the general property guidelines the following apply:
- Must have professional liability coverage (generally purchased through professional associations)

Sources:
“Primary Care Doctors in the US 62111A”, IBISWorld, November 2017

U.S. Bureau of Labor Statistics