

A SIMPLE GUIDE

Growth and Independence in the Orthopedic Market



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The healthcare economy in the United States—arguably the most expensive in the world—is struggling to change. For many, healthcare is not only unaffordable, it is inaccessible. In an effort to reduce cost and increase access, regulatory measures are pushing privately-owned practices to merge with larger, more comprehensive health systems.

For orthopedists who want to remain independent, it's not just a matter of statistics; this challenge is reflected in the routine of each workday. As government regulation increases and reimbursement questions are raised, running a practice profitably requires more effort to remain independent and thrive.



Current trends in orthopedics and rehab therapy

Diminishing private orthopedic practices

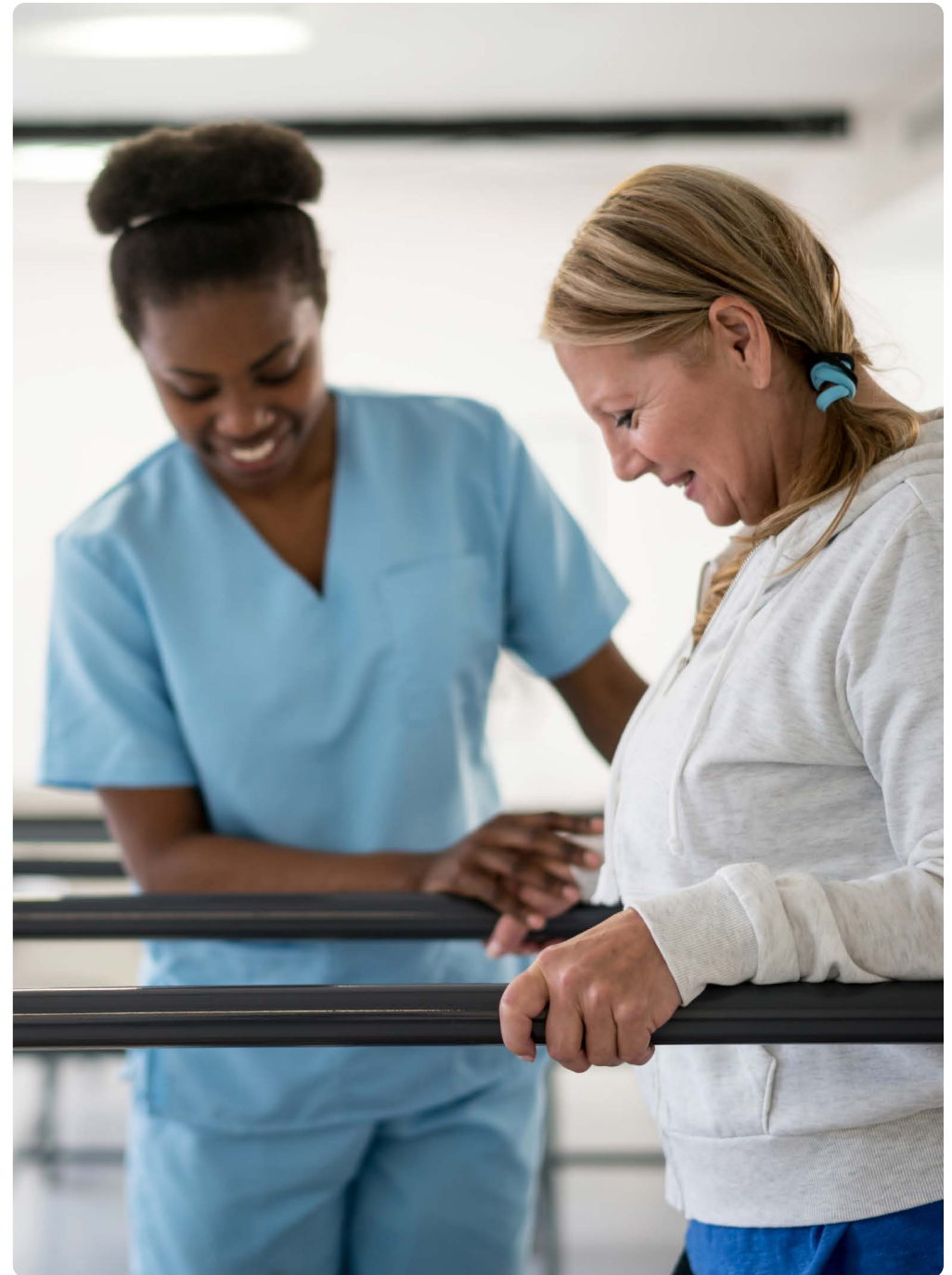
According to a **2024 American Medical Association (AMA) survey**, only 42.2% of US physicians work in private practices, as compared to 60.1% in 2012. This decline in independent practices can be attributed to lower payer reimbursement rates, high ownership costs, and administrative challenges.

Outpatient procedures

Less invasive outpatient procedures are on the rise—arthroscopy and arthroscopically assisted surgical procedures being some of them. Depending on the health of the individual, total hip and knee replacement surgeries are now being performed in outpatient centers. New technologies, devices, instruments, and related advances in navigation, robotics, and bone substitutes will lead to less invasive and more physiologic surgical interventions, contributing to a higher volume of outpatient cases, shorter lengths of stay, and lower costs of care.

Other trends

- Declining fee-for-service reimbursement
- Bundled payments
- Quality performance pressure

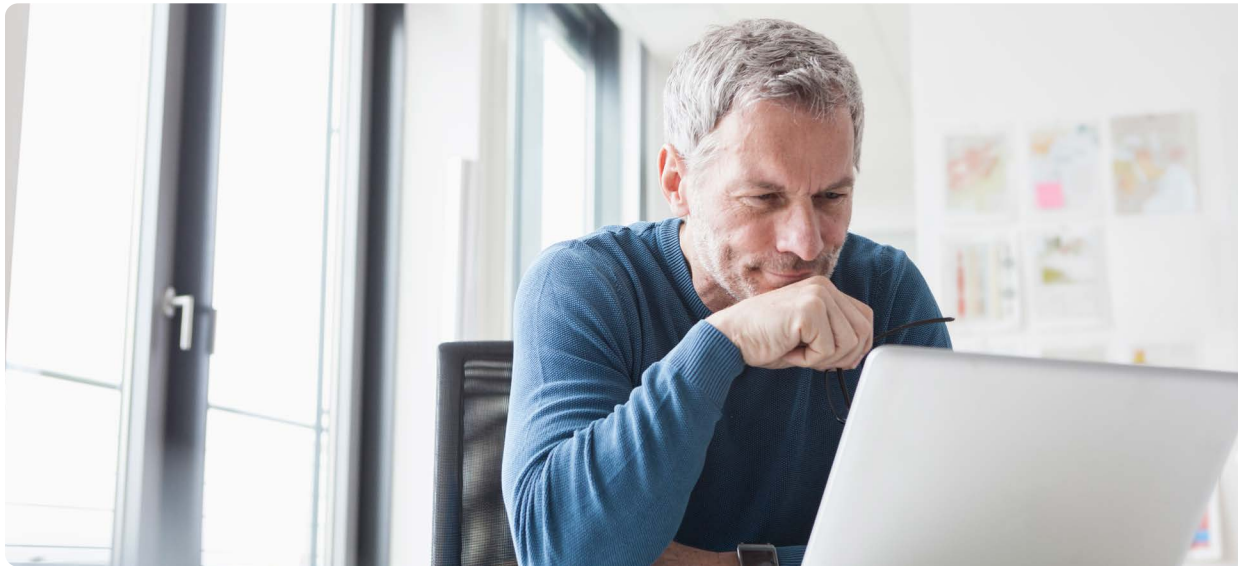


Clinical integration of rehabilitation therapies

Outpatient orthopedic rehab therapy is significantly less costly than surgery or hospitalization. Positive patient outcomes and an increase of patient access to rehab therapy through government regulations has also increased demand in the market—orthopedic practices that add rehabilitation services can increase profits and support a positive care continuum.

Benefits of clinical integration of rehabilitation therapy

- Ease of access
- Ease of scheduling
- Improved communication
- Patient compliance and satisfaction
- Common care pathways
- Appropriate and accurate orders
- Ability to modify care
- Improved physician oversight
- Improved safety
- Common electronic health record



Concerns of the orthopedist:

- Declining reimbursement
- Decreased demand for elective services due to increased co-pays
- Payer contract network exclusion
- Commercialization of surgery technology
- Pressure to relinquish autonomy and join hospitals, or larger healthcare groups/systems
- Physician burnout
- Challenges related to filling/retaining qualified staff positions
- Lack of clarity and information to make informed decisions

Compensation and other trends for orthopedic surgeons

\$557K

Average annual income for orthopedists (increase from \$511,000 in 2021.)

\$579K

Average annual income for employed orthopedists.

\$537K

Average annual income for self-employed orthopedists.

42%

*of orthopedists take on extra work to **supplement their income.***

14hrs

*Average time orthopedists **spend on paperwork** per week.*

25%

*of orthopedists say reimbursement is the **hardest part of their jobs.***

Source: 2022 orthopedist compensation report: 12 survey results, Claire Wallace, Medvanta, August 2022, <https://www.beckersspine.com/orthopedic/54946-2022-orthopedist-compensation-report-12-survey-results.html#1>

Orthopedic organizational models

Private practice groups

- Pros: Clinical and financial autonomy, customized patient experience
- Cons: Financial risk, lack of upward mobility
- Compensation: “Eat what you kill”

Hospitals, hospital-affiliated medical groups

- Pros: Low administrative responsibility, low financial risk, opportunity for professional growth
- Cons: High volume/productivity expectation, loss of independent decision making
- Compensation: Salary with incentives tied to productivity, quality, or other metrics

Mega-physician groups

- Pros: Diversity in service offering, shared financial risk, power in numbers
- Cons: Share financial risk, decision by committee, increased scrutiny on Stark/Anti-trust violations
- Compensation: Salary with incentives tied to productivity, quality, or other metrics

Private equity companies

- Pros: Initial cash injection, ongoing access to capital, maintain local control
- Cons: Bottom line and profit considerations, staff attrition
- Compensation: Salary with incentives tied to profit margin, rollover equity/options

National physician services companies

- Pros: Initial financial reward for partners, operational expertise, long-term growth strategy
- Cons: Bottom line and profit considerations, loss of local control
- Compensation: Salary which may include bonuses.



Independence through interdependence

Get the best of both worlds

Work with, not for, hospital systems or larger organizations. Professional Services Agreements (PSA) and co-management agreements are consulting strategies that align your independent practice with the orthopedic service workflow of a hospital. Under these agreements independent orthopedists become business partners with the hospital and can accrue performance bonuses and incentives for meeting quality and efficiency standards set by hospital payers.

- Co-management, joint ventures, or Professional Services Agreements (PSA) with hospital systems may be mutually beneficial for quality, efficiency, and process improvement
- Alignment with hospitals allows for practice autonomy and can help boost revenue

Orthopedic SuperGroups

- A SuperGroup is a fully integrated organization that combines orthopedic practices and groups into a single practice with a single tax ID number
- SuperGroups can improve market position, which in turn eases contracting and recruitment, and fosters expansion and growth
- The collective strategic power of a SuperGroup can help sustain independence without the disadvantages of going it alone

Orthopedic Networks

- A network of independent orthopedists and orthopedic groups who can jointly negotiate price and other terms with third-party payers
- With substantial market influence, networks can take advantage of joint contracting with the flexibility and autonomy of an independent practice

Ambulatory Surgery Centers (ASC)

- ASCs allow orthopedists to elevate their expertise in an affiliated, high-quality care environment without the procedural and clinical downsides of a hospital setting
- Enable procedural specialization that benefits both patients and providers, while leveraging orthopedic talent in the community

Shifting reimbursement models drive change

Value-based payment models and the challenge to remain independent

The shift to value-based reimbursement and alternative payment models (shared savings, bundled payments, ACOs, etc.) has exacerbated the challenge of independence. The struggle to meet strict, burdensome, and ever-changing federal regulations requires an infrastructure that collects, manages, and reports data—without overwhelming staff time.

Rising quality performance pressure

Some payers are only reimbursing providers if the providers are willing to take on more risk—demonstrating that patient outcomes are improving and the care they provide is valuable.

Under alternative payment models (APMs), providers can receive payment in the form of:

- Bonuses for improving measurable quality and outcomes
- Shared savings as a result of reduced cost and utilization
- Surplus generated by budget-based payment bundles, episodes of care payments, capitation arrangements

Bundled payments - predetermined allowable expenditures for an episode of care, also known as episode payment models (EPMs)

Value-based care growth continues to expand. Enterprise value is expected to increase from \$500 billion to \$1 trillion as the number of patients involved in value-based care arrangements increases. Better cost management will help drive enterprise value creation and enhance clinical outcomes. To reach this level of efficiency, practice owners will need robust analytical capabilities to effectively monitor operational and clinical performance.¹

Pro: Providers are rewarded if they keep costs below the predetermined cost of care

Con: Providers must cover costs that go beyond the target price for the episode of care

“Negotiating for some combination of general inflation increases and value-based payments (by demonstrating quality and cost-effectiveness) will probably be the best way in the foreseeable future for independent orthopedists to optimize their bottom-line financial results.”²

Timing your transition

Even though the transition to value-based care is a fact of life, an orthopedic practice should only make a move when they are ready, and it's the best strategic option.

Solutions to maintain autonomy

NextGen® Orthopedic Suite

Hands-free EHR to empower the high-volume orthopedic physician

- Document the way you want and save time with mobile dictation, transcription, direct-to-desktop (D2D), and remote scribe
- Increase workflow efficiency and enjoy the flexibility of a hands-free mobile app
- Complete an entire clinical viewing and reporting workflow without the need to exit and reopen the EHR
- Save time with image-enabled orthopedic integrated PACS

Improve the quality and efficiency of care delivery

- Streamline clinical workflows with specialty-specific and customizable content
- Manage Surgery Scheduling process with workflow designed for the orthopedic practice
- Easily stay current with regulatory, documentation, and compliance requirements
- Provide better care through integrated, mobile collaboration

Participate in frictionless interoperability

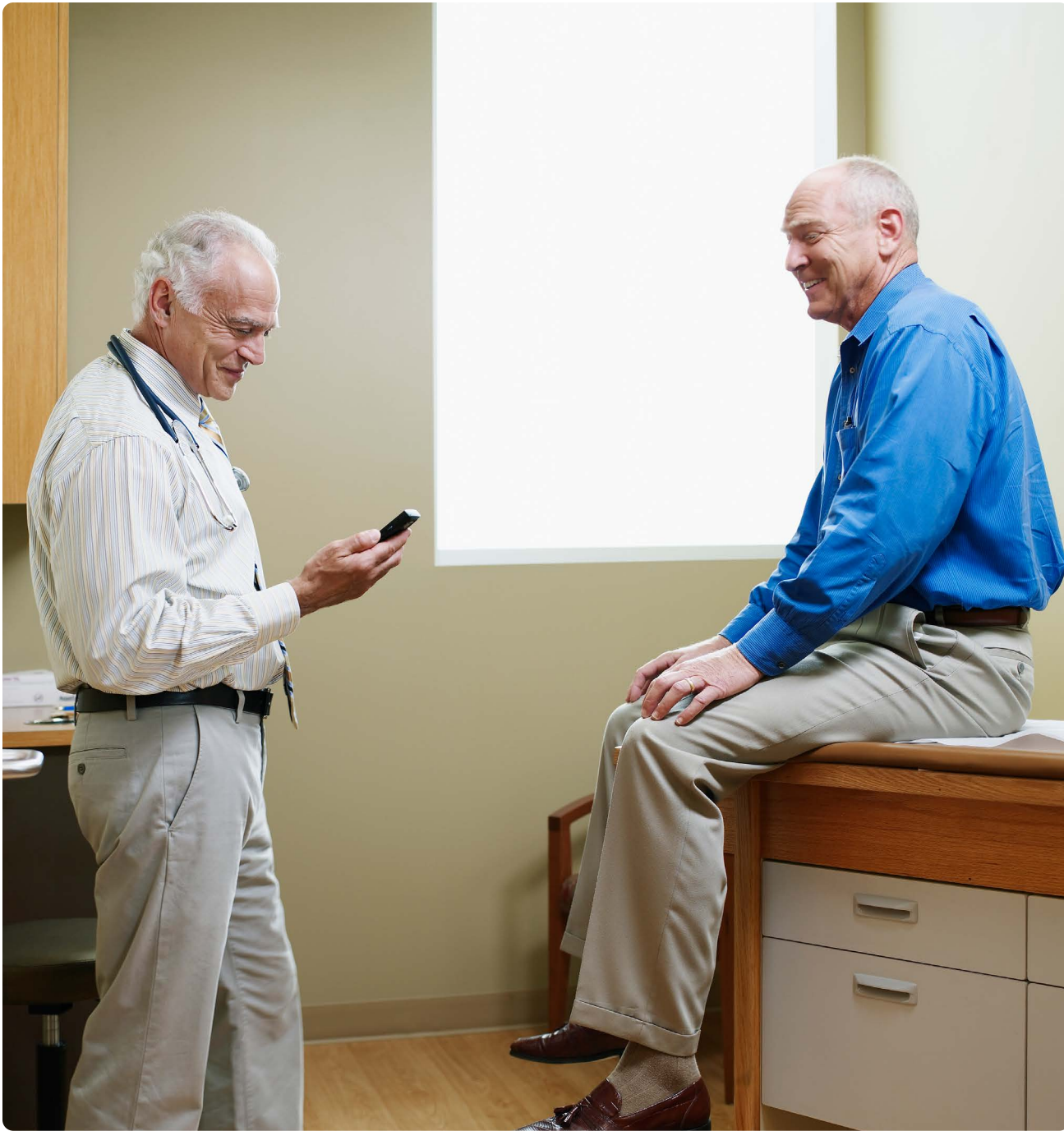
- Access and share patient information seamlessly through a national data exchange
- Remain independent and provide optimal care with cost-efficient interoperability
- Access clinical data with easy-to-activate plug-and-play APIs for easy data exchange
- Consolidate data from disparate systems for a single source of truth across the community

Capture revenue at the lowest cost

- Provide a more informative and engaging check-in and billing experience
- Automate charge creation and create custom coding rules
- Maximize financial performance with clean claims and AR management
- Recover everything you've earned with customized, turnkey contract audit and recovery

Engage patients in their care and drive loyalty

- Improve patient engagement and decrease staff time on tedious tasks
- Deliver cost-effective and convenient care with virtual visits for appointments like post-op care
- Enable efficient communication to patients with automated technology



NextGen® Mobile Solutions

Turn your cell phone into an extension of your practice and free yourself from hours spent on the EHR. NextGen Mobile is a AI-assisted, cloud-based platform for documenting care that can help you eliminate after-hours charting.

NextGen® Therapy Suite

Our intuitive solution helps physical and occupational therapists work faster, easier, and smarter, while minimizing denials and improving reimbursement. Created by therapists for therapists, our custom templates help your patient visits flow more smoothly. NextGen Therapy Suite delivers alerts as you need them, so you can focus on care, instead of compliance—all without sacrificing reimbursement.

“

It's a very stable system. The billing, the tasking, and the reports are what makes AR really hum in the NextGen [Healthcare] system.

*Kim Wiley, Vice President of IT
Hanger, Inc.*

If you want to remain independent, don't go it alone

Running a successful practice and enjoying a satisfying career while ensuring the safe, quality care your patients deserve is far from easy.

Carefully chosen partners—experts in business and technology who can help you run your practice efficiently and effectively—are now an absolute necessity.

An orthopedic-centric vendor who stands by you is instrumental in maintaining independence.





Closing points to consider

- Healthcare is a competitive marketplace—efficiency is everything. The right health IT vendor can point you toward an EHR solution that incorporates processes and workflows to maximize efficiency.
- Patients are now in the driver’s seat—solutions are available to help improve the patient experience, such as offering virtual appointments and listing your practice on online directories and medical review sites to strengthen your marketing efforts.
- Get help coping with the regulatory weight on your practice—standardized and customized reporting solutions can free up your time for patient care.
- Tighter reimbursements make it urgent to maximize revenue efficiency—seek solutions that help you increase your clean claims rate, reduce denials, and better manage the revenue cycle.

Talk to an expert today.

Partner with us at 855-510-6398 or results@nextgen.com

Visit nextgen.com/ortho to learn more about the NextGen Orthopedic Suite.

1 Debi Croes, "Streamline Patient Visits," Physicians Practice, June 1, 2003, <http://www.physicianspractice.com/operations/streamline-patient-visits/page/0/1> 2 Debi Croes, "Streamline Patient Visits," Physicians Practice, June 1, 2003, <http://www.physicianspractice.com/operations/streamline-patient-visits/page/0/1> 3 DMark Linzer, Asaf Bitton, Shin-Ping Tu, Margaret Plews-Ogan, Karen Horowitz, Mark Schwartz, "The End of the 15-20 Minute Primary Care Visit," Journal of General Internal Medicine, November 2015, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4617939/> 4 Estella Geraghty, Peter Franks, Richard Kravitz, "Primary Care Visit Length, Quality, and Satisfaction for Standardized Patients with Depression," Journal of General Internal Medicine, December 2007, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2219826/> 5 Trends in Healthcare Payments Annual Report, 2015, <https://www.instamed.com/blog/trends-impacting-the-healthcare-payments-market/> 6 "The Three Best Practices to Follow in Healthcare Patient Payments," JPMorgan Chase & Co., <https://commercial.jpmorganchase.com/pages/commercial-banking/industry-expertise/healthcare-patient-payments>.

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