

# Dermatologists

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NAICS CODES: 621111

SIC CODES: 8011

## Industry Overview

Companies in this industry primarily engage in the medical practice of treating conditions of the skin, hair, and nails. No major companies dominate the industry. Dermatologists may work in group practices or as solo practitioners; some work for hospitals, medical schools, or outpatient facilities.

Increased demand for dermatologists is being driven by rising occurrences of skin conditions such as acne, atopic dermatitis, psoriasis, rosacea, and skin cancer. Meanwhile, aging populations in developed nations and expanding middle-class populations in developing economies are driving an increase in spending on health care, including dermatology services.

About 20,000 dermatologists practice in the US, according to the Association of American Medical Colleges.

## Competitive Landscape

Demand for dermatologists is driven by demographics and population growth. The profitability of dermatology practices depends on consumer spending trends and insurance reimbursement decisions. Large practices may be able to leverage the costs of administrative staff and equipment. Small practices compete by providing personalized patient experiences and specialized services.

Dermatologists may compete with **primary care physicians** who can perform common skin-related procedures such as mole checks. Dermatology practices that provide cosmetic products and services such as Botox, micro-dermabrasion, and high-end skin creams may also compete with beauty spas and plastic surgeons.

## Products, Operations & Technology

Dermatologists diagnose disorders of the skin, hair, and nails and oversee and perform surgeries and cosmetic treatments. They also aid in the formulation of pharmaceutical and cosmetic products. Practices typically offer general dermatology treatment, cosmetic services, and a micrographic surgery called Mohs, which is widely accepted as the most effective technique for removing common skin cancers.

Most dermatologists' office visits are self-referrals. Referrals also come from hospitals, clinics, and spas. To share the patient workload and maintain efficient operations, dermatology practices employ **physician assistants**, aestheticians, nurses, and office managers. Dermatologists typically spend nine to 16 minutes with each patient, according to Medscape.

Dermatologists practice a variety of subspecialties. Cosmetic dermatology covers a broad range of nonsurgical treatments such as dermabrasion, chemical peels, phototherapy, **Botox injections**, and collagen injections. Dermatological surgery includes tissue micrographing, laser surgery, and cryosurgery to remove skin cancer and reduce the appearance of scars; and liposuction and facelifts to restore a youthful look. **Venereology** is the diagnosis and treatment of symptoms of sexually transmitted diseases. **Phlebology** covers the treatment of superficial veins, such as varicose veins.

Since systemic illnesses may cause skin disorders, dermatologists are also educated in a variety of internal medicines including rheumatology (the study of joints), **immunology** (immune system), neurology (nervous system), endocrinology (glands and hormones), and **genetics**. Dermatology students are required to undergo eight years of undergraduate and medical school training, a one-year internship in medicine, three years in a formal residency program, and, ultimately, certification by the American Board of Dermatology or the American Osteopathic College of

Dermatology. Once certified, dermatologists may enter a fellowship for advanced training in a subspecialty, such as pediatric dermatology.

### Technology

More dermatologists are using **electronic devices**, including tablets and smartphones, to take notes, communicate with other medical professionals, access medical information in different websites, and perform diagnostic tests. To make full use of these devices, practices maintain high-speed internet access. In addition, doctors are becoming more comfortable with **telemedicine**, or offering online consultations to patients. This provides a convenient and affordable way for patients to connect with physicians through text messaging, email, live chat, phone call, or video session. It also enables virtual consultation during the COVID-19 pandemic when stay-at-home orders are enforced and people tend to avoid a crowd. Electronic devices are also used by doctors to issue digital prescriptions.

Research is being conducted on applying artificial intelligence to dermatology in a process that uses machine-learning algorithms to diagnose skin cancers and other skin issues. The technique relies on a repository of skin images, and could ultimately result in more efficient doctor visits and increased, reliable diagnoses. Most applications are concerned with determining whether skin lesions are benign or malignant.<sup>9</sup> A major drawback of AI-driven dermatology is that it could misdiagnose people with darker skin tones, or miss them entirely, according to The Atlantic.

### Sales & Marketing

Typical patients visit dermatologists for treatment of acne, eczema, and other skin conditions, as well as more life-threatening conditions such as skin cancer. Dermatologists acquire patients through self-referral and referrals from physicians, medical centers, and spas.

Since cosmetic dermatological procedures are not typically covered by insurance, dermatologists also reach out to patients directly through magazine, newspaper, radio, TV, and internet advertisements, especially those geared toward local audiences. They may also conduct outreach via social media sources such as Facebook and listings on digital recommendation sharing services such as Yelp. Cosmetic dermatologists also advertise specific procedures.

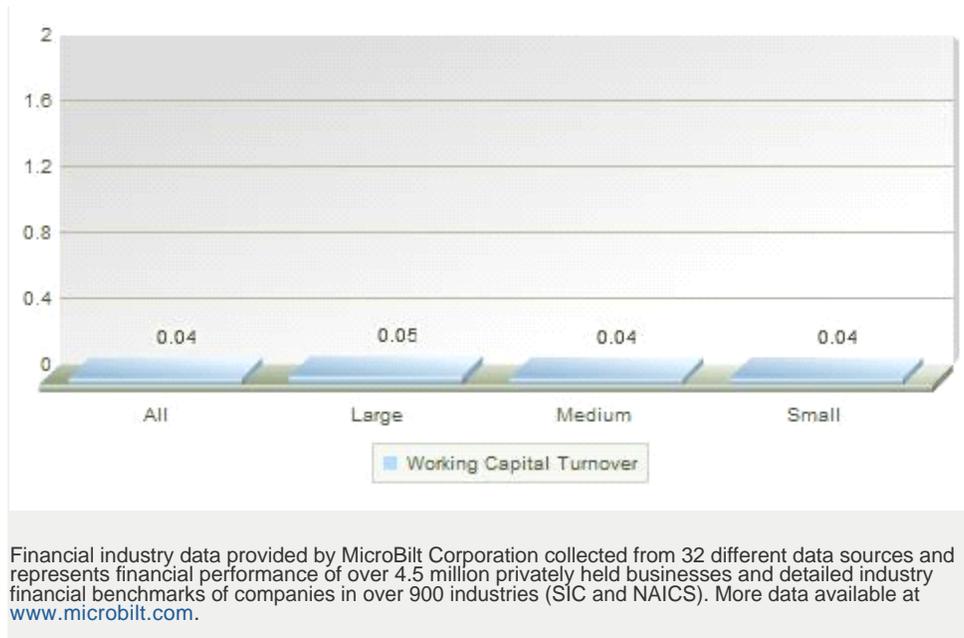
### Finance & Regulation

Dermatologists' revenue comes from a mix of **insurance reimbursements** and direct payments from patients. Insurers usually cover medical dermatological services, but not cosmetic treatments. As a result, accounts receivable may be fairly low, less than 20 days' sales, for dermatologists that primarily serve self-paying cosmetic customers.

Like most physician practices, dermatologists must deal with the complexities of multiple reimbursement systems and fee schedules. Receivables can be high for dermatology offices that are subject to reimbursement delays and reductions, as well as collection of **copayments and deductibles**. Working with insurers raises dermatology practices' operating costs, because office staff must file paperwork as well as negotiate and track reimbursements.

#### Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



## Regulation

Like all physicians practicing in the US, dermatologists are impacted by recent changes in health care legislation including the **Affordable Care Act**, which aims to increase the number of residents with health insurance, and the Health Insurance Portability and Accountability Act, which imposes information security and record-keeping standards. Dermatologists must also adhere to federal truth in advertising and conflict of interest requirements. Dermatologists are also subject to billing and coding standards of the Centers for Medicare & Medicaid Services (CMS), as well as state medical board regulations.

## International Insights

Growth in demand for dermatology services is driven in part by expanding middle-class populations in developing economies. A higher rate of skin conditions occurs in colder climates; for example, psoriasis has a high prevalence in Russia, but not in the Southern hemisphere, according to Irish research firm GMR Data. Meanwhile, psoriasis and melanoma are common in the US, but not in Southeast Asia.

The aging of the world's population is another key industry growth driver. Dermatologists are in high demand for disease treatment and aesthetic services, especially among older adults. The number of people aged 60 and over is growing faster than all younger age groups, according to a United Nations report on the world's population. The number of people aged 60 and older is expected to more than double by 2050 and to more than triple by 2100, rising from 962 million in 2017 to 2.1 billion in 2050 and 3.1 billion in 2100.

As the earth's ozone layer is depleted, protection against harmful ultraviolet rays is being diminished, and the global incidence of melanoma is expected to continue to increase, according to the World Health Organization. The world's highest incidence of melanoma is in Australia and New Zealand, according to the Aim at Melanoma Foundation. High rates in these countries are linked to their proximity to the equator, where the ozone layer is greatly reduced, as well as their high populations of fair-skinned people.

## Regional Highlights

In the US, Southern states have the highest concentration of dermatologists, according to Cegedim Relationship Management. One-third of the nation's dermatologists are located in the region that includes [Alabama](#), [Arkansas](#), [Florida](#), [Georgia](#), [Kentucky](#), [Louisiana](#), [Mississippi](#), [Oklahoma](#), [North Carolina](#), [South Carolina](#), [Tennessee](#), [Texas](#), [Virginia](#), and [West Virginia](#).

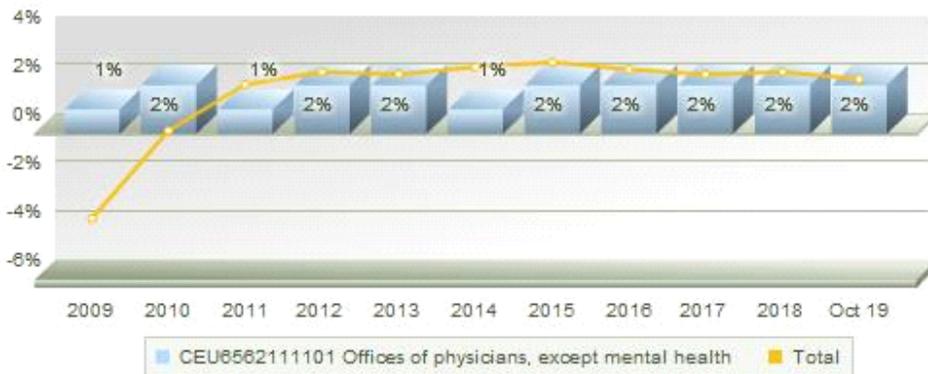
Income for dermatologists in the US varies by region. Dermatologists living in the Northwest and North Central regions earn the highest mean income, \$529,000, while practitioners in the South Central region earn the lowest mean income, \$296,000, according to a survey from Medscape.

## Human Resources

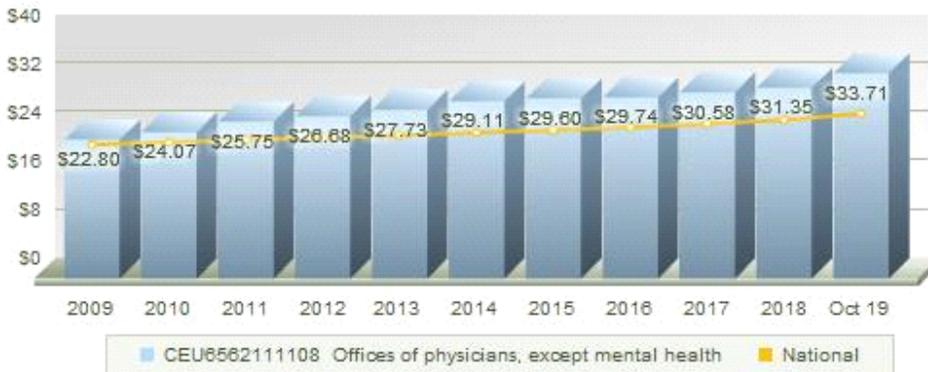
Many jobs in dermatologist offices are **clerical** and involve scheduling, keeping medical records, and billing. In most offices these activities are highly computerized and require computer skills. In small practices, workers usually need to be able to operate all of these systems. In larger groups, specialization of function is more common. Since some procedures are not covered by insurance, office employees must know the different procedures for **fee-for-service billing** and insurance coding and billing.

Dermatologists' earnings typically exceed the average salary for all physicians. Dermatologists who belong to multi-specialty group practice organizations tend to earn higher salaries than solo practitioners or members of academic, hospital, or outpatient facilities. In many dermatologist offices, **physician assistants** take on some routine tasks to reduce traditionally long appointment wait times. Compensation for physician assistants and other employees of dermatologists varies by job duties.

**Industry Employment Growth**  
Bureau of Labor Statistics



**Average Hourly Earnings & Annual Wage Increase**  
Bureau of Labor Statistics



**Industry Growth Rating**



Demand: Driven by demographics and income  
 Profitability depends on patients' ability to pay out-of-pocket costs  
 Risk: Greater competition from spas and primary care physicians

## Industry Indicators

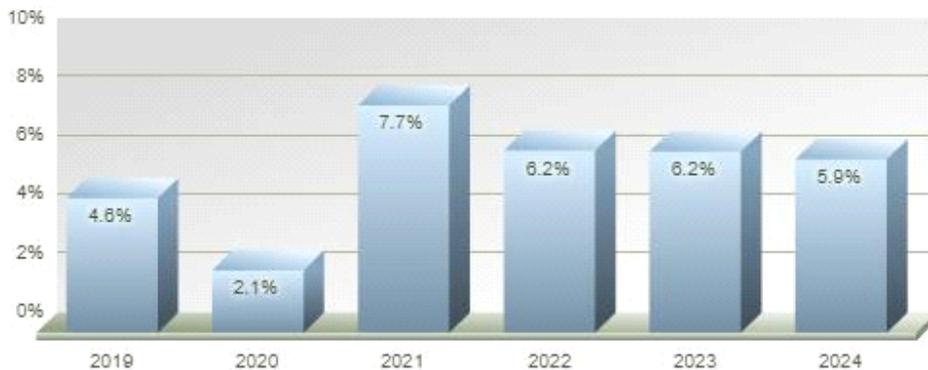
US consumer prices for medical care commodities, which may impact dermatologist offices' operational costs for equipment and supplies, rose 0.8 percent in August 2020 compared to the same period in 2019.

US consumer prices for medical care services, an indicator of profitability for dermatologist offices, rose 5.3 percent in August 2020 compared to the same month in 2019.

Total US revenue for physician offices, which includes dermatologist offices, fell 13.1 percent in the second quarter of 2020 compared to the same period in 2019.

## Industry Forecast

Revenue (in current dollars) for US physician, dentist, and other health practitioner offices, an indicator for dermatologists, is forecast to grow at an annual compounded rate of 7% between 2020 and 2024. Data Published: July 2020



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

## Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



**Consumer Spending** Change in overall level of consumer spending on goods and services



**Technology Innovation** Advances in science and technology, including information technology



**Government Regulations** Changes in federal, state, or local government regulations or business-related policies

## Critical Issues

**Impact of COVID-19** - The demand for dermatological services declined at the height of the COVID-19 pandemic, after which clinics resumed operations while implementing COVID-19 safety protocols. When lockdowns were enforced, dermatologic clinics suspended non-urgent visits. Elective procedures including surgery and cosmetic treatment were deferred. Dermatologists who did not have the platform for teledermatology had to rely on conventional telecommunications and social media platforms. With most of the pandemic-related restrictions lifted, dermatologists have resumed the provision of services but they have to establish safety measures that prevent the transmission of the coronavirus.

**Competition from Primary Care Physicians, Spas** - Dermatologists compete not only with other dermatologists but with other physicians, especially primary care physicians. Primary care doctors often see patients first for skin conditions and rather than refer them to a dermatologist, may treat them in their office. Dermatologists also compete with spas and salons in which physicians and nurses perform several cosmetic procedures such as injecting Botox or performing chemical peels.

## Business Challenges

**Insufficient Access to Care** - Patients in some regions of the US may wait for a month or longer to see a dermatologist, and the problem is expected to worsen due to health care reform. A growing shortage of dermatologists, too few residency programs to meet the need, and regional imbalances in the number of practitioners all contribute to lack of access. The number of dermatologists per 100,000 people in the US dropped from 3.65 in 2013 to 3.36 in 2016, according to the American Medical Association. More patients with skin conditions are being treated and diagnosed by primary care physicians, who do not have same training as dermatologists.

**Training Academic Dermatologists** - Academic dermatologists have remained a small portion of dermatologists in the US. A study published in the American Medical Association journal asserts that there were only 1464 full-time dermatology department faculty in 2018. According to Statista, academic (nonhospital), research, government, and military dermatologists accounted for only 11% of dermatologists in 2019. In order to promote education and research in dermatology, the American Academy of Dermatology (AAD) is working to establish certification and courses in specialized subjects such as treatment of psoriasis.

**Rise in Skin Cancer** - Incidences of skin cancer, especially basal cell carcinoma and squamous cell carcinoma, are on the rise. The American Academy of Dermatology estimated that about 192,300 new melanoma cases were diagnosed in the US in 2019. The Skin Cancer Foundation estimates that the number of new cases of melanoma that will be diagnosed in the US in 2020 will increase by approximately 2% to about 196,000. Dermatology professional organizations have been trying to educate the public on the dangers of tanning beds and sun damage, as well as the importance of using sunscreen.

## Business Trends

**Medical Spas and Cosmeceuticals** - The number of medical spas is increasing in the US, along with the development of cosmeceuticals - cosmetics that have medicinal or nutritional claims. Dermatologists are adding medical cosmetic procedures to their practices to take advantage of this trend. Some medical experts have raised ethical questions about medical spas because they offer procedures that are not medically necessary and may not even be efficacious, but should be performed or overseen by a medical expert. Many states are struggling with how to regulate these operations.

**Electronic Health Records** - The Affordable Care Act of 2010 requires health care providers to employ electronic health records (EHR). This mandate intends to enhance the healthcare quality and efficiency for both physicians and patients. However, a study led by Yale University found that health care professionals perceive that the usability of EHR is poor. In addition, findings revealed that the use of EHR may have contributed to high rates of burnout among health care professionals. The study identified dermatology as one of the specialties in which the ratings for EHR were especially poor.

**Group Practice Organizations** - In 2019, 33% of dermatologists in the US worked in office-based single-specialty group practice and 12% worked in office-based multispecialty group practice according to Statista. Hence, the number of dermatologists in group practice has exceeded that in office-based solo practice (32%). Group practices allow dermatologists to share administrative workers that can cover clerical duties such as scheduling, keeping medical records, and billing.

## Industry Opportunities

**High Demand** - Dermatology has seen a surge in demand in recent years due to several factors: increased awareness of skin damage and cancers caused by the sun; changes in the treatment of diseases such as psoriasis; and increased effectiveness of prescription acne treatments. Advertising has helped spur higher demand by increasing awareness of cosmetic and other treatments and by educating people about skin care options. High demand has exacerbated the shortage of dermatologists in some regions.

**Aging Population** - As Americans age, the demand for dermatologists increases. Older Americans are more likely to have skin cancers, and cosmetic procedures and products are becoming more common to decrease and reverse the signs of aging. In 2019, one of the top minimally-invasive cosmetic procedures among Americans aged 55 and over was chemical peel, according to the American Society of Plastic Surgeons. The US population older than 65 is expected to rise 49% between 2016 and 2030.

**Wound Care** - Wound care centers are attracting dermatologists who want to combine the surgical and dermatological disciplines in a clinical or hospital center. A growing number of hospitals have formal wound care centers, and many standalone wound care centers are also springing up. Advances in wound care, including hyperbaric oxygen therapy, can also help dermatologists update their knowledge and training.

## Financial Information

### COMPANY BENCHMARK TRENDS

#### Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at [www.microbilt.com](http://www.microbilt.com).

## Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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## COMPANY BENCHMARK INFORMATION

NAICS: 621111

Data Period: 2018

Last Update February 2020

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	131522	33	1904	129585

### Income Statement

	All	Large	Medium	Small
Net Sales	100%	100%	100%	100%
Gross Margin	94.3%	93.9%	94.3%	94.4%
Officer Compensation	7.7%	2.3%	5.5%	8.9%
Advertising & Sales	0.5%	0.5%	0.5%	0.5%
Other Operating Expenses	84.7%	90.2%	86.8%	83.3%
Operating Expenses	92.8%	92.9%	92.8%	92.7%
Operating Income	1.6%	1.0%	1.5%	1.7%
Net Income	0.8%	0.4%	0.7%	0.8%

## Balance Sheet

Cash	17.1%	15.1%	16.2%	17.7%
Accounts Receivable	14.1%	15.0%	14.8%	13.7%
Inventory	0.6%	0.6%	0.6%	0.6%
Total Current Assets	41.7%	40.2%	41.4%	42.0%
Property, Plant & Equipment	30.7%	30.8%	32.0%	30.3%
Other Non-Current Assets	27.6%	29.0%	26.6%	27.6%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	4.0%	4.4%	4.2%	3.8%
Total Current Liabilities	26.6%	27.7%	27.1%	26.3%
Total Long Term Liabilities	27.6%	26.4%	27.1%	28.0%
Net Worth	45.8%	45.9%	45.8%	45.7%

## Financial Ratios

(Click on any ratio for comprehensive definitions)

Quick Ratio	1.29	1.20	1.25	1.32
Current Ratio	1.57	1.45	1.53	1.60
Current Liabilities to Net Worth	58.2%	60.3%	59.3%	57.5%
Current Liabilities to Inventory	x41.58	x42.57	x45.20	x41.03
Total Debt to Net Worth	x1.19	x1.18	x1.19	x1.19
Fixed Assets to Net Worth	x0.67	x0.67	x0.70	x0.66
Days Accounts Receivable	13	18	14	12
Inventory Turnover	x35.37	x28.88	x36.11	x36.67
Total Assets to Sales	25.4%	32.9%	26.6%	24.1%
Working Capital to Sales	3.8%	4.1%	3.8%	3.8%
Accounts Payable to Sales	1.0%	1.4%	1.1%	0.9%
Pre-Tax Return on Sales	1.2%	0.6%	1.2%	1.3%
Pre-Tax Return on Assets	4.8%	2.0%	4.4%	5.4%
Pre-Tax Return on Net Worth	10.4%	4.3%	9.6%	11.9%
Interest Coverage	x3.37	x2.10	x3.26	x3.59
EBITDA to Sales	3.4%	3.3%	3.4%	3.4%
Capital Expenditures to Sales	2.1%	2.6%	2.1%	2.0%

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### Annual Construction put into place - Census Bureau



### Change in Consumer Prices - Bureau of Labor Statistics



## VALUATION MULTIPLES

No valuation multiples available for this industry.

## Industry Websites

### [American Academy of Dermatology](#)

Industry association.

### [American Society for Dermatologic Surgery](#)

Industry association.

### [Dermatology Times](#)

Industry news.

### [Practical Dermatology](#)

News and trends.

### [The Dermatologist](#)

News and trends.

### [The Society for Pediatric Dermatology](#)

Industry association.

## Glossary of Acronyms

**ACA** - Affordable Care Act

**AAD** - American Academy of Dermatology

**EHR** - Electronic health records