

# Pediatricians

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NAICS CODES: 621111

SIC CODES: 8011

## Industry Overview

Pediatricians specialize in providing medical care for infants, children, adolescents, and young adults. No major companies dominate the industry.

Globally, the number of pediatricians varies by country. More developed countries have more pediatricians, but emerging countries are training more doctors. Still, there is a severe shortage of trained pediatricians around the world.

In 2017, there are around 58,000 active pediatricians in the US, which include those who practice patient care, teaching, research, and others, according to the Physician Specialty Data Report by Association of American Medical Colleges.

## Competitive Landscape

Demand for pediatricians is driven primarily by demographics. The profitability of pediatrics practices depends on efficient operations and health care reimbursement rates. Large practices may be able to leverage the costs of administrative staff and equipment. Small or solo practices may provide a more personalized patient experience and allow doctors more control.

In US metropolitan areas, pediatricians generally have many direct competitors nearby, including family medicine physicians and general practitioners. Pediatric offices also compete with the growing number of walk-in clinics, sometimes located within chain pharmacies and mass merchandisers. These retail clinics offer limited medical services such as immunizations and treatment of minor conditions and are typically staffed by nurse practitioners and physician assistants.

## Products, Operations & Technology

Pediatricians diagnose and treat illnesses and injuries, provide **immunizations**, and track patients' growth to adulthood. Some specialize in surgery or treating particular conditions affecting children.

Major concerns for pediatricians include early brain development, immunizations, oral health, obesity, poverty, media exposure, tobacco, gun violence, and household and community safety, according to the American Academy of Pediatrics. General pediatricians are responsible for **screening** infants, children, adolescents, and teens for physical, developmental, and mental health conditions and providing **referrals** for cases that require specialist care.

Pediatricians must undergo additional training to practice in a specialized field. Pediatric subspecialties include pediatric cardiology, oncology, immunology, allergy, endocrinology, and sports medicine. Subspecialists also treat ailments specific to children such as growth, behavioral, and developmental delays.

Pediatricians may own private practices while also providing services at hospitals and community health agencies. Working in multiple settings expands pediatricians' access to patients. **Private practices** often receive patients from hospitals, outpatient clinics, schools, and community health agencies. Building relationships with local hospitals also provides pediatricians greater access to labs, diagnostic equipment, and other medical professionals, such as oncologists, radiologists, immunologists, and surgeons.

Some pediatricians join large group practices, which can provide more affordable malpractice coverage, lower operating costs spread across a greater number of physicians, easy access to other physicians for consulting, and

greater purchasing power to buy **medical equipment** and negotiate lower prices on medical and office supplies. Group practices tend to have slightly lower median operating costs than small or individual practices. Group practices often focus on obtaining contracts with hospitals and insurers for revenue, instead of building individual patient lists.

## Technology

More physicians are using **electronic devices**, including handheld tablets and smartphones, along with high-speed internet access to take notes, communicate with hospitals, and perform diagnostic tests. Special computer applications help physician offices manage scheduling, reminders, billing, and accounting. In addition, doctors are becoming more comfortable with **telemedicine**, or offering online consultations to patients. Large insurers are beginning to reimburse such e-visits, which will likely encourage greater usage.

The adoption of **electronic health records (EHRs)** also is growing because of US government initiatives to improve quality of care and control costs. More than 90% of pediatricians use some type of EHR system, but only about 15% use a system specifically designed for pediatricians, according to the American Academy of Pediatrics. The National Institute of Standards and Technology recommends pediatric-specific EHRs that consider differences between adults and children, such as dosage information, growth charts, and developmental differences. Pediatricians report challenges including high initial costs, loss of productivity, and difficulty in finding the right system to meet their needs.

Advances in scientific research and development also are transforming the medical profession, including pediatrics. **Big data** applications are being used to diagnose and track diseases, as are genomic research and neuroscience. Early diagnosis of conditions affecting infants and children such as dyslexia, autism, and attention-deficit disorders enables early intervention and treatment.

## Sales & Marketing

Pediatricians attract new patients largely through referrals from families of current patients and from other doctors, as well as from being included on approved lists of corporate insurance plans. Some pediatricians use print advertising, direct mail, and social media marketing campaigns to attract new patients. The location of a doctor's office is important for many patients, as are the hospitals and insurance plans with which the doctor has contracts.

Insurance plans' fee schedules generally determine what pediatricians charge for their services.

## Finance & Regulation

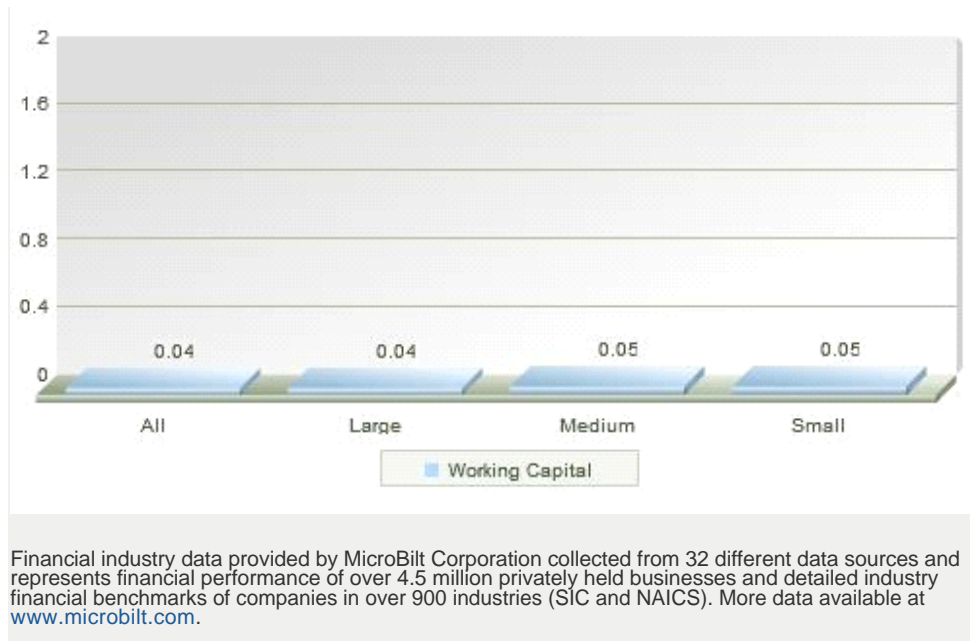
Revenue consists primarily of patient care services, but also includes pharmaceutical sales and fees for lab tests. Revenue comes from private sources, such as insurers and patients; and public sources, such as Medicaid and other government-sponsored health programs.

**Medical insurance** plans often have extensive fee schedules that specify how much the insurer will pay for a particular service. Plans may also have an approved list of drugs that doctors can prescribe and a list of approved tests and treatments for specific medical conditions. Reimbursement rates may be negotiable with some insurers but are not for Medicaid, which typically pays less than most insurance programs.

In addition to Medicaid, states also offer the **Children's Health Insurance Program (CHIP)**, a state and federal partnership providing low cost health insurance for children in families who earn too much to qualify for Medicaid but cannot afford private health insurance.

### 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

State medical boards govern the practice of medicine by licensing physicians, investigating complaints, disciplining violators, and conducting physician evaluations. To practice, pediatricians must obtain a medical degree, complete a residency program of at least three years, and pass state licensing exams. Pediatricians may also be certified by the American Board of Pediatrics, but are not required to have certification to practice. Once physicians receive the general certification, they can apply for additional certification for subspecialties.

Pediatricians who prescribe certain **controlled drugs** must be registered with the Drug Enforcement Administration. Offices that participate in Medicare and Medicaid programs are subject to investigation by federal and state investigators and can be impacted by changes in reimbursement rates under the Affordable Care Act (ACA) and other health reform measures. The Health Insurance Portability and Accountability Act (HIPAA) restricts doctors from releasing **patient information** and imposes standards for electronic data transmission. Under the law, pediatricians are allowed to disclose information without the legal guardian's consent if the matter relates to abuse, neglect, public health, or safety of children.

## International Insights

Globally, the number of pediatricians varies by country. More developed countries have more pediatricians, but emerging countries are training more doctors. Still, there is a **severe shortage** of trained pediatricians in many countries around the world.

The profession faces many challenges in developing nations, including **high infant mortality rates**. Leading causes of death in children under age five include malnutrition, pneumonia, diarrhea, malaria, and preterm birth and birth complications, according to the World Health Organization (WHO). About 80% of deaths in children under age five occur in 25 countries, primarily in sub-Saharan Africa and Southern Asia. Not only are pediatricians in short supply in developing countries, so are funds for personnel and **medical supplies**. More than half of childhood deaths are preventable through low-cost interventions and effective primary care up to the age of five, according to the WHO.

**Maternal health** and education also are critical to the health of the world's children. UNICEF, the WHO, and other organizations, including pediatric societies, are working together to find solutions to reduce infant mortality and the mortality rates of children under age five. Emerging global priorities for child health include accidental and violent injuries, congenital anomalies, and noncommunicable diseases such as cancers, heart conditions, respiratory ailments, diabetes, and obesity.

To tackle the training issue, the Global Pediatric Education Consortium has developed a **standardized curriculum** that can be used worldwide to train pediatricians in best practices. Training can help build effective pediatrician networks even in the poorest nations, according to the organization. Countries in Africa, Europe, and Latin America have adopted the GPEC curriculum, which calls for three years of post-graduate training, among other requirements.

## Regional Highlights

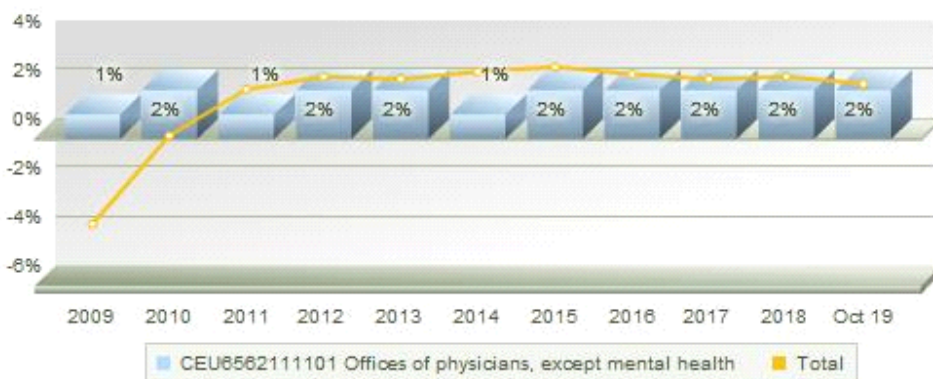
In the US, pediatricians' practices tend to be concentrated in wealthier urban areas. Pediatrician are in short supply in less affluent and more rural areas. The states with the most pediatricians are [California](#), [Texas](#), [Ohio](#), [New York](#), and [Massachusetts](#).

## Human Resources

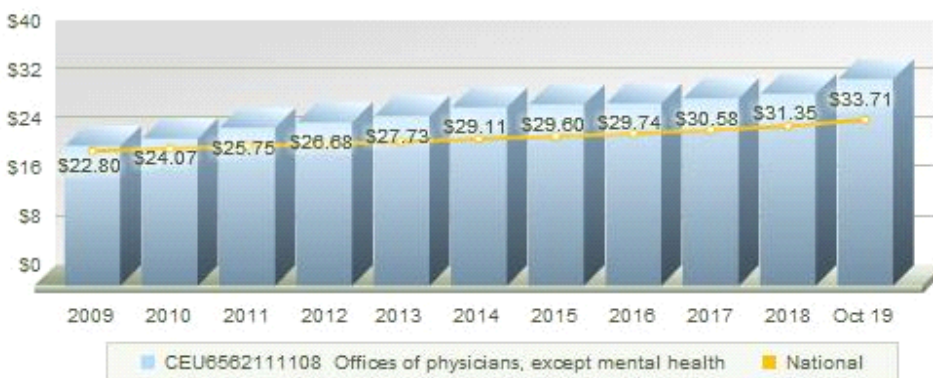
The average annual salary for US pediatricians is between \$180,000 and \$220,000, according to medical professional surveys, which is lower than the average for all physician specialists. About 62% of US pediatricians are women, one of the highest percentages of women among medical specialties. About 34% of all US doctors are women.

For staff members in offices of physicians, including pediatricians, wages are significantly higher than the US average. Injury rates are significantly lower than the US average.

### Industry Employment Growth Bureau of Labor Statistics



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



## Industry Growth Rating



Demand: Driven by demographics  
 Profitability tied to healthcare reimbursement rates  
 Risk: Medical malpractice lawsuits and competition from retail-store clinics

## Industry Indicators

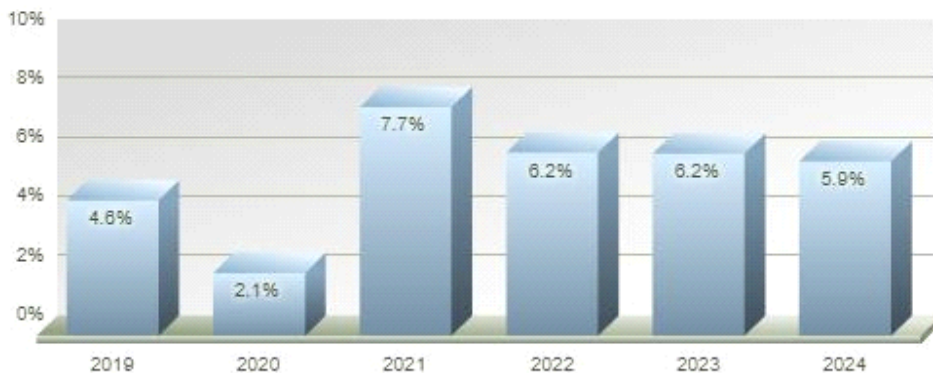
US consumer prices for medical care commodities, which may impact pediatric offices' operational costs for equipment and supplies, rose 0.8 percent in August 2020 compared to the same period in 2019.

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

Total US revenue for physician offices, which includes pediatric 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 pediatricians, 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



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

## Critical Issues

**Decrease in Pediatric Care for Low-Income Families amid Pandemic** - A government analysis showed that children from low-income families were not able to get pediatric care during the early months of the pandemic. Centers for Medicare & Medicaid services reported a decline in pediatric services used by children under Medicaid

and Children's Health Insurance Program early this year compared to last year. Meanwhile, the American Academy of Pediatrics assured parents that taking their children for a health visit is safe amid the pandemic.

**Pediatrician Shortage** - Pediatricians are among the physicians in shortest supply in the US. In particular, lower salaries make the pediatric specialty less attractive to new doctors, many of whom start their careers with as much as \$200,000 in medical school debt. Lack of recruitment by hospitals also sets up an implicit barrier to the profession, as does the stress of dealing with parents of infants and children. According to Fierce Healthcare, a new survey of 500 primary care physicians showed that 1 in 5 practices, physicians have retired early or left their employment due to the pandemic.

## Business Challenges

**Guardians Refuse Treatment** - Pediatricians increasingly struggle to gain parental consent for some treatments and vaccines as most families stay at home because of the pandemic. Due largely to the vast amount of medical information available on the internet, parents have access to inaccurate and misleading information that can scare parents into refusing basic vaccinations and treatments. Because children lack the ability to make their own medical decisions and adolescents have limited ability, pediatricians must spend extra time with parents to explain treatment benefits and side-effects and to dispel bad information. Parents who refuse treatment for their children also reduce pediatricians' revenues.

**Staff Burnout amid Pandemic** - Healthcare employees are dealing with high level of stress, risking burnout, during the pandemic. A research by the Annals of Family Medicine, it shows that burnout and turnover were high, with 53% of physicians and staff reported burnout, and 30% stopped working in primary care system within 3 years. Stressors caused by the pandemic remain a threat to their mental health, with some reporting symptoms of post-traumatic stress disorder.

**Revenue Lost to In-Store Clinics** - Pediatricians are losing revenue to a variety of retailers that offer basic pediatric services, including drugstores and big-box retailers like Wal-Mart. In-store services include flu vaccinations and diagnosis and treatment of minor illnesses, like colds. Store-based clinics are often more convenient than the pediatrician's office for patients because appointments are not required, service is quick, and the extra trip to the pharmacy is eliminated. Standalone walk-in and urgent care centers also provide convenient alternatives. Pediatricians may compete by emphasizing the high quality of personalized or long-term care received at the office versus an in-store clinic. Some pediatric offices are offering more evening and same-day appointments to better compete with the clinics.

## Business Trends

**Uneven Distribution of Pediatricians** - Pediatricians are distributed unevenly in the US. Rural areas, in which 20% of the population lives, are underserved with roughly 12% of primary care physicians practicing. For younger doctors, practicing in rural areas may be unappealing due to fewer opportunities for working spouses and lower income, especially for those with student debts. Some communities, medical schools, and federal programs are working to make rural employment more appealing for physicians through stipends, loan forgiveness, or rural training programs.

**Heavier Patients, More Health Problems** - About 19% of US children and adolescents are obese, according to the Centers for Disease Control and Prevention. Children with obesity are more likely to have high cholesterol and blood pressure, which can lead to cardiovascular disease. Other risks include diabetes, asthma, joint problems, and psychological problems. Some pediatric practices have started offering pediatric obesity programs to assist young patients with weight loss.

**New Research** - Technology and scientific research are transforming the pediatric profession. Big data applications can be used in diagnosing and tracking disease. Likewise genomic research is also making inroads into pediatrics. Neuroscience is also being used to diagnose conditions such as dyslexia, autism, and attention-deficit disorders, on the basis that early intervention leads to the most effective treatment.

## Industry Opportunities

**Telemedicine** - Physicians are increasingly using telemedicine to consult with patients due to stay-at-home orders during the pandemic. With this, the Centers for Medicare & Medicaid Services has temporarily expanded their Medicare telehealth services for patients, considering virtual consultations the same as in-person visits, so doctors get paid the same rate as in-person visits. Consulting through emails, video, and phone calls is especially beneficial for educating patients, giving emergency medical advice, reaching patients in rural communities, and revealing test results, but raises the risk of misdiagnosing an illness.

**Developmental Tools** - Pediatricians are increasingly using developmental screening tools. In a Medical Xpress article, researchers found an increase of 21% to 63% usage of screening tools by pediatricians from 2002 to 2016. In 2016, more pediatricians reported that they were likely to refer a patient with developmental delay, language delay, sensory impairment, motor delays, and family concerns to early intervention.

**Electronic Health Records** - Electronic Health Records (EHR) helps in improving documentation, clinical decision-making, patient safety and satisfaction, and reduces errors. According to American Academy of Pediatrics, personalizing EHR, specifically for pediatric use, can reduce physician burnout and improve satisfaction. Pediatric systems can track well-child visits, growth progress, weight-based dosing, and immunization schedules. Challenges include initial costs, protecting patient information, and software incompatibility for different EHR systems.

## 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

	All	Large	Medium	Small
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%

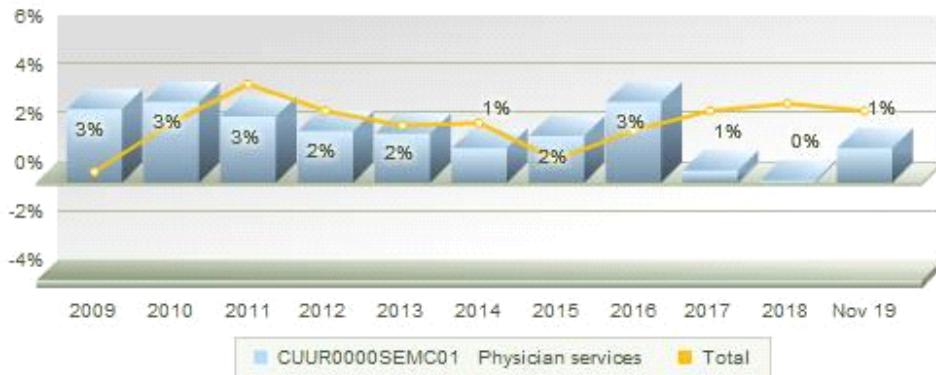
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## ECONOMIC STATISTICS AND INFORMATION

Annual Construction put into place - Census Bureau



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



**VALUATION MULTIPLES**

**Pediatricians**

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2008 and 12/2019 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2019.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.4	0.4	1.9	1

**MVIC (Market Value of Invested Capital)** = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

**Net Sales** = Annual Gross Sales, net of returns and discounts allowed, if any.

**Gross Profit** = Net Sales - Cost of Goods Sold

**EBIT** = Operating Profit

**EBITDA** = Operating Profit + Noncash Charges



SOURCE: DealStats (formerly Pratt's Stats), 2019 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

## Industry Websites

### **American Board of Pediatrics**

Certification and research.

### **Healio Pediatrics**

News and resources.

### **Pediatrics**

Journal of the American Academy of Pediatrics.

### **The American Academy of Pediatrics**

Professional resources, news, and advocacy.

## Glossary of Acronyms

**AAP** - American Academy of Pediatrics

**ACA** - Affordable Care Act

**AMA** - American Medical Association

**CHIP** - Children's Health Insurance Program

**EHR** - electronic health records

**EMR** - electronic medical records

**HIPAA** - Health Insurance Portability and Accountability Act