

# Notes and Brief Reports

## Self-Employed Doctors of Medicine Under OASDHI, 1967\*

Self-employment earnings were reported as taxable for social security purposes in 1967 by 154,300 doctors of medicine—15,000 more than the number reporting for 1965, the first year this type of employment was covered under the social security system.<sup>1</sup> A study of the characteristics of the physicians reporting self-employment earnings for 1967 is summarized here. Some highlights of the study findings are listed below.

- The proportion of women among these self-employed doctors rose slightly since 1965; 1 in 25 of those reporting for 1967 was a woman.
- Two in 5 of those reporting self-employment income were under age 45; 1 in 9 was aged 65 or older.
- Self-employment net earnings of physicians averaged \$33,600 in 1967; the average for all self-employed persons was \$6,900.
- Eight in 20 of the self-employed physicians earned more than \$35,000; 1 in 23 reported net earnings less than \$3,000
- Seven out of 10 of those filing returns were fully insured on January 1, 1968, under the social security program, for retirement benefits for themselves and for benefits for their dependents.
- One in 6 physicians with self-employment income also had some taxable earnings from wage and salary employment.

### SOURCE AND LIMITATIONS OF THE DATA

Data for this study were derived from the 1-percent continuous work-history sample of the Social Security Administration and include only physicians reporting self-employment earnings for social security purposes. Self-employed physicians who had covered earnings from wage and salary employment above the taxable limit (\$6,600 in 1967) were excluded by this definition; since all their required social security contributions were made on the basis of their wage and

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<sup>1</sup> See *Self-Employed Doctors of Medicine*, Research and Statistics Note No. 3, Office of Research and Statistics, 1969.

salary employment they did not have to file returns on their self-employment income.<sup>2</sup>

This exclusion accounts in part for the fact that the number of physicians reporting self-employment income for social security purposes is considerably less than the total physician population—estimated at 307,000 by the American Medical Association as of December 30, 1967.<sup>3</sup> Of that total, 117,000 were in hospital-based practice or other professional activity (such as medical school faculty) or they were inactive. Others were employed by such group plans as the Kaiser plans or the Group Health Association; they held—as company doctors, for example—part-time positions that paid more than the taxable limit; or they had incorporated and were paying themselves salaries as employees of the corporation. Few if any members of these subgroups were likely to meet the requirements for self-employment status under the social security program.

Another limitation is the relatively small number in the sample (1,500). The data are unbiased estimates of the population under study, but they are subject to a certain amount of sampling variability, especially in the smaller cells.

### CHARACTERISTICS OF SELF-EMPLOYED PHYSICIANS

#### Age, Sex, and Earnings

About half the doctors reporting self-employment earnings in 1967 were aged 45–64, two-fifths were under age 45, and one-tenth were aged 65 or older. Virtually all the doctors were men, but the proportion of women had edged up slightly since 1965. The women doctors were relatively younger than the men: 47 percent of them were under age 45, but only 40 percent of the men were that young.

Four out of 5 doctors reporting self-employment income had no taxable wages. Nevertheless,

<sup>2</sup> The law defines self-employment income for social security purposes as net earnings from self-employment up to the taxable limit minus any covered wages paid to an individual in the taxable year.

<sup>3</sup> C. N. Theodore and J. N. Haug, *Selected Characteristics of the Physician Population, 1963 and 1967*, American Medical Association, 1968.

TABLE 1.—Number of doctors of medicine reporting taxable self-employment income by age, sex, and type of earnings, 1967

| Type of taxable earnings              | Total   | Age in 1967 |        |             |
|---------------------------------------|---------|-------------|--------|-------------|
|                                       |         | Under 45    | 45-64  | 65 and over |
| Total.....                            | 154,300 | 61,600      | 76,000 | 16,700      |
| Men.....                              | 147,700 | 58,500      | 73,200 | 16,000      |
| Women.....                            | 6,600   | 3,100       | 2,800  | 700         |
| Type of taxable earnings              |         |             |        |             |
| Self-employment income only.....      | 126,900 | 47,500      | 64,900 | 14,500      |
| Self-employment income and wages..... | 27,400  | 14,100      | 11,100 | 2,200       |

a substantial number (27,000) did report earnings from wage and salary employment (table 1). The younger doctors—those under age 45—were most likely to have earnings both as employees and as self-employed persons. In that age group, about 1 in 4 reported some taxable wages; in the older groups, only 1 in 7 had earnings from both types of employment.

### Net Earnings From Self-Employment

In 1967, the average amount of physicians' net earnings from self-employment was \$33,600—more than \$5,000 higher than the average 2 years earlier. The average was highest for those aged 45-64, as might be expected, and lowest for those aged 65 and over (table 2). More than 60 percent of all physicians reporting income from self-employment had earnings of \$25,000 or more. About 2 out of 3 among those aged 45-64 had

TABLE 2.—Number of doctors of medicine reporting taxable self-employment income by age and amount of net earnings, 1967

| Net earnings from self-employment | Total    | Age in 1967 |          |             |
|-----------------------------------|----------|-------------|----------|-------------|
|                                   |          | Under 45    | 45-64    | 65 and over |
| Total.....                        | 154,300  | 61,600      | 76,000   | 16,700      |
| Less than \$3000.....             | 6,700    | 2,800       | 1,200    | 2,700       |
| 3000-4,999.....                   | 5,700    | 2,100       | 1,900    | 1,700       |
| 5000-6,600.....                   | 3,700    | 900         | 1,900    | 900         |
| 6,601-9,999.....                  | 6,100    | 2,300       | 1,800    | 2,000       |
| 10,000-14,999.....                | 10,500   | 3,500       | 4,800    | 2,200       |
| 15,000-19,999.....                | 12,600   | 4,400       | 6,400    | 1,800       |
| 20,000-24,999.....                | 15,200   | 5,700       | 7,500    | 2,000       |
| 25,000-29,999.....                | 14,000   | 5,600       | 7,500    | 900         |
| 30,000-34,999.....                | 16,300   | 6,600       | 9,100    | 600         |
| 35,000 or more.....               | 63,500   | 27,700      | 33,900   | 1,900       |
| Average (mean) earnings.....      | \$33,600 | \$31,300    | \$36,700 | \$16,900    |

TABLE 3.—Number of doctors of medicine reporting taxable self-employment income by age and OASI status as of January 1, 1968<sup>1</sup>

| Insurance status            | Total   | Age in 1967 |        |             |
|-----------------------------|---------|-------------|--------|-------------|
|                             |         | Under 45    | 45-64  | 65 and over |
| Total.....                  | 154,300 | 61,600      | 76,000 | 16,700      |
| Fully insured.....          | 107,300 | 54,800      | 40,600 | 11,900      |
| Currently insured only..... | 43,300  | 6,400       | 34,500 | 2,400       |
| Other <sup>2</sup> .....    | 3,700   | 400         | 900    | 2,400       |

<sup>1</sup> Disability insurance status not available

<sup>2</sup> Not insured, transitionally insured, or deceased during the year, with some type of survivor benefit payable

earnings in that bracket but only 1 in 5 of those aged 65 and over.

About 10 percent of the total reported earning less than the taxable maximum of \$6,600. The proportion with earnings this low was 1 in 14 for the group aged 45-64, but it was as high as 1 in 3 for the oldest group. Apparently, doctors reporting such relatively low earnings were not in full-time practice, worked only part of the year, or suffered losses in other self-employment activities. Most of those aged 65 or older with low earnings were undoubtedly semiretired.

### Insured Status

Nearly all physicians reporting in 1967 were insured under the social security program—fully, currently, or transitionally. Seventy percent (107,300) were fully insured—that is, they had enough quarters of coverage to entitle them and their dependents to retirement and survivor benefits (table 3). Twenty-eight percent were currently insured only; in the event of death, their qualified dependents would be entitled to survivor benefits. About 1 percent were transitionally insured under the special provision permitting those with at least 3 but fewer than 6 quarters to qualify for monthly benefits.

About 900 or less than 1 percent of the doctors reporting self-employment income in 1967 were uninsured for any type of benefit. Among those aged 65 and over, 2 percent were not insured. Doctors in that age group were less likely than the younger doctors to have worked in covered employment before 1965. On the other hand, they needed fewer quarters of coverage to be insured.