PHYSICIANS ADVOCACY INSTITUTE

COVID-19's Impact On Acquisitions of Physician Practices and Physician Employment 2019-2020

June 2021

Prepared by Avalere Health

About the Physicians Advocacy Institute

The Physicians Advocacy Institute (PAI) is a non-profit advocacy organization that supports physician practices through the following initiatives that seek to:

Advocacy

- Advance fair and transparent policies and practices throughout the healthcare system to help sustain the profession of medicine for the benefit of patients.

Research

- Sponsor and widely publicize research relating to trends or policies that impact physicians' ability to financially sustain their practices and provide high quality, cost-effective care for patients.

Educational Tools for Physicians

- Arm physicians with information and tools to successfully navigate the rapidly evolving health care marketplace and complex regulatory environment.

Learn more at www.physiciansadvocacyinstitute.org

PAI's Research Collaboration with Avalere Health to Study Acquisitions of Physician Practices

This report continues PAI's research collaboration with Avalere Health to collect information relating to what has been an ongoing trend of *increasing* physician employment by hospitals and other corporate entities, spurred in part by years of acquisitions of physician practices.

These trends are part of a greater shift towards consolidation within the health care marketplace, which has dramatically reshaped the practice landscape for physicians. Understanding the extent and impact of these trends is important for all health system stakeholders, given the implications on healthcare spending and in many cases, the continuity of the patient-physician relationship.

Please visit www.physiciansadvocacyinstitute.org/PAI-Research for additional studies.

Research Goal: Study COVID-19's Impact on Physician Practice Ownership and Employment Trends

Avalere Health researchers studied the two-year period between January 1, 2019 and January 1, 2021 to examine whether physician practice acquisition continued during this timeframe, which encompasses the first nine months of the COVID-19 pandemic.

Avalere looked at two key related consolidation trends at both the national and regional levels:

1. Acquisitions of physician practices by hospitals/health systems and "other" corporate entities such as insurers and private equity firms; and
2. Physicians leaving independent medical practices for employment with hospitals/health systems and corporate entities.

January 2020: HHS declares a Public Health Emergency due to COVID-19

Spring 2020: Physician revenues are impacted and practices close

Fall/Winter 2020: Some states relax COVID-19 restrictions but continued uncertainty about practice revenues

COVID-19 Timeline - Impact to Physicians and Practices

Key Findings: Accelerated Nationwide Growth in Acquisitions of Physician Practices and Employed Physicians in 2019 and 2020 associated with COVID-19 Impact

NATIONAL TRENDS:

- **48,400 additional physicians left independent practice and became employees of hospitals or other corporate entities – 22,700 of that shift occurred after the onset of COVID-19**
- This represents a **12% increase** in the percentage of employed physicians over the two-year study period
- **Hospital and other corporate entities acquired 20,900 additional physician practices over the two-year period**, resulting in a **25% increase** in corporate-owned practices

REGIONAL TRENDS:

- Continued growth that accelerated in all regions in last half of 2020
- The percentage of hospital or corporate-owned practices increased between **20% and 29%**
- The percentage of hospital or corporate-employed physicians increased between **9% and 15%**

Key Findings: Hospital Acquisitions of Physician Practices and Employed Physicians continue in 2019 and 2020 with COVID-19 Impact

NATIONAL TRENDS:

- **18,600 additional physicians left independent practice to become hospital employees – 11,400 of that shift occurred after the onset of COVID-19**
- This represents a **5% increase** in the percentage of hospital-employed physicians over the two-year study period
- Hospitals acquired 3,200 additional physician practices over the two-year period, resulting in **an 8% increase** in hospital-owned practices

REGIONAL TRENDS:

- Continued growth that accelerated in all regions in last half of 2020
- The percentage of hospital-owned practices increased between **6% and 11%**
- The percentage of hospital-employed physicians increased between **2% and 8%**

Key Findings: Corporate Acquisitions of Physician Practices and Employed Physicians in 2019 and 2020 accelerate with COVID-19

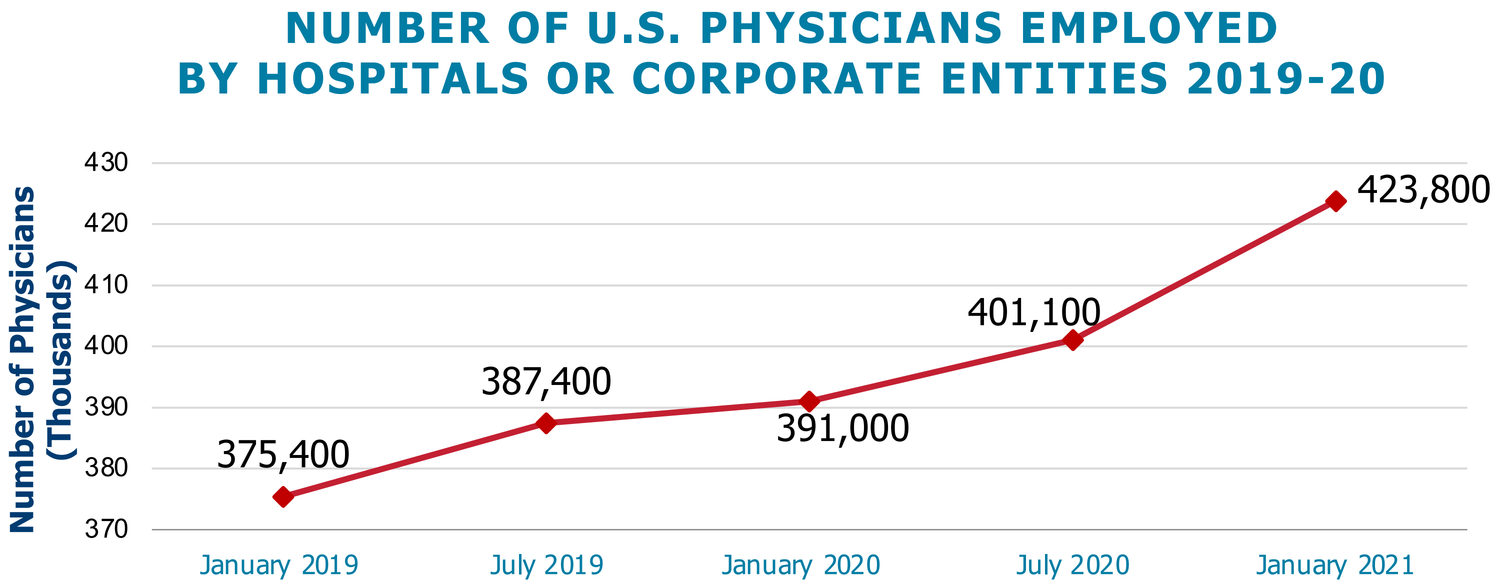
NATIONAL TRENDS:

- **29,800 additional physicians left independent practice and became employees of corporate entities – 11,300 of that shift occurred after the onset of COVID-19**
- This represents a **31% increase** in the percentage of corporate-employed physicians over the two-year study period
- Corporate entities acquired **17,700 additional physician practices** over the two-year period, resulting in **a 32% increase** in corporate-owned practices

REGIONAL TRENDS:

- Continued growth that accelerated in all regions in last half of 2020
- The percentage of corporate-owned practices increased between **44% and 59%**
- The percentage of corporate-employed physicians increased between **19% and 40%**

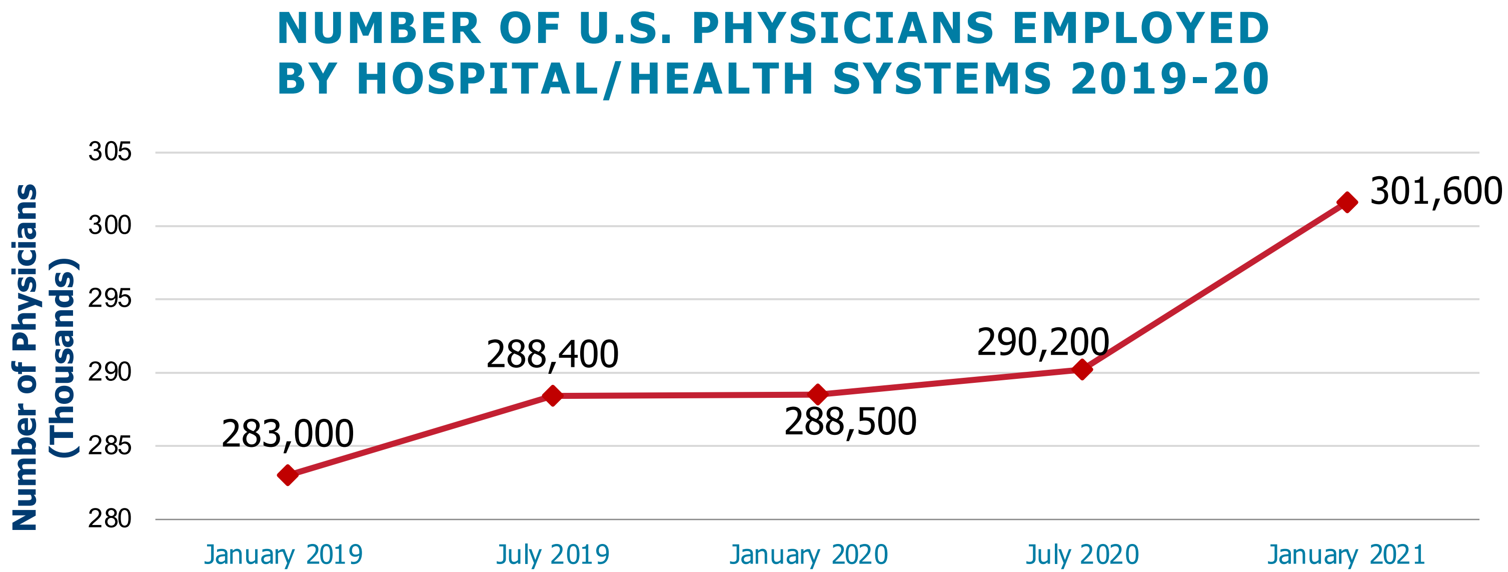
National Trends: Sharp Uptick in Physician Employment in Months Following Onset of Pandemic



- **48,400** additional physicians were employed by hospitals or corporate entities over the two-year study period – **22,700** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the four 6-month periods analyzed
- There was a **3.4% increase** in the growth rate of hospital or corporate-employed physicians in the last half of 2020, following the onset of COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

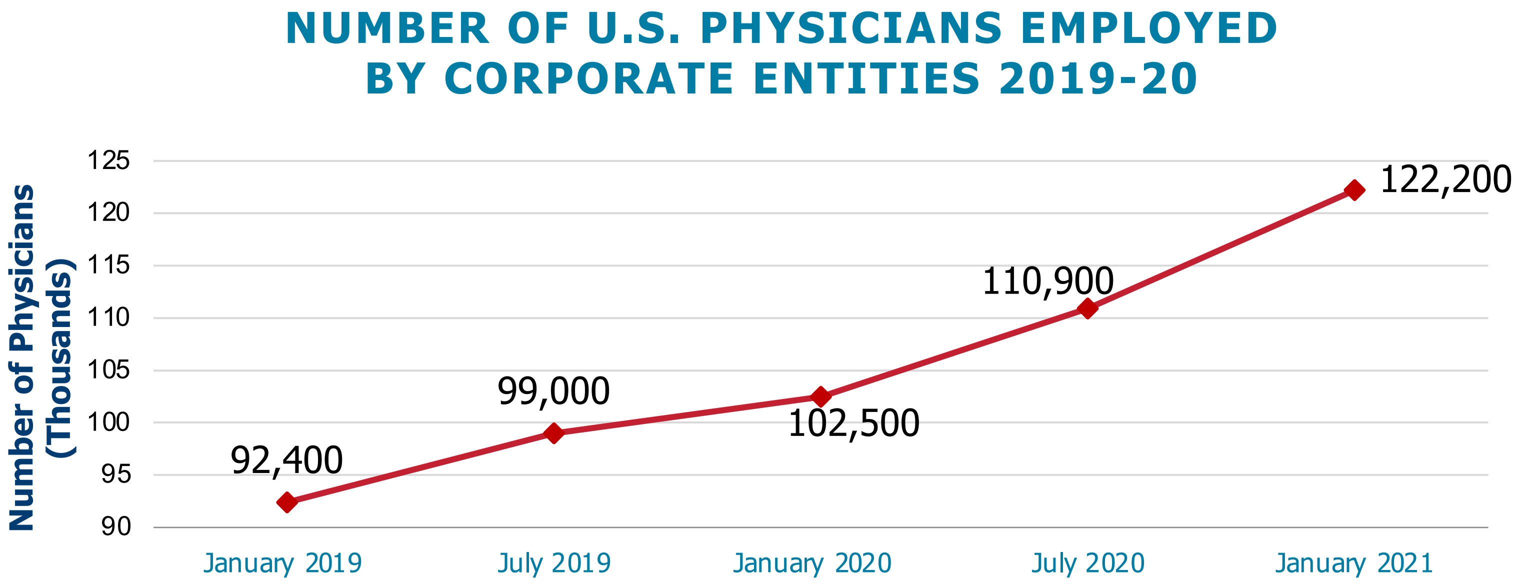
National Trends: Sharp Uptick in Physician Hospital Employment in Months Following Onset of Pandemic



- **18,600** additional physicians were employed by hospitals over the two-year study period – **11,400** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the four 6-month periods analyzed
- There was a **3.1% increase** in the growth rate of hospital-employed physicians in the last half of 2020, following the onset of COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

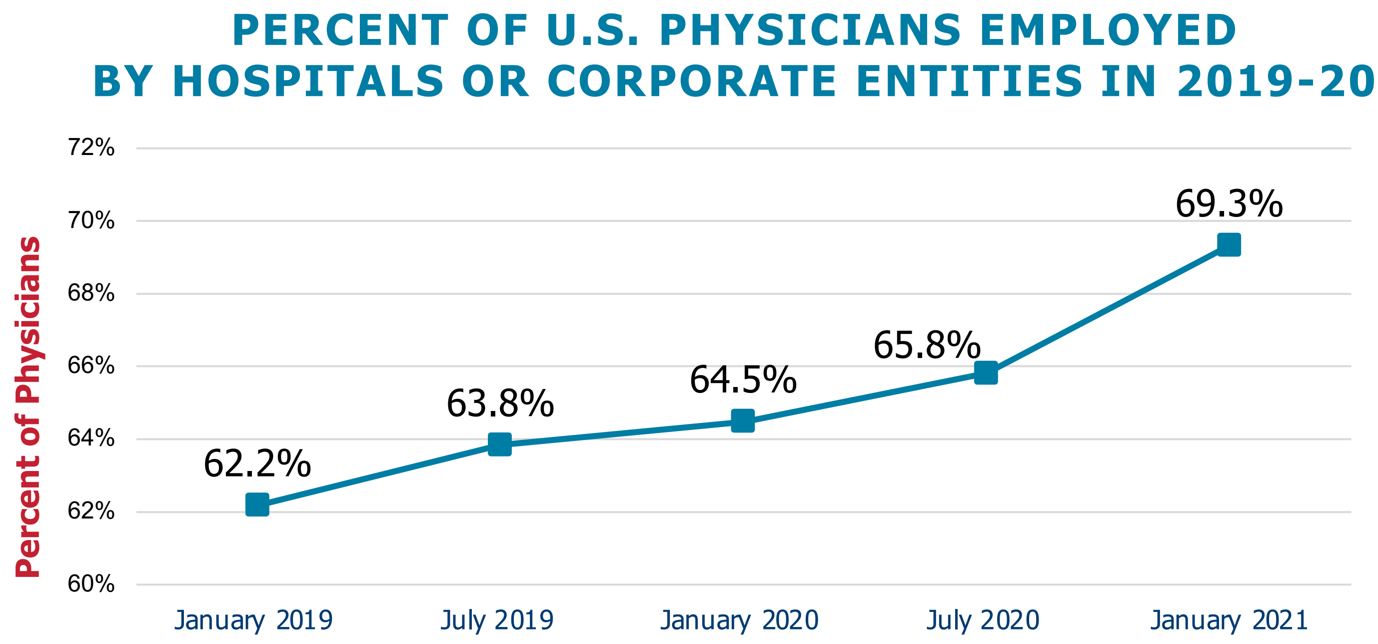
National Trends: Consistent Increase in Corporate Physician Employment since 2019



- **29,800** additional physicians were employed by other corporate entities over the two-year study period – **11,300** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the four 6-month periods analyzed
- There was a **3.9% increase** in the growth rate of corporate-employed physicians in the last half of 2020, following the onset of COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

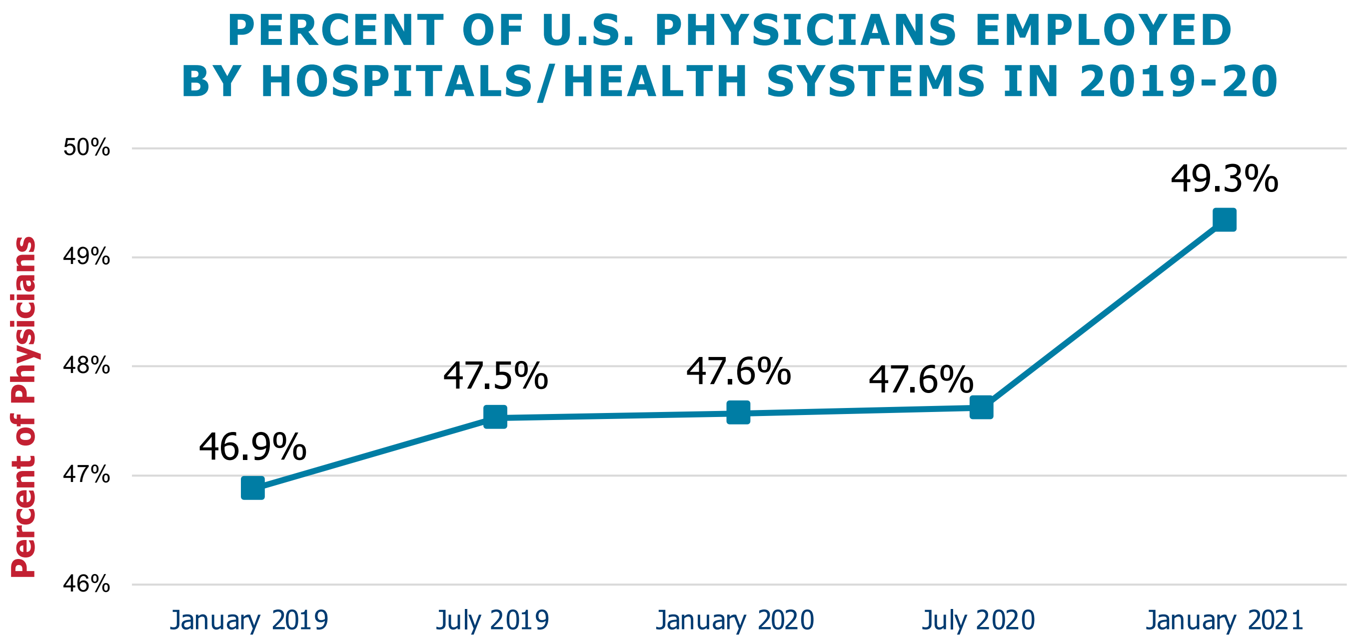
National Trends: Nearly Seven in Ten Physicians Employed by Hospitals or Corporate Entities at the End of 2020



- **69%** of physicians were hospital or corporate-employed by January 2021
- Over the two-year study period, the percentage of employed physicians **grew by 12%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

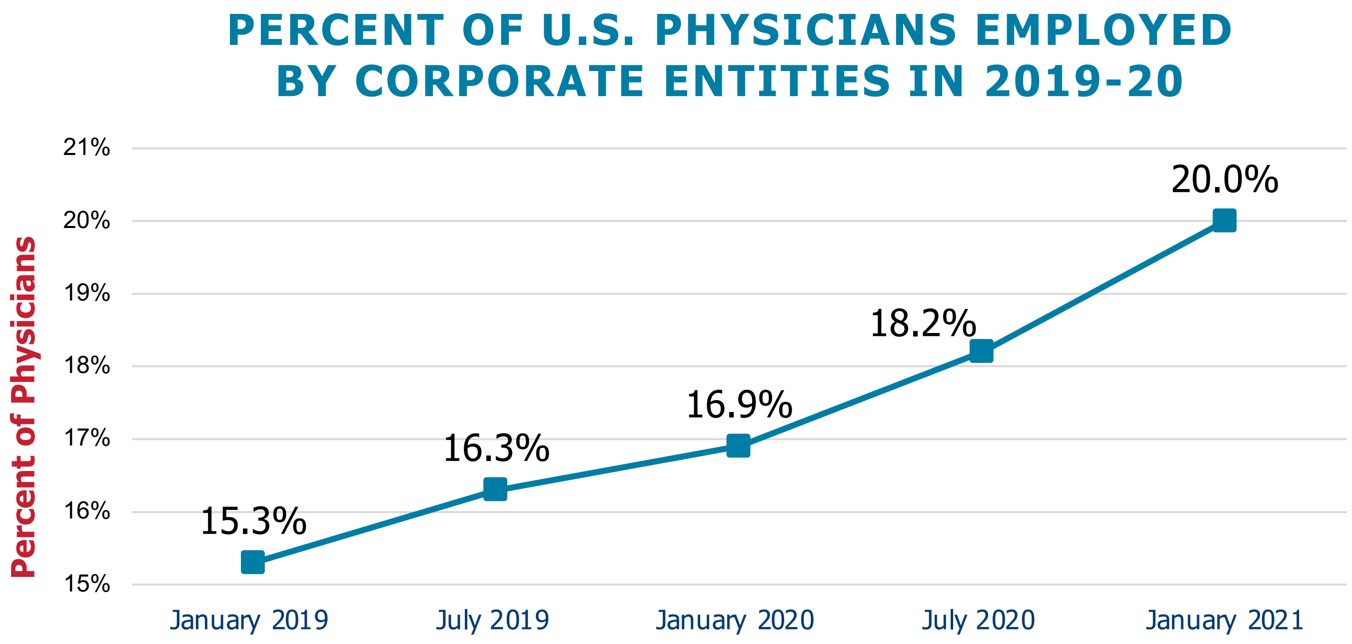
National Trends: Nearly Half of Physicians Employed by Hospitals/Health System at the End of 2020



- **49.3%** of physicians were hospital-employed by January 2021
- Over the two-year study period, the percentage of employed physicians **grew by 5%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

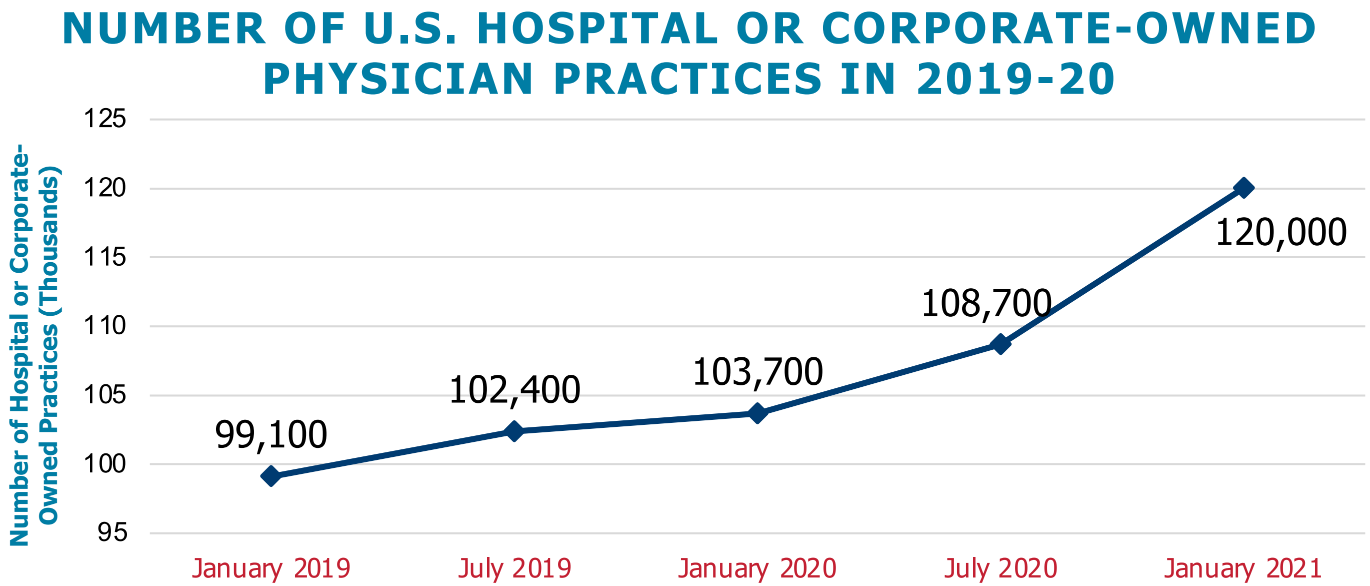
National Trends: One in Five Physicians Employed by Corporate Entities at the End of 2020



- **20%** of physicians were employed by "other" corporate entities by January 2021
- Over the two-year study period, the percentage of employed physicians **grew by 31%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

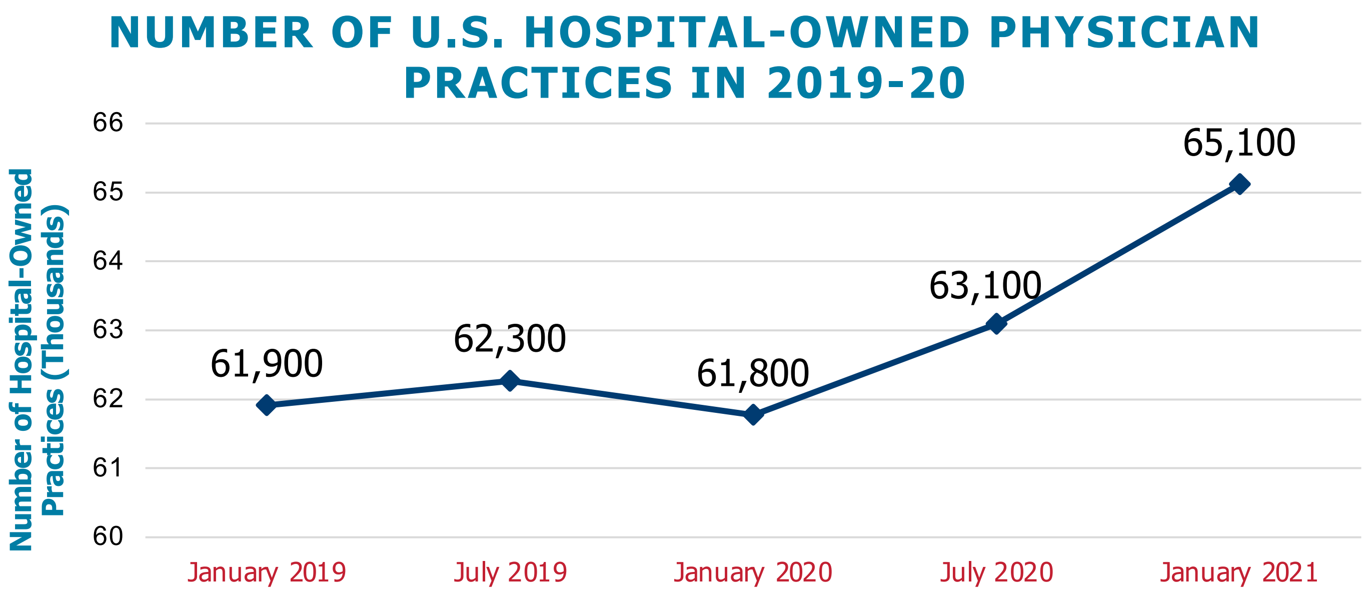
National Trends: Pace of Acquisitions Accelerates During COVID-19



- Hospitals and corporate entities acquired **20,900** physician practices in 2019 and 2020
- Many of these practices were acquired in last six months, following COVID-19 onset
- During this period, the overall number of physician practices owned by hospitals or corporate entities **grew by 21%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

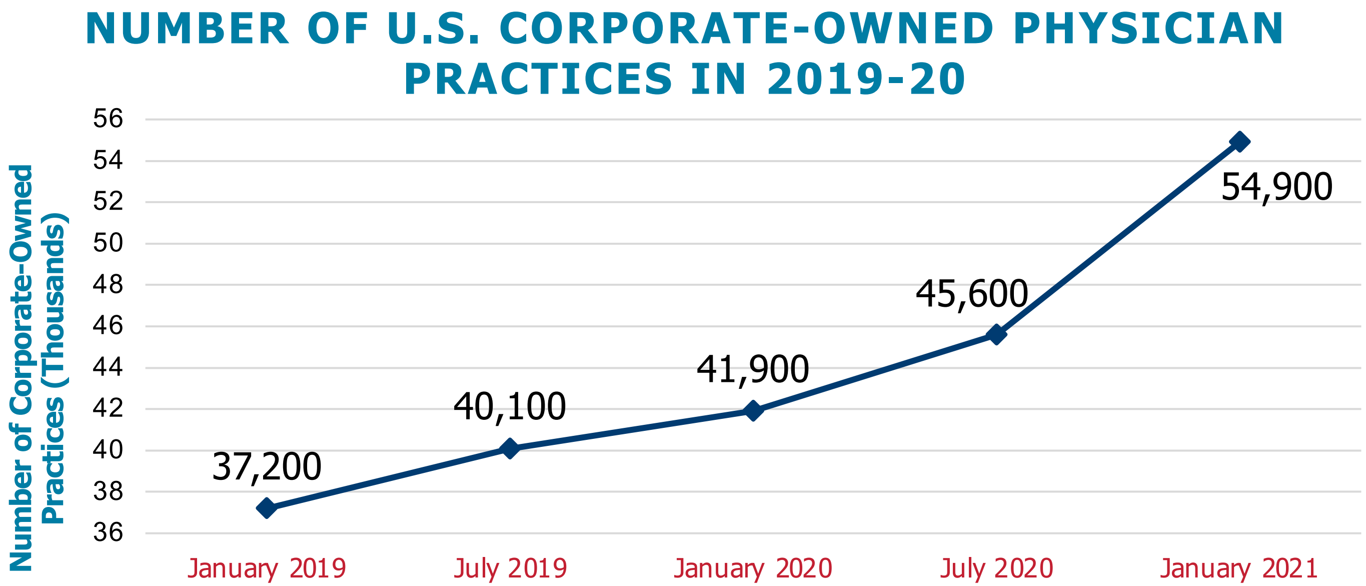
National Trends: Pace of Hospital Acquisitions Accelerates During COVID-19



- Hospitals acquired **3,200** physician practices in 2019 and 2020
- Many of these practices were acquired in last six months, following COVID-19 onset
- During this period, the overall number of physician practices owned by hospitals **grew by 5%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

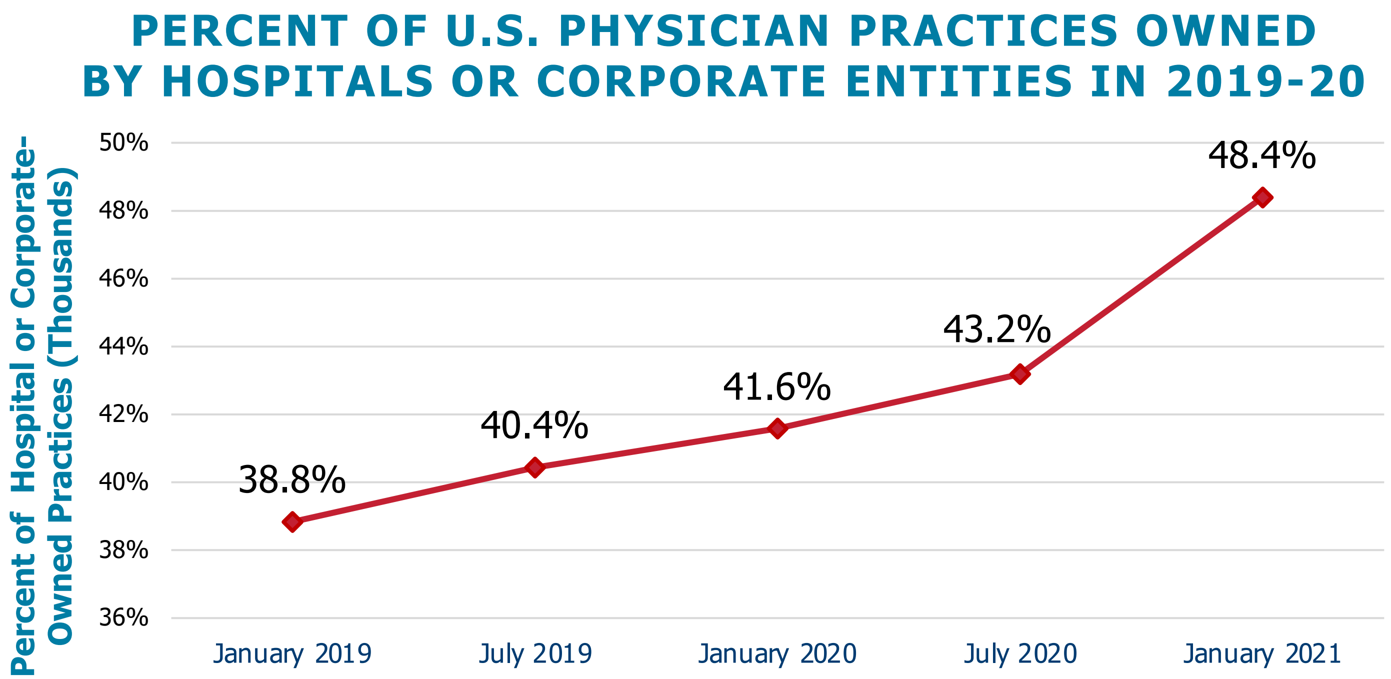
National Trends: Pace of Corporate Acquisitions Accelerates During COVID-19



- Corporate entities acquired **17,700** physician practices in 2019 and 2020
- Many of these practices were acquired in last six months, following COVID-19 onset
- During this period, the overall number of physician practices owned by corporate entities **grew by 48%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

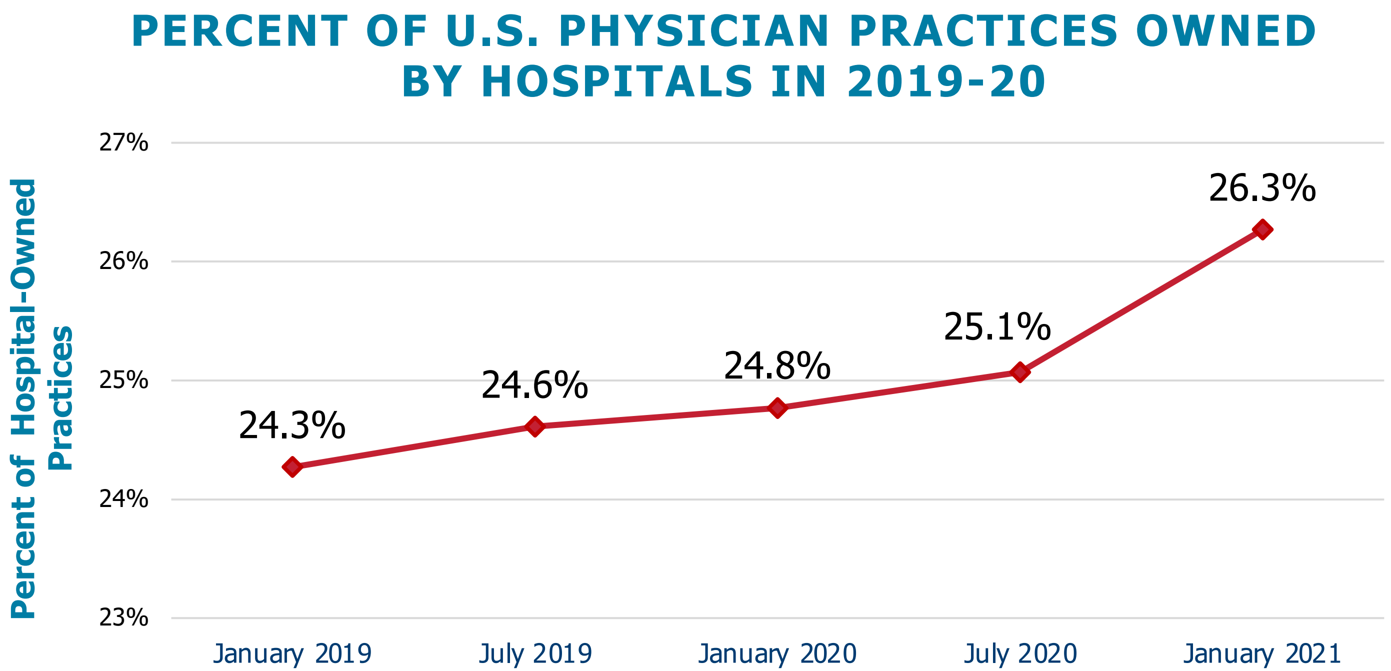
National Trends: By January 2021, Hospitals and Corporate Entities Owned Nearly Half of Physician Practices



- Steady and then accelerated hospital and corporate acquisitions during the COVID-19 pandemic resulted in an **25% increase** in 2 years
- There was an **8.5% increase** in the rate of hospital or corporate-owned physician practices following the onset of COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

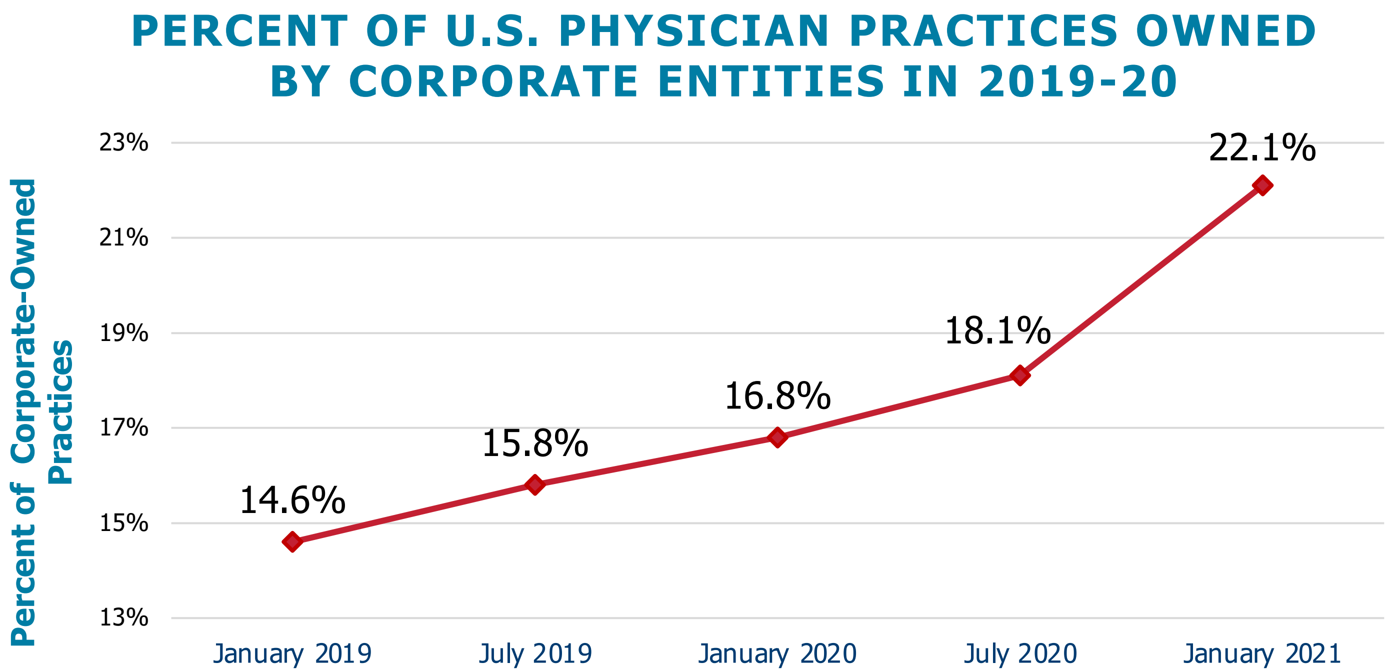
National Trends: By January 2021, Hospitals Owned More Than One-Quarter of Physician Practices



- Steady and then accelerated hospital acquisitions during the COVID-19 pandemic resulted in an **8% increase** in 2 years
- There was a **3.7% increase** in the rate of hospital-owned physician practices following the onset of COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

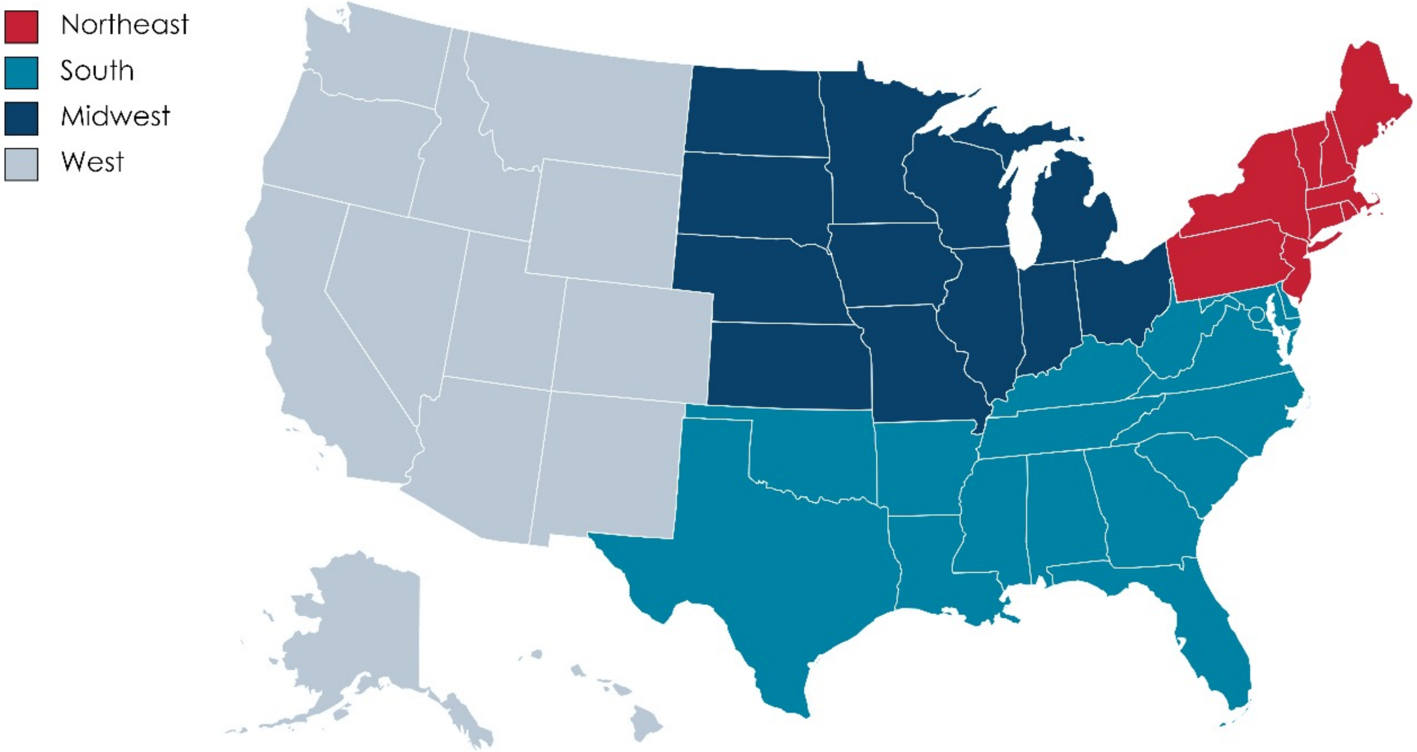
National Trends: By January 2021, Corporate Entities Owned More Than One-Fifth of Physician Practices



- Steady and then accelerated corporate acquisitions during the COVID-19 pandemic resulted in an **51% increase** in 2 years
- There was a **14.6% increase** in the rate of corporate-owned physician practices following the onset of COVID-19

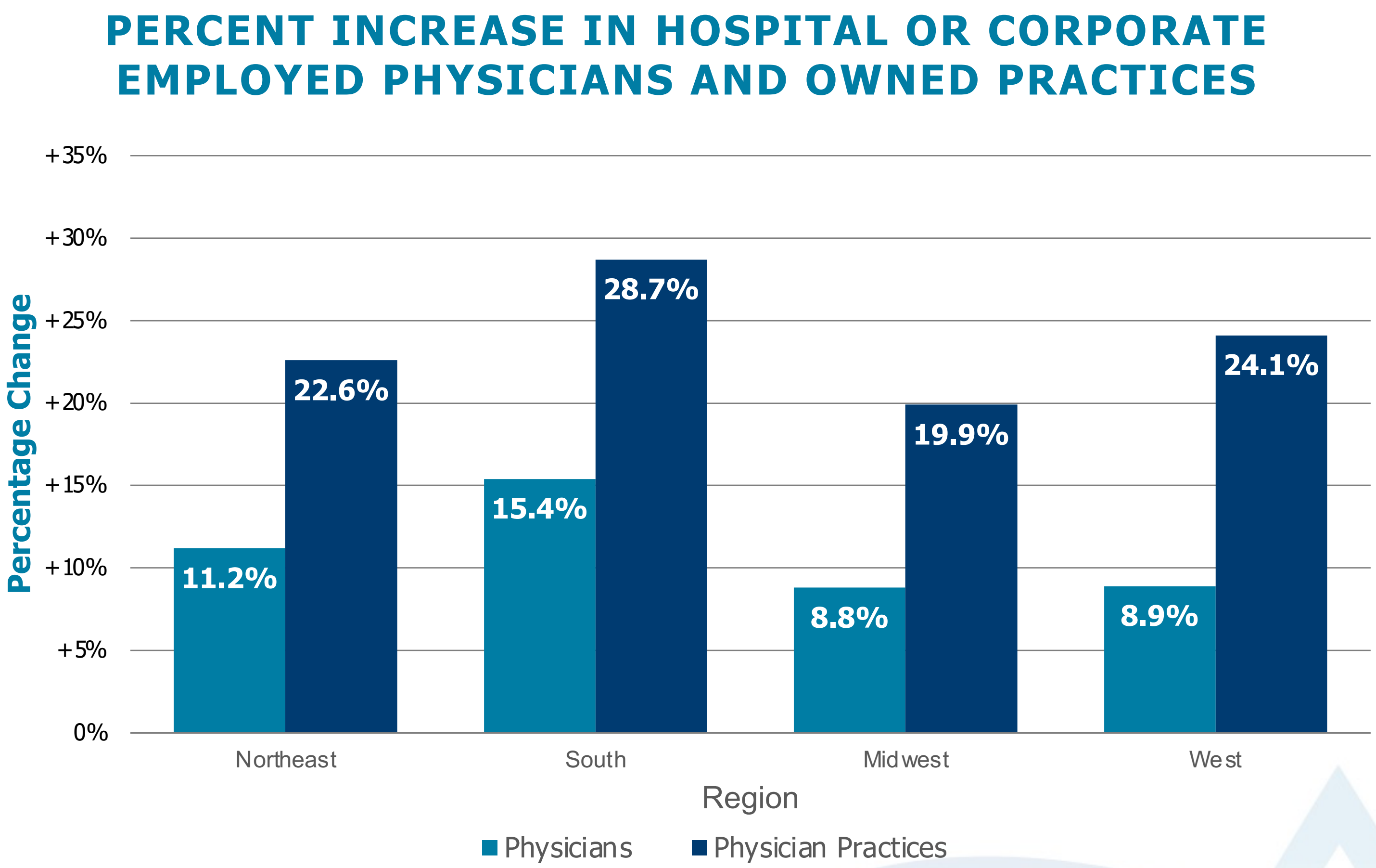
Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

REGIONAL FINDINGS SHOW STEADY GROWTH NATIONWIDE



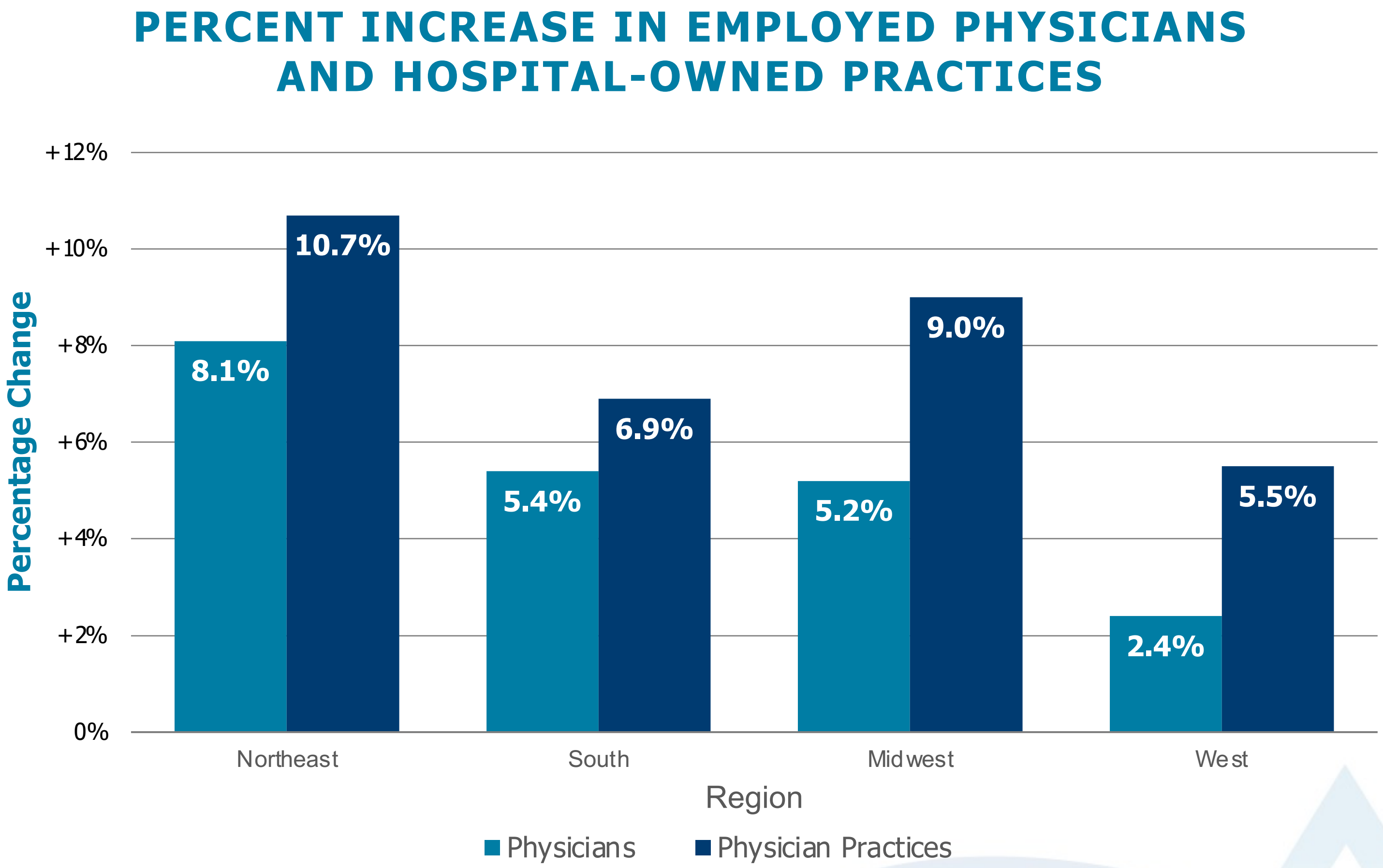
Avalere Health also studied these trends by region. While there are differences across regions, there is a steady trend toward increased employment and hospital ownership of practices in every region of the nation.

All U.S. Regions Continue Trend of Growth in Hospital or Corporate Employment and Practice Ownership in 2019-20



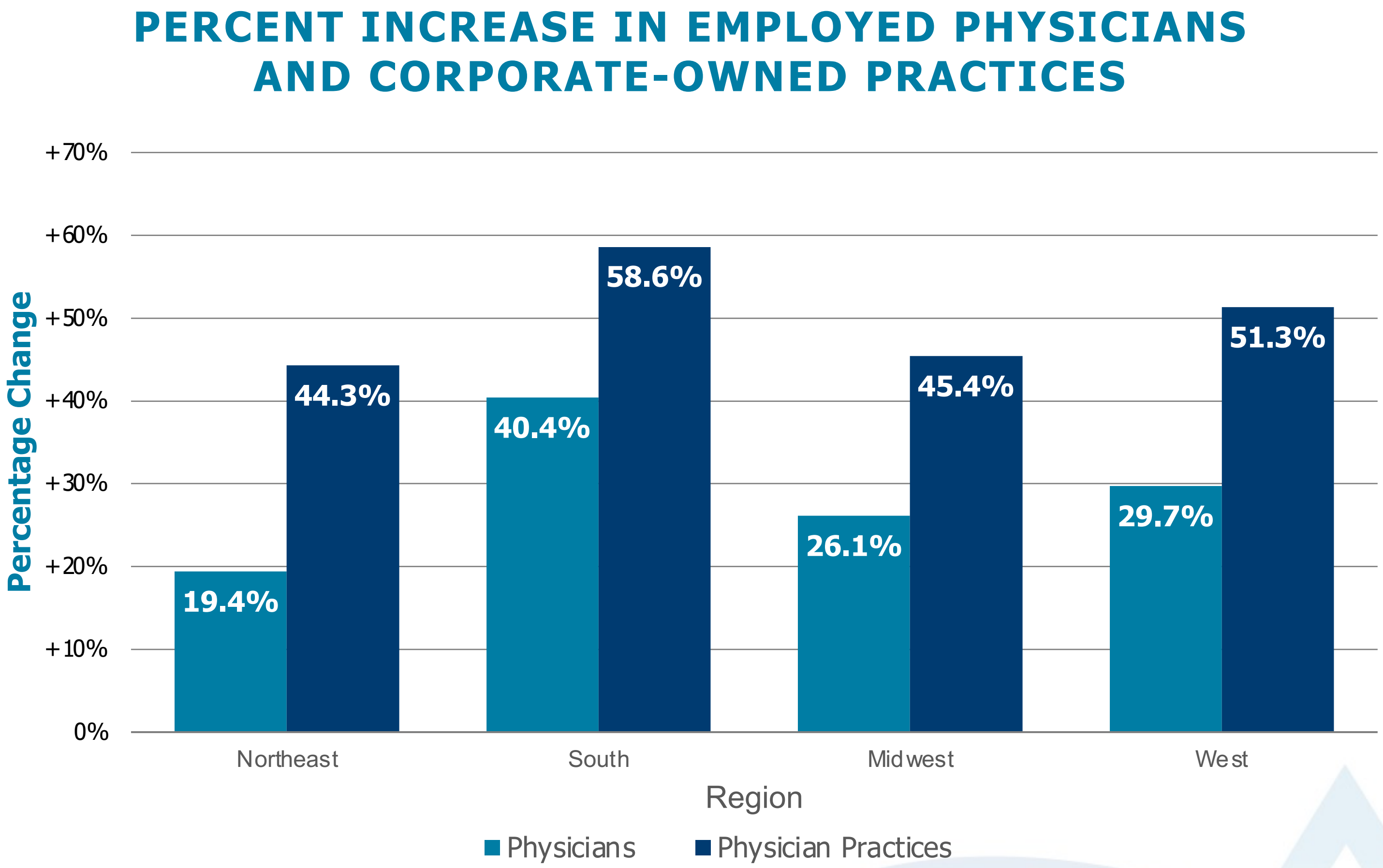
Avalere analysis of IQVIA hospital/health system ownership of physician practice locations data with Medicare 5% Standard Analytic Files

All U.S. Regions Continue Trend of Growth in Hospital Employment and Practice Ownership in 2019-20



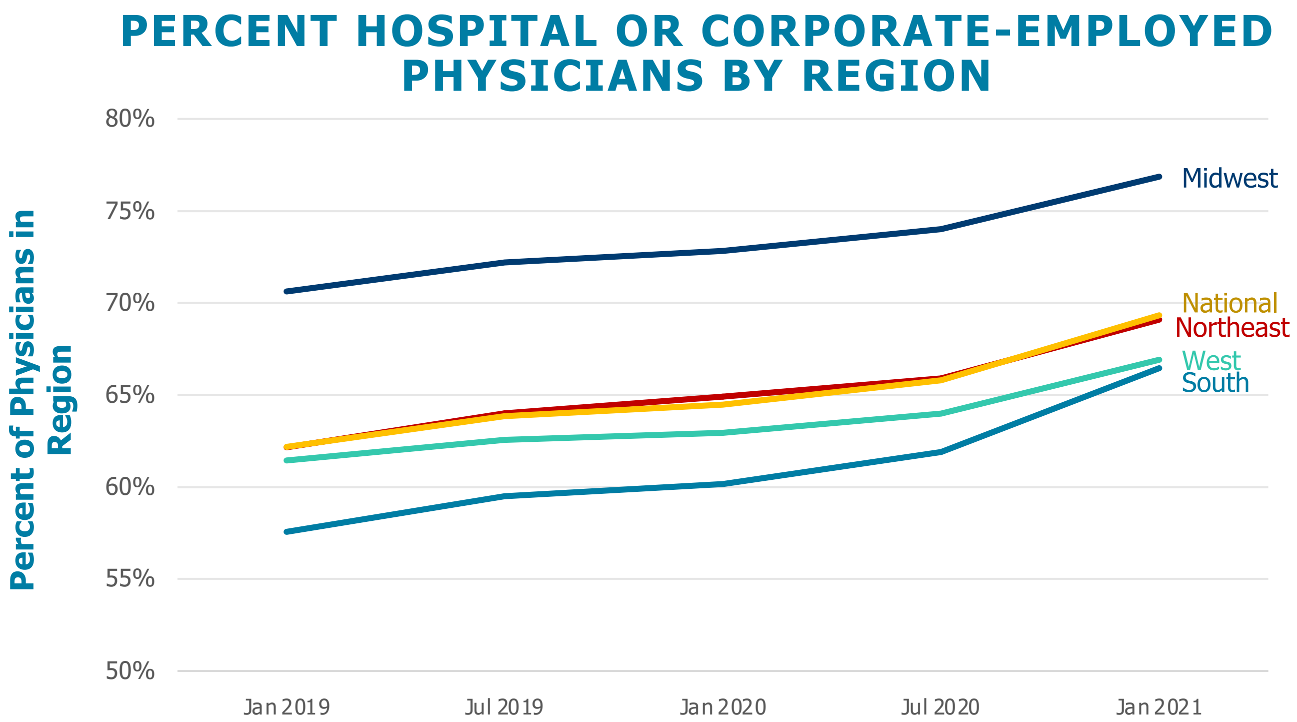
Avalere analysis of IQVIA hospital/health system ownership of physician practice locations data with Medicare 5% Standard Analytic Files

All U.S. Regions Continue Trend of Growth in Corporate Employment and Practice Ownership in 2019-20



Avalere analysis of IQVIA hospital/health system ownership of physician practice locations data with Medicare 5% Standard Analytic Files

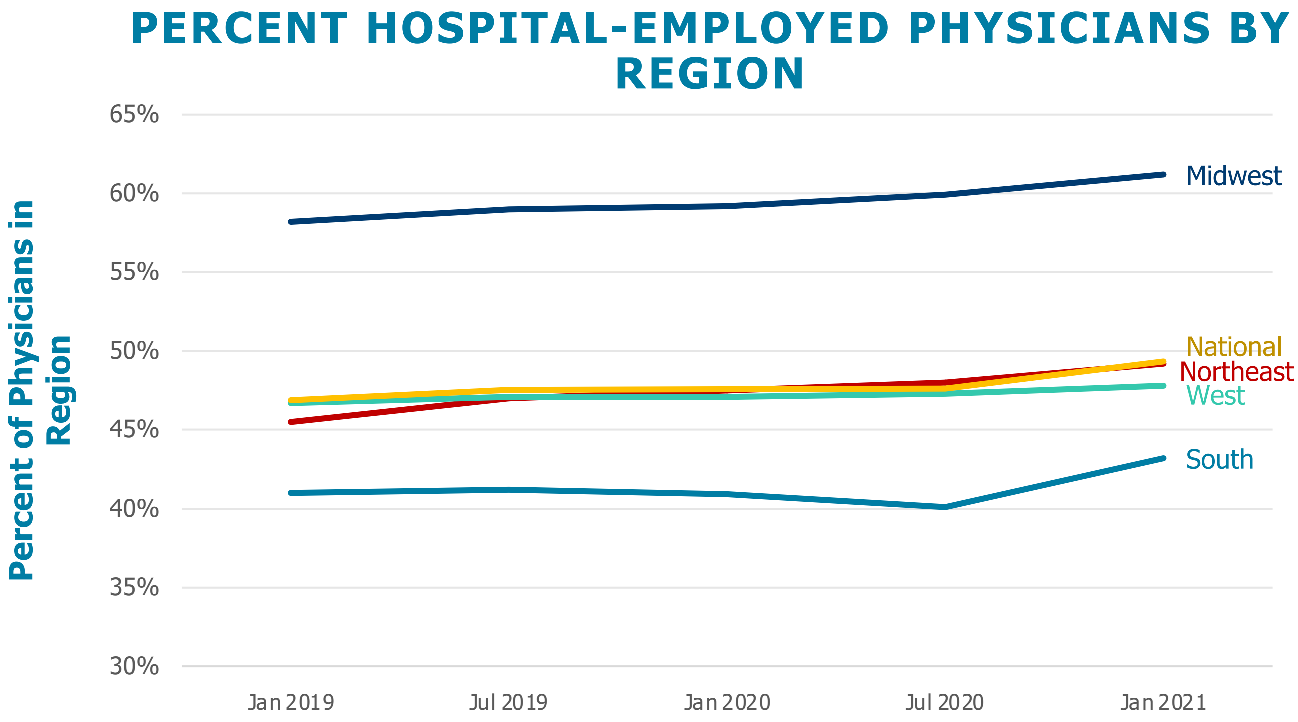
Increase in Physician Employment Continues in All U.S. Regions in 2019-20



- The number of corporate-employed physicians increased in all regions during the study period.
- The Midwest leads other regions with **nearly 77%** employed by hospitals or corporate entities.

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

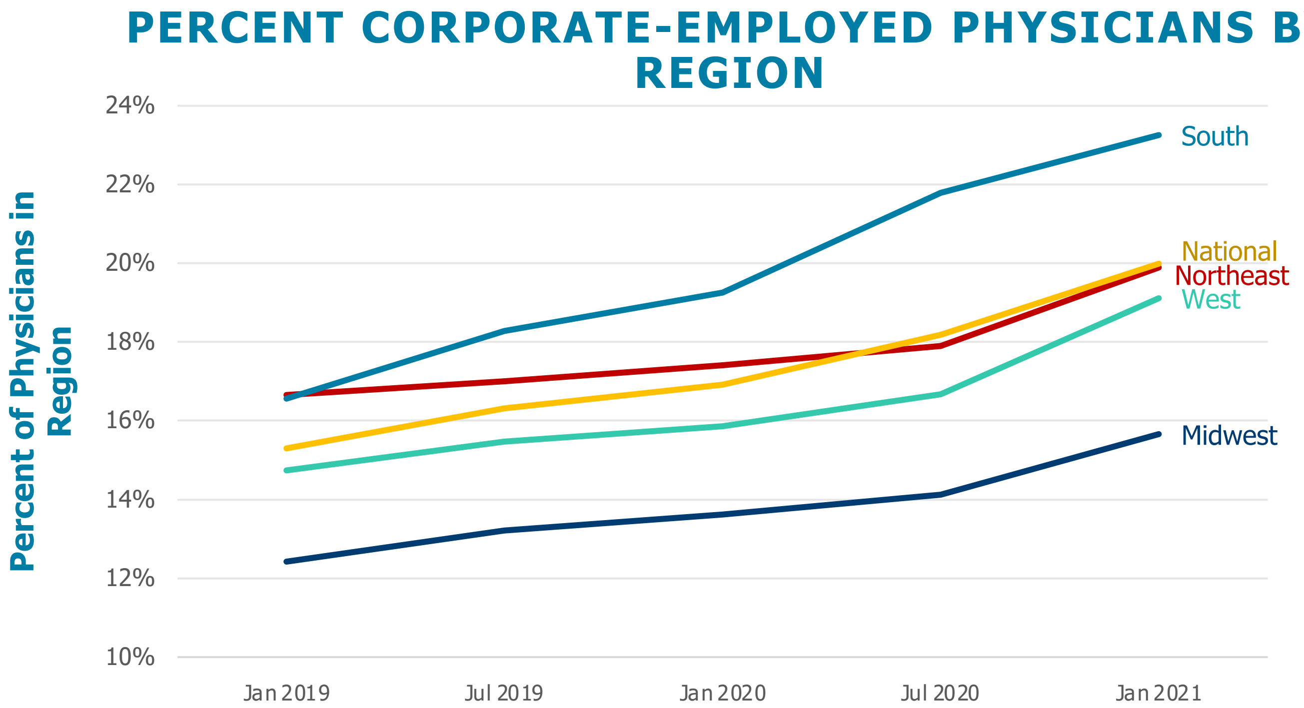
Increase in Physician Employment Continues in All U.S. Regions in 2019-20



- The number of hospital-employed physicians increased in all regions during the study period.
- **Over 60%** of all physicians in the Midwest are employed by hospitals.
- Nearly half of physicians are employed in the Northeast and West.

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

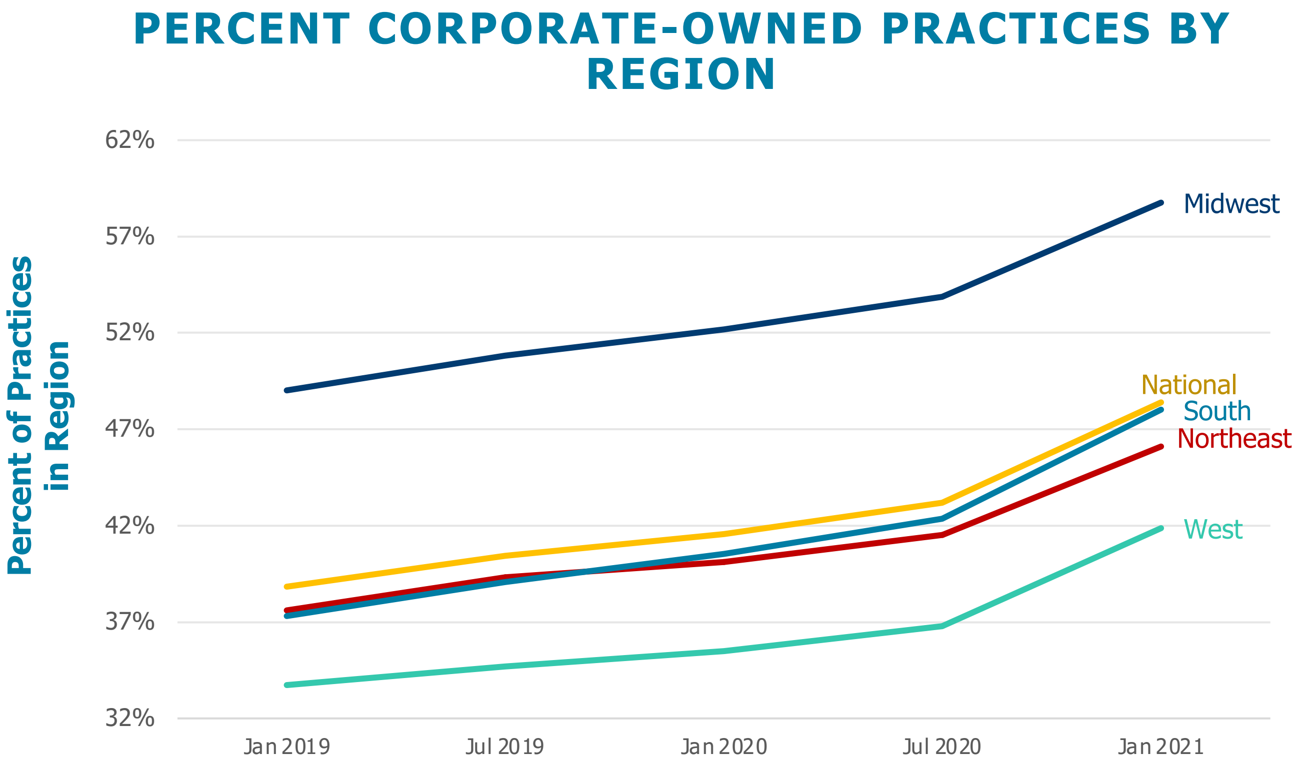
Increase in Physician Employment Continues in All U.S. Regions in 2019-20



- The number of corporate-employed physicians increased in all regions during the study period.
- The South has the highest percentage of corporate employed physicians at more than **23%** and experienced the biggest increase in physician employment with **more than 40% growth**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

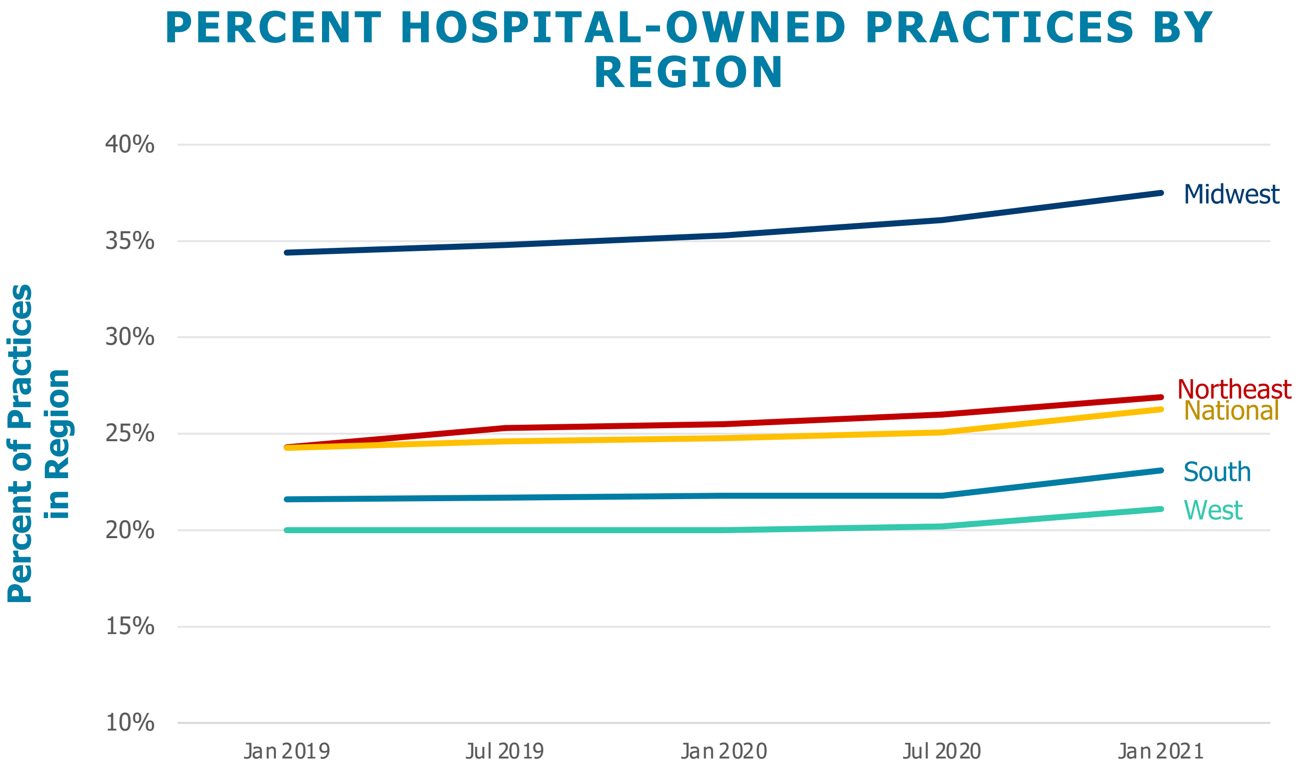
Hospital and Corporate Entities Continue to Acquire Physician Practices In Every Region



Rates of practice ownership increased in every region over the two-year time period and the percentage of hospital or corporate-owned practices increased between **20% and 29%.**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

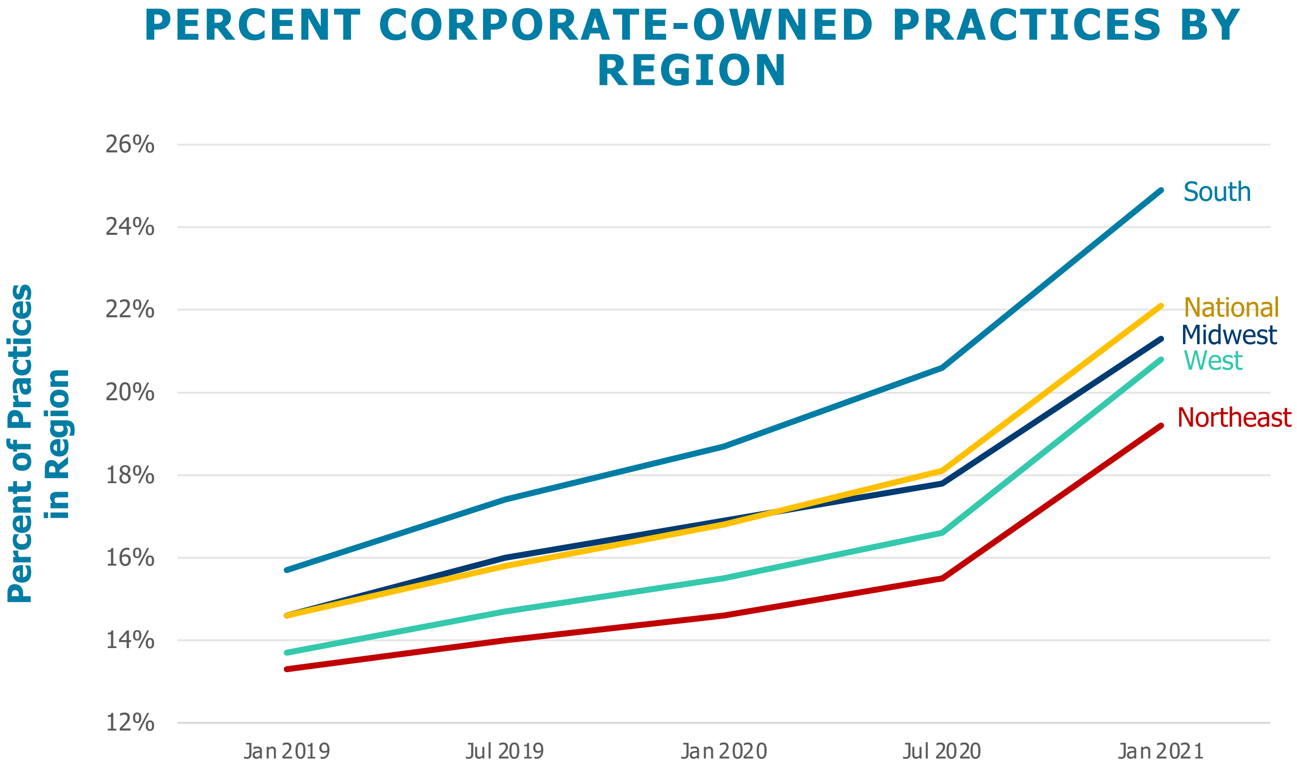
Hospitals Continue to Acquire Physician Practices In Every Region



- Rates of practice ownership increased in every region over the two-year time period and the percentage of hospital-owned practices increased between **6% and 11%.**
- The Midwest has the largest percentage of hospital-owned practices with **37.5%**, far exceeding other regions.

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

Corporate Entities Continue to Acquire Physician Practices In Every Region



- Rates of practice ownership increased in every region over the two-year time period and the percentage of corporate-owned practices increased between **44% and 59%.**
- The South experienced the biggest increase in practice acquisitions by corporate entities with **59% growth**.

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

Methodology & Additional Data

The Growth Rate of Hospital or Corporate-Employed Physicians and Owned Practices Continued in 2019 and 2020

National Trends

	January 1, 2019	January 1, 2021	% Increase
Number of Hospital or Corporate-Employed Physicians	375,400	423,800	12.9%
% of Hospital or Corporate-Employed Physicians	62.2%	69.3%	11.5%
Number of Hospital or Corporate-Owned Practices	99,100	120,000	21.1%
% of Hospital or Corporate-Owned Practices	38.8%	48.4%	24.6%

Regional Trends

	Region	January 1, 2019	January 1, 2021	% Increase
% of Hospital or Corporate-Employed Physicians	Northeast	62.2%	69.1%	11.2%
	South	57.6%	66.5%	15.4%
	Midwest	70.6%	76.9%	8.8%
	West	61.4%	66.9%	8.9%
% of Hospital or Corporate-Owned Practices	Northeast	37.6%	46.1%	22.6%
	South	37.3%	48.0%	28.7%
	Midwest	49.0%	58.8%	19.9%
	West	33.7%	41.9%	24.1%

The Growth Rate of Hospital-Employed Physicians and Hospital Owned Practices Continued in 2019 and 2020

National Trends

	January 1, 2019	January 1, 2021	% Increase
Number of Hospital-Employed Physicians	283,000	301,600	6.6%
% of Hospital-Employed Physicians	46.9%	49.3%	5.2%
Number of Hospital-Owned Practices	61,900	65,100	5.2%
% of Hospital-Owned Practices	24.3%	26.3%	8.2%

Regional Trends

	Region	January 1, 2019	January 1, 2021	% Increase
% of Hospital-Employed Physicians	Northeast	45.5%	49.2%	8.1%
	South	41.0%	43.2%	5.4%
	Midwest	58.2%	61.2%	5.2%
	West	46.7%	47.8%	2.4%
% of Hospital-Owned Practices	Northeast	24.3%	26.9%	10.7%
	South	21.6%	23.1%	6.9%
	Midwest	34.4%	37.5%	9.0%
	West	20.0%	21.1%	5.5%

The Growth Rate of Corporate-Employed Physicians and Corporate-Owned Practices Continued in 2019 and 2020

National Trends

	January 1, 2019	January 1, 2021	% Increase
Number of Corporate-Employed Physicians	92,400	122,200	32.3%
% of Corporate-Employed Physicians	15.3%	20.0%	30.7%
Number of Corporate-Owned Practices	37,200	54,900	47.6%
% of Corporate-Owned Practices	14.6%	22.1%	51.9%

Regional Trends

	Region	January 1, 2019	January 1, 2021	% Increase
% of Corporate-Employed Physicians	Northeast	16.7%	19.9%	19.4%
	South	16.6%	23.3%	40.4%
	Midwest	12.4%	15.7%	26.1%
	West	14.7%	19.1%	29.7%
% of Corporate-Owned Practices	Northeast	13.3%	19.2%	44.3%
	South	15.7%	24.9%	58.6%
	Midwest	14.6%	21.3%	45.4%
	West	13.7%	20.8%	51.3%

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians

Avalere used the IQVIA OneKey[1] database that contains physician[2] and practice location information on hospital/health system ownership:

- Each record in the database corresponds to a unique physician [identified by their National Provider ID (NPI)], primary practice location, unique OneKey practice ID, physician and organization specialty, and practice ownership information
- These data include solo and single-location small practices as well as large, multi-specialty multi-location group practices
- These data include biannual physician and practice information from January 2019 through January 2021

1 The data used for this analysis are an extract from IQVIA's larger OneKey database that includes additional information about individual and organizational healthcare providers
2 Physicians are defined as medical doctors (MDs) and doctors of osteopathy (DOs); nurse practitioners, physician assistants, and other non-physician providers are not included

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians (cont'd)

This OneKey extract includes three distinct ownership types:

- Owned by integrated delivery network (IDN)
  - In this study, "hospital-owned" practices are those classified as IDN-owned
  - To be classified as an IDN, a parent organization must include at least one acute care hospital and at least one non-acute entity (e.g., clinic, rehabilitation facility)
  - Likewise, "hospital-employed" physicians are physicians in the OneKey database indicated as employed by an IDN-owned practice
- Owned by other corporate entity
  - Other corporate entities are parent organizations not classified as IDNs
  - These corporate entities include health insurers, private equity firms, umbrella entities that own multiple physician practices, etc.
- Practices without any external parent corporate organization as an owner are considered independent

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians (cont'd)

- COVID-19 effects on counts and percentages calculated as the percentage growth rate in the quantity of interest from January 2020 to December 2020 minus the growth rate from January 2019 to January 2020
- Counts of physicians are counts of unique NPIs
  - Percentages of physicians are relative to the total number of physician NPIs in the IQVIA OneKey extract at each timepoint
- Counts of practices are counts of unique OneKey practice IDs
- Geographic location based on primary practice location provided by IQVIA

NPI = National Provider Identifier

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