PAI Research News & Notes

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Promoting strong and sustainable physician practices for the benefit of patients

PAI RELEASES NEW RESEARCH FROM AVALERE:

PHYSICIAN EMPLOYMENT, HOSPITAL ACQUISITION OF PHYSICIAN PRACTICES CONTINUE TO INCREASE

New data compiled by Avalere Health on behalf of PAI updates earlier research, showing a sustained nationwide trend of hospital-driven consolidation, marked by continued growth in hospital acquisitions of physician practices and physician employment.

This latest study analyzes eighteen months of data – between July 2016 and January 2018 – during which hospitals acquired 8,000 medical practices, and an additional 14,000 physicians left private practice in favor of employment. This continued an ongoing trend that earlier PAI-Avalere research documented for the period between July 2012-July 2016, which witnessed an intense increase in hospital acquisitions and growth in physician employment.

The cumulative study period – from July 2012 through January 2018 – saw a dramatic, sustained trend of physicians leaving independent practice to enter into employment arrangements with hospitals and health systems. Over the full 5½ year study period, the number of hospital-acquired physician practices increased from 35,700 in 2012 to more than 80,000 in 2018. Forty-four percent of U.S. physicians were...
employed by hospitals or health systems by January 2018, compared to just one in four in July 2012.

These latest cumulative findings highlight striking changes in health care delivery, marked by consolidation between the hospital and physician sectors in every region of the country.

- Throughout this period, hospitals aggressively pursued acquisitions of physician practices, growing from 35,700 hospital-owned practices in July 2012 to 80,000 in January 2018. This 128 percent growth represents more than doubling in the number of hospital-owned practices nationwide.

- Physician employment increased overall by more than 70 percent, growing from 94,700 employed physicians in mid-2012 to 168,800 employed physicians in January 2018, with increases in every six-month time period measured over five-and-a-half years.

- All regions of the United States saw an increase in hospital-owned practices, with a range of total increase from 91 percent to 303 percent by region.

**Previous PAI-Avalere Study Underscores Cost Implications of Trend on Taxpayers and Beneficiaries**

This study demonstrates that the overall trend continues and is dramatically reshaping the landscape for physicians by creating an increasingly concentrated health care system that costs more. This is because the same services performed in the hospital outpatient setting are reimbursed by Medicare at higher rates compared to the independent physician office setting. Previous PAI-Avalere research underscored the impact of this policy as it relates to health care spending by taxpayers and patients:

- Medicare paid $2.7 billion more for four specific cardiology, orthopedic, and gastroenterology services performed in the hospital outpatient setting than if the same services were delivered in the physician office setting from 2012 to 2015.

- For these same services, Medicare beneficiaries faced $411 million more in out-of-pocket costs due to higher cost-sharing.

“This body of research underscores PAI’s commitment to better understand health care consolidation’s impact on physicians and patients,” said Robert Seligson, PAI’s president and CEO of the North Carolina Medical Society. “While various factors continue to drive growth in physician employment, PAI remains committed to helping physicians sustain their practices regardless of the setting in which they treat patients. This includes fighting to preserve clinical autonomy that is so important in delivering the high-quality care that patients expect and deserve. We look forward to working with policymakers to advance fair, transparent policies that help physicians and their patients in an increasingly challenging operating environment.”

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**Learn more about PAI’s research and advocacy.**

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**What’s Driving Consolidation?**

The complex, powerful economic and regulatory forces driving consolidation in health care affect both
independent physicians, as well as the physicians increasingly employed by hospital systems. The Affordable Care Act continues to shift health care from paying for procedures to paying for quality, and this trend has meant physicians need new tools and resources to help them measure performance and comply with federal regulations governing performance-based payment. PAI advocacy has drawn attention to concerns about system-wide consolidation and its impact on patients.

Check out PAI’s physician educational resources to help physicians considering employment arrangements and to help physicians successfully navigate the Medicare Quality Payment Program.

Learn More: PAI’s Advocacy on Behalf of Physicians

The Physicians Advocacy Institute’s mission is to pursue fair and transparent payment policies and address systemic problems that impede physicians’ ability to treat patients in a wide variety of practice arrangements and compete in today’s rapidly evolving health care marketplace. Every day, PAI works to strengthen physician practices and improve the practice of medicine. Learn more at www.physiciansadvocacyinstitute.org/