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COVID-19's Impact On Acquisitions of Physician Practices and Physician Employment 2019-2021

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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:

Advocacy

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

Research

- PAI sponsors 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

- PAI arms physicians with information and tools to successfully navigate the rapidly evolving health care marketplace and complex regulatory environment. These resources are free of charge and require no subscription.

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

This report continues PAI's longstanding 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.

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

Avalere Health researchers studied the three-year period between January 1, 2019 and January 1, 2022 to examine whether physician practice acquisition continued during this timeframe, which includes 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.

Winter/Spring 2020: HHS declares a Public Health Emergency due to COVID-19. States impose restrictions on medical treatment

Summer/Fall 2020: Physician revenues are impacted by COVID-19 restrictions. Avalere researchers find an uptick in practice sales in the second half of 2020

2021: Physician practices report continued impact on practice revenues and widespread burnout. Delta and Omicron variants spread

COVID-19 Timeline - Impact on Physicians and Practices

Nationwide Growth in Acquisitions of Physician Practices and Employed Physicians Further Accelerated in 2021 as Pandemic Continued

NATIONAL TRENDS:

- **108,700 additional physicians became employees of hospitals or other corporate entities – 83,000 of that shift occurred after the onset of COVID-19**
- This represents a **19% increase** in the percentage of employed physicians over the three-year study period
- **Hospital and other corporate entities acquired 36,200 additional physician practices over the three-year period**, resulting in a **38% increase** in the percentage of 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 **28% and 44%**
- The percentage of hospital or corporate-employed physicians increased between **13% and 24%**

Key Findings: Hospital Acquisitions of Physician Practices and Employed Physicians Continued in 2021

NATIONAL TRENDS:

- **58,200 additional physicians become hospital employees – 51,000 of that shift occurred after the onset of COVID-19**
- This represents a **11% increase** in the percentage of hospital-employed physicians over the three-year study period
- Hospitals acquired 4,800 additional physician practices over the three-year period, resulting in **a 9% increase** in the percentage of hospital-owned practices

REGIONAL TRENDS:

- Continued growth in all regions continued throughout the three-year study period
- In 2021, the percentage of hospital-owned practices increased between **5% and 13%**
- In 2021, the percentage of hospital-employed physicians increased between **6% and 12%**

Key Findings: Corporate Acquisitions of Physician Practices and Employed Physicians in Continued in 2021

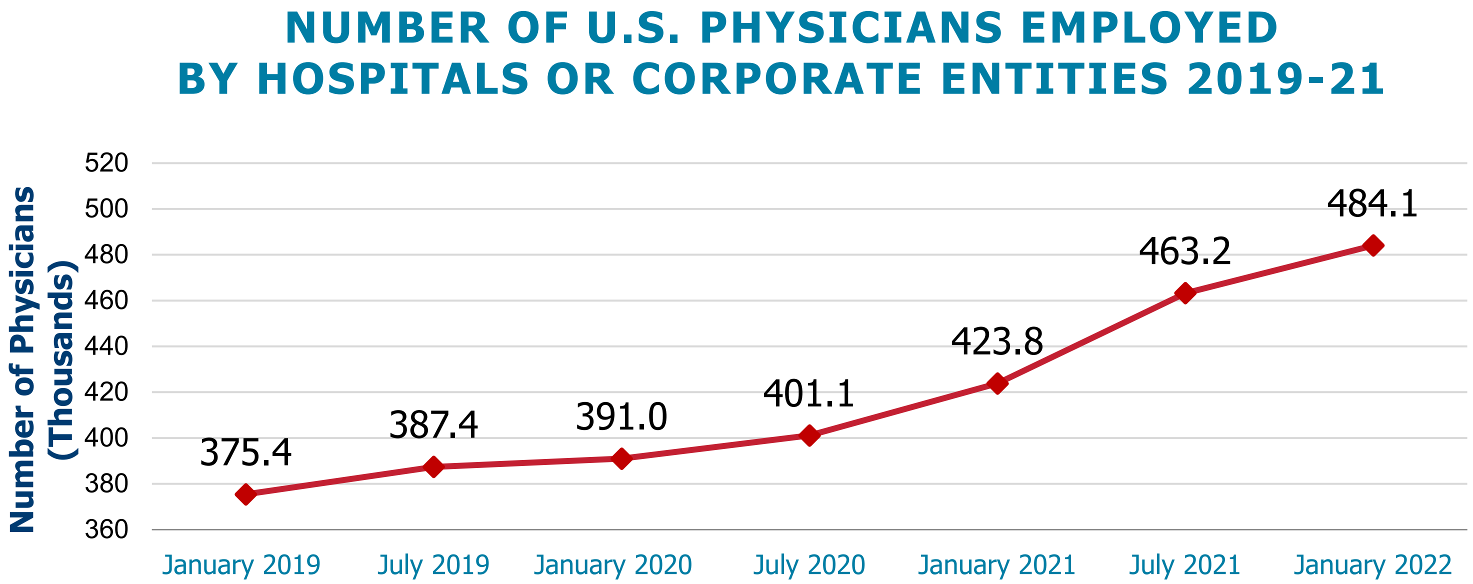
NATIONAL TRENDS:

- **50,500 additional physicians became employees of corporate entities – 32,000 of that shift occurred after the onset of COVID-19**
- This represents a **43% increase** in the percentage of corporate-employed physicians over the three-year study period
- Corporate entities acquired **31,300 additional physician practices** over the three-year period, resulting in **an 86% increase** in the percentage of corporate-owned practices

REGIONAL TRENDS:

- Continued growth in all regions throughout the three-year study period
- The percentage of corporate-owned practices increased between **71% and 94%**
- The percentage of corporate-employed physicians increased between **30% and 53%**

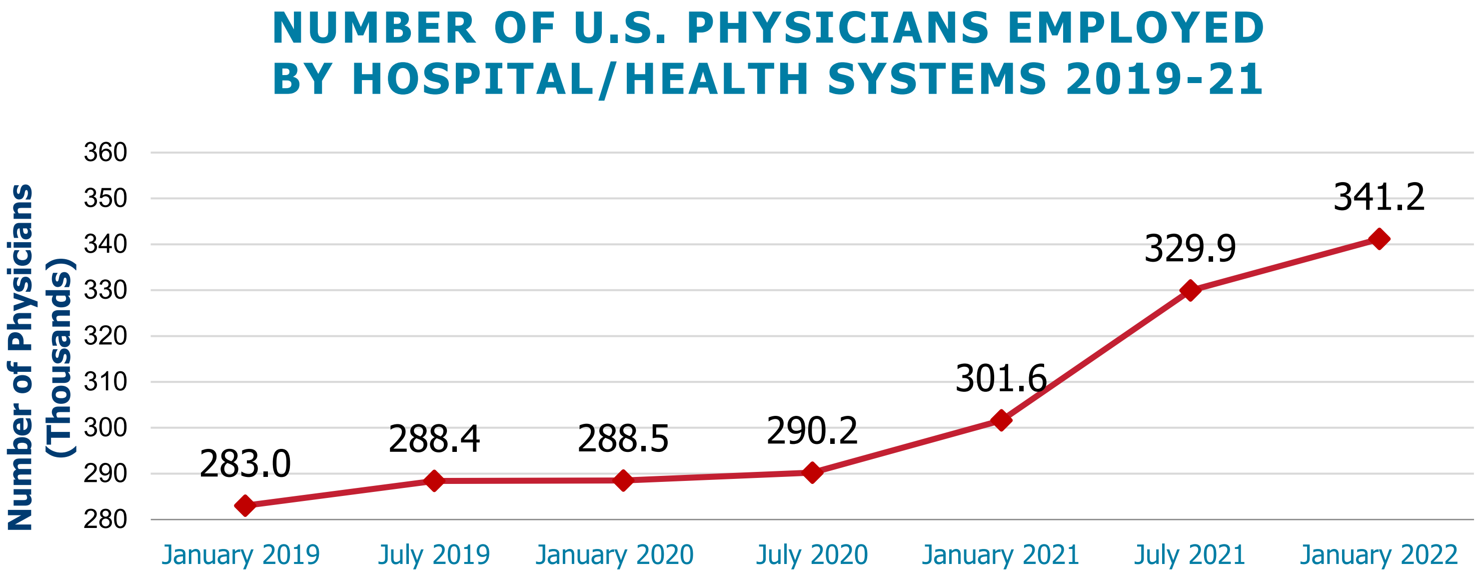
National Trends: Sharp Uptick in Physician Employment in Months Following Onset of Pandemic



- **108,700** additional physicians were employed by hospitals or corporate entities over the three-year study period – **83,000** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the six 6-month periods analyzed
- There was an **8.8% increase** in the growth rate of hospital or corporate-employed physicians following the onset of COVID-19

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

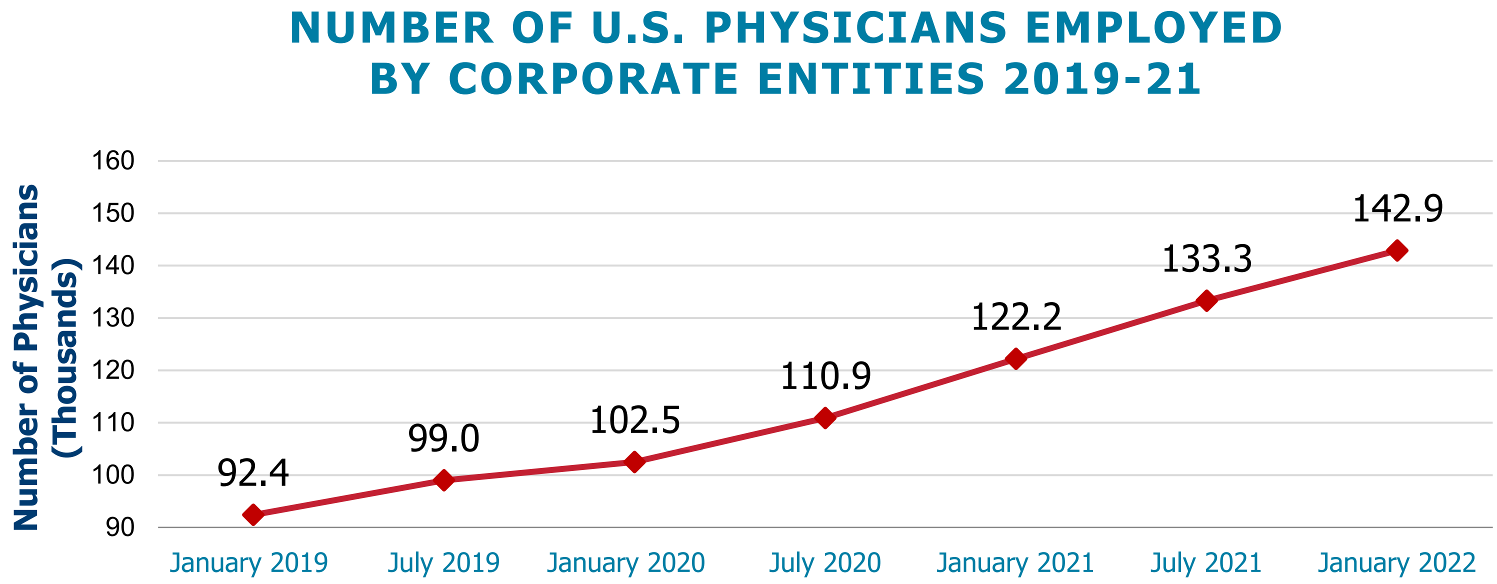
National Trends: Sharp Uptick in Physician Hospital Employment in Months Following Onset of Pandemic



- **58,200** additional physicians were employed by hospitals over the three-year study period – **51,000** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the six 6-month periods analyzed
- There was a **9.7% increase** in the growth rate of hospital-employed physicians following the onset of COVID-19

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

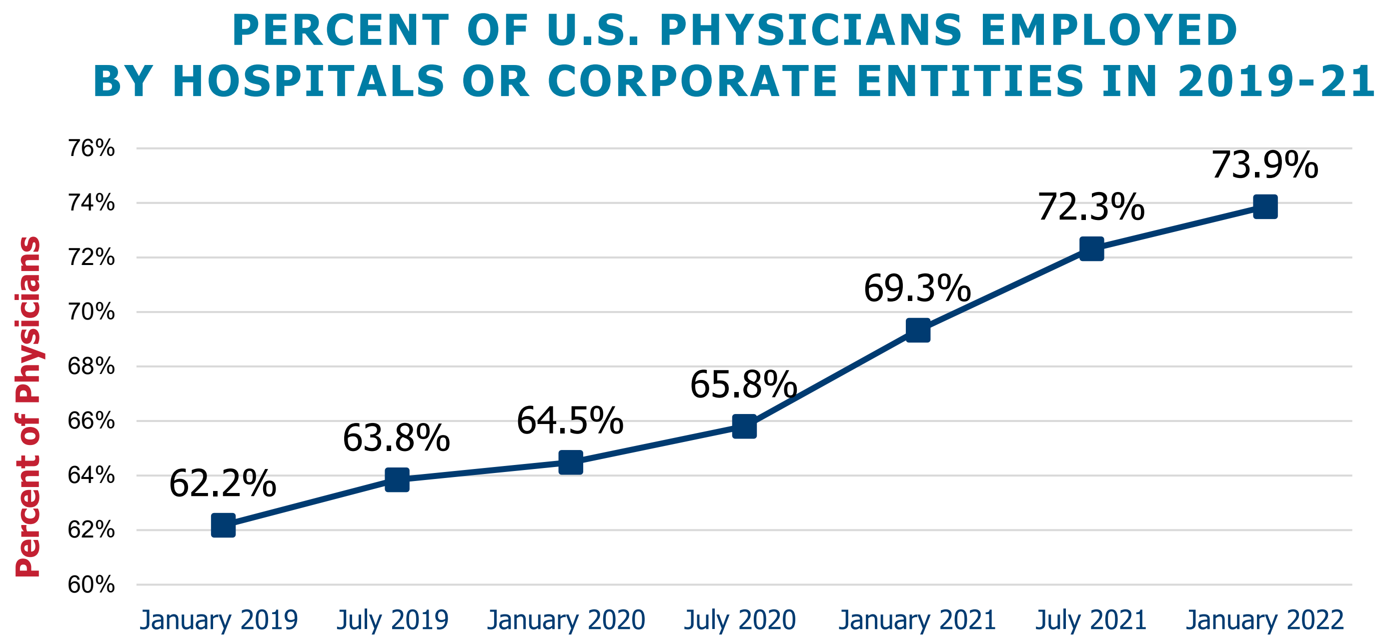
National Trends: Consistent Increase in Corporate Physician Employment since 2019



- **50,500** additional physicians were employed by other corporate entities over the three-year study period – **32,000** of that shift occurred after the onset of COVID-19
- Physician employment grew in each of the six 6-month periods analyzed
- There was a **5.5% increase** in the growth rate of corporate-employed physicians following the onset of COVID-19

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

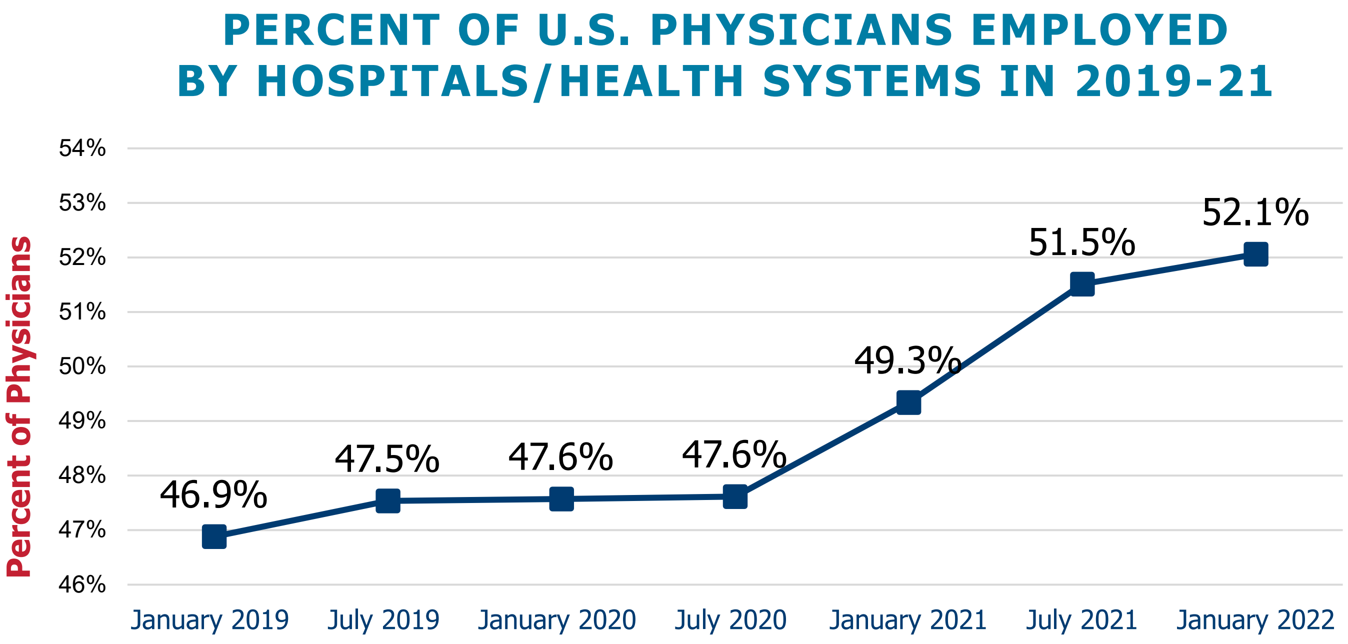
National Trends: Nearly Three in Four Physicians Employed by Hospitals or Corporate Entities at the End of 2021



- **74%** of physicians were hospital or corporate-employed by January 2022
- Over the three-year study period, the percentage of employed physicians **grew by 19%**

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

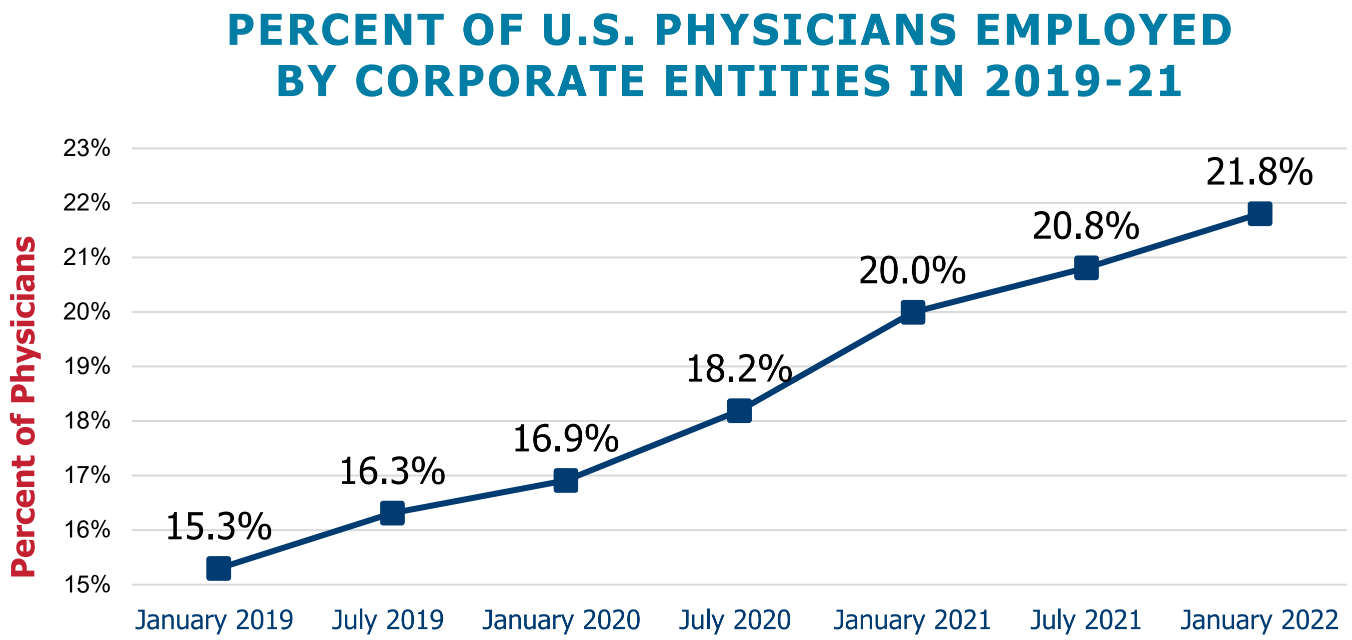
National Trends: Half of Physicians Employed by Hospitals/Health System at the End of 2021



- **52.1%** of physicians were hospital-employed by January 2022
- Over the three-year study period, the percentage of hospital-employed physicians **grew by 11%**

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

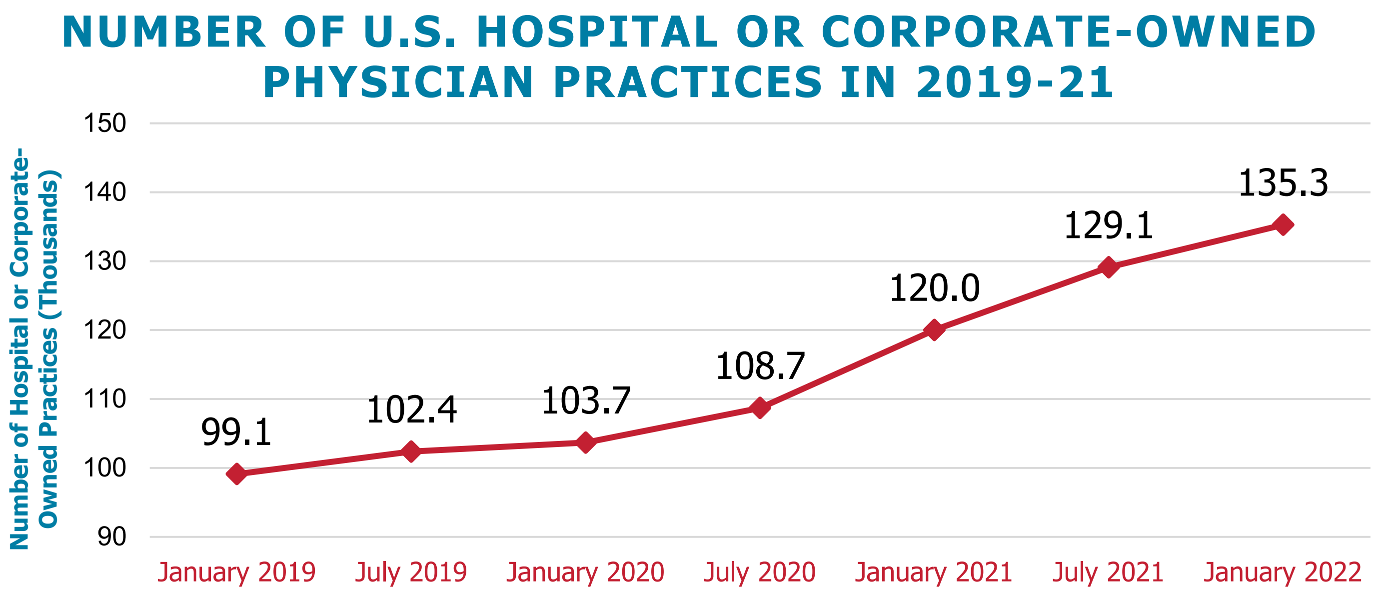
National Trends: One in Five Physicians Employed by Corporate Entities at the End of 2021



- **21.8%** of physicians were employed by "other" corporate entities by January 2022
- Over the three-year study period, the percentage of other corporate-employed physicians **grew by 43%**

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

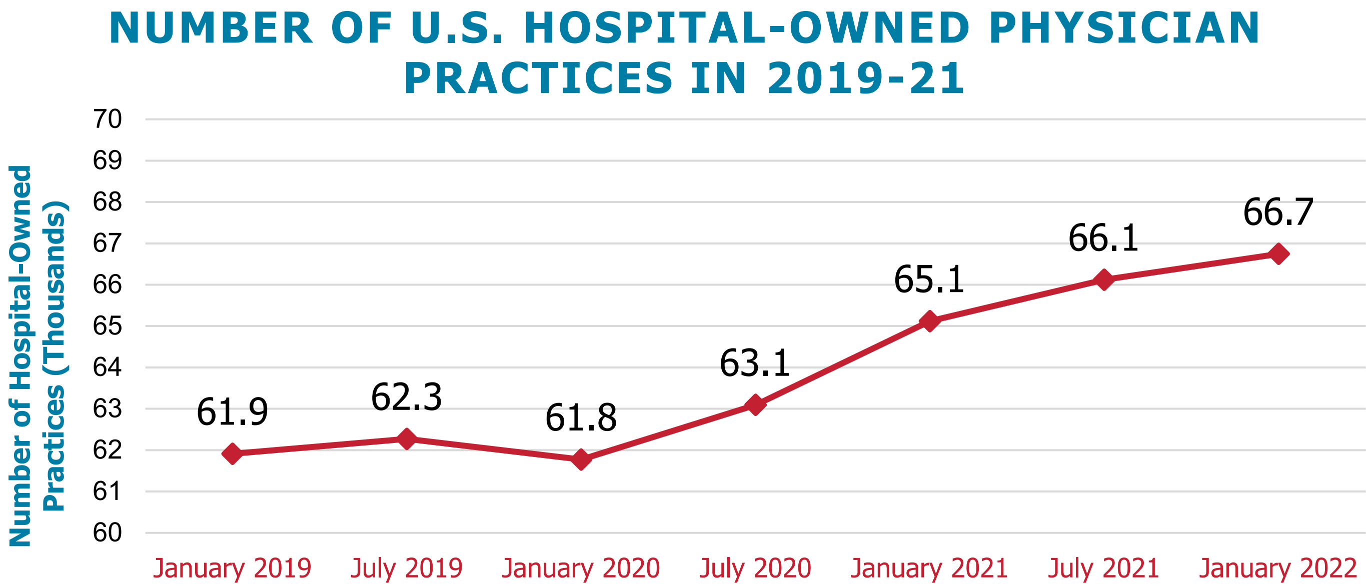
National Trends: Pace of Acquisitions Accelerates During COVID-19



- Hospitals and corporate entities acquired **36,200** physician practices between 2019 and 2021
- The majority of these practices were acquired following COVID-19 onset
- During this period, the overall number of physician practices owned by hospitals or corporate entities **grew by 36%**

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

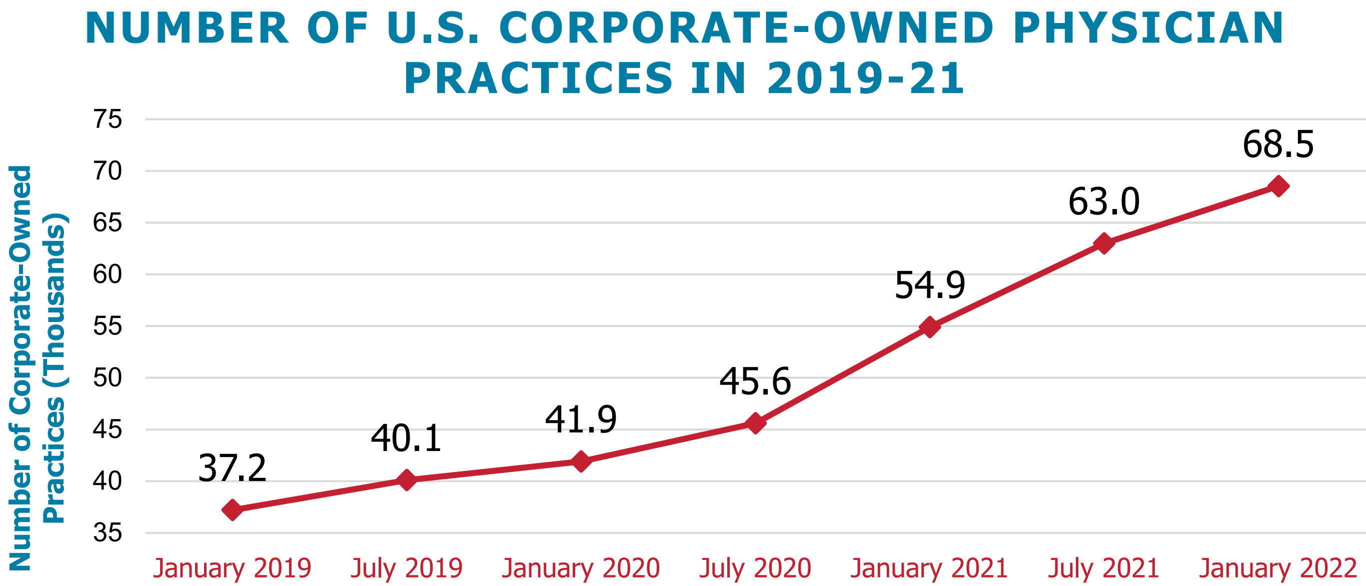
National Trends: Pace of Hospital Acquisitions Accelerates During COVID-19



- Hospitals acquired **4,800** physician practices between 2019 and 2021
- Most of these practices were acquired following COVID-19 onset
- During this period, the overall number of physician practices owned by hospitals **grew by 8%**

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

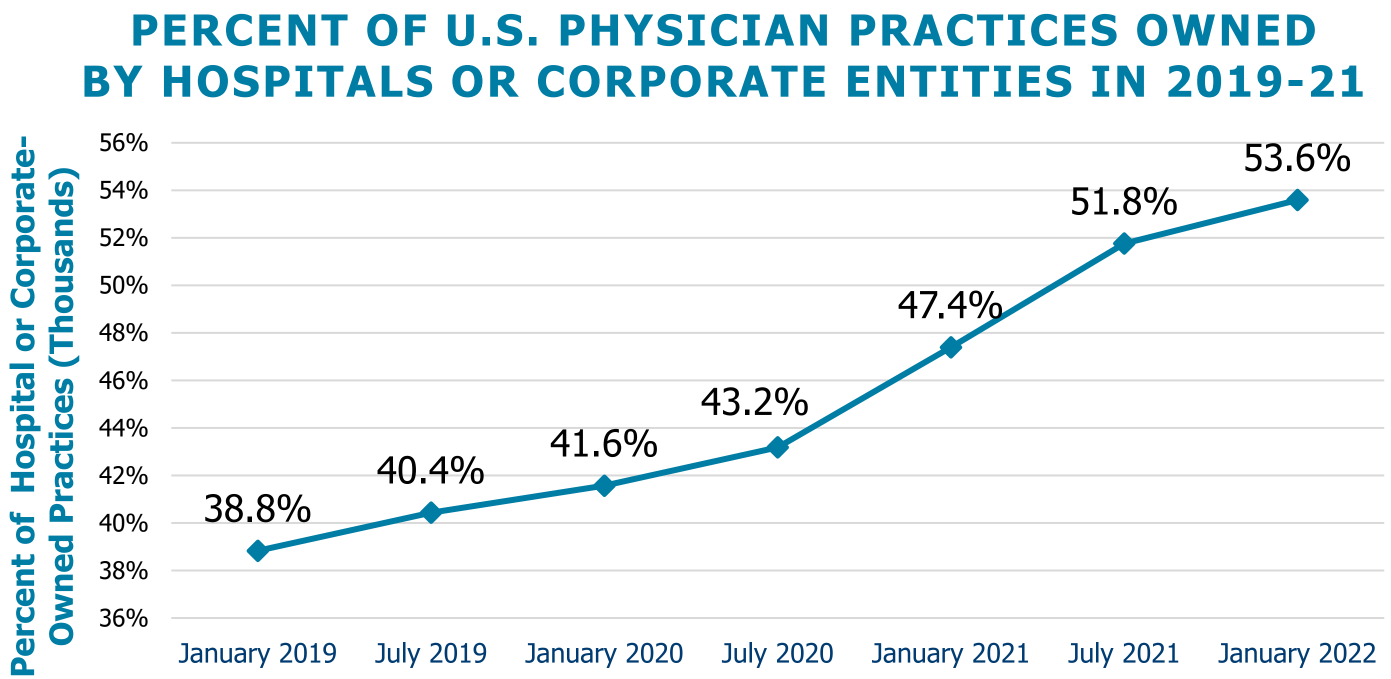
National Trends: Pace of Corporate Acquisitions Accelerates During COVID-19



- Corporate entities acquired **31,300** physician practices between 2019 and 2021
- Most of these practices were acquired following COVID-19 onset
- During this period, the overall number of physician practices owned by corporate entities **grew by 84%**

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

National Trends: By January 2022, Hospitals and Corporate Entities Owned More Than Half of Physician Practices

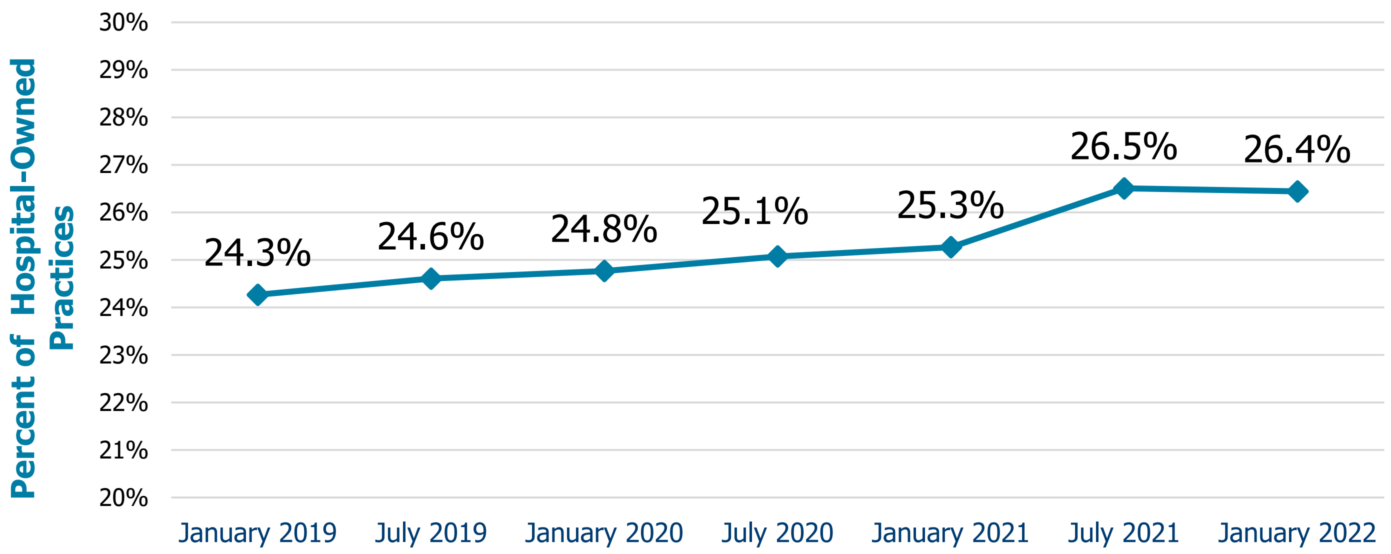


- Steady and then accelerated hospital and corporate acquisitions during the COVID-19 pandemic resulted in an **38%** increase in hospital- or corporate-owned practices in three years
- There was an **9.4% increase** in the growth rate of hospital or corporate-owned practices following the onset of COVID-19

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

National Trends: By January 2022, Hospitals Owned More Than One-Quarter of Physician Practices

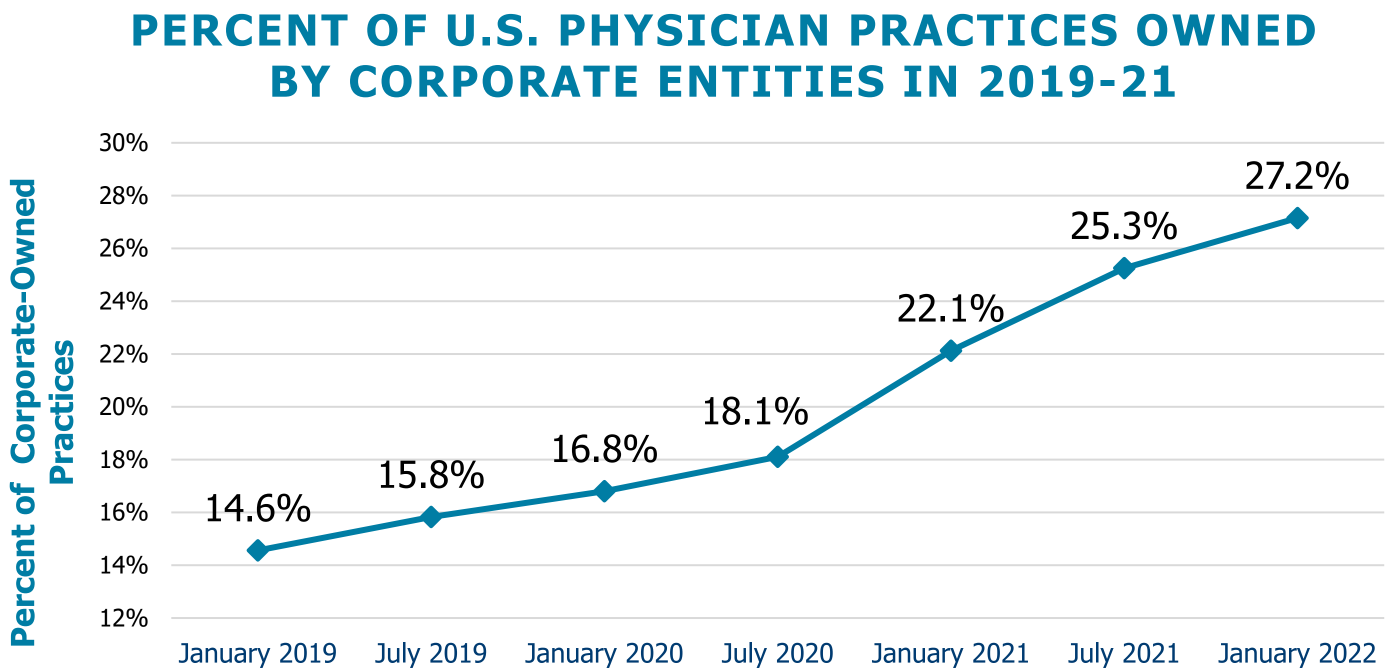
PERCENT OF U.S. PHYSICIAN PRACTICES OWNED BY HOSPITALS IN 2019-21



- Hospital acquisitions accelerated initially during the COVID-19 pandemic but then leveled off, resulting in a **9% increase** in the percentage of hospital-owned practices in three years
- There was a **1.4% increase** in the growth rate of hospital-owned 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

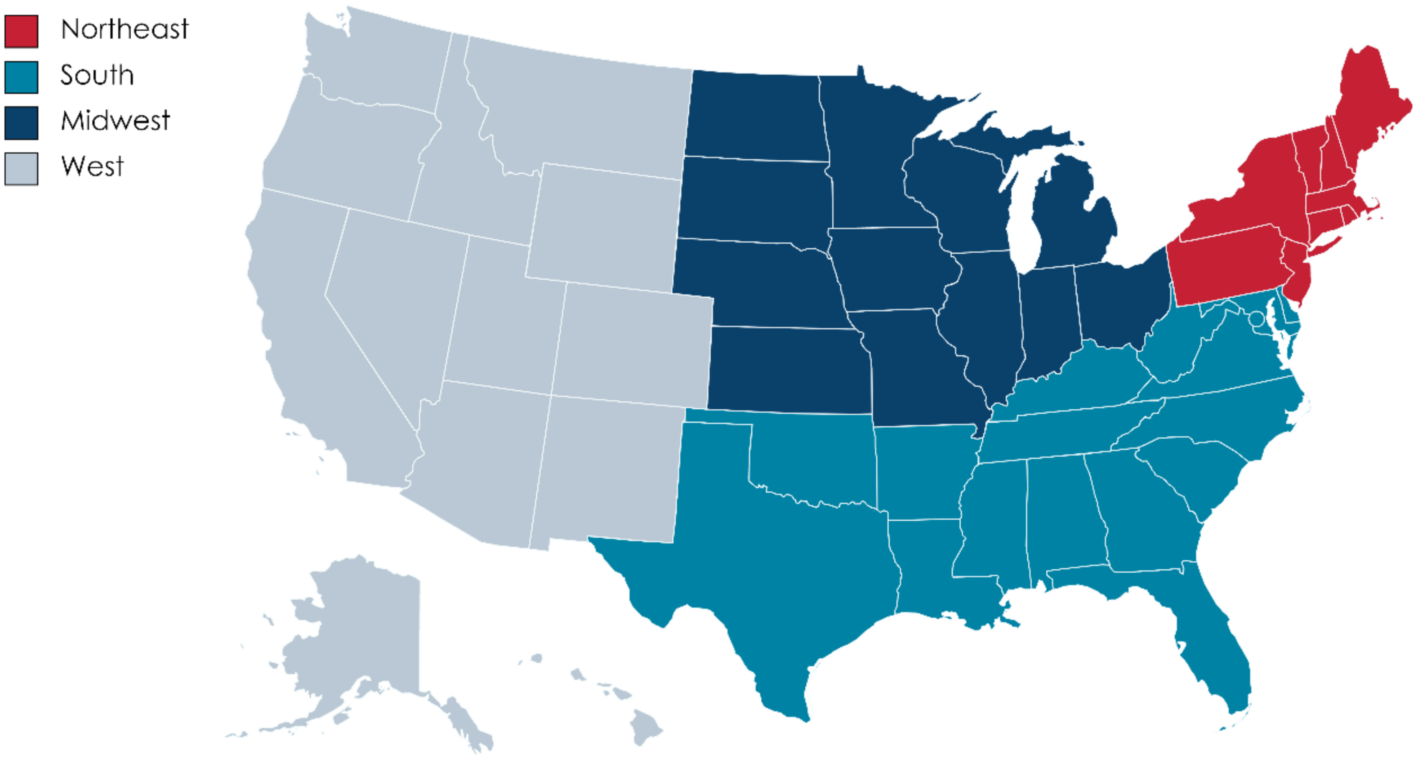
National Trends: By January 2022, Corporate Entities Owned More Than One-Quarter of Physician Practices



- Corporate acquisitions continued their accelerated rate during the COVID-19 pandemic, resulted in an **86% increase** in the percentage of corporate-owned practices in three years
- There was a **15.4% increase** in the growth rate of corporate-owned practices following the onset of COVID-19

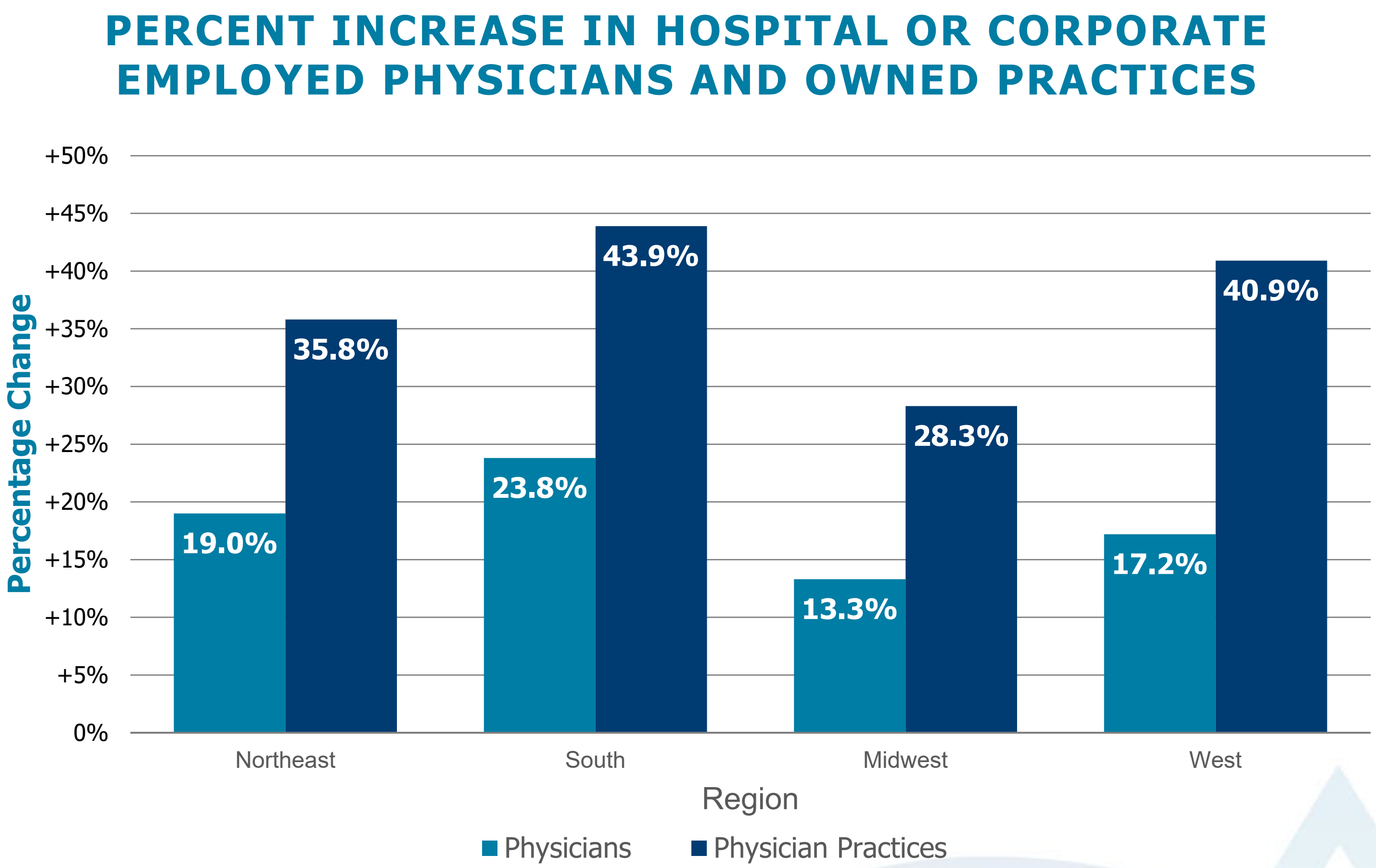
Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

REGIONAL FINDINGS SHOW STEADY GROWTH NATIONWIDE



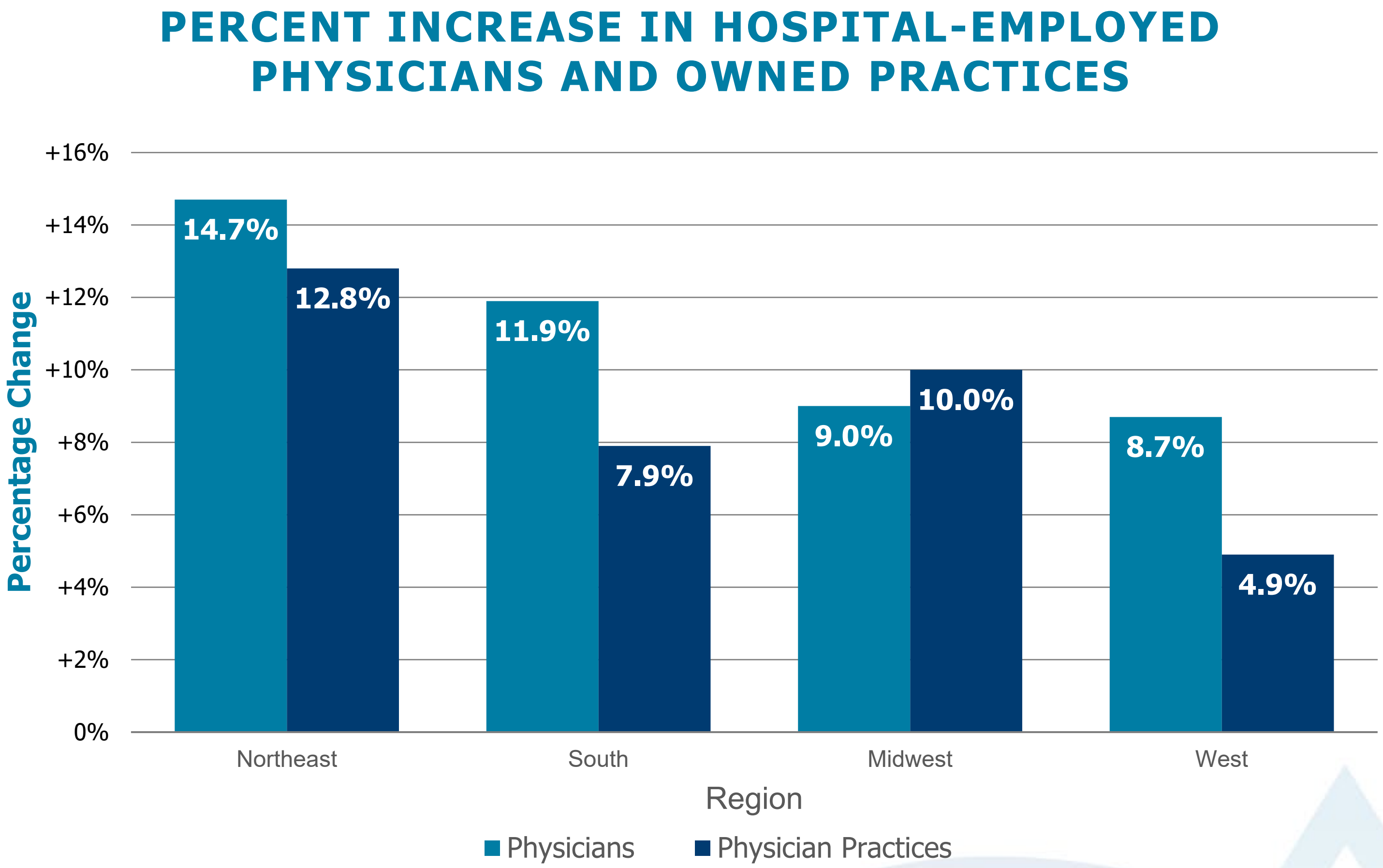
Avalere Health also studied these trends by region. While there are differences across regions, there is a steady trend toward increased employment and hospital ownership of practices in every region of the nation.

All U.S. Regions Continue Trend of Growth in Hospital or Corporate Employment and Practice Ownership in 2019-21



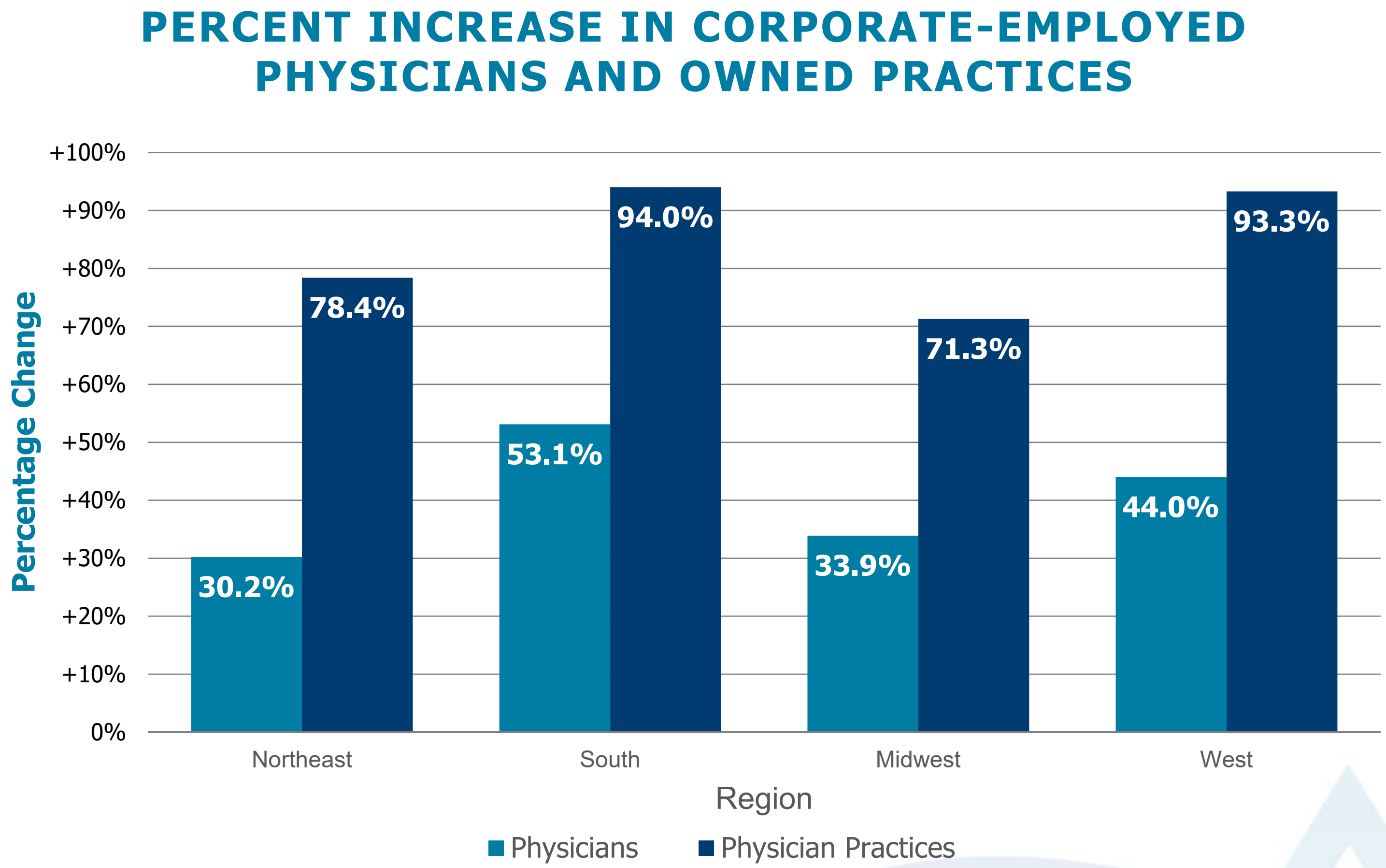
Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

All U.S. Regions Continue Trend of Growth in Hospital Employment and Practice Ownership in 2019-21



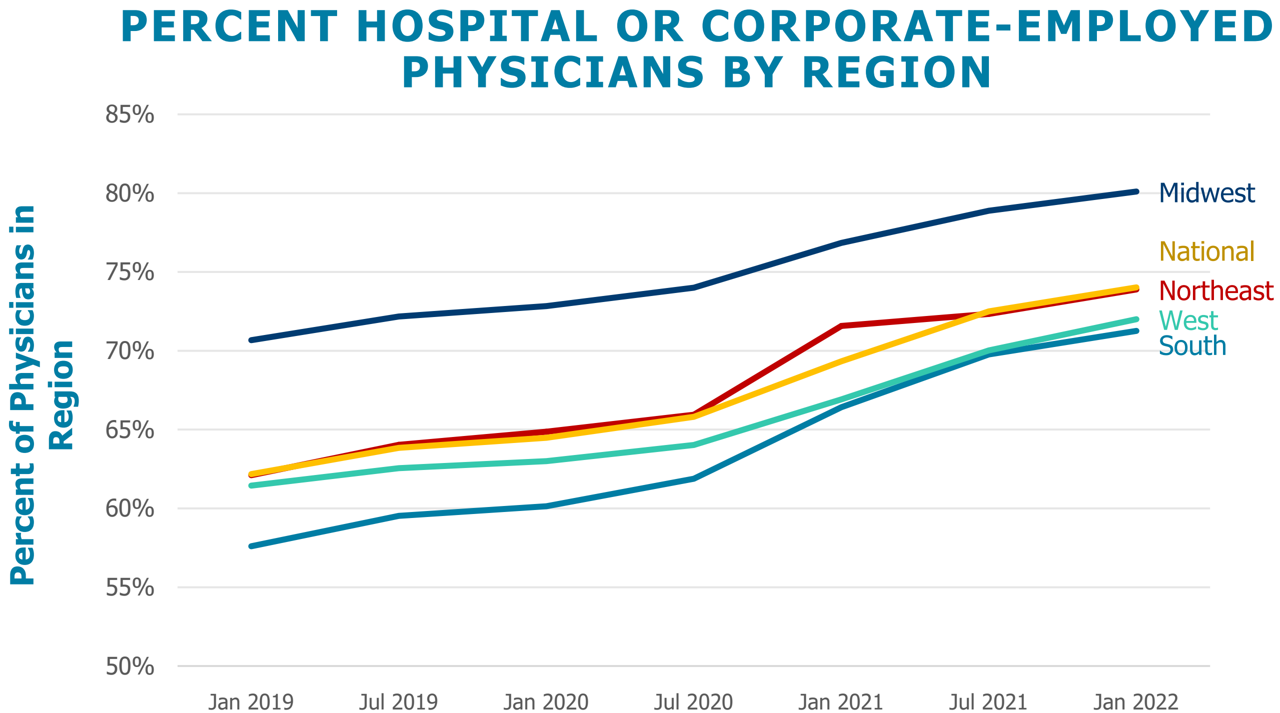
Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

All U.S. Regions Continue Trend of Growth in Corporate Employment and Practice Ownership in 2019-21



Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

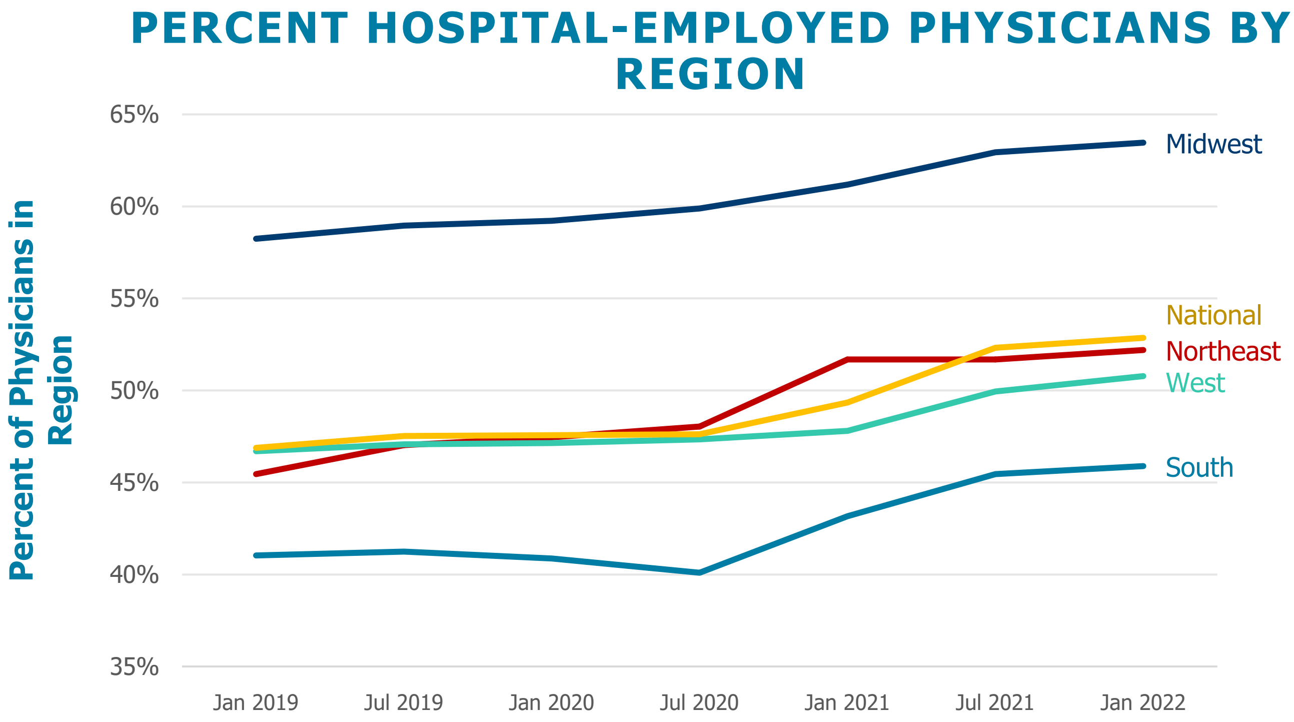
Increase in Physician Employment Continues in All U.S. Regions in 2019-21



- The number of corporate-employed physicians increased in all regions during the study period.
- The Midwest leads other regions with **80%** employed by hospitals or corporate entities.

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

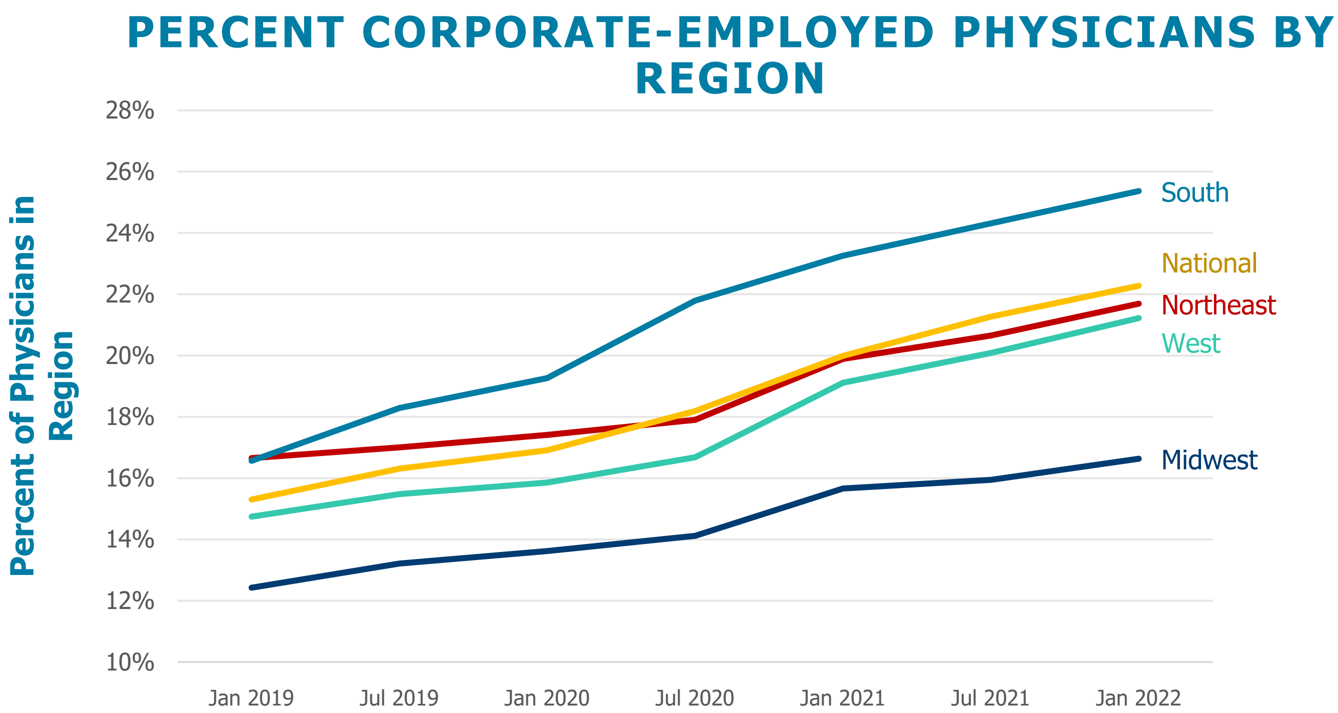
Increase in Physician Employment Continues in All U.S. Regions in 2019-21



- The number of hospital-employed physicians increased in all regions during the study period.
- **Over 63%** of all physicians in the Midwest are employed by hospitals.
- More than half of physicians are also employed in the Northeast and West.

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

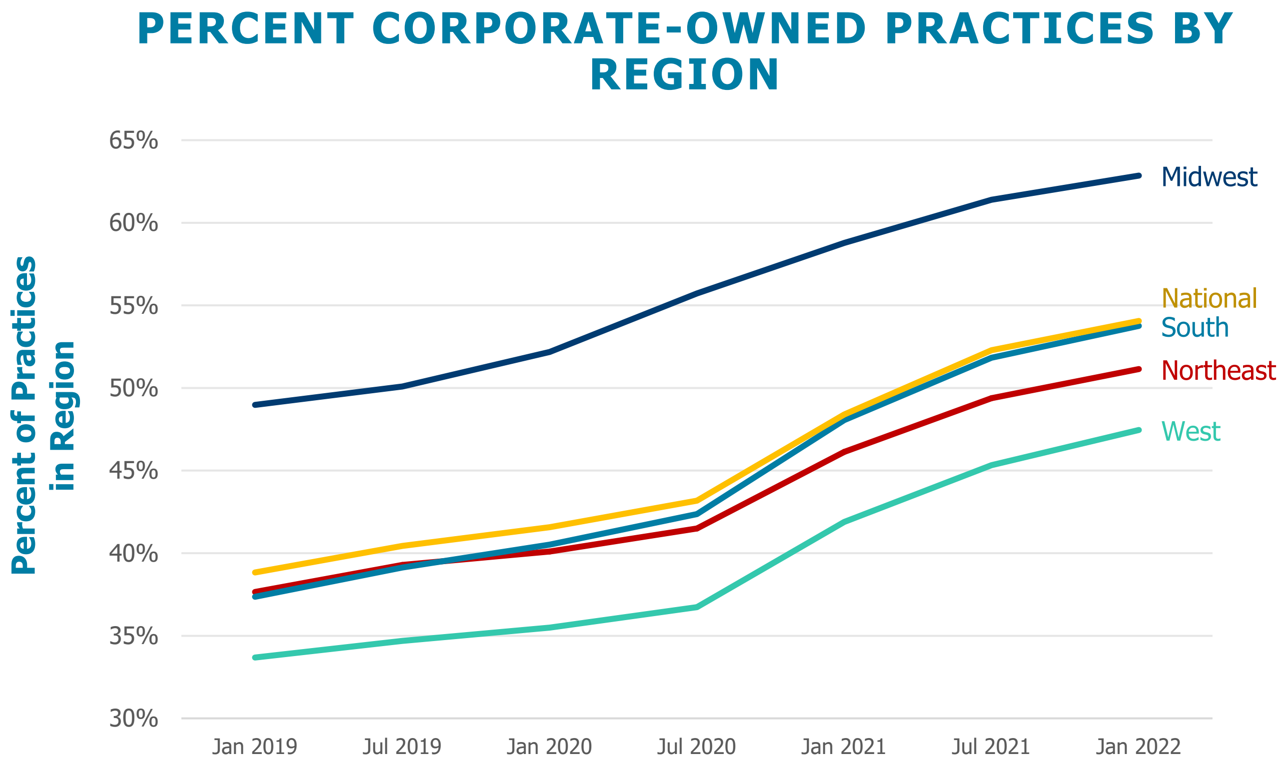
Increase in Physician Employment Continues in All U.S. Regions in 2019-21



- 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 **25%** and experienced the biggest percent change in the share of employed physician with **more than 53% growth**

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

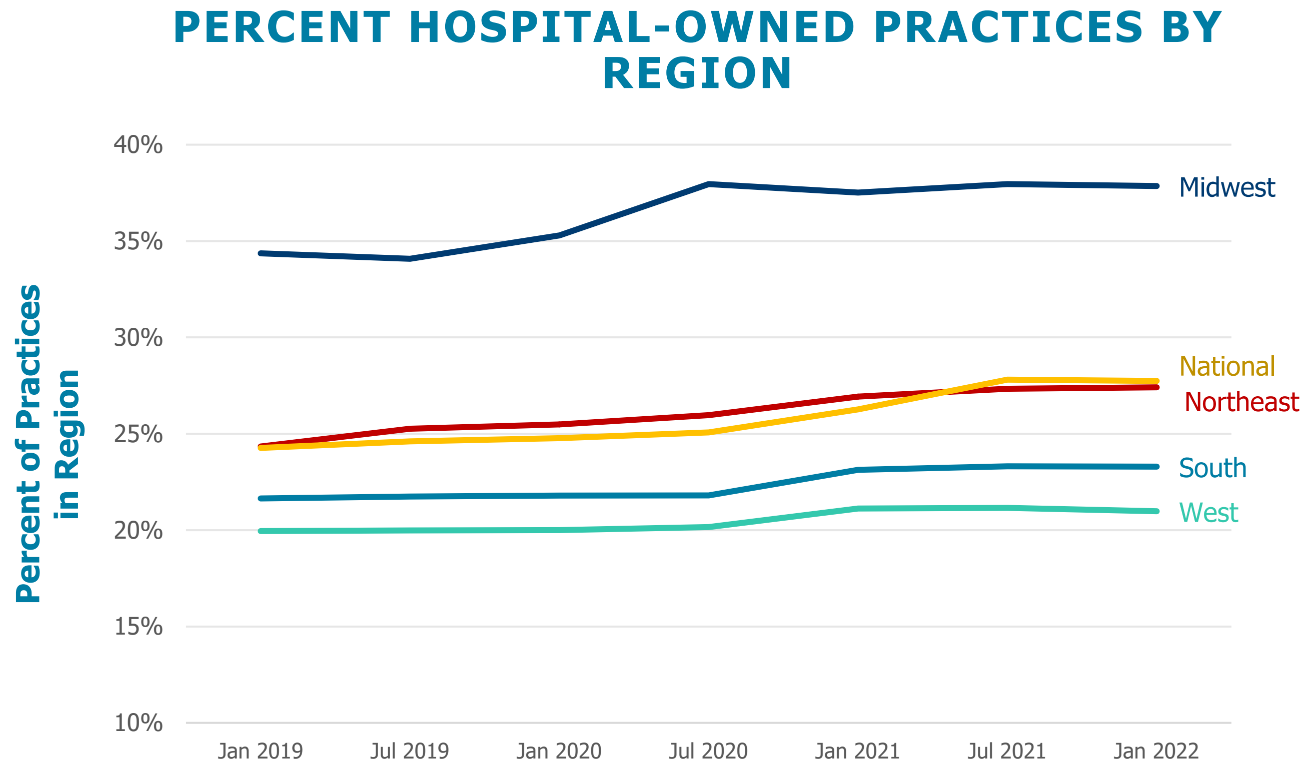
Hospital and Corporate Entities Continue to Acquire Physician Practices In Every Region



Rates of practice ownership increased in every region over the three-year time period and the percentage of hospital or corporate-owned practices increased between **28% and 44%.**

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

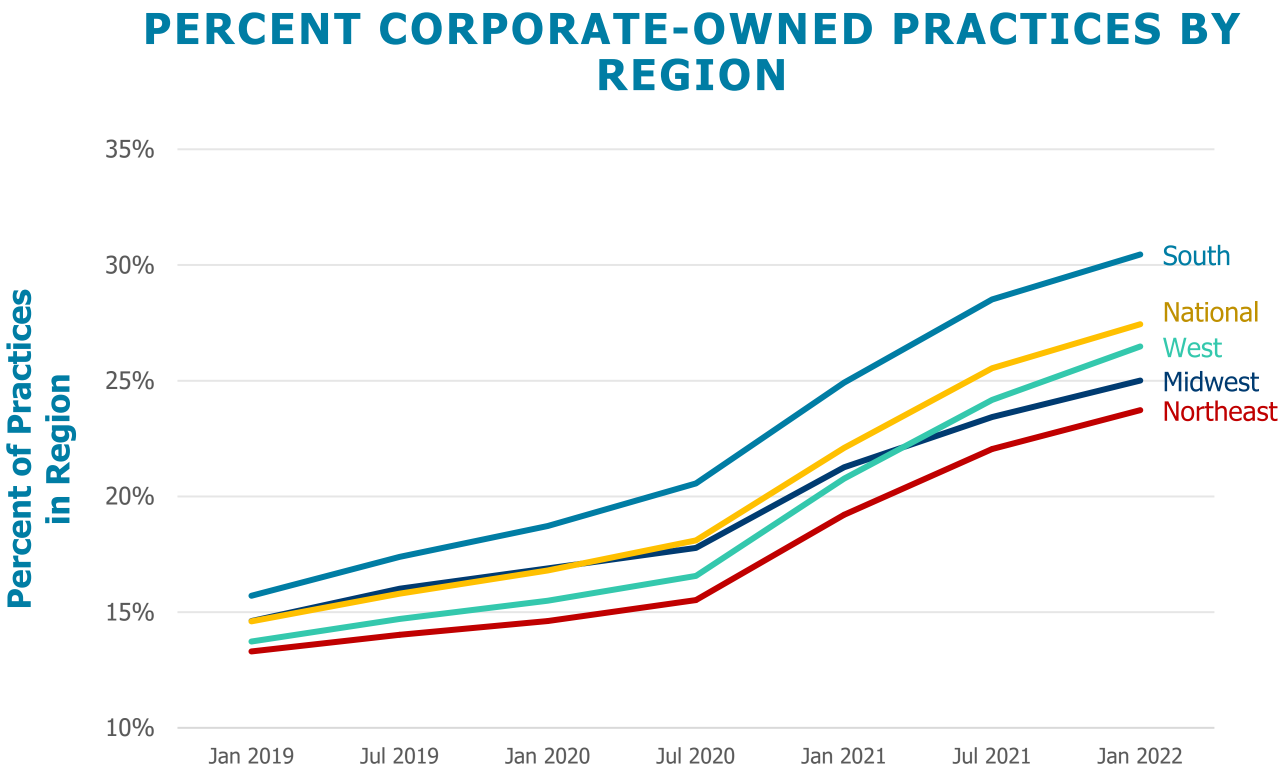
Hospitals Continue to Acquire Physician Practices In Every Region



- Rates of practice ownership increased in every region until the second half of 2021, and the percentage of hospital-owned practices increased between **5% and 13%** over the three-year period.
- The Midwest has the largest percentage of hospital-owned practices with **37.9%**, 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 three-year time period and the percentage of corporate-owned practices increased between **71% and 94%.**
- The South experienced the biggest increase in practice acquisitions by corporate entities with a **94% increase** in the percentage corporate-owned.

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

Additional Data & Methodology

The Growth Rate of Hospital or Corporate-Employed Physicians and Owned Practices Continued in 2019 and 2021

National Trends

	January 1, 2019	January 1, 2022	% Increase
Number of Hospital or Corporate-Employed Physicians	375,400	484,100	28.9%
% of Hospital or Corporate-Employed Physicians	62.2%	73.9%	18.8%
Number of Hospital or Corporate-Owned Practices	99,100	135,300	36.5%
% of Hospital or Corporate-Owned Practices	38.9%	53.6%	38.0%

Regional Trends

	Region	January 1, 2019	January 1, 2022	% Increase
% of Hospital or Corporate-Employed Physicians	Northeast	62.1%	73.9%	19.0%
	South	57.6%	71.3%	23.8%
	Midwest	70.7%	80.1%	13.3%
	West	61.4%	72.0%	17.2%
% of Hospital or Corporate-Owned Practices	Northeast	37.7%	51.1%	35.8%
	South	37.4%	53.8%	43.9%
	Midwest	49.0%	62.9%	28.3%
	West	33.7%	47.5%	40.9%

The Growth Rate of Hospital-Employed Physicians and Hospital Owned Practices Continued in 2019 and 2021

National Trends

	January 1, 2019	January 1, 2022	% Increase
Number of Hospital-Employed Physicians	283,000	341,200	20.6%
% of Hospital-Employed Physicians	46.9%	52.1%	11.0%
Number of Hospital-Owned Practices	61,900	66,700	7.8%
% of Hospital-Owned Practices	24.3%	26.4%	9.0%

Regional Trends

	Region	January 1, 2019	January 1, 2022	% Increase
% of Hospital-Employed Physicians	Northeast	45.5%	52.2%	14.7%
	South	41.0%	45.9%	11.9%
	Midwest	58.2%	63.5%	9.0%
	West	46.7%	50.8%	8.7%
% of Hospital-Owned Practices	Northeast	24.3%	27.4%	12.8%
	South	21.6%	23.3%	7.9%
	Midwest	34.4%	37.9%	10.0%
	West	20.0%	21.0%	4.9%

The Growth Rate of Corporate-Employed Physicians and Corporate-Owned Practices Continued in 2019 and 2021

National Trends

	January 1, 2019	January 1, 2022	% Increase
Number of Corporate-Employed Physicians	92,400	142,900	54.7%
% of Corporate-Employed Physicians	15.3%	21.8%	42.5%
Number of Corporate-Owned Practices	37,200	68,500	84.2%
% of Corporate-Owned Practices	14.6%	27.2%	86.4%

Regional Trends

	Region	January 1, 2019	January 1, 2022	% Increase
% of Corporate-Employed Physicians	Northeast	16.7%	21.7%	30.2%
	South	16.6%	25.4%	53.1%
	Midwest	12.4%	16.6%	33.9%
	West	14.7%	21.2%	44.0%
% of Corporate-Owned Practices	Northeast	13.3%	23.7%	78.4%
	South	15.7%	30.5%	94.0%
	Midwest	14.6%	25.0%	71.3%
	West	13.7%	26.5%	93.3%

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 2022

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 corporate 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 calculated as the growth rate in the quantity of interest from July 2020 to January 2022 relative to the growth rate from January 2019 to July 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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