

The Impact of COVID-19 on Independent Physician Practices

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COVID-19 has had a significant impact on independent physicians. Initially, in response to the pandemic, non-emergency medical appointments, including routine visits, non-emergency sick visits, and elective procedures were cancelled or replaced with virtual visits, when possible. Even as states have begun to reopen, patients are hesitant to schedule or reschedule appointments due to the rise in COVID-19 cases. This report analyzes the impact of COVID-19 on revenue losses of independent physician practices. However, these financial losses do not take into account the additional, and substantial, expenses related to reopening including personal protective equipment (PPE), employee testing, patient screening, and other expenses.

Key Findings:

1. In 2018, there were 499,232 independent physicians in the United States. Independent physician practices support 2,144,365 jobs (499,232 physicians and 1,645,134 staff such as nurses, healthcare technicians, and support workers).
2. Independent physician practices generated \$389.6 billion in revenue in 2017 and were projected to reach \$406.2 billion in revenue, equivalent to \$33.9 billion per month, in 2020 before COVID-19.
3. COVID-19 reduced patient volume significantly and has resulted in substantial revenue losses for independent physician practices. Estimates of revenue losses range between 48% and 64%.
4. Since the COVID-19 outbreak, independent physicians have lost \$61.6 billion in revenue (March to June 2020), assuming patient and revenue levels return to baseline by July 2021. Under this scenario, the cumulative revenue losses due to COVID-19 are projected to be \$158.3 billion. These estimates do not incorporate additional operational costs that physician offices incur due to COVID-19, such as costs of PPE, employee testing, and other expenses.
5. While the current CARES Act and Paycheck Protection Plan (PPP) have assisted to some degree, independent physician practices cannot recoup most losses through these programs. If revenue losses are not addressed, it will likely result in lost jobs, further consolidation, and higher overall healthcare costs.

PRE-COVID-19		COVID-19 IMPACT	
499,232	Independent Physicians (2018)	\$61.6 B	\$158.3 B
2.1 M	Total Jobs (2018)		
\$406.2 B	Expected 2020 Revenue Pre-COVID		
		Estimated Revenue Losses March-June 2020 (July 2021 Return to Baseline)	Projected Cumulative Revenue Losses March 2020 – July 2021 (July 2021 Return to Baseline)

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More than Half of Physicians Work in Independent Practices

There are about one million active physicians in the United States.² The American Medical Association's most recent physician benchmark survey (2018) found that over half of private sector physicians work at practices wholly owned by physicians (54%) while 35% work at practices at least partially owned by hospitals or are direct hospital employees and 11% work at practices owned by non-profit foundations or other entities.³ In 2018, there were 985,026 active licensed physicians.⁴ According to Bureau of Labor Statistics (BLS) Occupational Employment Statistics, the vast majority of physicians (93.9%) work in the private sector.⁵ Using the American Medical Association's benchmark survey and BLS Occupational Employment Statistics, we calculate 499,232 (54.0%) of private physicians work in independent practices wholly owned by physicians. (Table 1)

Table 1.
Independent Physicians, 2018⁶

	2018
Total physicians	985,026
Private Sector Physicians (94% of total)	924,503
At Practices Wholly owned by Physicians (54% of private sector)	499,232

Independent Physician Practices Support 2.1 M Jobs & Generate \$389.6 B in Revenue per Year

Independent physicians, including surgeons, work in physician offices (NAICS 6211).⁷ Some of these practices employ workers while other practices have no employees (nonemployer firms). We used Census employer and nonemployer statistics for physician offices (NAICS 6211) and the ratio of physicians to all employment in physician offices to estimate 579,004 physicians worked in physician offices in 2018, of which 499,232 worked at independent practices.⁸ (Table 2)

² Kaiser Family Foundation. Professionally Active Physicians as of March 2020.

³ Kline, Carol K. Ph.D. 2019. Policy Research perspectives: Updated Data on Physician Practice Arrangements. American Medical Association.

⁴ Federation of State Medical Boards. 2019. "Census of Licensed Physicians in the United States, 2018." Journal of Medical Regulation, 105.2.

⁵ BLS Occupational Employment Statistics.

⁶ BLS Occupational Employment Statistics; Kaiser Family Foundation; Federation of State Medical Boards.

⁷ North American Industry Classification System (NAICS) Code 6211 is comprised of establishments of health practitioners having the degree of M.D. (Doctor of medicine) or D.O. (Doctor of osteopathy) primarily engaged in the independent practice of general or specialized medicine (e.g., anesthesiology, oncology, ophthalmology, psychiatry) or surgery.

⁸ BLS Occupational Employment Statistics. Physicians include BLS standard occupational codes: 29-1211 Anesthesiologists, 29-1215 Family Medicine Physicians, 29-1216 General Internal Medicine Physicians, 29-1218 Obstetricians and Gynecologists, 29-1221 Pediatricians, 29-1223 Psychiatrists, 29-1228 Other Physicians and Ophthalmologists, and 29-1248 Surgeons.

To estimate total employment and revenue for independent physician practices (a subset of NAICS 6211), we applied the average number of employees per physician and revenue per physician for employer and nonemployer firms to the number of independent physicians (499,232). In total, independent physician practices accounted for 2,144,365 jobs (499,232 physicians and 1,922,289 employees such as nurses, healthcare technicians, and support workers) and generated nearly \$390 billion in revenue. (Table 2)

In 2019, Statista projected that physician's offices would generate \$514.4 billion in revenue in 2020. We use the same revenue ratio from 2017 to calculate the independent physician offices were expected to generate \$406.2 billion in 2020, equivalent to \$33.9 billion per month, before COVID-19. (Table 2)

Table 2.
Independent Physician Practices⁹

	Offices of Physicians (All NAICS 6211)	Independent Practices
Number of Physicians (2018)	579,004	499,232
Total Jobs (2018)	2,697,646	2,144,365
Total Revenue (2017)	\$496.19 Billion	\$389.57 Billion
Expected Revenue (2020)	\$514.39 Billion	\$406.21 Billion
Expected Revenue per Month (2020)	\$43.12 Billion	\$33.85 Billion

Physician Revenue Losses Due to COVID-19

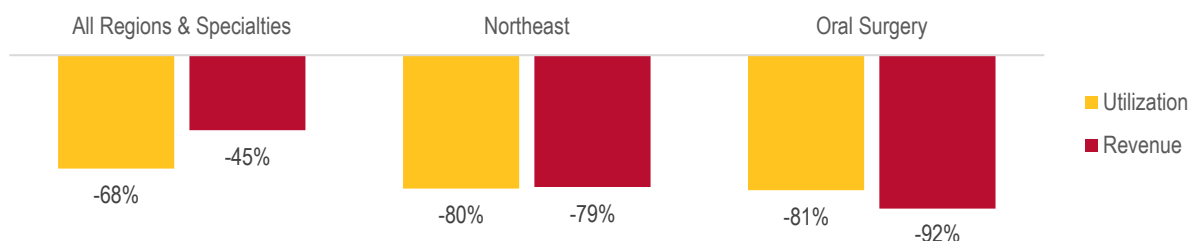
The healthcare sector has been negatively affected by the COVID-19 pandemic. Physician practices have experienced sharp declines in patient volume, resulting in substantial decreases in revenue. Estimates of the magnitude of lost revenue ranges between 48% (FAIR Health), 55% (Medical Group Management Association), and 64% (California Medical Association) for physicians and health professionals.¹⁰

To provide a conservative estimate of the impact of COVID-19 on independent physician practices, we use FAIR Health estimates of lost revenue in March and April 2020. Using health claims in 2019 and 2020, FAIR Health estimates COVID-19 reduced utilization of healthcare professionals by 65% in March and 68% in April 2020 compared to the 2019 levels and healthcare professional revenue dropped by 45% in March and 48% in April 2020 compared to the 2019 levels. The Northeast region was the hardest hit with an 80% decrease in utilization and a 79% decrease in revenue in April 2020. Among specialties, oral surgery had the most significant losses, with an 81% decrease in utilization and a 92% decrease in revenue. (Figure 1)

⁹ BLS Occupational Employment Statistics, BLS Industry Employment, Census Statistics of U.S. Businesses, Author's estimates.

¹⁰ FAIR Health. 2020. Health Professionals and the Impact of COVID-19. FAIR Health Brief. June 10; California Medical Association. 2020. COVID-19 Physician Financial Health Survey. April 22; Medical Group Management Association. 2020. COVID-19 Financial Impact on Medical Practices.

Figure 1.
FAIR Health COVID-19 Utilization and Revenue Impact April 2020¹¹



Impact of COVID-19 on Independent Physician Practices

To estimate lost revenue for independent physicians, we use the FAIR Health findings on revenue losses to the total monthly independent physician revenue for March and April 2020. We estimate a 45% reduction in March revenue would be over \$15.2 billion and a 48% reduction in April revenue would be more than \$16.2 billion (\$31.5 billion total). (Figure 2)

We created two scenarios to analyze the impact of COVID-19 on independent physician practices. In the first scenario, physician revenue returns to baseline (pre-COVID-19 levels) at the end of the year. In this scenario, we assume that independent physician revenue losses were greatest in April 2020 (48%) and that patient volume and revenue reach baseline by January 2021.¹² The second scenario is a slower recovery; while we also assume that revenue losses were greatest in April 2020 (48%), patient volume and revenue do not return to baseline until July 2021. Our second scenario is in line with statements from public health experts that the pandemic could last at least another 12 months.¹³

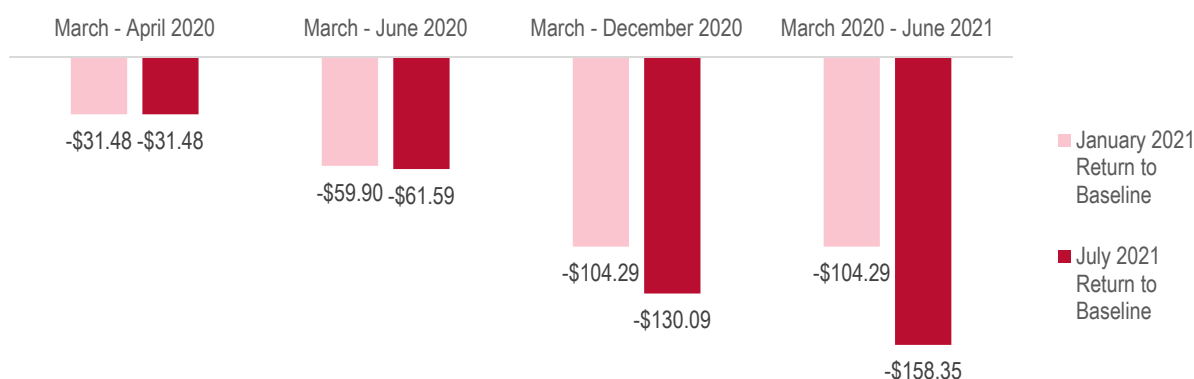
We estimated current revenue losses during March-June 2020 due to COVID-19 were about \$60 billion (\$59.9 billion in the first scenario and \$61.2 billion in the second scenario with a slower recovery). Our estimated 2020 losses for independent physician practices range between \$104.1 billion in our first scenario and \$130.1 billion in our second scenario with a slower recovery. All told, we estimated a cumulative \$104.3 billion losses for independent physician practices in our first scenario with a faster recovery and a cumulative \$158.4 billion losses in our second scenario with a slower recovery. Our estimates do not include additional operational costs that physician offices incur due to COVID-19, such as costs of PPE, screening patients and staff for COVID-19, and other expenditures. (Figure 2)

¹¹ FAIR Health. 2020. Health Professionals and the Impact of COVID-19. FAIR Health Brief. June 10.

¹² Despite increased COVID-19 cases, some data through June 2020 indicate an increase in patient volume and, subsequently, revenue since April 2020. For example, an analysis by the Commonwealth Fund show that the outpatient visits fell drastically at the start of the COVID-19 outbreak, but began to slowly recover beginning in April.¹² A June poll by the Medical Management Association found that 87% of healthcare organizations have recovered some of their patient volume since COVID-19 began; of which 49% reported seeing at least 75% of their pre-COVID-19 volume.¹²

¹³ See for example: Silverman, Hollie. 2020. "Dr. Fauci says normalcy may not return until next year following Covid-19 case spikes." CNN. June 15; Corman, James. 2020. "Public Health Experts Reject President's View of Fading Pandemic." New York Times. June 21.

Figure 2.
Cumulative Revenue Losses for Independent Physician Practices March to June 2021 (Billions)



These revenue losses will negatively impact independent physician practices. While COVID-19 relief packages, like CARES Act and Paycheck Protection Plan (PPP), have provided some aid, independent physician practices cannot recoup most losses through these programs. If revenue losses are not addressed, it will likely result in lost jobs, further consolidation, and higher overall healthcare costs.

Closing Remarks

Since independent physicians do not have the capital and resources that larger practices owned by hospitals and other entities have, they are likely to experience even tougher financial strain due to reduced patient volume and revenue. The revenue losses calculated in this report understate that actual impact realized by independent physician practices, especially because it does not take into consideration the extra costs of reopening and adapting to COVID-19 safety protocol. With increases in COVID-19 cases across the U.S. the impact of the pandemic is likely to be drawn out and slower than initially expected.

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