

Examining the real factors driving physician practice acquisition

Physicians say financial challenges, burdensome insurer policies and regulatory requirements are some of the reasons they look for alternative practice settings

Policymakers and others have expressed growing concern about the trend of physician practices becoming affiliated with hospitals and health systems. What's often lost in these discussions is the perspective of physicians. The practice of medicine has changed over the last 20 years, and with that, physician preferences for where and how they practice also have changed.

Physicians are increasingly turning to hospitals, health systems and other organizations for financial security, and to focus more on clinical care and less on the administrative burdens and cost concerns of managing their own practice.¹ The administrative and regulatory burden associated with public and private insurer policies and practices, coupled with inadequate reimbursement rates, are important barriers to operating an independent physician practice. And while an inordinate amount of attention has been placed on hospitals' acquisition of physician practices, little scrutiny has been given to commercial insurers, which have collectively invested billions in physician practice acquisitions.

Managing a practice is becoming increasingly more difficult and driving physicians to look for alternatives.

- An overwhelming majority (94%) of physicians think it has become more financially and administratively difficult to operate a practice, according to a recent survey of physicians conducted by Morning Consult on behalf of the American Hospital Association (AHA).
- Ninety percent of medical students reported that they felt unprepared or somewhat unprepared to handle the business side of their medical career.²
- Final year medical students ranked hospital employment as the practice setting they were most open to pursuing.³

Physicians report that health insurer policies and practices have had a significant impact on their decision to seek employment outside of their own practice.

- Eighty-four percent of employed physicians reported that the administrative burden from commercial health insurers and government insurance programs had an impact on their employment decision, according to a recent survey of physicians conducted by Morning Consult on behalf of the AHA.

- In the same survey, 81% of physicians reported that commercial insurer policies and practices interfered with their ability to practice medicine.
- Eighty-eight percent of physicians described the burden of prior authorizations as high or extremely high, according to a survey by the American Medical Association.⁴
- A recent survey by MGMA found that increased prior authorization requirements have driven up costs with 77% of practices responding that they have hired additional staff or redistributed staff specifically to support processing of prior authorizations.⁵

Public payer regulatory requirements also are an incredible burden.

- For example, the Promoting Interoperability Program requires eligible professionals to demonstrate meaningful use of certified electronic health record technology in order to avoid payment penalties. Among other things, the program requires physicians to provide electronic access to their health information; the electronic exchange of health information with other providers; and the ability to support the reporting of certain public health-related data.

Escalating costs associated with managing their own practice and inadequate reimbursement are driving physicians to seek employment in other practice settings.

- Managing a physician practice often includes costs associated with maintaining electronic health records and patient portals, billing and claims submissions, hiring staff to pursue prior authorization, office rent and other expenses.
 - The costs associated with these administrative activities range from \$20 for a primary care office visit to as high as \$215 for an inpatient surgical procedure, according to one study.⁶
 - Physicians and their staffs report spending an average of nearly two business days per week completing prior authorizations alone, according to an AMA survey.⁷
- Three out of four physicians report that low reimbursement rates from public payers like Medicare and Medicaid are a barrier that affects their ability to practice medicine, according to a recent survey of physicians conducted by Morning Consult on behalf of the AHA.
 - Medicare physician payment has effectively been cut 26%, adjusted for inflation, from 2001 to 2023 according to the AMA.⁸
 - A recent MGMA poll found that 90% of physician practices said the payment cuts scheduled to take effect in 2023, would reduce access, and direct impacts would include reducing staff and considering office closures.⁹

Physician practice patterns are changing. And while physicians are seeking employment relationships with hospitals, health insurers, private equity firms and others, the scale of these acquisitions is vastly different.

- In 2023 alone, CVS Health acquired Oak Street Health and Signify Health in deals that were valued at nearly \$20 billion.^{10,11}

- With over 70,000 employed or affiliated physicians, UnitedHealth Group and its subsidiary Optum, is the largest employer of physicians nationwide.¹²
 - Recent acquisitions include Crystal Run Healthcare¹³, Kelsey-Seybold¹⁴, and Atrius Health¹⁵.
- Commercial insurers that purchase physician practices are subject to far fewer regulatory requirements than hospitals. For instance, physician practices acquired by commercial insurers have no EMTALA obligations. By contrast, hospitals must comply with EMTALA, which means that hospitals with an emergency department must provide a medical screening examination and stabilizing treatment to all individuals who come to the hospital seeking examination or treatment for a medical condition, without regard to the ability to pay.

Despite efforts to paint hospitals and health systems as the sole cause of physician practice pattern changes, the truth is that commercial insurer policies, such as prior authorization, are creating unworkable environments forcing physicians to prioritize administrative duties over caring for patients. The result is increased burnout among physicians with no signs of stopping anytime soon. Physicians are searching for alternative practice settings that reduce these burdens and provide adequate reimbursement, while allowing them to focus on caring for patients. While hospitals and health systems are a natural fit for many physicians, commercial insurers are increasingly leveraging their considerable capital to lure physician practices.

¹ <https://www.merrithawkins.com/uploadedFiles/merritt-hawkins-2021-resident-survey.pdf>.

² <https://www.merrithawkins.com/uploadedFiles/merritt-hawkins-2021-resident-survey.pdf>.

³ <https://www.merrithawkins.com/uploadedFiles/merritt-hawkins-2021-resident-survey.pdf>.

⁴ <https://www.ama-assn.org/system/files/prior-authorization-survey.pdf>.

⁵ https://www.mgma.com/getmedia/788a1890-8773-4642-9c22-b224923e4948/05-03-2023_PA-in-MA_FINAL.pdf.aspx?ext=.pdf.

⁶ <https://jamanetwork.com/journals/jama/fullarticle/2673148>.

⁷ <https://www.ama-assn.org/system/files/prior-authorization-survey.pdf>.

⁸ <https://www.ama-assn.org/practice-management/medicare-medicaid/advocacy-action-leading-charge-reform-medicare-pay>.

⁹ <https://www.mgma.com/getmedia/00456f68-8a79-4d3e-bc8c-d54a33e4ded0/MGMA-Stat-2022-Year-in-Review-Final.pdf.aspx?ext=.pdf>.

¹⁰ <https://www.cvshealth.com/news/company-news/cvs-health-completes-acquisition-of-oak-street-health.html>.

¹¹ <https://www.cvshealth.com/news/company-news/cvs-health-to-close-acquisition-of-signify-health.html>.

¹² <https://www.beckerspayer.com/payer/meet-americas-largest-employer-of-physicians-unitedhealth-group.html>.

¹³ <https://midhudsonnews.com/2023/02/25/crystal-run-healthcare-under-new-ownership/>.

¹⁴ <https://www.medpagetoday.com/special-reports/exclusives/100531>.

¹⁵ <https://www.healthcarefinancenews.com/news/massachusetts-ag-agrees-236-million-optum-and-atruius-health-merger>.

¹⁶ <https://www.uhcprovider.com/en/resource-library/news/2023/new-requirements-gastroenterology-services.html>.