

Study Finds COVID-19 Accelerated Physician Practice Acquisitions

A recent study from Physicians Advocacy Institute (PAI), prepared by Avalere Health, associated the growing number of both physician practice acquisitions and employed physicians between 2019 and 2021 with the COVID-19 pandemic. To study COVID-19's impact on physician employment trends, the June 2021 study evaluated the IQVIA OneKey database that contains physician practice and health system ownership information.¹ To assess these trends at a national and regional level, Avalere researchers studied the two-year period from January 1, 2019 to January 1, 2021.² This allowed researchers to examine consolidation trends before the onset of the pandemic and how those trends changed during the subsequent nine months. Specifically, researchers observed acquisitions of hospitals, health systems, and other corporate entities such as private insurers, and physicians leaving independent medical practices for employment at hospitals, health systems, or other corporate entities.³ From this data, Avalere found a rapid increase in physician employment in the months that followed the onset of the COVID-19 pandemic and concluded that nearly seven in ten physicians were employed by hospitals or corporate entities by the beginning of 2021.⁴ This Health Capital Topics article will analyze the findings from Avalere's study and discuss the impact of physician employment trends.

National Trends

The Avalere study found that independent physician practices were particularly affected by hospital and health system acquisitions and physicians seeking employment in hospitals.⁵ Throughout the two-year study period, 18,600 additional physicians sought employment at a hospital, with over half of those physicians shifting toward hospital employment following the onset of the public health emergency.⁶ The latter half of 2020 saw a 3.1% increase in the growth rate of hospital-employed physicians and by the end of 2020, 49.3% of physicians were hospital-employed.⁷ Additionally, hospitals acquired 3,200 physician practices over the two-year period, resulting in an 8% increase in the number of hospital-owned practices.⁸ While acquisition trends prior to the pandemic were fairly consistent with steady increases, the onset of COVID-19 served as a catalyst, resulting in a 3.7% increase in the rate of hospital-owned physician practices during the last six months of 2020.⁹

Independent physician practices were also hit by corporate entity acquisitions and physicians seeking employment in corporate entities. During the two-year study period, 29,800 additional physicians sought employment at corporate entities, with nearly 11,300 of those physicians shifting to corporate employment after the onset of the pandemic.¹⁰ The latter half of 2020 saw a 3.9% increase in the growth rate of corporate-employed physicians and by the end of 2020, 20% of physicians were employed by corporate entities.¹¹ Additionally, corporate entities acquired 17,700 physician practices over the two-year period, resulting in a 32% increase in corporate-owned practices.¹² While acquisition trends at the beginning of the study increased steadily, the onset of COVID-19 resulted in a 14.6% increase in the rate of corporate-owned physician practices during the last six months of 2020.¹³

Regional Trends

The Avalere study also examined these trends by the following regions: Midwest, Northeast, South, and West. While researchers found differences across regions, all four regions generally followed the national trend of increased physician employment and hospital ownership of physician practices. The Midwest had the highest percentage of hospital-employed physicians at over 60% in January 2021.¹⁴ In the Northeast and West, nearly half of all physicians were employed by hospitals, while hospitals in the South employed slightly over 40% of physicians.¹⁵ The Midwest also led the regions with 37.5% of practices owned by hospitals, with the Northeast following at slightly over 25% the South and West having approximately 20% of physician practices owned by hospitals.¹⁶ However, the South saw the largest percentages of corporate-employed physicians as of 2021, at approximately 23%.¹⁷ The Northeast and West followed national trends, with 20% of their physicians employed by corporate entities; meanwhile, nearly 16% of Midwest physicians were employed by a corporate entity.¹⁸ The South was also the leader with nearly 25% of physician practices being corporate-owned.¹⁹ The West and Midwest closely followed national trends with approximately 21% of physician practices that were corporate-owned, while the Northeast had only 19% of corporate-owned physician practices.²⁰

Impact

Not long after the Avalere study was released, President Joe Biden released an executive order on July 9, 2021, “Promoting Competition in the American Economy.”²¹ The executive order was part of an effort to boost competition and lower prices, but specifically aimed to more strongly scrutinize the transparency of mergers and acquisitions (M&A).²² A White House press release attributed the fact that a quarter of the healthcare market is controlled by just ten healthcare systems to unchecked M&A activity, and also aligned rising healthcare costs with the increased number of transactions.²³ Such concerns expressed by the White House and industry stakeholders have not yet slowed down healthcare M&A, with investors in the second quarter of 2021 spending nearly 10 times more than they did in the second quarter of 2020.²⁴ Additionally, M&A transactions saw a shift in focus to primary care, after specialty care transactions (such as orthopedics and dermatology) had been in demand for many years.²⁵ In past years, investors looked to “roll-up” smaller specialty practices into an existing larger practice or “platform practice” to increase the combined entity’s market power and create a continuum of care.²⁶ However, with the aging Baby Boomer population requiring increased amounts of healthcare and the continued expansion of Medicare Advantage, there has been an investment shift toward primary care.²⁷

Conclusion

While the trend of physician consolidation has been occurring for approximately a decade, the Avalere study finds that the COVID-19 pandemic has accelerated this trend.²⁸ Additionally, regulatory burdens require physicians to focus less time on practicing medicine while spending more time on administrative tasks.²⁹ Between ever-changing regulations and additional burdens due to the COVID-19 pandemic, physicians may continue to seek employment at hospitals, health systems, or other corporate entities, where the employer will handle such burdens, freeing the physician up to focus on caring for patients. Another trend that may be moving physicians away from smaller practices is the U.S. health system’s shift toward value-based care. Hospitals, health systems and corporate entities generally seek to create large networks of providers so that care can be streamlined at lower cost through economies of scale, resulting in better access to, and higher quality of, care for patients.³⁰ These trends are part of a greater shift toward physician consolidation, for which the COVID-19 pandemic served as a catalyst, resulting in a dwindling number of independent physician practices.³¹

1 “COVID-19’s Impact on Acquisitions of Physician Practices and Physician Employment 2019-2020” Physicians Advocacy Institute and Avalere Health, June 2021, available at: <http://www.physiciansadvocacyinstitute.org/PAI-Research/Physician-Employment-and-Practice-Acquisitions-Trends-2019-20> (Accessed 8/2/21), p. 34.

2 *Ibid.*, p. 4.

3 *Ibid.*

4 *Ibid.*, p. 11.

5 *Ibid.*, p. 6.

6 *Ibid.*, p. 9.

7 *Ibid.*, p. 9, 12.

8 *Ibid.*, p. 15, 18.

9 *Ibid.*, p. 18.

10 *Ibid.*, p. 7.

11 *Ibid.*, p. 13.

12 *Ibid.*, p. 16.

13 *Ibid.*, p. 19.

14 *Ibid.*, p. 25.

15 *Ibid.*, p. 28.

16 *Ibid.*

17 *Ibid.*, p. 26, 29.

18 *Ibid.*, p. 26.

19 *Ibid.*

20 *Ibid.*

21 “FACT SHEET: Executive Order on Promoting Competition in the American Economy” The White House, July 9, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/09/fact-sheet-executive-order-on-promoting-competition-in-the-american-economy/> (Accessed 8/2/21).

22 *Ibid.*

23 *Ibid.*

24 “Physician practice acquisitions see ‘staggering’ spending uptick in Q2” By Tara Bannow, Modern Healthcare, July 19, 2021, <https://www.modernhealthcare.com/mergers-acquisitions/physician-practice-acquisitions-see-staggering-spending-uptick-q2> (Accessed 8/3/21).

25 *Ibid.*

26 *Ibid.*

27 *Ibid.*

28 “Coronavirus Pandemic Driving Increase in Healthcare Consolidation” By Christopher Cheney, Healthleaders Media, July 2, 2021, <https://www.healthleadersmedia.com/clinical-care/coronavirus-pandemic-driving-increase-healthcare-consolidation> (Accessed 8/3/21).

29 *Ibid.*

30 “4 Strategies to Advance Value-Based Care During and After a Crisis” By Kelsey Waddill, Health Payer Intelligence, September 11, 2020, <https://healthpayerintelligence.com/features/4-strategies-to-advance-value-based-care-during-and-after-a-crisis> (Accessed 8/4/21).

31 “Saving private practice? Navigating the legal and ethical minefield of physician-private equity deals” By Khadijah M. Silver, MedCity News, May 28, 2021, <https://medcitynews.com/2021/05/saving-private-practice-navigating-the-legal-and-ethical-minefield-of-physician-private-equity-deals/> (Accessed 8/3/21).



(800)FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payor Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



[Todd A. Zigrang](#), MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[The Adviser's Guide to Healthcare – 2nd Edition](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



[Jessica L. Bailey-Wheaton](#), Esq., is Senior Vice President and General Counsel of HCC, where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions, and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

She serves on the editorial boards of NACVA's *The Value Examiner* and of the American Health Lawyers Association's (AHLA's) *Journal of Health & Life Sciences Law*. Additionally, she is the current Chair of the American Bar Association's (ABA) Young Lawyers Division (YLD) Health Law Committee and the YLD Liaison for the ABA Health Law Section's Membership Committee. She has previously presented before the ABA, NACVA, and the National Society of Certified Healthcare Business Consultants (NSCHBC).

Ms. Bailey-Wheaton is a member of the Missouri and Illinois Bars and holds a J.D., with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the *Journal of Health Law & Policy*.



[Daniel J. Chen](#), MSF, CVA, focuses on developing Fair Market Value and Commercial Reasonableness opinions related to healthcare enterprises, assets, and services. In addition he prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams. Mr. Chen holds the Certified Valuation Analyst (CVA) designation from NACVA.



[Janvi R. Shah](#), MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition he prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.