COVID-19 financial impact on physician practices

The economic impact of COVID-19 on health care continues to reveal itself through reductions in patient volume and revenue and in higher practice costs. As the pandemic stretches on, physician practice viability remains under threat.

Medicare payment cuts

During this challenging time physician practices have been facing an April expiration of the moratorium on the Medicare sequester that would cut Medicare physician pay by 2%. Fortunately the Senate has passed an agreement that extends the moratorium through Dec. 31. The House is expected to vote favorably on the legislation in mid-April.

Physician financial impact research findings

Financial impacts were assessed with a claims-based analysis of changes in Medicare physician spending for the first six months of 2020 and a nationwide survey of physicians in July and August of 2020.

Medicare physician spending

The report “Changes in Medicare Physician Spending During the COVID-19 Pandemic” provides an in-depth look at impacts of the COVID-19 pandemic on physicians. Using Medicare claims data, the report documents changes in Medicare Physician Fee Schedule (MPFS) spending during the first six months of 2020, highlighting the types of service, settings and specialties that were most affected by the pandemic.

Key findings from the report

- MPFS spending dropped sharply in March and April of 2020, falling as much as 57% below expected.
- Although it recovered from the April low, MPFS spending at the end of June 2020 was still
12% less than expected.
Over the first six months of 2020, the estimated reduction in Medicare physician spending associated with the pandemic was $9.4 billion (19%).

Recent correspondence

- March 2, 2021: Sign-on letter to U.S. Senate
- March 5, 2021: Letter to U.S. House of Representatives
- February 12, 2021: Letter to U.S. House of Representative
Medicare Physician Spending January-June 2020
(relative to expected 2020 spending)
Additional key findings

By specialty, impacts on total spending for the first six months of 2020 ranged from a 6% reduction for Nephrology to a 29% reduction for Ophthalmology and a 34% reduction for physical therapists.

At the state level, impacts ranged from a 13% reduction in Oklahoma to a 27% reduction in New York.

Telehealth spending increased from less than 0.1% of total MPFS spending prior to the pandemic to more than 16% in April of 2020, but was concentrated in a handful of service categories.

COVID-19 financial impact survey results


- 81% of physicians surveyed in July and August of 2020 said revenue was still lower than pre-pandemic.
- Average drop in revenue: 32%
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Average drop in revenue: 32%

- Decrease of at least 75%: 4%
- Decrease of 50–74%: 15%
- Decrease of 25–49%: 32%
- Decrease of less than 25%: 29%
- Same or higher: 19%
Telehealth coverage

Even with eased telehealth coverage restrictions, telehealth services did not offset reduced in-person patient visits.

- 81% of physicians were still providing fewer in-person visits when surveyed in July and August of 2020 than pre-pandemic.
  - Average in-person visits fell from 95 to 57 per week.
- At the height of use, weekly telehealth visits were almost 5 times higher than pre-pandemic.
- At the time of the survey, weekly telehealth visits were still almost 3 times higher than pre-pandemic levels.
- Almost 70% of physicians, despite telehealth increases, were still providing fewer total visits (in-person + telehealth) at the time of the survey than pre-pandemic.
  - Average total visits fell from 101 to 72 per week.

Use of Personal Protective Equipment (PPE)

A significant expense: New safety practices require use of more PPE. Supplies were difficult to acquire—especially for smaller practices that lack purchasing power or vendor relationships to compete with larger health systems in the marketplace.

- 64% of practice owners said that spending on PPE was up from pre-pandemic. Average increase in PPE spending was 57%.
- 36% of physicians said that acquiring PPE was very or extremely difficult. Difficulties were more acute for smaller practices and those that were physician-owned.

Federal financial relief

Federal financial relief early in the pandemic was helpful and appreciated but the core revenue issues these programs were intended to address remain. The vast majority of practice owners said federal financial assistance programs were very or extremely helpful.

  - CARES Act
  - Medicare Accelerated and Advanced Payment Program
  - SBA Paycheck Protection Program

Negative impact of COVID-19 on physician practices

It is clear the COVID-19 pandemic continues to have a negative impact on physician practices both in terms of decreased revenue and increased costs. While initial federal financial relief programs were
helpful to practices that applied, it appears the road to recovery, particularly for smaller physician-owned practices, remains difficult and more economic relief is needed.