Research from the AMA shows the pandemic’s unprecedented impact on Medicare physician spending during the early months of the COVID-19 pandemic. It also sheds light on how the impact varied greatly by medical or surgical specialty.

The new report, “Changes in Medicare Physician Spending During the COVID-19 Pandemic,” features an analysis of Medicare claims data exclusive to physician services. Researchers found spending dropped as much as 57% below expected pre-pandemic levels in April 2020. Medicare spending on physician services partially recovered from the April low but was still 12% less than expected by the end of June 2020.

During the first half of 2020, the cumulative estimated reduction in Medicare physician spending associated with the pandemic was $9.4 billion—19%.

“The economic impact of the COVID-19 pandemic has placed significant financial stress on medical practices as expenses have spiked and revenues have dropped,” said AMA President Susan R. Bailey, MD. “For practices that have struggled to remain viable as the pandemic stretches on, many will face a difficult and precarious road to recovery. The AMA report adds new insight on the economic impact of the pandemic that has threatened the viability of physicians who participate in Medicare.”

When compared with expected 2020 Medicare spending on physician services, the AMA report shows that actual Medicare spending on physician services for the first six months of 2020 fell regardless of service type, setting or specialty, and state or region.

Reductions in cumulative spending over the first half of 2020 did vary widely among the top specialties examined. These five physician specialties saw the biggest drops in Medicare physician spending:

- Ophthalmology—29% drop.
- Otolaryngology—28%.

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Gastroenterology—25%.
Dermatology—24%.
Pathology—23%.

Specialties seeing the smallest impact—spending drops of less than 10%—include nephrology, radiation oncology and hematology-oncology.

**Impact on E/M, telehealth, imaging**

Evaluation-and-management (E/M) spending fell nearly 50% by late March before leveling off. Spending for imaging, procedures and tests continued to drop until mid-April, falling as much as roughly 65% to 70% below expected 2020 spending.

By the end of June spending was down 10% for E/M and imaging, but only slightly more for procedures and tests. Meanwhile, telehealth spending rose dramatically during the study period but was concentrated in a handful of service categories.

Spending lows reached in April by all major settings ranged from a 25% decline for skilled nursing facilities to a 90% decline for ambulatory surgical centers. All major settings recovered from these spending lows but remained 9%-19% below expected 2020 spending at the end of June, says the AMA report.

Meanwhile, there was a strong regional pattern to the impacts, with the biggest reductions concentrated in the Northeast and Upper Midwest and the smallest impacts in the South and Southwest.

Unsurprisingly, telehealth rose from less than 0.1% of total Medicare spending on physician services prior to the pandemic to more than 16% in April 2020.

**Economic stress for medical practices**

The new report on changes in Medicare physician spending builds on the AMA’s insight into the precarious trends and realities that physicians face as they continue to respond to the COVID-19 pandemic. A nationwide physician survey conducted in July and August of 2020 found medical practices have been economically stressed by the public health crisis with 81% of physicians indicating that revenue was still below pre-pandemic levels and personal protective equipment costs up an average of 57%.

The AMA offers private practices a growing list of tools and resources such as the AMA telehealth quick guide
to support physicians as the COVID-19 pandemic evolves. Additional details on clinical information, guides, advocacy and medical ethics are available at the AMA COVID-19 Resource Center.