Recent Changes in Physician Practice Characteristics

Carol K. Kane, PhD
Director of Economic & Health Policy Research, American Medical Association
PPPS June 5, 2021
Today’s agenda

• Physician-level characteristics
  • Employment status (owner, employee, or independent contractor)

• Practice-level characteristics
  • Practice type (e.g., solo, single specialty, multi-specialty)
  • Practice ownership structure (e.g., private practice)
  • Practice size (# of physicians)
  • Business ownership structure (e.g., limited liability company, S corporation)

• Impact of the pandemic on physician practices
AMA’s Health Policy Group has a long history of surveying physicians on practice characteristics

- Socioeconomic Monitoring System Survey (1982 – 2001)
  - Phone/mail
  - ~4000 physicians
  - Online/phone/fax
  - ~7500 physicians
- Physician Practice Benchmark Survey (even years, 2012 – 2020)
  - Online
  - 3500 physicians
Over the short and long terms: the percentage of physicians who own their practices has been falling
Since 2012: gradual shifts away from solo practice and toward direct employment/contracting with a hospital

- In the early 1980s, more than 40% of physicians were in solo practice.
- Data on group practice type are not available prior to 2012.
Since 2012: a sharp redistribution of physicians from physician-owned to hospital/health system-owned practices

• 16% of physicians had an employment relationship with a hospital in 2007 but those data did not distinguish between direct employees of hospitals and employees of hospital-owned practices. No earlier estimates are available.
Who are the physicians in private practice?

• 49.1% of physicians were in private practice in 2020
  • 38.4% of physicians were owners of private practices
  • 8.2% of physicians were employees in private practices
  • 2.5% of physicians contracted with private practices
Since 2012: a gradual increase in the percentage of physicians who work in very large practices (50+ physicians)

- Except for a decline in solo practice, the percentage of physicians in other practice sizes has remained relatively constant over this period.
Physicians in private practice are concentrated in small practices (2018 data)

<table>
<thead>
<tr>
<th></th>
<th>Physician-owned practices</th>
<th>Hospital/health system owned practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of physicians in size category</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 physicians</td>
<td>53.5%</td>
<td>16.2%</td>
</tr>
<tr>
<td>5 to 10 physicians</td>
<td>21.2%</td>
<td>24.8%</td>
</tr>
<tr>
<td>11 to 24 physicians</td>
<td>11.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>25 to 49 physicians</td>
<td>5.7%</td>
<td>12.3%</td>
</tr>
<tr>
<td>50+ physician</td>
<td>8.6%</td>
<td>26.8%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
More than half of private practice physicians work in practices that are LLCs or S corporations

- New question in 2020.
- S corporations are favored by very small practices.
- LLCs are favored by larger practices.
Reasons for shifts to hospital/health system-owned practices and larger practices

- Increase in mergers and acquisitions among practices.
  - Announced mergers and acquisitions among practices increased from about 30 per year in the early 2000s to well over 200 in 2018 and 2019.
  - Research on practice consolidation found that growth of the largest practices (those with more than 100 physicians) was driven by the acquisition of small practices with fewer than 10 physicians.
- Career choices of new physicians differ from those of retiring physicians.
- Are practice closures more prevalent among private or smaller practices? Maybe. No data.
How were physician practices affected by the pandemic?

• An AMA survey from summer 2020 suggests similar revenue impacts for private practices and practices owned by a hospital/health system. Private practices had more difficulty acquiring PPE.

• Data on spending on physician services from the Bureau of Economic Analysis:
  • Total spending in 2020 ($538.8 billion) was 5.8% lower than in 2019 ($572.0 billion).
  • In April 2020 spending dropped 31.1% from the previous month.
  • Spending in Jan., Feb., and March 2021 grew 2.8%, 0.3%, and 1.1%.

• Data on employment in physician offices from the Bureau of Labor Statistics:
  • In April 2021 there were 28,900 fewer jobs than in Jan. 2020 (1.1% lower).
  • In April 2020 there were 292,900 fewer jobs than in Jan. 2020 (10.8% lower).

• Retrospective questions on the 2020 Benchmark Survey suggest that as of September 2020 the pandemic had little impact on the percentage of physicians in private practice.
Sources:

• AMA Policy Research Perspectives based on Benchmark Surveys
  • Recent Changes in Physician Practice Arrangements: Private Practice Dropped to Less Than 50 Percent of Physicians in 2020
  • Updated Data on Physician Practice Arrangements: For the First Time, Fewer Physicians are Owners Than Employees
• Bureau of Economic Analysis
• Bureau of Labor Statistics