

**Physicians Advocacy Institute’s Physician Acquisition Study**

**Key Messages and Q&A**

**(Independent practice is threatened)**

Payment policies and market forces are stacked against independent physicians.

* Much like the local bookstore or corner grocer, today’s independent physician practice is under threat.
* Practices are both challenged by market forces and the way Medicare and private

insurers pay for care – which often heavily favor large health systems.

* This climate makes it challenging for independent physician practices, especially smaller practices, to survive.
* For patients, this trend can impact where they receive care and how much they pay for their care – and can lead to higher overall system costs, too.

**(Hospitals are gobbling up practices)**

Today’s physician is more likely to work for a hospital than ever before.

* This research, developed through a collaboration between the Physicians Advocacy Institute and Avalere Health, confirms a significant, nationwide shift in the number of physicians leaving private practice and entering into employment arrangements with hospitals and health systems.
* The number of practices owned by hospitals and health systems rose nearly 90 percent from 2012-15.
  + One out of every four practices is now owned by a hospital, up from one in seven in 2012.
  + In the six months from July 2014 to January 2015 alone, 13,000 physician practices were acquired by a hospital
* By mid-2015, 38 percent of U.S. physicians were employed by hospitals and health systems – up from one in four in 2012.

**(Every region is affected)**

Hospitals are buying up practices in every corner of the U.S.

* The analysis found hospitals’ employment of physicians and ownership of practices rose dramatically in every region of the U.S.
* From 2012-15, hospitals’ employment of physicians rose approximately 59 percent in the South; 58 percent in the Northeast; 49 percent in Alaska and Hawaii; 44 percent in the Midwest; and 33 percent in the West.
* Hospitals’ ownership of practices rose approximately 118 percent in Alaska and Hawaii; 106 percent in the Northeast; 98 percent in the South; 82 percent in the West; and 72 percent in the Midwest.

**(Site neutral payments are fair)**

Site neutral payments can save money and promote appropriate care.

* Patients deserve high-quality medical procedures provided in the right setting; frequently, the most appropriate setting is a physician’s office.
* Previous research shows that medical procedures can be triple the price in Medicare payments when performed in off-campus outpatient hospital departments rather than in a physician’s office – creating a strong incentive for hospitals to acquire physician practices and build new satellite outpatient departments.
* In July, Medicare proposed a new site neutral payment policy that would affect newly acquired, off-site HOPDs after Jan. 1, 2017. If implemented, these changes would mean that in many instances, the Medicare system would no longer pay more for the same care just because it was delivered in an off-campus hospital outpatient setting.
* The changes could reduce the incentive for hospital acquisitions – and help preserve independent practices.

Q&A

1. **Why was this survey commissioned?**

Through a research collaboration with Avalere Health, PAI is working to gain a more complete picture of the potential impact that various marketplace forces and private and public sector policies have on physicians and patients. This research confirms a significant, nationwide shift in the number of physicians leaving private practice and entering into employment arrangements with hospitals and health systems. Understanding the extent of this trend provides a better understanding of today’s health care marketplace. PAI and Avalere are planning a next phase of research in early 2017 to continue to build a better understanding of the implications of this trend.

1. **What are the key findings from this study?**

The number of practices owned by hospitals and health systems rose nearly 90 percent from 2012-15. One out of every four practices is now owned by a hospital, up from one in seven in 2012. In the six months from July 2014 to January 2015 alone, 13,000 physician practices were acquired. By mid-2015, 38 percent of U.S. physicians were employed by hospitals and health systems – up from one in four in 2012. For patients, this trend can impact where they receive care and how much they pay for their care – and can lead to higher overall system costs, too.

1. **What’s new about these findings? Haven’t hospitals been acquiring practices for decades?**

Understanding the extent of this trend provides a better understanding of today’s health care marketplace. Today’s physician is more likely to work for a hospital than ever before. This research confirms a significant, nationwide shift in the number of physicians leaving private practice and entering into employment arrangements with hospitals and health systems. This research confirms a significant, nationwide shift in the number of physicians leaving private practice and entering into employment arrangements with hospitals and health systems. PAI and Avalere are planning a next phase of research in early 2017 to continue to build a better understanding of the implications of this trend.

1. **What’s driving the trend?**

Practices are both challenged by market forces and the way Medicare and private insurers pay for care – which often heavily favor large health systems. Previous research shows that medical procedures can be triple the price in Medicare payments when performed in off-campus outpatient hospital departments rather than in a physician’s office – creating a strong incentive for hospitals to acquire physician practices and build new satellite outpatient departments. This climate makes it challenging for independent physician practices, especially smaller practices, to survive.

1. **Why should patients care about who owns their physician’s practice? At the end of the day, don’t they receive similar care regardless of whether their practice is independent or owned by a hospital?**

For patients, this trend can impact where they receive care and how much they pay for their care – and can lead to higher overall system costs, too. Patients deserve high-quality medical procedures provided in the right setting; frequently, the most appropriate setting is a physician’s office. Previous research shows that medical procedures can be triple the price in Medicare payments when performed in off-campus outpatient hospital departments rather than in a physician’s office – creating a strong incentive for hospitals to acquire physician practices and build new satellite outpatient departments.

1. **Health care markets often vary dramatically by region. Are there specific areas where these trends are more pronounced?**

The analysis found hospitals’ employment of physicians and ownership of practices rose dramatically in every region of the U.S. From 2012-15, hospitals’ employment of physicians rose approximately 59 percent in the South; 58 percent in the Northeast; 49 percent in Alaska and Hawaii; 44 percent in the Midwest; and 33 percent in the West. Hospitals’ ownership of practices rose approximately 118 percent in Alaska and Hawaii; 106 percent in the Northeast; 98 percent in the South; 82 percent in the West; and 72 percent in the Midwest.

1. **What can be done to preserve independent practice?**

In July of 2016, Medicare released a new site neutral payment policy would affect newly acquired, off-site HOPDs after Jan. 1, 2017. If implemented, these changes would mean that in many instances, the Medicare system would no longer pay more for the same care just because it was delivered in an off-campus hospital outpatient setting. The changes could reduce the incentive for hospital acquisitions – and help preserve independent practices.

1. **If ‘site-neutral’ payment policies are implemented, will they really help patients?**

Site-neutral payment policies provide no incentives, but instead help to ensure that patients receive high-quality care at the right time and in the right setting. It also will help ensure that patients’ cost-sharing for services isn’t greater simply because it is delivered in a HOPD setting. Medicare’s current approach of paying more for services in hospital-owned facilities has created a strong incentive for hospitals to acquire physician practices and build new satellite outpatient departments. The proposed changes would end that practice for payments to off-campus hospital outpatient departments acquired after this year.

1. **How likely are site neutral payment policies to be implemented?**

The Bipartisan Budget Act of 2015 called for changes to certain Medicare hospital reimbursements, which came after years of many experts expressing concerns over Medicare paying for more for the same services provided in off-campus hospital outpatient departments than the same services provided in physician offices or ambulatory surgery centers. In July of 2016, Medicare released a new site neutral payment policy would affect newly acquired, off-site HOPDs after Jan. 1, 2017. If implemented, these changes would mean that in many instances, the Medicare system would no longer pay more for the same care just because it was delivered in an off-campus hospital outpatient setting.

1. **This is being released by the Physicians Advocacy Institute. Aren’t the findings somewhat self-serving?**

PAI is a not-for-profit organization that was established to advance fair and transparent policies in the health care system to sustain the profession of medicine for the benefit of patients. As part of this mission, PAI seeks to better understand the challenges facing physicians and their patients and also educate policymakers about these challenges. PAI also develops tools to help physicians prepare for and respond to policies and marketplace trends that impact their ability to practice medicine.