

**Statement
of the
American Hospital Association
for the
Committee on Ways and Means
Subcommittee on Health
of the
U.S. House of Representatives**

**“The Collapse of Private Practice: Examining the Challenges Facing Independent
Medicine”**

May 23, 2024

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to provide our perspective on the financial and regulatory burdens facing physician practices.

FACTORS DRIVING PHYSICIAN PRACTICE ACQUISITIONS

Much like hospitals and health systems, physicians across the country are facing increased costs, inadequate reimbursements and administrative burdens from public and private insurer practices. These factors create major barriers to operating an independent physician practice. As a result, physicians are increasingly looking for alternative practice settings that will provide financial security so they can focus more on clinical care and less on managing their own practice. Hospitals and health systems are an appropriate partner to help physicians alleviate many of these burdens.

Commercial Insurer Policies and Practices



Onerous policies from commercial health insurers have spurred many physicians to seek employment instead of maintaining their own practices. According to a recent survey of physicians conducted by Morning Consult on behalf of the AHA, 84% of employed physicians reported that administrative burden from payers — including prior authorization and reporting requirements — has adversely impacted their ability to operate an independent practice.¹ In the same survey, 81% of physicians reported that commercial insurer policies and practices interfered with their ability to practice medicine.²

Excessive prior authorization requirements and inappropriate denials of coverage for medically necessary services are a pervasive problem among certain plans in the Medicare Advantage (MA) program. These insurer practices result in delays in care and add financial burden and strain to the health care system, including increased staffing and technology costs to comply with plan requirements. Additionally, the administrative burden of prior authorization requirements and processes further strain the health care workforce and contribute to provider burnout. In fact, Surgeon General Vivek Murthy, M.D., issued a recent advisory that notes that burdensome documentation requirements, including the volume of and requirements for prior authorization, are drivers of health care worker burnout.³

Escalating Costs

Managing a physician practice often includes significant operational costs associated with maintaining electronic health records and patient portals, processing billing and claims submissions, including managing prior authorization requirements, and office rent, among other expenses. The costs associated with these requirements range from \$20 for a primary care office visit to as high as \$215 for a procedure at an inpatient surgical center.⁴

Compounding that problem, low reimbursement rates from public payers like Medicare and Medicaid are another barrier to the practice of medicine in a private practice setting. Reimbursement updates have failed to account for rising inflation and increasing input costs like supply chain disruptions and workforce shortages. Appropriately accounting for these trends is essential to ensure that Medicare payments for professional services more accurately reflect the cost of providing care. Medicare physician payment was effectively cut 26%, adjusted for inflation, from 2001 to 2023.⁵ The widening gap between inflation and physician reimbursement rates poses significant threats to patient access and provider financial stability, particularly for safety net providers.

¹ <https://www.aha.org/system/files/media/file/2023/07/The-Majority-of-Nurses-and-Physicians-Say-That-Health-Insurer.pdf>

² <https://www.aha.org/fact-sheets/2023-06-07-fact-sheet-examining-real-factors-driving-physician-practice-acquisition>

³ <https://www.hhs.gov/sites/default/files/health-worker-wellbeing-advisory.pdf>

⁴ <https://jamanetwork.com/journals/jama/fullarticle/2673148>

⁵ <https://www.ama-assn.org/practice-management/medicare-medicaid/advocacy-action-leading-charge-reform-medicare-pay>

As a result of these factors, 94% of physicians believe it has become more financially and administratively difficult to operate a practice in recent years.⁶

SETTING THE RECORD STRAIGHT ABOUT PHYSICIAN ACQUISITIONS

While a disproportionate amount of attention has been placed on hospitals' acquisition of physician practices, the reality is that large commercial insurers including CVS Health and UnitedHealth Group have recently spent billions of dollars to acquire physician practices. In fact, non-hospital entities including health insurers have acquired 90% of physician practices over the last five years.⁷

UnitedHealth Group is now the single largest employer of physicians in the country with over 10% of physicians in the U.S. employed or affiliated. We urge this committee to examine the costs and impact on health care access and affordability associated with this widespread acquisition of America's physicians by corporate health insurance companies.

Hospitals and Health Systems Preserve Access to Care

Hospitals have offered a lifeline to physician practices struggling to keep their doors open, especially in rural areas. The challenging economics of providing care in rural communities contribute to gaps in access. Rural communities, by nature, generally have fewer people and therefore do not generate the health care utilization to finance the full range of health care services. In addition, caring for rural patients can be more costly on a per patient basis as patients in rural communities tend to have more complex health care needs, are much more likely to be uninsured, and are more likely to rely on public programs when they do have coverage. As such, many providers have struggled to stay open and provide care to their patients and community.

Hospitals have stepped in to support these access points for rural patients. Despite the fact that hospital have only acquired 6% of all physician practices in the last five years, hospitals were 2.5 times more likely than other entities to acquire practices in rural areas.⁸ Commercial insurers in particular are overwhelmingly focused on larger, more profitable markets where the financial upside is greater. Median household income was on average 18.4% higher in counties where insurers acquired physician practices compared to counties where hospitals acquired physician groups.⁹ Additionally, the county level population where commercial insurers acquired physician practices was on average 61.4% larger than it was for hospitals.

⁶ <https://www.aha.org/system/files/media/file/2023/07/The-Majority-of-Nurses-and-Physicians-Say-That-Health-Insurer.pdf>

⁷ <https://www.aha.org/system/files/media/file/2023/06/Private-Equity-and-Health-Insurers-Acquire-More-Physicians-than-Hospitals-Infographic.pdf>

⁸ AHA analysis of Levin Associates data on physician medical groups between 2019 and 2023.

⁹ Ibid.

POLICY RECOMMENDATIONS

The AHA supports the following policies to address the burdens and costs associated with operating independent physician practices.

Commercial Insurer Accountability. Reduce administrative burdens like prior authorization that contribute to provider burnout and delay access to care.

- The AHA supports regulations and legislative solutions that streamline and improve prior authorization processes, including the Improving Seniors' Timely Access to Care Act, which would codify many of the reforms in the Interoperability and Prior Authorization Final Rule.
- Gold-carding programs substantially reduce administrative burdens and costs by streamlining access to care for Medicare beneficiaries. The AHA supports the GOLD Card Act of 2023 (H.R. 4968), which would exempt providers from requiring prior authorization for a MA plan year if the provider had at least 90% of prior authorization requests approved the preceding year.

Physician Payment Reform. Current reimbursement for physicians is woefully inadequate and fails to account for inflation. The AHA supports legislative and regulatory changes to ensure more sustainable physician reimbursement and to facilitate transition to value-based care.

- The current conversion factor updates scheduled in MACRA are insufficient since they are scheduled to begin in 2026 and will only result in a .75% conversion factor update for qualifying advanced Alternative Payment Model (APM) participants and .25% for all other providers. This will exacerbate the widening gap between inflation and physician reimbursement rates. While the one-time conversion factor updates provided in the Consolidated Appropriations Acts of 2022, 2023 and 2024 have provided needed relief in the interim, we encourage more sustainable, real-time approaches to updating the conversion factors in pace with inflation. Annual conversion factor updates should be made to reflect changes in input costs and inflation outside of budget neutrality.
- To support the transition to value-based payment, the AHA urges Congress to extend APM incentive payments and for CMS to remove problematic high/low revenue thresholds that preclude rural and critical access hospitals from obtaining necessary resources for infrastructure investment. We support the Value in Health Care Act (H.R. 5013/S. 3503), which would extend incentive payments, remove revenue distinctions and improve financial benchmarks to ensure participants are not penalized for their own success.

Provider Well-being. We urge Congress to continue to address health care worker well-being by supporting the Dr. Lorna Breen Health Care Provider Protection Reauthorization Act (H.R. 7153/S. 3679), which would provide grants to help health

care organizations offer behavioral health services to prevent burnout and suicide for health care workers through 2029.

CONCLUSION

The AHA appreciates your efforts to examine the increased burdens and costs facing physician practices and looks forward to working with you to address these issues.