PAI
PHYSICIANS ADVOCACY INSTITUTE

Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023

April 2024
Prepared by Avalere Health

About the Physicians Advocacy Institute

The Physicians Advocacy Institute (PAI) is a non-profit advocacy organization that supports physician practices through the following initiatives:

Advocacy

- PAI's advocacy mission is to advance fair and transparent policies and practices throughout the healthcare system to help sustain the profession of medicine for the benefit of patients.

Research

- PAI sponsors and widely publicizes research relating to trends or policies that impact physicians' ability to financially sustain their practices and provide high quality, cost-effective care for patients.

Educational Tools for Physicians

- PAI arms physicians with information and tools to successfully navigate the rapidly evolving health care marketplace and complex regulatory environment. These resources are free of charge and require no subscription.

Learn more at www.physiciansadvocacyinstitute.org

PAI-Avalere Research on Physician Employment and Practice Acquisitions

This report continues PAI's longstanding research collaboration with Avalere Health to study what has been a profound, decade-long transformation in how physicians practice medicine.

This body of research continues to document the profession's shift from predominately independent practice to nearly 80% employment over the past decade.

PAI has also studied the impact of this shift on physicians' experience, both clinical and professional.

Research Approach: Analyze Physician Employment and Practice Ownership Over Time

This body of Avalere research studies **two key related consolidation trends** at both the national and regional levels:

1. **Physician Employment –** This metric represents the total number/percentage of employed physicians, which reflects physicians who have left independent medical practices for employment, newly trained physicians, and retiring physicians; and
2. **Medical Practice Ownership –** This metric represents the total number/percentage of physician practices that are owned by non-physician entities. In this analysis, ownership reflects changes from acquisitions of physician practices by hospitals/health systems and beginning in 2019 "other" corporate entities* such as insurers, private equity firms, and other corporate entities that own a controlling interest in the medical practice. These numbers also reflect closures of practices by retiring physicians.

*The IQVIA One-Key dataset does not allow for disaggregation between these various types of corporate owners.

PAI Research Built Foundation for Contextualizing Shifts in Physician Employment and Practice Ownership

2012-2018: Hospitals and Health Systems Acquire Practices

- Avalere analyzed the growing trend of hospital and health system ownership of physician practices and employment.
- In 2012, only **25.8%** of physicians were employed by hospitals or health systems. This grew to **44%** by the start of 2018.

2019-2021: Impact of COVID-19 Pandemic

- Avalere expanded its analysis of practice ownership and employment to include other corporate entities that began acquiring physician practices, including private equity firms, insurers, and other businesses, like CVS and Amazon.
- Following the onset of the pandemic, there was a sharp increase in physician employment and hospital and other corporate practice ownership. Reports suggest physicians could not sustain the financial pressures brought on by the pandemic and sold their practices to acquiring entities.
- By the start of 2022, **73.9%** of physicians were employed, including **52.1%** by hospitals and health systems and **21.8%** by other corporate entities.

Latest Report Adds Two Years of Data to Ongoing Avalere Analysis

2022-2023 – Post-Pandemic

- New analysis incorporates two additional years of data from January 1, 2022, through January 1, 2024, and shows a continued trend of hospital acquisitions of physician practices and continued but slowing pace of growth in physician employment.
- Employment by hospitals and corporate entities is nearing 80%.

Pre-COVID: From January 2019 to January 2020, there was moderate growth of physician employment and practice ownership by hospitals and higher growth among corporate entities

COVID: Physician revenues were impacted by COVID-19 restrictions; hospital physician employment and practice ownership surged from January 2020 through January 2022, while corporate growth continued its brisk Pre-COVID pace

Post-Pandemic: Physician employment and practice ownership, especially by corporate entities, leveled off from January 2022 to January 2024

Research Timeline – January 2019 to January 2024

Avalere has studied the five-year period between January 1, 2019, and January 1, 2024, to examine physician employment and practice acquisition trends, including after the COVID-19 pandemic.

2022 and 2023 Update: Continued Growth in Overall Physician Employment and Practice Acquisitions Leads to Highest Recorded Levels

NATIONAL TRENDS:

- **19,100** additional physicians became employees of hospitals or other corporate entities over the last two years
    - This represents a **5.1%** increase in the percentage of employed physicians since 2022
- Hospitals and other corporate entities acquired **8,100** additional physician practices over the last two years
    - This represents a **6.0%** increase in the percentage of hospital or corporate-owned practices since 2022

REGIONAL TRENDS:

- Continued but moderated growth since 2022
- The percentage of hospital- or corporate-employed physicians increased between **3.8%** and **6.0%**
- The percentage of hospital- or corporate-owned practices increased between **7.7%** and **10.0%**

2022 and 2023 Update: Hospital Acquisitions of Physician Practices and Growth in Employment Continued at Slower Pace

NATIONAL TRENDS:

- Hospitals acquired **2,800** additional physician practices over the last two years
  - This represents a **7.3%** increase in the percentage of hospital-owned practices
- **16,300** additional physicians became hospital employees over the last two years
  - This represents a **5.9%** increase in the percentage of hospital-employed physicians since 2022

REGIONAL TRENDS:

- Growth continued in all regions since start of 2022
- The percentage of hospital-employed physicians increased between **4.0%** and **7.4%**
- The percentage of hospital-owned practices increased between **6.6%** and **9.2%**

2022 and 2023 Update: Corporate Practice Acquisitions Continued while Physician Employment Leveled Off

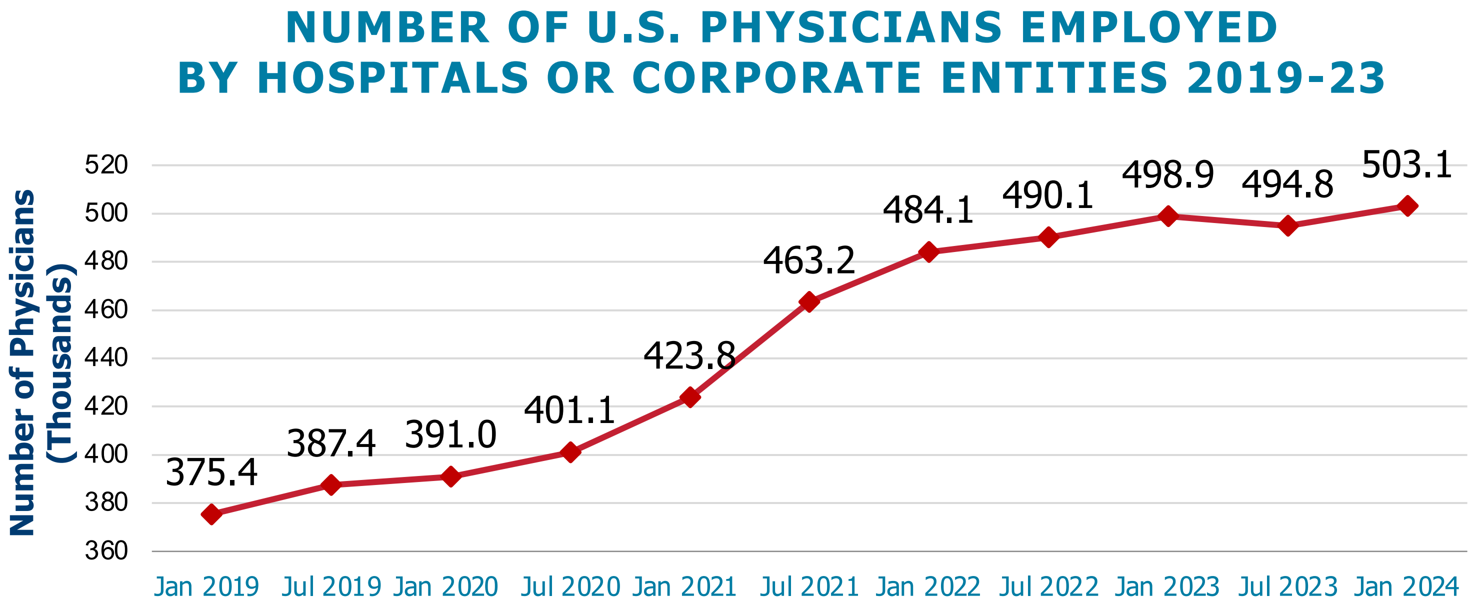
NATIONAL TRENDS:

- Corporate entities acquired **5,300** additional physician practices over the last two years
  - This represents a **11.0%** increase in the percentage of corporate-owned practices since 2022
- **2,800** additional physicians became employees of corporate entities over the last two years
  - This represents a **3.0% increase** in the percentage of corporate-employed physicians since 2022

REGIONAL TRENDS:

- The percentage of corporate-owned practices increased between **9.5%** and **11.2%**
- Corporate employment appears to have leveled off in all regions since 2022, with the Northeast and West seeing modest, temporary declines
- The percentage of corporate-employed physicians increased between **0.2%** and **4.2%**

National Five-Year Trends: Physician Employment Surged Post-COVID and Continued to Increase at Slower Rate

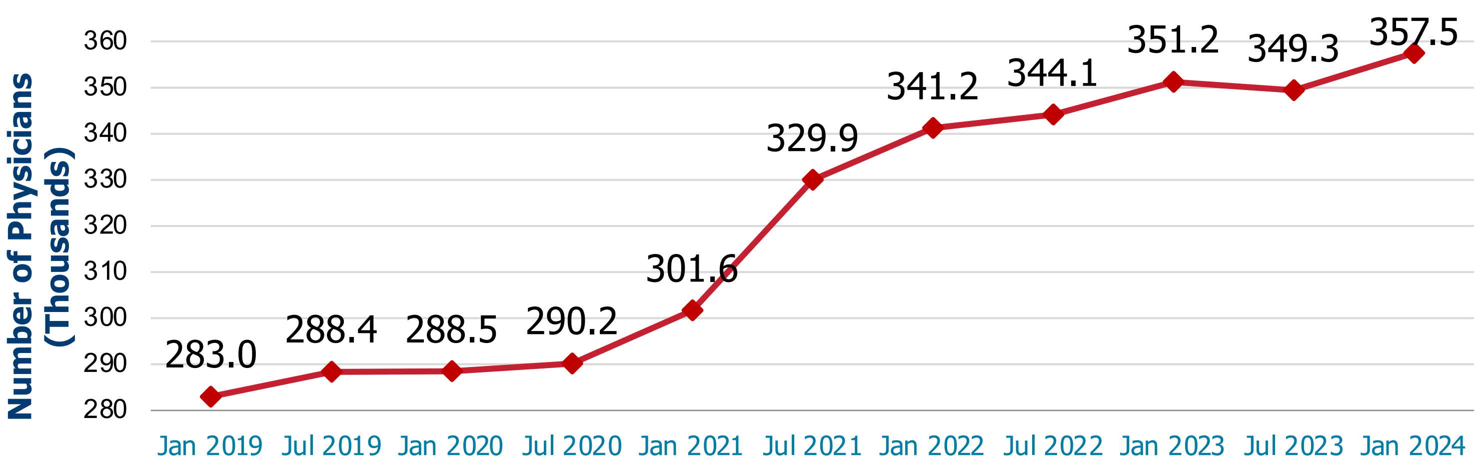


- **127,700** additional physicians were employed by hospitals or corporate entities over the five-year study period – **19,100** of that shift occurred in the last two years
- Physician employment grew in each of the six 6-month periods analyzed, except for one
- The growth rate of hospital or corporate-employed physicians has moderated since January 2022

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

National Five-Year Trends: Steady Physician Hospital Employment Growth Spikes Post-COVID and Continued at Moderate Pace

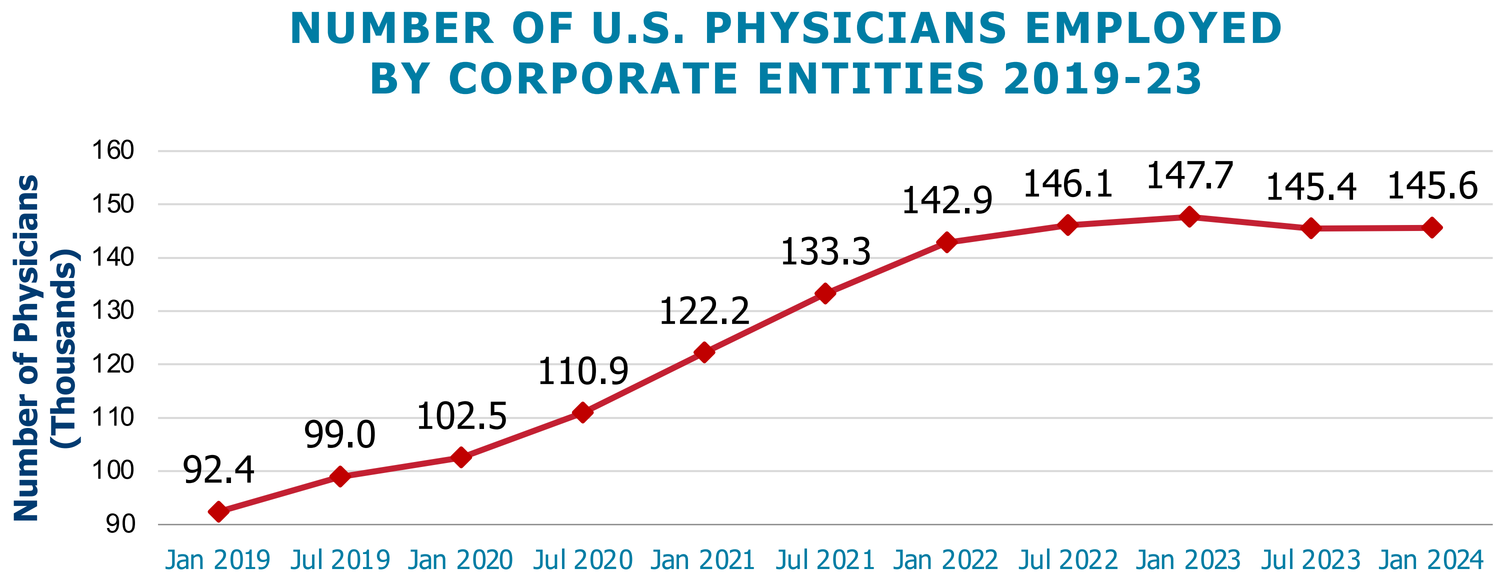
NUMBER OF U.S. PHYSICIANS EMPLOYED BY HOSPITAL/HEALTH SYSTEMS 2019-23



- **74,500** additional physicians were employed by hospitals over the five-year study period – **16,300** of that shift occurred in the last two years
- Physician employment grew in each of the six 6-month periods analyzed, except for one
- The growth rate of hospital-employed physicians has moderated since January 2022, resembling growth prior to COVID-19

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

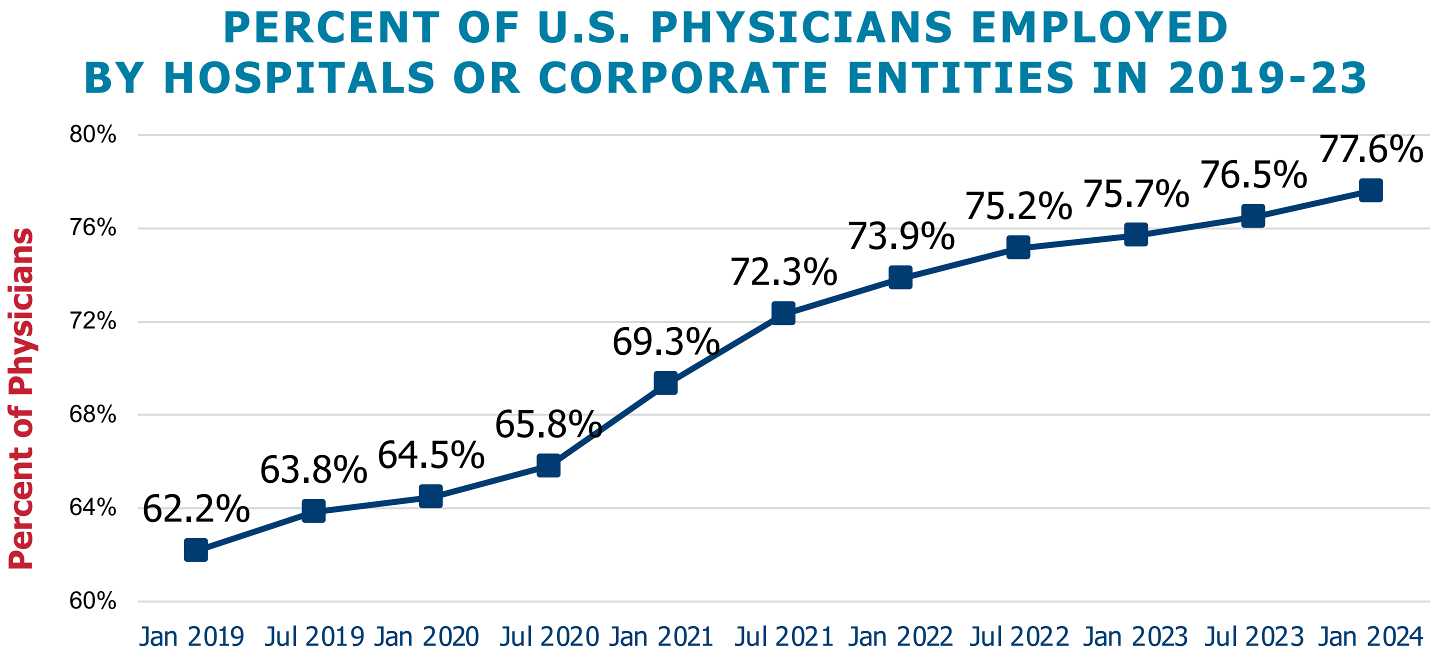
National Five-Year Trends: Sharp Growth in Corporate Physician Employment Leveled Off Since January 2022



- **53,200** additional physicians were employed by corporate entities over the five-year study period – **2,800** of that shift occurred in the last two years
- Corporate physician employment peaked in January 2023 and has leveled off
- The growth rate of corporate-employed physicians has been minimal over the last two years and was negative between January and July 2023

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

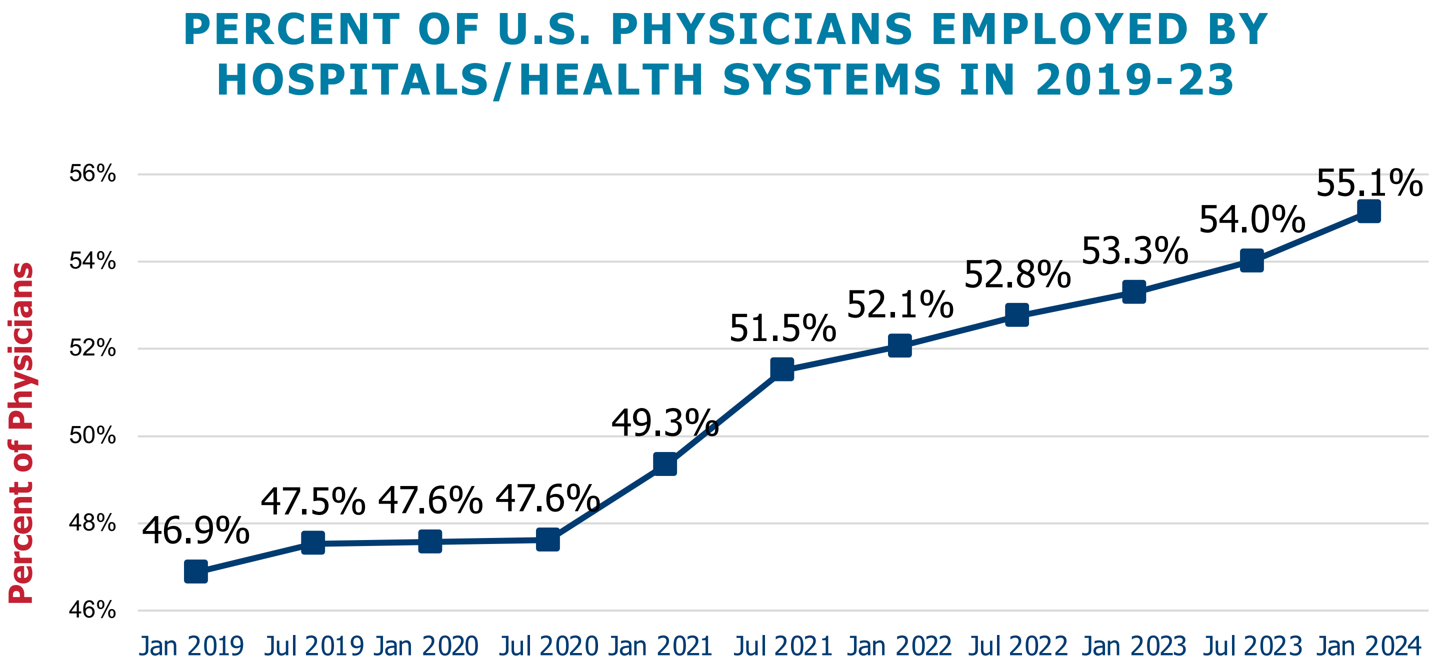
National Five-Year Trends: More Than Three-Quarters of Physicians Employed by Hospitals or Corporate Entities



- **77.6%** of physicians were hospital- or corporate-employed by January 2024
- Over the last two years, the percentage of employed physicians grew by **5.1%**
- Recent growth in physician employment is attributable to hospitals, not corporate entities

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

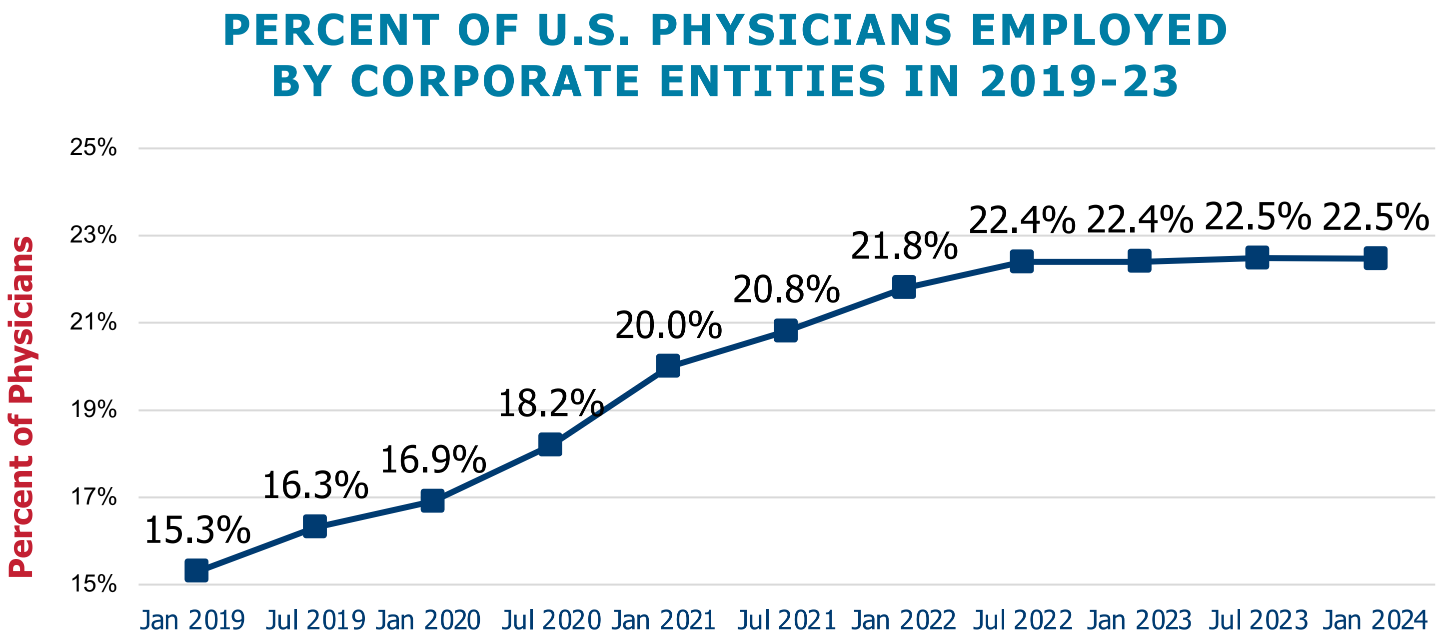
National Five-Year Trends: More Than Half of Physicians Employed by Hospitals/Health Systems



- **55.1%** of physicians were hospital-employed by January 2024
- Over the last two years, the percentage of hospital-employed physicians grew by **5.9%**
- After a sharp increase in hospital-employment over the year following the start of the pandemic, growth has continued at more moderate pace

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

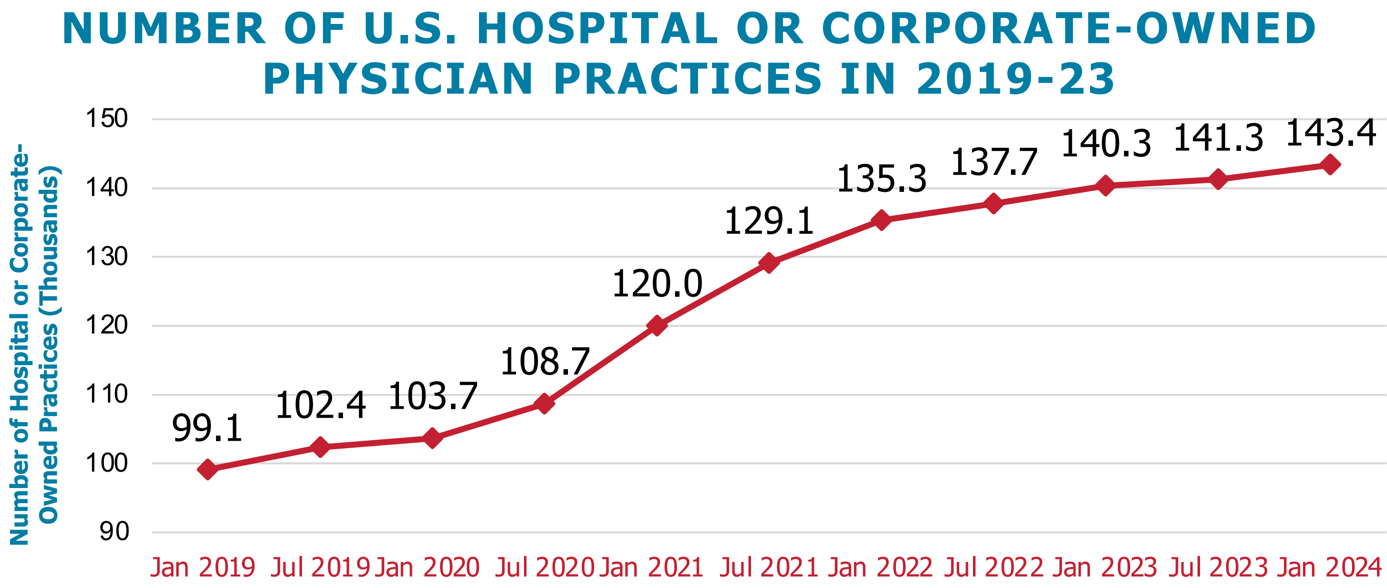
National Five-Year Trends: Corporate Physician Employment Held Steady After July 2022



- **22.5%** of physicians were employed by corporate entities in January 2024
- After three years of rapid growth, the percentage of corporate-employed physicians only grew by **3.0%** over the last two years
- Corporate physician employment has leveled off in the last two years

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

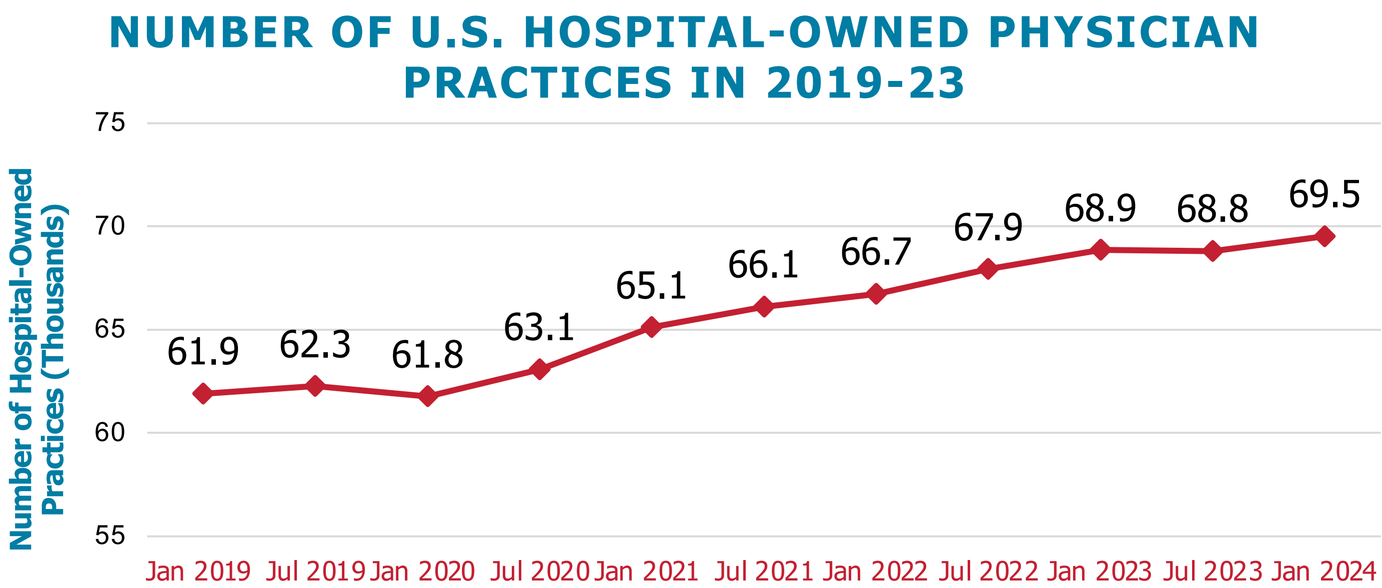
National Five-Year Trends: Pace of Acquisitions Grew Rapidly But Moderated in Last Two Years



- Hospitals and corporate entities acquired **44,200** physician practices between 2019 and 2024 – **8,100** of that shift occurred after in the last two years
- Hospital and corporate practice ownership grew **6.0%** in the last two years and in every 6-month period analyzed
- The rate of hospital or corporate acquisition of physician practices has moderated since January 2022

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

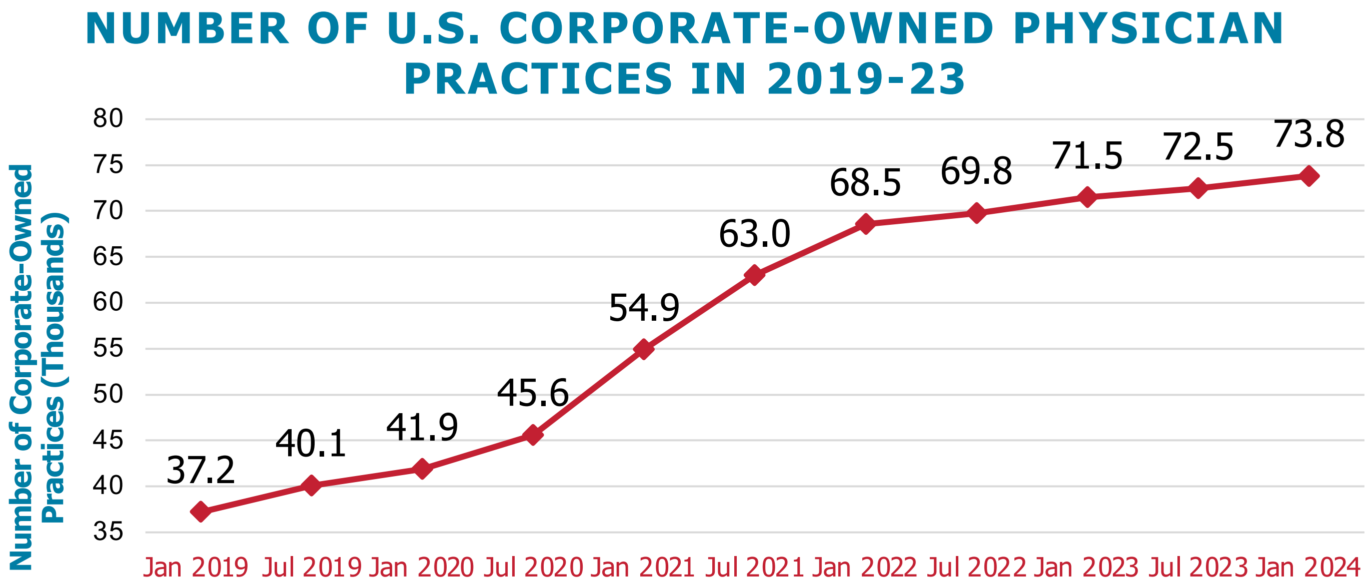
National Five-Year Trends: Hospitals Continued to Acquire Physician Practices At Slower Rate



- Hospitals acquired **7,600** physician practices between 2019 and 2024 – **2,800** of that shift occurred after in the last two years
- Hospital ownership increased by **4.2%** in the last two years and in every 6-month period analyzed but two since January 2019
- The rate of hospital acquisitions has slowed since January 2022, while still exceeding pre-COVID growth

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

National Five-Year Trends: The Number of Corporate Owned Practices Nearly Doubled

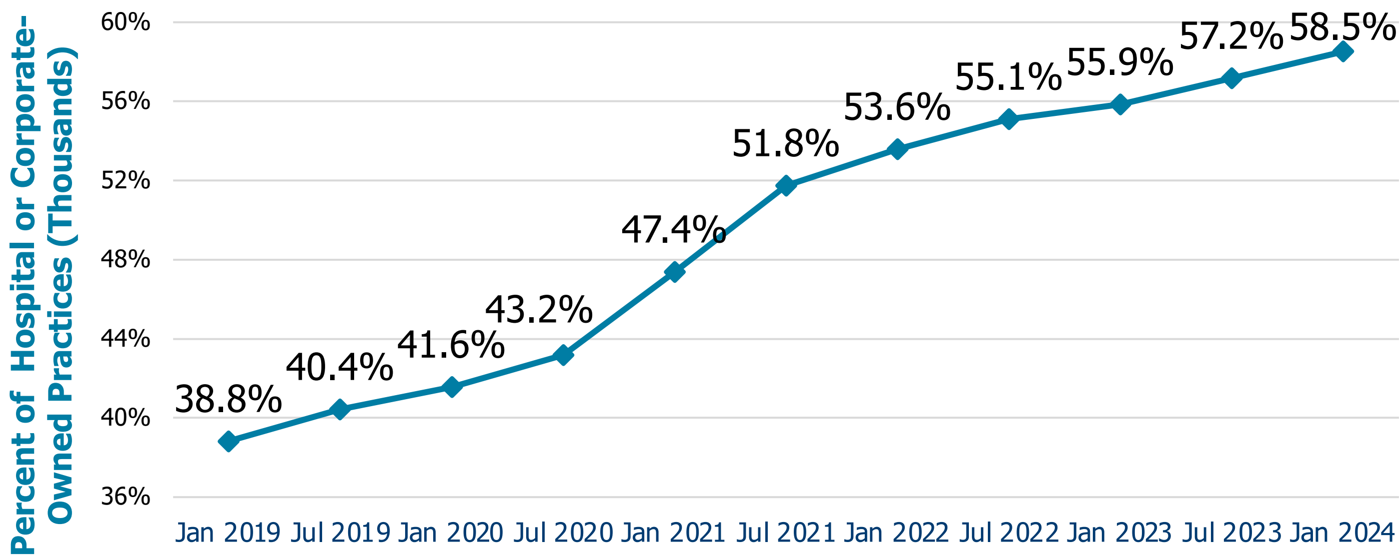


- Corporate entities acquired **36,600** physician practices between 2019 and 2024 – **5,300** of that shift occurred after in the last two years
- Corporate practice ownership increased by **7.7%** in the last two years and in every 6-month period analyzed
- The rate of corporate acquisitions has moderated since January 2022 and is slower than pre-COVID

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

National Five-Year Trends: By January 2024, Hospitals and Corporate Entities Owned Nearly Six in Ten Physician Practices

PERCENT OF U.S. PHYSICIAN PRACTICES OWNED BY HOSPITALS OR CORPORATE ENTITIES IN 2019-23

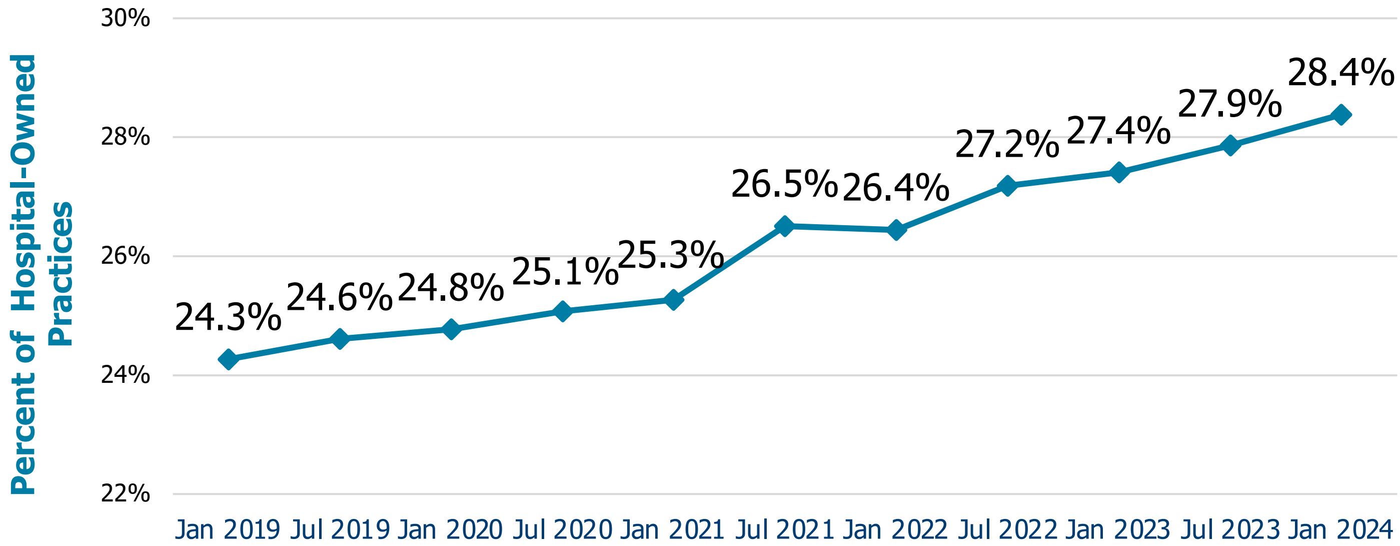


- **58.5%** of practices were owned by hospitals or corporate entities by January 2024
- Over the last two years, the percentage of physician practices owned by hospitals or corporate entities grew by **9.2%**
- Hospital and corporate acquisitions have moderated in the last two years, but the pace remains steady

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

National Trends: By January 2024, Hospitals Owned Nearly Three in Ten Physician Practices

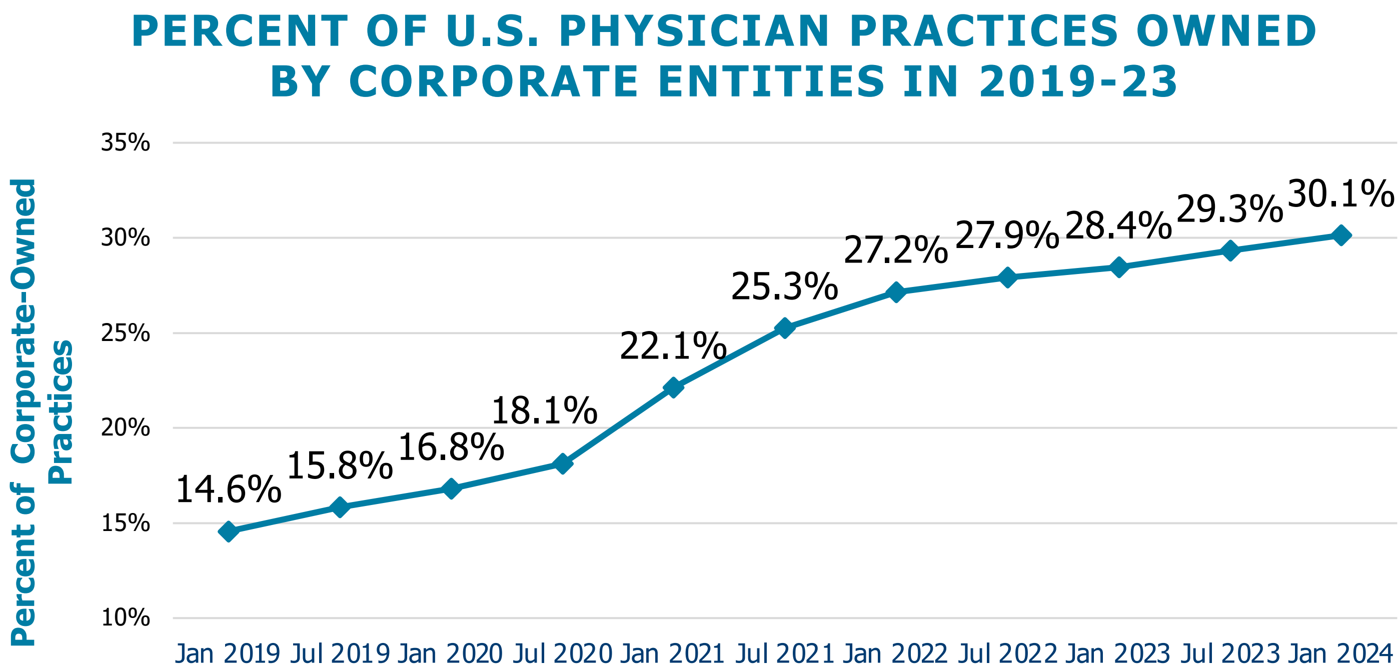
PERCENT OF U.S. PHYSICIAN PRACTICES OWNED BY HOSPITALS IN 2019-23



- **28.4%** of practices were owned by hospitals by January 2024
- Over the last two years, the percentage of hospital-owned practices grew by **7.3%**
- Hospital acquisitions in the last two years have continued at pace similar to before COVID

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

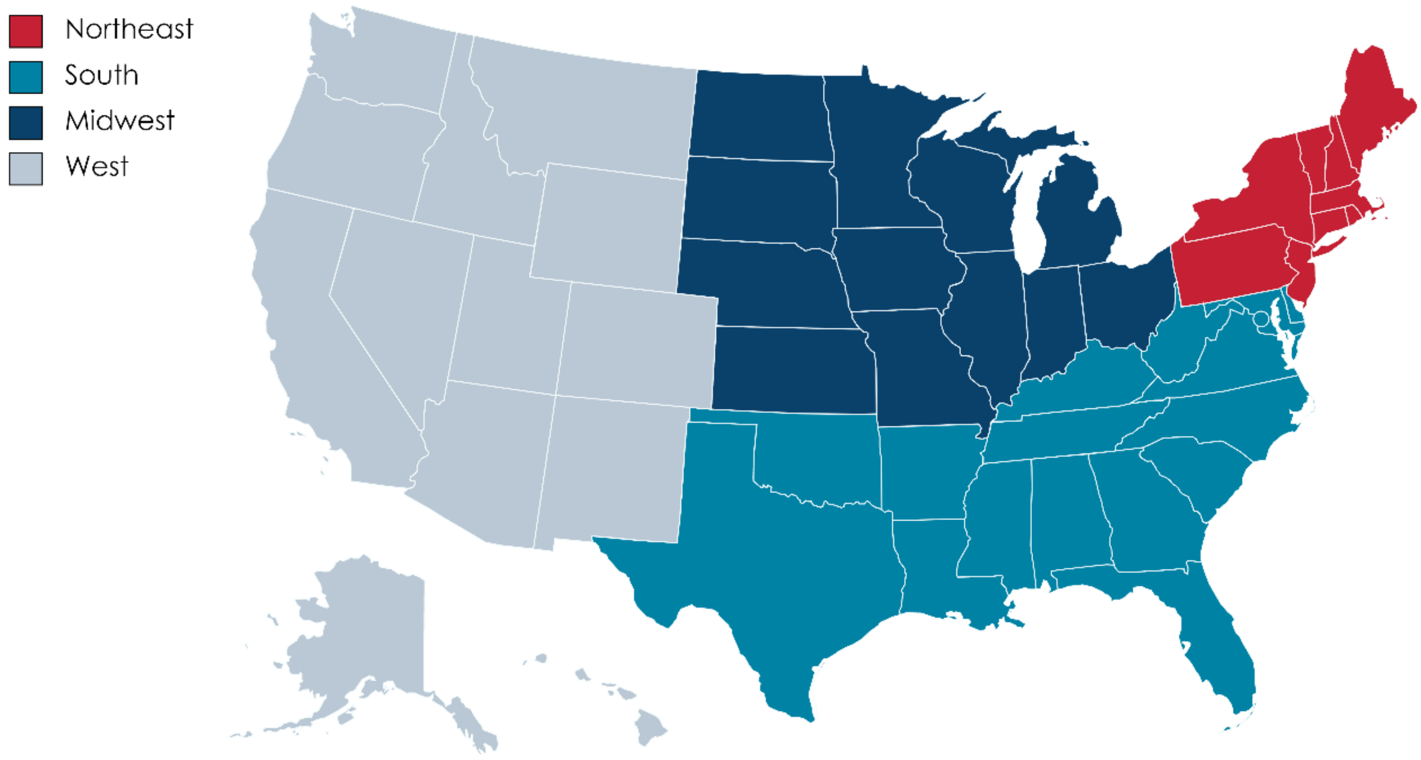
National Trends: Percent of Corporate-Owned Physician Practices Doubled in Five Years



- **30.1%** of practices were owned by corporate entities by January 2024, surpassing hospital ownership of practices.
- Over the last two years, the percentage of practices owned by corporate entities grew by **11.0%**
- Corporate acquisitions in the last two years have continued at pace slightly slower than before COVID

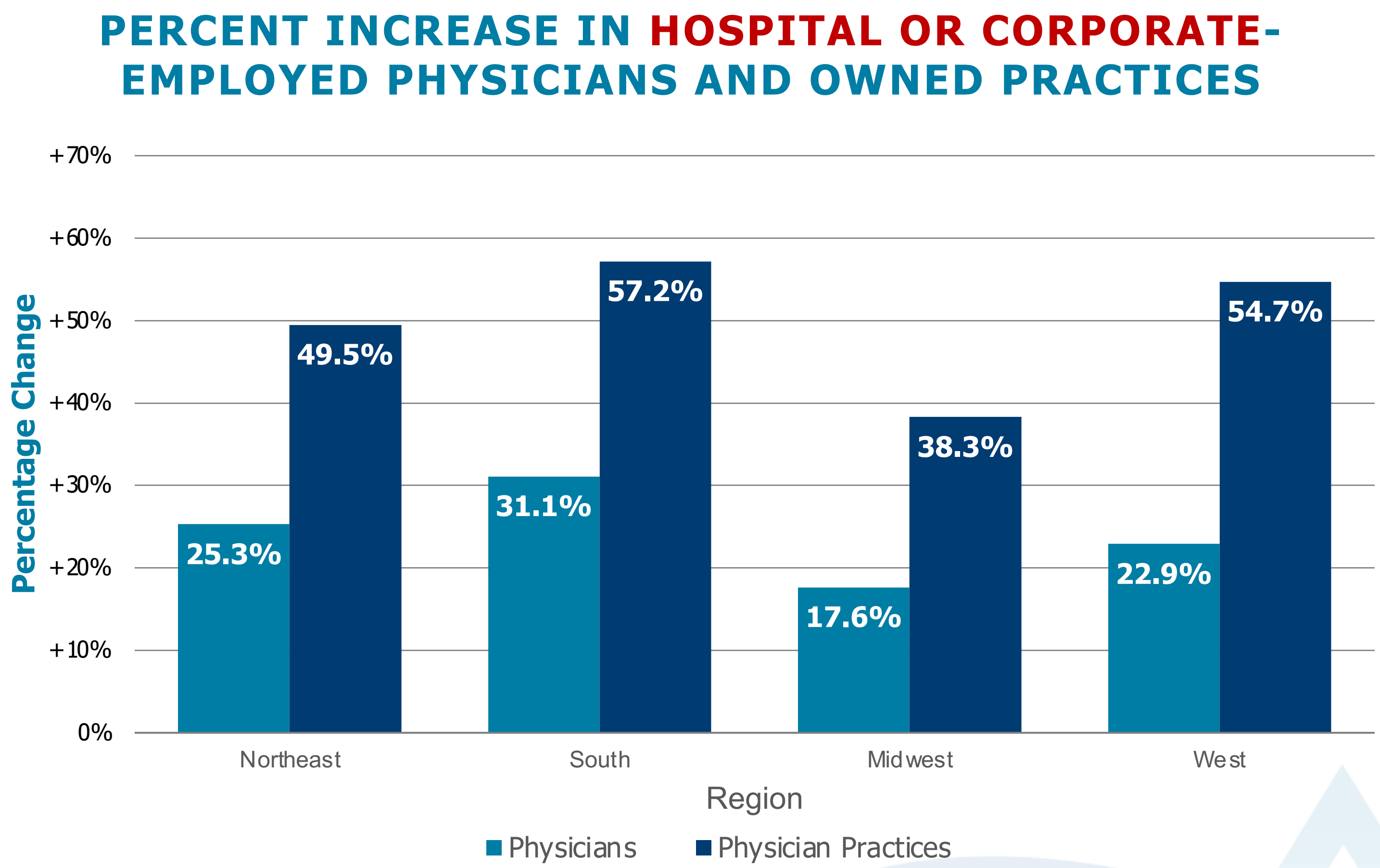
Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

REGIONAL FINDINGS SHOW STEADY GROWTH NATIONWIDE



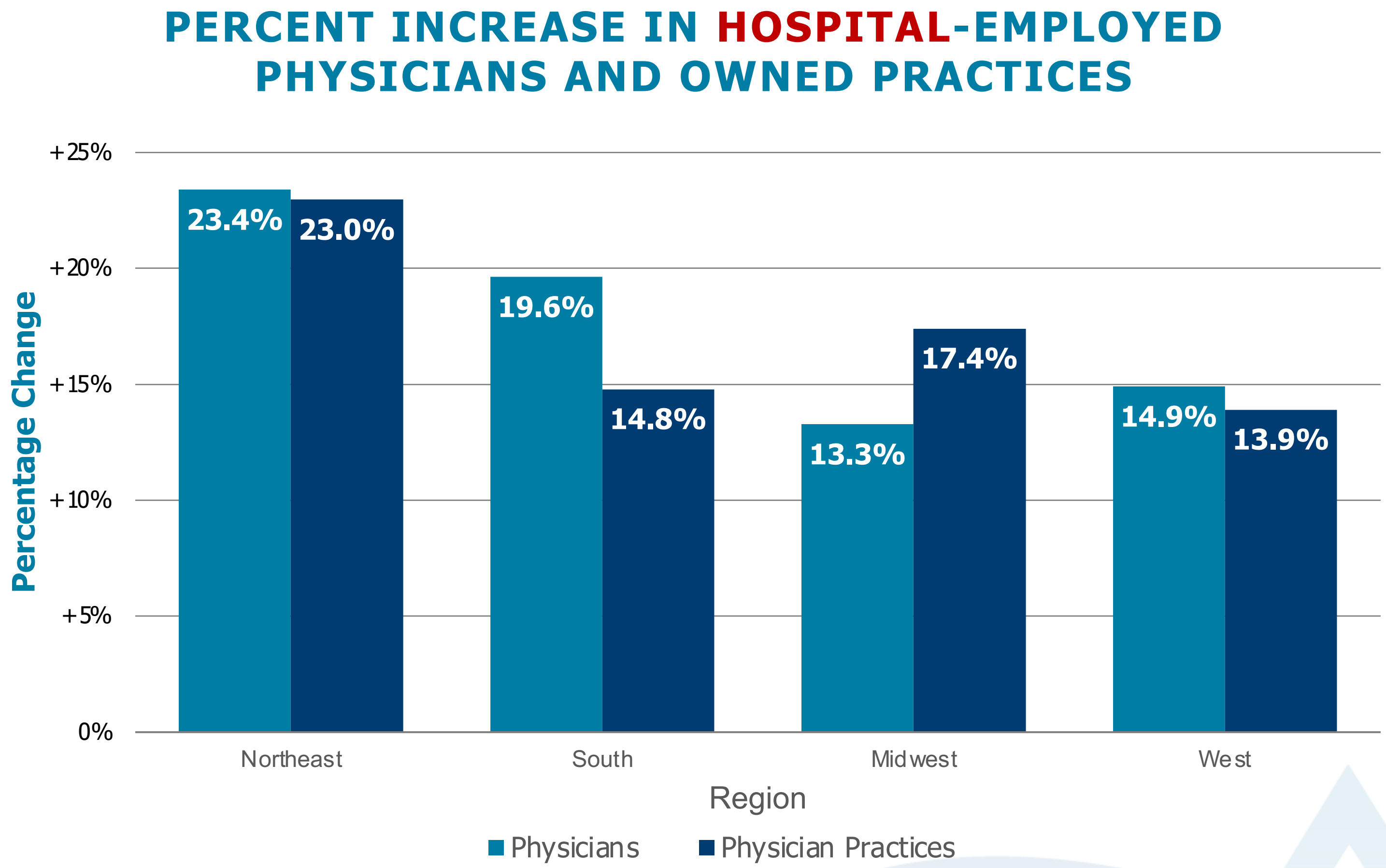
Avalere Health also studied these trends by region. While there are differences across regions, there is a steady trend toward increased employment and hospital ownership of practices in every region of the nation.

All U.S. Regions Continue Trend of Growth in Hospital or Corporate Employment and Practice Ownership in 2019-2023



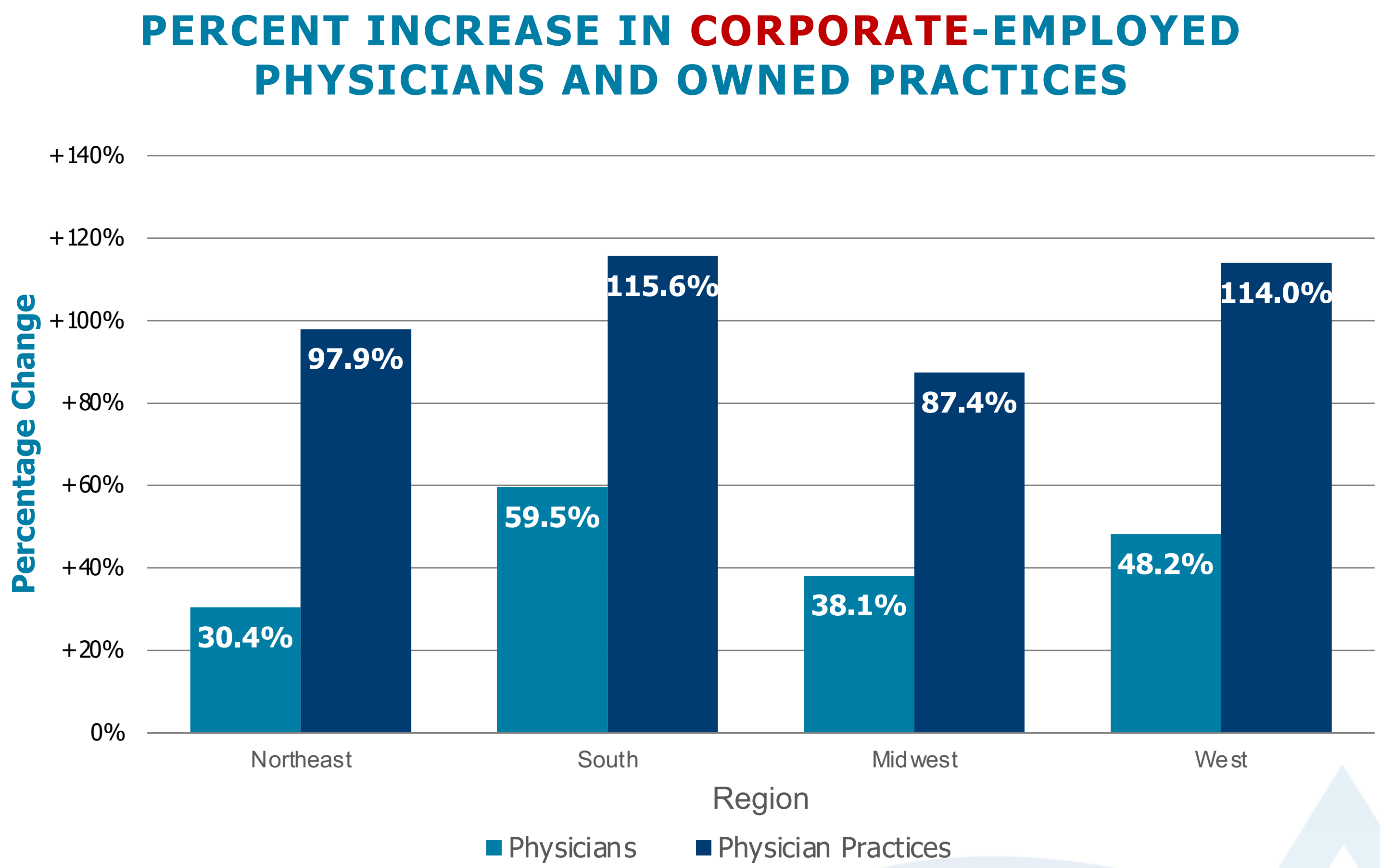
Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

All U.S. Regions Continue Trend of Steady Growth in Hospital Employment and Practice Ownership in 2019-2023



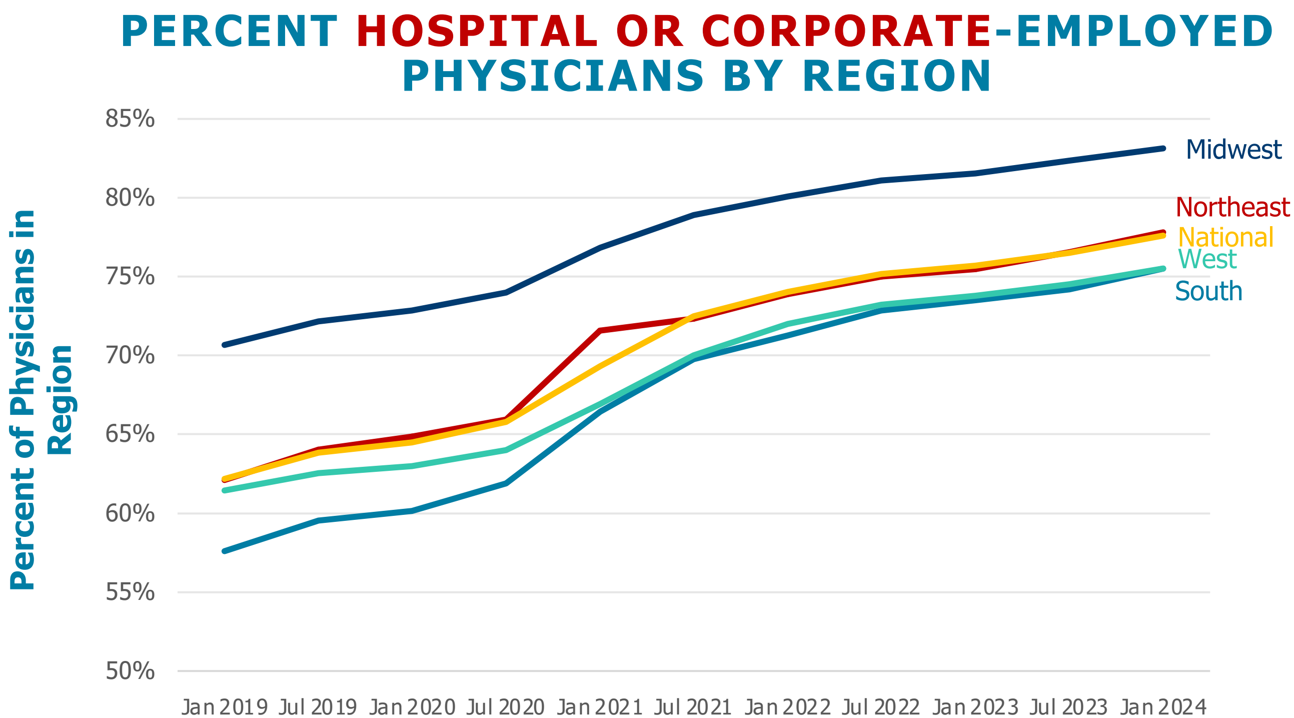
Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

All U.S. Regions Show Significant Growth in Corporate Employment and Practice Ownership in 2019-2023



Avalere analysis of IQVIA hospital/health system ownership of physician practice data with CMS NPPES Registry data

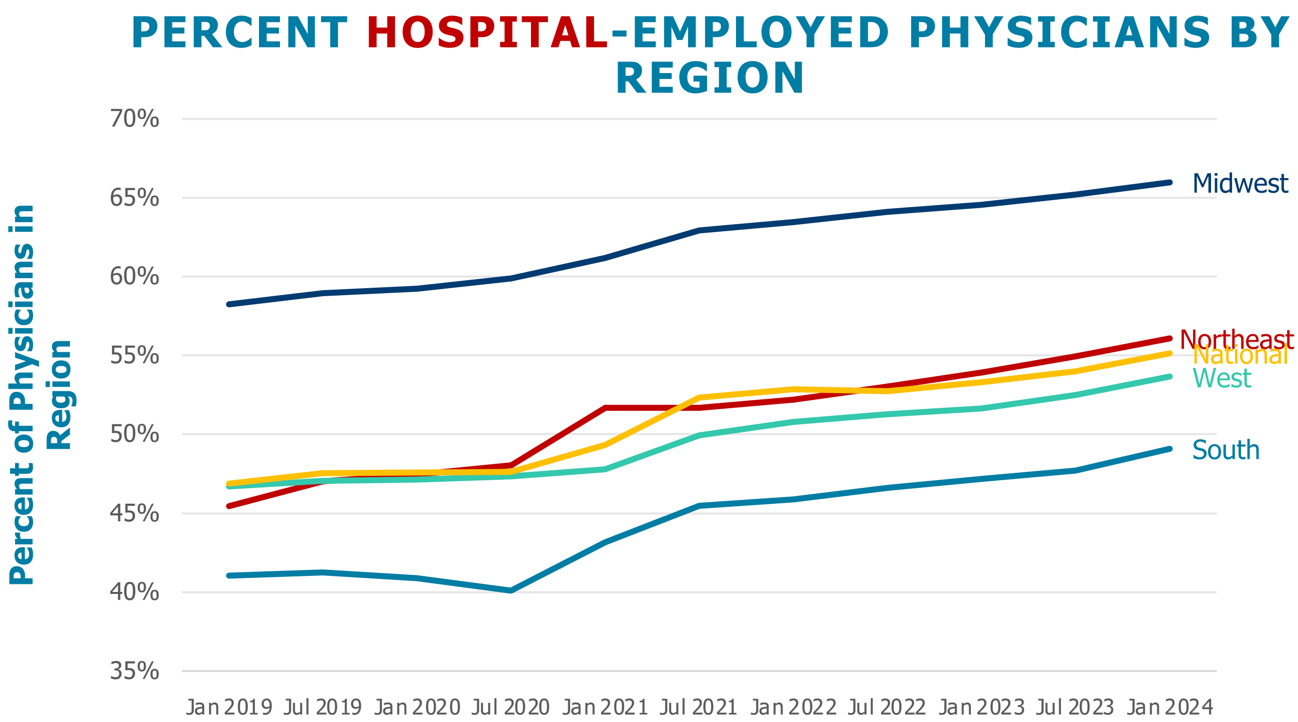
Increase in Physician Employment Continues in All U.S. Regions in 2019-2023



- The percent of hospital- or corporate-employed physicians increased in all regions during the study period
- The Midwest leads other regions with **83.1%** employed by hospitals or corporate entities
- The South had the fastest growth over the last two years at **6.0%**, while the Midwest had the slowest growth at **3.8%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

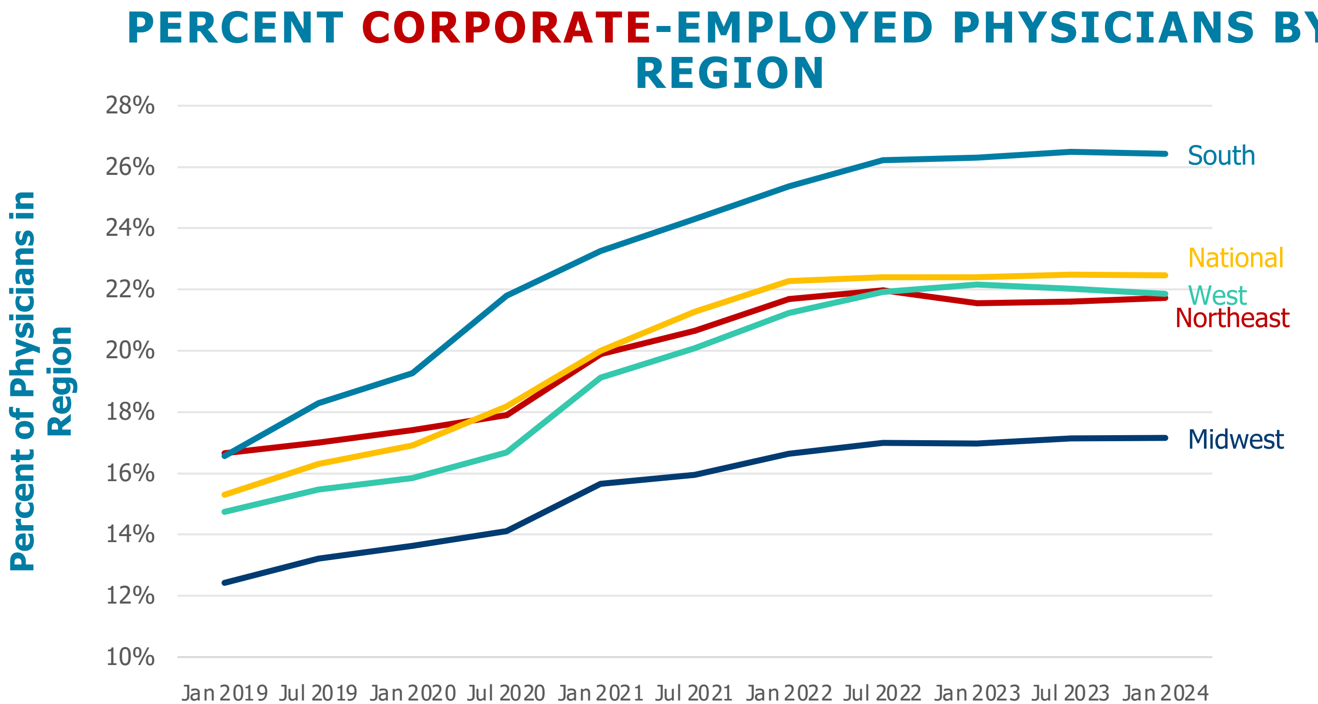
Increase in Physician Employment Continues in All U.S. Regions in 2019-2023



- The percent of hospital-employed physicians increased in all regions during the study period
- Over **66.0%** of physicians in the Midwest are employed by hospitals
- The Northeast had the fastest growth over the last two years at **7.4%**, while the Midwest had the slowest growth at **4.0%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

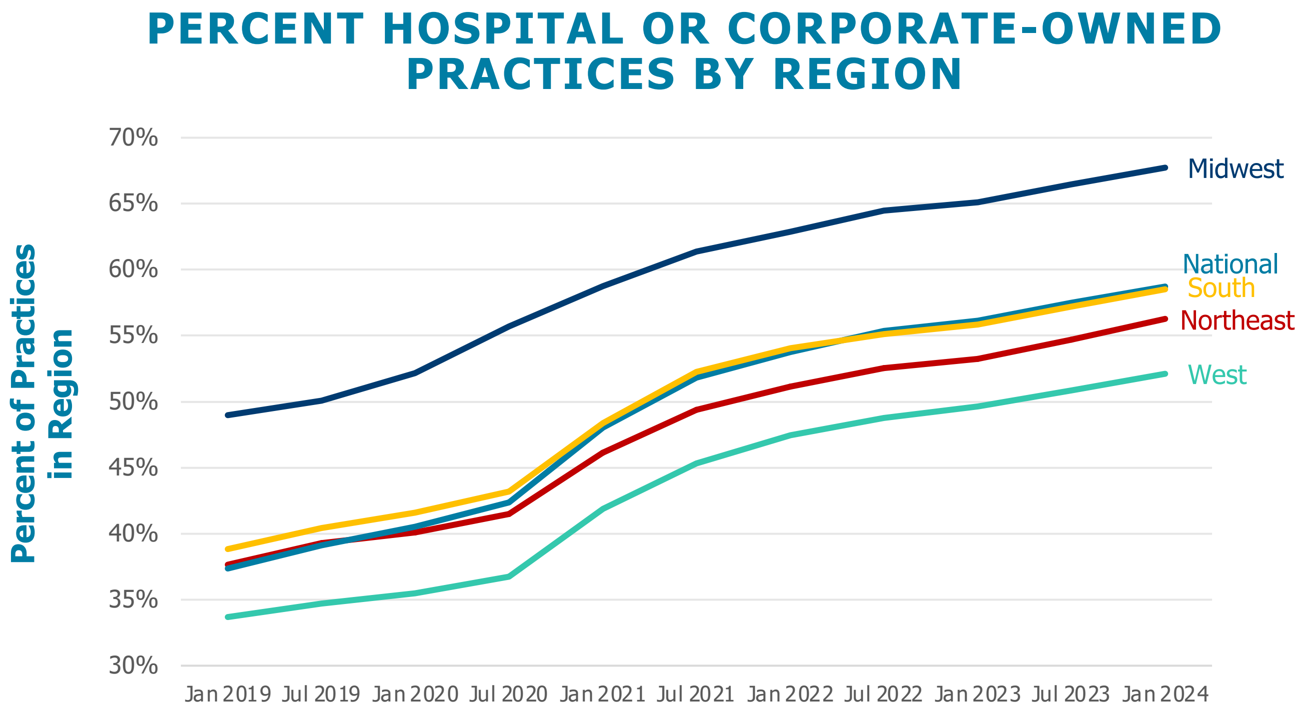
Corporate Employment Leveled Off in All U.S. Regions In 2022-2023



- The South has the highest percentage of corporate-employed physicians at more than **26.4%**
- The South had the fastest growth over the last two years at **4.2%**, while the Northeast had the slowest growth at **0.2%**
- Corporate employment has leveled off and even decreased in the Northeast and West over the last two years

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

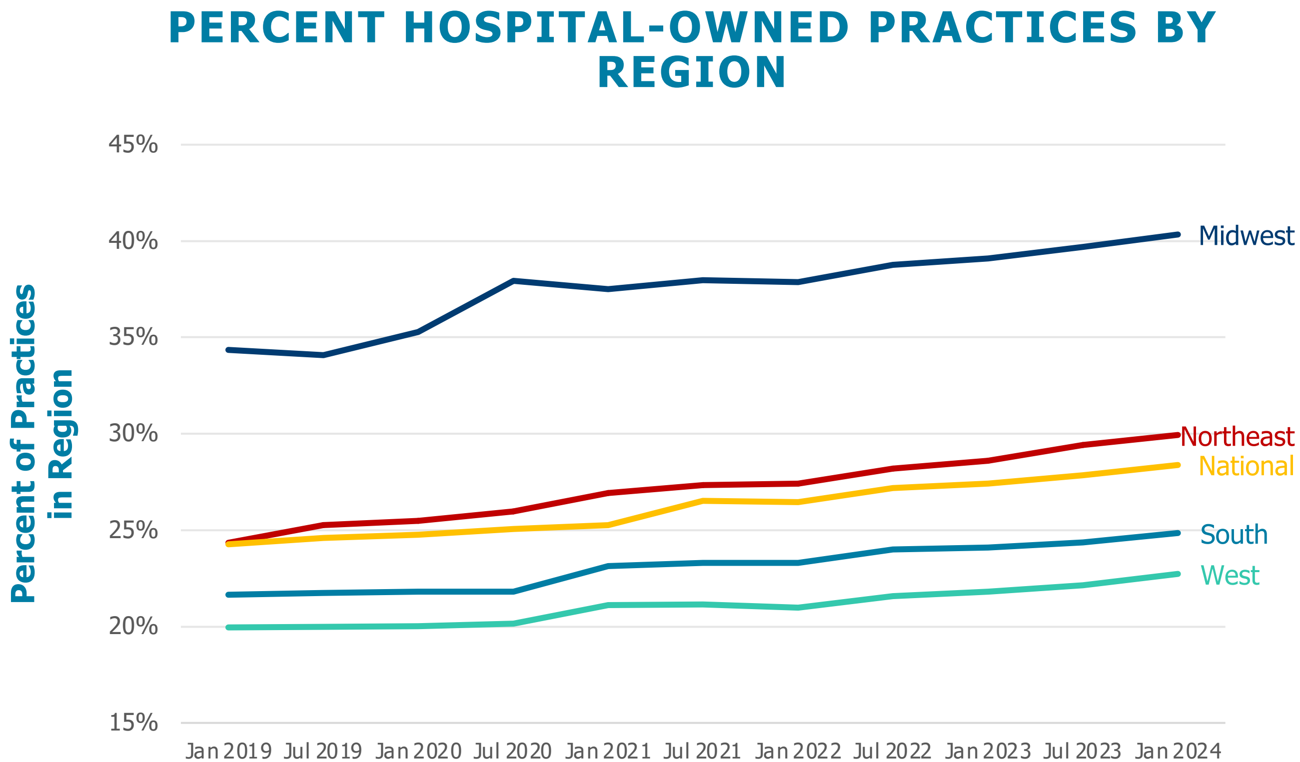
Hospital and Corporate Entities Continue to Acquire Physician Practices In Every Region



- The percent of hospital- or corporate-owned practices increased in all regions during the study period
- The Midwest leads other regions with **67.7%** or practices owned by hospitals or corporate entities
- The Northeast had the fastest growth over the last two years at **10.0%**, while the Midwest had the slowest growth at **7.7%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

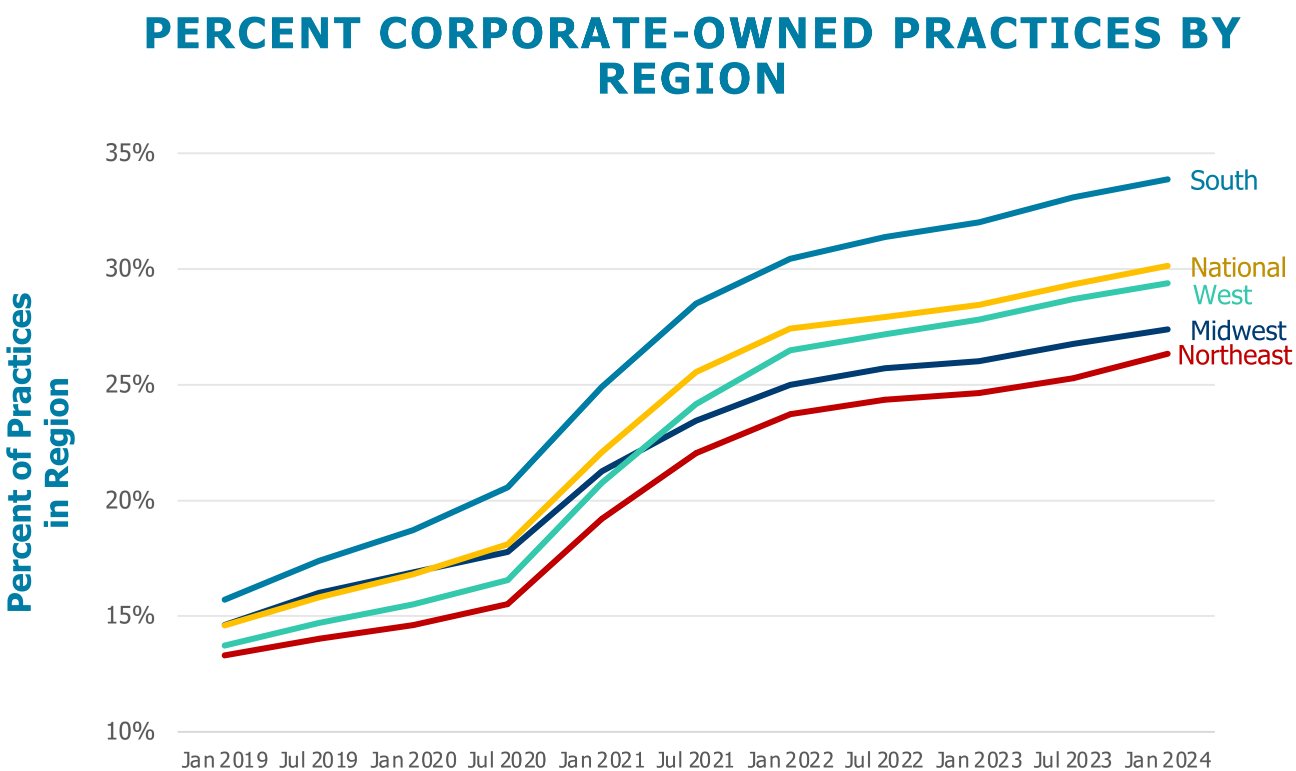
Hospitals Continue to Acquire Physician Practices In Every Region



- The percent of hospital-owned practices has consistently increased across all regions over the study period
- Over **40.3%** of practices in the Midwest are owned by hospitals
- The Northeast had the fastest growth over the last two years at **9.2%**, while the Midwest had the slowest growth at **6.6%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

Corporate Entities Continue to Acquire Physician Practices In Every Region



- Corporate acquisitions have slowed but total ownership has continued to grow over the last two years
- The South has the highest percentage of corporate-owned practices at **33.9%**
- The South had the fastest growth over the last two years at **11.2%**, while the Midwest had the slowest growth at **9.5%**

Avalere analysis of IQVIA OneKey database that contains physician and practice location information on hospital/health system ownership

Methodology and Additional Data

Growth of Hospital or Corporate-Employed Physicians and Owned Practices Continued in 2022 and 2023

National Trends

	January 1, 2022	January 1, 2024	% Increase
Number of Hospital or Corporate-Employed Physicians	484,061	503,113	3.9%
% of Hospital or Corporate-Employed Physicians	73.9%	77.6%	5.1%
Number of Hospital or Corporate-Owned Practices	135,285	143,358	6.0%
% of Hospital or Corporate-Owned Practices	53.6%	58.5%	9.2%

Regional Trends

	Region	January 1, 2022	January 1, 2024	% Increase
% of Hospital or Corporate-Employed Physicians	Northeast	73.9%	77.8%	5.3%
	South	71.3%	75.5%	6.0%
	Midwest	80.1%	83.1%	3.8%
	West	72.0%	75.5%	4.9%
% of Hospital or Corporate-Owned Practices	Northeast	51.1%	56.3%	10.0%
	South	53.8%	58.7%	9.2%
	Midwest	62.9%	67.7%	7.7%
	West	47.5%	52.1%	9.8%

Growth of Hospital-Employed Physicians and Hospital Owned Practices Continued in 2022 and 2023

National Trends

	January 1, 2022	January 1, 2024	% Increase
Number of Hospital-Employed Physicians	341,173	357,471	4.8%
% of Hospital-Employed Physicians	52.1%	55.1%	5.9%
Number of Hospital-Owned Practices	66,746	69,529	4.2%
% of Hospital-Owned Practices	26.4%	28.4%	7.3%

Regional Trends

	Region	January 1, 2022	January 1, 2024	% Increase
% of Hospital-Employed Physicians	Northeast	52.2%	56.1%	7.4%
	South	45.9%	49.1%	7.0%
	Midwest	63.5%	66.0%	4.0%
	West	50.8%	53.7%	5.7%
% of Hospital-Owned Practices	Northeast	27.4%	29.9%	6.6%
	South	23.3%	24.9%	6.7%
	Midwest	37.9%	40.3%	6.6%
	West	21.0%	22.7%	8.3%

Growth of Corporate Physician Employment and Practice Ownership Slowed in 2022 and 2023

National Trends

	January 1, 2022	January 1, 2024	% Increase
Number of Corporate-Employed Physicians	142,888	145,642	1.9%
% of Corporate-Employed Physicians	21.8%	22.5%	3.0%
Number of Corporate-Owned Practices	68,539	73,829	7.7%
% of Corporate-Owned Practices	27.2%	30.1%	11.0%

Regional Trends

	Region	January 1, 2022	January 1, 2024	% Increase
% of Corporate-Employed Physicians	Northeast	21.7%	21.7%	0.2%
	South	25.4%	26.4%	4.2%
	Midwest	16.7%	17.2%	3.1%
	West	21.2%	21.9%	3.0%
% of Corporate-Owned Practices	Northeast	23.7%	26.3%	9.5%
	South	30.5%	33.9%	11.2%
	Midwest	25.0%	27.4%	9.5%
	West	26.5%	29.4%	11.0%

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians

Avalere used the IQVIA OneKey[1] database that contains physician[2] and practice location information on hospital/health system ownership:

- Each record in the database corresponds to a unique physician [identified by their National Provider ID (NPI)], primary practice location, unique OneKey practice ID, physician and organization specialty, and practice ownership information
- These data include solo and single-location small practices as well as large, multi-specialty multi-location group practices
- These data include biannual physician and practice information from January 2019 through January 2024

1 The data used for this analysis are an extract from IQVIA's larger OneKey database that includes additional information about individual and organizational healthcare providers
2 Physicians are defined as medical doctors (MDs) and doctors of osteopathy (DOs); nurse practitioners, physician assistants, and other non-physician providers are not included

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians (cont'd)

This OneKey extract includes three distinct ownership types:

- Owned by integrated delivery network (IDN)
  - In this study, "hospital-owned" practices are those classified as IDN-owned
  - To be classified as an IDN, a parent organization must include at least one acute care hospital and at least one non-acute entity (e.g., clinic, rehabilitation facility)
  - Likewise, "hospital-employed" physicians are physicians in the OneKey database indicated as employed by an IDN-owned practice
- Owned by other corporate entity
  - Other corporate entities are parent organizations not classified as IDNs
  - These corporate entities include health insurers, private equity firms, umbrella corporate entities that own multiple physician practices, etc.
- Practices without any external parent corporate organization as an owner are considered independent

Methodology: Trends in Ownership of Physician Practices with Medicare-Billing Physicians (cont'd)

- COVID-19 effects calculated as the growth rate in the quantity of interest from July 2020 to January 2022 relative to the growth rate from January 2019 to July 2020
- Counts of physicians are counts of unique NPIs
  - Percentages of physicians are relative to the total number of physician NPIs in the IQVIA OneKey extract at each timepoint
- Counts of practices are counts of unique OneKey practice IDs
- Geographic location based on primary practice location provided by IQVIA

NPI = National Provider Identifier

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