These are times of great challenge and perhaps even greater promise for the practice of medicine and healthcare as a whole. Physicians today have to find ways to keep strong relationships with patients while also adjusting to the requirements of running a business. They’re expected to see more patients in less time and to follow strict rules from insurance companies and the government about what needs to happen in those few minutes. In addition, they must respond to a rising tide of consumerism among patients willing to move on if they don’t like a doctor’s bedside manner, office hours or online ratings. And in many specialties, compensation is declining just as the cost of technology and other practice necessities is heading higher.

Yet among these shifts, there are more ways to practice than ever before. Hospitals, insurance companies and private equity-backed management groups are buying physician practices, and many doctors see opportunities to become part of larger, more dynamic organizations. Forward-looking practices and their physicians are finding ways to maintain autonomy and their role in the community while also gaining access to the best thinking, tools, technology and clinical research.

These five trends highlight a rapidly evolving profession in which physicians and their practices face key decisions that are likely to shape not only their own future but also how healthcare is delivered, consumed and valued in the years to come.

#1. Practices for sale

Although the typical physician practice remains relatively small — with a single location, 15 employees and about $3 million in annual revenue1 — a range of practice management and competitive pressures in recent years has led to a sharp increase in practice sales to hospitals and very large physician-led groups as well as to investments by private equity groups that may merge specialty practices into management services organizations (MSOs).2

Doctors, especially those in small and medium-sized primary care practices, now face a more nuanced competitive landscape that includes urgent care centers, retail clinics and temporary staffing agencies that are being embraced by insurers and major corporations.

Faced with rising costs, regulatory uncertainty, pressures to see more patients and other administrative headaches, some practices find that selling to a hospital or larger practice provides an opportunity to focus on patient care while gaining a measure of financial security.
According to a 2018 report from Avalere Health and the Physicians Advocacy Institute, hospitals acquired more than 5,000 practices between July 2015 and July 2016, increasing the number of hospital-employed doctors by more than 14,000; over four years, the number of physicians working for hospitals increased by more than 63%. National health insurance companies and managed care organizations are also buying practices, and fewer than half of all physicians now have an ownership stake in their practices, according to a survey by the American Medical Association.

What’s ahead

Still, there are trade-offs in a practice sale. Even with a proliferation of buyers, many physicians aren’t able to get what they consider adequate prices for their practices. In the years ahead, some will look to invest in their practices, using technology, nonphysician providers and other improvements to make them more efficient and effective. Others will likely move to a “concierge” model that provides more-personalized attention to fewer patients, who pay a premium for improved access to their doctors.

Estimates of the current number of concierge doctors range from a few thousand to as many as 20,000, and that number seems to be rising. Specialist practices, meanwhile, are increasingly selling stakes to private equity as an alternative to being acquired by hospitals; this enables them to gain access to capital and build the scale needed to compete in a value-based marketplace, leading to more than $36 billion in transaction value in 2016.Advantages of such arrangements — popular among dermatologists, orthopedists, urologists and ophthalmologists, among others — include keeping an ownership stake and preserving relationships with patients while benefiting from management expertise and the opportunity to share in profits when the private equity partner sells the MSO.

#2. The impact of medical consumerism

Healthcare consumerism has gained momentum in recent years, changing the traditional dynamic between doctors and patients. In a recent survey, most patients said they were looking for consumer-friendly practice improvements — the ability to schedule appointments online or from their phones, shorter waits to be seen (compared to an average of 24 days) and more transparency about costs. With many traditional physician practices slow to adapt to the needs of patients seeking convenience and accountability, retail medical clinics and urgent care centers — often owned or operated by physicians — have become increasingly popular. Drop-in retail clinics, typically located in drug stores and other retail outlets and staffed by nonphysician providers, can do routine testing and prescribing, while urgent care centers with convenient hours may have at least one physician on-site and provide a wider range of emergency and primary medical care, with some also offering specialty services.

Urgent care’s healthy growth

Because most insurers cover care at retail clinics and urgent care centers, these nontraditional-care settings have emerged as small but important competitors to traditional physician practices.

Urgent care has seen steady growth, and today more than 7,600 U.S. urgent care centers see more than 89 million patients a year. Retail clinics, meanwhile, took in about $1.4 billion in 2016, more than double their revenues six years earlier.

What’s ahead

Recent partnerships and mergers involving retailers, drug store chains, pharmacy benefit managers and insurance companies are likely to lead to increasing numbers of retail clinics and urgent care centers, with possible incentives for patients to choose those settings for much of their routine care. Physician practices are responding to this trend in a variety of ways. Some are emphasizing to patients the value of having ongoing relationships with doctors who know them and their health issues — normally not an option at retail and urgent care settings — while others extend their hours, open their own emergency clinics, or cooperate with the nontraditional-care settings by linking electronic medical records and using the outside clinics as a source of referrals for new patients.

#3. Regulatory uncertainty

Most efforts to regulate how doctors practice and get paid for their services are motivated at least in part by the need to control rising costs and by concerns about quality of and access to care. Spending on healthcare now accounts for some 18% of U.S. gross domestic product (GDP), compared with less than 7% in 1970, 12% in 1990 and 13% in 2000. Meanwhile, the U.S. government has a vested interest in controlling expenditures. The federal Centers for Medicare & Medicaid Services is the largest single payer for healthcare, accounting for almost 40% of all outlays. Yet U.S. health outcomes are no better than in some countries that spend far less, and tens of millions of Americans still lack health insurance.

The Patient Protection and Affordable Care Act (ACA), which took effect in 2010 and attempted to address many of these issues, has affected physician practices in multiple ways.
Practices, particularly in primary care, have seen reimbursements rise thanks to improved patient access to insurance and the end of restrictions on coverage for pre-existing conditions. But the law’s emphasis on value-based payments has put pressure on traditional fee-for-service models, and doctors face potential penalties for failing to meet standards for reporting quality measures and making the transition to electronic health records. In response, many have reconfigured their structures and payment mechanisms in order to participate in patient-centered medical homes (PCMHs),26 affordable care organizations (ACOs) and other major innovations encouraged by the law.27,28 Now, instead of being paid for each patient visit, practices often receive fixed per-patient monthly charges that put a financial premium on keeping patients healthy and out of the hospital.21 And they put increased emphasis on patient satisfaction and treatment outcomes — value-based metrics that hospitals, other physician employers and payers often use to determine doctor bonuses.22

What’s ahead
Looking toward the future, attempts to eliminate all or part of the ACA have brought additional uncertainty for physicians and their practices.23 The new Democratic majority in the U.S. House of Representatives is likely to end, for now, legislative attempts to repeal the law.24 In December 2018, however, a federal judge in Texas, ruling on a lawsuit brought by 20 states, struck down the entire ACA. That decision was likely to have no immediate impact, and appeals promised by other states could end up in the Supreme Court.25 But several changes have already been made to the original law — eliminating the individual mandate for buying insurance, allowing small businesses to band together to offer less generous benefit packages and giving states more power over Medicaid, among other initiatives — and those have led to further shifts for physician practices.26 Amid ongoing questions about federal regulations, some physicians may postpone decisions about expanding or selling practices, joining PCMHs or ACOs, and other possible changes.

In other cases, that very uncertainty could accelerate plans to find practice situations that relieve doctors of some administrative and regulatory burdens and let them focus on patient care.

#4. Competition for skilled workers
While the market for medical professionals varies by specialty and region, physician practices looking to hire a range of practitioners today often must compete for candidates who have wide-ranging job options. In 2017, 70% of physician residents in primary care fielded interest from more than 50 potential employers, and 50% received 100 or more offers.27

Meanwhile, nurse practitioners (NPs) and physician assistants (PAs) are also wanted in great numbers as practices of all sizes try to become more efficient by integrating nonphysicians into their operations. Larger practices have long delegated routine care to NPs and PAs, and affiliated nonphysician practitioners now often provide much-needed primary care in underserved rural areas, although restrictions in some states may limit what they can do without the direct supervision of a physician.28 Their outstanding job prospects helped propel NPs to number 4 in “U.S. News and World Report Best Jobs Rankings for 2018,”29 while strong demand increased the number of PAs by 40% from 2010 to 2017.30 But practices that are able to hire and retain sufficient numbers of nonphysician providers often reap benefits of efficiency, productivity and profitability. In a recent survey, practices in all specialties that had higher ratios of nonphysician providers to physicians earned more, after expenses, than those with lower ratios.31

Physicians are turning to technology (see Trend #5) to help them solve labor challenges. One emerging trend to address staffing issues involves technology-based on-demand services. Operating like ride-hailing companies, these companies direct physicians and nurses to practices and patients when and where they’re needed.32 These services offer new opportunities for physicians, who can choose their own hours and may make more than in other practice settings.

#5. Technology improvements
Perhaps even more than in other professions and industries, technological advances continue to be transformational in medicine, fueling major changes in how physician practices care for patients, run their offices and bill for services.33 Practices increasingly employ artificial intelligence (AI), big data, robotics and 3D printing to improve patient care and practice operations, and those and other technologies promise to be part of much bigger changes ahead.34 Spurred by federal requirement to give up paper charts in favor of electronic health records (EHRs), physicians and other providers have benefited from immediate access to information about patients, the ease of sending prescriptions directly to pharmacies and simpler insurance billing for their services.35 Still, as in other realms, much of the technology in physician practices brings trade-offs of cost, efficiency and effectiveness. The transition to EHRs, for example, has been challenging, with physicians and practice managers forced to choose from among many competing systems, integrate the technology and train often-reluctant clinicians. Technology has become a major factor in most practices’ budgets, and the ever-rising cost of digitization is one reason doctors may consider selling or merging their practices with larger groups.
What’s ahead

In medicine as in many other realms, AI is emerging as a major engine of change. It has the potential to sort through vast amounts of data and provide decision support for diagnosis and treatment, freeing physicians and others to concentrate on decisions only they can make. And in a recent study, AI outperformed human doctors in its ability to predict the treatment approach for sepsis, or blood poisoning, an often-deadly condition that is notoriously difficult to detect. Such decision-support tools could become increasingly prevalent.

For physician practices, all of these trends present challenges as well as opportunities. The ability to decide how to structure the practice, as part of a small, medium or large organization, and how to handle regulatory and staffing issues and investments in technology can help shape a sustainable future that delivers value to physicians and their patients.
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