




Physician landscape 2.0

Prepared for NALTO
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The biggest trend shaping the physician
landscape in 2024 is...

Messages to take from today

- 1. Change is relentless.** The physician landscape is being redefined by both the amount of change and the pace of that change. The market we work in, the workforce we interact with, and the very way care is delivered are all evolving at breakneck speed.
- 2. There is a new type of medical group.** A perfect storm of market, workforce, and care delivery shifts present multiple opportunities for a new player, the corporate medical groups. Corporate medical groups are growing faster than health system-owned practices and continue to drive consolidation and growth in the ambulatory landscape.
- 3. Expect things to get harder for health system customers.** Despite a temporary respite while many health systems are having their best year in a while, the road ahead for health systems—and especially hospitals—looks hard. This will affect every aspect of the healthcare industry.
- 4. Autonomy is the name of the game.** It's a “seller's” market and physicians have more options and agency than ever before. But what do they want? Physicians desire many things, but autonomy is the currency physicians want most. What that autonomy looks like will vary by employer, practice option, and physicians.
- 5. Locum tenens organizations have an opportunity.** The market favors the physicians now more than ever. But that opens the door for locum tenens leaders who understand the current headwinds and tailwinds their physician and provider clients are facing. Those who can deliver autonomy to physicians and high-quality clinical capacity to provider organizations stand to win and win big.

From two to three distinct types of medical groups

Three types of medical groups



Health system-owned

28.4% of practices



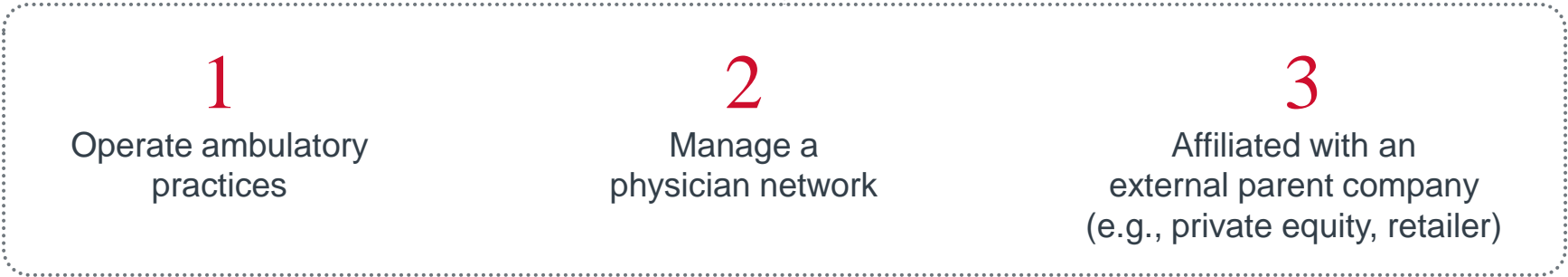
Corporate-owned

30.1% of practices



Physician-owned

41.5% of practices



Source: Avalere Health. [Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#). Physicians Advocacy Institute. April 2024.

Forces impact incumbents and corporate players alike

Market shifts

- 1. Increasing consolidation
- 2. Weakening practice finances
- 3. Accelerating site-of-care shifts

106%
increase in
corporate-owned
practices¹

Workforce shifts

- 4. Rising physician dissatisfaction
- 5. Impending retirement wave
- 6. Growing preference for employment

Care delivery shifts

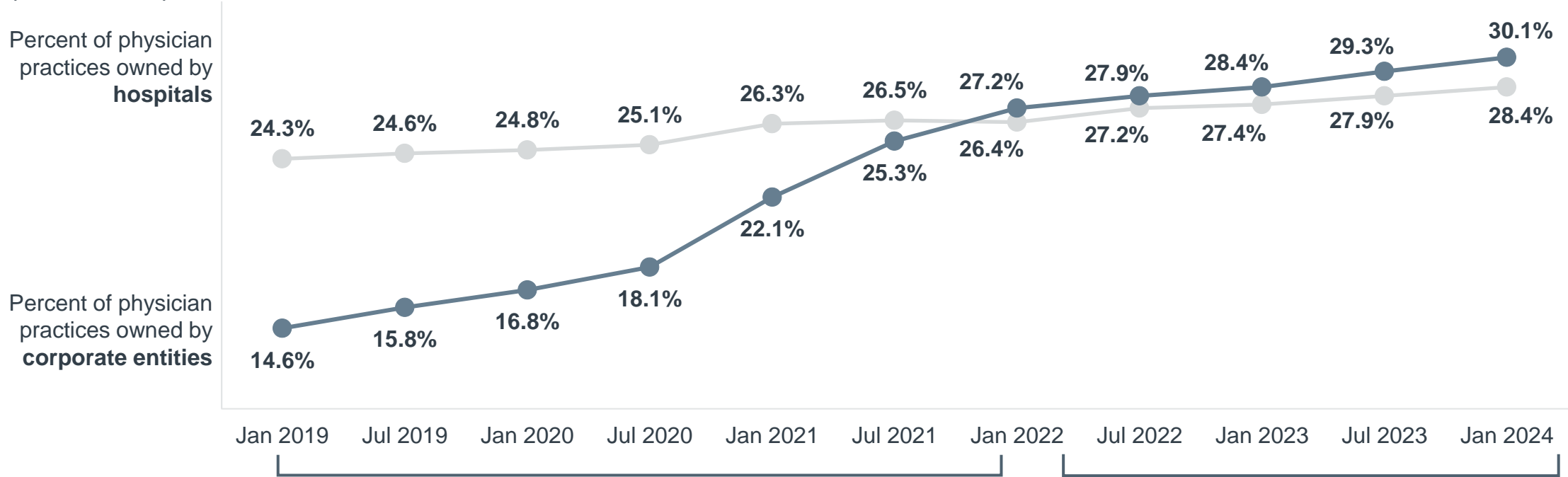
- 7. Artificial intelligence
- 8. Team-based care
- 9. Value-based care
- 10. Wave of high-cost drugs

Source: Avalere Health. [Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#). Physicians Advocacy Institute. April 2024.

1. From 2019 to 2024.

The fastest growing owner of practices: corporations

Percent of practices owned by hospitals vs. corporations
(2019-2024)



Corporate medical groups grow rapidly

86% Growth in **corporate** ownership

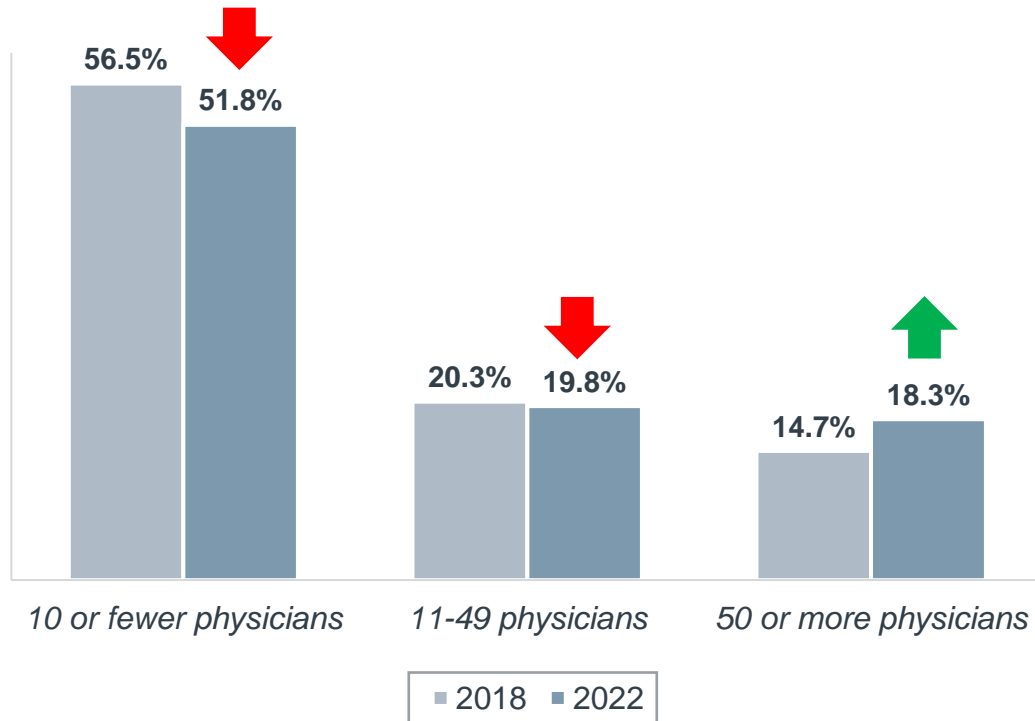
Corporate growth slows

11% Growth in **corporate** ownership

Source: Avalere Health. [Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#). Physicians Advocacy Institute. April 2024.

Interest in multispecialty care driving aggregation

Distribution of physicians by practice size¹



Multispecialty groups more consolidated



Of physicians in **multispecialty groups** part of practices of 100 or more physicians

Of physicians in **single-specialty groups** part of practices of 100 or more physicians

1. Remaining 8.5% (2018) and 10.1% (2022) are categorized as "Direct hospital employee/contractor."

Sources: Kane C. [Physician Practice Benchmark Survey](#). American Medical Association. 2023; Advisory Board analysis of data from [National Downloadable File](#). Centers for Medicare & Medicaid Services. August 2023.

Acquirers eye less consolidated specialties

Percent of physicians in practices of 100+ physicians by specialty¹

Specialties with more corporate activity in red

Less consolidated

More consolidated

28.3% - 46.6%

46.7% - 56.6%

56.7% - 63.1%

63.2%-72.5%

- Dermatology
- Emergency medicine
- Nephrology
- Ophthalmology
- Orthopedics
- Pain management
- Physical therapy/rehab
- Psychiatry

- Allergy/immunology
- Anesthesiology
- Cardiology
- Cosmetic procedures
- ENT
- Primary care
- Radiology
- Urology

- Gastroenterology
- General surgery
- Neurosurgery
- OB/GYN
- Podiatry
- Rheumatology
- Vascular surgery

- Endocrinology
- Infectious disease
- Neurology
- Oncology
- Pediatric medicine
- Pulmonology
- Thoracic surgery

1. Grouped into quartiles.

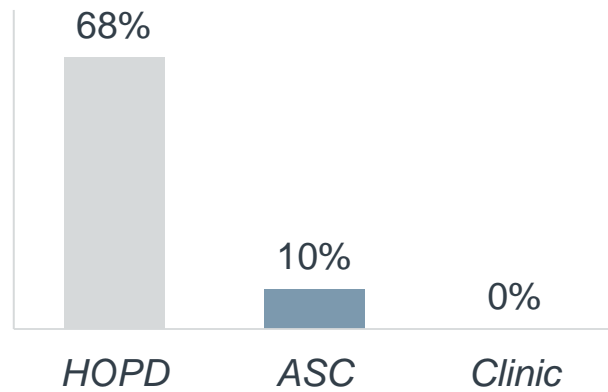
Source: Advisory Board analysis of data from [National Downloadable File](#), Centers for Medicare & Medicaid Services. August 2023.

Outpatient shift offers corporate entities a path to growth

Inpatient to outpatient shift continues for three key procedures

Optum's de-identified Clinformatics® Data Mart Database (2017-2022)¹

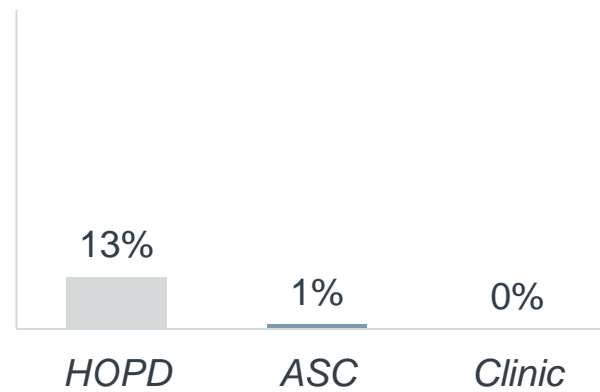
Joint replacement



-78%

shift in volumes out of inpatient

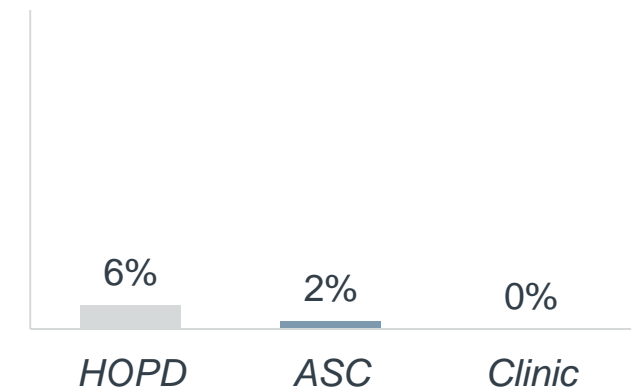
Spine fusion



-14%

shift in volumes out of inpatient

Procedural cardiac cath



-8%

shift in volumes out of inpatient

1. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.

Source: Advisory Board analysis of Optum's de-identified Clinformatics® Data Mart Database (2017-22).

Deteriorating finances open doors for capital partners

Annual CMS updates to Medicare fee-for-service physician reimbursement

Medicare conversion factor



Medical group costs outpace revenue growth

9.1%

increase in medical group revenue per physician

26.5%

increase in total expenses per physician

2017 2018 2019 2020 2021 2022 2023 2024¹ 2025

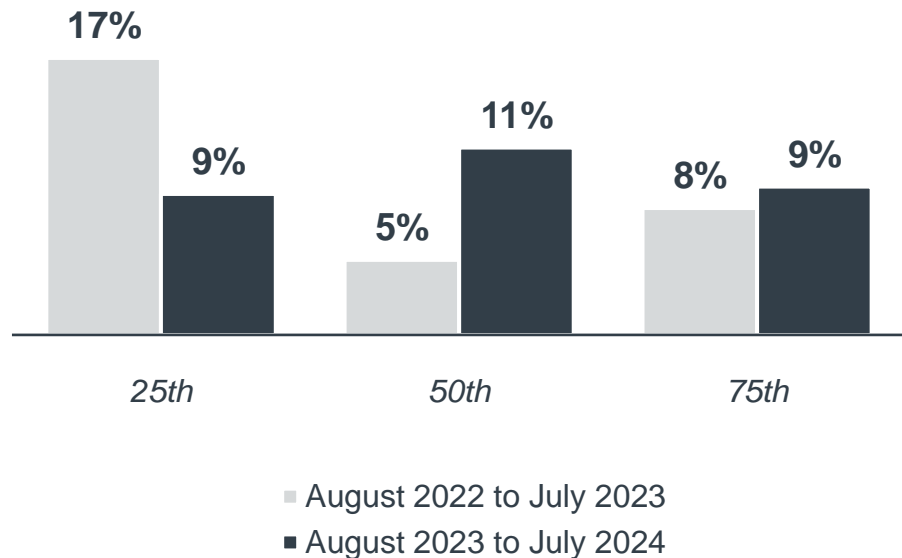
1. Effective March 9, 2024 – December 31, 2024. Conversion factor from January 1, 2024 – March 8, 2024 was \$32.74.

Sources: [History of Medicare Conversion Factors](#). AMA; [Physician Fee Schedule](#). Centers for Medicare & Medicaid Services. 2024; [New Survey Finds Medical Group Operating Costs Continue to Outpace Revenue](#). AMGA. December, 18, 2023.

The recent utilization spike put the industry on high alert

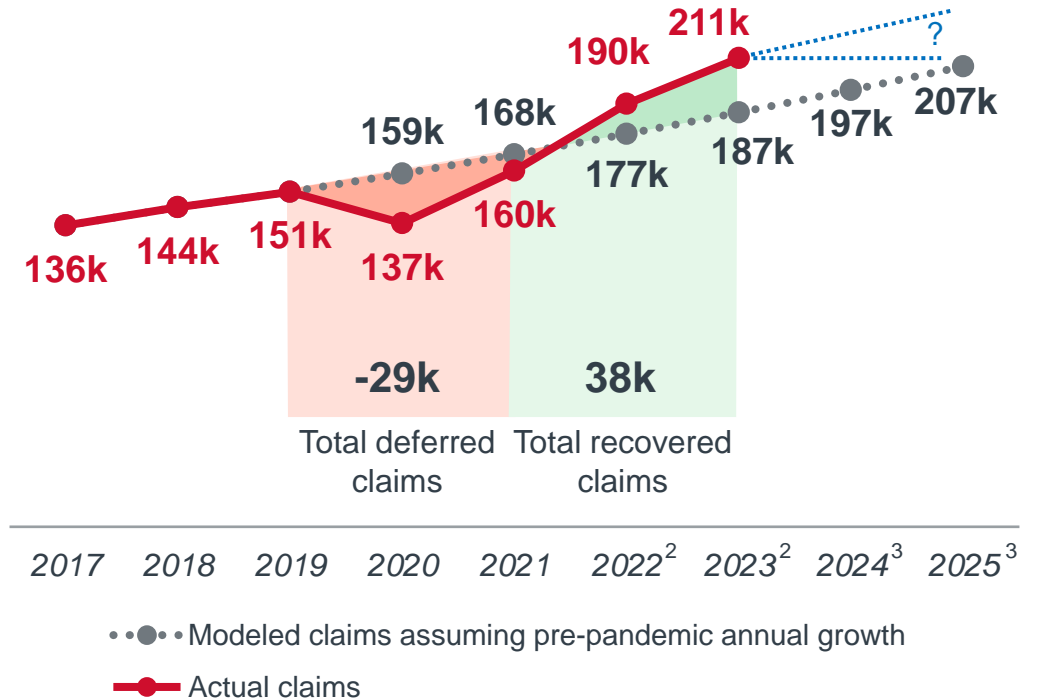
Health system volume changes

Year-over-year change in case mix index (CMI) adjusted discharges by percentile¹



Return of elective volumes due to delayed care

Actual and modeled joint replacement volumes from Optum Clinformatics® Datamart database



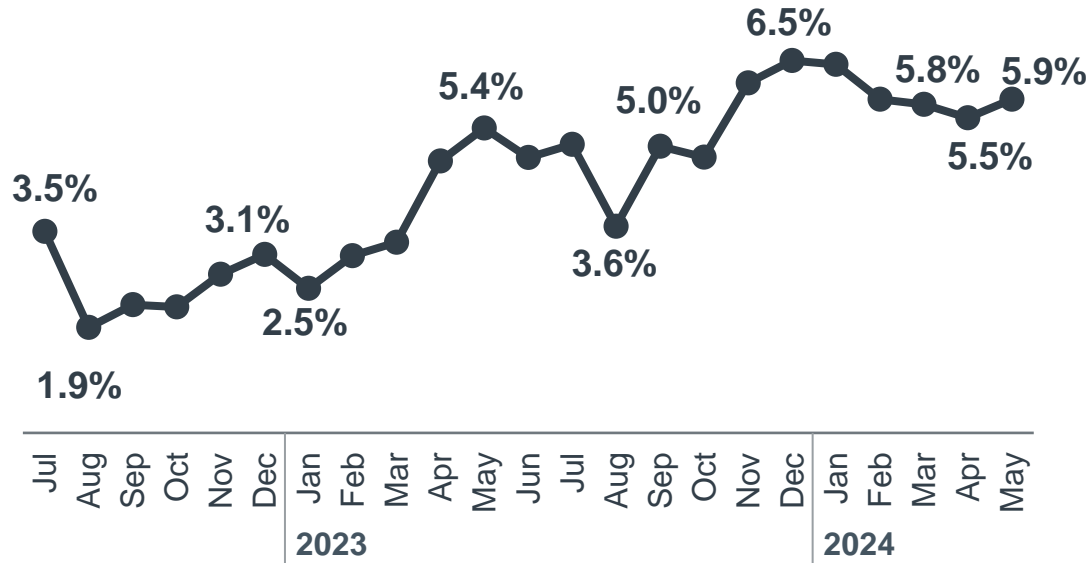
1. Certain data used in this study were supplied by Syntellis Performance Solutions, LLC ("Syntellis"). Any analyses, recommendations or advice based on these data are solely that of the author(s) and not Syntellis.
 2. Estimated through annualization of 2022 and 2023 data.
 3. Projected.

Source: Advisory Board healthcare executive survey, March 2024; Optum de-identified Clinformatics® Datamart Database (2007-2022).

Hospitals got a positive bump—but not shared equally

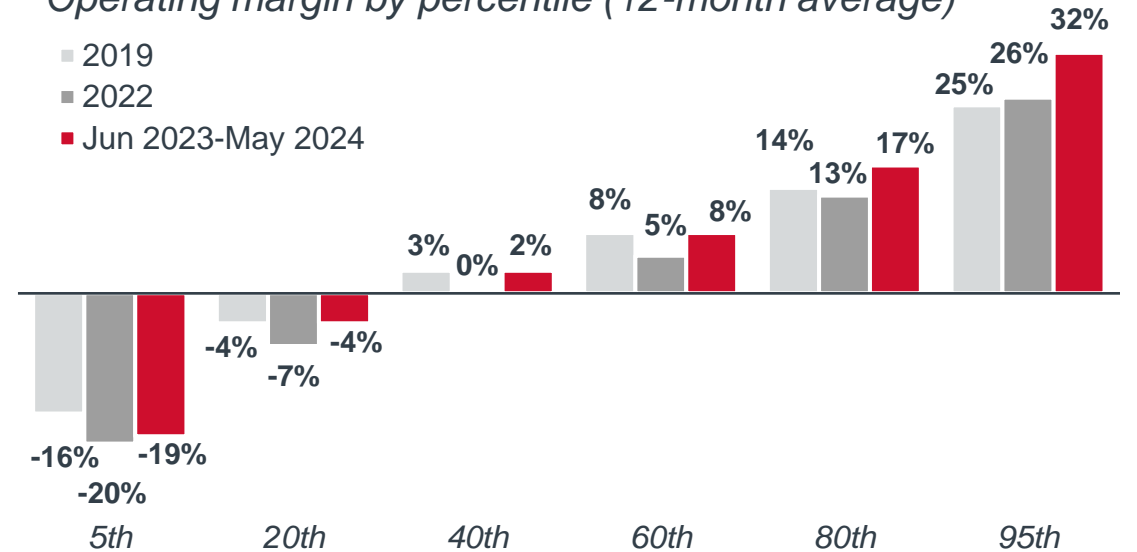
At first glance, hospital margins are improving...

Median hospital monthly operating margin
(3-month rolling average)¹



...but hospital financial experience varies widely

Operating margin by percentile (12-month average)



“More systems are falling into the extreme ends of the credit rating **trifurcation**.”

Managing director, Credit rating organization

1. Certain data used in this study were supplied by Syntellis Performance Solutions, LLC (“Syntellis”). Any analyses, recommendations or advice based on these data are solely that of the author(s) and not Syntellis.

Source: Syntellis Performance Solutions. Accessed July 24, 2024; Bretz A, Zagar P. U.S. Not-For-Profit Health Care System Median Financial Ratios – 2020 vs. 2019. S&P Global Ratings. August 30, 2021; Desai S. Preliminary 2023 Medians for U.S. Acute Health Care Providers Indicate Continues Operating Pressures For Many. S&P Global Ratings. April 30, 2024; Advisory Board Interviews.

Temporary drivers hide structural shifts below surface

Utilization shift drivers



TEMPORARY

Seasonality

Pandemic
backlog

Pandemic
coverage



STRUCTURAL

Aging
population

Technology
R&D

Insurance
mix

**Sicker younger
population**

PCP & post-acute
capacity

Payment
policies

8.2% Increase in prevalence of obesity among young adults aged 20-44 (2009 to 2020)

79% Increase in new cancer cases among patients <50 years old (1990 to 2019)

9x Relative increase in death from heart failure in patients <45 years old (2012 to 2019)

14% Increase in stroke rate in patients in patients ages 18-44 (2011 to 2022)

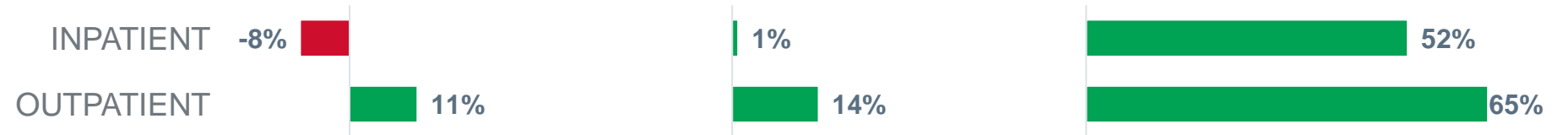
Source: Sayed A et al. [Reversals in the Decline of Heart Failure Mortality in the US, 1999 to 2021](#). *JAMA Cardiology*. April 24, 2024; Aggarwal R et al. [Cardiovascular Risk Factor Prevalence, Treatment, and Control in US Adults Aged 20 to 44 Years, 2009 to March 2020](#). *JAMA*. March 5, 2023; Zhao J et al. [Global trends in incidence, death, burden, and risk factors of early-onset cancer from 1990 to 2019](#). *BMJ Oncology*. September 5, 2023; [Prevalence of Stroke, Behavioral Risk Factor Surveillance System, United States, 2011-2022](#). CDC. May 23, 2024.

The utilization shifts ahead

Comparison of major volume segments, 2023 to 2033



Projected volume¹ growth



1. Excludes lab, evaluation & management, radiology, physical therapy & rehabilitation, and miscellaneous services.

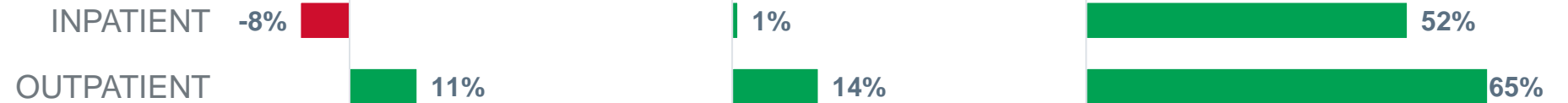
Source: [Market Scenario Planner](#). Advisory Board. Accessed August 9, 2024..

The utilization shifts ahead

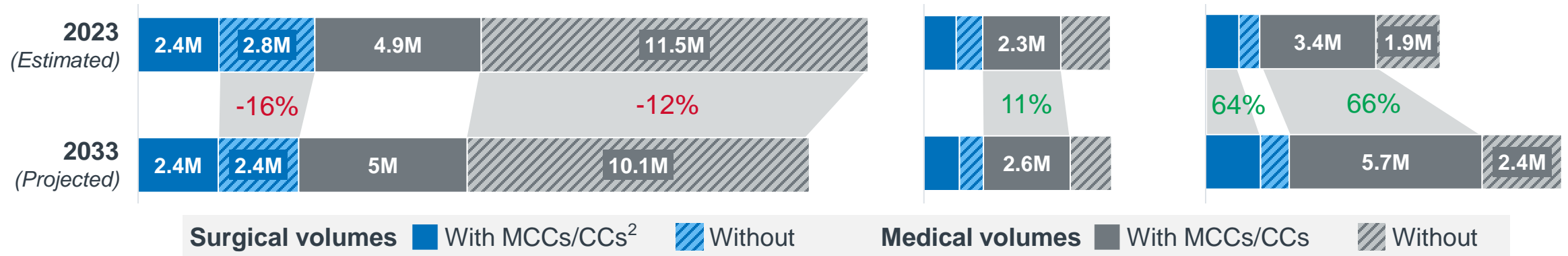
Comparison of major volume segments, 2023 to 2033



Projected volume¹ growth



Projected inpatient service volumes



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 2. Major complications or comorbidities (MCC) or complications and comorbidities (CC).

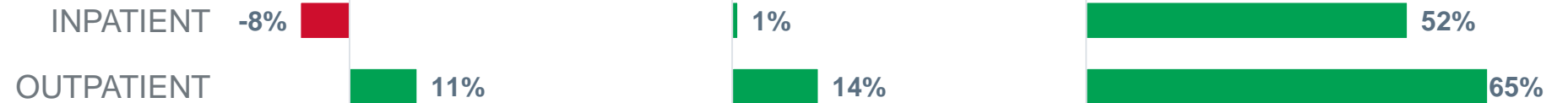
Source: [Market Scenario Planner](#). Advisory Board. Accessed August 9, 2024

The utilization shifts ahead

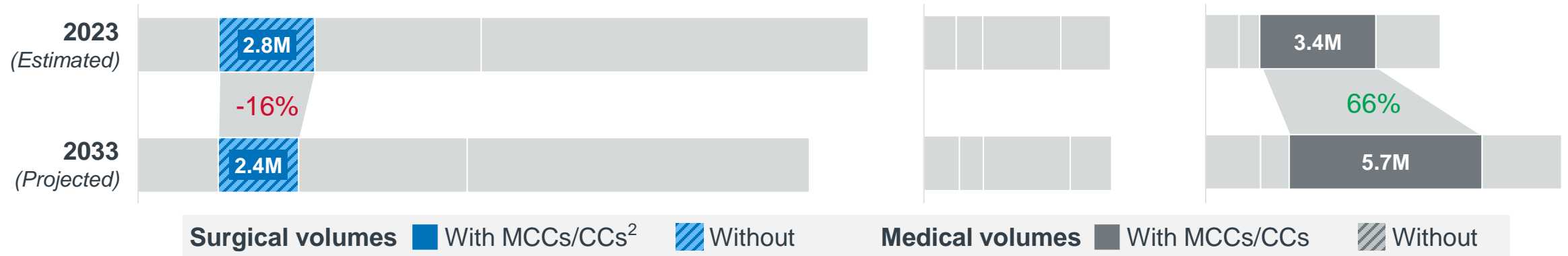
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Utilization will pressure an already poor patient outlook



Provider
access



Out-of-pocket
and premium **costs**



Clinical care
quality



STRUCTURAL
CHALLENGES

- Shortage of providers
- Increasing patient demand

- Increasing treatment costs
- Continued consolidation
- Change in demographics

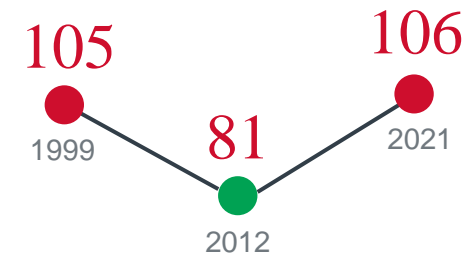
- Clinician workload and experience
- Increasing case complexity

Sample
indicators

26 day
wait time for a new patient
physician appointment in the
15 largest cities in the U.S.
(as of 2022)

25%
of adults have skipped or
postponed care in the past
12 months due to cost
(as of August 2023)

Age-adjusted heart failure-related
mortality rates (per 100,000)



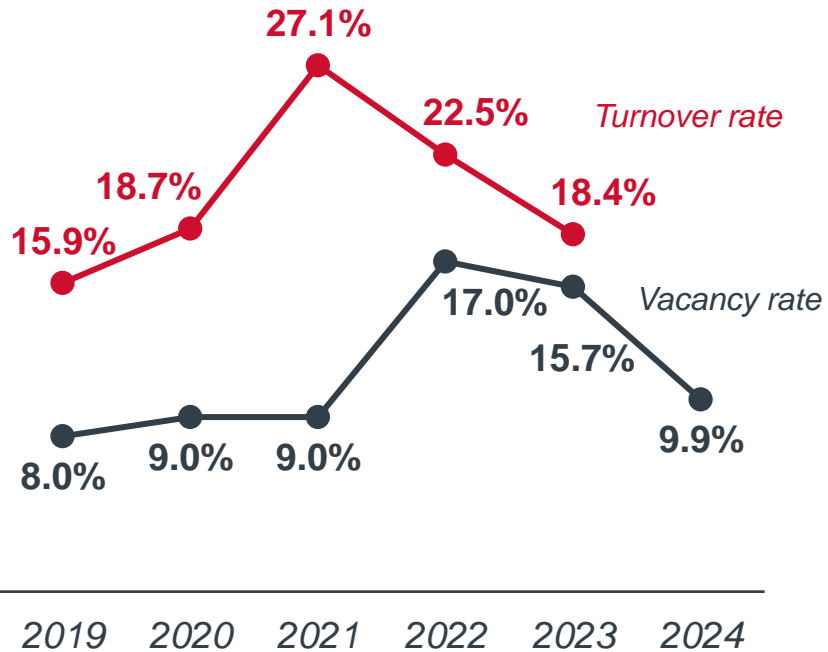
Source: Miller P. [Physician Appointment Wait Times Getting Longer](#). AMN Healthcare. September 12, 2022; [Why Are Americans Paying More For Healthcare](#). Peter G. Peterson Foundation. January 3, 2024; [2023 Costs of Caring](#). American Hospital Association. April 2023; Sayed A, et al. [Reversals in the Decline of Heart Failure Mortality in the US, 1999 to 2021](#). *JAMA Cardiology*. April 24, 2024.

Workforce stabilizing, but not always boosting capacity

Workforce stability is improving...

Hospital RN turnover and vacancy rates

N = 221 (2019), n=164 hospitals (2020), n=226 (2021), n=272 (2022), n=273 (2023), n=400 (2024)



...but supply not matching demand...



“[We are] consistently at capacity and our biggest challenge is getting **access**...at the pace our patients and market are demanding.”

Health System CFO

...due to structural characteristics



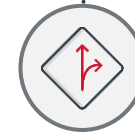
Higher workloads

- Added tasks beyond scope
- Too many patients at a time



Reduced collective experience

- Longer times to perform tasks
- Difficulty with clinical complexity



Site-based staffing migration

- Increase in ambulatory staffing
- Decrease in PAC¹ facility staffing



Latent discontent

- Burnout still felt in workforce

Slower throughput and reduced capacity, despite stabilizing staff

1. Post-acute care.

Source: [National Health Care Retention Report](#). NSI. 2020, 2021, 2022, 2023, 2024; Advisory Board Interviews.

Today's physician workforce remains fragile

Physician workforce is...

FEELING DISSATISFIED

49% Of physicians report feeling **burnout** in 2024

33% Of academic physicians indicate moderate or higher **intent-to-leave** in two years



CUTTING BACK

40% Of physicians plan to **reduce clinical hours** in the next year

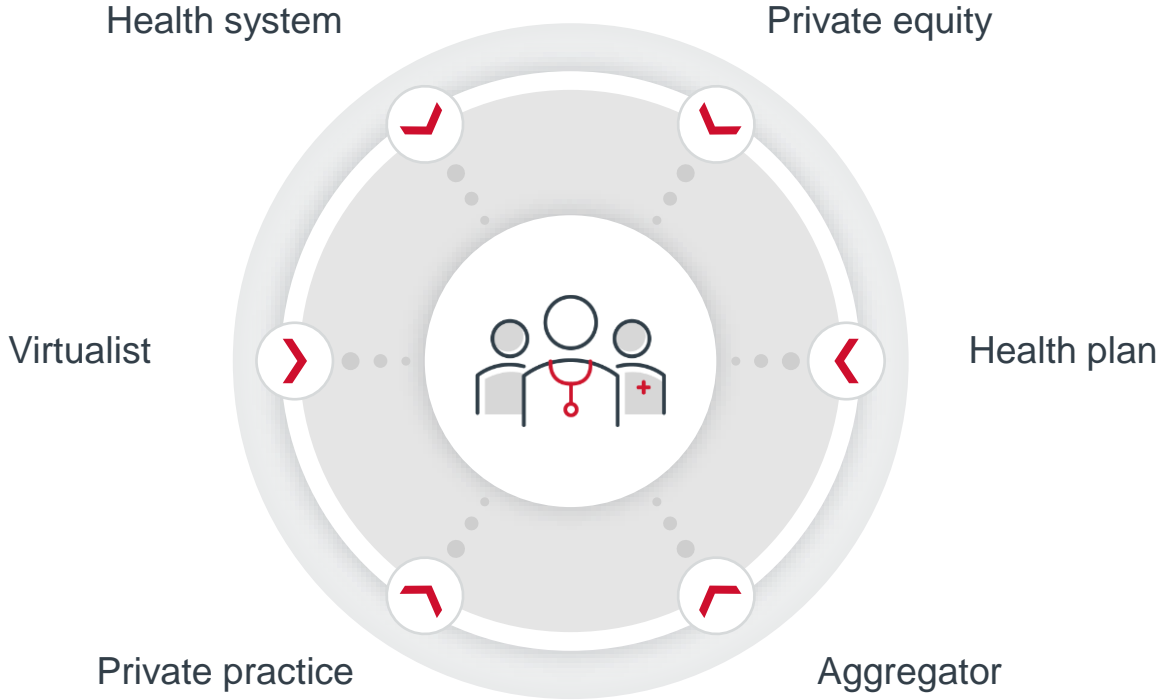
CHANGING JOBS

8% Median physician **turnover** in 2022

2 years Average time physicians who finished training in the last six years **spent in their first job**

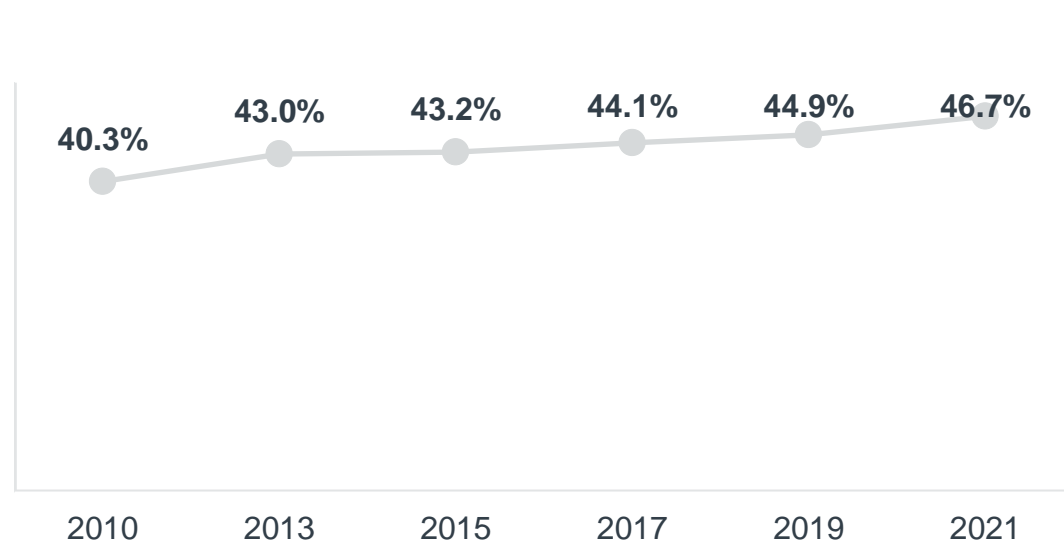
Sources: McKenna J. [Medscape Physician Burnout & Depression Report 2024: 'We Have Much Work to Do.'](#) Medscape. January 26, 2024; Ligibel J et al. [Well-Being Parameters and Intention to Leave Current Institution Among Academic Physicians.](#) JAMA Network. December 15, 2023; Shanafelt T et al. [Career Plans of US Physicians After the First 2 Years of the COVID-19 Pandemic.](#) Mayo Clinic Proceedings. November 2023; [Benchmarking.](#) AAPPR. [Early-Career Physician Recruiting Playbook.](#) Jackson Physician Search & MGMA. October 2023.

Simultaneously, there are more practice options for physicians

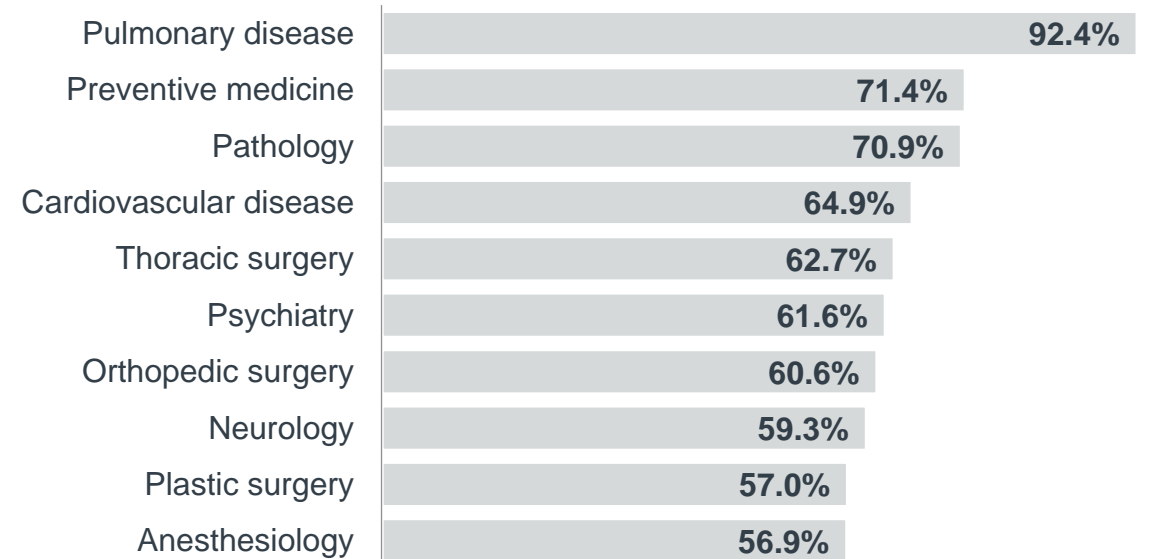


Retirement wave will shift workforce makeup, preferences

Percentage of active physicians 55+
(2010-2021)



Specialties with highest percentage of doctors 55+



Source: [Physician Specialty Data Report: Active Physicians by Age and Specialty, 2021](#), AAMC, 2021.

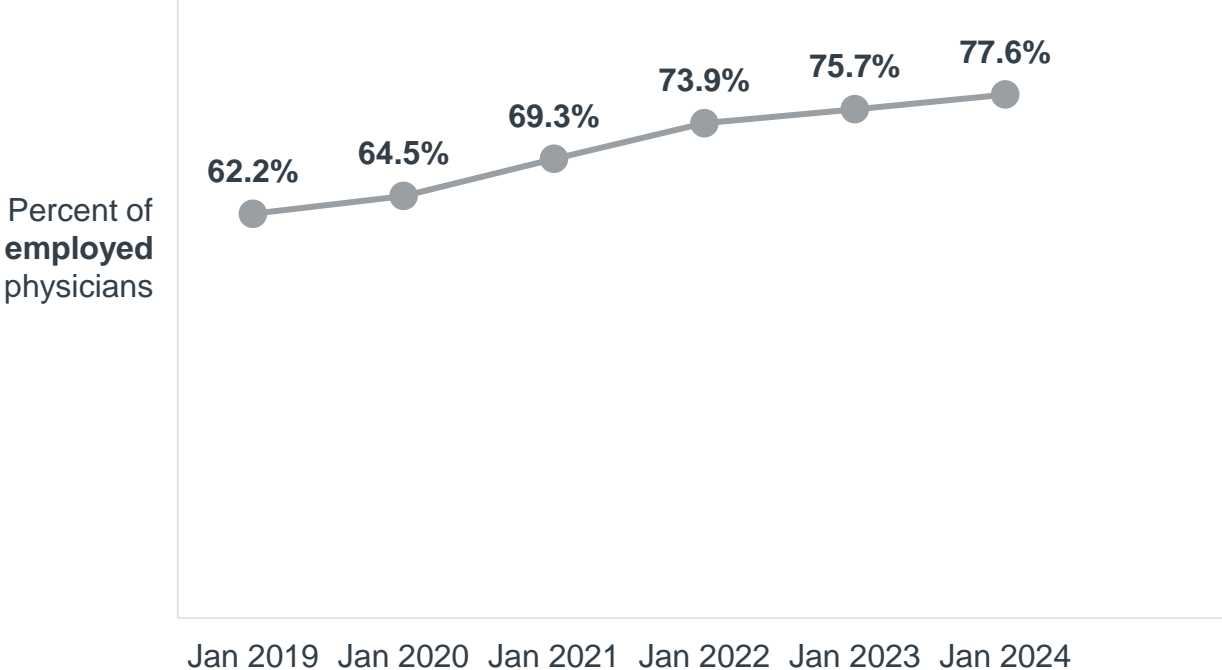
Employment solidified as predominant practice model

Young doctors continue to prefer employment



Of final-year residents express preference for **hospital employment**¹

Percent of physicians employed by hospitals or corporations (2019-2024)



1. Final-year residents asked, "Which of the following practice settings would you be most open to?" and allowed to select two choices.

Sources: [Survey of Final-Year Medical Residents: Many Job Choices, Many Reservations](#). AMN Healthcare. 2023; [Avalere Health. Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#). Physicians Advocacy Institute. April 2024.

Autonomy emerges as differentiator (and isn't one size)

Clinical autonomy



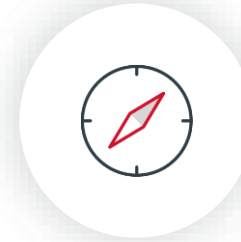
“I can make decisions that are best for my patients.”

Schedule autonomy



“I can spend my days in a way that works for my patients, my family, and myself.”

Strategic autonomy



“I can help shape the practice's future direction.”

#1

Autonomy is the top attribute that physicians value in their current role according to 2022 Advisory Board survey data

Source: Advisory Board 2022 Clinician Survey.

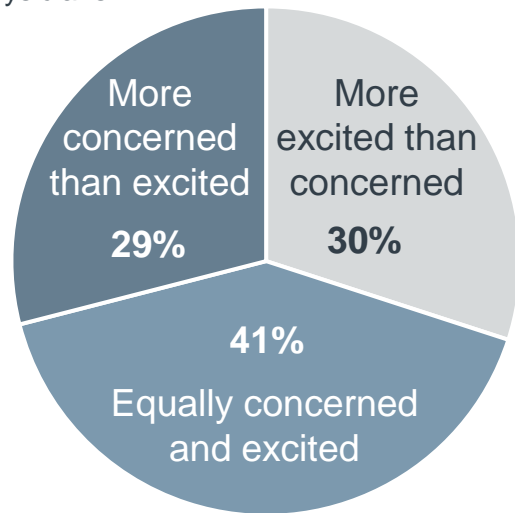
Physicians must continuously adapt to technology

Physicians view AI with cautious enthusiasm

78% Of physicians see some or definite advantage to using AI

AMA survey: Increased use of AI makes you feel...

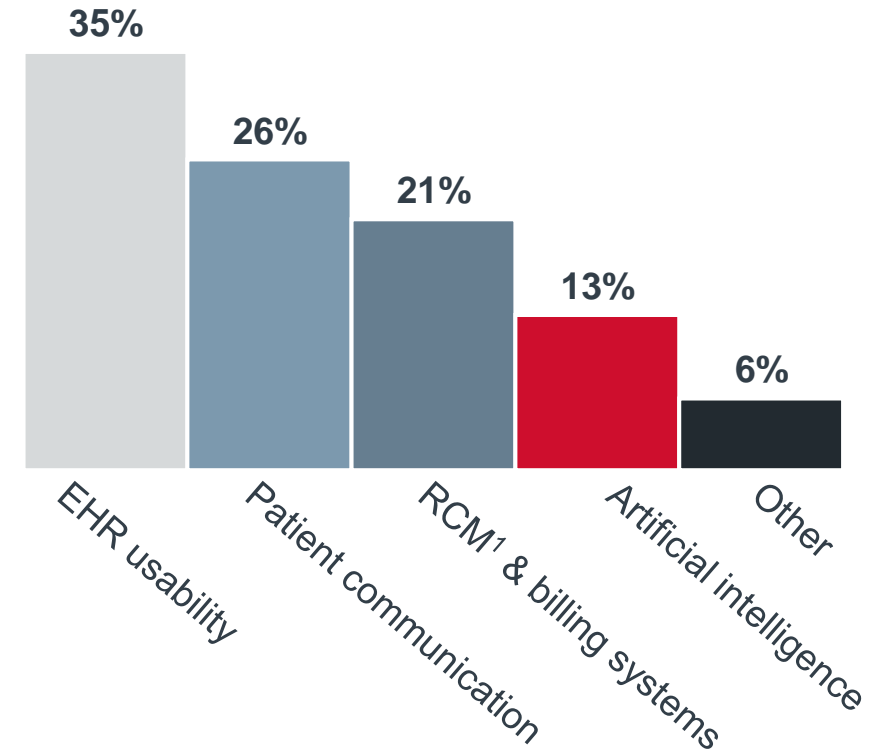
n=1,081 physicians



Other technology goals take precedence

MGMA poll: What is your top technology priority?

N=424 medical group leaders



1. Revenue cycle management.

Sources: [AMA Augmented Intelligence Research](#), AMA, November 2023; [EHR usability, patient communications and billing outrank AI as top tech priorities at some medical groups](#), MGMA, November 8, 2023.

Tech can't replace humans, but it will change their roles

As technology becomes a member of the care team, the rest of the care team must evolve

ROLE

Who does what tasks?

- As technology makes some tasks **faster**, what will clinicians spend **more time** on?
- Will we need to **add** new roles or **repurpose** existing ones?
- How will clinicians engage with **patients** as consumer access to AI-powered diagnostic tools grows?



TRAINING

Where does learning happen?

- How will clinicians gain **experience** and **expertise** as technology takes on **simple** tasks?
- When will schools, employers, and accreditors standardize training on **working with technology**?
- Will technology enable clinicians to take on some responsibilities with **less training**?

COMPENSATION

How do we value work?

- How will compensation models shift to **incentivize** performance that is **blended** with technology?
- Will compensation **levels** vary to reflect shifting **training** requirements?

Emerging high-cost drugs complicate prescribing

Key characteristics to evaluate the impact of specific emerging high-cost drugs

EXAMPLES	1 List prices and revenues	2 Estimated population size <i>As of 2022</i>	3 Clinical significance	4 Administration logistics and timing	5 Future pipeline developments to watch
GLP-1 agonists for weight loss ¹	\$16.2K per patient ² \$25B sales est. for 2028	142M (eligible)	Improvement to weight loss treatments	<ul style="list-style-type: none"> • Ongoing weekly injections • Patient-administered 	<ul style="list-style-type: none"> • May be used to reduce BMI to qualify for surgery • FDA approval for oral versions likely by end of 2023
Leqembi (lecanemab) for Alzheimer's	\$26.5K per patient ³ \$3.1B sales est. for 2028	100K (eligible)	New treatment to slow cognitive and functional decline	<ul style="list-style-type: none"> • Ongoing biweekly infusions • Provider-administered 	<ul style="list-style-type: none"> • Eli Lilly expected to submit bid for approval of Alzheimer's treatment donanemab in 2023
CAR T cell therapies for blood disorders	\$373K per patient \$6B sales est. for 2026	2,000 (treated from 2019 – January 2022)	Improvement in short-term and long-term cancer remission	<ul style="list-style-type: none"> • One-time gene therapy infusion • Provider-administered 	<ul style="list-style-type: none"> • Decision on cell-based gene therapy to treat sickle cell disease and beta thalassemia expected in early 2024
Hemgenix gene therapy for hemophilia B	\$3.5M per patient \$44M sales est. for 2028	3,300 (eligible)	New treatment to replace regular prophylactic infusions	<ul style="list-style-type: none"> • One-time gene therapy infusion • Provider-administered 	<ul style="list-style-type: none"> • Gene therapy Roctavian approved by FDA in June 2023 for adults with severe hemophilia A

1. Such as Saxenda (liraglutide), Wegovy (semaglutide).

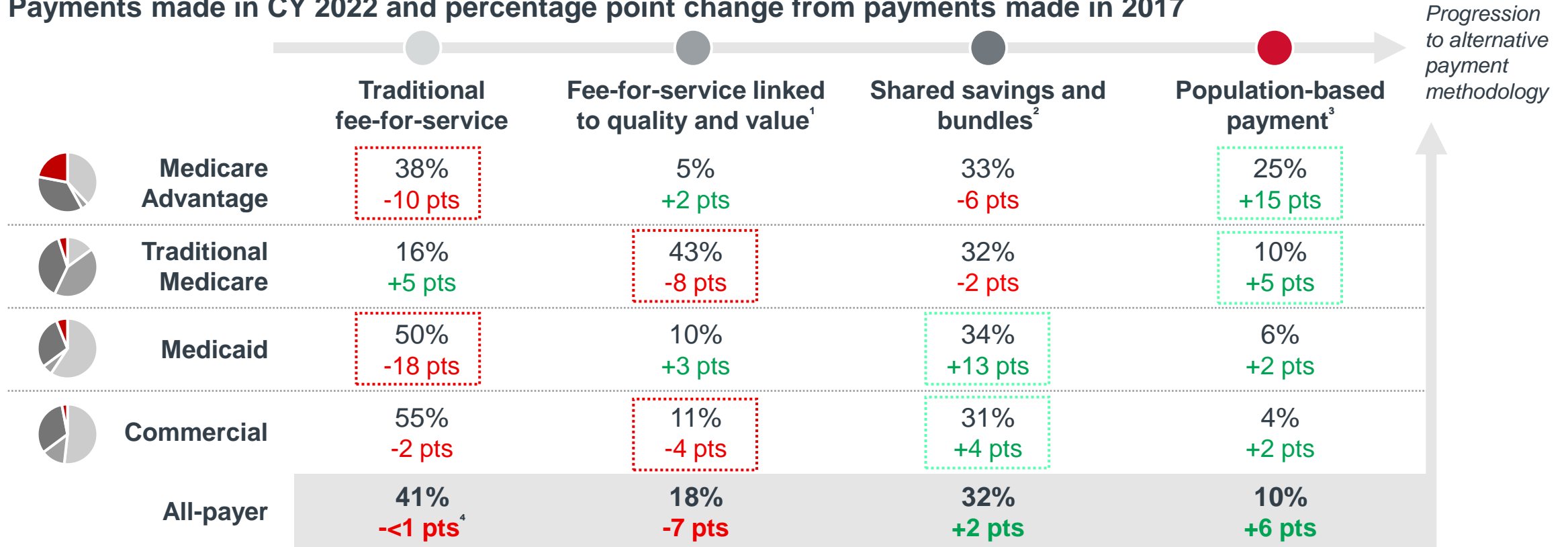
2. Annually, for semaglutide.

3. Annually, for lecanemab.

See additional sources slide for sources.

VBC necessitates care delivery model shifts

Payments made in CY 2022 and percentage point change from payments made in 2017



1. Includes foundational payments for infrastructure and operations (e.g., care coordination fees) and fee-for-service plus pay-for-reporting payments and pay-for-performance payments.

2. Includes alternative payment models with shared savings with upside risk only and shared savings with downside risk. These are built on FFS architecture.

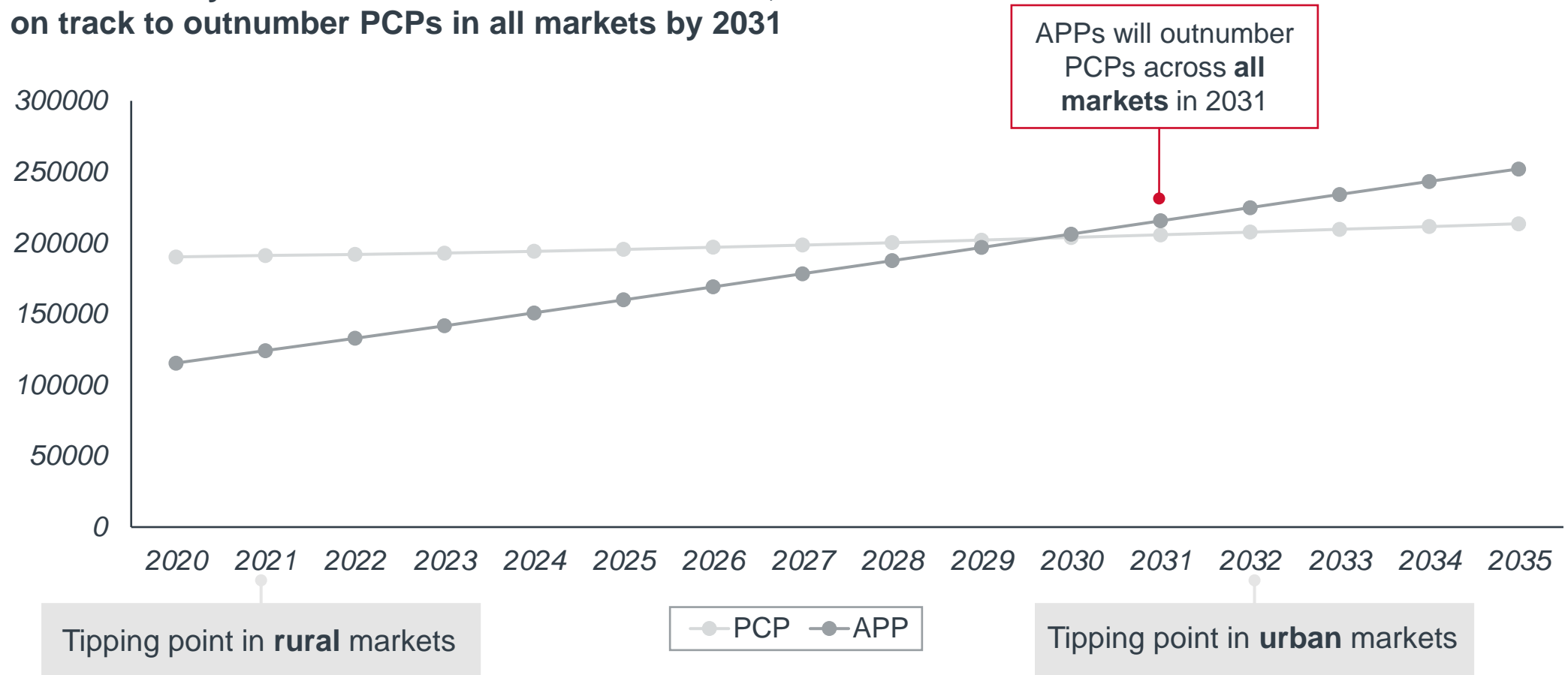
3. Includes condition-specific payments (e.g., PMPM for oncology or mental health), comprehensive population-based payment (e.g., global payments), and integrated finance and delivery systems (e.g., global budgets).

4. Noted as <1 due to -0.4 difference. All other decimals rounded to nearest whole number.

Source: [APM Measurement Effort](#), HCP LAN, 2023 & 2018.

APP autonomy enables team-based care models

APPs¹ already outnumber PCPs² in some markets, on track to outnumber PCPs in all markets by 2031



1. Advanced practice providers.

2. Primary care physicians. Defined as family medicine and internal medicine physicians.

Source: Advisory Board analysis of data from [Workforce Projections](#), Health Resources & Services Administration.

Forces impact incumbents and corporate players alike

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106%
increase in
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Source: Avalere Health. [Updated Report: Hospital and Corporate Acquisition of Physician Practices and Physician Employment 2019-2023](#). Physicians Advocacy Institute. April 2024.

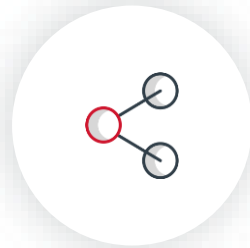
1. From 2019 to 2024.

All organizations must get their house in order

All medical groups – corporate or not – face same set of evergreen challenges



Running an **integrated** medical group



Managing **referrals** and network leakage



Maximizing return on physician **investment**



Rightsizing level of physician **autonomy**

One way locum tenens leaders can take advantage of the evolving physician landscape is...

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Let us know how we did

- Aim your camera app at the QR code and tap the browser link in your camera window
- This is your one and only opportunity to complete the evaluation. Please let the facilitator know if you are having difficulty accessing the evaluation.





LEGAL CAVEAT

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