Pain Physician 2020; 23:S473-S474 • ISSN 2150-1149

COVID-19 Letter

The Future of the Independent Practice after COVID

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Disclaimer: There was no external funding in the preparation of this manuscript.

Conflict of interest: Each author certifies that he or she, or a member of his or her immediate family, has no commercial association (i.e., consultancies, stock ownership, equity interest, patent/licensing arrangements, etc.) that might pose a conflict of interest in connection with the submitted manuscript.

Manuscript received: 07-04-2020 Accepted for publication: 07-28-2020

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act (1) Congress passed in March was intended to provide emergency assistance and health care response for individuals, families and businesses affected by COVID-19, a global pandemic and serious public health threat.

The Centers for Medicare and Medicaid Services (CMS) guidelines (2) intended to reduce the risks of transmission and exposure to patients and to conserve adequate supplies, especially PPE and manpower were promulgated March 18, 2020, the essential end of the Q1 2020.

These guidelines (3) delayed elective procedures, and resulted in a 16.1% reduction in global healthcare expenditure in the Q1 2020 , despite the nearly 400% increase in cost to care ratio (of COVID-19 pneumonia requiring a ventilator compared to standard pneumonia not requiring a ventilator) (4). This dramatic drop in global expenses suggests a shift from outpatient services to hospital based inpatient utilization. The true economic impact will not be known until the end of Q2, Q3 and Q4 2020.

The impact of delaying elective procedures produced the intended results, preventing morbidity and mortality and appropriately diverted healthcare resources in a time of urgent need. Unfortunately, it may also have further crippled independent medical practices, resulting in additional practice closures and a further monopolization of healthcare to hospital settings.

This intended short term disruption, may create an unintended longterm cost burden.

Patients receiving same services in a private practice settings, compared to hospital setting, spend far less out-of-pocket due to co-insurance responsibilities. Hospital settings may not be the best efficient providers (5) of non-complex and preventative care modalities, often requiring disproportionate payment methodologies to deliver same level of service.

The CARES act was designed to provide a lifeline to individuals and business, due to a forced economic suppression (1). It also provided 60 of the country's largest hospital chains, more than $15 billion in emergency funds to pre-empt losses. The top 20 chains were already sitting on more than $100 billion in cash reserves (6). For example HCA Healthcare, one of the world's wealthiest hospital chains earned more than $7 billion in profits over the past two years, is worth $36 billion, paying is CEO $26 million in 2019, and yet received about $1 billion in bailout funds. Ironically, it also furloughed doctors and nurses, but continued to pay its executives millions.

Predictions

- Despite the heroics of individual health care workers being applauded, we are

being out maneuvered by entities that have a long-term vision of health care consolidation, which will lead to increased cost of healthcare for our patients.

- It is also suspect that physician burnout and early retirement will dramatically increase post-COVID (7).
- As the financial injury was disproportionately distributed to elective procedures, many of the procedural based independent practices will be weakened and absorbed by hospital-based practices. It is expected that physician owned surgery centers will be particularly hard hit.
- Post-COVID, we remain in a state of physical separation, which reduces patient throughput, and because practices do not get a facility fee pass through, most cannot survive on a 25% utilization rate.
- It is anticipated that a long-term reduction in salaries for physicians and a rise in unemployment, which will create a downward pressure on mid-level providers.

Thus, concern is that individual physicians are ill equipped to deal with the political and economic impacts of large regional and national hospital chains, who likely payed attention to Rahm Emanuel originally in 2008 and again now in 2020 "You never want a serious crisis to go to waste."

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