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April 21, 2020

Speaker Nancy Pelosi
U.S. House of Representatives
H-232 The Capitol
Washington, DC 20515

Majority Leader Mitch McConnell
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

Minority Leader Charles Schumer
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Minority Leader Kevin McCarthy
U.S. House of Representatives
H-204 The Capitol
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader McConnell, Minority Leader Schumer, and Minority Leader McCarthy:

On behalf of AMGA, I would like to thank you for your efforts to assist healthcare providers as we battle the novel coronavirus (COVID-19) pandemic. Medical groups and health systems, and indeed all providers, are rising to the challenge to treat patients with this virus while also encouraging their other patients, to the extent possible, to stay safe at home. To continue to meet the needs of all our patients today and be there for them after the pandemic, our members need additional support from Congress. While appreciative of the initial round of funding provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, our members report this funding is not enough to enable them to continue providing care to their communities. Based on a review of their financial situation, Congress needs to appropriate an additional \$318 billion to the CARES Act Public Health and Social Services Emergency Fund (Provider Relief Fund) to support medical groups and integrated systems of care. Despite this seemingly large price tag, this additional funding will only finance medical group and system operations for 120 days.

Founded in 1950, AMGA represents more than 440 multispecialty medical groups and integrated delivery systems, representing about 175,000 physicians who care for one in three Americans. Our member medical groups work diligently to provide high-quality, cost-effective patient-centered medical care. These physicians, groups, and integrated systems are on the front line of the fight against COVID-19.

AMGA Surveys of Financial Impact of COVID-19

It has become clear after six weeks of battling this virus that without a dramatic increase of federal financial support, many of the nation's medical groups and systems will not have the

resources to remain open. Financial realities brought on by COVID-19 would force closures at the worst possible time. AMGA conducted a survey of its members, both independent medical groups and integrated delivery systems, to determine the financial impact of COVID-19. Integrated delivery systems reported numbers that are striking. For example:

- 40% of respondents experienced more than a 50% decrease in revenues
- 55% reported having less than six months of cash on hand
- 84% of healthcare systems have furloughed employees and 75% have cut physician salaries

The survey also found that 26% of respondents expect to spend more than half of their financial reserves by June 15. The loss of even one of these systems would be devastating, as 87% of these systems provide from 25% to 100% of the health care delivered in their communities.

Independent medical groups report an even greater impact. Since the beginning of the pandemic, 50% of the groups have lost more than half of their revenues. While 80% of respondents have already accessed special credit arrangements to help them continue operations, this help only goes so far, as 65% of medical groups report having less than two months of cash on hand. Because of the dire financial situation, 92% of these groups have furloughed employees and 95% have cut physician salaries. Similar to the integrated systems, these medical groups represent a significant portion of the physician care that is available in their communities. For example, the survey found that 75% of these groups provide between 25% and 75% of physician services in their communities.

Importantly, our members report that the initial \$30 billion the Department of Health and Human Services released on April 10 as part of the \$100 billion Provider Relief Fund created by the CARES Act provided less than a week's revenues for health systems and medical groups.

Impact of Medical Group and System Closures

The survey responses demonstrate that multispecialty medical groups and integrated delivery systems are using every possible tactic to remain viable: furloughing employees, cutting salaries, exhausting reserves (built up over decades), and accessing commercial loans. Despite these measures, some groups and systems clearly are at risk to close. Closure of any large medical group or health system would have a devastating and long-term impact on the health and financial wellbeing of the communities they serve. Patients requiring infusion therapies such as chemotherapy would be forced to find services miles away from home. Prescriptions would go unfilled. Patients with chronic conditions would be especially vulnerable. Six in ten adults have one or more chronic conditions and heart disease, cancer, and diabetes are the leading causes of death and disability in the United States.¹ These conditions, along with behavioral health issues,

¹ Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion (NCCDPHP): <https://www.cdc.gov/chronicdisease/pdf/info%20graphics/chronic-disease-H.pdf>

account for almost ninety percent of healthcare costs.² Closing medical groups and systems would impede access for these patients and would result in complications necessitating hospitalizations and further stressing the healthcare system. Procedural specialists likely would leave the area to find practice opportunities in other cities, leaving thousands of patients without the specialty care they need. Finally, these groups and systems often are their communities' largest employer, and their closure would devastate local tax bases and the delivery of social services.

Increased Financial Assistance is Urgent

To ensure medical groups and health systems can avoid closing and continue to care for their patients, Congress needs to provide an additional \$318 billion to the Provider Relief Fund. While a significant sum, it is a reasonable representation of current healthcare expenditures. AMGA based this number on its survey findings to determine the decrease in patient revenue resulting from adhering to recommendations and guidelines in responding to the COVID-19 pandemic, including canceling elective surgeries, procedures, face-to-face visits, as well as a redesign of care processes to prepare for a surge of patients with COVID-19. The revenue decrease averaged more than 50% of normal net revenue. We then analyzed AMGA national survey data on annual net revenue per physician, which over the past two years averaged approximately \$850,000. On a monthly basis, this represents \$70,833. Multiplying the 50% decrease by the per physician average monthly revenue results in a \$35,417 loss per month per physician.

The physician monthly loss of \$35,417 was then multiplied by 750,000, the approximate number of full-time practicing physicians in the United States, to determine the monthly loss for all the physicians in the nation. We then multiplied this by four (4) to account for the minimal expected number of months of impact to physicians by the COVID-19 virus and the duration of reduction in revenue.

This four-month revenue loss for all physicians totals \$106,250,000,000. Half of this revenue pays for non-clinical employees, mortgages, leasing of equipment, and overhead. Based upon our understanding of how hospital revenue is indexed to physicians, we applied a ratio of 2:1 to represent hospital revenue lost, which totaled \$212,500,000,000. When added to the physician losses, the total loss equals \$318,750,000,000 and represents our request for additional federal support for medical groups and integrated systems of care. While AMGA's calculations are based on per physician revenue amounts, they are confidently supported by data from the Centers for Disease Control and Prevention's National Center for Health Statistics.³

AMGA appreciates the federal funds already expended on behalf of our member medical groups and systems. The additional funding we request will allow them to continue to provide health

² Centers for Disease Control and Prevention, NCCDPHP:
<https://www.cdc.gov/chronicdisease/about/costs/index.htm>

³ Centers for Disease Control and Prevention National Center for Health Statistics, Health-United States 2018 Data Finder: https://www.cdc.gov/nchs/hus/contents2018.htm#Table_043

care for their patients through the summer and support their local communities economically as well.

If I can provide you with any more information, please feel free to contact me or AMGA's Chief Policy Officer, Chet Speed, at cspeed@amga.org.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Penso".

Jerry Penso, M.D., M.B.A.
President and Chief Executive Officer
AMGA