



Testimony to Joint Meeting of Senate Health & Welfare & House Health Committees
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Our network

- 67 independent medical practices located across 10 counties across VT, including very rural counties such as Orleans, Windsor, Lamoille.
- 45% primary care / 55% specialty practices
- An estimated 82,000 Vermonters receive care at our primary care practices alone. In addition, specialty practices offer a wide variety of essential services such as cardiology, dermatology, gastroenterology, and more.
- Many independent practices, particularly primary care and those located in rural areas, came into the pandemic in a financially precarious status due to relatively low commercial reimbursements and Medicaid reimbursements. COVID-19 is amplifying the pre-existing limitations of the healthcare system.

Financial state of practices

- Every practice continues to experience shortfalls in patient volume and revenue.
- Revenues and patient volumes are improving slowly post lockdown.
- Revenue shortfalls remain and vary widely based on practice type (ranging from ~10 to 70% of pre-COVID levels).
 - Larger primary care practices are recovering better than some specialty practices, mainly due to the ability to earn revenue through telehealth. Revenue shortfalls are around 30% for these practices.
 - Practices who are more procedure and volume-based continue to face large (> 50%) revenue shortfalls.
 - Practices that continue to see revenue shortfalls > 50% of pre-COVID levels are at highest risk of permanent closure (estimate approximately 20% of our network).
- In April almost two-thirds of practices reported ceasing all or part of their physician owner's/partner's pay to keep their practices viable.
 - Physician salaries are slowly being restored for many as revenues improve.
 - However, physicians in practices with sustained revenue shortfalls of $\geq 50\%$ have had to continue forgoing all or a significant part of their pay or anticipate having to do so when the 8-week Paycheck Protection Program (PPP) period ends in June.
 - Continued significant salary cuts are unsustainable and may drive physicians out of private practice
- Expenses have increased for practices, due to increased or new costs associated with PPE, disinfectants, space reconfiguration, improved air filtration, and, in some cases, paying staff at higher levels to match UI compensation.



Federal / State Funding

- Almost all (94%) of our practices applied for and received PPP funds. There is no question that the PPP funds sustained practices through April & May. Without these funds, many practices would have had to shut their doors.
- Many practices also received and accepted funds from Health & Human Services (HHS), Medicare and Medicaid.
 - All funding streams have helped to stabilize independent practices.
 - Importantly, pediatric and OB GYN practices were largely excluded from HHS fund distributions

Funding Challenges

- There is no dedicated funding for the [54% of physicians who work in independent practices](#), despite having relatively thin margins going into the pandemic.
 - Independent practices can't build up huge reserves, make up for budget shortfalls next year, or skip paying taxes
- Struggling independent practices need grants, not loans
 - Given their thin margins, independent practices cannot afford another loan payment without jeopardizing their financial viability.
- Independent practices are lumped in with other small businesses like restaurants and hair salons despite being uniquely important for the provision of high quality and cost-effective healthcare to Vermonters
- Some funds, such as CARES act telehealth funds, exclude most independent providers
- PPP and other funding sources, while instrumental in sustaining independent practices, have important limitations
 - Most PPP funds will run out in June and some practices do not expect enough revenue to keep them going after that
 - Some practices are also experiencing unavoidable staffing issues that might jeopardize their PPP loan forgiveness status
 - Complex terms and administrative requirements and possibility of fund "claw-back" create a huge amount of uncertainty for practices
 - If funds convert to loan status, many practices will be unable to remain viable without additional support

Workforce

- COVID-19 has put tremendous pressure on both employees and employers.
- Many employees were/are unable to come to work due to childcare and health issues.
- Those that did dutifully reported to work did so despite fearing the risk to themselves and their families and the fact that some could earn more on unemployment.
- Some practices had to hire temporary and permanent employees to cover the gap.
- Other employees are choosing to only come back part time when they are needed full time.



- These situations put additional pressure on practices and also jeopardize PPP loan forgiveness status.

Support Practices Could Use

- Provider relief grants
 - [A model to consider](#) is that adopted by some dental insurers who are offering relief grants to dental practices in their networks. This model, if adopted by VT insurers, could help prevent independent medical practices from shuttering, which would save money in the long run.
- Medicaid reimbursement at fair market value for services provided
 - This would be a tremendous help for many practices, particularly rural and pediatric practices who tend to have higher percentages of Medicaid patients.
- Commercial reimbursement for physician services that is more in line with hospital-affiliated providers
 - Independent doctors are reimbursed less, often significantly less, than hospital-affiliated doctors for the same services for no justifiable reason. Telemedicine is one such example. Paying independent doctors more equitably would narrow their revenue shortfalls, helping to preserve the state's network of independent practices.
- Expansion of prospective payment options
 - Practices receiving more fixed payments are weathering the pandemic better than those relying mostly on Fee for Service. OneCare's capitated and prospective payments are currently only available to primary care practices and they apply to a minority of a practice's patient panel. Expansion of the program would help insulate practices from precipitous drops in revenue like those caused by the pandemic.
- Continued coverage of existing telemedicine visits
- Adoption of universal primary care with first dollar primary care coverage, without financial barriers for patients

Thank you for the opportunity to speak with you today.