



## Budget Model

# The Precarious Position of Pennsylvania Healthcare Providers

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**Summary:** We report results from a survey of Pennsylvania physicians, finding that more than half report large decreases in hours worked for staff in their workplaces and 44 percent anticipate their income to decrease by more than half. We estimate PA doctors could lose \$6 billion in income during 2020 Q3, with 45 percent of those in private practice anticipating shutting down within the next six months.

## Introduction

The coronavirus pandemic has strained healthcare capacity in many parts of the country. Although some portions of the health services sector are under pressure due to the high volume of coronavirus cases, many providers are [under financial stress](#) as elective procedures and non-urgent visits are canceled by mandated lockdowns and other isolation measures.

The medical sector is an outsized part of Pennsylvania's economy. In 2018, Pennsylvania had 41,041 active physicians with 13,613 aged 60 or older, according to [a 2019 report](#). There were about 320 active physicians per 100,000 population, making Pennsylvania the 8th highest U.S. state by that measure.

## Survey

Using a small survey of physicians across Pennsylvania,<sup>1</sup> respondents were asked to assess recent changes to labor supply and compensation. The online survey was conducted between April 3 and April 18, 2020 and received 107 responses across almost all counties in PA with the largest numbers coming from the metro areas of Philadelphia and Pittsburgh. About 39 percent of the respondents are employed by a hospital, 48 percent are in multi-physician practices, and the rest (13 percent) are in solo practice. Many respondents (43 percent) work in a practice with 1-3 physicians; similarly, 43 percent work in a practice with 1-3 clinical staff (such as nurses, medical assistants, and others). Respondents generally reported higher ratios of non-clinical staff (receptionists, billing, etc.) to physicians—42 percent of respondents work in a practice with more than 10 non-clinical staff—but it is unclear what portion of these non-clinical positions correspond to full-time and what portion to part-time workers.

## Survey Results

Table 1. Reported Changes in Work Hours for Staff Types

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	Physicians	Other clinical staff	Non-clinical staff
Increase by more than 50%	1	1	3
Increase by 26-50%	1	2	1
Increase by 1-25%	10	1	1
No change	17	31	17
Decrease by 1-25%	17	17	22
Decrease by 26-50%	22	18	19
Decrease by 50% or more	39	37	44
<b>Total</b>	<b>107</b>	<b>107</b>	<b>107</b>

As shown in Table 1, more than half of respondents report decreases in hours worked of more than 25 percent for physicians (57 percent of respondents), clinical staff (51 percent), and non-clinical staff (59 percent). A decrease in hours worked may be manifested as layoffs, which appear in state unemployment statistics, or reduced compensation, which may show up in either payroll data or reduced business income. These business income changes will not appear in real-time datasets and therefore, the ‘health’ of the healthcare industry may be misconstrued. Almost eighty percent of physicians in the survey anticipate a decrease in their salary in the next 3 months. Roughly one-fifth of respondents predict no change, while slightly less than a fifth see a 1-25 percent decrease, and another 16 percent predict a 26-50 percent decrease. Around 44 percent of physicians anticipate a decrease of more than 50 percent in compensation. These salary cuts are seen to be lost income, with about 12 percent of respondents anticipating that income is merely deferred to a later date.

Taking the midpoint of each range of hours change response (for instance, “Decrease by 1-25%” maps to a change of -12.5 percent), we calculate that the average physician saw a 36 percent decrease in hours worked and therefore, a similar decrease in revenue. Applying a similar methodology to physicians’ anticipated salary change for the coming three months, we calculate an average anticipated salary decrease of 41 percent.

### Extensions to the PA Medical Industry

According to [data from the Bureau of Economic Analysis](#), Pennsylvania’s hospitals and ambulatory health care services contributed about \$56.7 billion to state GDP of \$744 billion in 2017. Assuming physician hours worked and anticipated salary reflect a comparable percentage decline in income, we estimate that these medical services sub-sectors will lose about \$6 billion in income in the coming quarter. This amount is about 3 percent of Pennsylvania GDP. The uncertainty about the future course of the downturn is reflected in the responses about potential job loss and shut down.

Table 2. Reported Likelihood of Job Loss by Employer Type

[DOWNLOAD DATA](#)

	Employed by Hospital	Private Practice
Highly Likely	4	12
Likely	5	18
Unlikely	18	21
Highly Unlikely	12	8
No Chance	7	7
<b>Total</b>	<b>46</b>	<b>66</b>

As shown in Table 2, of physicians with a position at a hospital, 20 percent believe that it is highly likely or likely that they will lose the position, while 65 percent think it unlikely or highly unlikely and another 15 percent see no chance of losing their job. These hospital physicians can be considered employees of a large business. In contrast, physicians in private practice are more similar to small business owners. Of these private practice physicians, 45 percent think it is likely or highly likely they will shut down in the next 6 months while the remaining 54 percent think there is little or no chance of shutting down in the next 6 months. If realized, these shutdowns could have long-term impact on the provision of health care services in Pennsylvania.

*Efraim Berkovich and Richard Prisinzano wrote this post with research assistance from Sophia Seidenberg. Dr. Alison Leff conducted the survey.*

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1. The survey was conducted by Dr. Alison Leff with the support of the Pennsylvania Osteopathic Medical Association. ↩