AAOS
AMERICAN ASSOCIATION OF ORTHOPAEDIC SURGEONS

April 9, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of over 34,000 orthopaedic surgeons and residents represented by the American Association of Orthopaedic Surgeons (AAOS), we would like to thank you for your efforts to protect the American people, including those working in the health care system, from the economic impacts of the COVID-19 pandemic. The AAOS writes today to further urge the prioritization of support for physicians and their practices during this unprecedented public health emergency (PHE), specifically in relation to the Small Business Administration (SBA) loan programs created through the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Per the Centers for Medicare and Medicaid Services' (CMS) guidance on non-emergent, elective medical services[1], AAOS members have abstained from performing elective procedures, freeing up valuable resources and personal protection equipment (PPE) for frontline health care workers and patients. While necessary, these abstentions have resulted in dramatic reductions in patient and procedure volume within orthopaedic practices and equally significant financial impacts. According to recent survey results, approximately half of AAOS member practices have seen a decrease in volume of over 80 percent and one third of practices seeing financial losses of over $1M for smaller practices since February 15, 2020.[2] This number is significantly higher for larger group practices nearly a quarter estimating losses totaling over $2 million per practice.

As physician practices are vital to our economic and health care infrastructure, the negative repercussions of these impacts cannot be overstated. Physicians generated over $2.3T in direct and indirect economic output at a national level in 2018. On average, each physician in the United States supported $3,166,901 in economic output[3]. In many rural areas, the hospital and physician practices are the largest employers in town. On average, every physician supports 4-6 employees. Physician practices are stable, high-paying employers in communities that bring opportunity for both low-and high-skill workers. Our members report that they are just 2-3 pay days (4-6 weeks) from financial insolvency.

[1] Siddiqui, S. (2020, March 18). CMS Adult Elective Surgery and Procedures Recommendations. Retrieved April 7, 2020, from https://www.cms.gov/files/document/31820-cms-adult-elective-surgery-and-procedures-recommendations.pdf
[2] AAOS member survey, preliminary results as yet unpublished (2020)
[3] American Medical Association. (2018). Economic Impact of Physicians. Chicago, IL. Retrieved April 7, 2020, https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/public/2018-ama-economic-impact-study.pdf

Continued stress on physician practices could lead to very negative consequences to an already overtaxed health care system. This PHE could further exacerbate the continuing trend towards consolidation, threatening the existence of the private practices, increasing prices for patients and reducing access to vital services. As markets for both health care providers and hospitals have become more concentrated in the last decade, hospital spending has nearly doubled[4]. By 2026, CMS projects that hospital spending will exceed $1.8 trillion dollars[5]. Data now shows that the rise of regional hospital monopolies has heavily driven this drastic increase? in prices[6]. To prevent the continued rapid pace of consolidation, the Department of Treasury should prioritize the distribution of SBA loans to private practices as their existence preserves access to essential health care services for often underserved and remote areas of the country.

The Department of the Treasury would be ensuring the continuity of care for some of our nation's most vulnerable populations by prioritizing the allocation of SBA funding to physicians. For Americans who already experience difficulties in accessing care, including the elderly and those living in rural areas, guaranteeing that physicians have the means necessary to keep their practice afloat is essential to mitigating the spread of COVID-19 while maintaining care for chronic conditions and acute episodes.

An article published in the *Journal of the American Medical Association* highlights the burden physicians ordinarily face in caring for the Medicare population, where they are compensated based on a risk-adjusted model. Often, this methodology overlooks the volume and severity of issues physicians spend time working to address.[7] In a different study, researchers found that even after risk-adjustment, patients reporting difficulty with three or more activities of daily living had a total annual cost of care (TACC) that was $3121 above the average TACC.[8] Combined, these data reflect a paradigm physicians are all too familiar with: working longer hours to care for sicker patients while being undercompensated. Particularly amid a pandemic, expecting physicians to maintain care for a variety of populations while working with tremendously limited resources will lead to further disparities in groups already impacted by the morbidity and mortality caused by COVID-19.

Physicians are not just prioritizing the health of their patients over their own health; they are jeopardizing the financial well-being of themselves and their staff as the number of outpatient visits and elective surgeries has been abruptly truncated. In the interest of public health, the livelihoods of those caring for our most vulnerable is at stake.

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[4] Abelson, R. (2019, May 9). Many Hospitals Charge Double or Even Triple What Medicare Would Pay. Retrieved April 7, 2020, from https://www.nytimes.com/2019/05/09/health/hospitals-prices-medicare.html
[5] CMS Office of the Actuary releases 2017-2026 Projections of National Health Expenditures. (208AD, February 14). Retrieved April 7, 2020, from https://www.cms.gov/newsroom/press-releases/cms-office-actuary-releases-2017-2026-projections-national-health-expenditures
[6] Roy, A. (2020, March 20). Affordable Hospital Care Through Competition and Price Transparency. Retrieved April 7, 2020, from https://freopp.org/affordable-hospital-care-through-competition-and-price-transparency-765714c69ed8?gi=9af75b10e8ce
[7] Johnston KJ, Bynum JPW, Joynt Maddox KE. The Need to Incorporate Additional Patient Information into Risk Adjustment for Medicare Beneficiaries. JAMA. 2020;323(10):925–926. doi:10.1001/jama.2019.22370
[8] Johnston KJ, Wen H, Hockenberry JM, Joynt Maddox KE. Association Between Patient Cognitive and Functional Status and Medicare Total Annual Cost of Care: Implications for Value-Based Payment. JAMA Intern Med. 2018;178(11):1489–1497. doi:10.1001/jamainternmed.2018.4143

While other industries impacted by the economic crisis precipitated by COVID-19 can generate business through raising prices or offering additional services, physicians are hemmed into a system of fixed prices controlled by Medicare and commercial payors who use Medicare pricing as their baseline. This distinct financial arrangement, which is burdened by complex contracts and regulations, places physicians facing financial turbulence in a uniquely dire situation. Given the partnership physicians maintain with the government in the provision of care through Medicare and Medicaid, we request that the Department of Treasury reciprocate through prioritized allocation of SBA funds to physicians.

We would welcome the opportunity to speak with you in more detail and answer any questions you have regarding these comments. Please contact Shreyasi Deb, PhD (deb@aaos.org) to facilitate further discussions.

Sincerely,

Joseph A. Bosco, III, MD, FAAOS
President, AAOS

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