

# Morgan Stanley

## COVID-19's Impact on Physicians May Spark New Financial Strategies

By: Andrew M. Plocker

Physician practices all over the country are facing financial instability because of the impact of COVID-19. According to [data from the Medical Group Management Association \(MGMA\)](#) released in the spring, 97 percent of all medical practices in the United States have experienced a negative financial impact as a result of COVID-19. Practices also reported a decrease in patient volume touching 60 percent. Also, 55 percent of practices saw decreases in revenue in 2020.

The pandemic may ultimately become a time for unprecedented change among physicians. The numbers are telling us that many of the long-term plans that physicians had for things like practice growth and retirement may need to be re-evaluated.

### **A Glance at the Impact**

Most physicians were paying their staff members to essentially spend full days handling cancellations and rescheduling for much of the first half of 2020. Questions over upgraded protocols and availability of specific procedures are still being worked out as local guidelines and public attitudes continue to evolve during the COVID-19 crisis. For many physicians, it's now time to try to plan how to cover the costs of increasing patient capacity after months of losses.

### **The Unique Position of Primary Care Physicians**

Primary care physicians are particularly vulnerable at the moment because physicians who either work in or own independent practices don't have the same financial support as larger clinics and hospitals. These physicians were already struggling with balancing costs of operation with revenue before COVID-19. They must now balance the need to welcome back patients while readjusting for the reality that some patients may have hopped to alternative self-

care or telemedicine options. That means that the dent in patient volume stemming from COVID-19 may never fill in. Also, physicians are faced with a future landscape that may rely more heavily on digital care and telemedicine resources that reduce demand for consultations and wellness checks.

## **Adjusting for the Future of Healthcare**

One thing is for certain — physicians have many moving parts to address when planning for their professional and financial futures. Decreased patient volume may simply mean tapering revenue expectations for at least the rest of 2020. Both general market trends and personal revenue trends make it necessary for most physicians to retool their retirement and wealth-planning strategies in 2020.

## **The Goal of Planning With a COVID-19 Mindset**

While COVID-19 will hopefully leave us, the shifts in healthcare that took place in 2020 will redefine the industry for years to come. Reestablishing full-capacity care means finding ways to address short-term needs while keeping sight of the bigger implications that will impact practices in the immediate future. Physicians are at a point where it's time to find ways to remediate the financial pressure of COVID-19 as much as possible to continue practicing medicine. For most, that means being able to immediately welcome back staff and patients. However, many physicians are also using what they've learned during COVID-19 to re-evaluate career goals, wealth building and retirement plans.

Possibilities that allow physicians to enjoy the "safety in numbers" enjoyed by larger clinics may cause some to consider new partnerships that pool volume. Also, participating in telemedicine and remote patient medicine is essential if physicians want to be agile enough to retain volume as the habits and preferences of patients change. Some physicians may even find that joining forces with platforms that offer telemedicine services may be a good strategy for easing into retirement after walking away from a practice. Doctors who are still years away from hanging up their stethoscopes may wonder what retirement options are available to them if they opt to move toward remote, consultation-based services instead of brick-and-mortar practices.

## **Bold Thought Is Needed**

The vulnerabilities and opportunities revealed by COVID-19 have transformed the way many physicians view an industry that is generally not tested by economic ripples in such extreme ways. This can be a great opportunity for medical professionals to rethink the traditional paths of

building practices and personal wealth in favor of more agile, multifaceted options. Hybrid careers often require hybrid wealth-management options. They also require a comprehensive, multi-faceted approach to wealth management. As discussed in my previous whitepaper, *“The Modern Physician: An examination of the changing environment affecting patient care, medical practices, and seeking a secure retirement”*, physicians today must take a comprehensive approach toward wealth management. That means adopting a formula similar to the following: ***Wealth Management=Investment Consulting + Advanced Planning + Relationship Management or stated simply, WM=IC+AP+RM.***

It also requires physicians to have a team of experts on their side to help them make smart financial decisions. Some excellent advice has been rendered by the American College of Surgeons Practice Protection Committee. Dr. Mark Aeder, transplant surgeon at the UH Cleveland Medical Center AND former financial advisor suggests that all physicians should have what he calls the “Three A’s”. This consists of advisor, accountant, and attorney. Together they can form your team to make sure that you’re getting sound advice on many different fronts. I call it the “Virtual Family Office”, or VFO. An effective VFO should bring coordination between these advisors and resources available your Wealth Manager’s firm.

---

References:

1. <https://mgma.com/getattachment/9b8be0c2-0744-41bf-864f-04007d6adbd2/2004-G09621D-COVID-Financial-Impact-One-Pager-8-5>