

## MGMA 2009 Physician Compensation Survey Cautions Users on Productivity-based Compensation

In its 2009 *Physician Compensation and Production Survey*, the Medical Group Management Association ("MGMA") has cautioned users about the possibility of misunderstanding a commonly utilized productivity metric reported by the survey.

Physician compensation plans based on a value *per work relative value unit* ("wRVU") are increasingly popular in today's healthcare marketplace. Several physician compensation surveys, including the MGMA, the American Medical Group Association, and Sullivan Cotter, report wRVUs by major percentile (*i.e.*, 25th, median, 75th and 90th). In designing productivity-based compensation plans, there is often a tendency to select a *compensation per wRVU* rate that is above the median (following the logic that, by definition, 50% of physicians are compensated above the median). In addition, many employers may conclude that compensation should match productivity, and thus, a physician whose wRVUs benchmark at the 75th percentile should be paid the 75th percentile *compensation per wRVU* rate. Other employers may seek to create incentive plans with increasing *compensation per wRVU* rates for higher levels of productivity.

However, such thinking about the relationship of productivity to the *compensation per wRVU* rate is based on a misunderstanding of the survey data. In its 2009 survey, MGMA warns users that the most highly compensated physicians generally realize the lowest compensation per wRVU. Accordingly, well-intentioned employment arrangements can result in overcompensation to physicians.

For example, if a general surgeon is compensated for 90th percentile productivity at the 90th percentile *compensation per wRVU*, the resulting total cash compensation would be ~\$828,000 (*i.e.*, 10,681 wRVUs times \$77.51 per wRVU). However, the 90th percentile cash compensation reported by MGMA is only \$545,000, resulting in possible overcompensation of \$283,000.

### FMV Pitfall

In setting rates under compensation per wRVU employment arrangements, employers must consider the inverse relationship between total cash compensation and compensation per wRVU. To ensure that a wRVU-based compensation arrangement is consistent with fair market value, the physician's resulting compensation at various wRVU productivity levels should be compared to the benchmark cash compensation at similar percentile thresholds.