

Physician Employment

Current Compensation Trends and Considerations in Establishing FMV

Presented By

Jim Carr, ASA, MBA | Partner

Becker's Hospital Review 5th Annual Meeting

May 16, 2014

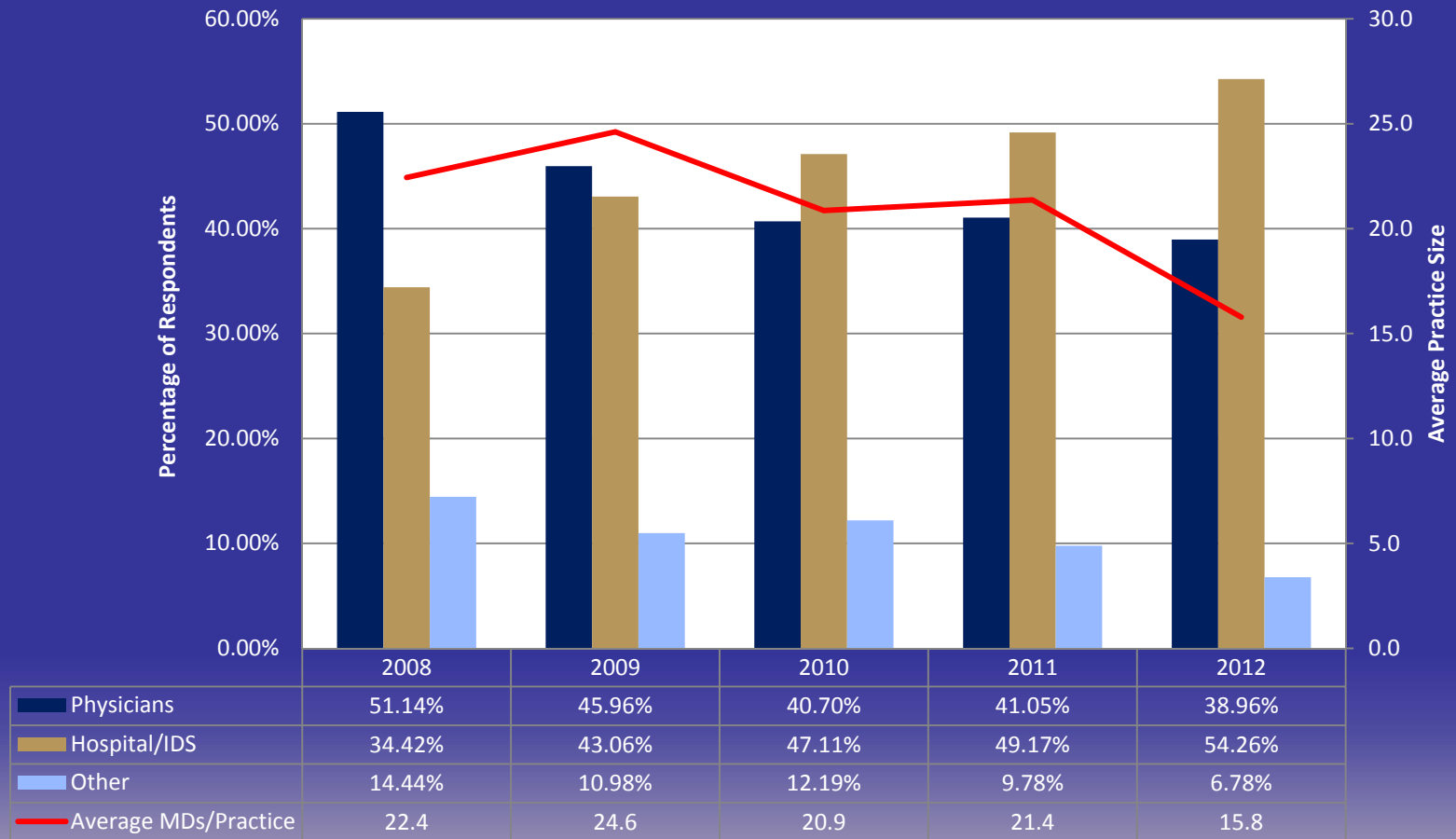
The logo for HealthCare Appraisers Incorporated features a thin, curved line above the text. The text is arranged in two lines: "HealthCare Appraisers" in a larger serif font, and "INCORPORATED" in a smaller, all-caps sans-serif font below it.
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Physician Employment Landscape

- Massive wave of private practice physicians moving into hospital-affiliated practices over the past five years
- Some of the reported drivers of this trend include:
 - Reimbursement cuts
 - Lifestyle/focus on medicine
 - Hospital-physician alignment and formation of ACOs
 - Fear
- Trend has produced significant impacts to physician comp and practice economics
- Employers are starting to explore creative ways to address those impacts
- Appraisers continue to assess the best methods to establish FMV in light of these changes

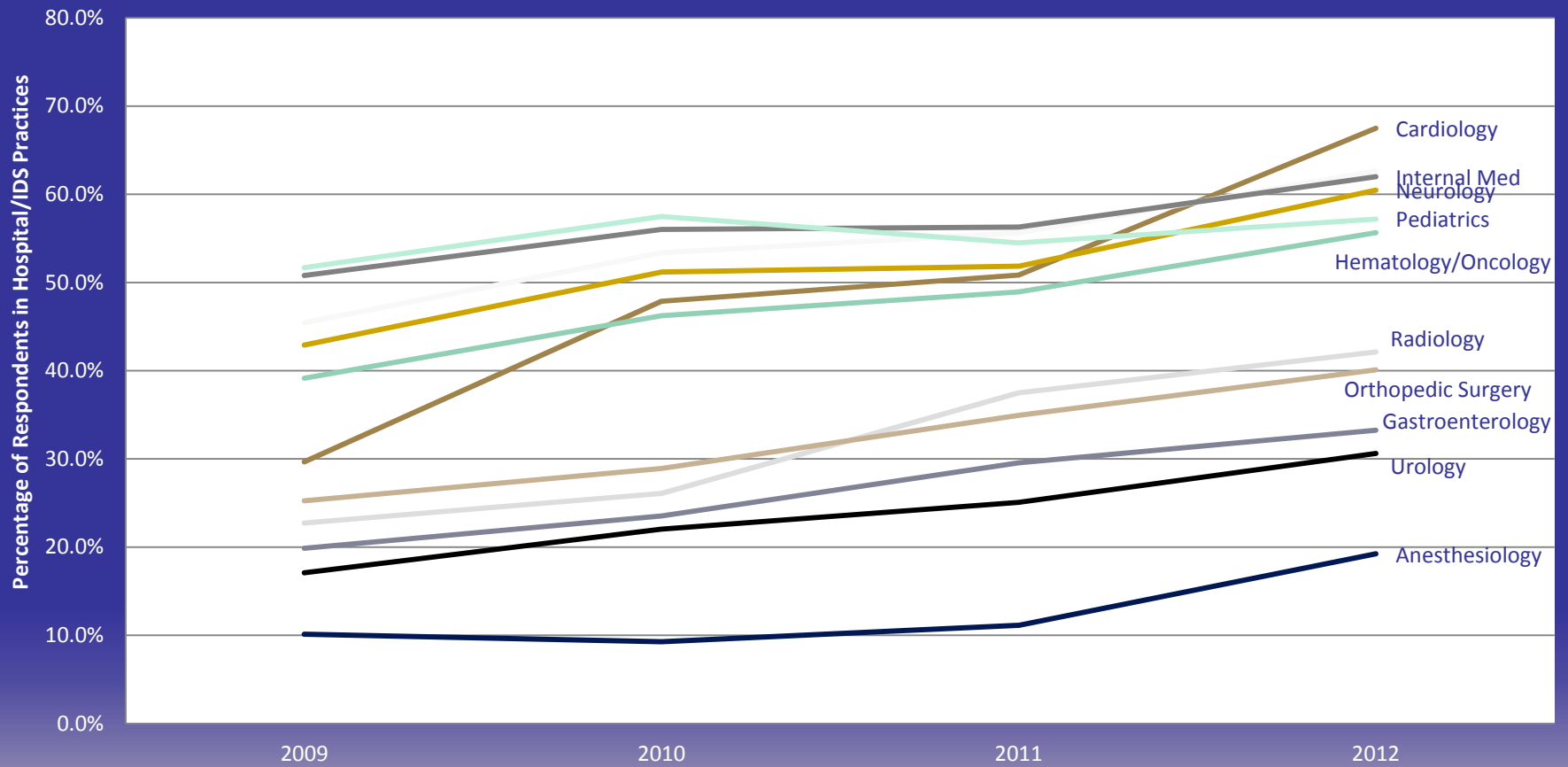
Private Practice Exodus

MGMA Respondent Base



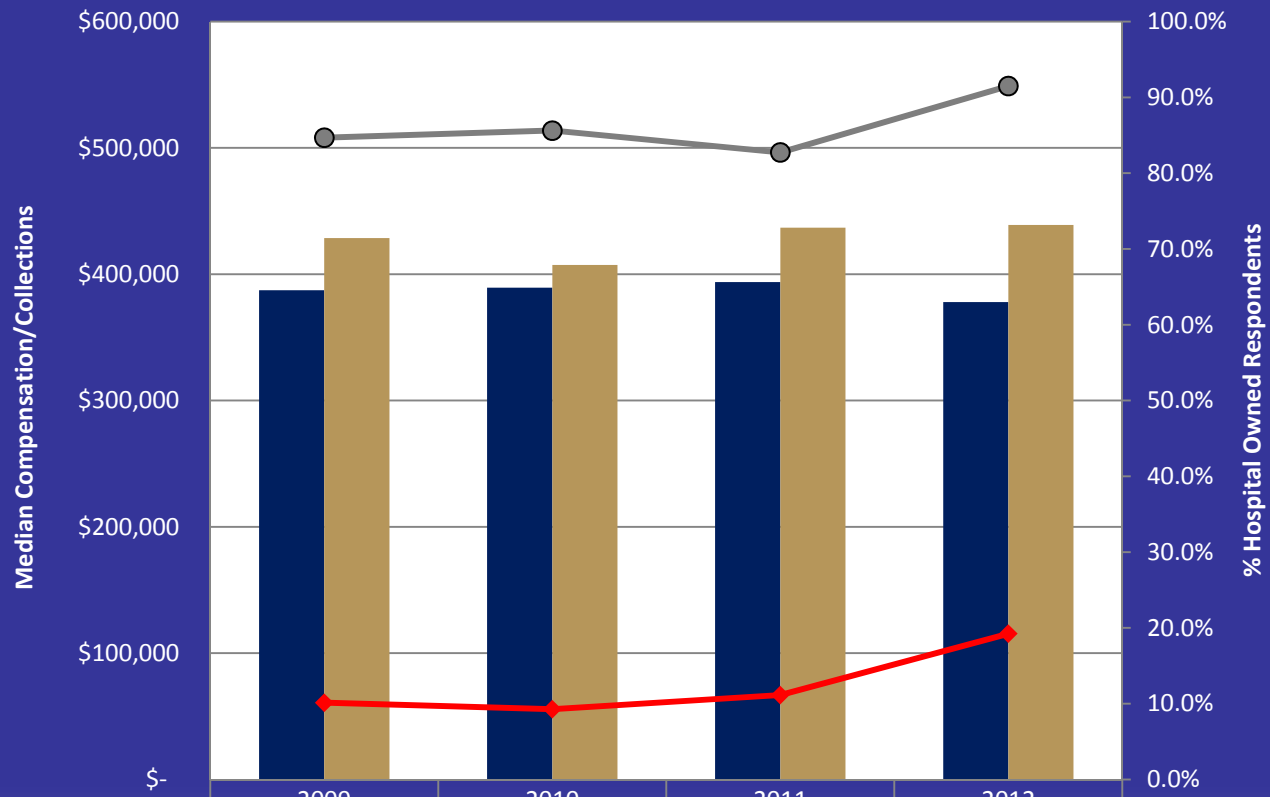
Private Practice Exodus

Shifts in Major Specialties



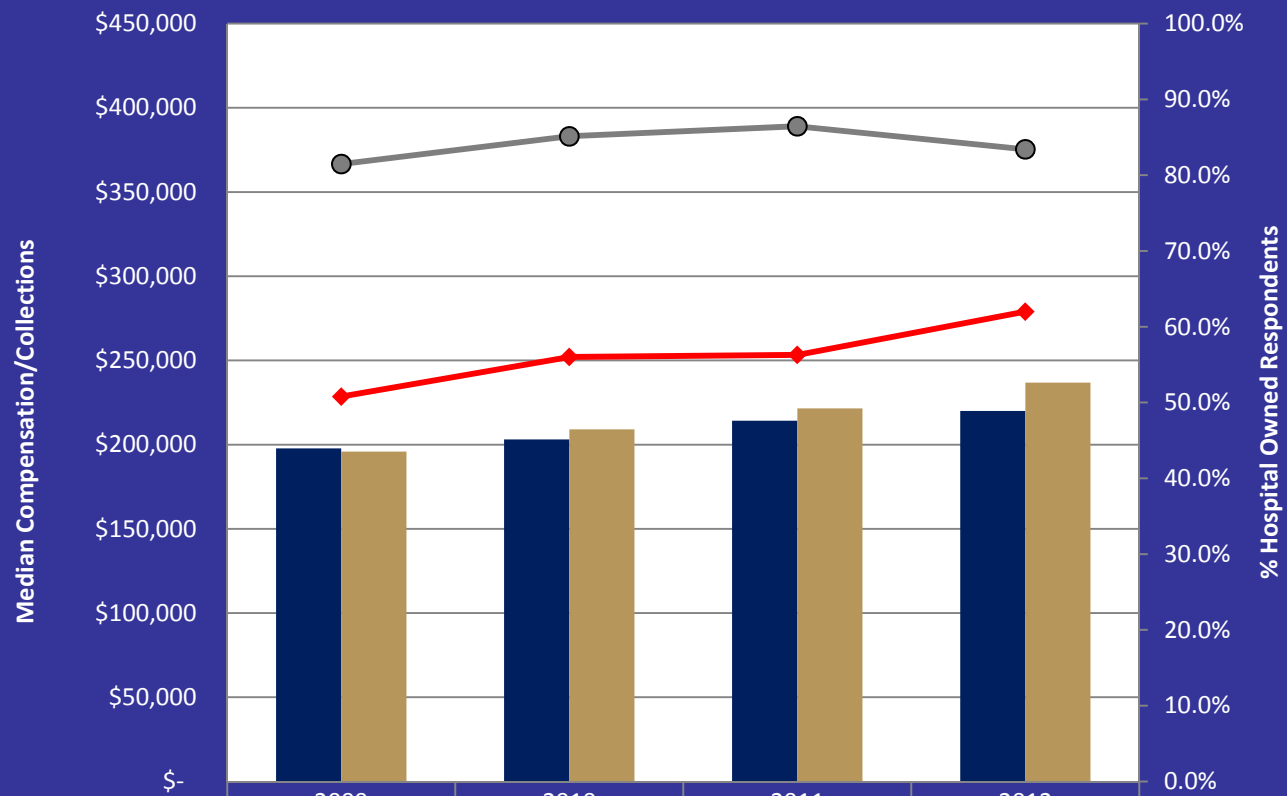
Anesthesiology

All data presented extracted from MGMA's *Physician Compensation and Production Survey*



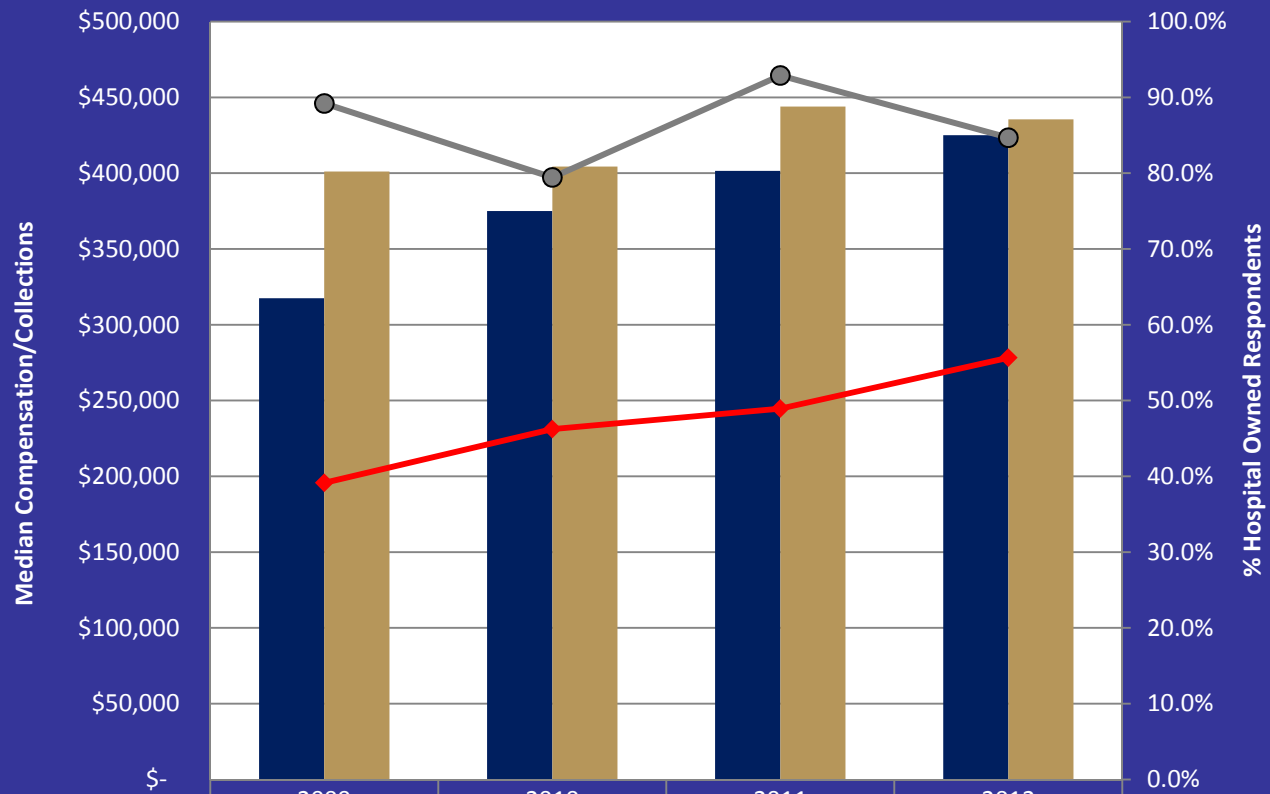
■ Median Comp - Hospital Practices	\$387,343	\$389,351	\$393,722	\$378,009
■ Median Comp - Non-hospital Practices	\$428,580	\$407,292	\$436,903	\$439,000
○ Median Prof Collections/FTE	\$508,089	\$513,725	\$496,393	\$548,964
◆ Hospital Owned Respondent %	10.1%	9.3%	11.1%	19.2%

Internal Medicine



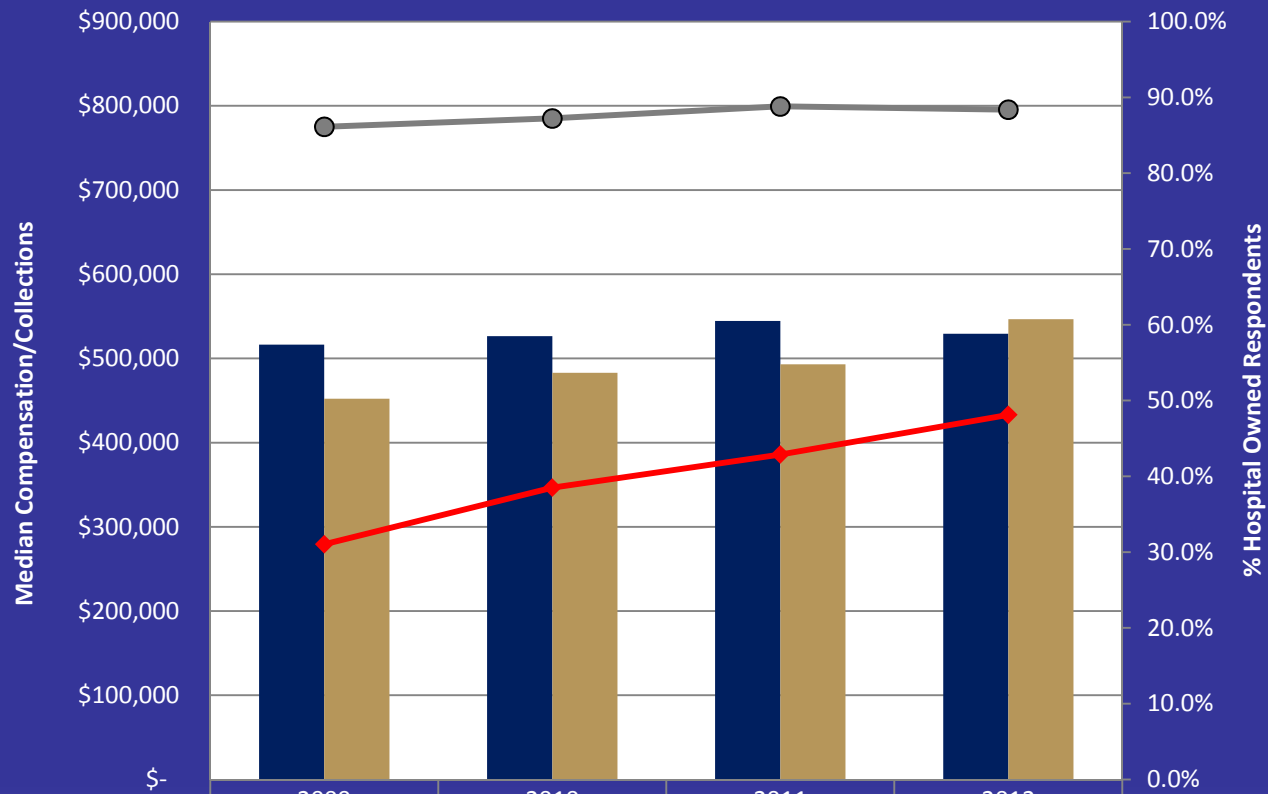
	2009	2010	2011	2012
Median Comp - Hospital Practices	\$197,756	\$203,044	\$214,185	\$220,000
Median Comp - Non-hospital Practices	\$195,883	\$209,039	\$221,512	\$236,828
Median Prof Collections/FTE	\$366,622	\$383,082	\$389,019	\$375,355
Hospital Owned Respondent %	50.8%	56.0%	56.3%	62.0%

Medical Oncology



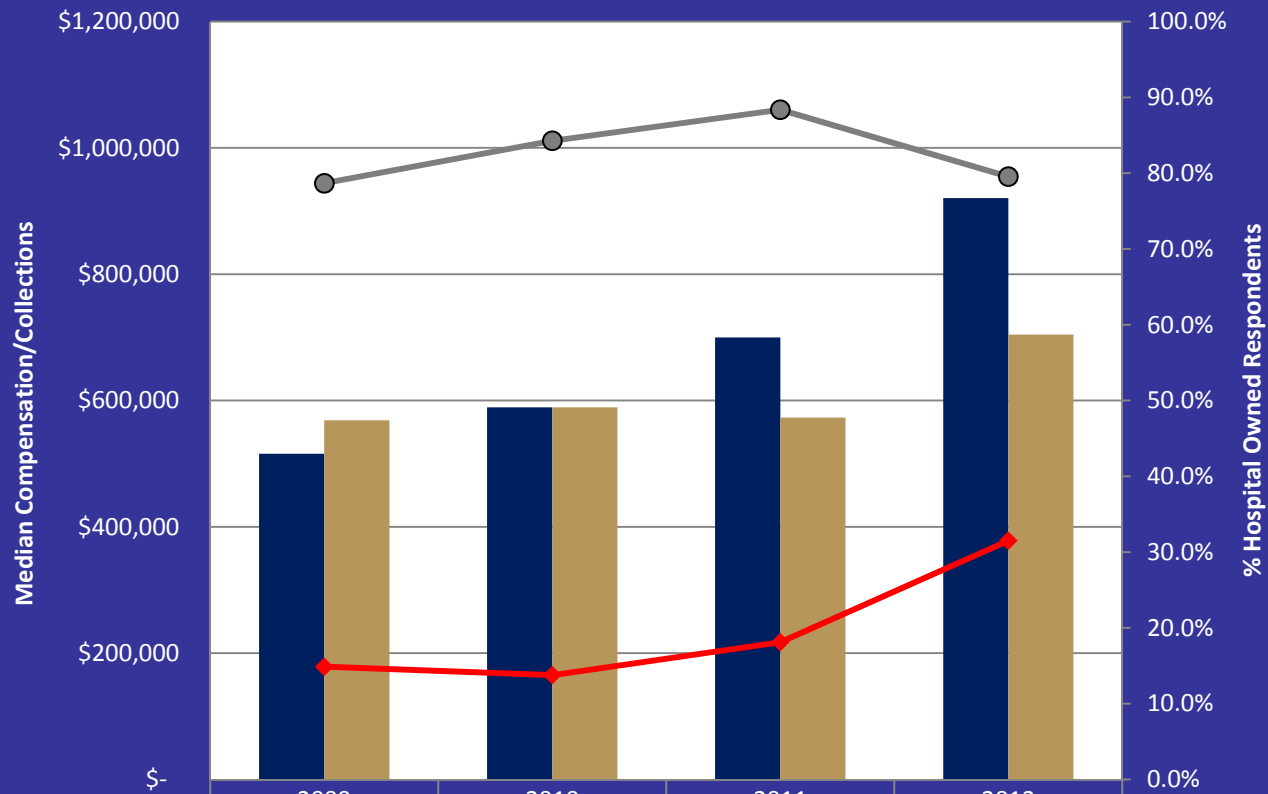
	2009	2010	2011	2012
Median Comp - Hospital Practices	\$317,543	\$375,000	\$401,508	\$425,006
Median Comp - Non-hospital Practices	\$401,125	\$404,412	\$443,996	\$435,495
Median Prof Collections/FTE	\$446,050	\$397,196	\$464,481	\$423,448
Hospital Owned Respondent %	39.1%	46.2%	48.9%	55.7%

Orthopedic Surgery: General



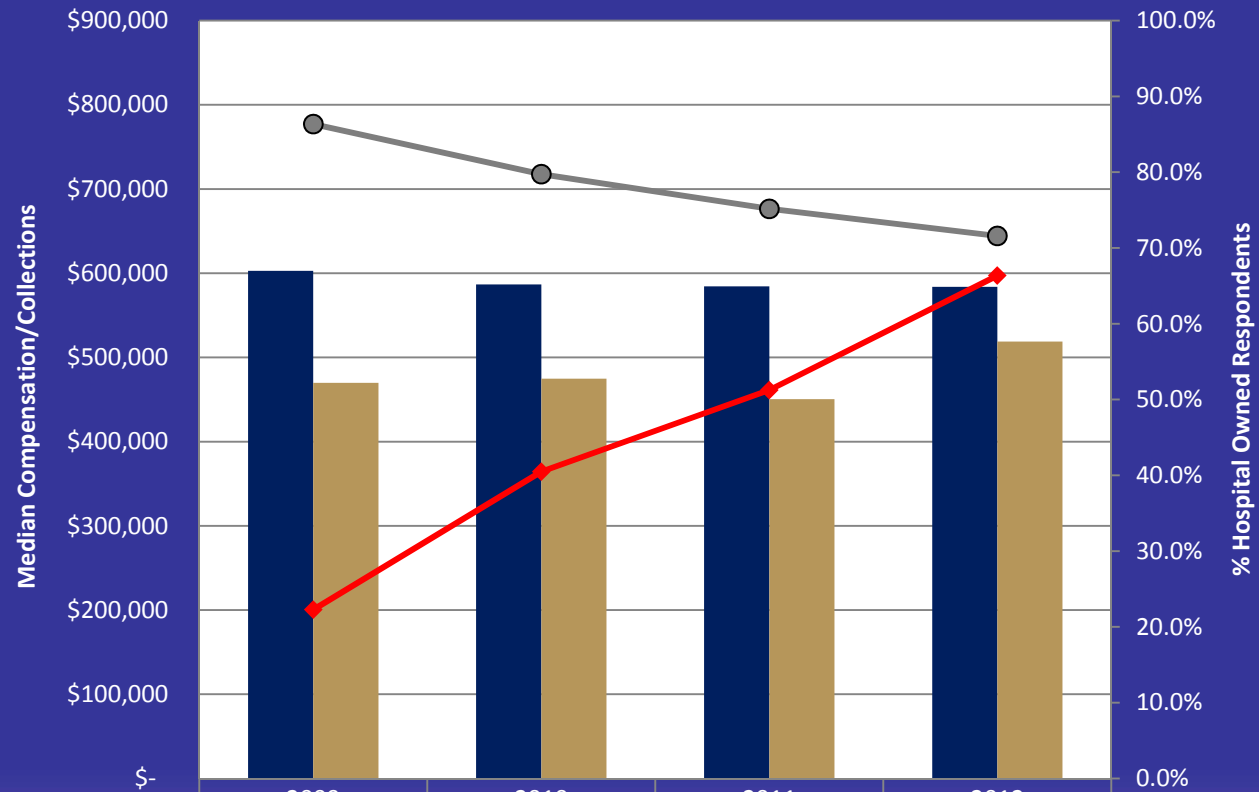
	2009	2010	2011	2012
Median Comp - Hospital Practices	\$516,413	\$526,398	\$544,579	\$529,360
Median Comp - Non-hospital Practices	\$452,128	\$482,928	\$493,095	\$546,671
Median Prof Collections/FTE	\$775,017	\$784,985	\$799,302	\$795,395
Hospital Owned Respondent %	31.0%	38.5%	42.9%	48.1%

Orthopedic Surgery: Hip & Joint



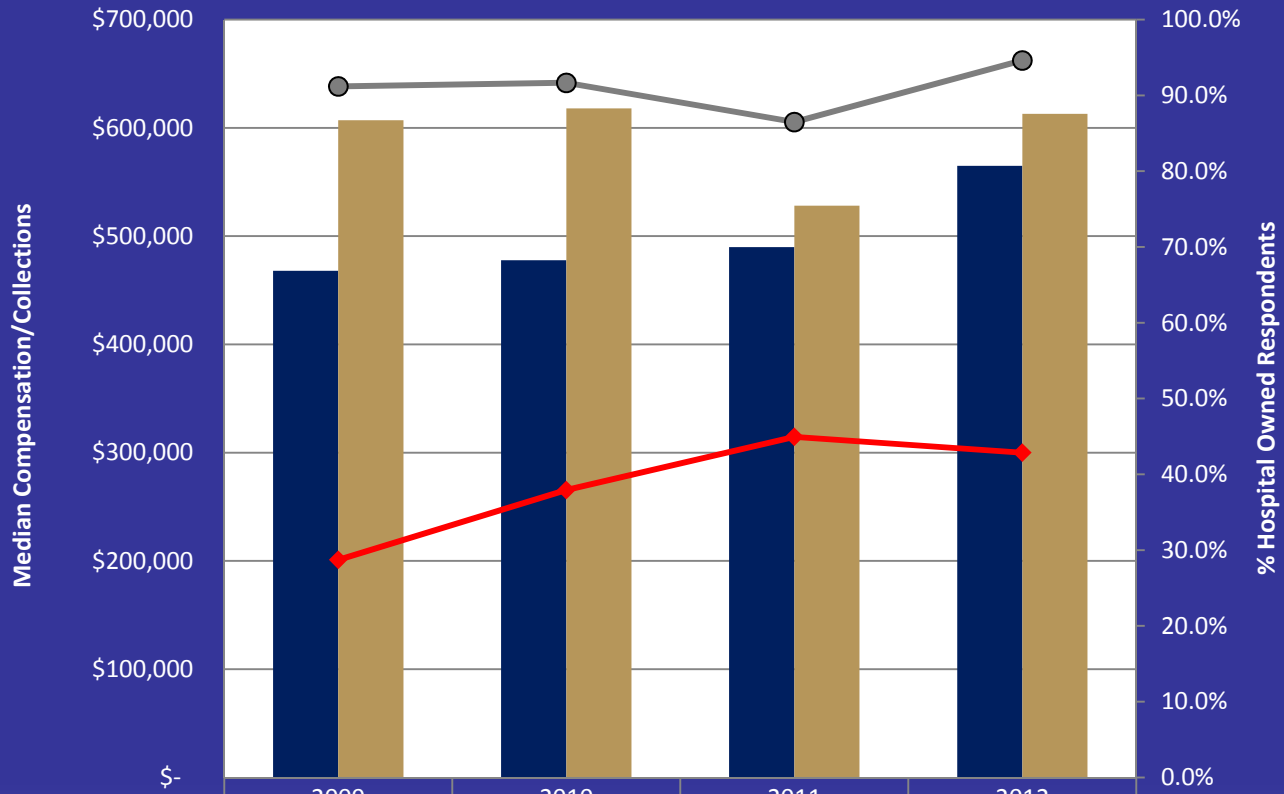
	2009	2010	2011	2012
Median Comp - Hospital Practices	\$515,789	\$589,267	\$700,000	\$920,555
Median Comp - Non-hospital Practices	\$568,572	\$589,277	\$572,960	\$704,584
Median Prof Collections/FTE	\$944,032	\$1,011,272	\$1,060,460	\$954,632
Hospital Owned Respondent %	14.9%	13.8%	18.1%	31.5%

Interventional Cardiology



	2009	2010	2011	2012
Median Comp - Hospital Practices	\$602,772	\$586,765	\$584,360	\$583,837
Median Comp - Non-hospital Practices	\$469,820	\$474,809	\$450,380	\$518,813
Median Prof Collections/FTE	\$777,117	\$717,690	\$676,542	\$644,328
Hospital Owned Respondent %	22.3%	40.5%	51.3%	66.4%

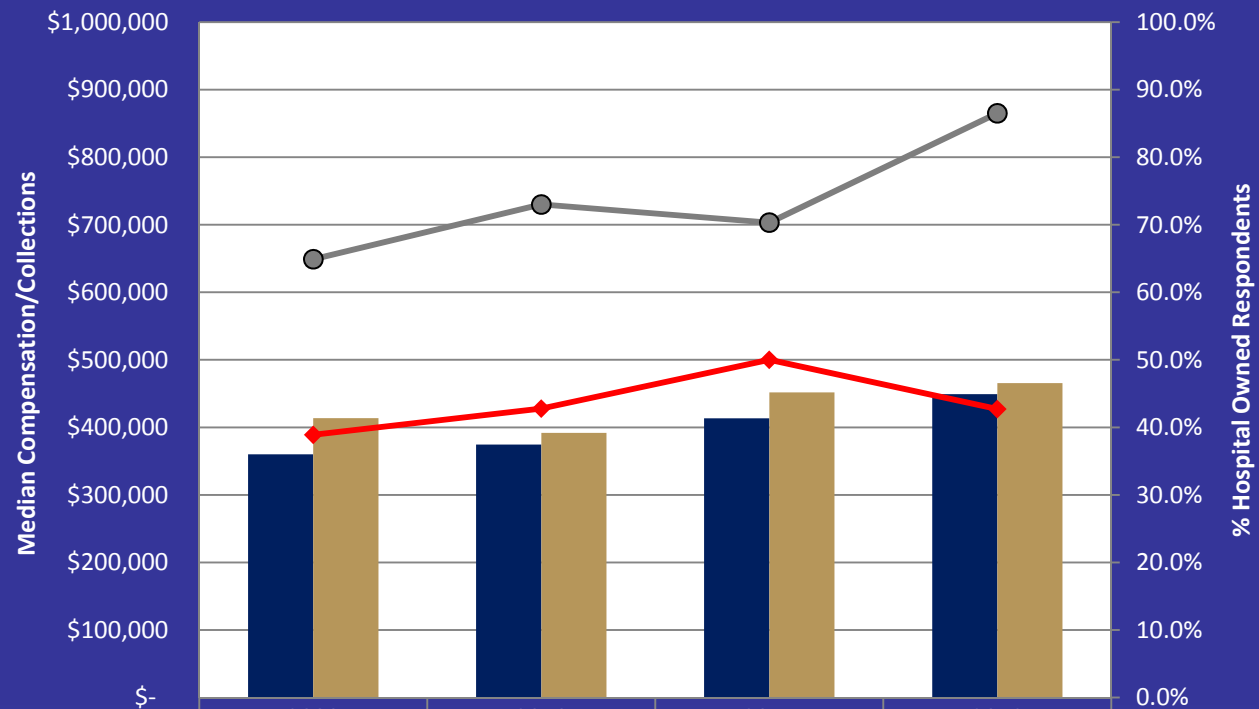
Radiation Oncology



	2009	2010	2011	2012
Median Comp - Hospital Practices	\$468,008	\$477,807	\$489,831	\$564,939
Median Comp - Non-hospital Practices	\$607,000	\$618,000	\$528,143	\$612,972
Median Prof Collections/FTE	\$638,286	\$641,559	\$605,359	\$662,304
Hospital Owned Respondent %	28.7%	37.9%	44.9%	42.9%

Plastic & Reconstructive Surgery

Plastic & Reconstructive Surgery

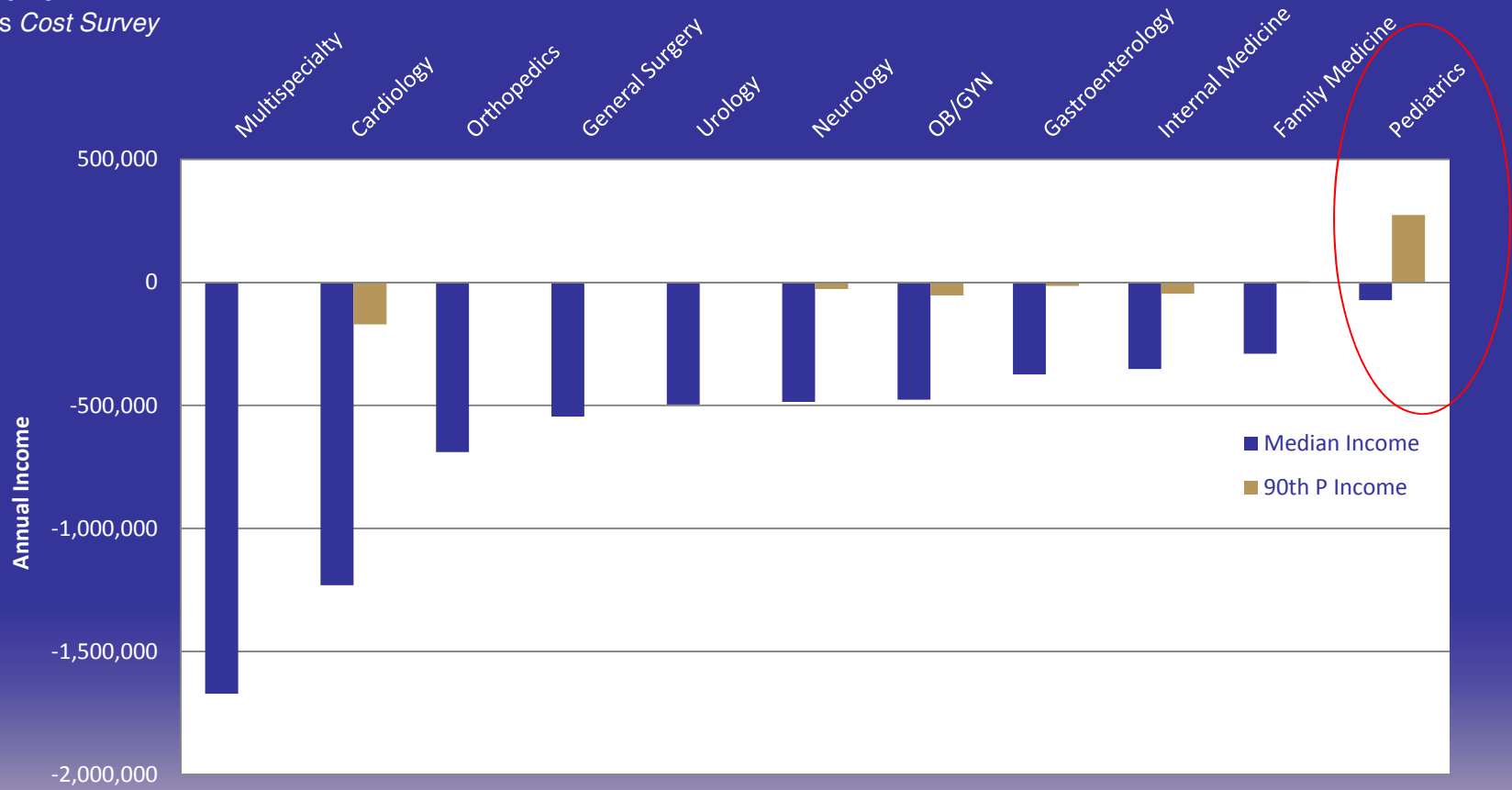


	2009	2010	2011	2012
Median Comp - Hospital Practices	\$360,033	\$374,512	\$413,470	\$449,106
Median Comp - Non-hospital Practices	\$413,548	\$391,733	\$451,779	\$465,626
Median Prof Collections/FTE	\$648,938	\$730,114	\$703,194	\$865,168
Hospital Owned Respondent %	38.9%	42.8%	50.0%	42.7%

Hospital/IDS Practice Economics

All data presented
extracted from
MGMA's *Cost Survey*

Median Practice "Income" by Specialty



Emerging Employer Responses

- Parting ways with significant under-performers
- Removing salary guarantees for established physicians
 - Pure production models
- Shifting from wRVU-based to collections-based incentives
- Implementing variable wRVU-based compensation
- Using earnings-based incentives
- Adding teeth to quality incentives

What Does This Mean for FMV?

- Market Approach – use of market “comps”
 - Is survey data reliable?
- Cost/Income Approaches – “revenue less expenses” models
 - Does this method really represent the market?
- Many compensation models are based on payment for service
 - How to incorporate shift to payment for quality
- Are FMV and commercial reasonableness becoming adversarial?

Physician Employment

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