

# Physician Employment

## Current Compensation Trends and Considerations for Establishing FMV

*Presented By*

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**Becker's Hospital Review 7<sup>th</sup> Annual Meeting**

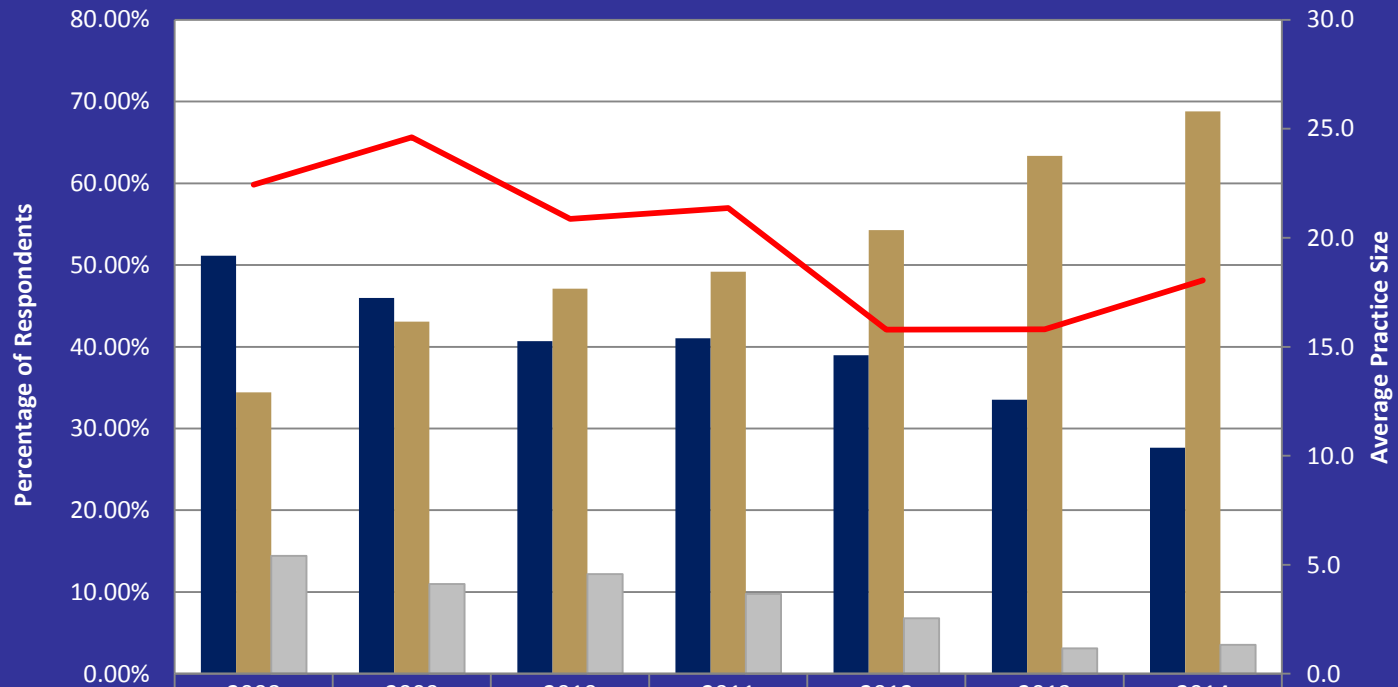
**April 29, 2016**

# Physician Employment Landscape

- Massive number of private practice physicians moved into hospital-affiliated practices over the past six years
- Some of the reported drivers of this trend include:
  - Reimbursement cuts
  - Lifestyle/focus on medicine
  - Hospital-physician alignment and formation of ACOs
  - Fear
- Many major specialties stabilizing; “hold-outs” continue to move
- Trend resulted in significant changes in physician comp models
- Enforcement activity related to employed physicians increasing
- Appraisers continue to refine methods to establish FMV in light of these changes

# Private Practice Exodus

## MGMA Respondent Base

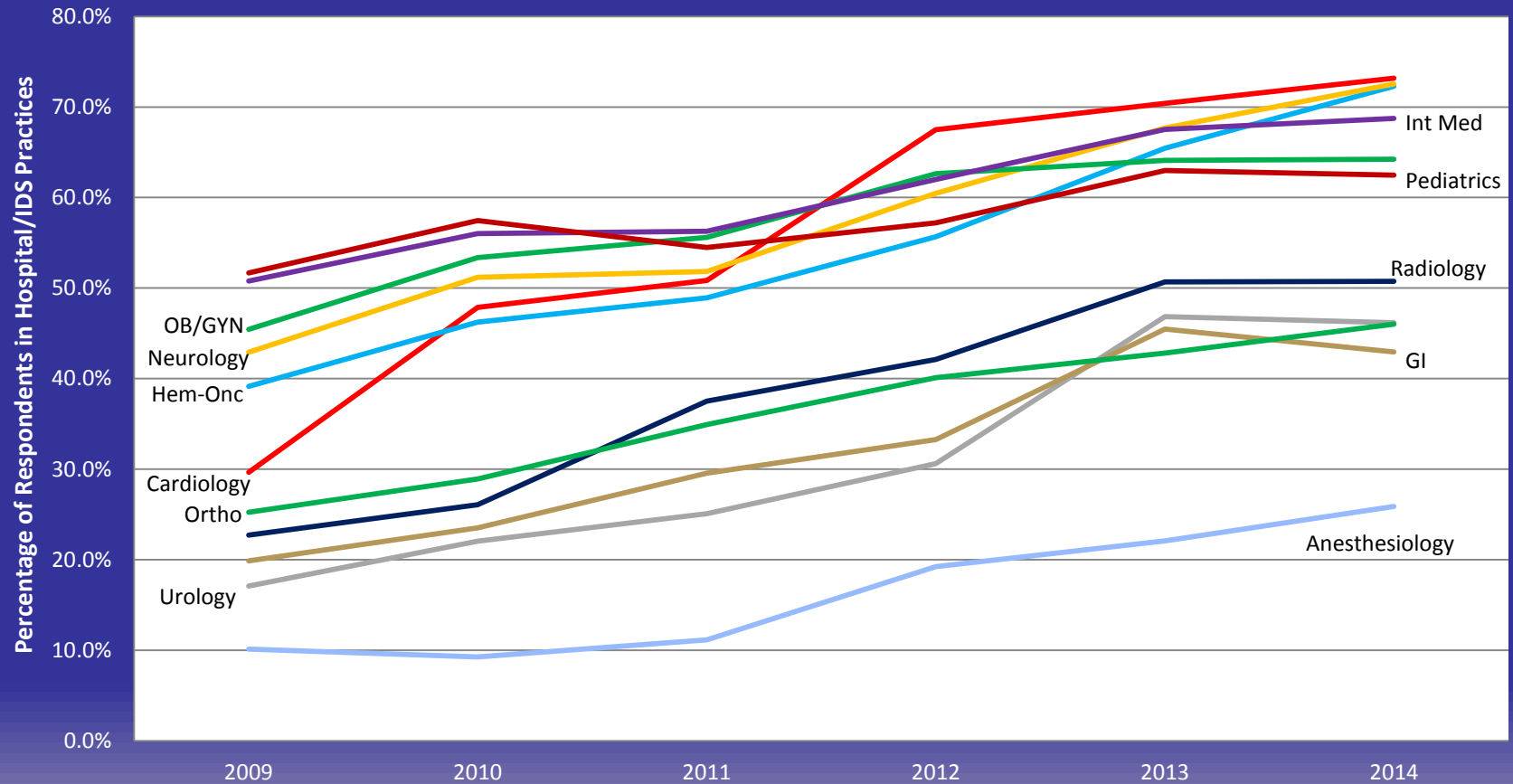


Data extracted from  
MGMA Physician  
Compensation and  
Production Report

Physicians	51.14%	45.96%	40.70%	41.05%	38.96%	33.54%	27.66%
Hospital/IDS	34.42%	43.06%	47.11%	49.17%	54.26%	63.36%	68.81%
Other	14.44%	10.98%	12.19%	9.78%	6.78%	3.10%	3.53%
Average MDs/Practice	22.4	24.6	20.9	21.4	15.8	15.8	18.0

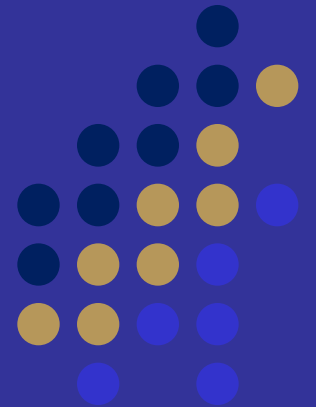
# Private Practice Exodus

## Shifts in Major Specialties

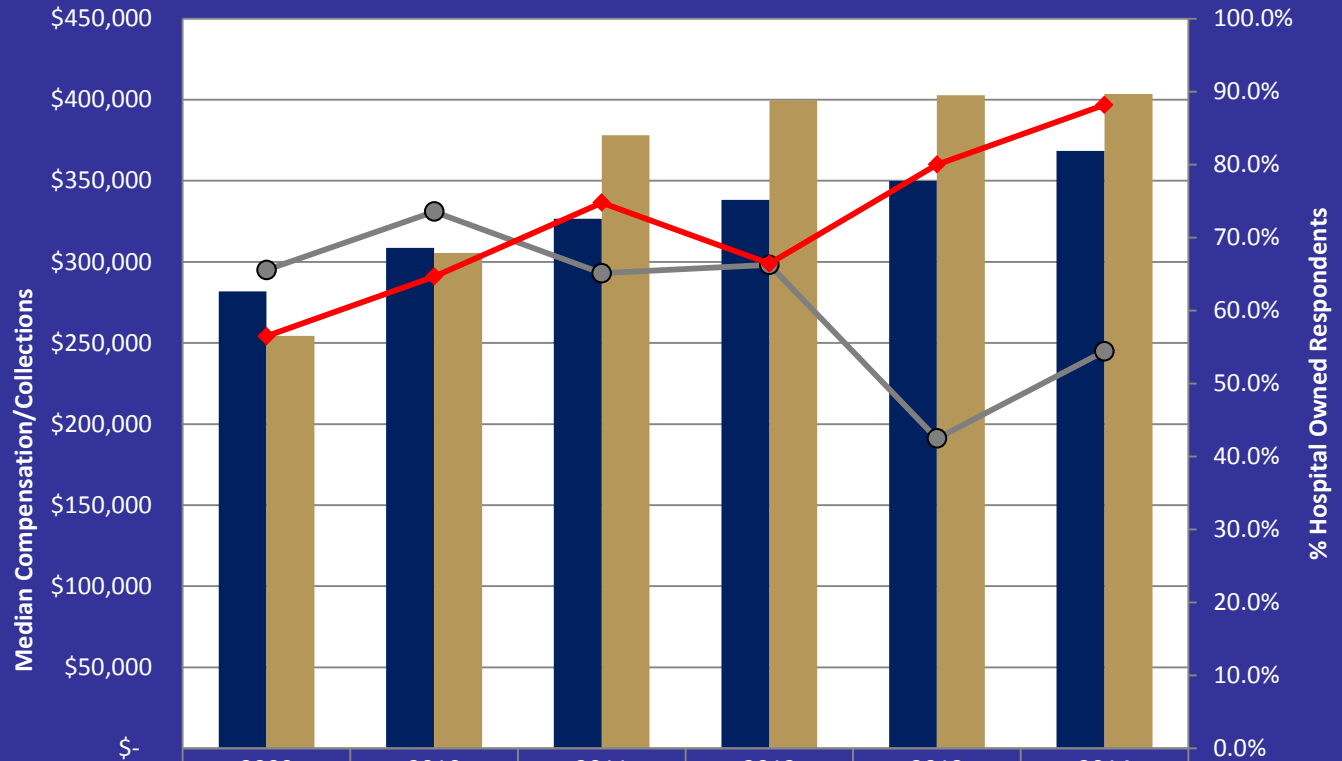


Data extracted from *MGMA Physician Compensation and Production Report*

# Who's Still Moving?



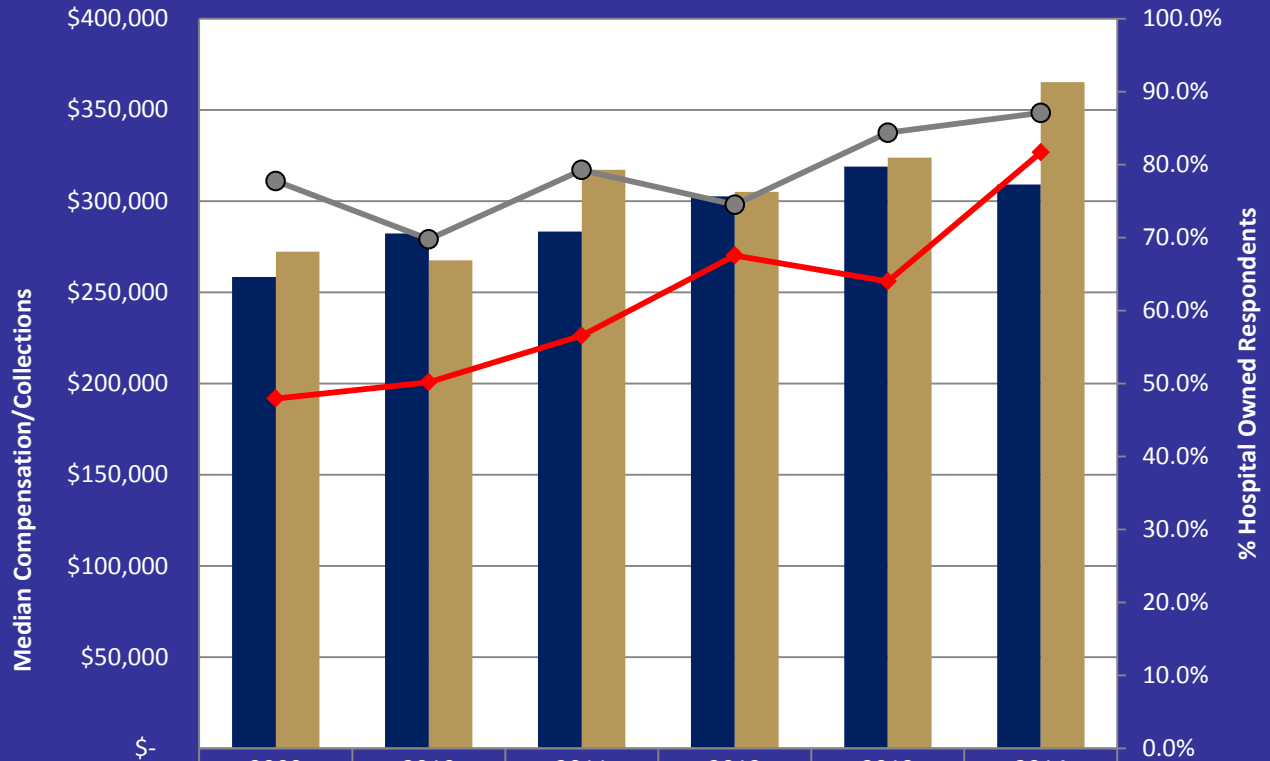
# Critical Care - Intensivist



Data extracted from  
MGMA Physician  
Compensation and  
Production Report

	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$281,773	\$308,591	\$326,587	\$338,240	\$349,932	\$368,442
Median Comp - Non-hospital Practices	\$254,296	\$305,464	\$378,172	\$399,691	\$402,778	\$403,500
Median Prof Collections/FTE	\$295,000	\$331,000	\$293,000	\$298,145	\$191,102	\$244,843
Hospital Owned Respondent %	56.5%	64.6%	74.8%	66.4%	80.0%	88.2%

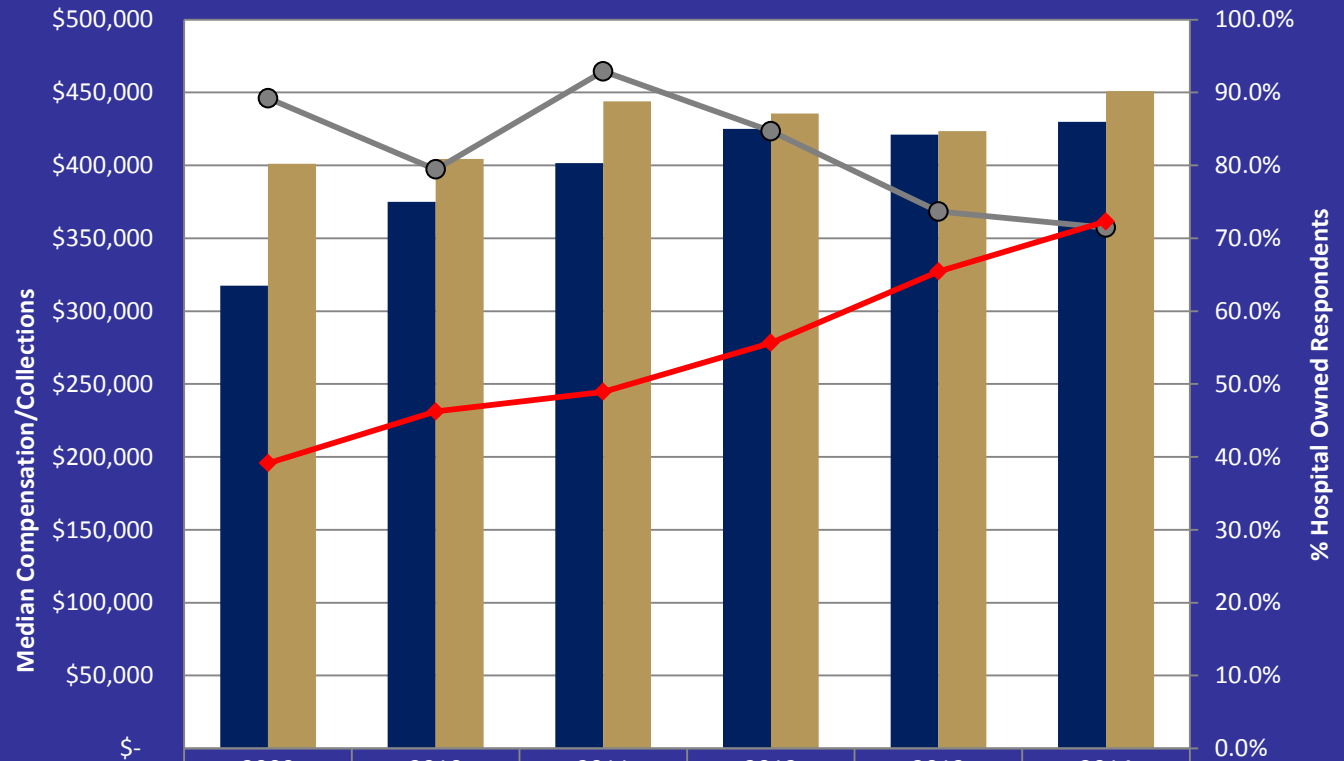
# Emergency Medicine



Data extracted from  
MGMA Physician  
Compensation and  
Production Report

	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$258,461	\$282,171	\$283,267	\$302,497	\$318,851	\$309,048
Median Comp - Non-hospital Practices	\$272,274	\$267,500	\$317,053	\$304,988	\$323,811	\$365,230
Median Prof Collections/FTE	\$311,000	\$279,000	\$317,000	\$297,946	\$337,424	\$348,316
Hospital Owned Respondent %	48.0%	50.2%	56.6%	67.5%	64.0%	81.7%

# Medical Oncology



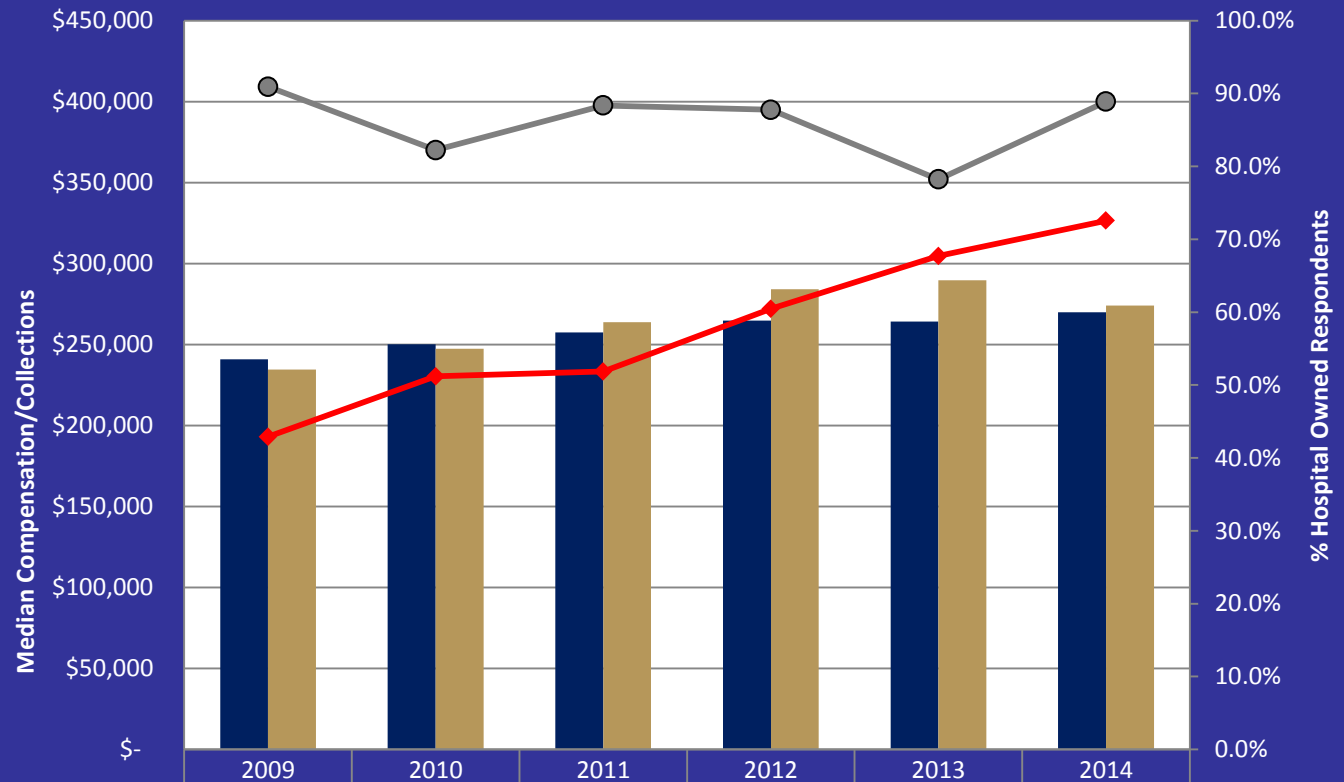
Data extracted from  
MGMA Physician  
Compensation and  
Production Report

	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$317,543	\$375,000	\$401,508	\$425,006	\$421,093	\$429,771
Median Comp - Non-hospital Practices	\$401,125	\$404,412	\$443,996	\$435,495	\$423,515	\$451,002
Median Prof Collections/FTE	\$446,050	\$397,196	\$464,481	\$423,448	\$368,395	\$357,281
Hospital Owned Respondent %	39.1%	46.2%	48.9%	55.7%	65.4%	72.3%



# Neurology

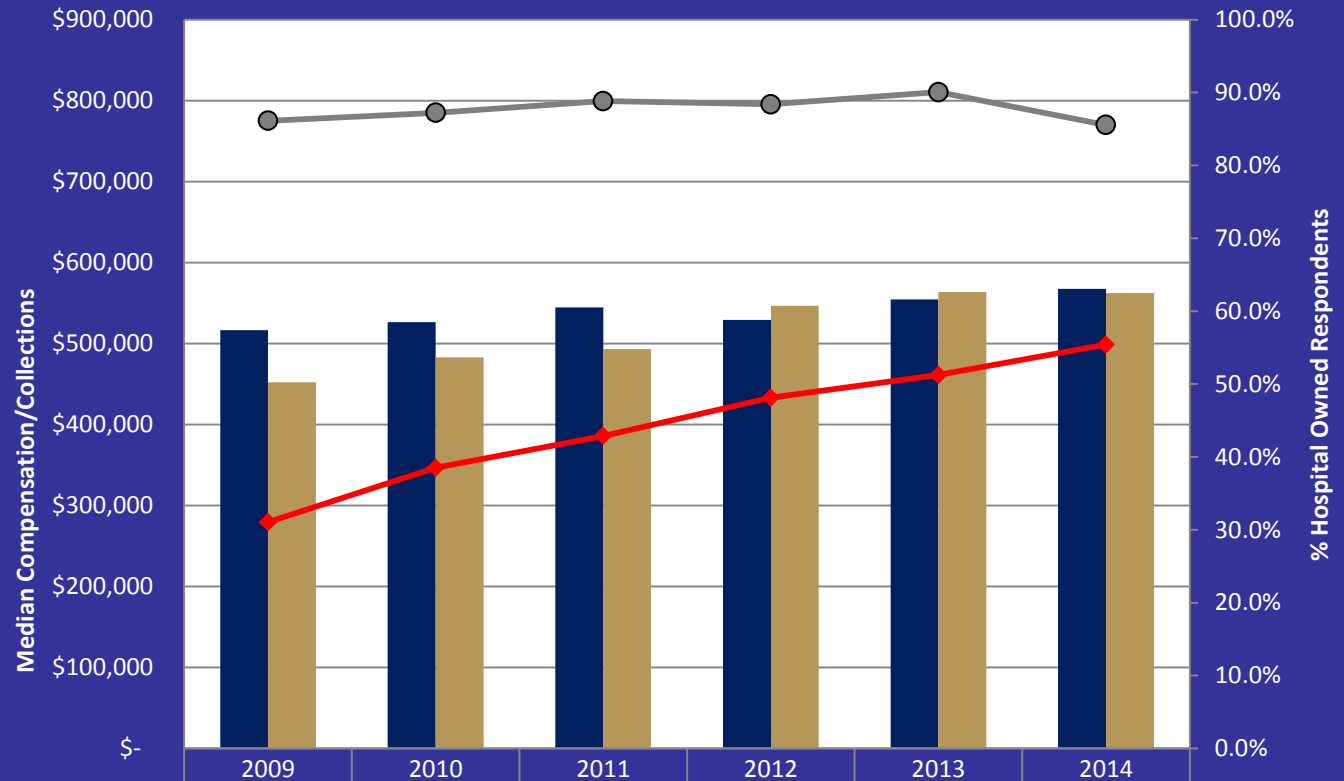
Data extracted from  
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Production Report



	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$240,899	\$250,075	\$257,486	\$264,863	\$264,140	\$269,936
Median Comp - Non-hospital Practices	\$234,653	\$247,384	\$263,805	\$284,170	\$289,613	\$274,000
Median Prof Collections/FTE	\$409,206	\$370,085	\$397,594	\$394,960	\$352,002	\$399,976
Hospital Owned Respondent %	42.9%	51.2%	51.8%	60.5%	67.7%	72.5%

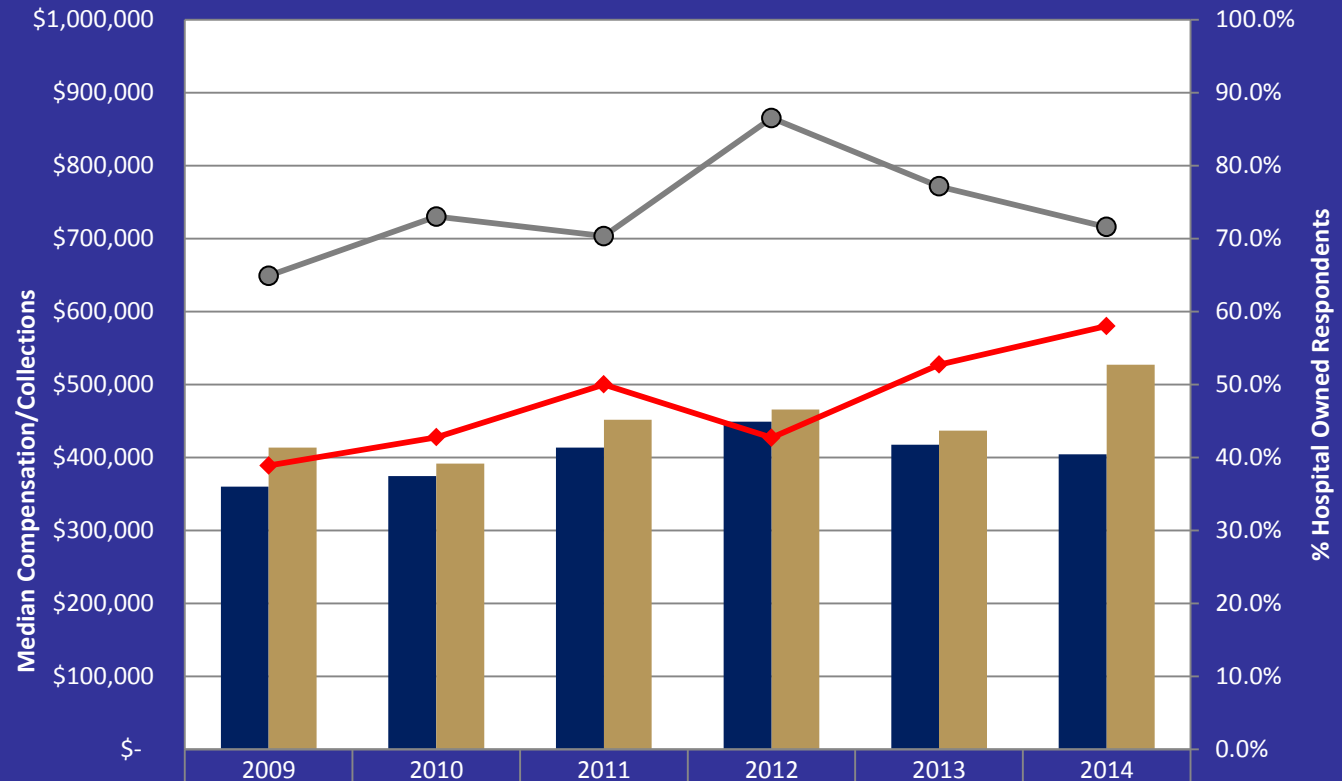
# Orthopedic Surgery: General

Data extracted from  
MGMA Physician  
Compensation and  
Production Report



	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$516,413	\$526,398	\$544,579	\$529,360	\$554,600	\$567,596
Median Comp - Non-hospital Practices	\$452,128	\$482,928	\$493,095	\$546,671	\$563,568	\$562,533
Median Prof Collections/FTE	\$775,017	\$784,985	\$799,302	\$795,395	\$810,328	\$769,838
Hospital Owned Respondent %	31.0%	38.5%	42.9%	48.1%	51.2%	55.4%

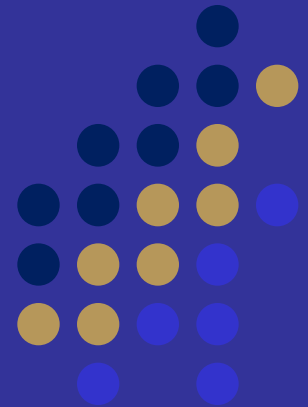
# Plastic & Reconstructive Surgery



Data extracted from  
MGMA Physician  
Compensation and  
Production Report

	2009	2010	2011	2012	2013	2014
Median Comp - Hospital Practices	\$360,033	\$374,512	\$413,470	\$449,106	\$417,473	\$404,243
Median Comp - Non-hospital Practices	\$413,548	\$391,733	\$451,779	\$465,626	\$437,048	\$527,029
Median Prof Collections/FTE	\$648,938	\$730,114	\$703,194	\$865,168	\$771,486	\$715,759
Hospital Owned Respondent %	38.9%	42.8%	50.0%	42.7%	52.7%	58.0%

# Compensation Model Trends



# Recent Compensation Trends

- I'm fed up with wRVUs
  - Higher guaranteed bases or longer guarantee periods
  - Larger portion of total compensation being shifted to "quality bonus"
  - Compensation requested for previously uncompensated activities
    - Midlevel supervision
    - "Windshield" time
    - Resident oversight
    - Committee participation

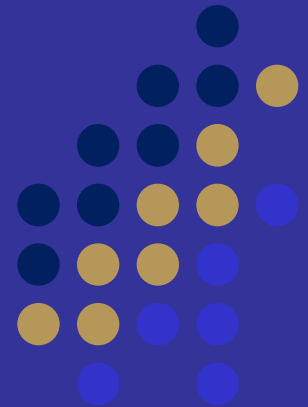
# Recent Compensation Trends

- Quality Incentives
  - Typically represents 5%-20% of total income potential
  - “Quality” generally represents only a fraction
    - Patient Satisfaction
    - Citizenship
    - Outcomes
  - Many employers still appear to be struggling how to define and measure “quality”
    - Core measures and HEDIS are common benchmarks

# Recent Compensation Trends

- Increasing use of One-Time Payments
  - Signing, commencement, and retention bonuses
  - Student loan repayments
  - Relocation “stipends” (not reimbursement of expenses)
- Models based primarily on collections or EBIT continue to decline
- Tiered wRVU models continue to survive

# Related Enforcement Activity



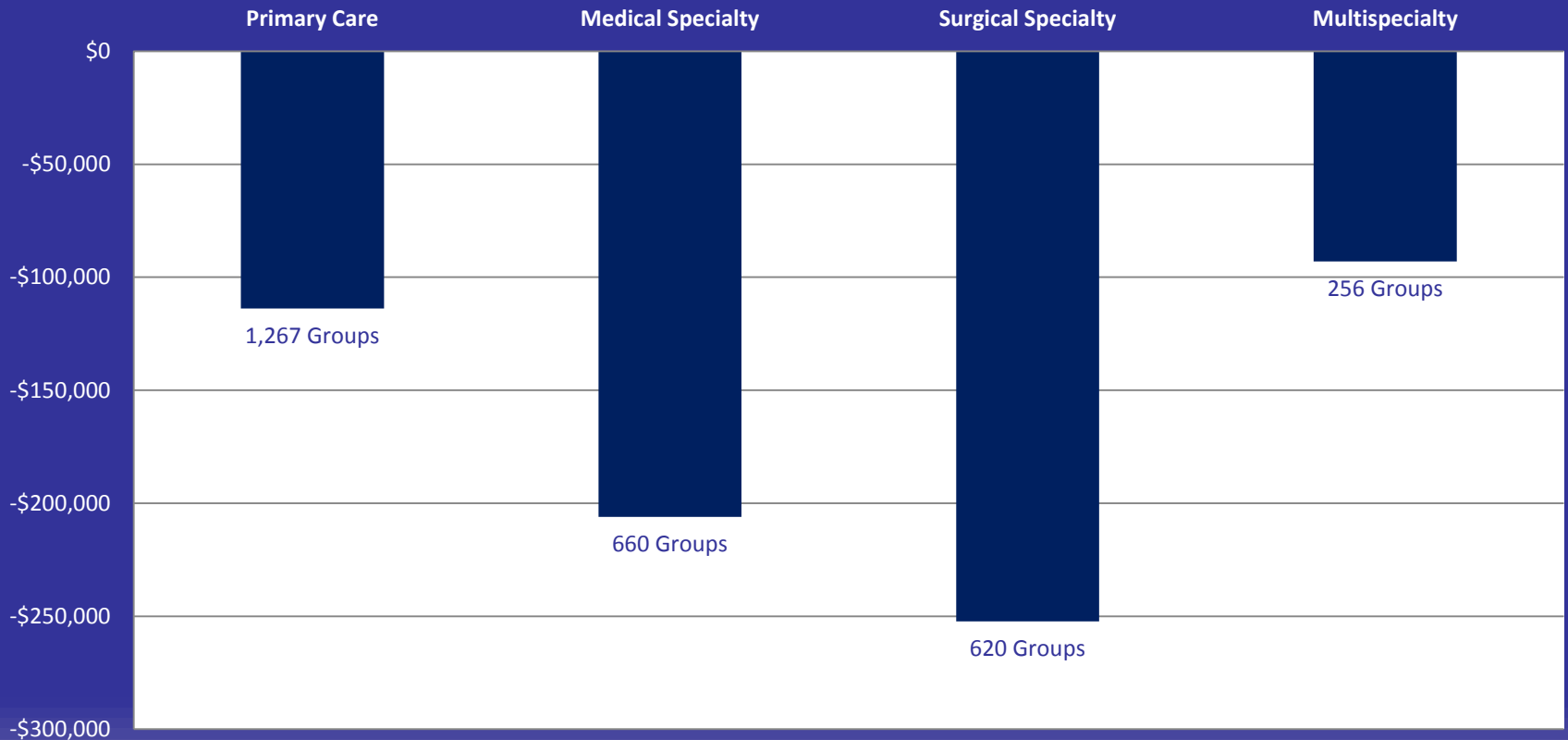


# Enforcement Activity

- Along with the rise of physician employment, there has been a corresponding increase in *qui tam* cases related to employed physicians
- Notable 2015 settlements included:
  - *United States ex rel. Barker v. Columbus Regional System* (\$35 million)
  - *United States ex rel. Reilly v. North Broward Hospital District* (\$69.5 million)
  - *United States ex rel. Payne v. Adventist Health System/Sunbelt, Inc.* and *United States ex rel. Dorsey v. Adventist Health System Sunbelt Healthcare Corp.* (\$115 million)
- All complaints included allegations that the practice of the employed physician(s) incurred substantial losses
  - DOJ seems to be advocating that compensation cannot be FMV or an agreement cannot be commercially reasonable if a practice loses money
  - Courts seem to be willing to hear that argument

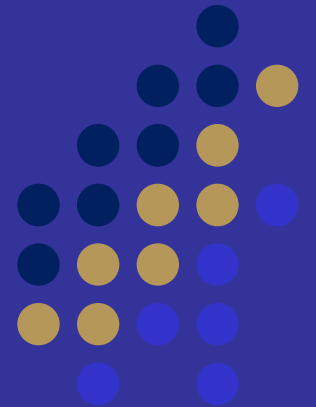
# Practice Losses

## Median Practice "Income" per FTE Physician



Data extracted from *MGMA 2015 Cost and Revenue Report: Based on 2014 Survey Data*

# FMV Considerations

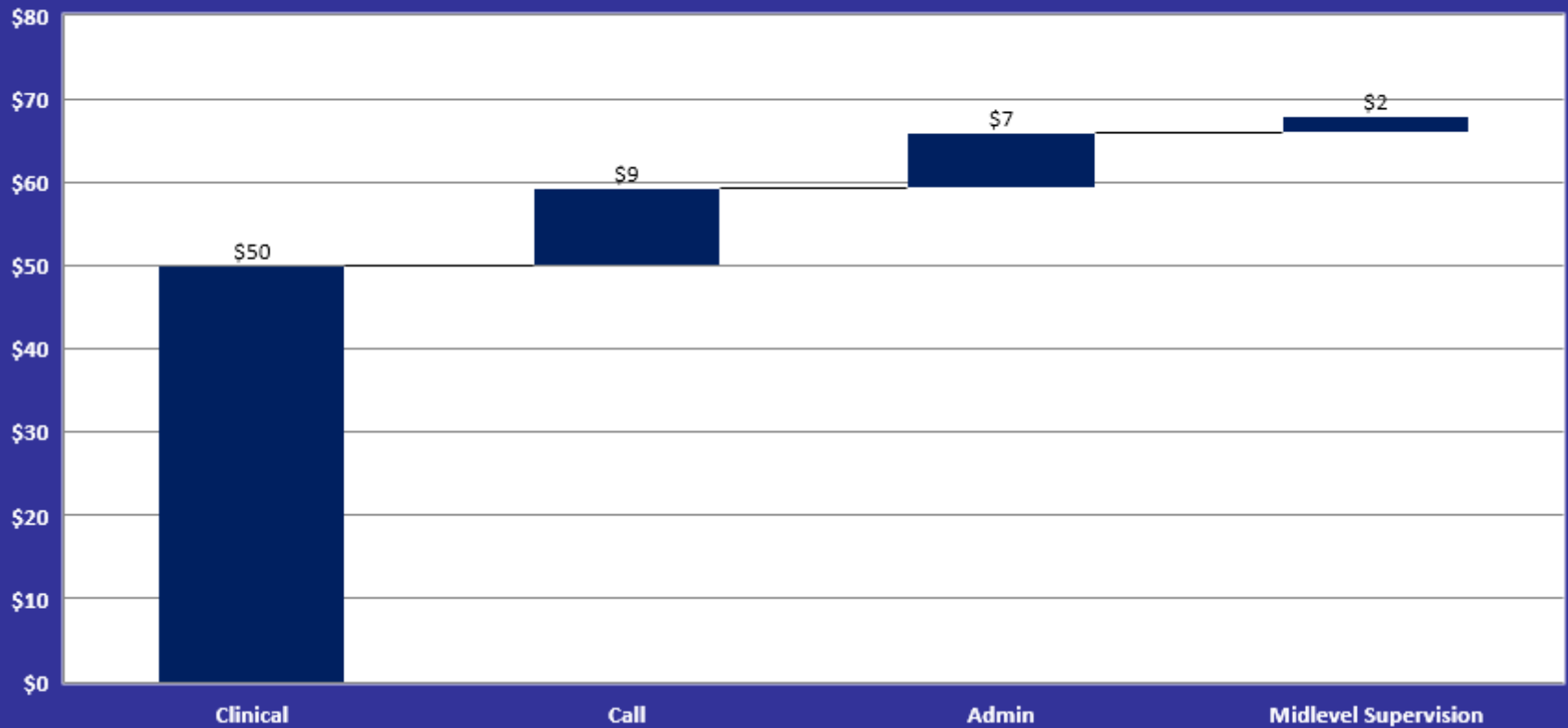


# Recurring Themes Regarding FMV

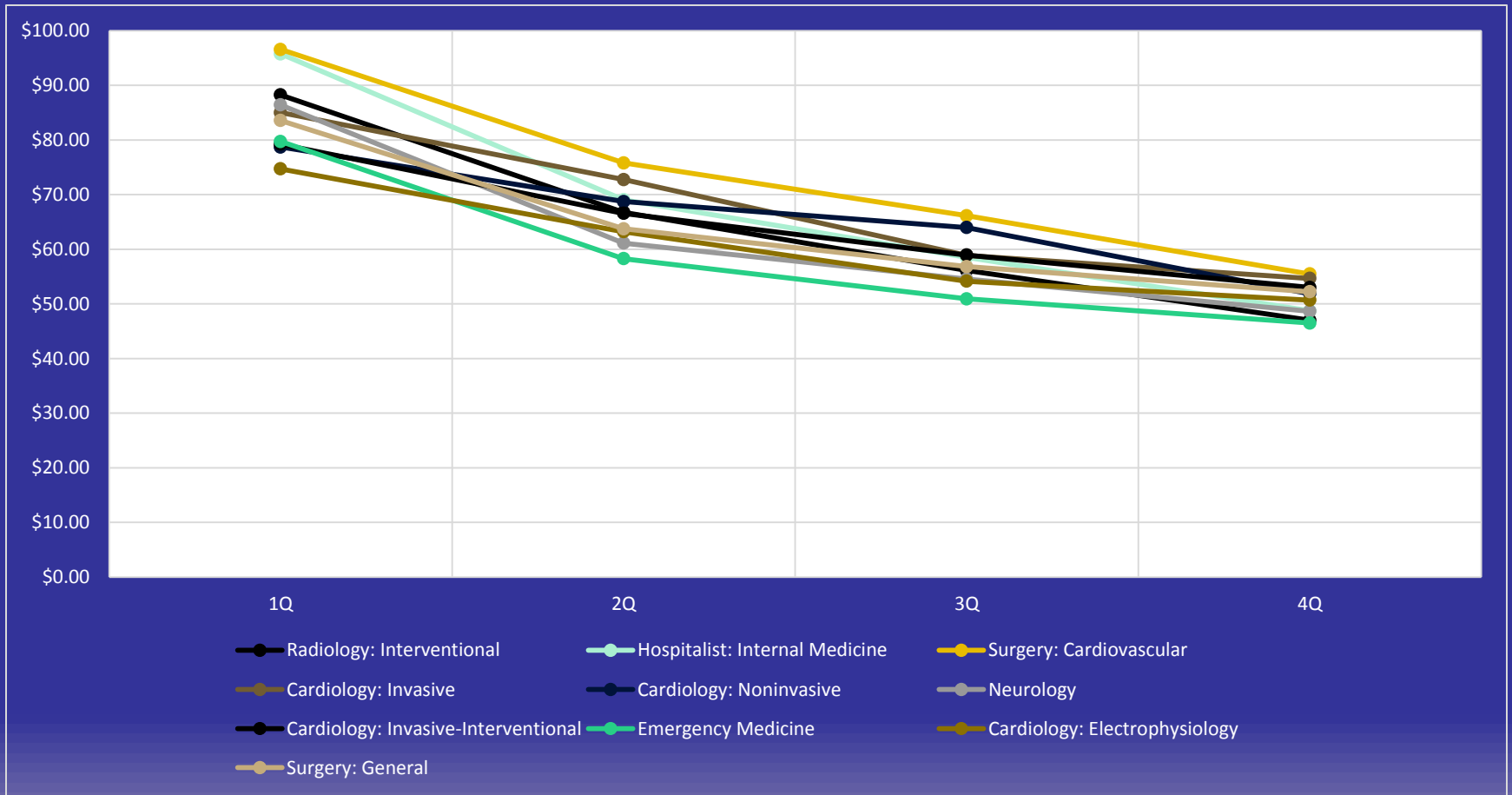
- “Stacking” issues
- Productivity v. production compensation
  - Shouldn't my 90<sup>th</sup> P producer should earn 90<sup>th</sup> P comp per wRVU?
- Shouldn't quality pay be added on top of FMV comp?
- Doesn't the \_\_\_\_\_ survey really set the market?
- Opportunity cost
- Annual inflation factors

# Impact of Stacking

## Stacking Effect on Compensation per WRVU



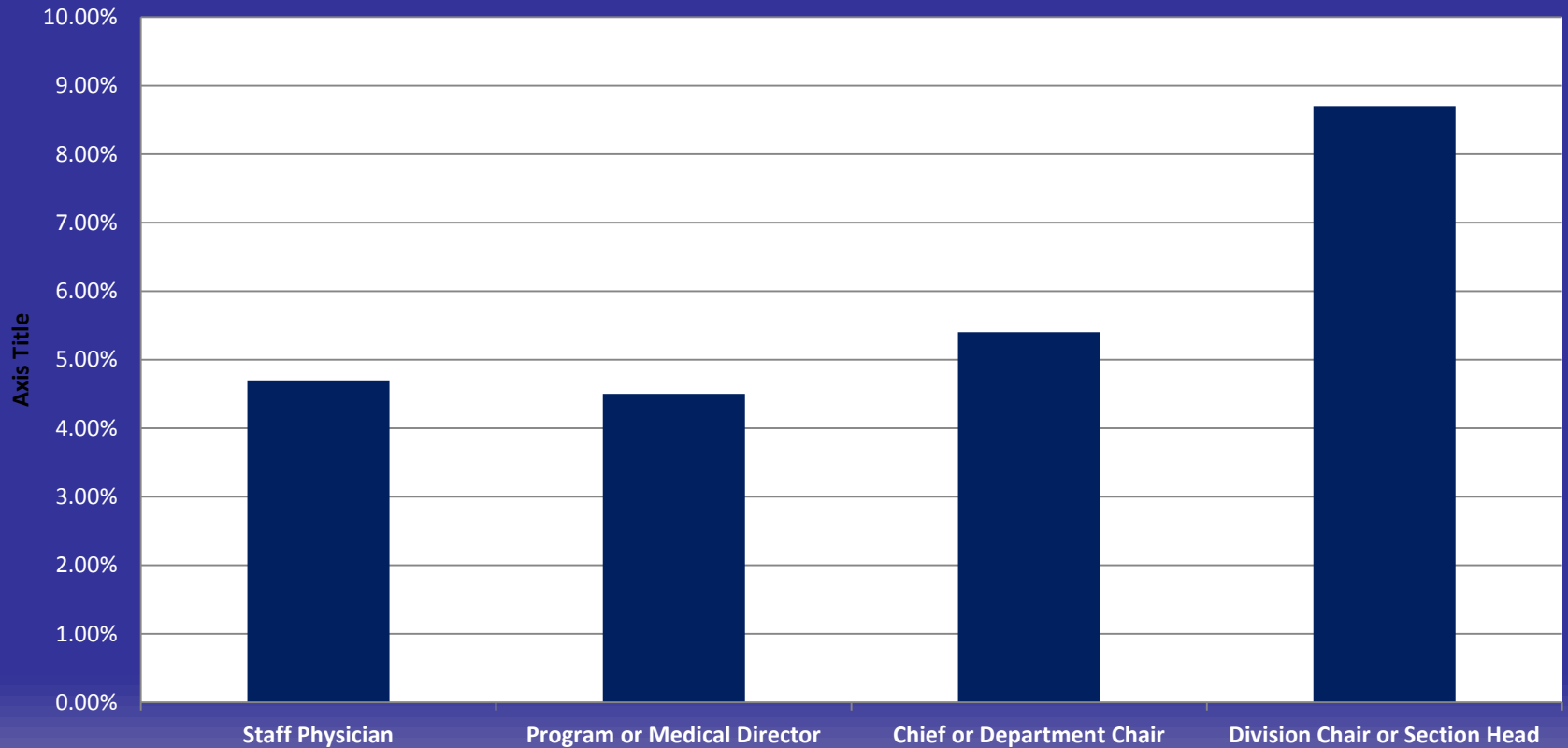
# Comp/wRVU vs Production



Data extracted from *MGMA 2015 Physician Compensation and Production Report*

# Quality Compensation

## Median Quality Incentives (% of TCC)



Data from Sullivan Cotter & Associates' *2015 Physician Compensation and Productivity Survey Report*

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