HealthValueGroup

Identifying *Fair Market Value* in the healthcare space

# 2020

# Physician Compensation & Recruiting Report

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Each year, the HVG staff reviews a multitude of market data from news reports and research reports published by various organizations like Merritt Hawkins, The Medicus Firm, Medscape and Doximity. We have compiled a summary of findings to reveal the current state of physician compensation and the recruiting environment in the US. We've also included a discussion on the updated Stark Law and Anti-Kickback Statute and the responsible use of compensation survey data.

## Providers in High Demand

- Primary care physicians, such as family physicians and internal medicine were the most requested searches at Merritt Hawkins and The Medicus Firm.
- Psychiatrists ranked third on the list of most requested searches.
- Searches for nurse practitioners (NP) and physician assistants (PA) ranked second on the list of most requested searches.


- Searches for NP and PAs increased more than 50%.

## Covid-19 Impact

- Front line physicians such as critical care, emergency medicine, pulmonologists and infectious disease specialist were in high demand in the second half of 2020. This demand is expected to increase as a result of the COVID-19.
- Physician searches declined nearly 30% since the COVID-19 pandemic began.
- Physician practice revenue declined approximately 55%.
- Patient volume declined approximately 60%.
- 9% of physicians reported closing their practice.
- Remote patient care increased 225%.
- Cancelled elective procedures resulted in pay cuts and furloughed providers.
- More than 60% of physicians surveyed reported their burnout had gotten more intense during COVID-19.


- In one survey, 25% of physicians reported seeing a 50% drop in their income.
- Per Medscape.com, 27% of physicians experienced a pay-cut or furloughed during the pandemic.
- On average, specialists earn 42% more than primary care physicians.
- During the pandemic, compensation for the following specialties increased between 4% to 5%: oncology, emergency medicine, genetics, geriatrics physical therapy, medicine and vascular surgery.
- About half-way through the pandemic, annual pay increases for primary care declined to 2.5%, versus 4% in the prior year.

## Compensation Trends

- The average starting salary for a family practitioner is about $240,000.
- Family medicine physicians experienced the highest increase in signing bonuses, which was nearly 15%.
- Average signing bonuses for all physicians was approximately $30,000, while the largest signing bonus was $200,000 as reported by Merritt Hawkins.
- The average starting salary for a physician assistant (PA) is around $110,500.
- The average starting salary for nurse practitioner (NP) is around $128,000.
- The average signing bonus for midlevel providers is approximately $8,500 and ranged as high as $35,000.
- A new survey published by the law firm Faegre Drinker revealed on average, median compensation was 10%–15% higher, work relative value unit (wRVU) productivity was 20%–25% lower, and median total compensation per wRVU was 40%–50% higher in midwest rural hospitals than was reported in the most recent national physician compensation surveys.

## Value-Based Arrangements

- On November 20, 2020, as part of the Regulatory Sprint to Coordinated Care initiative by the U.S. Department of Health and Human Services ("HHS") to remove regulatory barriers to care coordination, HHS agencies, the Office of Inspector General ("OIG") and the Centers for Medicare & Medicaid Services ("CMS"), issued final rules. Among other things, the final rule established new exceptions under the Stark Law and new safe harbors under the AKS for certain value-based compensation arrangements.
- The final rules allow greater flexibility for value-based compensation arrangements. However, the newly crafted exceptions and safe harbors are often narrowly tailored. Health care providers must carefully evaluate the detailed requirements of the exceptions and safe harbors to fully comply with these final rules.

## Physician Compensation Surveys - Best Practices

Many hospitals, physician groups, and consultants use physician compensation survey data from companies like MGMA, Sullivan Cotter and AMGA as a proxy to establish compensation for its employed physicians. However, special care must be taken in applying and utilizing this data or you run the risk of developing an arrangement that doesn't meet fair market value. Here are a few best practices that healthcare facilities should consider:

- Don't assume the median or 25th percentile benchmark is a safe and conservative indication of fair market value compensation. It's paramount to consider the physician's productivity in terms of wRVUs, professional collections as well as the services provided and experience.
- Don't assume the 90th percentile compensation is not FMV. In the Stark Final Rule, CMS confirms that health care organizations may find it necessary to pay amounts that exceed typical ranges in the salary surveys if there is a compelling need for a physician's services.

**FMV = 90th PERCENTILE?**

  - After all, the survey participants reported the data and we have no reason to believe it is not accurate or untruthful. However, it's also worth noting that there is no assurance that the actual compensation being paid to the physician-respondent is consistent with FMV.
  - CMS noted that each compensation arrangement is different and must be evaluated based on its unique factors. So, be sure to thoroughly support the compensations that are pushing the upper bounds.
- Be careful when structuring an entire compensation plan on a $-per-wRVU basis. Once the total cash compensation exceeds the median benchmark, the compensation will exceed the corresponding benchmark productivity figure and you risk being non-FMV compliant. The $-per-wRVU compensation structure works best as a productivity bonus and when the total productivity is less than the median benchmark.
- Thoroughly understand the meaning behind the data points in the surveys. If you blend or analyze the myriad of metrics without understanding how the data is compiled and what it represents, the conclusions could be misleading.

- Size matters…sample size that is. Certain specialties in some of the surveys have a very small number of respondents (i.e. sample size). The larger the sample size the more representative the data is of the group. When using multiple data points, consider applying a weighted average based on the sample size.
- Don't rely on just one survey or a single data point. Incorporate other similar groups or categories and/or regional data. Compute and analyze the median, average and upper and lower bounds. Refer to more than one salary survey. Analyze multiple forms of productivity, namely wRVUs, professional collections, number of procedures, office visits, etc. Have a logical methodology how you arrive at your conclusion.
- Apply a consistent compensation model across all specialties within a facility. CMS confirmed again in the Final Rule that it will accept a range of methods for determining FMV and that the appropriate method will depend on the nature of the transaction and other factors.
- Consider hiring an outside appraiser. Although CMS stated again in the revised Stark Law that parties do not need to obtain an independent appraisal to document FMV for every arrangement. It's HGV's opinion that compensation arrangements that are at or above the 75th percentile should be support by an independent appraisal.

I believe we can reasonably infer that CMS implied that compensations which deviate from the traditional "safe zone" of the published survey data can be permissible and not necessarily violate the Stark Law, so long as the compensation is adequately supported.

Contact HealthValue Group for assistance in developing a proper fair market value compensation.

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