HVG's 2021 Physician & APP Compensation and Recruiting Report

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HealthValueGroup
Identifying *FMV* in the healthcare space

Each year, HVG reviews market intelligence from a variety industry news sources, recruiting reports and surveys published by organizations like Merritt Hawkins[1] (MH), The Medicus Firm[2] (TMF), Medscape and Doximity. We've compiled a summary of findings to reveal the current state of the healthcare provider compensation and recruiting environment in the US. We've also included a short discussion on the 2021 CMS MPFS and its impact on physician compensation.

Executive Summary

Physician compensation and recruiting in 2020 was definitely an aberrant year. As a result of the COVID-19 pandemic, many physicians temporarily closed their practices and hospitals furloughed medical staff. However, many medical practices kept their heads above water by re-negotiating leases and relying on the Paycheck Protection Program (PPP) subsidy. Although a small percentage of physicians experienced a decline in income, over 90% attribute it to seeing fewer patients and working fewer hours, all related to the COVID-19 pandemic. Many hospitals and private medical practices experienced steep declines in billings, primarily related to the large wave of delayed or canceled elective medical procedures and treatments.

The report serves as a snap-shop of some compensation trends for physicians and APPs[3] and recruiting incentive patters. most requested placements/searches, incentives, disparities and other compensation trends,

Rising Stars – APPs

- For the first time in 27 years, APPs ranked number #1 on MH's list of most requested searches at Merritt Hawkins (MH), the nation's top healthcare staffing and search firm.
- 18% of MH searches were for APPs.
- Over 46% of TMF's APP placements offered signing bonuses.
- The average APP signing bonus in 2020 was a little more than $9,000. The highest signing bonus was, on average $37,500.
- Most APP placements (> 70%) were for nurse practitioners (NPs).
- Strangely, signing bonuses for APPs has steadily declined from a high of $11,944 in 2018 to only $7,233 in 2020 as reported by MH.
- Average starting salary for NPs increased 12% year-over-year in 2020 from $125,000 to $140,000.
- Average starting salary for physician assistants (PAs) increased 14% year-over-year in 2020 from $112,000 to $128,000.
- 46% of PAs reported their income increased in 2020.
- Studies show that hourly paid CRNAs earn about $203,000 versus salaried CRNAs who make about $192,000 per year.
- According to a 2020 Medscape salary survey, CRNAs continue to claim the top spot for the highest paid APPs.

There is forecasted to be a physician shortage of approximately 100,000 physicians by 2033, and many healthcare organizations are utilizing APPs to fill the gaps.

[1]MH is one of the nation's largest and well known physician recruiting and staffing firms.
[2]The Medicus Firm is a medical staffing and physician recruiting firm with offices in Atlanta and Dallas.
[3]Includes Nurse Practitioners (NP), Physician Assistants (PA) & Certified Registered Nurse Anesthetist (CRNA).

Provider Recruiting Trends

- Less than 4% of MH's search assignments were related to solo practices or partnerships, signaling the continued decline in private physician practices.

MH's top 5 most requested searches:
1. Nurse Practitioners
2. Family Medicine
3. Radiology
4. Psychiatry
5. Internal Medicine

TMF's top 5 most requested searches:
1. Family Medicine
2. Internal Medicine
3. Obstetrics & Gynecology
4. Gastroenterology
5. Cardiology

Search requests for family medicine physicians declined nearly 37% in 2020.

- Over 60% of TMF's physician placements were for primary care or surgical specialties.
- Still, most physician searches and placements are for hospitals or group practices.
- Approximately 67% of MH's placements were in communities with a population of more than 100K.
- Over 44% of TMF's physician placements were in communities with a population of between 25K and 200K.
- Psychiatrists placed fourth on the list of most requested search engagements, signaling a continued strong demand for mental health professionals that is likely to be accelerated by COVID-19.

The Carrot

- 70% of physician placements offered signing bonuses, according to Medscape.
- The average physician signing bonus in 2020 was a little more than $32,000, while the highest signing bonus was, on average, $230,000.
- According to Medscape; 56% of physicians have an incentive bonus which is still based primarily on wRVUs.
- Overall, physicians earn about 2/3 of their potential bonus pay.
- Family medicine physicians' average signing bonus was $30,000, a decline of 25% from the prior year.
- According to Medscape, the average incentive bonus for PCPs was $27,000.
- According to Medscape, physician's average incentive bonus equaled 15% of total pay.
- As a result of reduced wRVUs in 2020, 26% of healthcare organizations paid physician incentives based on a pre-Covid baseline wRVU.

Miscellaneous Earning Trends

Average income of all physician types changed only slightly from 2019 to 2020.

- Several specialties experienced an uptick in pay in 2020;
  - Plastic Surgery
  - Oncology
  - Cardiology
  - Rheumatology.
- According to Medscape, the top five highest earning specialties saw no change in their compensation except urology, which increased only 2.3%.
- The average starting salary for NPs was between $119,000 and $140,000.
- The average starting salary for PAs was between $121,500 and $130,000.
- **Top 5 highest earners according to Doximity;**

1. Neurosurgery $747K
2. Thoracic Surgery $668K
3. Orthopedic Surgery $605K
4. Plastic Surgery $539K
5. Oral & Maxillofacial Surgery $539K

Medscape's top five highest paid physicians were (un-changed from last year):

1. Plastic Surgery $526K
2. Orthopedics & Orthopedic surgery $511K
3. Cardiology $459K
4. Urology $427K
5. Otolaryngology $417K

- Average total compensation for a PA was $126K.
- Specialists earn 42% more than PCPs.
- Self-employed physicians earn 17% more than employed physicians.
- Not surprisingly, only 44% of infectious disease specialist feel fairly compensated versus 79% of oncologists (the highest).
- Family physicians, on average, showed no remarkable gain or loss in compensation in 2020.
- NPs in the Pacific region were the highest paid versus NPs in the East South Central region (Kentucky, Tennessee, Mississippi, and Alabama) which were the lowest paid at around $98,000.
- NPs who work in hospital in-patient care earned the highest salary ($122,000 on average), followed by hospital outpatient or clinics ($115,000).

COVID Impact

- The specialties which experienced the largest negative impact to compensation were surgical specialists, pediatric specialists and adult primary care.
- According to Medscape, physicians are reporting[3] the same hours and seeing about the same volume of patients as compared to pre-COVID.
- 46% of physicians report having no permanent reduction in patient volume.

Surprisingly, 45% of physician reported no financial or practice-related effects related to COVID.

- Those physicians who suffered a reduction in hours, more than half of the PCP and two-thirds of specialists claim their hours have been restored to normal[4].
- Family physicians who saw a decline in income and starting salaries attributed the decline to COVID related issues such as:
  - lay-offs;
  - reduction in hours; and
  - reduction in encounters.
- According to Medscape's report, 45% of family practitioners believe it will take 2-3 years before their income rebounds to pre-COVID levels.
- About 20% of APPs said they worked less in 2020 due to COVID-19. Twelve percent said they retired earlier than originally planned due to the pandemic, while 5% were laid off or fired in the past year.

[3]As of early 2021
[4]Ibid

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Gender Pay Gap

- Among specialists, men earn 33% more than women.
- Among PCP, men earn 27% more than women.
- According to MGMA, women earn 81% of what men earn in healthcare.
- According to Doximity; the average pay gap between men and women is 28%.
- The metro areas where female physicians were paid the highest:
  1. Milwaukee, WI $363,717
  2. Minneapolis, MN $354,160
  3. Jacksonville, FL $350,418
  4. Birmingham, AL $334,327
  5. Cincinnati, OH $334,208
- According to the Medscape report, male CRNAs eared 15% more in gross income than their female counterparts.

Medicare Physician Fee Schedule Impact

The Medicare Physician Fee Schedule (MPFS) determines relative value units and allowable payment amounts for all active Current Procedural Terminology Codes (CPTs) that can be billed by providers.

In December of 2020 the Centers for Medicare and Medicaid Services (CMS) published the final 2021 MPFS that contained exceptionally large changes to RVU and payment values. For many specialties, the changes resulted in higher wRVU production values for the same service as compared to historic levels. While there were many substantial changes, two items that had major impact to provider compensation are the following:

- Substantial increases to wRVU values for new and established office visit codes. For physicians whose compensation plans that are tied purely to wRVU production this could raise a physician's total compensation to a level that exceeds fair market value, particularly for family practice physicians.
- However, to maintain budget neutrality, the RVU conversion factor utilized to determine the approved payments to providers for services rendered was decreased at a proportional level from $36.08 to $34.89.

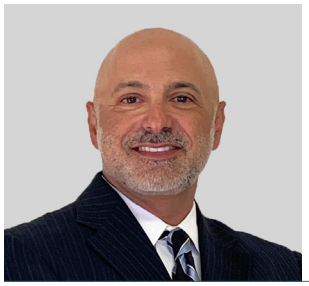
When compensation is based purely on wRVU productivity, there is a corresponding increase to compensation. Because of the decreases to the CMS per RVU conversion factor, there is not a corresponding increase to organizational revenue.

Survey Says...

As a result of reduced volumes and provider productivity during the COVID-19 pandemic the 2021 surveys (based on 2020 data) are reporting artificially high compensation-per-wRVU compensation metrics.

When looking at trending wRVU data from Medical Group Management Association (MGMA), we observe median wRVU values decreasing in the range of 11% to 15% for most specialties when comparing 2019 data to 2020 data. Plus, physician compensations changed very little during 2020.

According to American Medical Group Association (AMGA), provider compensation remained steady during COVID while productivity decreased. Median annual visits per provider declined in 2020, but median provider salary and benefits expense as a percent of net revenue rose from 72% to 85%.



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