

Compensation 2013: Evolving Models, Emerging Approaches

Results from the AMGA 2013 Medical Group Compensation and Financial Survey

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Findings from the 26th annual AMGA survey indicate that medical groups and other organized systems of care are beginning to adapt compensation practices to accommodate changes in the way health care is delivered and reimbursed. As full implementation of healthcare reform approaches, organizations are taking gradual steps to redesign compensation, with a shift from productivity-based to performance-based compensation plans. This article offers insights gleaned from the survey data, highlights shifts in certain specialties, and examines how increasing demand and changing reimbursement affects compensation.

For the past 26 years, the American Medical Group Association (AMGA) and the compensation consulting firm of Sullivan, Cotter and Associates, Inc. (SullivanCotter) have produced an annual Medical Group Compensation and Financial Survey. Its goal is to provide objective, comprehensive data on provider compensation and its influencing factors so that medical groups can better understand the most significant compensation trends and the financial benchmarks driving those trends. The survey is designed to identify key shifts and emerging issues to assist medical groups in making informed decisions about their own compensation plans.

About the 2013 Survey

SullivanCotter distributed the survey to medical groups across the country in January 2013 and received valid responses from 280 medical groups representing approximately 67,900 providers. Results encompass 134 physician specialties, 29 other provider specialties, and 36 executive and director administrative positions.

As full implementation of healthcare reform approaches, organizations are shifting to performance-based plans.

In addition to compensation, the full report covers additional topics, such as group demographics, fringe benefits, staffing, patient visits, and financial indicators. Specialty data are organized by region and group size. A separate summary addresses compensation and productivity within the special circumstances of academic medical centers.¹

General Findings

As full implementation of healthcare reform approaches, organizations are taking gradual steps to redesign compensation plans. While growing physician demand continues to necessitate compensation increases in many specialties, changing reimbursement requires a shift in methodology from productivity-based to performance-based compensation plans. As these changes evolve, organizations are implementing only moderate changes to current compensation levels. In 2013, survey participants reported compensation increases in 61% of specialties. While this figure may appear substantial, it is significantly lower than the increases reported in 2012 (79% of specialties), and the overall weighted average increase of approximately 1.6% lags behind the inflation index of 1.8%.

This 1.6% increase was the smallest reported in recent years down from 2.8 % in 2012, 2.4 % in 2011, and 3.5 % in 2010.

Survey respondents reported compensation decreases in 39% of specialties. This statistic is unusually high. Specialties with some of the highest decreases are shown in Table 1.

Not surprisingly, primary care specialties—family medicine, internal medicine, and general pediatrics—once again led the specialties reporting increases this year. Though increases for these specialties, at 2.8%, were somewhat lower this year compared to the recent past, the trend reflects changes in work Relative Value Units (wRVUs) values and reimbursement policies aimed at narrowing the compensation gap between primary care and other medical and surgical specialties. The weighted average increase for medical specialties was 1.5%, and surgical specialties increased 1.6%. The lowest weighted average increase was 1.4% for hospital-based specialties such as anesthesiology, radiology, and pathology.

Compensation findings tell only part of the story. The compensation and financial survey also tracks changes in wRVUs, most typically used to measure physician productivity. In 2013, the overall weighted average wRVU increased by approximately 1.0% over 2012. This increase aligns with the 1.6% overall increases in compensation, indicating that, for the most part, increases were commensurate with work effort this year.

The weighted average increase in primary care wRVUs was 1.6%. Medical specialty wRVUs increased by 2.1%, which is somewhat higher than this category's 1.5% increase in compensation. Work RVUs also outpaced compensation in surgical specialties, which

TABLE 1
Specialties with Large Compensation Decreases from 2012 Survey

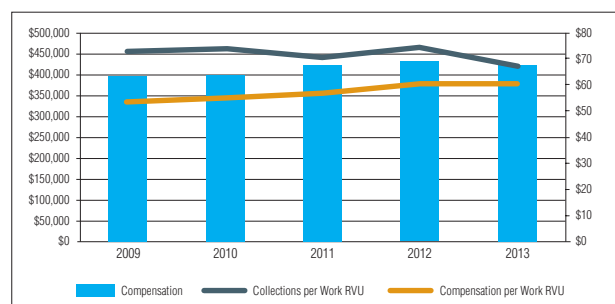
Specialty Name	Median	% Change from 2012
Pediatrics & Adolescent - Intensive Care	\$259,989	-13.78%
Orthopedic Surgery - Pediatrics	\$465,406	-8.57%
Emergency Medicine - Pediatrics	\$229,302	-7.49%
Colon & Rectal Surgery	\$377,567	-6.77%
Pediatrics & Adolescent - Gastroenterology	\$245,191	-6.75%

TABLE 2
Summary of the 2013 AMGA Medical Group Compensation and Financial Survey

Specialty Name	Compensation		Work RVUs		Compensation per Work RVU		Net Collections		Compensation to Net Collections	
	Median	% Change from 2012	Median	% Change from 2012	Median	% Change from 2012	Median	% Change from 2012	Median	% Change from 2012
Cardiology	\$420,991	-2.2%	7,150	3.1%	\$59.81	0.2%	\$546,389	-5.2%	86.6%	8.3%
Dermatology	\$411,499	3.6%	7,389	1.5%	\$57.82	1.2%	\$953,342	8.6%	48.2%	-4.7%
Family Medicine	\$223,810	2.0%	5,010	2.5%	\$42.52	-1.0%	\$440,651	2.9%	50.4%	1.2%
Gastroenterology	\$432,616	-0.6%	7,947	-0.6%	\$57.15	1.7%	\$746,861	-4.0%	64.8%	5.4%
Hematology & Medical Oncology	\$350,268	0.6%	4,630	5.4%	\$82.89	-1.5%	\$336,965	-4.5%	108.5%	1.2%
Hospitalist - Internal Medicine	\$241,250	2.0%	4,013	-0.2%	\$58.68	0.5%	\$207,768	-1.9%	115.7%	2.7%
Internal Medicine	\$226,833	1.1%	4,723	0.1%	\$47.47	0.8%	\$410,976	0.7%	56.7%	1.6%
Neurology	\$255,004	2.3%	4,790	1.6%	\$53.61	3.0%	\$383,833	-3.0%	67.6%	2.6%
Pediatrics- General	\$222,827	1.0%	5,425	6.1%	\$41.01	-2.6%	\$503,707	8.0%	45.3%	-3.9%
Urgent Care	\$239,733	-1.0%	5,271	1.0%	\$44.78	3.6%	\$533,962	7.8%	45.5%	-3.5%
Anesthesiology *	\$394,734	4.6%	11,095	-2.8%	\$33.32	8.2%	\$490,692	7.1%	75.4%	-3.0%
Emergency Medicine	\$301,000	1.2%	7,216	2.0%	\$43.36	2.9%	\$324,380	-5.0%	93.9%	6.6%
General Surgery	\$373,478	0.9%	6,942	-1.2%	\$54.70	1.3%	\$586,061	-1.9%	67.1%	3.8%
OB/GYN - General	\$312,541	3.0%	6,706	3.6%	\$46.94	1.3%	\$633,558	-2.8%	50.6%	5.0%
Neurological Surgery	\$686,120	4.6%	9,493	2.5%	\$71.81	2.5%	\$839,685	12.3%	79.0%	1.4%
Orthopedic Surgery	\$525,000	1.8%	7,886	-1.7%	\$66.63	3.4%	\$874,626	4.6%	62.4%	4.5%
Plastic & Reconstruction	\$408,767	-0.2%	6,792	1.6%	\$64.17	4.9%	\$802,532	2.3%	52.7%	-5.7%
Urology	\$424,603	2.2%	7,317	-1.9%	\$57.05	0.8%	\$760,689	-3.8%	59.4%	5.3%
Radiology (Non-Interventional)	\$453,216	-1.3%	7,892	6.3%	\$58.53	-3.5%	\$654,634	2.3%	66.1%	-4.7%
Pathology	\$354,054	-2.6%	7,880	5.8%	\$47.23	-9.6%	\$598,034	-3.3%	59.2%	-0.1%

* For Anesthesiology, ASA units are reported

FIGURE 1
Compensation and Work RVU Ratio Trends 2009 - 2013: Cardiology



increased by 1.2%, and hospital-based specialties, which increased by 2.5%.

A common measure in compensation plans and fair market value studies is the ratio of compensation to wRVU. The overall weighted average wRVU increase was 1.0%. Weighted average increases for primary care, medical specialties, and surgical specialties were 0.3%, 1.2%, and 0.9% respectively. For hospital specialties, findings show a modest increase of 0.5%. These moderate increases seem to indicate that organizations are holding steady in their productivity-

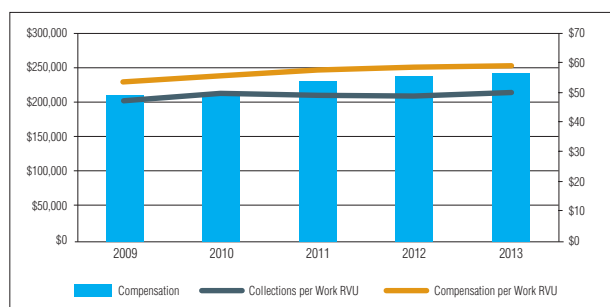
TABLE 3
Cardiology General Profile

Data	Median	Four-Year Average Change
Compensation	\$420,991	1.4%
Work RVUs	7,150	0.0%
Comp per Work RVU	\$59.81	3.0%
Net Collections	\$546,389	-4.1%
Comp to Net Collections	86.6%	7.0%
Collections per RVU	\$66.85	-2.0%
Fringe Benefits	15.4%	
Staffing per Physician Ratio		
APCs	0.23	
Nursing	0.82	

based plans while determining when and how much compensation will eventually evolve into performance-based incentives.

Net collections, remaining fairly flat overall, tell a similar story. The overall weighted average increase was 1.4%. Primary care net collections increased by an average of 1.9%, medical specialties increased by 2.2%, surgical specialties increased by 1.1%, and

FIGURE 2
Compensation and Work RVU Ratio Trends 2009 - 2013: Hospitalist



hospital-based specialties increased by 3.9%.

Table 2 provides an overview of the 2013 survey results compared with 2012.

Specialty Highlights

Cardiology

Our findings show a median compensation decrease of 2.2% for Cardiology this year. Compensation per wRVU remained flat with a 0.2% increase. In 2012, we noted a trend of escalating compensation, which was likely the result of cardiology practice acquisitions in which physicians received guaranteed levels of compensation. This year's figures indicate that this trend may be leveling off. Compensation levels may be starting to reflect the continuing decline in net collections. From 2012 to 2013, net collections decreased by 5.0%. From 2011 to 2012, net collections decreased by nearly 8.0%. When trending the compensation per wRVU and collections per wRVU rate from 2009 to 2013, we see that over time, the gap between those rates has been decreasing. Compensation per wRVU may even cross over in the not too distant future. This may be another factor indicating cardiology compensation is beginning to flatten.

Hospitalist

Our sample size for this specialty has increased by 42% in the past two years. In 2013, survey participants reported data on 3,057 Hospitalists, up from 2,584 in 2012 and 2,152 in 2011. Within this specialty category, several subspecialties are surfacing. Since 2010, we have seen the emergence of Hospitalist in the Internal Medicine, Family Medicine, and Nocturnist specialties. As this field continues to evolve, we expect to see additional subspecialties, such as Laborists and Surgical Specialty Hospitalists.

TABLE 4
Hospitalist General Profile

Data	Median	Four-Year Average Change
Compensation	\$241,250	3.3%
Work RVUs	4,013	0.2%
Comp per Work RVU	\$58.68	2.5%
Net Collections	\$207,768	1.2%
Comp to Net Collections	115.7%	1.4%
Collections per RVU	\$50.31	1.6%
Fringe Benefits	20.0%	
Staffing per Physician Ratio		
APCs	0.28	

Internal Medicine

Compensation in this field continues to increase at a higher rate than most specialties, though the 2013 median was unexpectedly flat. This statistic likely represents a momentary pause following several years of healthy increases. In the near-term, a number of environmental factors will increase demand for this specialty:

- Healthcare reform will expand the need for an increase in access.
- An aging population will create a greater need for primary care services.
- The population of physicians is marginally increasing and aging.

Given these factors, compensation is expected to continue its rise in the future as the demand for Internal Medicine physicians remains greater than the supply.

Orthopedic Surgery

Compensation for this specialty is historically healthy; however, results were somewhat flat for 2013. In 2012, we predicted a 2.0% decrease in RVUs because the Centers for Medicare and Medicaid Services (CMS) lowered CPT code values for certain orthopedic surgery procedures, including some knee and shoulder procedures. The actual decrease in wRVUs for 2013 was 1.7%.

Compensation Plans

In a recent survey of SullivanCotter clients, 80% of groups indicated that they would be significantly changing their physician compensation plans in the next two years. Although we foresee a great deal of change in the coming years, as groups begin to replace productivity-based plans with components such as quality of care and total cost of care incentives, the

FIGURE 3
Compensation and Work RVU Ratio Trends 2009-2013:
Internal Medicine

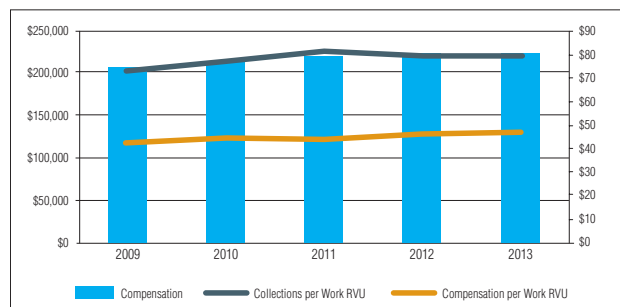


FIGURE 4
Compensation and Work RVU Ratio Trends 2009-2013:
Orthopedic Surgery

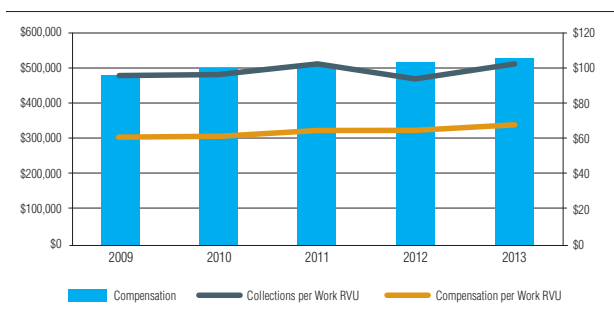


TABLE 7
Compensation Plan Components for Primary Care Specialties
(n = 144)

Component	Overall % Using Component	Average % of Compensation
Work RVUs	67%	75%
Other Productivity Measures (Gross Production, Net Collections, Cost Accounting)	30%	76%
Incentives (Quality, Financial, Discretionary)	49%	12%
Base Salary	33%	52%

pace of change has been slow. The inclusion of quality, financial, and discretionary incentives is an emerging trend. Survey results indicate that, as reimbursement is reduced or tied more closely to outcomes, more emphasis will be placed on effectiveness of care across the continuum. This emphasis will be on the total cost of care rather than encounters.

Table 7 shows the percentage of groups using wRVUs, other productivity measures, incentives, and base salary components in their primary care compensation plans along with the average percentage

TABLE 5
Internal Medicine Profile

Data	Median	Four-Year Average Change
Compensation	\$226,833	2.5%
Work RVUs	4,723	0.0%
Comp per Work RVU	\$47.47	2.7%
Net Collections	\$410,976	2.2%
Comp to Net Collections	56.7%	1.3%
Collections per RVU	\$80.32	2.5%
Fringe Benefits	20.0%	
Staffing per Physician Ratio		
APCs	0.25	
Nursing	0.84	

TABLE 6
Orthopedic Surgery General Profile

Data	Median	Four-Year Average Change
Compensation	\$525,000	2.5%
Work RVUs	7,886	-0.2%
Comp per Work RVU	\$66.63	2.8%
Net Collections	\$874,626	1.1%
Comp to Net Collections	62.4%	1.2%
Collections per RVU	\$101.80	1.8%
Fringe Benefits	14.2%	
Staffing per Physician Ratio		
APCs	0.43	
Nursing	0.96	

of compensation that is tied to the corresponding component. Productivity-based plans continue their prevalence. The 2013 survey results indicate that wRVUs remain the primary productivity measure for compensation plans. The use of performance-based incentives, however, increased by 7.0% from 2012; the average percentage of compensation determined by incentives is approximately 12%.

As groups continue to align compensation with strategic goals, it is likely that a higher proportion of compensation will be subject to quality outcomes. Such incentives might be structured to reward goal achievement in areas such as patient satisfaction, chronic disease management, immunization, generic drug prescriptions, access, and team-based care.

The survey also indicated that compensation is increasingly being linked to financial performance. Plan components include shared savings initiatives from ACOs and compensation determined by individual or overall group financial performance.

Summary

The results of the 2013 survey indicate that group practices are slowly but steadily reacting to the changing healthcare environment. Modest changes in compensation could indicate the “calm before the storm” as physician groups across the country engage in compensation redesign planning. These new structures will evolve as changing reimbursement policies become clearer. In the near future, and until these policies are better defined, definitive compensation changes and/or large increases are not expected.

References

1. For more information or to purchase the *AMGA 2013 Medical Group Compensation and Financial Survey*, visit www.amga.org.

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