

Hospital Review

Employed Physician Compensation: Two Trends and One Caveat

By Heather Punke

Physicians of all stripes have steadily moved away from private practice and into an employed model with hospitals, which has had a major effect on physician compensation models, according to Jim Carr, a partner with HealthCare Appraisers.

“The wave of employment,” as Mr. Carr called it during the Becker’s Hospital Review 6th Annual Meeting May 8 in Chicago, along with other changes in the industry, have meant that the way physicians are compensated is in flux.

He highlighted several recent trends in physician compensation, including the following two:

1. Asking for pay for previously uncompensated activities. “Far and away” physicians are still being compensated for productivity, with RVU-based compensation. However, as physicians are increasingly being asked to do activities that take away from their productivity, they are also asking to be paid for those activities. Examples include “windshield time” of

driving to outreach clinics, overseeing residents or supervising midlevel providers.

2. Being paid based on quality. Quality typically represents about 5 percent to 20 percent of a physician’s total income, with 10 percent being the most common percentage, according to Mr. Carr. However, there is a “wide variation in terms of how quality is measured” by physician employers. In fact, Mr. Carr called defining quality the “most difficult thing” associated with this payment model. Right now, he sees quality payments being tied to patient satisfaction scores, patient outcomes and citizenship.

Beyond those two main trends, Mr. Carr mentioned one lawsuit in particular that could have a big effect on the future of how physicians are compensated that hospital and health system leaders need to be aware of: a settlement made by Victoria, Texas-based Citizens Medical Center. In April, the hospital agreed to pay the federal government \$21.75 million to settle allegations that it violated the False

Claims Act and Stark Law.

According to Mr. Carr, there were several compensation arrangements under scrutiny in that case, but one involving employed cardiologists was of particular interest. The hospital had made commentary that the employed cardiologists in question were making below median compensation, not above the established fair market value. However, the district court in the case indicated that even though they were being compensated below the median, the money represented a “sizable increase” over what they would have made in private practice.

“That really made my antenna go up,” he said, since many people believe that an arrangement will be OK if the pay is below the median. “This was really the first example I’ve seen where they really honed in on that and looked at the income relative to what the physician’s income was in private practice,” Mr. Carr said. “It’s something we’re going to hear more about.” ■