Family Physician Compensation and Employment Contracts

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AMERICAN ACADEMY OF FAMILY PHYSICIANS

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Travis Singleton has more than 18 years of health care consulting experience and is a nationally recognized health care staffing leader. In his current role with Merritt Hawkins, the nation's leading physician and allied health search and consulting firm, he oversees the strategic marketing operations and maintains corporate-level industry contacts. Singleton consults with hospitals and medical groups about their physician and allied health staffing needs, population health management issues, demographic and health care trends, compensation, compliance, and other related issues. His insights have appeared in numerous publications, including *The Wall Street Journal*, *The New York Times*, *HealthLeaders Media Magazine*, *USA Today*, *Modern Healthcare*, *H&HN* (*Hospitals & Health Networks*), *Forbes*, *American Medical News*, *The New England Journal of Medicine*, and many others.

Learning Objectives

1. Identify elements that determine physician compensation
2. Apply concepts to monitor metrics that improves your value
3. Use concepts to negotiate an employment contract

Physician Compensation Drivers

From market trends
to contract specifics

Market Trends: Supply of Family Physicians vs. Demand

The Doctor Deficit

41,300 too few primary care physicians by 2030

Source: Association of American Medical Colleges, March 2017

A Recurring Theme

Family Practice – Merritt Hawkins' #1 recruited specialty for the 11th consecutive year

Multiple Sites of Service…

- Community hospitals
- Hospital systems
- ACOs
- Academic Centers
- Urgent Care Centers
- Large groups
- Retail
- Large Employers
- Insurance Companies
- Ambulatory Surgery Centers
- Military/VA Hospitals
- FQHCs

…are seeking family physicians

The New Mantra

BE EVERYWHERE, ALL THE TIME

Rising Appointment Wait Times

Average wait time for a physician appointment up 30% from 2014

Average wait time for family medicine up 50% from 2014

Source: Merritt Hawkins 2017 Wait Time Survey

Rising Appointment Wait Times

Average Family Medicine Wait Times

2014 – 19.5 days
2017 – 29.3 days

Average Wait Times, All Specialties

2014 – 18.5 days
2017 – 24.1 days

Source: Merritt Hawkins 2017 Wait Time Survey

Rising FP Appointment Wait Times

City	Average Time to Appt. (FP)
Boston	109 days
Los Angeles	42 days
Portland	39 days
Miami	28 days
Atlanta	27 days
Denver	27 days
Detroit	27 days
New York	26 days
Seattle	26 days
Houston	21 days
Philadelphia	17 days
Washington D.C.	17 days
San Diego	13 days
Dallas	12 days
Minneapolis	8 days

Source: Merritt Hawkins 2017 Wait Time Survey

Multiple Practice Styles

- Traditional Family Medicine Employment
- FP w/ OB
- Ambulatory only
- Hospitalist
- Academic
- Sports Medicine
- Administrative
- Urgent Care
- Locum Tenens
- Concierge
- Part-time

Consolidation/Employment

Hospital ownership of physician practices increased by 86% from 2012 to 2015 as hospitals acquired 31,000 physician practices

Source: Modern Healthcare, September 2016

Physician Employment

Merritt Hawkins' searches featuring hospital employment:

2004……………11%

2017……………43%

Source: Merritt Hawkins 2017 Review of Physician Recruiting Incentives

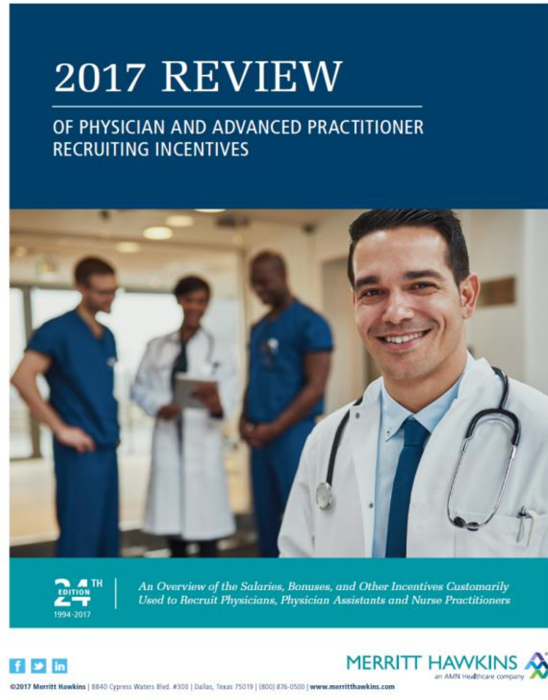
The New Paradigm

Recruiting in Bulk

30 to 40 searches instead of 3 or 4

AFTER CONSOLIDATION, CONTRACTS MUST BE ALIGNED

Contract Specifics: 2017 Review of Physician Recruiting Incentives



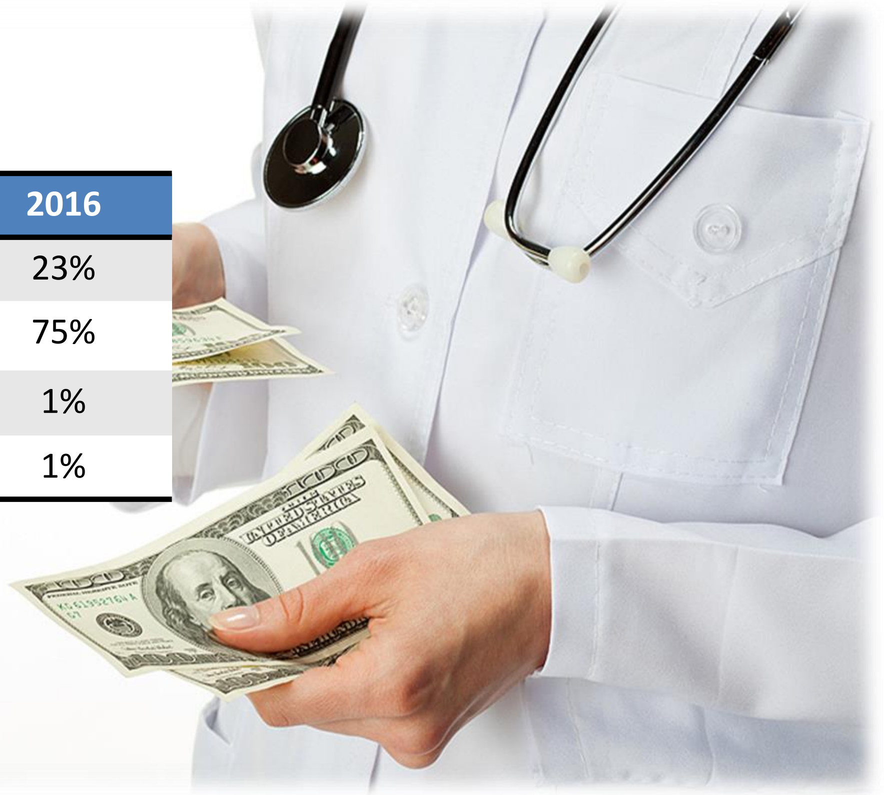
- 24th consecutive year
- 3,287 real world physician contracts
- Starting salaries, not total compensation
- Indicates what is “customary and competitive”

Average Salaries of Top Recruited Specialties by Region

	Northeast	Midwest/ Great Plains	Southeast	Southwest	West
Family Practice	$208,000	$236,000	$224,000	$242,000	$226,000

Type of Contract

	2017	2016
Salary	22%	23%
Salary with Production Bonus	72%	75%
Income Guarantee	4%	1%
Other	2%	1%



If Salary Plus Bonus, What Was Bonus Based On?

	2017	2016
RVUs	52%	58%
Net Collections	28%	22%
Gross Billings	6%	2%
Patient Encounters	14%	8%
Quality	39% (<7% in 2011)	32%
Other	9%	8%

Quality-Based Metrics

The "perpetual motion machine" of physician compensation

We must reward "quality" & "value"...

But how?

Quality Metrics

Bonuses (fixed or as a % of base) for:

- ✓ Achieving minimum average of patients per day
- ✓ Exceeding average patient satisfaction scores
- ✓ Correctly documenting charts
- ✓ Appropriate coding and billing
- ✓ Citizenship (peer review, community relations)
- ✓ Accuracy of charting/EMR input

Quality Metrics (continued)

Bonuses (fixed or as a % of base) for:

- ✓ Participation in annual quality improvement project
- ✓ Clinical process effectiveness
- ✓ Patient safety
- ✓ Population/public health
- ✓ Efficient use of resources

Percent of Physician Total Bonus Determined by Quality

2016/17	21%
2015/16	29%
2014/15	22%

Percent of Physician Total Compensation Determined by Quality

2016/17	4%
2015/16	6%
2014/15	5%

A Real World Hypothetical

Family Physician

Base salary: $231,000

Bonus achieved: $50,000

21% of bonus based on value: $10,500

Income tied to value as % of
total compensation: 3.7%

Enough to change behavior?

RVU Compensation: Understand the Formula

- What surveys or reports are being referenced for benchmarking RVU productivity and compensation per RVU?
- National figures reported as compensation per RVU are not necessarily the dollar amount rate being paid in the production bonus section of physician employment contracts.
- Is your contract a tiered model with varying compensation per RVU upon reaching multiple established thresholds?
- Is a portion of your salary “at risk” if salary if a minimum production threshold is not met?

RVU Compensation:Understand the Formula

- RBRVS vs. Physician Work RVUs (Know the difference)
- Check the physician fee schedule at CMS site. Click on the PFS Relative Value files for CPT Relative Value updates.

Relocation Allowance

	2017	2016
Yes	96%	95%
No	4%	5%
Avg. Amount: $10,072		

Signing Bonus

	2017	2016
Yes	76%	77%
No	24%	23%
Avg. Amount: $32,636		
Avg. FP Only: $20,250		

Continuing Medical Education

	2017	2016
Yes	95%	97%
No	5%	3%
Avg. Amount: $3,613		

Searches Offering to Pay Additional Benefits

	2017	2016
Health Insurance	98%	98%
Malpractice	98%	99%
Retirement	95%	96%
Disability	91%	97%
Educational Forgiveness	25%	26%
Other	<1%	<1%

Contracts: What Happens at the End of the Term? (1-3 Years is Standard)

- Straight production based on RVUs? ("eat what you treat")
- Must base salary be renegotiated?
- Pay often is based on a quarterly system – what happened with last quarter's RVUs?
- Pay can later be reconciled up or down
- When the RVU model changes, physicians get nervous.

Can you earn additional upside POTENTIAL?

- If group physicians are earning more than the base, new physicians may ask how they got there. Request transparency and review the numbers.

- Prepare an estimated pro forma, i.e. number of patients new physicians will see versus the RVU compensation model. Typically a Family Medicine physician will generate 1.3 Work RVU per patient encounter annually.

Has a physician needs assessment plan been completed?

Make sure Physician Schedules are Defined

- Unassigned ER?
- Inpatient census for the practice?
- Phone calls/prescription refills?
- No call at all?

What Are The Hours Of Operation?

- Define “normal business hours”
- 8 half days at the clinic?
- 4 days a week?
- Open Saturday?

Paid Time Off

- Sometimes it is standard, but it does vary and can be negotiated.
- 4 to 5 weeks is standard for family medicine. Note difference between “vacation” and “PTO”.

What About Partnership?

Time to partnership eligibility:

Immediate/one year........................	**36%**
Two years..	**62%**
Three years.....................................	**0%**
Four years.......................................	**0%**
Five years..	**2%**

Source: Merritt Hawkins 2014 Review of Physician Recruiting Incentives

Non-Competes

- Do you have moonlighting expectations?
  - If so, should be approved in writing by employer
- Do you have outside business interests – patents? Clinical trials? Devices? Speaking engagements?
  - Employers will stipulate such revenue is separate
- Large employers generally don't care about non-competes. If they do, their non-competes are iron-clad.

Admitting Privileges

The contract should state at which facilities physicians are required to have admitting privileges.

Physicians should not be prevented from obtaining privileges where they wish.

Causes of Termination

- 30-90 days is standard for termination without cause. Physicians should not have to stay several months or more if they are not satisfied or are uncomfortable
- Termination with cause is usually for clear offenses.
- However, physicians should be cautious if the contract states they can be terminated "for cause in certain instances at the sole discretion of the corporation."

Tail Insurance

- Big systems usually pick up tail as a matter of course.
- However, if you leave without cause during the contract period, the onus may be on you.

Questions

Resources

- https://www.aafp.org/practice-management/payment/contracts.html
- http://www.aafp.org/fpm/2016/0700/p28.html
- https://www.aafp.org/news/blogs/freshperspectives/entry/fp_salaries_increasing_but_how.html
- https://www.merritthawkins.com/compensation-surveys.aspx
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