

APG's 2020 Physician Compensation and Production Results

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Gallagher

Insurance | Risk Management | Consulting

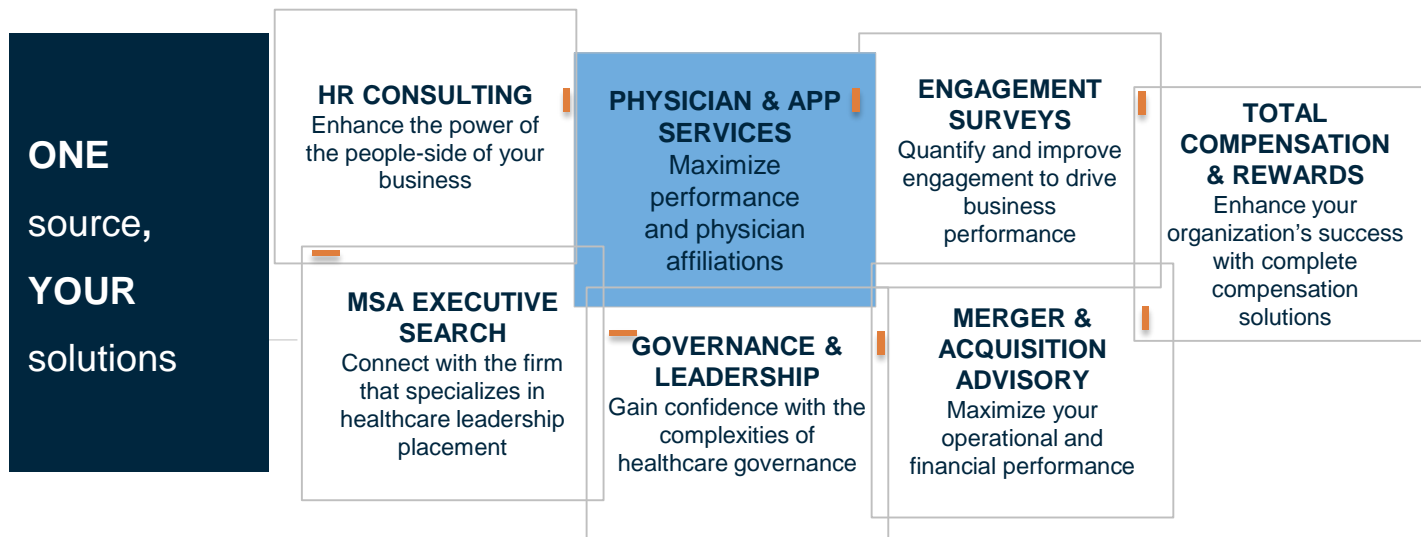
About Gallagher

Gallagher Human Resources and Compensation Consulting (“HRCC”) Practice, has been fully engaged in healthcare trends, providing insights for more than 40 years

- Thanks to our partnership with Arthur J. Gallagher & Co., our firm offers even more of what our clients need—more resources, more talent, and more experience that can be leveraged to help break down barriers and grow in today’s dynamic healthcare industry
- Unlike larger firms that serve all industries, HRCC and its consultants are true experts in healthcare
- What makes us unique is our ability to look beyond the single services encountered with other firms
- Our clients have convenient and direct access to the most comprehensive array of healthcare-specific services available, combined with insightful advice from industry professionals
- Because of our integrated approach, our clients enjoy solutions that work together to maximize performance across their entire organizations

About Gallagher

HRCC provides a range of interconnected solutions that help organizations align people, pay and performance.



About Gallagher

The Physician & APP Services Division has a reputation as an industry leader, well suited to help with practically any physician-related challenge, including:

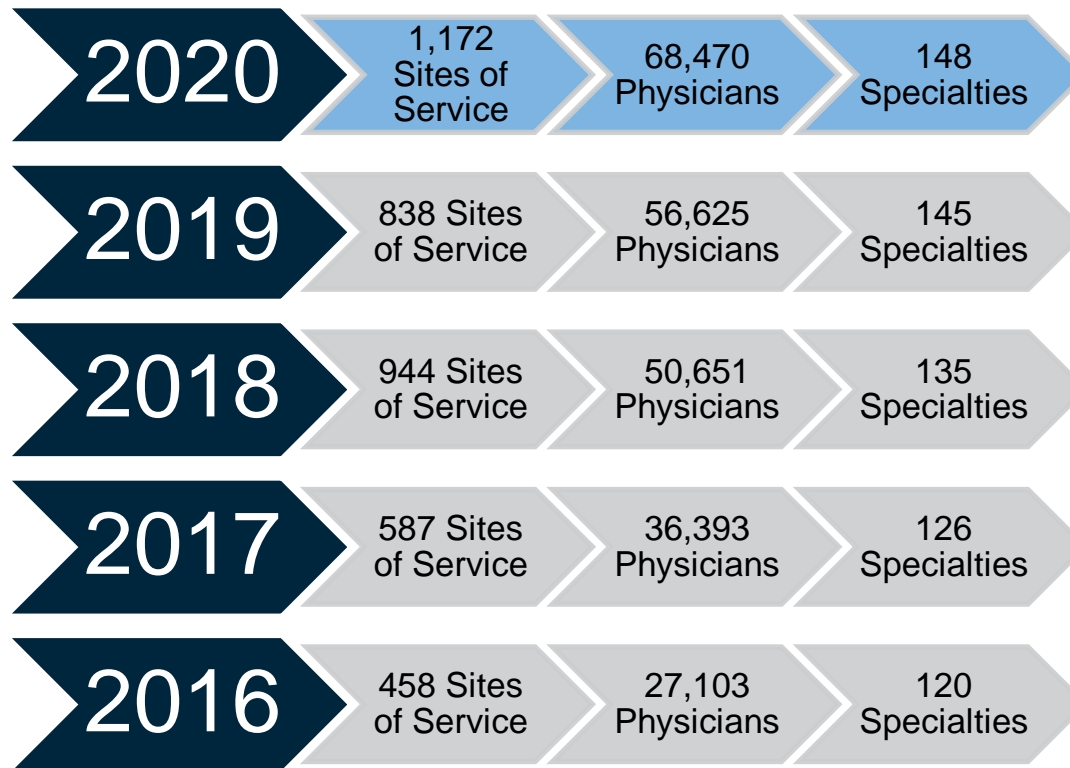
- Physician fair market value and commercial reasonableness assessments
- Physician compensation review, design and implementation
- Medical directorships
- Recruitment and retention strategies
- Leadership structure and organization
- Physician affiliation
- Physician engagement
- Clinical co-management
- Compensation program policy development and administration



2020 Physician Compensation and Production Survey

Survey Participation

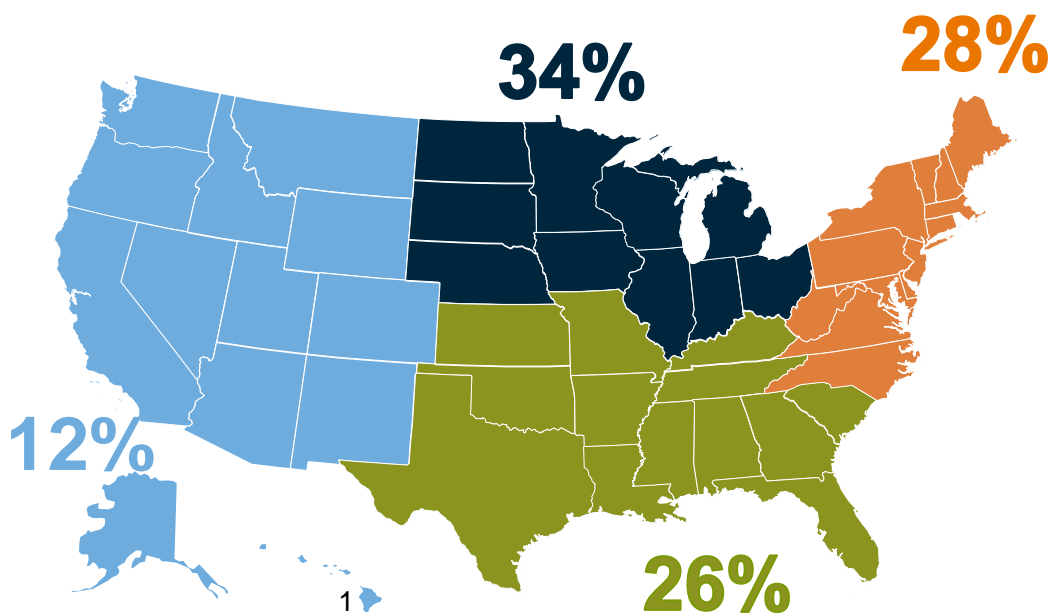
Participation in our survey continues to increase from year to year



- Physician participation increased by 21% from 2019 to 2020

Survey Participation

Our 2020 survey includes data from 233 organizations in 42 different states



Prior participation by region:

Region	2018 % of Respondents	2019 % of Respondents	2020 % of Respondents
Midwestern	36%	35%	34%
Northeastern	24%	28%	28%
Southern	25%	23%	26%
Western	15%	14%	12%

*Our 2020 survey includes 26 organization from California

What's New This Year?

The 6 new specialties in this year's survey:

- Hematology/Oncology: Neuro
- Neurology: Neuromuscular
- Ophthalmology (Nonsurgical)
- Surgery: Plastic and Reconstruction (Oculo)
- Surgery: Transplant (Kidney)
- Surgery: Trauma (Burn)

What's New This Year?

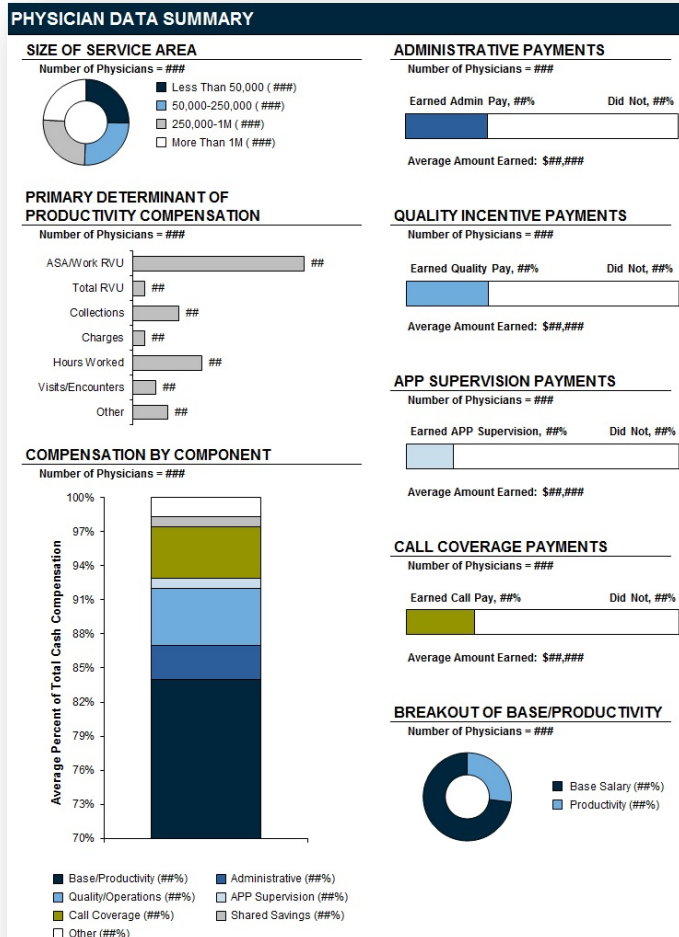
Collections per Work RVU Data

- Professional collections and Work RVU data both vary based on volume, however, professional collections per Work RVU data gives organizations a better idea of the collections rates compared to other healthcare organizations across the country

NATIONAL MARKET DATA								
Measure	Practices	Physicians	Average	St. Deviation	25th Percentile	50th Percentile	75th Percentile	90th Percentile
Work RVUs	97	800	10.690	4.911	7.674	10.037	12.720	16.473
Professional Collections	47	375	\$720,627	\$371,369	\$486,674	\$654,198	\$859,169	\$1,148,297
per Work RVU	46	373	\$68.37	\$24.18	\$53.95	\$60.66	\$73.94	***
Total Cash Compensation	103	865	\$730,974	\$345,092	\$546,954	\$694,187	\$847,828	\$1,045,483
per Work RVU	97	800	\$74.28	\$30.75	\$58.00	\$66.88	\$80.58	***
to Professional Collections	47	375	113.1%	52.7%	81.3%	103.0%	127.0%	***
Base/Productivity Cash Compensation	98	845	\$671,773	\$332,993	\$500,000	\$625,250	\$780,339	\$977,366
per Work RVU	92	782	\$68.34	\$29.52	\$53.59	\$60.86	\$73.90	***
to Professional Collections	46	366	103.9%	46.8%	77.5%	95.4%	113.1%	***

- Our survey also includes the average and st. deviation for each line of data (also new this year)

How to Read Our Survey



- Our survey includes the following data summaries for each physician specialty:

- Size of Service Area
- Primary Determinant of Productivity Compensation (i.e., Work RVUs, Collections, Visits, Hours, etc.)
- Breakout of Total Compensation by Component
- Administrative Payments
 - Percentage of physicians receiving payment
 - Average payment
- Quality Incentive Payments
 - Percentage of physicians receiving payment
 - Average payment
- APP Supervision Payments
 - Percentage of physicians receiving payment
 - Average payment
- Call Coverage Payments
 - Percentage of physicians receiving payment
 - Average payment
- Breakout of Base/Productivity
 - Percentage of base salary vs. productivity based pay included in Base/Productivity Compensation

How to Read Our Survey

NATIONAL MARKET DATA

Measure	Practices	Physicians	Average	St. Deviation	25th Percentile	50th Percentile	75th Percentile	90th Percentile
Work RVUs	##	##	#,###	#,###	#,###	#,###	#,###	#,###
Professional Collections	##	##	####,###	####,###	####,###	####,###	####,###	####,###
per Work RVU	##	##	###.##	###.##	###.##	###.##	###.##	***
Total Cash Compensation	##	##	####,###	####,###	####,###	####,###	####,###	####,###
per Work RVU	##	##	###.##	###.##	###.##	###.##	###.##	***
to Professional Collections	##	##	##.##%	##.##%	##.##%	##.##%	##.##%	***
Base/Productivity Cash Compensation	##	##	####,###	####,###	####,###	####,###	####,###	####,###
per Work RVU	##	##	###.##	###.##	###.##	###.##	###.##	***
to Professional Collections	##	##	##.##%	##.##%	##.##%	##.##%	##.##%	***

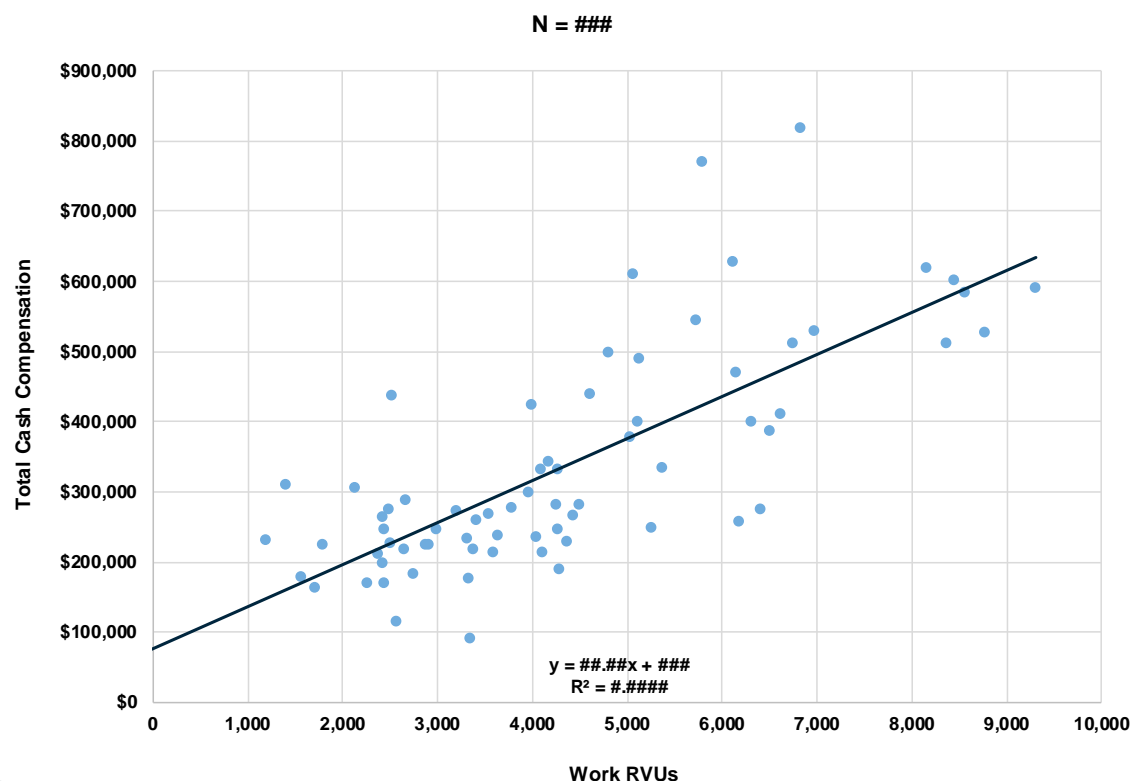
The table above is utilized to illustrate the national and regional compensation and production data for a given specialty's average, standard deviation, and 25th, 50th, 75th, and 90th percentiles

Our survey differentiates between Total Cash and Base/Productivity Cash, and publishes compensation to productivity rates for each

- Total Cash is inclusive of Base/Productivity Cash as well as any administrative, call, shared savings, quality, APP supervision, and any other cash payments

How to Read Our Survey

Total Cash Compensation to Work RVU/ASA Unit Scatter Graph



The scatter graph to the left shows the individual level of total cash compensation and Work RVU/ASA Unit productivity within a given specialty.

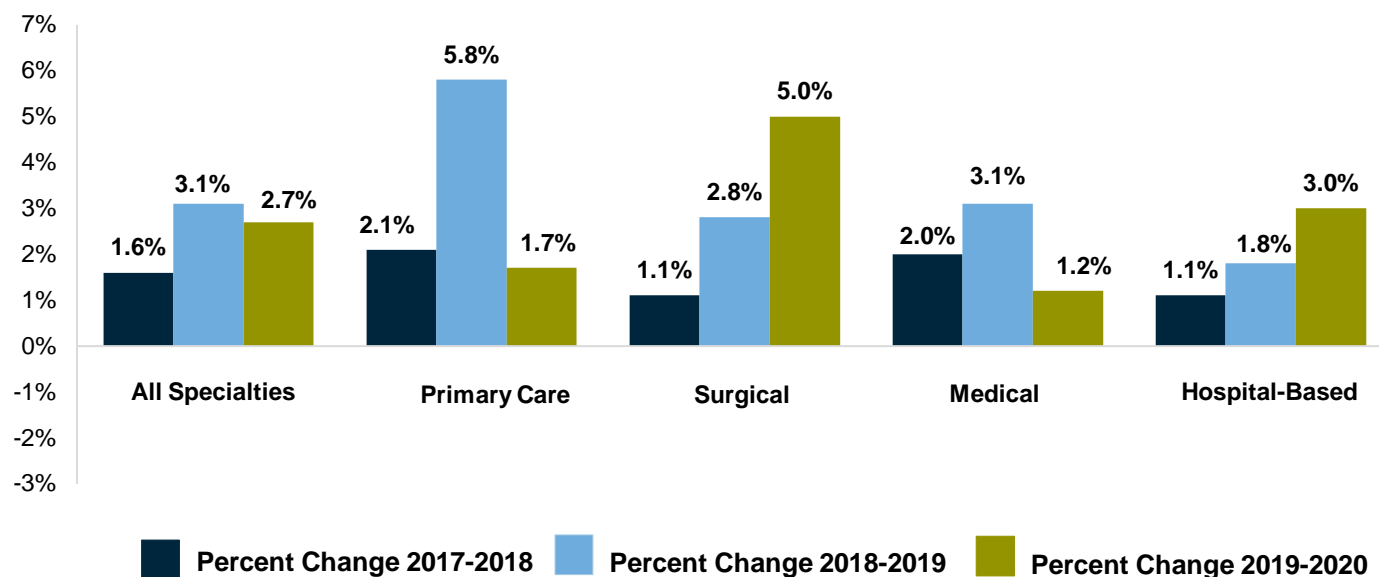
Gallagher has additionally provided the line of best fit through the illustrated data points, as well as the corresponding r-squared value.

These scatter graphs are intended to provide organizations with a high level view of the relationship between compensation and production for a given specialty.

Physician Total Cash Compensation

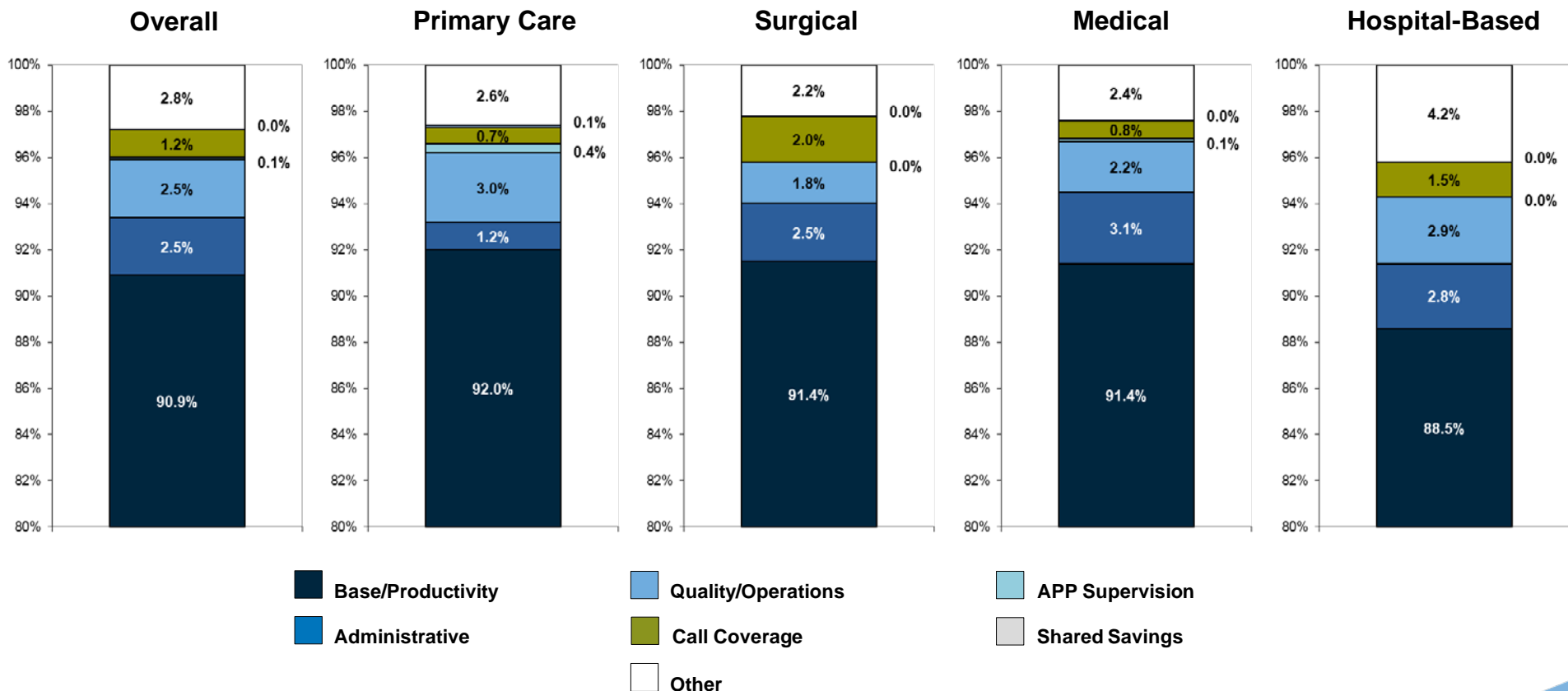
Year to Year Change

- The following chart shows the percent change in median cash compensation from 2017 to 2018, 2018 to 2019, and 2019 to 2020:



Physician Total Cash Compensation

Compensation by Component



Hardest to Recruit Specialties

The following specialties were each identified as one of the top 3 most difficult to recruit and retain specialties:

Primary Care

Internal Medicine and Family Practice ranked highest on the list of most difficult physician specialties to recruit for. This demonstrates the continued shortage of primary care physicians. This is consistent with Merritt Hawkins *2020 Review of Physician and Advanced Practitioner Recruiting Incentives*, where family practice physicians have topped the list of the most requested recruiting assignments for 14 consecutive years.

Neurology

Neurology moved from first on the list in 2019 to number 2 in 2020. Neurologists continue to be in high demand due to the limited pool and high demand for neurology subspecialists such as epileptologist, neuro-intensivists, movement disorder physicians, interventional neurologists, etc and have been on our list for the last 3 years.

Psychiatry

In the United States, nearly one in five people has some sort of mental health condition (AAMC News, 2018). However, with only approximately 25,000 psychiatrists in the United States, psychiatry is one of the hardest to recruit specialties. This is consistent with Merritt Hawkins, where psychiatry has been second on the list for 4 consecutive years.

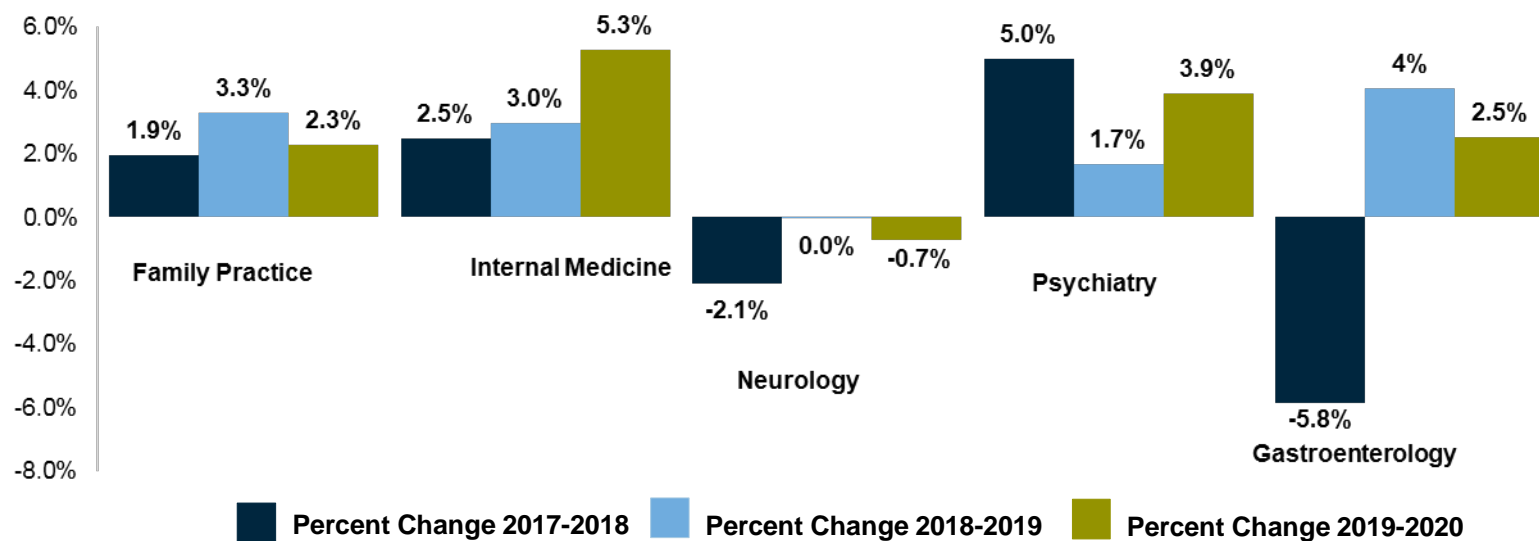
Gastroenterology

A major driver of gastroenterology demand has been the growth in colonoscopy procedures performed as a result of the increasing public recognition of colon cancer by awareness groups and government bodies. As such, it is recommended that the aging population receive regular screenings, thus increasing the demand for gastroenterology physicians. Additionally, more gastroenterology physicians are becoming specialized in complex procedures, which has increased competitiveness within the field.

Hardest to Recruit Specialties

Year to Year Change

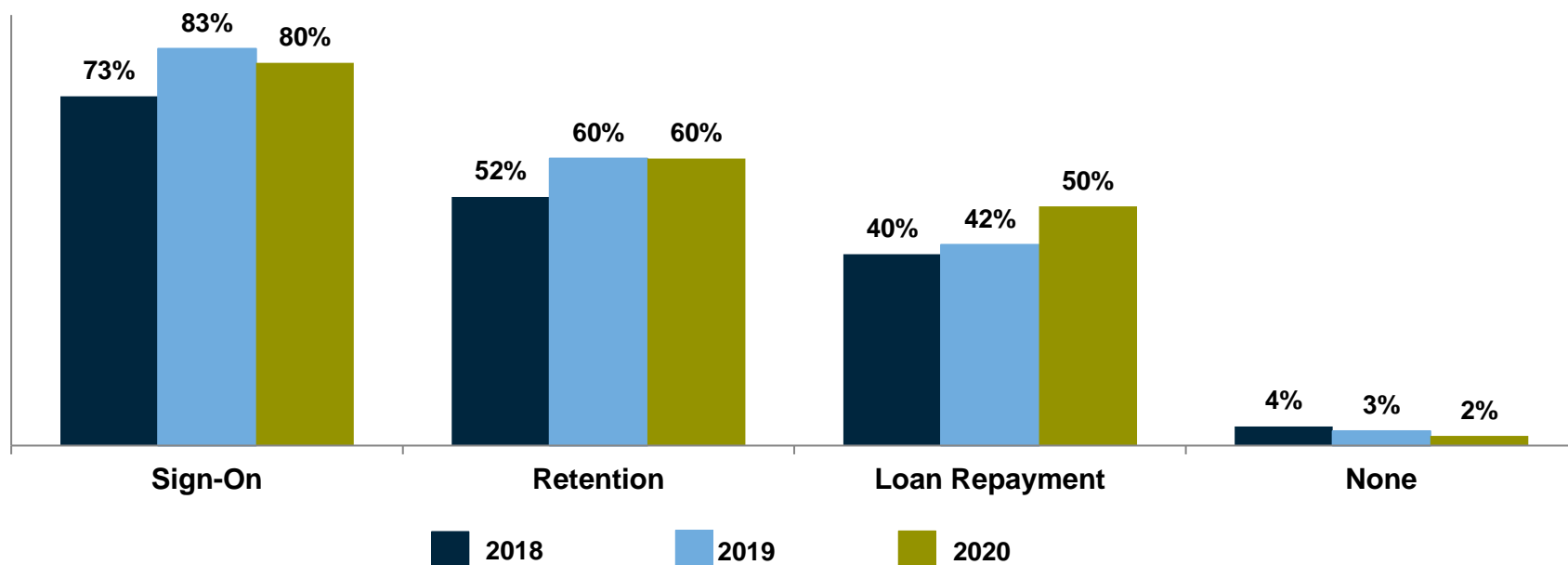
- The following shows the percent change in median cash compensation¹ from 2017 to 2018, 2018 to 2019, and 2019 to 2020 for the top 4 most difficult to recruit specialties:



¹ Weighted average of all applicable subspecialties (e.g., psychiatry includes general, inpatient, outpatient, and geriatrics)

Recruitment Incentives

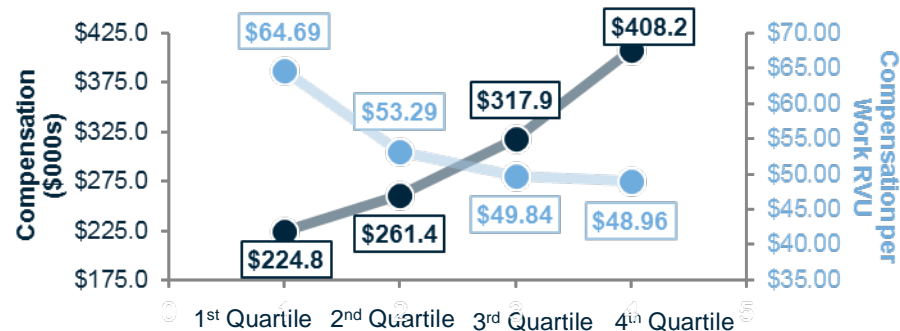
With the growing physician shortage and aging population, not only are organizations needing to offer higher starting salaries, but organizations are also increasing their utilization of recruitment incentives, as shown below:



Total Cash Compensation

Understanding Compensation per Work RVU Rates

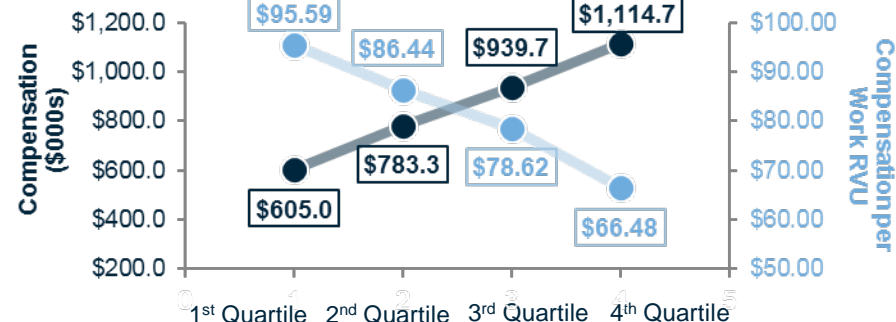
Family Practice (without OB)



National Market Data Comp. per Work RVU:

P25: \$48.45
P50: \$54.10
P75: \$65.68

Surgery: Cardiothoracic/Cardiovascular



National Market Data Comp. per Work RVU:

P25: \$63.37
P50: \$82.73
P75: \$112.52

Total Cash Compensation

Year to Year Change

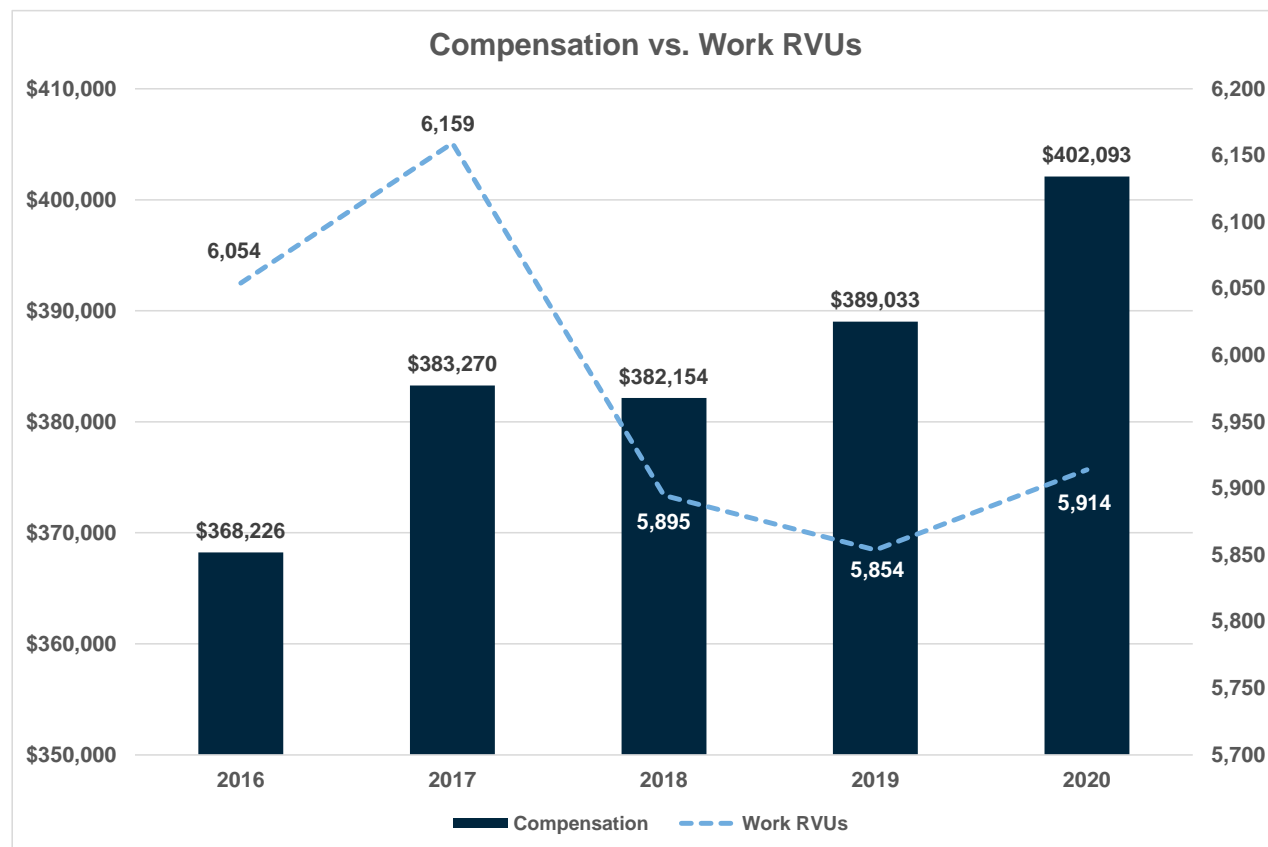
- The following charts show the 2019 to 2020 changes in the average 25th, 50th, 75th and 90th percentiles across all specialties
- Compensation increased by approximately \$9,000 to \$21,500 for P25 to P90, while Work RVUs remained stable at P25 and only increased by approximately 125 Work RVUs at P90
 - Of the specialties that saw an increase in both compensation and Work RVUs at median, 34 specialties had a greater increase in compensation than in Work RVUs at median

	All Specialties			
	25 th Percentile	50 th Percentile	75 th Percentile	90 th Percentile
Compensation	\$8,960	\$13,060	\$16,635	\$21,551
Work RVUs	3	60	37	125
Comp per Work RVU	\$1.58	\$2.35	\$4.77	\$13.51
Imputed Compensation per Work RVU	\$3.26	\$1.59	\$2.12	\$1.30

Total Cash Compensation

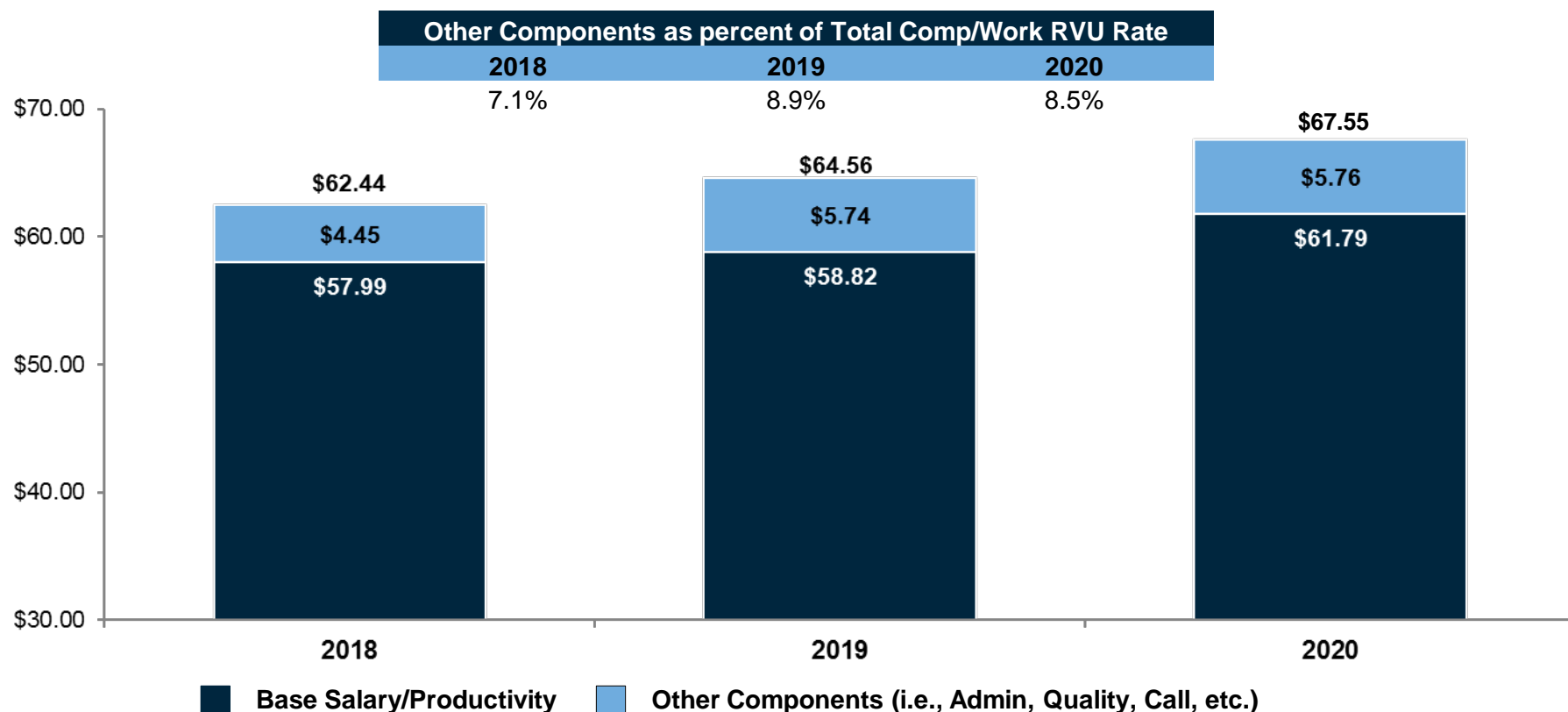
Median Compensation and Work RVU Trends

- The following graph shows average median compensation (left y-axis) and Work RVUs (right y-axis) for all specialties from 2016 to 2020
- As seen in the graph, median compensation has steadily increased since 2016, while the median Work RVUs have fluctuated over the same time



Total Cash Compensation

Compensation per Work RVU Breakout¹ (Average)



¹ Special cut based on organizations that have participated in our survey for the last five (5) years

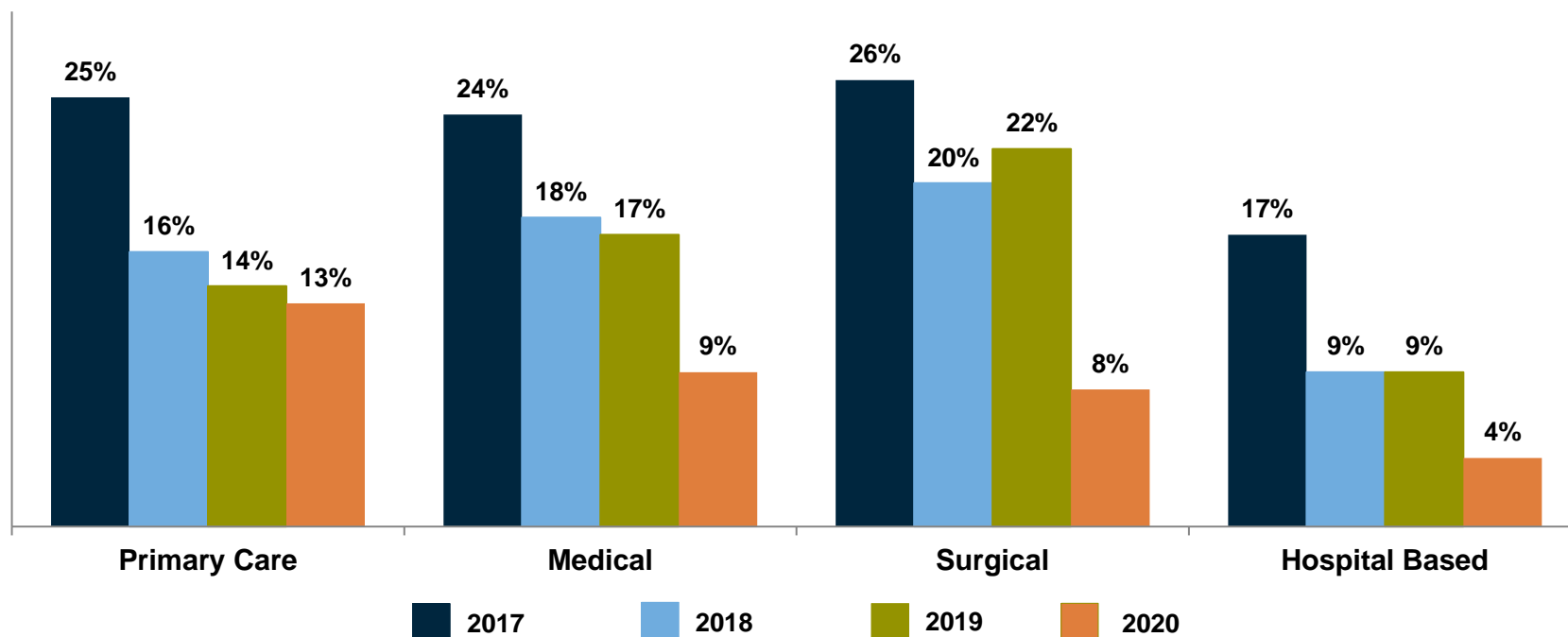
Productivity-Based Compensation

Work RVUs continue to be the most common determinant of production based compensation, across all specialty groupings:

<i>Response</i>	<i>Primary Care</i>	<i>Medical</i>	<i>Surgical</i>	<i>Hospital Based</i>
<i>Work RVUs or ASA Units</i>	94%	96%	98%	82%
<i>Professional Charges</i>	4%	3%	4%	1%
<i>Professional Collections</i>	13%	9%	8%	4%
<i>Visits or Encounters</i>	5%	4%	1%	3%
<i>Hours/Shifts Worked</i>	11%	10%	7%	45%
<i>Patient Panel</i>	20%	1%	0%	1%
<i>Other</i>	8%	4%	4%	5%
<i>Total Sites of Service</i>	738	739	728	634

Productivity-Based Compensation

The use of collections to determine productivity-based compensation has declined since 2017 for all specialty groupings:



Quality/Operational Incentives

Quality/operational incentives remain highly prevalent with 78% of compensation plans including a qualitative component

- For the survey respondents who provided a breakout of total cash compensation by component, the table below outlines some key statistics based on actual quality payments earned by physicians:

	All Organizations			APG Member Organizations		
Specialty Grouping	Avg. Quality Payment Earned	Avg. % of Max Opportunity Earned	Avg. Quality Payment as % of Total Cash	Avg. Quality Payment Earned	Avg. % of Max Opportunity Earned	Avg. Quality Payment as % of Total Cash
<i>All Specialties</i>	\$26,215	67.16%	6.52%	\$29,569	62.64%	7.42%
<i>Primary Care</i>	\$23,076	60.45%	7.58%	\$26,063	46.96%	8.54%
<i>Medical</i>	\$26,619	70.55%	5.99%	\$27,755	70.51%	6.32%
<i>Surgical</i>	\$35,911	70.26%	6.05%	\$29,999	71.42%	5.26%
<i>Hospital Based</i>	\$25,234	70.52%	6.14%	\$38,987	75.98%	8.01%

Quality/Operational Incentives

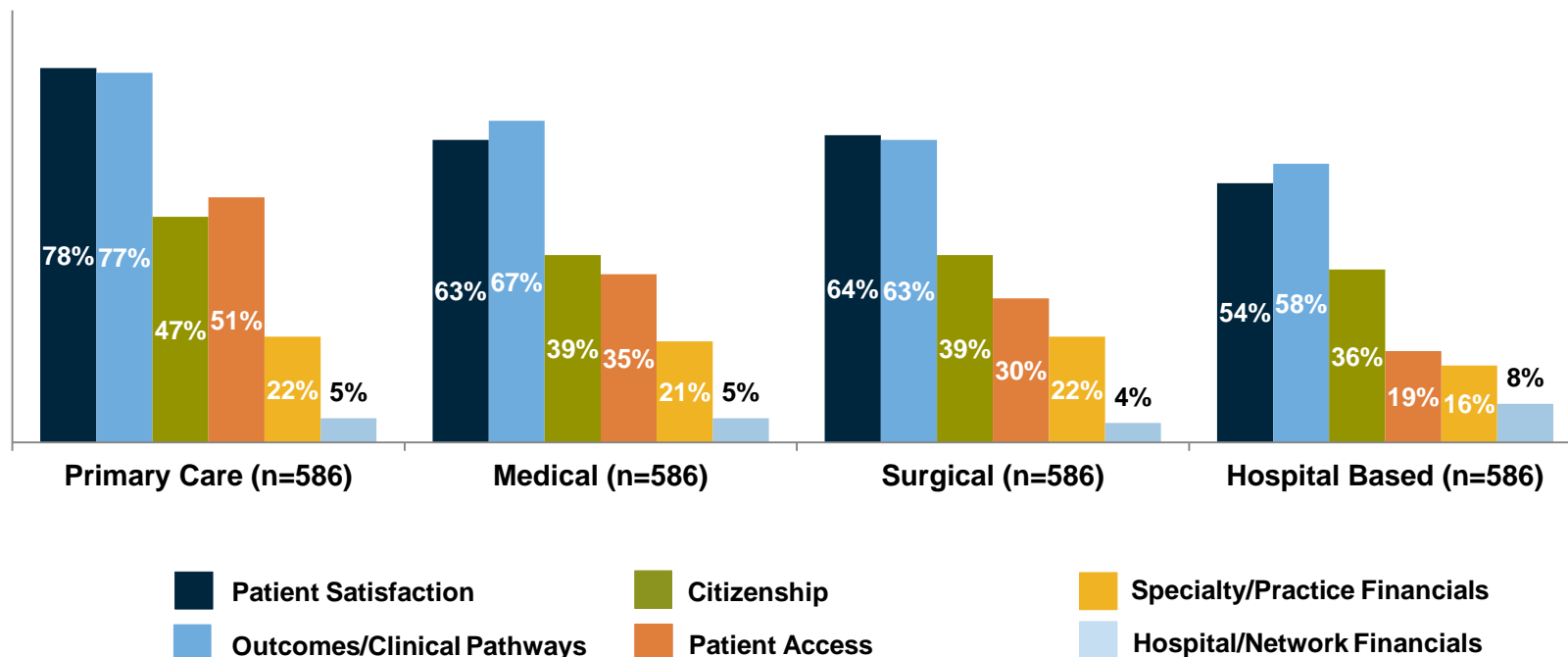
Quality/operational incentives for APG Member participants over a 3-year period

- The following table shows key statistics for physicians of all specialties employed by APG member organizations over a 3- year period:

	APG Member Organizations		
Survey Year	Avg. Quality Payment Earned	Avg. % of Max Opportunity Earned	Avg. Quality Payment as % of Total Cash
2020	\$29,569	62.64%	7.42%
2019	\$28,766	67.76%	7.17%
2018	\$26,609	60.54%	6.77%

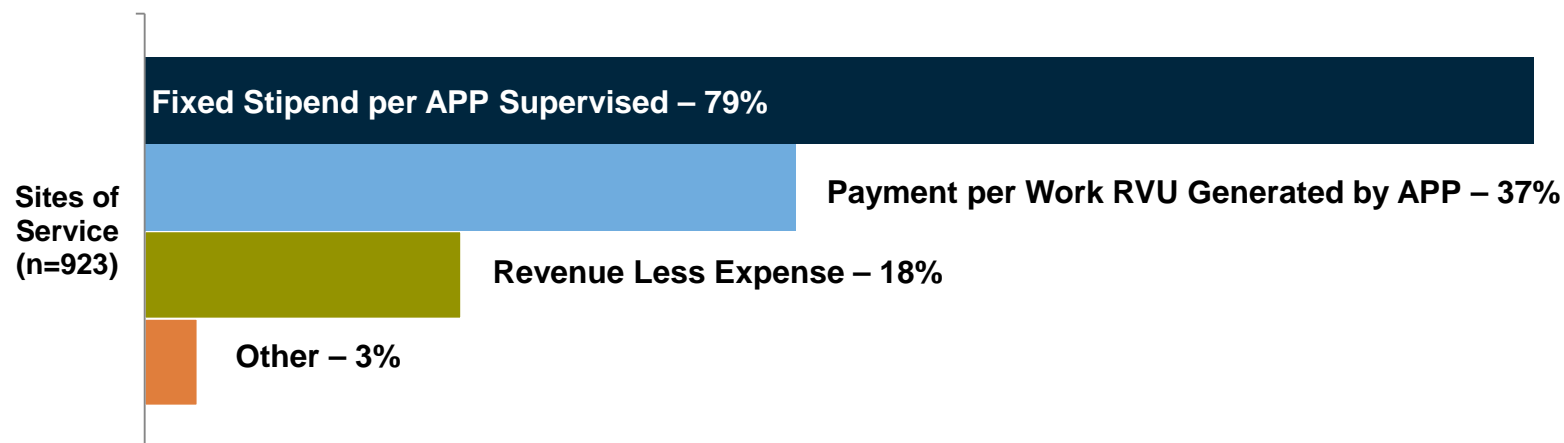
Quality/Operational Incentives

Patient satisfaction and clinical outcomes were the most common metrics used by healthcare organizations to determine a physician's quality/operational incentive:



APP Supervision Payments

76% of organizations provide payments to at least some physicians for the supervision of advance practice providers (“APPs”)



Fixed Stipend per APP Supervised (530)

Revenue Less Expense (122)

Payment per Work RVU Generated by the APP (250)

Other (21)

APP Supervision Payments

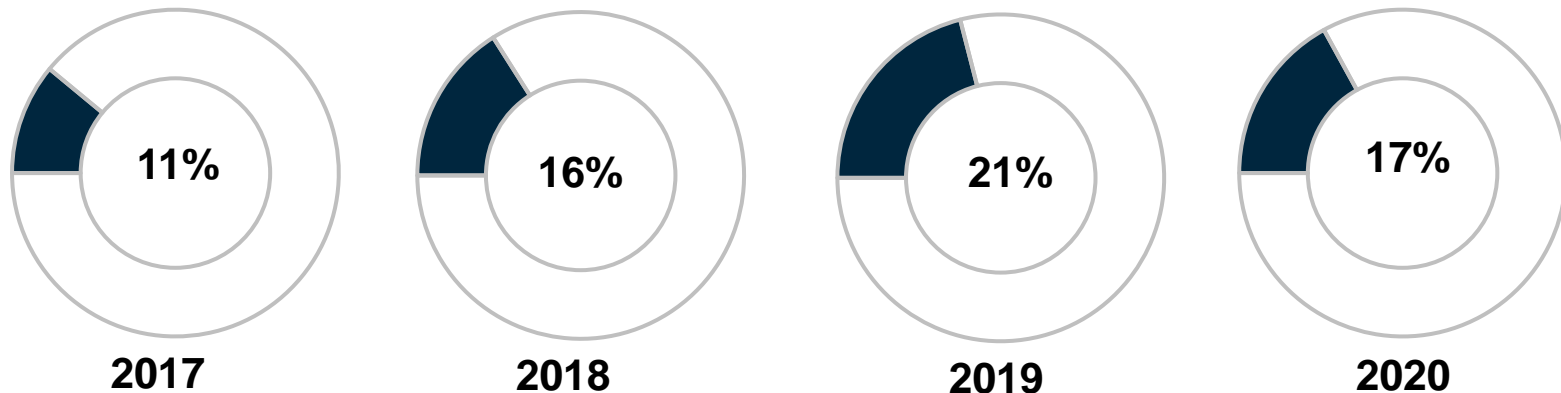
The payment amounts for the most prevalent payment method (Fixed Stipend per APP FTE) are illustrated in the table below:

Specialty Grouping	Average	25th Percentile	50th Percentile	75th Percentile	90th Percentile
<i>Primary Care (n=55)</i>	\$9,966	\$5,000	\$10,000	\$12,000	\$18,000
<i>Medical (n=38)</i>	\$12,042	\$8,250	\$12,000	\$14,850	\$20,750
<i>Surgical (n=33)</i>	\$11,564	\$7,500	\$12,000	\$12,000	\$19,600
<i>Hospital Based (n=13)</i>	\$11,000	\$6,000	\$12,000	\$12,000	\$17,400

Call Coverage

Our survey also asks a few questions regarding call coverage

- The proportion of organizations that require some or all of their physicians to participate in a base level of uncompensated ER/Trauma call coverage has remained relatively stable since 2017 at approximately 80%
- The percentage of organizations that require *all* physicians to participate in uncompensated call rotations has also slightly increased since 2017:



Gallagher Surveys



Advanced Practice Provider Survey

- The most exhaustive list of benchmark positions available by specialty, and hospital-vs.-clinic positions
- Participation Open Now (Closes September 20, 2020)
- 2020 Survey Publication date: December 11, 2020



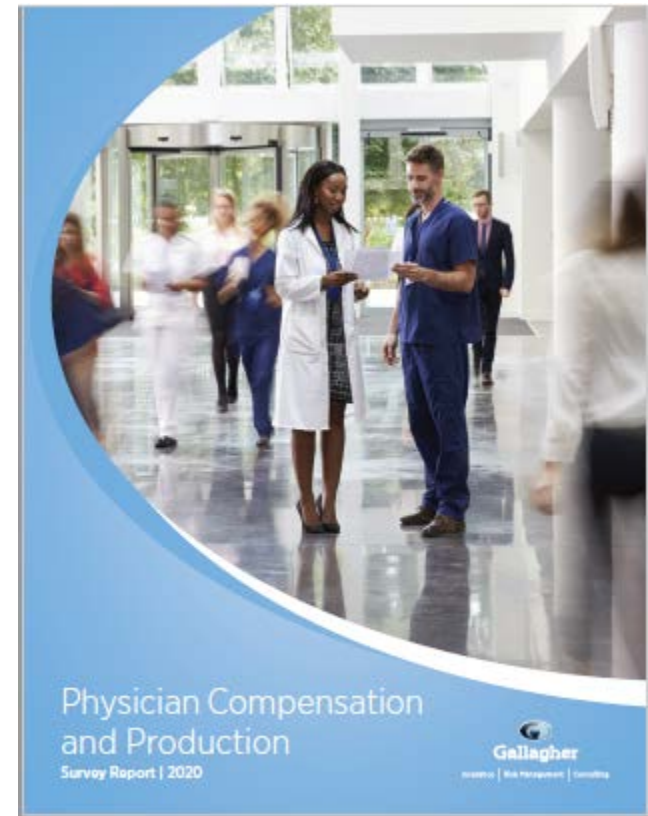
Medical Director and Physician Executive Survey

- Input from more than 4,200 directors and over 450 physician executives
- Participation Open Now (Closes September 25, 2020)
- 2020 Survey Publication date: Mid-November 2020



Physician Call Pay Survey

- Purchase 2019-20 results by emailing GallagherIntegrated.PhysicianServicesMN@AJG.com
- 2020-21 Participation begins in December 2020
- 2020-21 Survey Publication: May 2021



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