Redesigning Physician Compensation Toolkit
Case study and lessons learned from Crimson Practice Management

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Defining a Guiding Economic Strategy

Setting Principled, Affordable Limits for Compensation

Setting Productivity Expectations

1. Clearly define FTE status in terms of weekly hours worked

2. Set minimum productivity expectations per FTE (e.g., 60th percentile of median), adjusted as needed based on factors such as local community need

Determining Desirable Investment

1. Consider infrastructure costs, local reimbursement

2. Estimate expected ROI\(^1\) on per-physician investment

3. Decide desired investment level per physician

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\(^1\) Based on downstream revenue, practice earnings.

Source: Southwind, Nashville, TN; Medical Group Strategy Council interviews and analysis.
## Distilling Down to Core Value Propositions

### Sample Compensation Framework for Large Multi-Specialty Group

<table>
<thead>
<tr>
<th>Financial Value</th>
<th>Strategic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To reward strategic alignment</td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td>Performance measures reward contributions to key strategic initiatives lacking direct market rewards</td>
</tr>
<tr>
<td><strong>Sample Performance Categories Today</strong></td>
<td>Medical group/service line growth, Leadership and professional development, Advanced quality incentive fund, Care coordination/pathway development, Other initiatives (e.g. EMR utilization; Care transformation milestones)</td>
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</tbody>
</table>

- To reward business performance
- Performance measures have immediate and direct implications for group success
- Individual Production
- Group Production
- Mid-Level Production
- Cash Collections
- Expense Management

Financial Value 80%
Strategic Value 20%
Using Transparency to Engage Physicians

Clear Communication Facilitates Discussion of Income Change

Provide Transparent Explanation of Compensation Model

Engage physician leaders to articulate, defend compensation model to colleagues

Clearly communicate compensation model design, link to market dynamics, system strategy

Regularly provide physicians with detailed financial data on reimbursement, revenue\(^1\), investment per physician

Highlight Medical Group Benefits Beyond Compensation

- Participation in superior payer contracts
- Access to strong employed referral network
- Leadership opportunities (e.g., service line management)
- Collaborative physician culture
- Infrastructure support

\(^1\) Where possible, including both practice and downstream revenue.

Source: Medical Group Strategy Council interviews and analysis.
Real-time Information Drives Productive Discussions and Engagement

• How does my compensation relate to my performance?
• How is my performance trending?
• How am I performing compared to my peers?
• Where am I underperforming?
• What would be a good stretch goal for me?
• If I reach it, what impact will that have on my compensation?

Key Questions For Providers

• Scheduling
• Billing/Claims
• wRVU Mapping
• Encounter Detail
• Patient Population Information
• Provider Roster
• Service Location
• Quality
Case Study: St. Claire Regional Hospital

- **About the Organization**
  - 120-bed community hospital with 80 employed providers
  - Purchased an 18 provider multi-specialty group in 2011, with some providers on income guarantees, others on productivity-based compensation

- **Challenge**
  - Leadership transitioning all providers to productivity-based compensation from pre-acquisition models
  - Lack of insight to compensation-collections gap

- **Solution**
  - Crimson Dedicated Advisor introduces new analysis to compare provider compensation per wRVU and provider revenue per wRVU by specialty
  - Analysis shows meaningful disparity between collections and compensation: overpayment in cardiology, underpayment in pediatrics
  - Practice administrator shares full data with physicians to make economic case for adjusting wRVU compensation rate
  - Physician conversations include examination of individual physician’s historical performance

- **Impact**
  - Leadership modifies compensation rate gradually in year one for savings of $78,000 across six providers.

Taking a Step by Step Approach to Reforming Compensation

1. **Finding the Sustainability Threshold**
   - Crimson-defined metrics bring new insight into provider-generated revenue, enable custom comparison analysis

2. **Engaging Physicians in the Conversation**
   - Medical Group COO meets with individual physician
   - Shares Crimson analysis of compensation and collections, as well as payer mix trends
   - Incorporates additional data: provider’s compensation history and downstream contribution, plus national benchmarks

3. **Adjusting Compensation Appropriately**
   - Cardiology
     - Before: $50
     - After: $48
   - Pediatrics
     - Before: $38
     - After: $35
   - Actual Collections per wRVU in cardiology: $50, Pediatrics: $38
   - Projected net savings in year one across six providers: $78K

1) Providers already on productivity-based compensation plan.