Timely, Tough, or Tricky – Physician Compensation and Fair Market Value Topics in 2022

VALUE-BASED COMPENSATION AND COMPENSATION PER WRVU

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Speakers

W. Lyle Oelrich, Jr.

MHA, FACHE, CMPE, CVA

Principal - Valuation

loelrich@pyapc.com

Katie A. Taylor

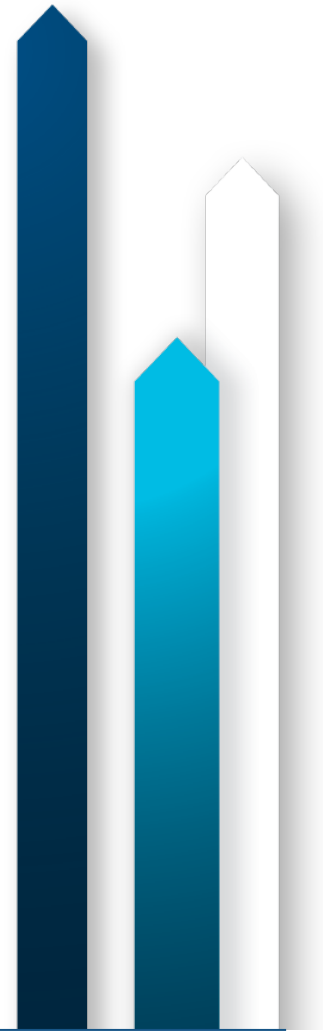
CPA/ABV, ASA, MBA

Senior Manager - Valuation

ktaylor@pyapc.com

Introduction

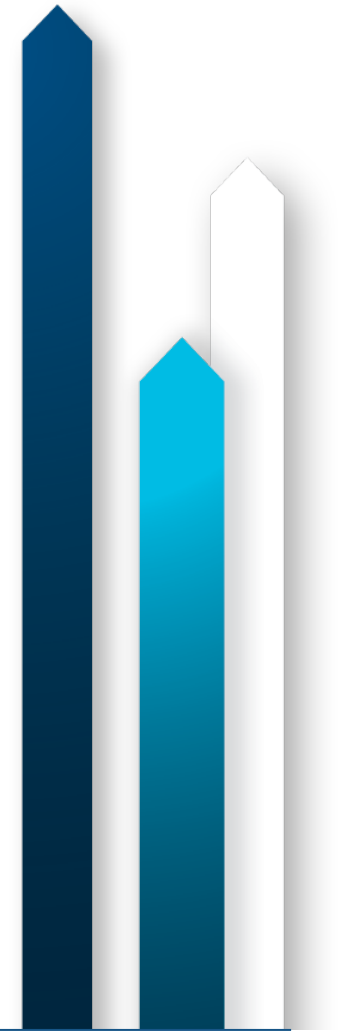
- To begin a dialogue on timely, and occasionally, tough or tricky topics in physician compensation and fair market value, PYA surveyed more than 30 physician compensation experts to understand the collective thoughts on issues impacting these topics in 2022. These issues include:
  - The 2021/ 2022 Medicare Physician Fee Schedule
  - Telemedicine
  - Group Practice Exception Regulatory Changes
  - Advanced Practice Practitioners
  - Value-Based Compensation
  - Nuances Surrounding Compensation per wRVU
  - Using Benchmark Data in 2022, Including COVID-19 Implications
  - 2021 (and Beyond) Changes to Commercial Reasonableness
  - Rural Physicians
  - Integration of Independent Physicians in Employment Models
  - COVID-19 Impact on Call Coverage Compensation
  - Other Hot Topics (to be determined by webinar series participants, changes in market conditions over 2022, etc.)



Value-Based Compensation

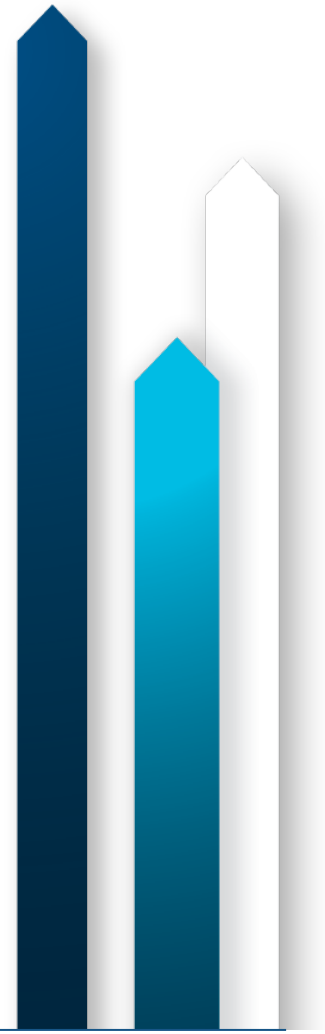
Key Questions Our Clients Are Asking About Value-Based Compensation

- What are the definitions of the key terms associated with the value-based exceptions?
- What are the value-based exceptions?
- Are organizations using, or how often are organizations using, the value-based exceptions?
- What value-based exceptions are currently being used more frequently than other valued based exceptions?
- Is our organization subject to fair market value standards if we pursue a value-based exception?
- Is our organization subject to commercial reasonableness if we pursue a value-based exception?



What Are The Key Definitions Associated With The Value Based Exceptions?

- Value based enterprise – includes 2+ VBE participants, accountable person/ entity over finance and operations, has governance document
- Value based purpose – coordination/ management of care, improving quality of care, reducing costs, transition from volume to value, excludes making a referral
- Value based activity – provision of service/ item, taking of action, not taking of an action
- Target patient population – identified patient population, selected by VBE using legitimate and verifiable outcomes, set in advance in writing
- Value based arrangement – provides at least one value-based activity, must be for a target population, between a value-based enterprise and value-based enterprise population



What Are The Valued-Based Exceptions?

- In January 2021, CMS finalized three new value-based care exceptions specific to the Stark Law:
  - The full financial risk exception: Applies to VBE participants where the VBE accepts **full financial risk** for the cost of all patient care items and services covered in their target patient population for a specified period of time.
  - The meaningful downside financial risk exception: Protects value-based arrangements where physicians are at risk for **at least 10%** of the total value of the remuneration the physician receives under the value-based arrangement.
  - The value-based arrangements exception: Applies to value-based arrangements, regardless of the level of risk undertaken by the VBE or VBE participants. This exception does **not** require physicians or other entities to accept any financial risk.

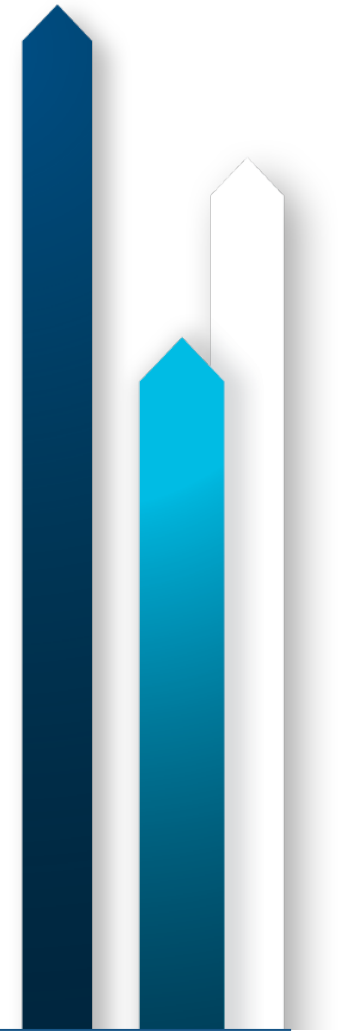
Other Key Questions About Value-Based Exceptions

- Are organizations using, or how often are organizations using, the value-based exceptions?

  Answer: While many of our clients are talking about these arrangements, not very many have implemented them (yet)

- What value-based exceptions are being used more frequently than other valued based exceptions?

  Answer: In our experience, value-based arrangements are currently being used more frequently than full financial or meaningful downside risk



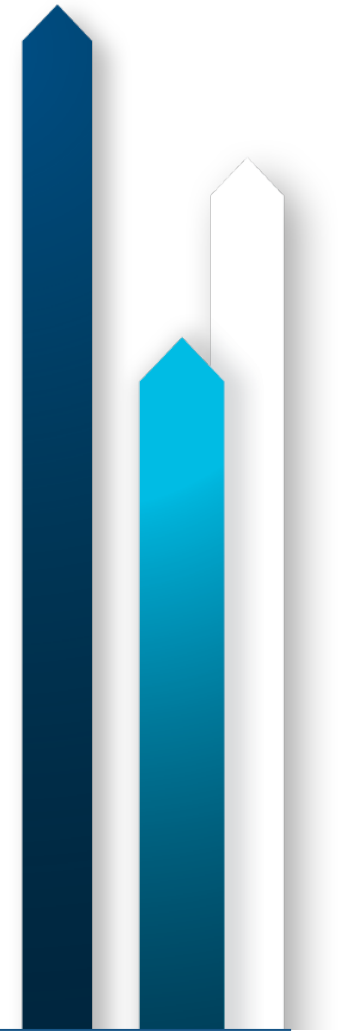
Other Key Questions About Value-Based Arrangements

- Is our organization subject to fair market value standards if we pursue a value-based exception?

  Answer: Neither the full financial risk, meaningful downside risk, or value-based arrangement require fair market value*

- Is our organization subject to commercial reasonableness if we pursue a valued-based exception?

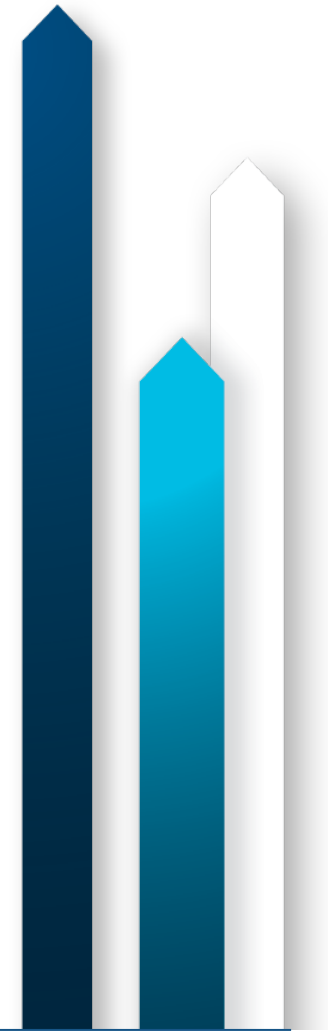
  Answer: While the full financial risk and meaningful downside risk do not require commercial reasonableness, value-based arrangements do require commercial reasonableness



Nuances Surrounding Compensation per wRVU

Compensation per wRVU Defined… by the Surveys

- AMGA: The proportion of compensation related to total work RVUs for a provider. The median value for this computation is determined when we compute the ratio for all providers reporting both compensation and work RVUs for a specialty, and then determined the median value of that computation.
- MGMA: This is calculated by dividing the total compensation to total wRVUs.
- SullivanCotter: This is calculated by dividing the reported total cash compensation for each staff physician by their reported work RVUs. The data set only includes staff physicians for whom both total cash compensation and work RVUs are reported.
- Gallagher: The total compensation paid to the individual physician divided by the work RVUs produced by an individual physician.



Initial Thoughts on Compensation per wRVU

Description - Neurosurgery	Median	75th Percentile	90th Percentile	Formula
Reported wRVU Survey Data[1]	8,634	11,983	16,924	A
Reported Compensation per wRVU Survey Data[1]	$97.74	$128.72	$178.05	B
Calculated Compensation Using Corresponding Percentile Compensation per wRVU	$843,887	$1,542,452	$3,013,318	C = A * B
Calculated Compensation Using Median Compensation per wRVU	$843,887	$1,171,218	$1,654,152	D = A (Median) * B
Reported Compensation Survey Data[1]	$831,144	$1,086,325	$1,355,577	E

[1] Per the American Medical Group Association ("AMGA") *Medical Group Compensation and Productivity Survey: 2021 Report Based on 2020 Data*, Gallagher *2021 Physician Compensation and Production Survey*, Medical Group Management Association ("MGMA") *2021 DataDive Provider Compensation Survey*, and SullivanCotter, Inc. ("SullivanCotter") *2021 Physician Compensation and Productivity Survey Report*.

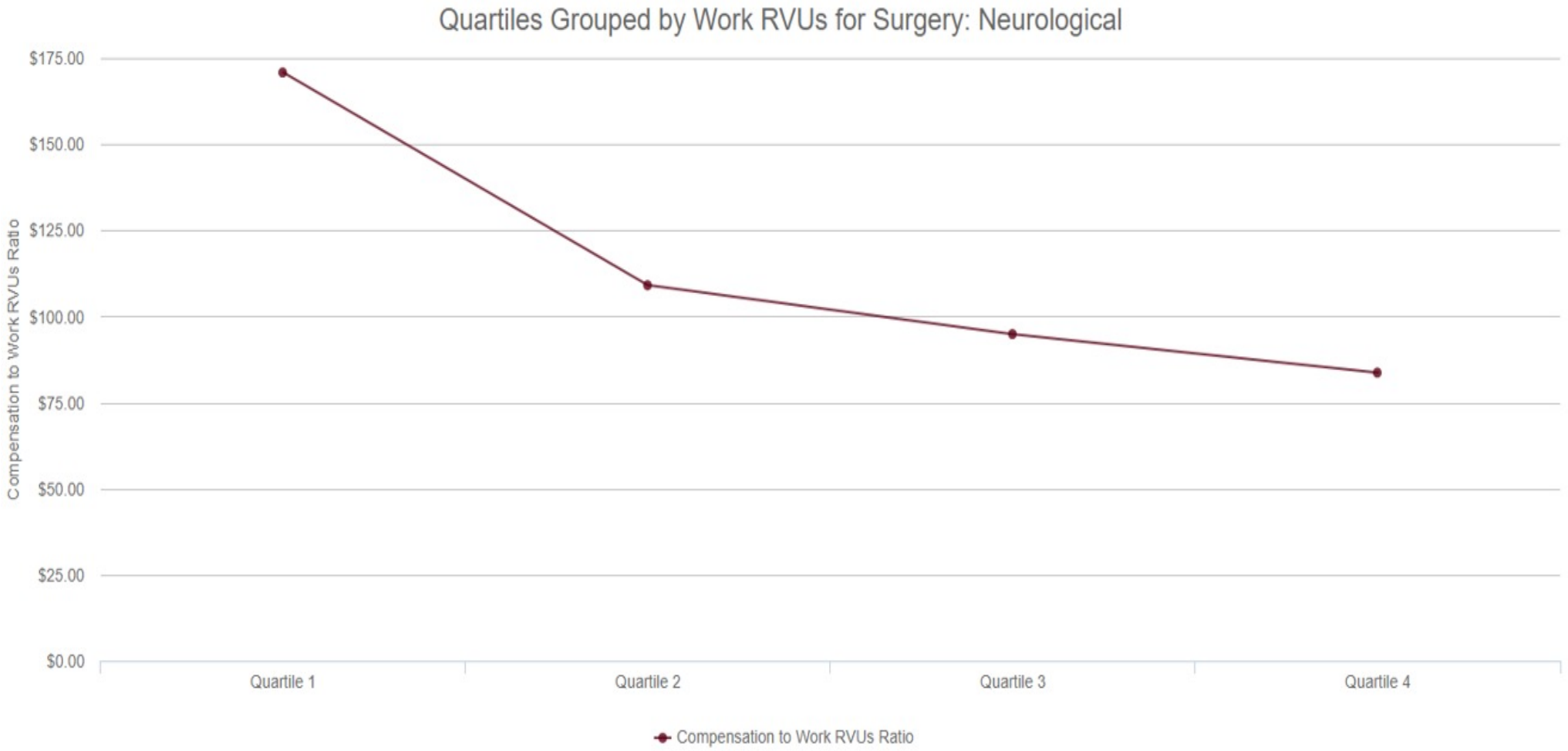
AMGA - The 2021 survey includes compensation and production data from 398 medical groups, representing more than 189,500 providers and 2,147 executives.

Gallagher - The 2021 survey includes data collected on more than 77,000 physicians across 151 specialties.

MGMA – MGMA serves more than 55,000 administrators, executives, and leaders in more than 12,500 organizations of all sizes, types, structures, and specialties. The data is proprietary and owned by MGMA. Participants may not publish the MGMA benchmark data herein, create any tools with the benchmark data, or use the benchmark data in any other manner without first obtaining MGMA's prior written permission. MGMA surveys its clients each year related to physician compensation and production. The 2021 report includes data from 139,985 providers from 6,008 group practices. Used with permission from MGMA, 104 Inverness Terrace East, Englewood, Colorado 80112. 877-275-6462. www.mgma.com 2021.

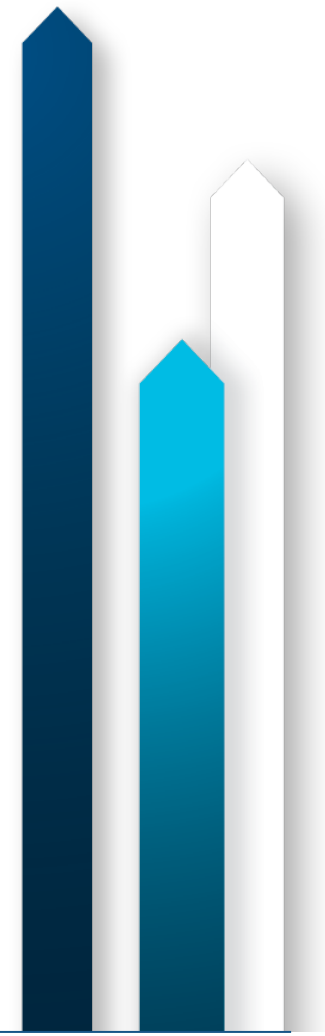
SullivanCotter - The 2021 report is the 29th annual report on physician compensation published by the firm, and contains data from 868 healthcare organizations. It reports total cash compensation levels paid to 254,915 incumbents.

Compensation per wRVU Considerations



Strategies to Mitigate Impacts of Variability within Compensation per wRVU Survey Data

- Consider utilizing multiple physician compensation and productivity survey sources.
- Trend and/or use a blend of multiple years of physician compensation and productivity survey data.
- Consider impacts of the current MPFS on physician compensation and productivity data.
- Remember: Benchmark surveys are intended to provide directional guidance and should not be used as the single source of information for determining compliance and fair market value compensation.



Thank you!

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800.270.9629