Physician payments

Compensation up, fees down? Signs point to a tight labor market

Despite widespread complaints about physician reimbursement, two major practice surveys show physician compensation trending up substantially in 2023. While on the surface that’s good news, it may simply mean doctors are working harder, which may exacerbate another common complaint — physician burnout — and lead to other problems. But experts suggest ways to carry the volume more efficiently.

Physician reimbursement — particularly through the Medicare physician fee schedule (PFS), which influences fee schedules among private payers — has been trailing inflation for years, and physician advocates are increasingly vocal about it. The AMA says that low rates have made medical practice “unsustainable for physicians,” and the advocacy group endorses a plan proposed by the Medicare Payment Advisory Commission (MedPAC) to peg Medicare payments to the rate of inflation (PBN 3/25/24).

But despite reports of weak fees, recent practice surveys from the Medical Group Management Association (MGMA) and physician service network Doximity show average reimbursement increasing between 2022 and 2023.

MGMA’s Provider Compensation Data Report, released in May, shows median total compensation in four provider categories going up — from a modest 1.8% rate for nonsurgical specialties to an impressive 6.5% for advanced practice providers (APP), with primary care and surgical specialties in between at 4.4%.

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Most individual specialties’ rates rose, from dermatology (10.2%) to psychiatry (2.9%). Only emergency medicine rates fell (-1.7%).

MGMA further finds, based on previous reports, that these numbers show a meaningful advance from pre-pandemic compensation; provider categories, apart from non-surgical specialists, posted double-digit compensation growth between 2019 and 2023.

At the same time, Doximity showed median compensation falling by 2.4% in 2022 but rebounding by 5.9% in 2023. Categorized by organizational type, Doximity found average compensation highest among medical practices, with single-specialty at $461,368, multi-specialty groups at $447,546 and solo practices at $443,274. Health systems and hospital-based groups were trailing.

More work, more money

The natural inference when lower rates result in higher compensation is that more work is being done, and MGMA specifically cites increased productivity as a cause, with increased median work RVUs across the board in most physician-owned practice categories and, to a lesser extent, in hospital-based practice categories as well. MGMA also sees practice productivity gains in collections and total encounters; the group refers to a previous poll that found “more than two-thirds (67%) of medical groups [are] exceeding (19%) or on target (48%) to meet their productivity goals for the year.”

MGMA’s 10-year graph of RVU productivity gains among physician-owned multispecialty groups per FTE physician started to surge in 2019, took a pandemic hit in 2020, but recovered enough to post a striking 42% rise in 2022.

MGMA’s David N. Gans suggests that one likely explanation for the increase in productivity is technological innovation or improved technology management, or “automating existing functions and expanding their capabilities,” as he puts it.

Yet the RVU numbers suggest that fewer physicians are doing more work (PBN 4/10/23). Doximity focuses on a well-known side effect of big physician workloads: Burnout (PBN 10/31/22).

“Overall, the majority of physicians do not believe their pay matches the level of effort and expertise required in their role,” Doximity reports, “and negotiation attempts are often unsuccessful or nonexistent.” Some 60% of physicians tell Doximity more compensation would be a solution for their overwork-and-burnout issues.

Fewer docs, different models

Experts agree that productivity is up, and the general shortage in physicians is a big part of the picture.

“The bigger drivers of compensation are classic supply and demand issues,” says Eric Passon, founder and CEO of Ancore Health, a consultancy in Brentwood, Tenn. “You have a shortage of physicians, especially in key

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