Member request: To increase accuracy, we strongly encourage practices to participate in the annual MGMA Physician Compensation and Production Survey. If you outsource billing and management services, participation in MGMA surveys should be a contractual obligation.

Everyone wants to know whether he or she is being paid fairly, which is one reason why national and regional salary surveys exist. The most prominent survey for physicians is MGMA’s annual Physician Compensation and Production Survey, which breaks down results by specialty.

Although the MGMA survey is not a scientific survey, and its participants are self-selected, its respondents represent a significant percentage of nonacademic, full-time specialists. Therefore, its results can and will be used to compare W-2 compensation with national and regional averages, which is one reason why widespread participation is important.

When the report is received, specialists have a tendency to compare their compensation with the regional median, yet this approach may be flawed.

When doctors think about salary or compensation, they think about the amount represented on their W-2 forms; but there are two compensation amounts published on those forms: Box 1 and Box 5 (Figure 1). The MGMA survey questionnaire asks respondents to report the amount in Box 5 of the W-2 form.

What is the difference?

Taxpayers are allowed to exclude items, such as retirement plan contributions, from federal taxes in Box 1. However, these items cannot be excluded from the Federal Insurance Contributions Act and Medicare tax, and must be reported in Box 5. For example, many physicians make the maximum contribution to their 401(k) plans. In 2010 the amount was $16,500 for those under 50 and $22,000 for those older than 50. So $16,500 or $22,000 would be included in Box 5 but not in Box 1.

Other items that can be excluded from Box 1 are flexible spending accounts and cafeteria plans for healthcare. In addition, some anesthesiologists include their disability premium amounts in Box 1 and Box 5 of the W-2 form. The differences in these items and whether they are included on the W-2 by the physicians who participate in the MGMA survey could produce

*Figure 1.*

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Disclaimer: MGMA does not endorse any solutions put forth in this column. We urge readers to explore the legal issues — federal, state and local — that may arise from a particular course of action.
an artificial variance between a physician’s W-2 form and the MGMA survey data that ranges from $10,000 to $30,000. In addition, some doctors do not have a 401(k) component to their retirement plans and report a “pure” W-2 amount with no retirement plan contributions, and individuals completing surveys can misinterpret or erroneously report wages from Box 1 instead of Box 5.

Another factor to consider when comparing salaries with the MGMA survey is the number of weeks worked. The last few MGMA surveys reported the median number of weeks worked as 44, which equates to eight weeks of vacation/leave.

If more or less leave is taken, an adjustment should be made for the differing number of weeks when comparing W-2 compensation to MGMA survey data. If, for example, a specialist takes 10 weeks of leave and works 42 weeks, this is 42/44 or 95.5 percent of the MGMA reported 44 weeks worked, so 95.5 percent would be the adjustment factor, which should be applied to W-2 compensation and benefits.

If a practice receives hospital support based on the market rate salary and benefits of specialists, the MGMA survey will probably be examined by hospital administrators as they look for validation of comparable market compensation, which makes the factors noted above increasingly important.

**join the discussion:** Do you use the compensation and production surveys? Tell us at mgma.com/connexioncommunity.