The Rising Trend of Nonphysician Provider Utilization in Healthcare

A follow-up to the MGMA 2014 Research & Analysis Report

DECEMBER 2016
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What’s in a Name?

PAs and NPs have been grouped together as NPPs under general terms such as “advanced clinician,” “advanced practice provider” and “midlevel.” These labels have been widely accepted yet seem inappropriate not only to the professional but also to the patients whom they serve. The term “midlevel” calls to mind “middle of the road” or “mid-range,” which is not the type of care patients expect from their providers.

A physician assistant is a nationally certified and state-licensed medical professional — not a “middle-of-the-road” provider. **PAs practice medicine on healthcare teams with physicians and other providers. They practice and prescribe medication in all 50 states, the District of Columbia, the majority of the U.S. territories and the uniformed services.**

**Nurse practitioners are independently licensed healthcare professionals who possess a master’s or doctorate degree. They diagnose and treat medical conditions by prescribing medication, ordering and interpreting diagnostic tests, and performing invasive procedures.**

Saying “Today you will be seeing our nurse practitioner or our physician assistant” is sure to give the patient more confidence in your NPP than, “Today you’ll be seeing one of our midlevels.”
Supply and Demand: The Continued Upward Growth of Nonphysician Provider Utilization in Healthcare

Evidence continues to show that medical practices across the United States are increasing their use of NPPs.

**Total Nonphysician Providers per FTE Physician**

Five year trend

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>Multispecialty with</td>
<td>0.28</td>
<td>0.29</td>
<td>0.31</td>
<td>0.33</td>
<td>0.35</td>
</tr>
<tr>
<td>Primary and Specialty Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Medicine</td>
<td>0.46</td>
<td>0.50</td>
<td>0.52</td>
<td>0.52</td>
<td>0.33</td>
</tr>
<tr>
<td>Hospital Medicine</td>
<td>0.17</td>
<td>0.23</td>
<td>0.26</td>
<td>0.23</td>
<td>0.33</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td>0.68</td>
<td>0.64</td>
<td>0.65</td>
<td>0.67</td>
<td>0.81</td>
</tr>
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</table>

Source: MGMA DataDive Pro Cost and Revenue 2016

NPPs continue to enjoy a very optimistic job market; **as the need for more providers increases, so do employment opportunities.** Statistics from the Bureau of Labor show that in 2015:

- 170,400 nurse practitioners (NPs) earned a median salary of $104,740. That is a **14.5% salary increase since 2012**, which means the NP field is increasing at a rate of 31% — much faster than the 7% average job growth rate across all fields. New York, California, Florida, Texas and Ohio have the highest NP employment levels.⁴

- 94,400 physician assistants (PAs) earned a median salary of $98,180. That is a **7.9% increase in salary since 2012.** The PA field is growing at a rate of 30% — again, much faster than the average growth rate across all fields. New York, California, Texas, Pennsylvania and Florida have the highest PA employment levels.⁵

**With more and more practices utilizing NPPs, the challenge of finding these skilled professionals also increases.** AMN Healthcare, which specializes in recruiting permanent physicians and NPPs, states that the **year-over-year growth in NPP search requests is roughly 160%.** That’s far higher than the 10% to 20% increase in requests for other healthcare positions.⁶

**The NPP forecast is a bright one** — not only for these professionals themselves but also for the practices that utilize them and the patients who receive their care.

"PAs will continue to play a major role in the delivery of health care for the foreseeable future. In collaboration with our physician colleagues and other health care professionals we will solve the health care delivery challenge facing our nation."

Kemuel Carey, MHS, PA-C, ATC, MBA Candidate
Chief PA, Peninsula Orthopaedic Associates, Salisbury, Maryland

More MGMA compensation data on page 12
# Nonphysician Provider Services

## A Guide to Independent vs. Incident-to Services

The qualifications, covered services and level of supervision as defined by the Medicare program are outlined below. Whether you bill independently or incident-to, these guidelines do not waiver.

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<thead>
<tr>
<th>Nurse Practitioner Qualifications</th>
<th>Physician Assistant Qualifications</th>
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<tbody>
<tr>
<td>- Be a registered professional nurse who is authorized by the state in which the services are furnished to practice as a nurse practitioner (NP) in accordance with state law;</td>
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<tr>
<td>- Be certified as an NP by a recognized national certifying body that has established standards for NPs; and</td>
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<tr>
<td>- Possess a master’s degree in nursing.</td>
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<tr>
<td>- Have graduated from a physician assistant (PA) educational program that is accredited by the Accreditation Review Commission on Education for the Physician Assistant (or its predecessor agencies, the Commission on Accreditation of Allied Health Education Programs [CAAHEP] and the Committee on Allied Health Education and Accreditation [CAHEA]); or</td>
<td></td>
</tr>
<tr>
<td>- Have passed the national certification examination that is administered by the National Commission on Certification of Physician Assistants (NCCPA); and</td>
<td></td>
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<tr>
<td>- Be licensed by the state to practice as a PA.</td>
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## Covered Services

Coverage is limited to the services that an NP is legally authorized to perform in accordance with state law (or state regulatory mechanism established by state law). Covered services are the type that are considered physicians’ services if furnished by a doctor of medicine or osteopathy (MD/DO);

- They are performed by a person who meets all NP qualifications;
- The NP is legally authorized to perform the services in the state in which they are performed;
- They are performed in collaboration with an MD/DO; and
- They are not otherwise precluded from coverage because of one of the statutory exclusions.

Coverage is limited to the services that a PA is legally authorized to perform in accordance with state law (or state regulatory mechanism established by state law). Covered services are the type that are considered physicians’ services if furnished by a doctor of medicine or osteopathy (MD/DO);

- They are performed by a person who meets all PA qualifications;
- The PA is legally authorized to perform the services in the state in which they are performed;
- They are performed under the general supervision of an MD/DO; and
- They are not otherwise precluded from coverage because of one of the statutory exclusions.
### Direct Billing and Payment

<table>
<thead>
<tr>
<th>Direct Billing and Payment</th>
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<tr>
<td>Direct billing and payment for NP services may be made to the NP. Reimbursement is 85% of the fee schedule amount for physicians.</td>
<td>Payment for the services of a PA may be made only to the actual qualified employer of the PA. Reimbursement is 85% of the fee schedule amount for physicians. Not eligible for direct reimbursement.</td>
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### Collaboration

Collaboration is a process in which an NP works with one or more physicians (MDs/DOs) to deliver healthcare services, with medical direction and appropriate supervision as required by the law of the state in which the services are furnished.

In the absence of state law governing collaboration, collaboration is to be evidenced by NPs documenting their scope of practice and indicating the relationships that they have with physicians to deal with issues outside their scope of practice.

The collaborating physician does not need to be present with the NP when the services are furnished or to make an independent evaluation of each patient who is seen by the NP.

### Physician Supervision

The PA’s physician supervisor (or a physician designated by the supervising physician or employer as provided under state law or regulations) is primarily responsible for the overall direction and management of the PA’s professional activities and for assuring that the services provided are medically appropriate for the patient.

The physician supervisor (or physician designee) need not be physically present with the PA when a service is being furnished to a patient and may be contacted by telephone, if necessary, unless state law or regulations require otherwise.

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**The key to covered services for NPs and PAs lies in their state’s scope of practice as well as facility policy and privileging.** What is allowed in one state may be reduced or restricted in other states. This leads to a lot of confusion for practices utilizing nonphysician providers. Because state regulation of PAs and NPs varies so widely, it is essential to understand the environment in which you practice.
Full Practice: State practice and licensure law provides for all nurse practitioners to evaluate patients, diagnose, order and interpret diagnostic tests, initiate and manage treatments — including prescribe medications — under the exclusive licensure authority of the state board of nursing. This is the model recommended by the Institute of Medicine and National Council of State Boards of Nursing.

Reduced Practice: State practice and licensure law reduces the ability of nurse practitioners to engage in at least one element of NP practice. State law requires a regulated collaborative agreement with an outside health discipline in order for the NP to provide patient care or limits the setting or scope of one or more elements of NP practice.

Restricted Practice: State practice and licensure law restricts the ability of a nurse practitioner to engage in at least one element of NP practice. State requires supervision, delegation, or team-management by an outside health discipline in order for the NP to provide patient care.

Source: American Academy of NPs
The American Academy of Physician Assistants (AAPA) has identified six key elements that should be part of every state’s PA practice act. The above map outlines the number of key elements found in each state’s practice act. The key elements are as follows:

1. **“Licensure”** as the regulatory term
2. Full prescriptive authority
3. **Scope of practice** determined at the practice level
4. Adaptable supervision requirements
5. **Chart co-signature requirements** determined at the practice level
6. **Number of PAs** whom a physician may supervise determined at the practice level

Source: American Academy of PAs

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What is Incident-to Billing and is it Worth it?

Receiving 100% of the fee schedule is better than 85% of the fee schedule, right? Here are the options:

Submit all NPP claims under their own national provider identifier (NPI) and accept 85% reimbursement, or make sure your NPPs, as well as billing and coding staff, are fully educated on the incident-to guidelines.

Staff must ensure that incident-to guidelines are met before submitting a bill under the physician’s NPI. While many practices say the additional 15% is not worth the headache, if your billing practices are properly established and followed, the additional revenue is worth the effort.

Incident-to billing is not just for Medicare; many commercial payers have adopted their own incident-to billing guidelines for NPPs.

Do not get caught billing under a physician as incident-to without meeting the guidelines.

Make sure your billing staff is aware and engaged; many practices are found to be in violation of the incident-to billing guidelines without even knowing it. More information and resources regarding incident-to billing appear later in this report.

“Incident-to services are defined as those services that are furnished incident-to physician professional services in the physician’s office (whether located in a separate office suite or within an institution) or in a patient’s home... These services are paid at 100% of the physician fee schedule, while services reported by NPPs are paid at 85%.”

Things to consider when billing incident-to

- The supervising physician must be in the office suite and readily available if assistance is needed and stay involved in the treatment plan.
- Incident-to services may only be provided in an office setting or the patient’s home (not a hospital or skilled nursing facility).
- The service must be an integral part the patient’s treatment course that has been initiated by a physician at a previous encounter.
- The service must be an expense to the practice.
- New patient visits or established patient visits for new problems do not qualify for incident-to billing.
Nonphysician Provider Utilization Cost and Revenue

“I can’t afford an NPP.”
“NPPs don’t bring any revenue into the practice.”
“NPPs are the competition.”

These are all statements made by physicians when considering the utilization of NPPs in their practices. In reality, MGMA data show that practices that utilize NPPs continually perform better financially than practices that do not. And, as physician shortages continue to cripple the availability of primary healthcare, practices will soon — if not already — find out that they can’t afford to be without NPPs in their practices.

Total Medical Revenue per FTE Physician by Ratio of Nonphysician Provider FTEs to Physician FTEs

Source: MGMA DataDive Pro Cost and Revenue 2016

Hiring an NPP is considerably less expensive than hiring a physician. Lower salaries, overhead, liability insurance costs and costs of care — along with the benefits of increased patient volume and improved patient satisfaction — can be a huge financial win for both primary- and specialty-care practices that utilize NPPs.13

Directly supervised NPPs can bill and receive 100% of the physician’s contracted amount when billed as an incident to a physician’s services. Otherwise, services performed by NPPs are typically reimbursed at 85% of the physician’s fee schedule, which varies by payer.

“Our PAs partner with our physicians to take care of patients. Our PAs are experienced in Orthopaedic care and can often see patients for their follow-up visits. This allows the surgeons to take care of more acute pain and injuries. Our PAs often help conduct the preoperative visits for our patients.”

Michael T. Brohawn, FACMPE
Practice Manager, Orthopaedics
East Sports Medicine Center, Greenville, NC
In surgery clinics, NPPs can provide postoperative patient care, freeing up the surgeon to perform more surgeries. If a practice’s NPPs are typically doing the work that is included in the global surgical package of a major procedure, physicians often don’t see the financial benefit.

We suggest conducting an analysis to demonstrate the financial impact that an NPP has on the surgeon’s ability to perform more surgeries. If the NPP wasn’t there to provide care of the postoperative patient, this role would fall to the surgeon.

In rural areas, NPP utilization is essential. The Rural Health Clinic Services Act of 1977 made freestanding rural clinics staffed by nurse practitioners (NPs) and physician assistants (PAs) eligible for government payments without meeting physician supervision requirements. To qualify as a rural health clinic (RHC) with Medicare, the RHC must employ one NPP (NP or PA) who is working at the clinic at least 50% of the time that the clinic is open as an RHC. RHCs are reimbursed at an encounter rate that is the same for a physician as for an NPP.

As new payment models emerge and reimbursement becomes more focused on the quality of care and patient satisfaction, practices need the expert skill set that NPPs can offer.
Nonphysician Provider Compensation


Numerous options exist for fairly and competitively compensating your practice’s nonphysician providers (NPPs). Finding the right model depends on many factors, such as:

- **Types of service** (assistant at surgery, established patients, post-op follow ups)
- **Location of services** (hospital only, clinic, skilled nursing facility)
- **Productivity defined** (nonvisit-related tasks such as prescription refills, telephone triage and other administrative functions)
- **Extension of the physician** or primary provider of service

With the demand for NPPs constantly on the rise, ensuring that your practice compensates its NPPs in line with fair market value is critical. There are several different compensation models; make sure you choose the one that best incentivizes the NPP to work hard, exceed goals and serve as a dedicated member of your team.

As an example, straight salary might not work for the NPP whose schedule is full when everyone else has left for the day, but it might be perfect for the NPP who only sees postoperative patients.

Many practices combine the number of visits with patient satisfaction scores to determine the best salary-plus-bonus method. As the demand for NPP services rises, so does the expectation for higher compensation.

**Nonphysician Provider Total Compensation**

*by Compensation Plan*

Source: MGMA DataDive Pro Provider Compensation 2016

“I am able to see just as many (generally more) patients in a day than the physician working with me and my salary isn’t as high as his.”

Emily Wilson, PA-C, Horizon Primary Care, Thornton, CO

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Nonphysician Provider Utilization Rules, Regulations and Guidance

Who Are the Players?

- **The Centers for Medicare & Medicaid Services (CMS)** is a branch of the Department of Health & Human Services (HHS). It is the federal agency that runs the Medicare program and monitors the Medicaid programs that are offered by each state. (medicare.gov)
- **Medicaid** is a federally funded program and is jointly funded by federal and state governments.
- Medicaid rules and guidelines are set by state. **Medicare** rules and guidelines are set nationally but local coverage decisions (LCDs) can be established at the Medicare Administrative Contractor (MAC) level. There are currently 12 MAC jurisdictions separated by geographical locales.
- **TRICARE** is a healthcare program for the United States Department of Defense Military Health System that is managed by the Defense Health Agency (DHA).
- **Workers’ compensation insurance** provides benefits — including medical care — to employees for work-related injuries or illness. States’ requirements can vary significantly.
- **Commercial health insurance** is any type of health insurance that is not offered and managed by a government entity.

What advice do you have for individuals considering the profession?

“You will not find a more rewarding profession. PAs are increasingly in high demand and the opportunities are expanding. On a personal level, it’s been so gratifying to work with patients over the years and see their children and in some cases grandchildren and be part of their lives. It becomes a very personal relationship and those bonds are where I’ve found the most satisfaction and joy.”

Jeffrey A. Katz, PA-C, DFAAPA, Immediate Past President, AAPA

“In my experience, PAs are highly regarded both among the physicians and patients. Our healthcare system understands the needs of patients cannot be met unless we adapt to a team-based approach and work together. This career has been not only satisfying but opens up doors to endless growth.”

Emily Thornhill Davi, Chair of the Society of Hospital Medicine’s (SHM) NP/PA Committee
One Size Does Not Fit All

Why is this important? Because each has its own set of rules, regulations and guidelines, and it is vital to understand them all when it comes to billing for nonphysician providers. Medicare rules in one jurisdiction may differ from another and Medicaid rules differ by state. It’s important to know the differences for each. Furthermore, Medicare and Medicaid rules don’t always match. The same holds true for commercial insurance, workers’ compensation and TRICARE.

While the distinct rules and regulations of all states and jurisdictions are understandably too vast to include here, getting the information is free and relatively easy. Payer contract, websites, and reimbursement guidelines by payer are great resources to review to ensure you are following the appropriate guidelines in your state and with your payers. If the information is not freely available, contact the payers for clear direction. Proper due diligence early on can ward off compliance issues later.

Sadly, most violations of the rules are not intentional but rather negligent in nature. “I just didn’t know” is a common excuse. Listed below are some of the most common rules that must be fully understood when billing for NPPs in your practice.

TIP

To qualify for payment under the incident-to rules, services must be part of the patient’s normal course of treatment, during which a physician personally performed an initial service and remains actively involved in the ongoing course of treatment. Incident-to services must be an expense to the provider.

Physicians do not have to be physically present in the patient’s treatment room while these services are provided, but they must provide direct supervision. In the office setting that means the physician must be present in the office suite and immediately available to furnish assistance and direction throughout the performance of the procedure. It does not mean the physician must be present in the room when the procedure is performed.

Incident-to: Incident-to is defined as services or supplies that are:

- Furnished incident to a physician’s professional services when the services or supplies are furnished as an integral — although incidental — part of the physician’s personal professional services
- Part of the patient’s course of treatment
- An expense to the physician
New patient visits, established patient visits, visits in a hospital or skilled nursing facility setting, and annual wellness visits are, to name a few, services that do not qualify for incident-to billing.

As stated earlier, incident-to billing is reimbursed at 100% of the physician fee schedule while services billed under the NPP are reimbursed at 85%.

Split-shared visits: A split-shared visit refers to a service performed jointly by a physician and NPP.

In the office setting:

- If incident-to requirements are **met**, services may be submitted under the physician’s national provider identifier (NPI).
- If incident-to requirements are **not met**, services must be submitted under the NPP’s NPI.

In a hospital or emergency department setting:

- If the physician and NPP are in the same group practice and the physician performs any face-to-face portion of the evaluation and management encounter with the patient, you **may submit the service under either the physician or the NPP’s NPI**.
- If there was **no** face-to-face encounter between the physician and the patient (e.g., if the physician reviewed a portion of the patient’s medical records but did not “see” the patient), the service **may only be submitted under the NPP’s NPI**. Incident-to billing does not apply in a hospital setting.

**Again, billing under the physician vs. the NPP is a 15% difference.** It’s important to understand your MAC’s rules regarding how much of the visit must be documented by the physician for billing.

Statements such as “Seen and examined” then signed by the physician or “Reviewed and agreed” then signed by the physician or “As above” then signed by the physician **do not meet the documentation requirements for split-shared services**.

Other payers: Don’t forget, different payers equal different rules. You must pay attention to the different insurance plans and their rules when deciding how best to utilize and bill for NPPs.

Find out if your insurance plans allow for separate credentialing and independent billing of NPPs or if they follow the incident-to billing rules. Many insurance plans reimburse NPP services at different rates than physician services, so **it is as important to understand the rules of the commercial plans as it is to understand the rules of Medicare and Medicaid**.

This should not deter you from hiring or utilizing NPPs in your practice but is **meant to ensure that you consider all facts when determining the best way to bill for your NPPs, and whether or not the additional reimbursement is worth the administrative tasks to determine whether your billing is free of error.**
Nonphysician Provider Utilization and the Future Of Healthcare

No matter how you look at it, the U.S. healthcare landscape is changing.

Among the many uncertainties that lie ahead, several things are for sure:

- **Affordable Care Act (ACA) plans** have expanded healthcare coverage to millions of Americans.
- **The physician shortage** is expected to soar.
- **Telehealth and other forms of technology** are expanding healthcare to otherwise-underserved areas.
- **New healthcare-delivery models** continue to emerge.

Consideration of NPPs’ clinical abilities, expenses, positive impact to revenue, and boost to practice performance surely fits into the Triple Aim model.

The Triple Aim consists of:
- Improving the patient experience
- Improving the health of populations
- Reducing the per-capita cost of healthcare

Amidst these trends, and as many practices are now realizing, nonphysician providers (NPPs) can provide a substantial boost to practice performance.

78% of better-performing practices employ NPPs.

*Source: MGMA Performance and Practices of Successful Medical Groups: 2016 Report Based on 2015 Data*
MGMA DataDive
*MGMA DataDive Provider Compensation 2016* (Item 8938) includes data on:

- Physician and nonphysician provider compensation and production
- Academic compensation and production
- Medical directorship compensation
- On-call compensation
- Physician placement starting salaries

For more detailed information on MGMA DataDive tools, or if you would like a one-on-one tutorial, contact the Data Solutions Department at survey@mgma.org or 877.275.6462 ext. 1895.

MGMA Members: Need an answer to your practice management question? Contact the MGMA Knowledge Center at info@mgma.org or 877.275.6462, ext. 1887.

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Sources


8. Ibid.


