How to Use MGMA Compensation Data:

An MGMA Research & Analysis Report | JUNE 2016
Compensation is about alignment with our philosophy and strategy. When someone complains that they aren’t earning enough, we use the surveys to highlight factors that influence compensation.

As we approach our 90th anniversary, it only seems fitting to celebrate MGMA survey data, the gold standard of the industry. For decades, MGMA has produced robust reports using the largest data sets in the industry to help practice leaders make informed business decisions. The MGMA DataDive® Provider Compensation 2016 remains the gold standard for compensation data.

The purpose of this research and analysis report is to educate the reader on how to best use MGMA compensation data and includes:

- Basic statistical terms and definitions
- Best practices
- A practical guide to MGMA DataDive®
- Other factors to consider
- Compensation trends
- Real-life examples

When you know how to use MGMA’s provider compensation and production data, you will be able to:

- Evaluate factors that affect compensation and set realistic goals
- Determine alignment between medical provider performance and compensation
- Determine the right mix of compensation, benefits, incentives and opportunities to offer new physicians and nonphysician providers
- Ensure that your recruitment packages keep pace with the market
- Understand the effects that teaching and research have on academic faculty compensation and productivity
- Estimate the potential effects of adding physicians and nonphysician providers
- Support the determination of fair market value for professional services and assess compensation methods for compliance and regulatory purposes

Understanding how to utilize benchmarking data can help improve operational efficiency and profits for medical practices.
Understanding basic statistical terms is fundamental to understanding and using data.

**What is the difference between the mean and median?**

The mean and the median are measures of central tendency in statistical research. The median is the 50th percentile rank, or the middlemost point of data, whereas the mean is the average of all the numbers in the set.

MGMA also includes the 10th, 25th, 75th and 90th percentiles as well as the standard deviation in data tables to better understand the distribution of the sample. For an even more granular look, the *MGMA DataDive® Pro Provider Compensation 2016* includes every percentile from the 10th to the 90th.

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Group Count</th>
<th>Provider Count</th>
<th>Mean</th>
<th>Std Dev</th>
<th>10th percentile</th>
<th>25th percentile</th>
<th>Median</th>
<th>75th percentile</th>
<th>90th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Medicine (without OB)</td>
<td>567</td>
<td>4,096</td>
<td>4,951</td>
<td>1,729</td>
<td>3,065</td>
<td>3,915</td>
<td>4,818</td>
<td>5,999</td>
<td>7,994</td>
</tr>
<tr>
<td>Neurology</td>
<td>169</td>
<td>6</td>
<td>5,000</td>
<td>2,343</td>
<td>2,605</td>
<td>3,441</td>
<td>4,604</td>
<td>6,021</td>
<td>7,882</td>
</tr>
<tr>
<td>Pediatrics: General</td>
<td>261</td>
<td>1,873</td>
<td>5,242</td>
<td>2,066</td>
<td>3,152</td>
<td>4,092</td>
<td>4,944</td>
<td>6,112</td>
<td>7,717</td>
</tr>
<tr>
<td>Urgent Care</td>
<td>76</td>
<td>359</td>
<td>5,172</td>
<td>2,143</td>
<td>2,901</td>
<td>3,701</td>
<td>4,755</td>
<td>6,207</td>
<td>8,404</td>
</tr>
</tbody>
</table>

**What is the count column?**

The count (also referred to as the “N” or sample size) represents the number of eligible responses included in the sample. The higher the N, the more stable and representative the data.

**What is standard deviation?**

In lay terms, standard deviation refers to how spread out or scattered the responses are from the mean.

The higher the standard deviation, the wider spread the data is.

![Low Standard Deviation](image1.png) ![High Standard Deviation](image2.png)
Does MGMA review the survey data before reporting it?

MGMA’s data collection and editing process is rigorous and sophisticated. MGMA takes multiple steps to ensure that the survey data are clean, accurate and relevant, including:

- Refining the survey to enable participants to report information that is relevant and meaningful to the healthcare industry
- Reviewing data for completeness:
  - Contacting participants
  - Verifying the accuracy of submitted figures
  - Ensuring that all required questions are complete
  - Trimming extreme outliers from the data set to avoid “bad” data skewing the results
- Requesting data from a diverse, extensive population (including members, nonmembers, and collaborative partners)
- Providing exhaustive definitions to explain independent metrics and describing what metrics should and should not be included

Are there any limitations to the data?

MGMA DataDive® Provider Compensation 2016 (MGMA Store Item 8938) is based on a voluntary response by MGMA member and nonmember practices; data might not be representative of all providers in medical practices. Providers in the responding organizations might have different compensation and productivity than providers who did not respond to the survey. Additionally, note that the specific respondent sample varies from year to year. Therefore, conclusions about longitudinal trends or year-to-year fluctuations in summary statistics might not be appropriate in all cases.

Taking these limitations into account, it should be noted that MGMA reports the largest, most reliable and relevant provider compensation sample in the industry.

For a full list of FAQs and glossary, visit mgma.org/data-calculations.

We use the MGMA DataDive® Provider Compensation 2016 to help us make decisions when we are considering a new service line or specialty by benchmarking salaries. The surveys are a valuable tool in setting productivity expectations and realistic salary assumptions. We use the data to help us develop accurate pro-formas.

Melissa Odom, CMPE, director of strategic innovations, Wilmington Health PLLC, Wilmington, N.C.
MGMA suggests the following best practices when benchmarking compensation data:

1. **Use tables that apply to your group.**
   Look at a variety of tables by group size, region, ownership, etc. that best fit your practice.

2. **Use the median.**
   We recommend benchmarking against the median compensation over the mean since the median is not influenced by extreme values.

3. **Be aware of the population.**
   The larger the count (sample size or “N” of the data), the more reliable the benchmark.

4. **Don’t extrapolate an hourly salary rate.**
   Data collected for the MGMA DataDive® Provider Compensation 2016 is an annual total and will not give an accurate compensation when divided by an estimated number of hours worked per year.

5. **Don’t divide across tables.**
   Take a look at the counts in each table – the populations are different! As such, percentiles across tables don’t correlate (e.g., 75th percentile compensation vs. 75th percentile work RVUs are different respondents).

6. **Use ratio tables.**
   The compensation-to-productivity ratio tables only include participants who reported both aspects of the ratio; we do the math for you so you don’t have to divide across tables!

7. **Don’t shop around for the best-fit data.**
   Having a standard benchmark that is agreed upon and known by everyone in the practice helps establish trust. Agree internally on which tables your group will use before looking at data. Avoid “pick-and-choose” behavior.

8. **Analyze the Quartile Pro Report in MGMA DataDive® Pro.**
   Explore the effect of productivity on compensation, and discover that as compensation and production increase, compensation per unit of production decreases. (Learn more about the Quartile Pro Report on page 7 in the next section.)

9. **Consider MGMA Custom Analysis reports.**
   Whether you’re looking for unpublished data, specific data tables for a presentation or negotiation, or data to support your practice valuation report, MGMA expert analysts can help you.

10. **Contact MGMA if you have questions.**
    Many of our staff have years of experience working with the surveys and are eager to help with any questions that you have. Email survey@mgma.org or call 877.ASK.MGMA (275.6462), ext. 1895.
When looking at MGMA data, providers often mistakenly assume that if they fall in the 90th percentile for work RVUs, they should also be paid in the 90th percentile for compensation per work RVU. This is very rarely the case.

MGMA has added two benchmarking tools to MGMA DataDive® Pro Provider Compensation 2016 (Item 8939):

**Tool 1: Quartile Pro Report**

Within the Report Builder in the MGMA DataDive® Pro Provider Compensation 2016 you can build a quartile report to accurately benchmark your providers against MGMA data.

Example: Let’s say your provider falls in the top quartile of work RVUs for his or her specialty (which means the provider is a high producer of work RVUs). Wouldn’t you both want to know what others in the top quartile are getting paid per work RVU, and what their total compensation is?

Start by selecting your quartile benchmark, then select what you would like displayed across those quartiles. In this case we want to select work RVUs as the quartile benchmark, and display compensation to work RVUs ratio and total compensation across the quartiles. This report helps explain that as production increases, the compensation amount per work RVU decreases.
Tool 2: Pay to Production Plotter

Enter your providers’ compensation and production data and see how it compares with industry data on a scatter plot of MGMA data points.

Each green dot represents MGMA data, specifically where each data point falls on the spectrum of compensation (vertical axis) and work RVUs (horizontal axis). You can also choose to display collections across the horizontal axis. The purple square represents the provider for whom you entered data. If you entered data for multiple providers within the same specialty, you will see multiple purple squares plotted on the graph. The best use for this tool is to find MGMA data points with similar compensation amounts, and compare their production amounts with your providers. You can do so by hovering over any of the dots to see the compensation and production values.
Compensation methodologies: There isn’t a one-for-all plan!

There are probably as many different compensation methodologies as there are medical group practices that use them. This diversity is the result of efforts to tailor compensation systems to be competitive with local markets, allocate common expenses and reward providers who support the practice’s mission. Compensation can be as simple as a fixed salary system or it can involve cost allocation systems, multiple productivity measures and additional incentives for community service, quality metrics and patient satisfaction. In a sense, the practice’s compensation method is a reflection of its culture. Some practices have an “eat what you treat” culture while others take a “one for all, all for one” approach. What works well in one practice might fail in another.

Regardless of the system, practice managers have four main concerns:

1. Is the compensation level adequate to allow the practice to recruit and retain providers?
2. Is the practice paying an appropriate or fair amount for the work performed?
3. Is the compensation model economically robust and sustainable?
4. What behaviors are driven by the compensation model’s incentives or disincentives?

Practice managers who focus on these questions generally use multiple comparative metrics and communicate regularly with providers regarding their success and struggle to maximize the potential and longevity of their organization. Understanding which metrics are appropriate for certain situations can greatly improve a manager’s ability to communicate effectively with the providers who are the economic engine and principal leaders of their business.

Medical practices frequently have the need to contract with hospitals for a variety of services, including medical directorships, call, staffing, etc. Hospitals are required by law to ensure that they are compensating for services at fair market value. The MGMA surveys provide a reliable source upon which the practice and hospital can base their compensation arrangements. It’s been interesting to witness how hospitals have increasingly relied upon these surveys over the years as a source for physician compensation data.

Practice administrators have a fiscal responsibility to their boards to ensure that their own compensation and that of their managers is appropriate. MGMA compensation surveys provide an objective resource that administrators can share with their board to negotiate their own compensation. Survey data provides evidence that the compensation paid to certain managers in the practice is appropriate for the position.

Michael Brohawn, FACMPE, practice administrator, Orthopaedics East & Sports Medicine Center, Inc., Greenville, N.C.
Other factors to consider when looking at compensation data

Review definitions of data used to help you compare internal benchmarks with external benchmarks. Your definition might be different than what you’re benchmarking against. Download the MGMA 2016 Compensation and Production Survey Guide for the list of definitions MGMA uses.

**Academic practices**

Academic faculty have different responsibilities – such as teaching and research – than do providers in private practice, and often less clinical time (see data below from the table: Physician Work Hours Allocation, MGMA DataDive® Provider Compensation 2016), and as such their compensation levels tend to be lower. Academic groups may use private practice compensation figures to stay competitive, but to get more realistic benchmarks, they should compare themselves with similar medical centers by using the academic compensation dataset in the MGMA DataDive® Pro Provider Compensation 2016.

- Specialty: Allergy/Immunology
  - Billable Clinical: 52.44%
  - Research: 21.00%
  - Teaching: 6.80%
  - Other: 19.76%

- Specialty: Anesthesiology
  - Billable Clinical: 81.11%
  - Research: 2.50%
  - Teaching: 5.89%
  - Other: 10.49%

**Starting salaries**

New providers should review the placement salary information found in the Provider Placement Starting Salary dataset of the MGMA DataDive® Provider Compensation 2016 to understand what compensation and incentives (such as signing bonuses) are guaranteed to new hires. The MGMA Physician Placement Starting Salary dataset reports signing bonuses separately.
Other factors to consider when looking at compensation data

**On-call compensation**

Daily on-call stipend is the most common type of compensation method used among providers who are paid for on-call duties.

<table>
<thead>
<tr>
<th>Type of Compensation Method Used</th>
<th>% of Providers Paid for On-Call Duties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily stipend</td>
<td>35.87%</td>
</tr>
<tr>
<td>Hourly rate</td>
<td>27.44%</td>
</tr>
<tr>
<td>Per shift</td>
<td>13.58%</td>
</tr>
<tr>
<td>Annual stipend</td>
<td>12.01%</td>
</tr>
<tr>
<td>Other compensation method</td>
<td>11.10%</td>
</tr>
</tbody>
</table>

In fact, providers are subject to the same basic issues that many businesses face. When providers reach capacity, they often make less per work RVU just like businesses make less per unit when they reach capacity. Alternatively, providers who receive extra income for services that do not generate work RVUs - call coverage, for example - make more per work RVU. Another example of this could be providers who are building a new practice and are receiving income subsidization from their employer during their ramp up. These providers may not generate many work RVUs, but because they are paid a salary, are identified with a high compensation per work RVU rate even if their earnings in total are at or below the 25th percentile.

Justin Burk, CPA, director of development, HCA Healthcare, Brentwood, Tenn.

When considering practice call and hospital call, they are included in the same bucket within MGMA data.
Other factors to consider when looking at compensation data

**Medical directorship compensation**

Medical directorships are often provided for certain physicians with both the capacity and the expertise to perform such services for another practice. Often this is a hospital, imaging center or ambulatory surgery center. In all cases, compensation for such positions depends on matching the physician’s qualifications to the job description requirements. There may also be medical directorship positions within a physician practice where a physician is asked to perform administrative duties in partnership with practice managers.

Additional data for physicians receiving and not receiving additional on-call compensation, and annualized medical directorship compensation can be found in the On-Call Compensation dataset and Medical Directorship dataset of the *MGMA DataDive® Provider Compensation 2016*. 
The accuracy of trending data depends on the sample size and reporting organizations from year to year. MGMA offers a trend reported by the respondents. Minor fluctuations are not significant unless viewed from a multiyear period perspective. Organizations can best use the data to demonstrate the overall change in compensation during a five- to 10-year period to note how compensation rises versus the cost of living and changes in production and the payer market. By comparing the sample size year to year, the validity of the data as compared with a particular practice can be valuable to see how a practice is trending versus the overall market for a specialty or practice ownership type.

If a particular physician has reduced compensation from a prior year, you can ask the following questions to gain valuable insights:

- Was there a material change in managed care contracting for the provider or in the market?
- Were specific procedures in which the physician specializes adversely affected by changes in government reimbursement?
- Did the physician add or subtract services to his or her practice, such as diagnostic testing or increased utilization of nonphysician providers?
- Did production decrease?
- Were billable clinical hours reduced for a comparable period?
- Has the practice added another provider who contributed to the practice production and revenue?
- Have the practice mix or provider responsibilities changed from the prior year?
- Is the compensation made up of different components such as more or less call coverage or directorship responsibilities?
Compensation trends — asking the right questions

Asking the right questions when interpreting the data provides a broader picture than strictly comparing compensation year to year. Industry trends are important to factor in as well. Changes in the reimbursement landscape can affect compensation plan structures. More practices are moving away from production-based compensation, and value-based compensation is becoming more prevalent. The most common plan, is a 50% or more salary-based compensation plan with added incentive payments. This plan is utilized by 31.50% of groups who indicated their type of compensation plan. This type of plan was the most frequently used in 2014, and has been increasing since 2012.3

Find more trends and analyses of the most recent provider compensation data at mgma.org/research-analysis.
MGMA resources

INTERACT

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.

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

**Free benchmarking results**

Contribute to the industry and receive free benchmarking results:

- Participate in a survey mgma.org/participate
- MGMA Stat: Participate in weekly industry polls mgma.org/polls

MGMA Career Center

Find job descriptions and post open positions: mgma.org/careercenter

READ

**MGMA Connection Plus**

mgma.org/connection-plus

Search for:

- “What counts” to find facts, figures and findings from MGMA survey data in an easy-to-interpret format
- “Data Mine” to find articles addressing financial and benchmarking information

**MGMA Research & Analysis Reports on provider compensation including:**

- MGMA Physician Compensation and Production Survey: 2015 Report Based on 2014 Data Executive Summary
- Physician Compensation Plans Research & Analysis Report
- Value-Based Compensation Research & Analysis Report
  - mgma.org/research-analysis

**MGMA Government Affairs**

Stay up to date with the latest regulations:

mgma.org/government-affairs
MGMA resources (cont’d)

NETWORK

MGMA Member Community
community.mgma.org

Visit these MGMA Member Community discussion groups to learn from your peers and industry experts on how to benchmark effectively:

- MGMA DataDive® Help
- Benchmarking Rookies
- Compensation

MGMA Annual Conference

Network and interact face-to-face with members who use MGMA data. Visit mgma.org/annual-conference.

LEARN

Data Certificate
Test your benchmarking skills (early July)

Learning Management System (LMS)

Webinars
Watch on-demand webinars that describe industry trends:

- Analyzing Provider Compensation and Productivity – on demand, Item 16WEB12
- Transitioning to Value-Based Care Using Real-Time Analytics – on demand, Item 16WEB11

Discover more about MGMA DataDive®

- MGMA DataDive® Live Webinars every 2nd Wednesday of the Month
MGMA resources (cont’d)

Sources

1Excerpt from article: “Provider compensation: Getting your money's worth,” *MGMA Connection* 15, no. 3 (April 2015): 30-32.


Other resources

Additional articles on using compensation data:

“Provider compensation: Getting your money’s worth,” *MGMA Connection* 15, no. 3 (April 2015): 30-32


“Data perspectives: Provider signing bonuses on the rise,” *MGMA Connection Plus*, July 1, 2015

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