



PROVIDER PAY AND THE DAWN OF A NEW ERA OF PRODUCTIVITY

INTRODUCTION

Aided by new technologies or simply pressured by stark financial realities, America’s medical group practices reached new levels of productivity in 2023 to meet rising demands for care and build revenues as practice expenses remain elevated.

The *2024 MGMA Provider Compensation and Production* report — reflecting 2023 data from more than 211,000 physicians and advanced practice providers (APPs) — illustrates the new economic landscape facing healthcare providers: Inflation has cooled, but the demand for high-quality care has not, with most specialties posting year-over-year work RVU (wRVU) increases beyond the surging productivity levels recorded as practices rebounded from the COVID-19 pandemic in 2021 and 2022.

As a result, physician compensation in primary care and nonsurgical specialties has increased for the fourth consecutive year, as well as for APPs. Except for nonsurgical specialist physicians, these providers’ gains kept pace with inflation, exceeding the 3.4% change in 2023 in the Consumer Price Index (CPI). However, these providers’ compensation shifts lag the five-year CPI surge of 22%. Specifically:

- The pace of growth in median total compensation for primary care physicians held at 4.44% from 2022 to 2023, just slightly higher than the 4.41% growth from the previous year.
- Surgical specialist physicians saw a 4.42% jump in median total compensation in 2023, nearly 2 percentage points higher than the 2.54% growth from 2021 to 2022.
- Nonsurgical specialists reported only a 1.81% uptick in median total compensation in 2023 after a 2.36% increase the year prior.

	ONE-YEAR CHANGE 2022 TO 2023:	FIVE-YEAR CHANGE 2019 TO 2023:
Primary care physician total compensation	4.44%	14.26%
Surgical specialist physician total compensation	4.42%	10.25%
Nonsurgical specialist physician total compensation	1.81%	6.08%
Advanced practice provider (APP) total compensation	6.47%	16.23%
Consumer Price Index (CPI)	3.40%	20.60%

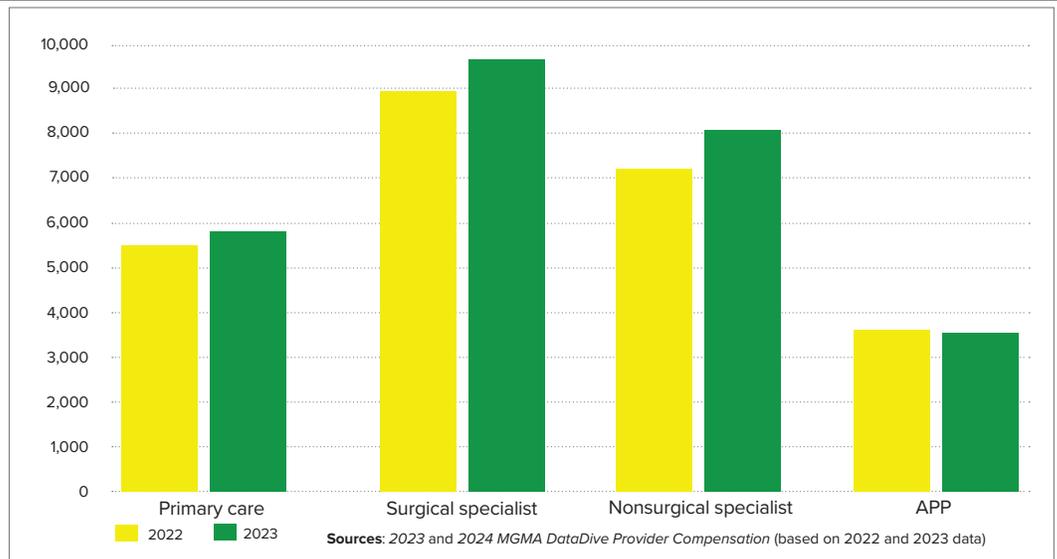
Sources: 2024, 2023 and 2020 MGMA DataDive Provider Compensation and Bureau of Labor Statistics

- APP median total compensation increased 6.47% in 2023, posting an even bigger gain than the 3.70% increase from 2021 to 2022.

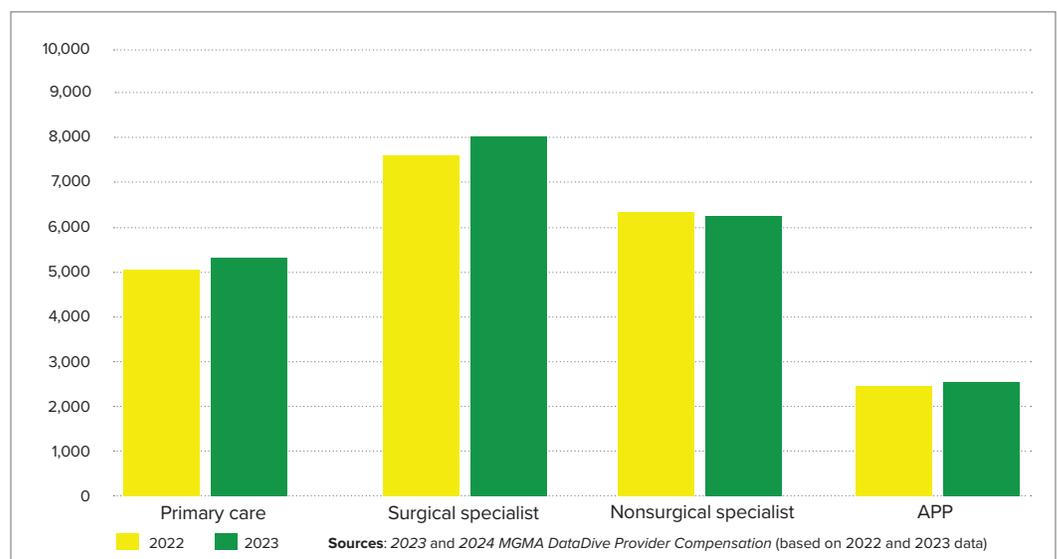
Benchmarking data contained within recent years of the *MGMA DataDive Provider Compensation* suggest continued operational adjustments and innovations to propel these productivity levels higher amid ongoing physician, provider and staffing shortages. **This report is designed to bring clarity and context to what these data tell us and how medical group leaders can continue evolving their strategies for their provider workforces.**

DATA TRENDS: PRODUCTIVITY

**MEDIAN WORK RVUs
IN PHYSICIAN-OWNED
PRACTICES BY
SPECIALTY, 2022 AND 2023**



**MEDIAN WORK RVUs
IN HOSPITAL-OWNED
PRACTICES BY
SPECIALTY, 2022 AND 2023**



MGMA Stat

48% of medical groups are on target for their expected productivity for this year.

33% BELOW

19% EXCEEDED

48% ON TARGET

MGMA Stat poll, October 10, 2023 | How has your org's 2023 productivity compared to expectations? 253 responses. MGMA.COM/STAT, #MGMASTAT

Signs of sustained productivity in 2023 emerged in an [October 2023 MGMA Stat poll](#), which found more than two-thirds (67%) of medical groups were exceeding (19%) or on target (48%) to meet their productivity goals for the year — despite practice leaders spending more time on addressing high turnover and staffing shortages.

This struggle to optimize appointment schedules and boost productivity was apparent in [November 2023 polling](#) that found the same share of medical groups whose time to appointment had worsened (38%) as those who had seen it stay about the same as the year before (38%), with only about one in four groups (24%) noting an improvement in this patient access measure.

- Despite these challenges, primary care, surgical specialties and nonsurgical specialties in physician-owned practices reported higher median work RVUs (wRVUs) in 2023 versus 2022, and APP wRVU levels in private practices were largely unchanged from the previous year.
- In hospital-owned practices, median wRVUs were up in 2023 for APPs, primary care and surgical specialty physicians, with nonsurgical specialist productivity only slightly lower than 2022 levels.

DATA TRENDS: PRODUCTIVITY (continued)

- Physician-owned practices reported higher levels of productivity in collections, total encounters and wRVUs for most specialties compared to their hospital-owned counterparts.
- Total encounters reflect the number of direct provider-to-patient interactions regardless of setting, including tele-visits and e-visits. Work RVUs also quantify productivity and account for the complexity of the visits.

DIFFERENCE BETWEEN PHYSICIAN-OWNED AND HOSPITAL-OWNED PROVIDER PRODUCTIVITY, 2023				
	Collections	Total Encounters	Work RVUs	Total Compensation
Primary care physicians	\$154,940	289	549	\$11,163
Surgical specialists	\$88,250	-372	1,607	-\$49,331
Nonsurgical specialists	\$180,014	431	1,854	-\$27,989
Advanced practice providers	\$129,001	483	1,027	\$11,631

Source: 2024 MGMA DataDive Provider Compensation

MGMA DATADIVE PROVIDER COMPENSATION

Balance compensation with productivity with the most reliable data in the industry. *MGMA DataDive Provider Compensation* is your go-to resource for any physician or advanced practice provider (APP) compensation decisions. Use it to understand the unique differences among physician-owned, hospital-owned and academic practice benchmarks across multiple regions, practice sizes and provider experience levels. Benchmarks include:

- Compensation (including total pay, bonus/incentives, retirement)
- Productivity (work RVUs, total RVUs, professional collections and charges)
- Benefit metrics (paid time off, vacation time, sick time)

Explore even more of what *MGMA DataDive Provider Compensation* offers.

EXPERT INSIGHTS FROM MGMA CONSULTING

With budgets under pressure from escalating expenses, which aspects should practice leaders prioritize to effectively control costs?

“In today’s challenging economic environment, healthcare practice leaders must prioritize not only strategic cost management but also identify opportunities for growth to sustain operations. While it’s essential to control escalating expenses — particularly labor costs which typically constitute the largest budget item — leaders should also focus on aligning physician compensation models with productivity. This alignment encourages efficiency and can lead to increased capacity, allowing providers to see more patients and enhance service offerings.”



— **Adrienne Lloyd, MHA, FACHE**
Executive Leadership Coaching
Process Improvement
Strategic Planning

Which aspects should healthcare practice leaders prioritize to effectively control and manage increasing costs?

“Focus on leveraging technology to streamline administrative processes (appointment scheduling, registration, record-keeping).

- Staff retention with review of training and development as well as recognition (lowers cost if have to continually hire replacement staff)
- Reduce number of vendors through contract review (what was good a few years ago may no longer be cost effective)
- Consolidate, streamline and/or outsource services
- Review patient flow (exam room turnaround times, wait times, maximize scheduling); review inventory management (reduce waste and extra expense to replace expired supplies).”



— **Sharon Sagarra, MBA, FACMPE**
Outpatient and Private Practice Management
PSA and Affiliation Negotiations
Operational and Workflow Assessment

What advice do you have for practice leaders who are trying to balance higher revenues and mitigate burnout?

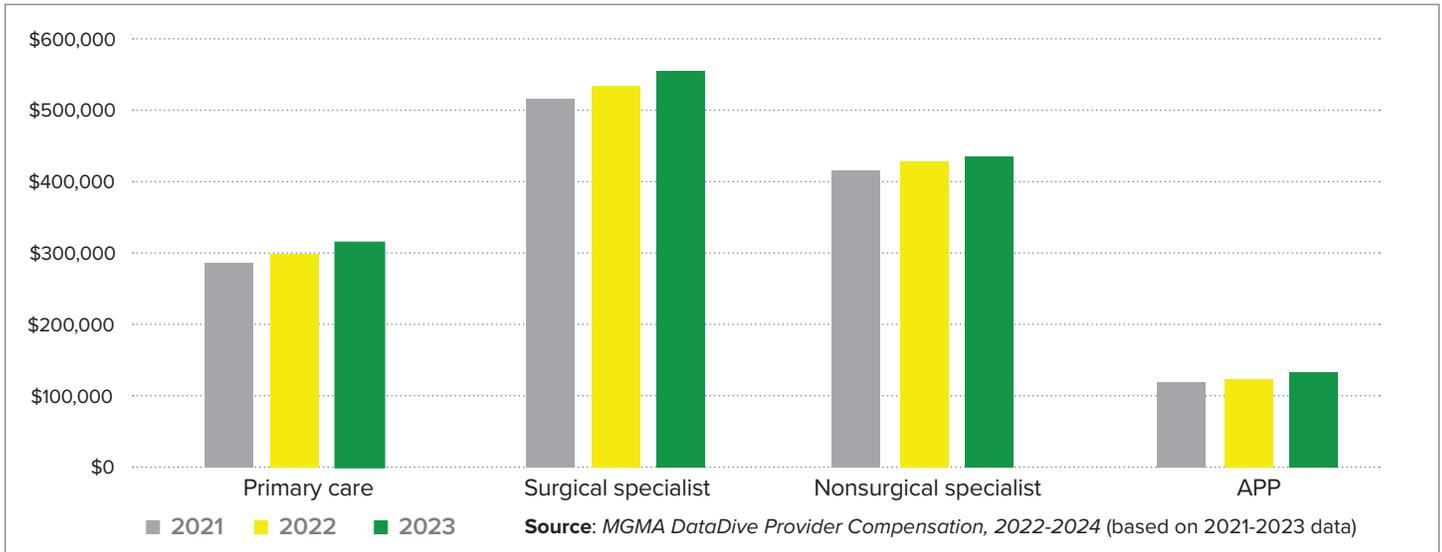
“As financial pressures increase, practice leaders are finding that their practices need to see more patients without adding physicians, advanced practitioners, or staff. When we ask people to do more with less, burnout can become a significant risk. To mitigate the risk, review processes and procedures to determine if any steps can be automated or removed. Just because something has always been done a certain way, it may not be feasible to continue with every step. Include your team in the work! When people are included, they are more likely to accept the changes and they often feel more engaged with their work as a whole because they feel valued.”



— **Katie Lawrence, MHA, CMPE**
Operations and Change Management
Diversity, Equity and Inclusion Training
Recruitment and Onboarding

DATA TRENDS: PROVIDER COMPENSATION

MEDIAN TOTAL COMPENSATION, 2021 TO 2023



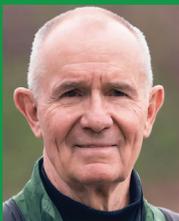
Median total compensation for physicians in primary care, surgical specialties and nonsurgical specialties saw modest increases in 2023, as well as total compensation for APPs.

As shown in the table, most physician specialties experienced compensation increases in the past year.

EXPERT INSIGHTS FROM MGMA CONSULTING

How can practices integrate non-financial incentives into their compensation models to improve provider satisfaction and retention?

- Recognize work-life balance with flex schedules.
- Work from home with telemedicine options
- Provide for growth and development
- Recognize that modern technology is here, AI is the future. Training, understanding and utilization will reduce pressure and workload, leading to reduced burnout.



— **Owen Dahl, FACHE, CHBC, LSSMBB**
Mergers and Acquisitions
Organizational Analysis and Development
Lean Six Sigma

Specialty	1-YEAR CHANGE (2022-2023)		5-YEAR CHANGE (2019-2023)	
	Change in compensation	Change in work RVUs	Change in compensation	Change in work RVUs
Cardiology: Invasive	3.76%	16.25%	11.62%	19.02%
Cardiology: Invasive-Interventional	6.80%	5.89%	12.02%	2.34%
Cardiology: Noninvasive	4.71%	0.02%	10.67%	5.82%
Dermatology	10.18%	1.13%	14.55%	18.55%
Emergency Medicine	-1.67%	4.54%	1.79%	5.03%
Family Medicine (without OB)	5.74%	6.65%	16.92%	19.19%
Gastroenterology	8.06%	6.04%	12.15%	11.50%
Hematology/Oncology	7.79%	6.55%	15.57%	20.45%
Internal Medicine: General	5.27%	5.62%	13.86%	15.07%
Neurology	5.08%	-2.16%	11.94%	-2.22%
Obstetrics/Gynecology: General	4.74%	0.98%	9.35%	2.64%
Ophthalmology	1.41%	4.31%	8.84%	7.95%
Orthopedic Surgery: General	8.77%	11.44%	12.40%	15.75%
Otorhinolaryngology	5.18%	8.12%	10.97%	15.16%
Pathology: Anatomic and Clinical	6.51%	0.90%	9.59%	2.13%
Pediatrics: General	3.49%	3.71%	11.04%	12.73%
Psychiatry: General	2.93%	-8.63%	8.45%	-5.84%
Pulmonary Medicine: General	7.26%	-1.93%	6.09%	-13.16%
Radiology: Diagnostic	2.13%	3.33%	7.48%	7.11%
Surgery: General	6.14%	2.57%	13.63%	1.44%
Surgery: Neurological	10.05%	12.50%	9.97%	-3.58%
Urgent Care	4.14%	2.23%	4.27%	9.99%
Urology	5.82%	3.02%	13.57%	7.14%

Source: 2024 MGMA DataDive Provider Compensation (based on 2023 data)

DATA TRENDS: COMPENSATION (continued)

COMPENSATION BY REGION

TOP FIVE HIGHEST- AND LOWEST-PAYING STATES FOR MEDIAN TOTAL COMPENSATION, BY PROVIDER TYPE				
	Primary care	Surgical specialist	Nonsurgical specialist	APP
Highest-paying	Mississippi	South Carolina	Mississippi	Nevada
#2	South Dakota	Alabama	New Mexico	California
#3	New Mexico	Mississippi	South Dakota	Nebraska
#4	South Carolina	Florida	Florida	Pennsylvania
#5	Montana	South Dakota	Texas	Alaska
#47	Rhode Island	Georgia	Iowa	Indiana
#48	District of Columbia	District of Columbia	Missouri	Maine
#49	Maryland	Kentucky	Kentucky	Alabama
#50	Wyoming	Montana	District of Columbia	Delaware
Lowest-paying	Alaska	Wyoming	Alaska	District of Columbia
RANGE BETWEEN HIGHEST- AND LOWEST-PAYING STATES				
	\$252,379	\$504,277	\$508,468	\$67,118

Source: 2024 MGMA DataDive Provider Compensation (based on 2023 data)

CHANGE IN MEDIAN TOTAL COMPENSATION, 2019-2023 (FIVE-YEAR CHANGE)				
	Eastern	Midwest	Southern	Western
Primary care physicians	14.73%	12.93%	13.91%	15.11%
Surgical specialists	18.09%	9.04%	3.74%	10.18%
Nonsurgical specialists	12.58%	-3.42%	2.40%	8.27%
APPs	10.91%	12.50%	21.24%	13.76%

Source: 2020-2024 MGMA DataDive Provider Compensation (based on 2020-2023 data)

MEDIAN TOTAL COMPENSATION BY GEOGRAPHIC REGION				
	Eastern	Midwest	Southern	Western
Primary care physicians	Lowest	Third	Second	Highest
Surgical specialists	Second	Highest	Third	Lowest
Nonsurgical specialists	Lowest	Third	Highest	Second
APPs	Third	Lowest	Second	Highest
CHANGE IN MEDIAN TOTAL COMPENSATION, ALL AGGREGATED SPECIALTIES				
1-Year Change	11.56%	9.03%	-2.02%	5.16%
5-Year Change	17.72%	14.55%	6.73%	13.78%

Source: 2020-2024 MGMA DataDive Provider Compensation (based on 2019-2023 data)

For the third year in a row, primary care physicians report earning the most in Mississippi, earning 7.8% more than the second-highest-paying state for primary care physicians (South Dakota) and 2.5 times as much as the lowest-paying state (Alaska).

Compensation percent differences between the top two states for surgical specialists is 1.93%; for nonsurgical specialists, the difference is 6.67%; and for advanced practice providers (APPs), that difference is 7.12%.

DATA TRENDS: COMPENSATION (continued)

INCREASE IN MEDIAN TOTAL COMPENSATION, NPs AND PAs		
	2022-2023 change	2019-2023 change
Nurse practitioner (NP)		
Surgical NP	4.05%	13.41%
Primary care NP	3.82%	17.74%
Nonsurgical/nonprimary care NP	6.61%	22.35%
Physician assistant (PA)		
Surgical PA	5.04%	8.96%
Primary care PA	5.65%	20.65%
PA (nonsurgical/nonprimary care)	6.12%	17.47%

Source: MGMA DataDive Provider Compensation, 2020-2024 (based on 2019-2023 data)

CHANGE IN MEDIAN GUARANTEED COMPENSATION FOR NEWLY HIRED POST-RESIDENCY/FELLOWSHIP PROVIDERS		
	2022-2023 change	2019-2023 change
Primary care physicians	1.96%	12.59%
Surgical specialists	13.24%	16.92%
Nonsurgical specialists	-3.64%	6.00%

Source: MGMA DataDive Provider Placement Starting Salary, 2020-2024 (based on 2019-2023 data)

Specialty providers coming out of residency or fellowship and newly hired to a practice in 2023 saw higher gains in median guaranteed compensation year over year than their primary care counterparts, while newly hired nonsurgical specialists saw a 3.64% decrease in year over year median guaranteed compensation. The five-year earning increases for these early-career physicians ranged from 6.00% to 16.92%.

PROVIDER COMPENSATION

WHAT'S NEW FOR 2024?

NEW BENCHMARKS:

- HOURLY RATE FOR APPs
- COLLECTIONS TO TOTAL ENCOUNTERS RATIO
- BASE COMPENSATION

NEW FILTER:

- EXEMPTION STATUS



Half of medical groups tie physician compensation to quality measures

BY CHRIS HARROP

Medical group leaders report an even split between those using quality measures in determining physician compensation and those who do not, according to a new MGMA poll.

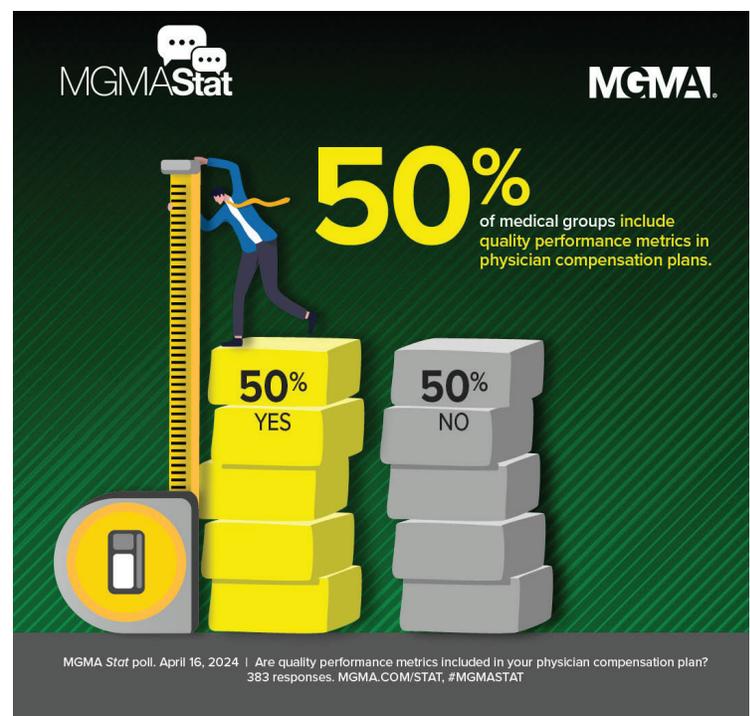
An April 16, 2024, MGMA *Stat* poll found that 50% of respondents say quality performance metrics are included in their organizations' physician compensation plans, and the other 50% use compensation methodologies that lack any quality metric component. The poll had 383 applicable responses.

This latest poll signals the continuation of an almost predictably slow and steady incorporation of quality into compensation models amid a similarly glacial trend away from fee for service (FFS) and toward value-based arrangements:

- A [May 16, 2023, MGMA poll](#) put the mark at 47% of medical groups using quality performance as part of their compensation plans.
- That mark stood at just under four in 10 groups (38%) in a March 2019 poll.
- In 2016, just more than one in four (26%) of medical groups reported tying quality performance to physician compensation.

Among medical groups with quality metrics embedded in their compensation models, almost one-third (33%) of them noted they increased the percentage of total compensation tied to quality metrics, whereas most (63%) said the share based on quality stayed the same, and only 4% reported pulling back on how much quality performance metrics weight into physician compensation models.

Among respondents whose organizations do not include quality metrics in compensation, the majority told MGMA that they do not anticipate adding quality as a component to their methodologies in the next year.



That doesn't necessarily mean these organizations are not tracking quality measures or engaging in value-based arrangements with payers, however. Several of the "no" respondents mentioned that they are measuring quality performance but have avoided incorporating them into compensation either due to lack of buy-in or concerns about transitioning during a period of "unstable workforce," as one practice leader told MGMA. Finally, several respondents from independent practices noted that their physician-owners split profits evenly and would be highly unlikely to add further complexity to their pay.

Still, several "no" respondents acknowledged they likely will need to embrace some form of quality performance tied to compensation and that they are discussing how to make the transition and manage the culture shift it entails.

ANOTHER LOOK FROM MGMA DATADIVE

The *MGMA DataDive Provider Compensation* takes a more nuanced look at provider compensation methods across the industry, with breakouts for 100% salary, 100% productivity, methods including quality metrics and “other.”

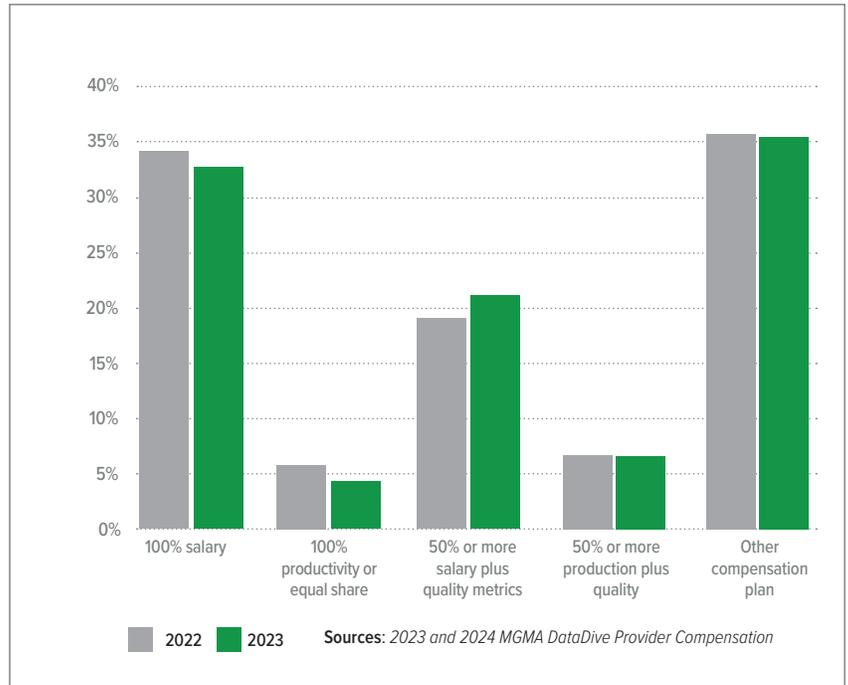
From 2022 and 2023, the survey found a continued downward trend in compensation based on 100% productivity or equal share, as well as another year of increased share of providers being compensated under a 50% or more salary method with some form of quality metrics.

Breaking down compensation allocations by specialty groups from 2023 data finds that primary care physicians have the highest share of productivity-based compensation, as well as the highest share of compensation share based on quality and patient experience.

APPs, with much higher share of straight/base salary in their compensation compared to physicians, still have more than 11% of their allocation based on productivity (10.50%) and quality and patient experience (1.22%).

Providers with production-based compensation plans report earning more than 10% more than their counterparts with non-production-based compensation plans. Base compensation for providers with production-based

COMPENSATION METHOD FOR ALL PRACTICES



COMPENSATION ALLOCATION*					
	Straight/ base salary	Productivity	Quality & Patient Experience	On-Call	Other
Primary care physicians	68.26%	24.68%	2.91%	0.92%	3.24%
Surgical specialists	71.79%	20.75%	1.61%	2.20%	3.67%
Nonsurgical specialists	78.86%	15.44%	2.40%	1.03%	3.06%
APPs	83.63%	10.50%	21.24%	1.14%	3.51%

Source: 2024 MGMA DataDive Provider Compensation (based on 2023 data) * Mean reported

compensation plans was 5-7% less than those with non-production-based compensation plans, with the exception of nonsurgical specialists.

EXPERT INSIGHTS FROM MGMA CONSULTING

Why is it so important to pay close attention to productivity and provider compensation benchmarks in the current economic climate?

“Paying close attention to productivity and provider compensation benchmarks is crucial for several reasons:

- 1. Efficiency and resource optimization:** With economic uncertainty, practices need to optimize their resources. Monitoring productivity helps identify areas where efficiency can be improved, allowing for better allocation of resources and cost savings.
- 2. Maintaining competitiveness:** Comparing provider compensation benchmarks helps ensure

that your compensation packages remain attractive enough to retain top talent while also being financially sustainable.

- 3. Cost control:** By understanding industry standards and best practices, businesses can make informed decisions that help prevent unnecessary expenses.
- 4. Performance management:** Tracking productivity benchmarks helps you identify high-performing individuals or address under-performance promptly.
- 5. Risk mitigation:** Economic fluctuations can pose risks via financial instability and market volatility. By monitoring productivity and

compensation benchmarks, organizations can identify potential risks early on and implement strategies to mitigate them.

- 6. Strategic planning:** Understanding these benchmarks helps you set realistic goals, allocate resources effectively and develop strategies for growth and expansion.



— Katie Nunn, MBA, CMPE
Process Improvement
Organizational Leadership
Telemedicine & Practice Transformation

DEFYING GRAVITY: ENTERING AN ERA OF INCREASED PRODUCTIVITY

BY DAVID N. GANS, MSHA, FACMPE

Over the past months, the Data Mine column in *MGMA Connection* magazine addressed the problems medical groups are experiencing with increased expenses and limited opportunities to increase payment. The [October 2023 article](#) and the [January 2024 article](#) describe serious problems affecting private and hospital-based medical groups. Fortunately, while some practices are experiencing serious problems, many medical groups are managing to “keep their heads above water” and some are thriving.

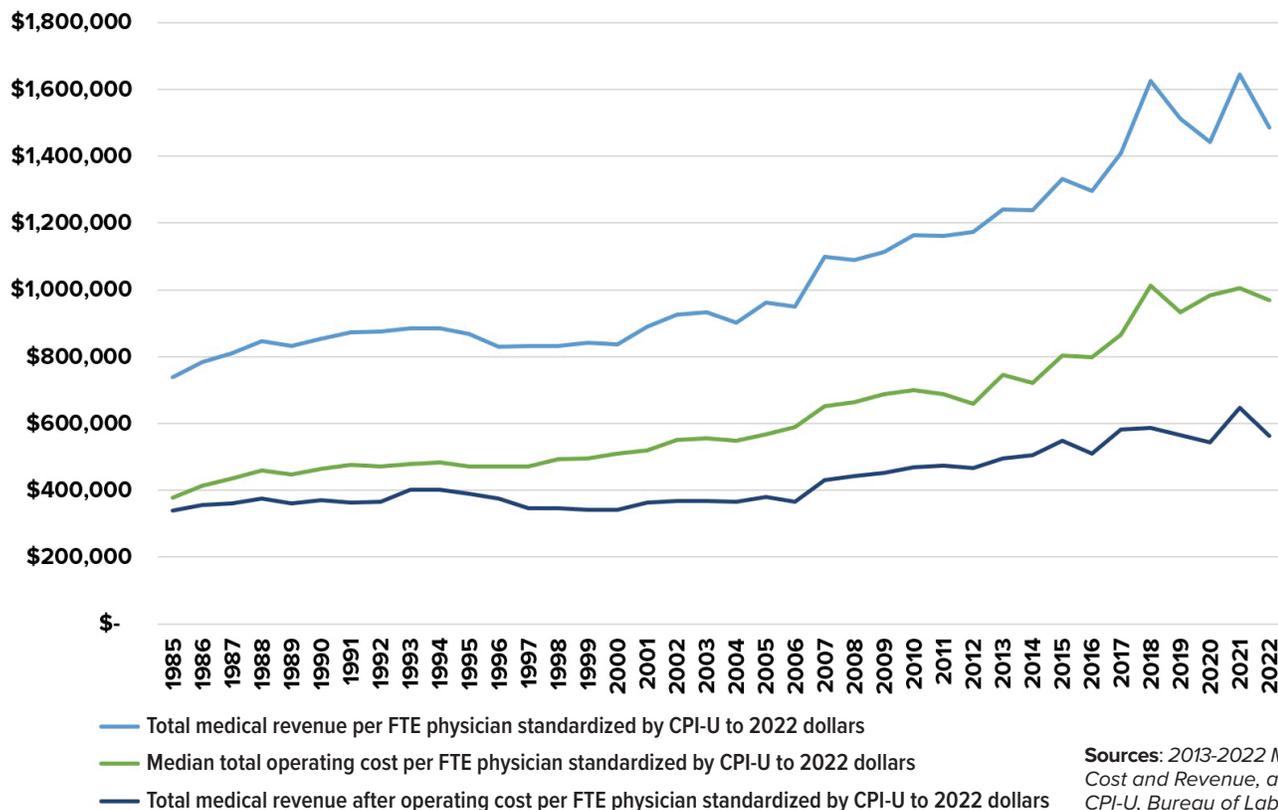
While practices have limited ability to increase payment, they can attempt to increase productivity. However, increasing productivity usually means increasing staffing levels, which increases overhead costs. The previous articles described how staffing levels have remained essentially constant, so it appears that practices are finding other ways to defy gravity and improve overall financial performance.

Figure 1 provides a 37-year retrospective look at total medical revenue, total operating cost and total medical

revenue after operating cost per full-time-equivalent (FTE) physician for physician-owned multispecialty groups. For a better comparison over time, the financial data are standardized to 2022 dollars using the Consumer Price Index — All Urban Consumers (CPI-U), the most commonly used indicator of inflation. During these 37 years, the CPI-U has almost tripled, as inflation has affected all parts of the economy; by standardizing the historic data to 2022 dollars, the financial information on the graph is comparable over time.

The graph shows how standardized total medical revenue after operating cost remained essentially flat until 2006 but has experienced a slow but steady increase over the past 18 years. Private practices have been able to increase physician and advanced practice provider (APP) compensation in spite of their economic headwinds. While this graph focuses on physician-owned multispecialty medical group, the data for hospital-owned practices is very similar.

FIGURE 1. TREND IN TOTAL MEDICAL REVENUE, TOTAL OPERATING COST AND TOTAL MEDICAL REVENUE AFTER OPERATING COST PER FTE PHYSICIAN, STANDARDIZED BY CPI-U TO 2022 DOLLARS, FOR PHYSICIAN-OWNED MULTISPECIALTY GROUPS, 1985 TO 2022



The increase in practice profitability coincided with the widespread implementation of EHRs. In 2005, a national study by MGMA staff found that only 11.5% of practices had fully implemented an EHR, 12.7% were in the process of doing so and another 34% planned to implement an EHR in the next two years. EHR implementation paralleled adoption of other technologies, including integration of billing functions with health records and automating appointment scheduling, inventory and other administrative functions. Concurrently, significant technological breakthroughs occurred in medical care, bringing many new procedures into the doctor’s office. Essentially the increase in profitability coincided with a technological revolution in medical groups.

While businesses widely computerized many functions in the 1980s, the nation’s real productivity growth saw little improvement for over a decade. It wasn’t until international industry leaders such as Toyota, Walmart and McKesson automated their supply-chain and distribution-center systems that substantial cost reductions were achieved, boosting productivity and profits simultaneously. The nation’s

economy boomed in the 1990s with commercial businesses adopting low-cost, high-performance computers and telecommunications systems. However, the healthcare sector — especially medical groups — fell significantly behind other industries in technological and financial success.

Economist Robert Solow, who was awarded the 1987 Nobel Prize for his economic theory (The Solow Growth Model), posited that economic growth, holding labor and capital constant, is driven by technological progress. His theory helps explain how medical groups are increasing profits amid constrained payment and rising costs without increasing staffing levels.

Figure 2 illustrates provider productivity increases over the past 10 years, indicating the percent change in work RVUs (wRVUs) since 2013. After minimal change from 2013 to 2016, productivity jumped by 14% in 2019 compared to 2013 levels. It then dropped during the COVID-19 pandemic but skyrocketed the past two years, reaching a 42% increase in wRVUs in 2022 from a decade earlier.

FIGURE 2. 10-YEAR TREND (PERCENT DIFFERENCE FROM 2013) IN RVU PRODUCTIVITY PER FTE PHYSICIAN FOR PHYSICIAN-OWNED MULTISPECIALTY GROUPS

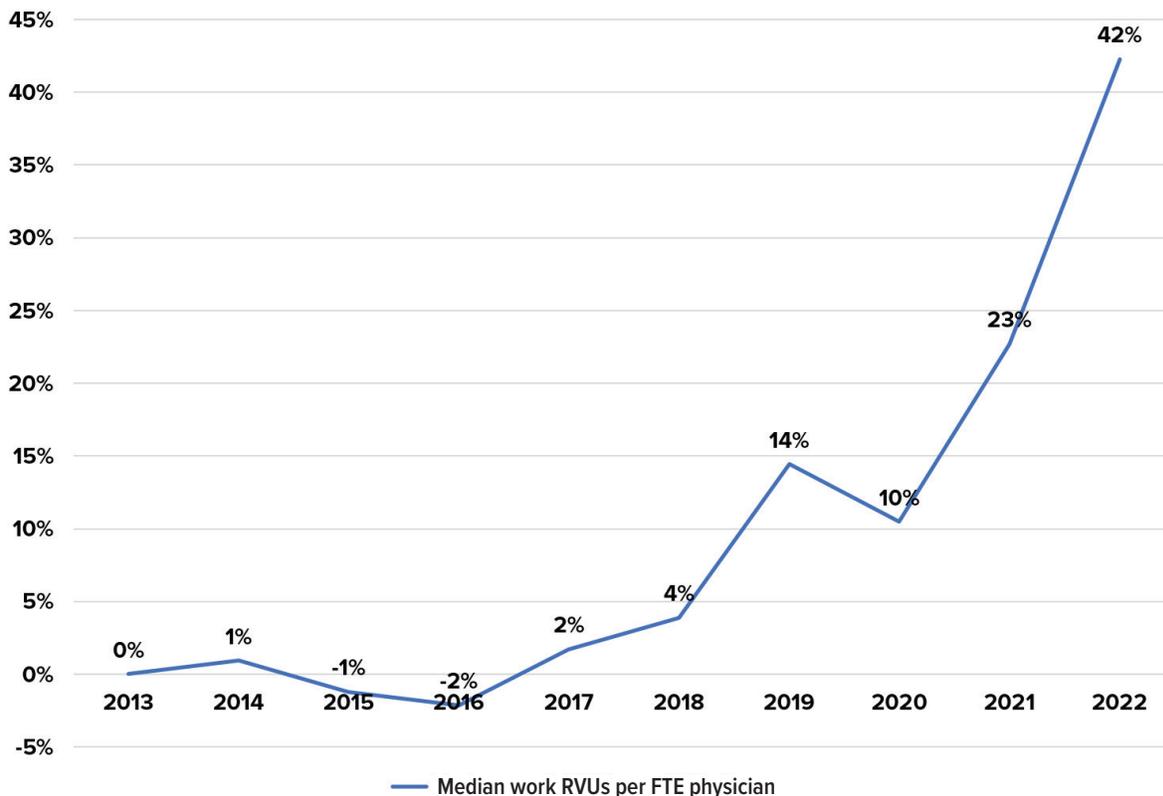


TABLE 1. 10-YEAR TREND (PERCENT DIFFERENCE FROM 2013) IN PRACTICE EXPENSES PER FTE PHYSICIAN FOR PHYSICIAN-OWNED MULTISPECIALTY GROUPS

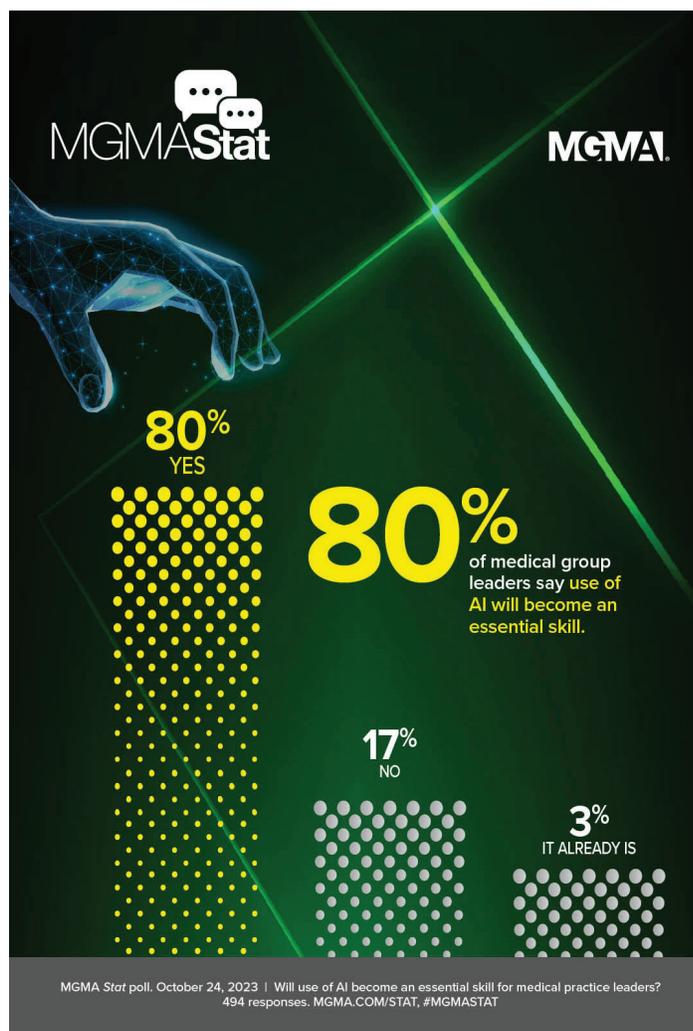
Benchmark	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Median IT operating cost	0%	12%	19%	26%	29%	56%	60%	44%	26%	54%
Median drug cost	0%	-35%	3%	2%	4%	49%	39%	30%	2%	106%
Median medical and surgical supply cost	0%	-10%	11%	9%	33%	28%	52%	23%	43%	82%
Median building and occupancy cost	0%	-3%	1%	3%	7%	19%	33%	27%	12%	27%
Median furniture and equipment cost	0%	6%	1%	6%	4%	15%	57%	23%	-17%	42%
Median administrative supplies and services cost	0%	23%	12%	13%	20%	39%	63%	28%	30%	33%

Sources: MGMA DataDive Cost and Revenue, 2013-2022

Table 1 indicates that as wRVU production rose, multispecialty groups also increased spending on drugs, medical and surgical supplies and significantly invested in IT equipment. This suggests that practices are both automating existing functions and expanding their capabilities. The rise in drug expenses is linked to the technological advancement in drug therapies due to pharmaceutical industry breakthroughs. Meanwhile, the higher costs for supplies and equipment suggest that practices are purchasing new technologies, enabling their providers to offer new procedures and therapies. The technology investments are at least partially driving the productivity and revenue increase, which is consistent with the Solow Growth Model.

Numerous polls indicate that medical groups are implementing the latest digital technologies: telemedicine, cloud computing, e-commerce, the mobile internet, machine learning and the Internet of Things (IoT). Additionally, many practices are exploring how to implement artificial intelligence (AI) solutions to augment human learning, streamline workflows with automated tasks and improve patient services. An [Oct. 24, 2023, MGMA Stat poll](#) reported that 80% of healthcare leaders see mastering AI as an essential future skill, with 3% considering it essential already. As AI applications become more commonplace, they will fundamentally transform healthcare services and potentially reduce costs further.

In the face of increased costs, constrained payment and growing bureaucracy and regulations, medical groups have shown exceptional resilience. Perhaps, they are also signaling another trait: a move toward greater productivity and enhanced patient services.



CONTRACT, LOCUM TENENS SPENDING HOLDING STEADY INTO 2024

BY CHRIS HARROP

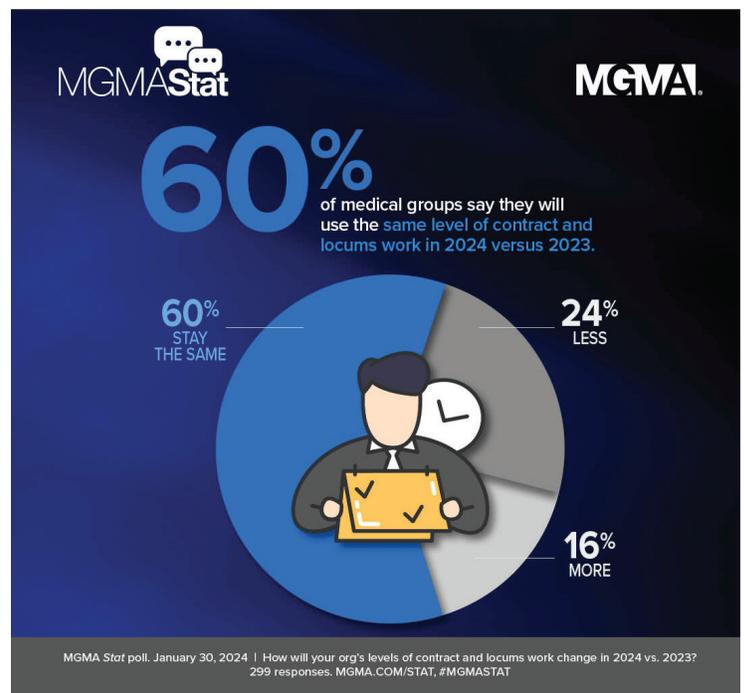
In the budgetary battle between reining in expenses and spending more to ensure adequate clinical talent, it appears most medical groups are declaring a draw.

A Jan. 30, 2024, MGMA *Stat* poll of medical group leaders asked how their organizations' use of contract and locum tenens work would change in 2024 versus 2023. A solid majority (60%) reported these levels will stay the same, while about one in four (24%) said they will spend less this year. About 16% of respondents noted they will spend more on contract and locums workers than in 2023. The poll had 299 applicable responses.

These results signal only a slight shift from those of [a Feb. 14, 2023, MGMA *Stat* poll](#) that a slightly higher share (29%) of medical groups were projecting lower contract and locums work in 2023 than those expecting to spend less this year (24%). The 2023 poll also had a slightly larger share (20%) of respondents who expected more contract and locums work that year versus the newest poll (16%).

WHAT ROLES ARE NEEDED?

- Among medical group leaders who expect their contract and locum tenens work to expand in 2024, most of them only cited the need for locums physicians, with only a few focused on temporary help among physician assistants (PAs), nurse practitioners (NPs) and administrative workers.
- Among respondents who noted they will use fewer contract or locums workers, the range of needs was more varied, with medical group leaders focused primarily on finding radiologists, technologists, hospitalists, nurses and OB/GYN physicians.
- Within the majority of respondents whose levels of contract/locums work is likely to remain unchanged in 2024, the top positions sought were physicians, PAs, nurses, administrative staff (especially for billing), sonographers and radiographers.



MOTIVATING FACTORS FOR RETAINING PHYSICIANS

Medical groups have recently focused on retention as a key strategy to stem the tide of turnover amid worsening physician shortages in certain specialties and regions.

On a [recent episode of the MGMA Business Solutions podcast](#) that featured Dr. Pamela Ograbisz, DNP, FNP-BC, and Scott Selby, senior vice president of enterprise solutions at LocumTenens.com, Selby noted that this issue “plagues every healthcare organization out there.”

Part of the impetus for LocumTenens.com's recent joint research study with MGMA, [The Innovation Imperative for Physician Retention](#), was understanding that more could be done in medical groups to better understand physician sentiment and motivators for seeking another job or leaving the industry. In fact, a May 2023 MGMA

Stat poll revealed that [more than three in four medical groups reported not having a formal program or strategy for physician retention.](#)

“Retaining the clinicians you have on staff today is something that’s relatively easy but extremely impactful. ... Turnover impacts the bottom line, it impacts patient care, employee morale, team morale, and the overall culture within your organization,” Selby noted.

A solid first step, Ograbisz said, was doing a better job of understanding how clinicians think about their work. “Healthcare organizations are measuring performance, but not a lot of them are making it their business to measure employee engagement and individual development.”

It’s important for medical groups to understand the broader opportunities available today for physicians — in working in digital health companies, in temporary/

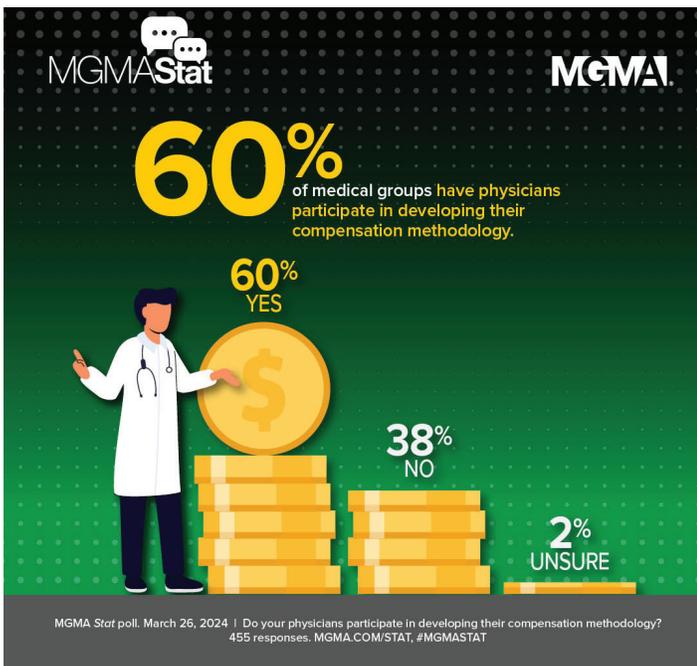
locum tenens settings, etc. — means that it’s important to search within the pool of available clinicians to find someone who is interested in a permanent position.

Ograbisz said the research also pointed to physicians being motivated to stay with organizations with a stronger amount of clinical support staff. The experience of staffing shortages during the COVID-19 pandemic also led to many permanent physicians getting more exposure working with locums providers and “seeing them as part of the team,” she added.

“Only 2% of respondents say that they saw locums as a factor for influencing physician retention, but I think that in all honesty, if you were to look at locums as a solution to keeping permanent staff able to get vacations” and secure a better work-life balance, Ograbisz said, it would pay off. “Even though physicians are looking for higher compensation and benefits, they’re also seeking out flexibility.”

PARTNERING WITH PHYSICIANS TO CRAFT YOUR COMP METHODOLOGY

BY CRISTY GOOD, MBA, CPC, CMPE



Collaboration among physicians, practice administrators, legal and financial experts is key to designing fair, transparent and compliant compensation structures.

According to a March 26, 2024, MGMA Stat poll, six in 10 (60%) medical group leaders say their physicians participate in developing the compensation methodology in the organization, while only 38% responded “no” and another 2% were unsure. The poll had 455 applicable responses.

These results show a slight decrease in physician participation in compensation methodology development compared to a [June 2019 MGMA Stat poll](#) which found more than two-thirds (67%) of groups had physicians involved.

It is important to align compensation plans with the practice’s strategic goals, such as quality metrics and quality improvement initiatives. By involving physicians in the process and tailoring compensation plans to suit individual preferences, practices leaders can:

- Foster trust and reduce potential conflicts or grievances related to compensation
- Promote transparency and fairness
- Possibly motivate physicians to achieve practice goals

PARTNERING WITH PHYSICIANS TO CRAFT YOUR COMP METHODOLOGY (continued)

- Increase engagement by giving them a “voice” in determining their rewards
- Increase physician satisfaction and retention
- Provide a sense of ownership and accountability for practice performance.

The medical group leaders responding “yes” to this latest poll noted several different ways their physicians play a role in developing compensation methodology:

- Being part of a formal physician compensation committee within the organization
- Ongoing physician surveys
- Leading discussion on developing bonus metrics
- Participation in annual strategic planning meetings.

Among respondents who answered “no,” a sizable group noted reliance on competitive benchmarking data and analysis over clinician input due to salaried compensation models for employed physicians. Some who answered “no” signaled that they seek input from all providers around compensation, but that final recommendations on the methodology and approvals are done by senior leadership and the board.

KEY CONSIDERATIONS

Developing compensation plans requires time, resources and expertise. Things to remember when partnering with physicians on their compensation plan:

- Conflicts of interest may arise if prioritizing personal financial gains over patients’ best interests or the practice.

- Performance metrics or productivity measures can introduce complexity in compensation structures.
- Physicians may lack expertise in compensation planning which could result in compensation plans that are not the best fit for either party involved.
- Compensation plans must comply with applicable legal and regulatory requirements, including anti-kickback statutes, Stark Law, and fair market value standards.

MGMA wRVU VARIANCE CALCULATOR

MGMA offers a [wRVU Variance Calculator](#) that allows practices to calculate the impact of wRVU based on CPT® code and volume for both individual and group providers for 2022, 2023 and 2024. Changes in wRVU reimbursement directly affect physician compensation, especially in practices where compensation is tied to productivity measures.

Reduced wRVU reimbursement can lower physician compensation or necessitate compensation adjustments to meet revenue targets. An increase in wRVU reimbursement may result in higher physician compensation or bonuses, necessitating proper budgeting.

CONCLUSION

Regular reviews of physician compensation agreements are crucial to maintain fairness and market alignment. Changes in healthcare laws, regulations or compliance requirements may necessitate updates to compensation agreements. Fostering collaboration between physicians and administrators encourages developing compensation plans that effectively align incentives with practice objectives, boosting physician satisfaction and engagement.

EXPERT INSIGHTS FROM MGMA CONSULTING

What advice do you have for practice leaders who are trying to balance higher revenues and mitigating burnout?

“Emphasizing the 3 Cs — career, community and cause — is key. Prioritizing your team’s well-being and nurturing a strong organizational culture yields numerous benefits: increased productivity and revenues, decreased burnout, and improved retention rates. High-performing teams thrive on a culture that fosters career advancement and growth; community through psychological safety and trust; and a shared sense of cause and purpose in their work.”

What strategies can be employed to ensure fair and equitable compensation among providers, particularly in diverse and multispecialty practices?

“1. Regularly review and update compensation plans: Review provider compensation data and benchmarks annually. Make it a priority to audit and update provider compensation annually with collaboration and feedback from providers. This proactive approach ensures your organization remains competitive, focused on pay equality, and in compliance with FMV, commercial reasonableness and other regulatory requirements.

2. Simplify compensation plans: Opt for straightforward compensation plans that are easy to administer and explain. Avoid overly complex formulas that consume valuable administrative time and hinder two-way communication. A “keep it simple” approach fosters efficient administration, encourages provider communication, and allows flexibility to accommodate individual career stages.

3. Emphasize transparency: Cultivate trust through transparent, easily understandable and monitorable compensation plans. When providers have clear insights into their compensation, expectations, and avenues for inquiries, it fosters a culture of openness and trust, a recipe for success. Encouraging a culture of open communication, establishing routine compensation updates, and promoting two-way communication are the cornerstones to ensure fair and equitable pay.”

— **Jessica Minesinger, CMOM, FACMPE**
Surgical Compensation Consulting
Physician Recruiting and Retention
Individual/Small Group Physician Compensation



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MGMA Stat polls

Join thousands of other healthcare leaders sounding off in our weekly, text-based polls and be the first to receive data stories telling the stories of the hottest topics in the industry.

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ABOUT MGMA

Founded in 1926, the Medical Group Management Association (MGMA) is the nation's largest association focused on the business of medical practice management. MGMA consists of 15,000 group medical practices ranging from small, private medical practices to large national health systems, representing more than 350,000 physicians. MGMA helps nearly 60,000 medical practice leaders and the healthcare community solve the business challenges of running practices so that they can focus on providing outstanding patient care. Specifically, MGMA helps its members innovate and improve profitability and financial sustainability, and it provides the gold standard on industry benchmarks such as physician compensation. The association also advocates extensively on its members' behalf on national regulatory and policy issues. [mgma.com](https://www.mgma.com)