

## Survey Says...

### What to Expect from the 2021 Market Survey Data

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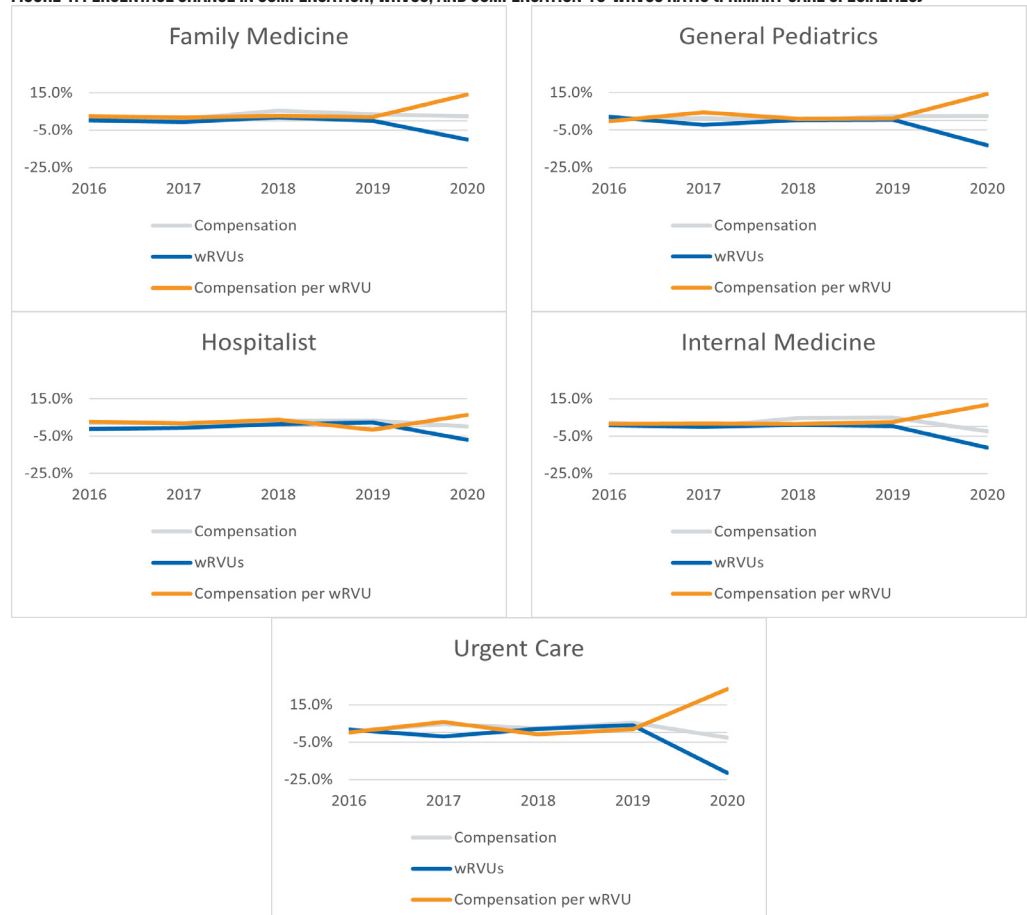
Matt Jensen is a senior manager at Coker Group with over ten years of consulting experience. Matt is a leader in the business valuation and physician compensation valuation practice. His focus is on developing valuation opinions of provider compensation agreements, healthcare-related businesses, intangible assets, and co-management arrangements. He also conducts complex analyses to assess payer contracting opportunities as part of healthcare mergers, acquisitions, and alignment transactions. Matt strives to help healthcare organizations minimize risk and ensure that financial arrangements meet the detailed requirements related to fair market value and commercial reasonableness opinions.

Earlier this year, I wrote a [blog post](#) regarding the impact we were expecting with the release of 2020 compensation and production surveys. In short, the blog reviewed trends in compensation and production results from 2020 that we were examining for hospitals, health systems, and medical groups. Based on the data we were studying, many providers had their compensation protected in 2020 amidst the COVID-19 pandemic while simultaneously seeing large reductions to patient volumes, leading to lower wRVU productivity and a spike in compensation-to-wRVU ratios. Therefore, we posited that compensation survey benchmarks would likely experience an abnormally sizeable upward shift in compensation-to-wRVU ratios resulting from the impact of COVID-19.

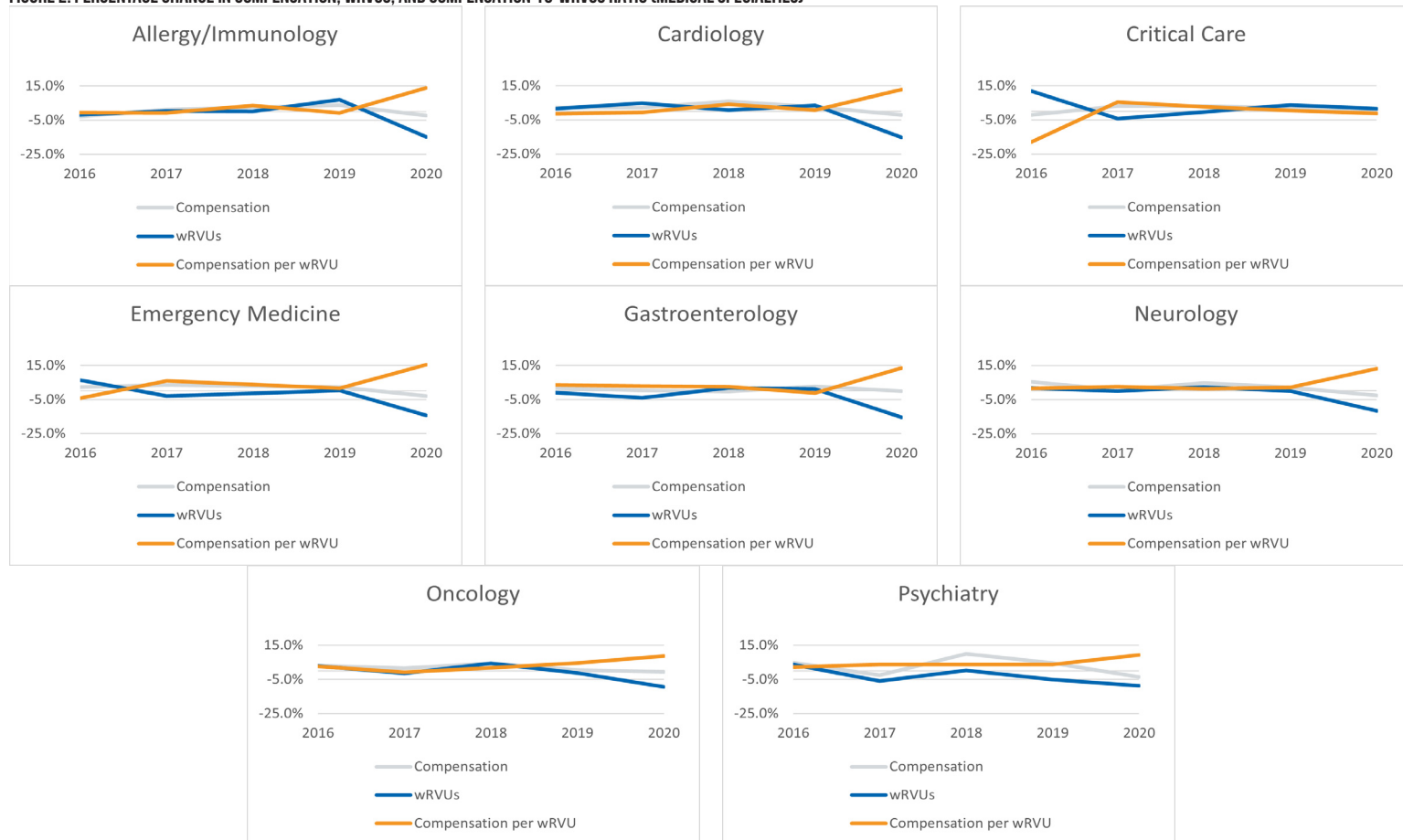
The data is now available for several major national surveys, and broadly speaking, the results are as predicted. To demonstrate the survey results, I will focus much of this article on compensation and production measures averaged from the Medical Group Management Association (MGMA) and American Medical Group Association (AMGA).

From these surveys, we reviewed trends in compensation, wRVUs, and compensation-to-wRVU ratios going back to the 2016 survey releases, based on data from 2015. Figures 1, 2, and 3 show the trends in these measures from 18 specialties with the highest number of survey respondents. For our analysis, we grouped these specialties into primary care, medical, and surgical specialty groups. The lines represent the year-over-year percentage change in median rates for compensation, wRVUs, and compensation-to-wRVU ratios.

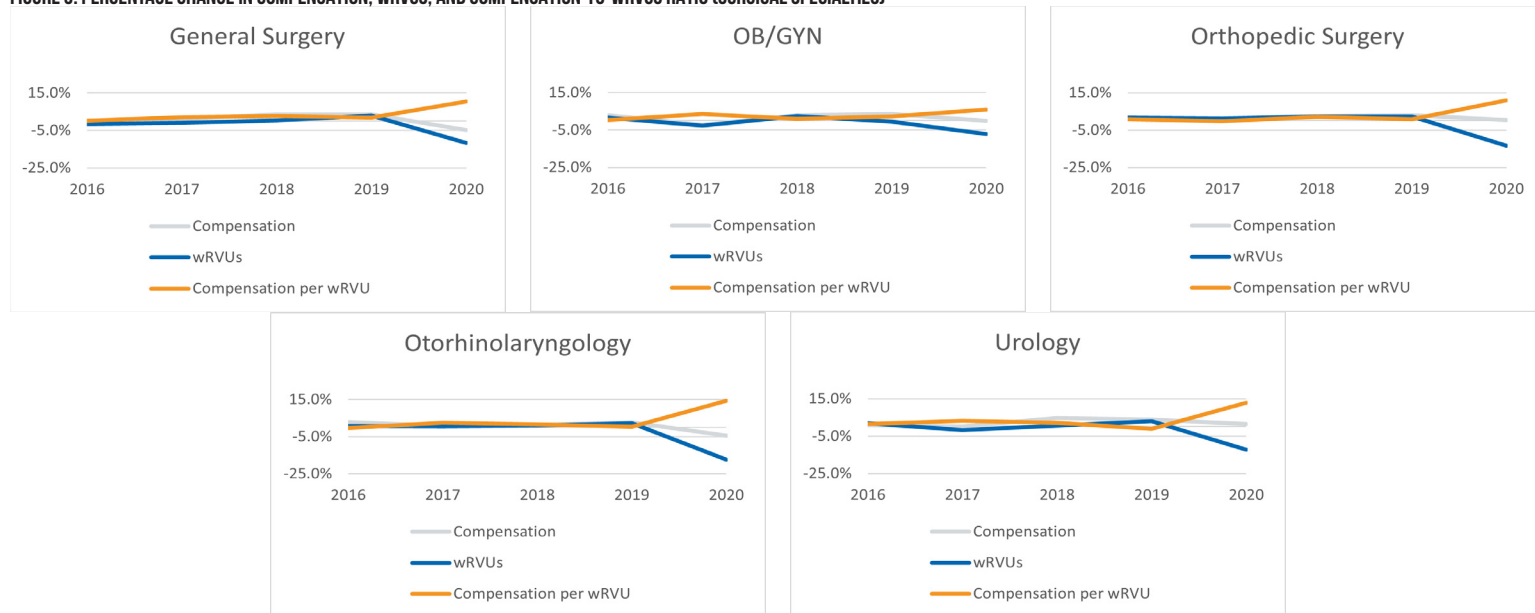
**FIGURE 1: PERCENTAGE CHANGE IN COMPENSATION, WRVUS, AND COMPENSATION-TO-WRVU RATIO (PRIMARY CARE SPECIALTIES)**



**FIGURE 2: PERCENTAGE CHANGE IN COMPENSATION, WRVUS, AND COMPENSATION-TO-WRVUS RATIO (MEDICAL SPECIALTIES)**



**FIGURE 3: PERCENTAGE CHANGE IN COMPENSATION, WRVUS, AND COMPENSATION-TO-WRVUS RATIO (SURGICAL SPECIALTIES)**



For the most part, before 2020, these measures fluctuated within five percent (plus or minus) from the prior year. Apart from critical care, we see a major divergence in trends in 2020 across the board. Nearly all specialties experienced an increase in compensation-to-wRVU ratios above five percent. Notably, urgent care saw almost a 25.0 percent increase in its median compensation-to-wRVU ratio.

Looking at compensation-to-wRVU ratios from 124 physician specialties with multiple-year trends available from the MGMA surveys, only 13 (10.5 percent) saw a reduction in compensation-to-wRVU ratios in 2020. The reduction compares to an average of nearly 40.0 percent of specialties experiencing a decline in the same ratios over the previous four periods. Further, specialties experienced significantly higher increases to compensation-to-wRVU ratios in 2020 than in prior years (Table 1).

TABLE 1.

Change in Compensation-to-wRVU Ratio	Historical Average (2015-2019)	2020
% Experiencing Decrease	39.4%	10.5%
% Experiencing Increase > 5%	27.2%	78.2%
% Experiencing Increase > 10%	14.5%	52.4%
% Experiencing Increase > 20%	4.4%	14.5%

So, what does this all mean?

First, these surveys are doing what they are designed to do: take a snapshot of compensation and production measures in time. There is no problem with the surveys, per se, but with how many organizations use the surveys. Over time, provider compensation surveys have morphed into a compensation administration tool for many organizations. We regularly see compensation arrangements tied to a given percentile of “current year” survey benchmarks, which can be an issue whenever there is a shock to the general market or even to a specific specialty. Regarding the COVID-19 impact, we hear around the industry that productivity is coming back strong. Suppose compensation arrangements are set or renewed using the latest survey benchmarks with increasing productivity. In that case, organizations will likely see significant increases in provider compensation expense, which may eclipse any gains in related professional collections and thus call into question long-term financial sustainability.

As mentioned in my blog post earlier this year, changes in the Medicare Physician Fee Schedule (MPFS) may also cause translation issues when applying survey compensation ratios to provider productivity metrics. While the 2021 MPFS saw significant changes to RVUs for specific procedure codes, Congressional stimulus offset a large portion of the original cut to the Medicare conversion factor. However, recently released proposed changes to the 2022 MPFS show a reduction to the Medicare conversion factor effective in 2022 and beyond. Further, we expect many commercial payors to begin migrating their fee schedules in response to Medicare changes. Thus, it may be a few years before survey results normalize.

With all of this change, I'll repeat what I said in my blog post: don't panic! If you are having trouble wrapping your hands around all these moving pieces, you are not alone. Here are some recommendations regarding what to do with compensation arrangements.

- **When new survey data becomes available, don't just go with “survey says!”** Over the next few years, a greater need will exist to consider historical data trends, actual collections, and the ability to pay given compensation rates, potentially combining other benchmark metrics beyond a limited set you may have considered in the past.
- **When documenting fair market value (FMV) and commercial reasonableness (CR), consider obtaining the advice of FMV specialists.** Using 2020 survey data and 2021 wRVU values will be like comparing apples to oranges. Just because a survey has a number does not mean it drives a compliant compensation arrangement.
- **We recommend utilizing compensation benchmark metrics from the 2020 surveys (based on 2019 data) with adjustments to account for recent changes to the MPFS.**
- **Lastly, consider the current situation as a potential catalyst to pursue alternative payment arrangements.** Many providers fared better in 2020 when they had more significant amounts of revenue tied to capitated payments versus traditional fee-for-service revenue. When changing revenue sources, remember to balance it with a change in compensation structure. In other words, if a shift in revenue further towards value-based models occurs, the compensation model should follow such that incentives are aligned.

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