RPT
RECRUITING PHYSICIANS TODAY

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Onward and Upward — Incentive Plan Metrics Are Changing, but Median Physician Salaries Are Rising Steadily Heading into 2014

Source: The Hay Group, a global consulting firm

Physicians can anticipate median salary increases of 2.4 percent in 2014, on par with the median salary increases they saw this past year. That's the message from the Hay Group's annual *Physician Compensation Survey*, which surveyed 162 health organizations nationwide. The survey found that physicians in group-based practices could expect to see larger median pay increases (3.7 percent) than their counterparts in hospital-based settings (2.2 percent). "This disparity may be explained by the fact that hospitals need to consider revenues and expenses across their entire enterprise, not just their physician practice groups, when setting budgets," says Jim Otto, senior principal in Hay Group's Healthcare Practice. "By contrast, group-based practices are entities unto themselves and therefore may have more control over decisions on pay levels."

For the past several years, the survey has been showing that salaries are rising slightly faster for primary care physicians than for specialists. "This trend could reflect the laws of supply and demand. With fewer medical school graduates pursuing general medicine, those who do opt for the primary care path may find themselves in greater demand and thus able to command higher salaries," Otto explains. "In addition, the higher salary increases could be related to the fact that generalists are taking on additional responsibilities in driving pay-for-performance health care."

As both governmental and private payers look to move their reimbursement models toward outcomes rather than services provided, it looks like providers are following suit in the way they structure their incentive plans. The Hay Group survey found that 63 percent of physicians have annual incentive plans in 2013 — nearly the same percentage as in 2012.

While the prevalence of incentive plans may be holding steady, the structure of those plans is changing. As both government and private payers look for ways to reimburse for outcomes rather than services provided,

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more providers are taking steps to adjust their incentive plans in the same direction. Consider the following data points from the 2013 Hay Group survey as indicative of the trend toward outcome-based incentive plans:

- 70 percent of incentive plans measured patient satisfaction with individual physician performance, up from 66 percent the previous year.
- 86 percent of incentive plans contained quality metrics for individual physician performance, up from 77 percent the previous year.
- 54 percent of incentive plans included outcome metrics for individual physician performance, up from 39 percent the previous year.
- 60 percent of incentive plans tracked patient satisfaction with physician group performance, up from 50 percent the previous year.
- 69 percent of incentive plans contained quality metrics for physician group performance, up from 56 percent the previous year.

"The use of these non-production performance measures is relatively new," Otto says. "Right now there is a lot of experimentation in terms of determining which metrics deserve measurement and where organizations should allocate incentive dollars, but I do believe that incentive plans will continue to increase their emphasis on quality measures."

The challenge, according to Otto, is figuring out exactly which outcome metrics will enable hospitals and physician groups to align their incentive plans with organizational goals. "Many organizations see the value of moving away from incentivizing processes and would rather reward outcomes," Otto says. "So a process measurement for a pediatrician might be making sure that all of your patients are vaccinated. An outcome measurement could be making sure that all diabetic patients have been appropriately tested and have their diabetes under control. The challenge is determining which metrics will best demonstrate that providers are in fact achieving desirable outcomes. As organizations move further down the path of figuring out how to track results, they will continue to develop and refine the outcome metrics they incorporate into their incentive plans."

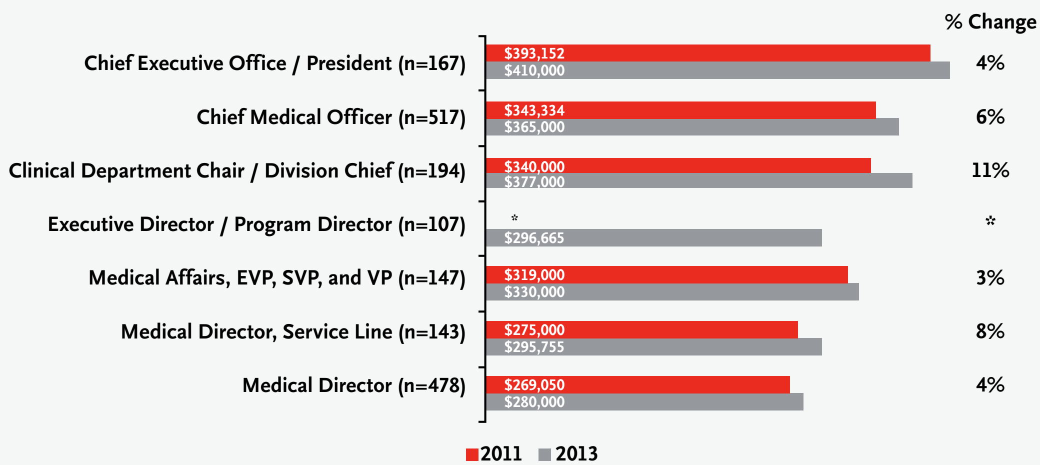
Hay Group, a global consulting firm focused on talent development, organization, and motivation, has been conducting its annual *Physician Compensation Survey* for more than a decade. The survey and subsequent reports cover 132 physician specialties, including 39 pediatric specialties, as well as 35 non-physician provider positions. Surveys are distributed in the spring with data from the most recent survey representing organizational snapshots as of March 1, 2013.

Participants in the 2013 survey included health organizations from around the country. The data set has a broad geographical distribution, with 34 percent of respondents located in the Northeast, 22 percent in the North Central region, 20 percent in the Southeast, 8 percent in the Midwest, and 16 percent in the West.

Will the trend of steady physician salary increases continue into 2015 and beyond? Otto hopes the next Hay Group *Physician Compensation Survey*, due to be distributed in March 2014, will reveal whether declining hospital revenues and reimbursement changes are having any net impact on physician pay. ■

MARKET WATCH

Physician Executive Median Compensation: Two-Year Comparison



Physician executive compensation growth over the last two years reflected the reality of a slow economic recovery and the uncertainty of health care reform that prevailed through 2012.

According to the Cejka Executive Search and American College of Physician Executives (ACPE) 2013 *Physician Executive Compensation Survey*, median compensation grew an average of 7 percent between 2010 and 2012 to median compensation of $325,000. The survey reflects self-reported data from 2,364 physician executives, across 19 titles and 26 organization types.

While health reform implementation has accelerated demand for physicians in clinical, operational and administrative leadership roles, the growth rate from 2010 to 2012 was essentially unchanged from the rate of growth reported in the 2011 survey (6 percent between 2008 and 2010), and was still well below the 12 percent two-year increase reported in the pre-recession period from 2006 to 2008.

For more information, visit www.cejkaexecutivesearch.com/survey2013.

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http://employer.nejmcareercenter.org/rates/ratecard2014.pdf.

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To request a free 2014 NEJM CareerCenter wall calendar, please email with your name and mailing address to resourcecenter@nejm.org. Quantities are limited so order yours today!

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American Medical Student Association (AMSA)
March 6–9, 2014
New Orleans, LA
amsa.org

Society of Hospital Medicine (SHM)
March 24–27, 2014
Las Vegas, NV
hospitalmedicine.org

American College of Cardiology (ACC)
March 29–31, 2014
Washington, DC
cardiosource.org

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Issue	Line/Fractional Close*
Dec. 12	Nov. 21
Dec. 19	Nov. 27
Dec. 26	Dec. 5
Jan. 2	Dec. 11
Jan. 9	Dec. 17
Jan. 16	Dec. 26

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