



Playing Offense: Using Compensation Design and Strategy to Retain Hospital-Employed Primary Care Physicians

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“The best defense is a good offense.”

When you read this well-known quote attributed to many across history, you likely think of a sports competition. This sports analogy, however, can also apply to hospitals that employ or are attempting to employ primary care physicians. Based on numerous discussions and projects with hospitals across the country over the last two years, PYA believes the migration of hospital-employed primary care physicians to private practice may be starting to increase in certain markets. Our observations have revealed several factors contributing to this shift, including but not limited to competitive and more creative compensation models, attractive benefits packages, and greater flexibility in work schedules and decision-making. To retain their employed primary care physician panel, hospitals must “play offense for good defense” and implement new ideas that make the hospital employment model more attractive. Three plays for a hospital’s primary care compensation design and strategy playbook are summarized below.

Play 1: Create Innovative Value-Based Incentives (VBI)

Many private primary care practices participate in value-based reimbursement arrangements with varying levels of success depending on the level of participation and achievement of metrics. Such value-based reimbursement to the private practice is designed to align with the physicians’ work efforts, patient outcomes, and compensation. While hospitals are diligently working to achieve the same type of alignment with employed primary care physicians, VBI have generally not yet reached sufficient alignment with work efforts, patient outcomes, and physician compensation. Despite having the best intentions to achieve alignment, the implementation of VBI under hospital employment often is rushed and can ultimately lead to frustration for administrators and physicians alike. For example, many commonly used value-based metrics for employed primary care physicians do not align with the hospital’s mission, how the hospital-owned practice is reimbursed, or how the physician works. This is the opposite of how VBI are designed to work in most private practices.

Your Power Play: Hospitals can go on the offensive by including innovative and robust VBI in primary care compensation arrangements.

- **Incentivize.** Incentivizing physicians to use evidence-based medicine, manage patient panels, effectively use chronic care management, and reduce costs will drive similarity with private practice VBI.
- **Reward.** If metrics are designed to better align hospital mission, hospital reimbursement, and how the physician works (i.e., encouraging more coordinated, appropriate, and effective care), physicians are rewarded with VBI.

- **Benefit.** The hospital implementing VBI into primary care compensation models may also see benefits that potentially include increased reimbursement opportunities, clinical efficiency, higher clinical effectiveness, and lower costs.[1]
- **Facilitate.** Less-robust VBI are not without benefit to a hospital, as such incentives can be used to acclimate physicians to the concept and facilitate an environment focused on outcomes.

Play 2: Build a Culture of Combating Burnout

Physician burnout has increased since the onset of the COVID-19 pandemic, with the percentage of physicians reporting being very or somewhat happy with their jobs dropping from 75% to 48%. In fact, primary care physicians report a higher rate of burnout than physicians in many other specialties, with 51% of primary care physicians reporting being burned out in 2022. Not only will burnout likely cause physicians to reduce or leave clinical practice, but it also can negatively affect quality of patient care and increase the odds of unsafe care, unprofessional behaviors, and low patient satisfaction.[2]

Your Power Play: Hospitals can go on the offensive by building a culture that combats burnout.

- **Develop.** Create leadership, mentoring, and other educational opportunities.[3] The identification and engagement of physicians to fulfill leadership roles that allow them to share their knowledge and experience with other physicians and to help guide the direction of the hospital's primary care program can be paramount to retention. This is a way to reward physician leaders while ensuring all employed primary care physicians feel valued.
- **Empower.** Allow autonomy in a physician's decision-making related to patient care. Many physicians feel that the hospital environment does not allow for independent decision-making and focuses on "checking the box" rather than providing care based on each individual patient's needs.[4] Importance should be placed upon the ability to control protocols and efficiency as well as adapt to changes in medicine or situations quickly.[5] Physicians can feel more engaged when they are part of everyday decision-making.
- **Flex.** Allow greater flexibility in work schedules (e.g., part-time schedules, non-traditional workday schedules, compressed workweeks, etc.).[6]
- **Share.** Supply greater transparency about compensation, practice performance, and promotion opportunities.[7]
- **Unplug.** Proactively review physician practice patterns to determine a physician's ability to "unplug." When problematic, create actionable pathways for the physician to better balance work and life.
- **Listen.** Seek *and use* feedback from physicians to improve practice operations.
- **Recognize.** Reward longevity for the good of the community. Many primary care physicians are involved and personally invested in their local communities. Recognition of this loyalty and dedication through monetary or other rewards (e.g., gift, celebration, etc.) that are compliant with regulations may enhance an employer's retention efforts.

Play 3: Present a Better Case for Employment

Primary care compensation and benefits packages can vary widely between a hospital, private practice, or a private-equity-backed practice. Often, primary care physicians are likely to compare compensation and benefits amounts among themselves without appropriate context. Critical to long-term success is ensuring the compensation and benefits package is transparent and thoroughly highlights all the hospital employer has to offer.

Your Power Play: Hospitals can go on the offensive by presenting a better case for employment.

- **Belong.** Hospital mission and culture should be evident in communication about the compensation and benefits package. The physician should clearly understand why they were selected, their role, how they will support the mission, and how important their support of the mission is to the hospital and community.
- **Demonstrate.** The compensation package should be explained in its entirety, with an illustrative example of how compensation is determined for the first year and following years.
- **Explain.** All benefits, such as health insurance, life insurance, employer funding of payroll taxes and retirement plans, reimbursement for continuing medical education expenses and license fees, signing bonuses, repayment of student loans, vacation, and relocation assistance should be thoroughly explained. If possible, the monetary value of each benefit should be described.
- **Detail.** Non-monetary benefits should be detailed, including how the hospital will help the physician combat burnout and grow within the organization. (See *Play 2*.)
- **Support.** The compensation and benefits package should describe the hospital's expectations for the primary care physician and clarify how this role is different from private practice. For example, physicians in private practice must provide care to their patients while also actively managing practice operations -- technology, marketing, budgeting, revenue cycle, compliance functions, human resources, etc. Hospital employment may reduce the physician's time and monetary burden for these operational areas, as the responsibility for the business side of the practice will fall mainly to the hospital.
- **Manage.** Physicians are often concerned that hospitals may treat management of their physician offices like other hospital departments, not recognizing that there are certain differences. Hospitals can allay these concerns by having a strong management-oriented team focused on the day-to-day operations of the primary care physician practice.
- **Compare.** Encourage questions about the compensation and benefits package from the primary care physician, and be prepared to compare it to other (including historical, if applicable) compensation and benefits packages.
- **Analyze.** Tracking the reasons for failed retention and recruitment attempts will provide real-time information for improving the presentation of future offers.

Conclusion

According to the American Academy of Family Physicians, which is the only medical society devoted solely to primary care, family medicine physicians conduct approximately 192 million visits annually, which is 48% more than the next most visited medical specialty. Family medicine physicians also provide more care for

the country's underserved and rural populations than any other medical specialty.[8] It is no surprise, then, that the competition for these medical professionals is high.

As hospitals compete with private practice for the services of primary care physicians, they must be prepared to make changes in their compensation design and strategy. In short, they must go on the offensive. While the solution to this challenge is dependent on many factors, each hospital must decide what employed and private practice primary care physicians in their market value most and implement strategies to capitalize on those factors accordingly. Creating innovative value-based incentives, focusing on a culture of combating burnout, and presenting effective reasons for employment can be useful strategies to help hospitals retain a critical part of their organization.

[1] "What Is Value-Based Care, What It Means for Providers?," RevCycleIntelligence, <<https://revcycleintelligence.com/features/what-is-value-based-care-what-it-means-for-providers>>; accessed on April 1, 2023.

[2] "Family Physician Burnout, Well-Being, and Professional Satisfaction," *American Academy of Family Physicians*, February 2023, <<https://www.aafp.org/about/policies/all/family-physician-burnout.html>>; accessed on April 1, 2023.

[3] "What's driving the next generation of physicians to private practice?" <<https://www.beckersasc.com/asc-news/what-s-driving-the-next-generation-of-physicians-to-private-practice.html>>; accessed on April 1, 2023.

[4] Ibid.

[5] Ibid.

[6] Ibid.

[7] Ibid.

[8] "Media Center," <<https://www.aafp.org/news/media-center.html>>; accessed on April 1, 2023.