



Timely, Tough, or Tricky Physician Compensation and Fair Market Value Webinar Series

Compensation for Physicians Working
Collaboratively with Advanced Practice
Practitioners (APPs)

July 25, 2023

Speakers



Lyle Oelrich

MHA, FACHE, FACMPE, CVA
Principal – Valuation

loelrich@pyapc.com



Angie Caldwell

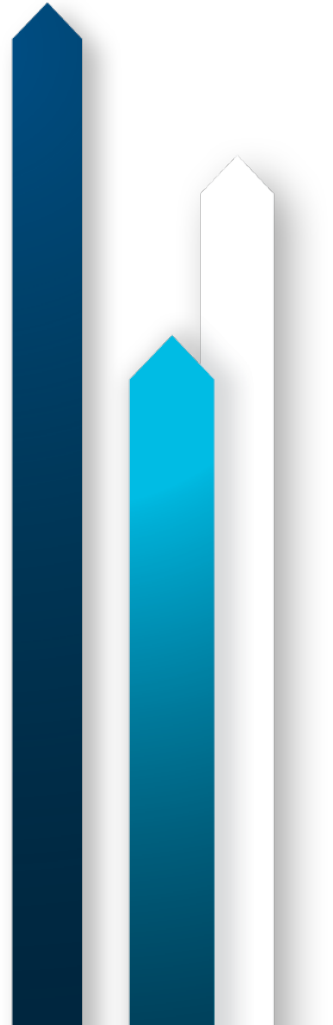
CPA, MBA
Principal - Valuation

acaldwell@pyapc.com

Introduction

In 2023, PYA surveyed more than 50 physician compensation experts to understand their collective thoughts on timely and occasionally tough or tricky topics in physician compensation and fair market value. **The top 10 topics this year included:**

1. Advanced Practice Providers (Working in Collaboration with Physicians)
2. End to the Public Health Emergency
3. The 2023 Medicare Physician Fee Schedule
4. Advanced Practice Providers (Compensation Models/Structures/Trends)
5. Unique Call Coverage Scenarios
6. Medical Director Needs Assessments
7. Management Services Agreements
8. Benchmark Data in 2023
9. Transition to Value-Based or Other Alternative Compensation Models
10. Anesthesia and Other Hospital-Based Specialty Financial Arrangements



The Four Ways APPs Practice with Physicians



Independently



Incident-to Services



Split-shared Services



Global Surgical Package Services

The Impact of APPs on Physician Compensation



Independent



APPs bill under their own National Provider Identifier (NPI). There is no impact to physician compensation.

Incident-to



If an entity uses “billed by” data instead of “rendered by” data to calculate a physician’s productivity compensation (e.g, wRVUs), the APP’s incident-to services may be attributed to the physician.

Split-Shared



Typically, these services appear in the entity’s billing information system as billed and rendered by the billing provider. In certain cases, split-shared services may be misallocated to a physician’s productivity compensation (e.g., wRVUs).

Global



Typically, these services appear in the entity’s billing information system as billed and rendered by the billing provider. In certain cases, global services may be misallocated to a physician’s productivity compensation (e.g, wRVUs).

Physician/ APP Collaborative Compensation Model Options



APP Reduction

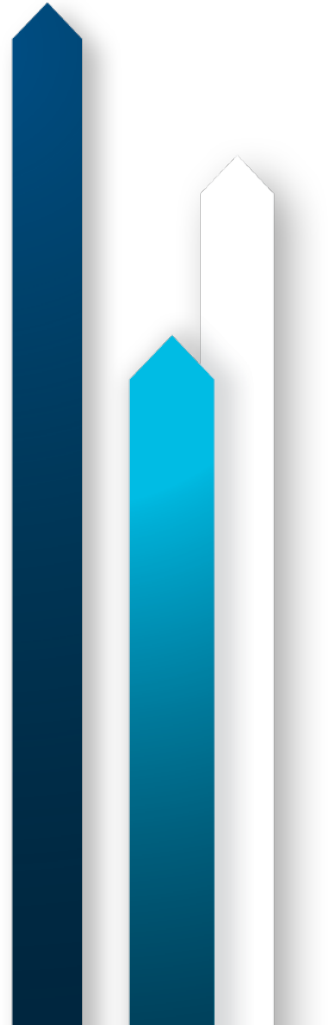
- Net cost of the APPs employment is deducted from physician compensation (with a credit for the amount of collections for services independently performed by the APP)
- Net cost absorbed by physician

Physician wRVU Reduction

- Physician paid a different rate for personally performed vs APP attributed wRVUs, perhaps using the 15% differential under the Medicare Physician Fee Schedule

Physician wRVU Reduction with or without Supervisory Stipend

- Physician's total wRVUs are reduced by a factor for estimated APP usage and then multiplied by an unadjusted compensation per wRVU amount
- May or may not receive annual APP supervision stipend



Example: APP Reduction



Methodology One - APP Reduction

Description	Amount	Formula
Physician wRVUs ¹	12,200	A
Physician wRVU Conversion Factor	<u>\$75.00</u>	<u>B</u>
Physician Productivity Compensation	\$915,000	C=A*B
APP Compensation	\$125,000	D
APP Benefits	\$30,000	E
APP Malpractice Insurance Expense	\$2,500	F
APP Allocated Overhead	\$43,750	G=H*35%
Collections Related to APP for Personally-Performed Services	<u>(\$125,000)</u>	<u>H</u>
APP Net Cost	<u>\$76,250</u>	<u>I=SUM(D:H)</u>
Adjusted Physician Productivity Compensation	\$838,750	J=C-I
Resulting Compensation per wRVU	\$68.75	K=J/A

¹This amount includes wRVUs that may be attributable to the APP as well as the wRVUs for those services personally performed by the physician

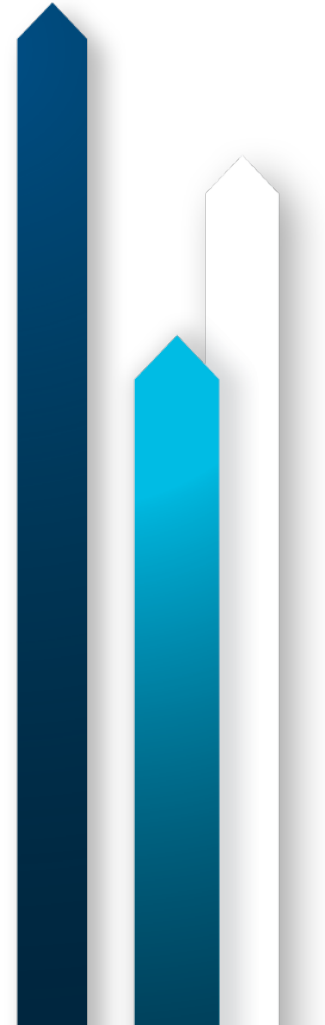


Example: Physician wRVU Reduction



Methodology Two - Physician wRVU Reduction

Description	Amount	Formula
Physician Compensation per wRVU	\$75.00	A
Reduction Factor for APP Usage	<u>15%</u>	<u>B</u>
Adjusted Physician Compensation per wRVU	\$11.25	$C=A*B$
Total Physician wRVUs	12,200	D
Estimate of Physician wRVUs Split-Shared or Globally Billed (10%)	<u>1,220</u>	<u>E</u>
Personally Performed Physician wRVUs	10,980	$F=D-E$
Physician Productivity Compensation	\$837,225	$G=(E*C)+(F*A)$
Resulting Compensation per wRVU	\$68.63	$H=G/D$

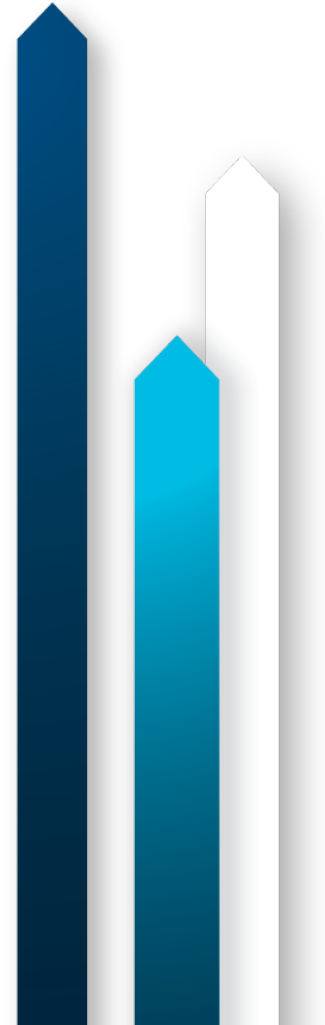


Example: Physician wRVU Reduction With or Without Supervisory Stipend



Methodology Three - Physician wRVU Reduction and Supervisory Stipend

Description	Amount	Formula
Physician wRVUs	12,200	A
Reduction Factor for APP Usage	<u>10%</u>	<u>B</u>
Adjusted wRVUs	10,980	$C=A*(1-B)$
Physician Compensation per wRVU	<u>\$75.00</u>	<u>D</u>
Physician Productivity Compensation	\$823,500	$E=C*D$
Add: APP Supervision Stipend	<u>\$10,000</u>	<u>F</u>
Adjusted Physician Compensation	\$833,500	$G=E+F$
Resulting Compensation per wRVU	\$68.32	$H=G/A$



Impact of Time-Based Split/Shared Billing



2024 Proposed Rule

CMS proposed to delay the time requirement for split/shared billing until December 31, 2024

2023 and 2024

- Clinicians continue to have their choice of history, physician exam, or medical decision making, or more than half of the total practitioner time spent to define the substantive portion of the E/M visit

2025 +

- Provider who renders greater than 50% of the patient care time will be the billing and rendering provider

Proactively Analyze Compensation Plans



Three key considerations:

Changes in attribution of wRVUs between providers should be anticipated and may impact provider compensation as compared to historical compensation levels

The continued modification in the wRVU values may compound the impact of split/shared visit changes

Application of current benchmark data could have fundamental differences while the split/shared visit transition occurs

Thank you!



pyapc.com
800.270.9629