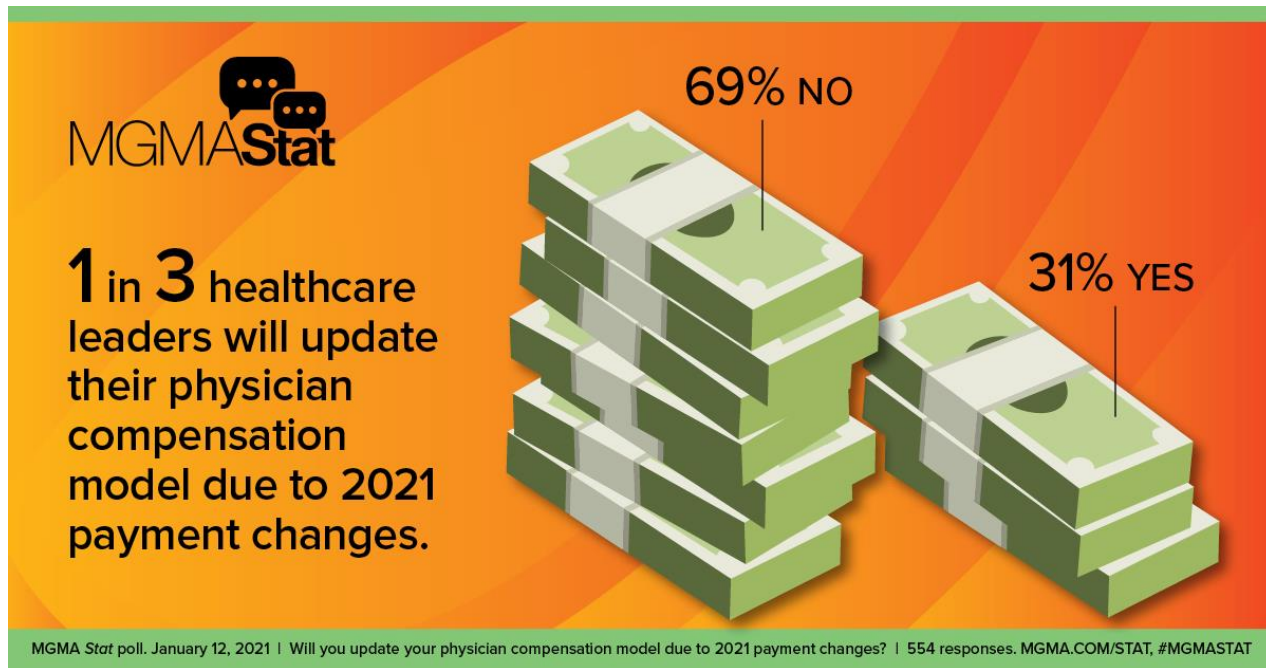




# Physician compensation plan essentials for 2021 market forces

MGMA STAT POLL - JANUARY 14, 2021

## MGMA Staff Members



The Medical Group Management Association’s most recent [MGMA Stat](#) poll asked healthcare leaders, “Will you update your physician compensation model due to 2021 payment changes?” The majority (69%) said “no,” while 31% said “yes.” The poll was conducted Jan. 12, 2021, with 554 applicable responses.

## Staying adaptable in a dynamic industry

For decades, the United States’ healthcare finance and delivery system has been in a state of ongoing change and evolution, and physician compensation plans must be dynamic and adaptable.

Consultant [Michael Delmonico, MBA, BSN, CMPE, RN](#), notes that the physician compensation plan is much more than a set of equations to calculate pay. It is an organized entity with a governance structure, responsibilities and functions necessary to align organizational goals with compensation plan principles and tactics.

## KEY MARKET FORCES FOR 2021

To be dynamic and adaptable, Delmonico asserts that the physician compensation plan must be attuned to present and evolving market forces that may impact the healthcare system and organizational goals. Market forces can vary in form and magnitude and may have national or regional implications.

For 2021, Delmonico cites the following market forces as ones to monitor and assess:

1. **The prevalence of physician burnout:** Numerous surveys of physicians in the United States point to increasing levels of burnout, with too many bureaucratic tasks and administrative burdens adding to the hours spent outside of clinical work. While healthcare leaders have many options to address burnout, it's important that the physician compensation plan acknowledge the adverse work conditions that contribute to physician burnout by recognizing and valuing:
  - Time required to allow for organizational engagement (e.g., meeting attendance and participation on committees and teams).
  - Time required to allow for leadership, advisory and mentorship roles.
  - Physician interest in flexible or part-time work schedules as opposed to the only alternatives being retirement, leaves of absence or seeking employment elsewhere.
  
2. **The continuing evolution of value-based care initiatives:** The continuing evolution of value-based care initiatives is a market force that impacts how healthcare delivery is organized, prioritized and financed. The physician compensation plan needs to account for how value-based care requirements affect physician performance measures and adopt tactics that recognize and value such requirements. Physician compensation plans can acknowledge value-based care requirements for physician success by recognizing and valuing:
  - Time required to learn about governmental and commercial value-based care arrangements, Healthcare Effectiveness Data and Information Set (HEDIS) measures, Hierarchical Condition Category (HCC) coding and risk adjustment factor (RAF) scores.
  - Time required for collaboration on population health improvement initiatives, and the development of policies, procedures and workflows.
  - Time required for collaborations on new information systems, reports on care delivery, care management, care transitions and the development of patient engagement tactics.
  
3. **The Center for Medicare & Medicaid Services (CMS) 2021 physician fee schedule (PFS):** The physician compensation plan should account for the CMS 2021 PFS standards regarding measures of physician performance. The 2021 Medicare PFS conversion factor was recalculated (after the December economic aid act) at \$34.8931, down from \$36.09 in 2020.

Additionally, some E/M office work relative value units (wRVUs) have increased (See Table 1).<sup>1</sup>

**TABLE 1. NEW wRVUs FOR 2021 E/M OUTPATIENT OFFICE VISIT CODES**

Code	Current minimum minutes per visit	Current wRVU for code	2021 minutes per visit	2021 wRVU for code	Percentage increase in wRVU
99203	29	1.42	40	1.60	13%
99204	45	2.43	60	2.60	7%
99205	67	3.17	85	3.50	10%
99213	23	0.97	30	1.30	34%
99214	40	1.50	49	1.92	28%
99215	55	2.11	70	2.80	33%
G2212*	N/A	N/A	15	0.61	N/A

\*An add-on code for every 15 minutes of extended visit time.

- The increased wRVU weights for some E/M codes may result in physicians generating more wRVUs in calendar year (CY) 2021 versus CY 2020, while the lower conversion factor may result in organizations generating less revenue in CY 2021. Beyond the “what-if” scenario of rising wRVU-based compensation with simultaneously decreasing revenue, a physician compensation plan can acknowledge the impact of rising wRVU-based compensation triggering conflicts with compliance and fair market value (FMV) standards.

4. **The COVID-19-generated shifts in the U.S. economy and healthcare system:** The physician compensation plan needs to account for the impact of the COVID-19 pandemic on measures of physician performance. Physicians have been impacted personally and professionally by the pandemic, leading to introspection on their careers and care delivery in general. A survey by Jackson Physician Search found that two-thirds of responding physicians indicated that the COVID-19 virus has led them to look for a new job.<sup>8</sup> A physician compensation plan can acknowledge the impact of COVID-19-generated shifts in the U.S. economy and healthcare market by recognizing and valuing:

- Physician time required to participate in more frequent compensation plan governance committee and advisory group meetings.
- Physician productivity reductions resulting from reduced practice capacity and overall reduced demand for care.

## Conclusion

“The next compensation plan will be the best compensation plan” might be a familiar saying in healthcare, but the accuracy of this statement depends on how an organization defines and manages its plan. An effective physician compensation plan is not a static plan; it is a complex entity with a physician-administrator partnership at its foundation with assigned responsibilities for and functions of design, model, engage, implement and analyze.

## ADDITIONAL RESOURCES

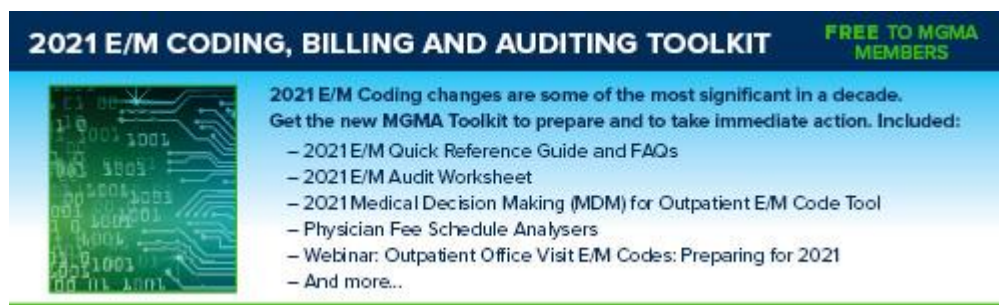
- MGMA members can access the MGMA 2021 E/M Coding, Billing and Auditing Toolkit, with tools to provide a comprehensive understanding of 2021 E/M coding changes, chart audits and elements of medical decision making (MDM): [mgma.com/em-toolkit21](https://mgma.com/em-toolkit21).
- For a full analysis of the 2021 Medicare PFS final rule, visit [mgma.com/pfs21](https://mgma.com/pfs21).

## MGMA STAT

Would you like to join our polling panel to voice your opinion on important practice management topics? MGMA Stat is a national poll that addresses practice management issues, the impact of new legislation and related topics. Participation is open to all healthcare leaders. Results of other polls and information on how to participate in MGMA Stat are available at: [mgma.com/stat](https://mgma.com/stat).

## NOTES

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4. Cohen RA, et al. “Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey, 2019.” National Center for Health Statistics, CDC. Available from: [bit.ly/2X8WTtD](https://bit.ly/2X8WTtD).
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