Employed Provider Bonus Models

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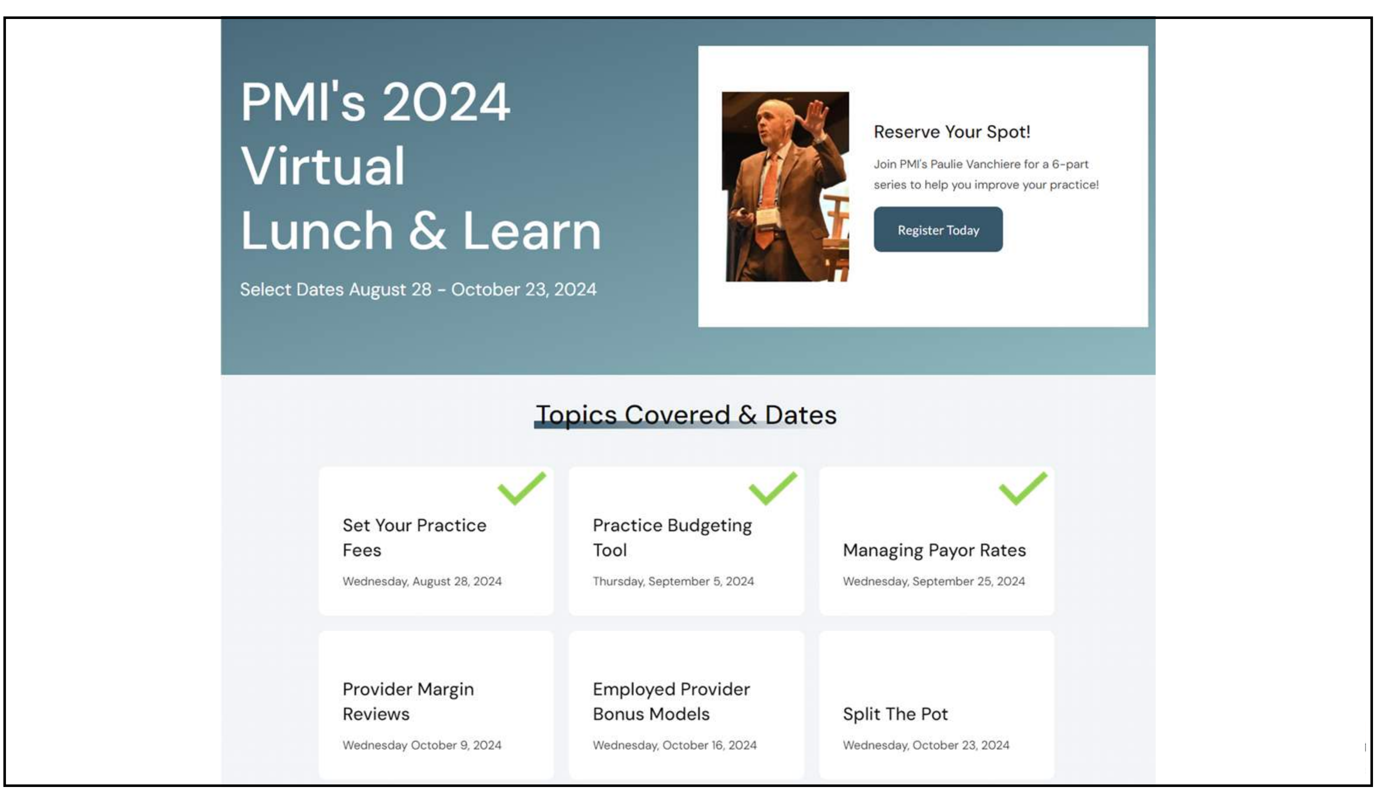

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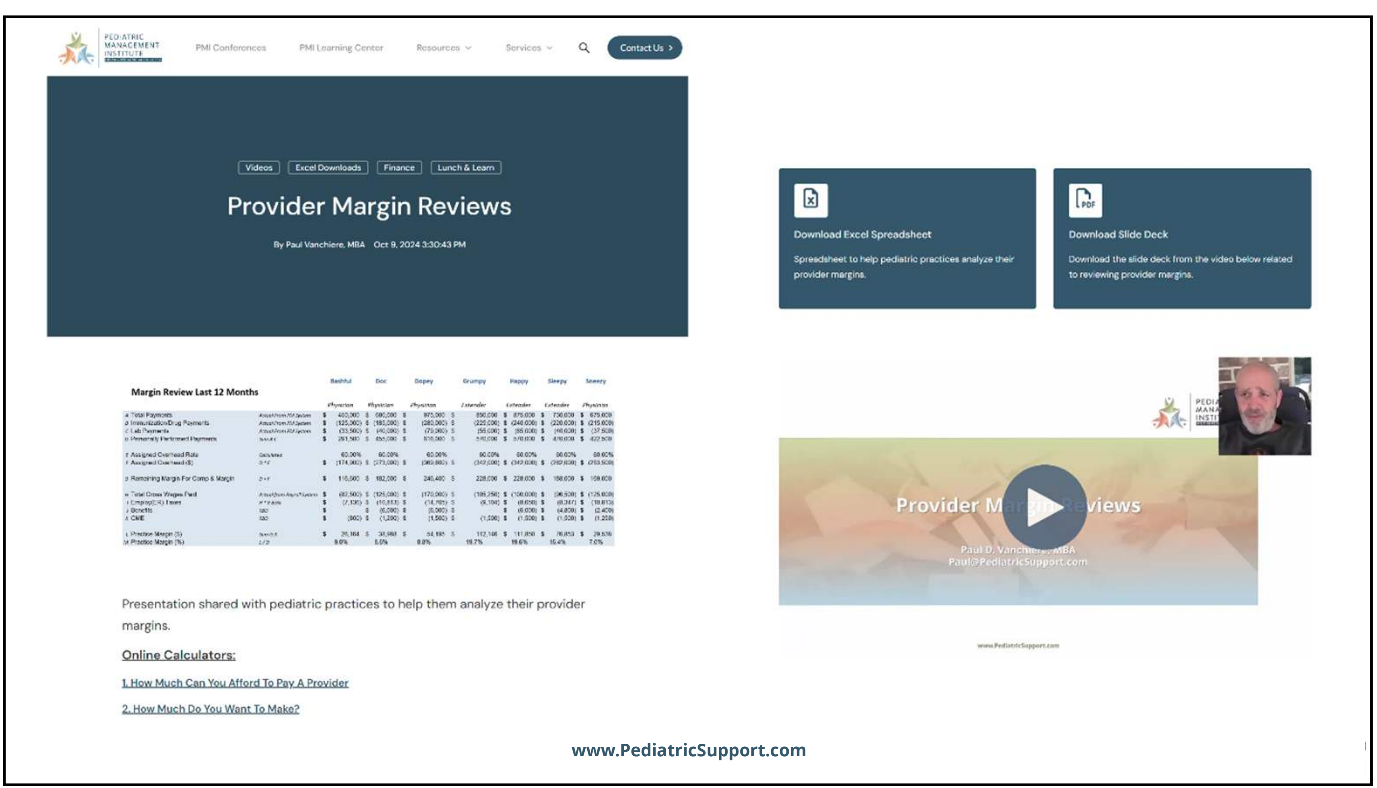

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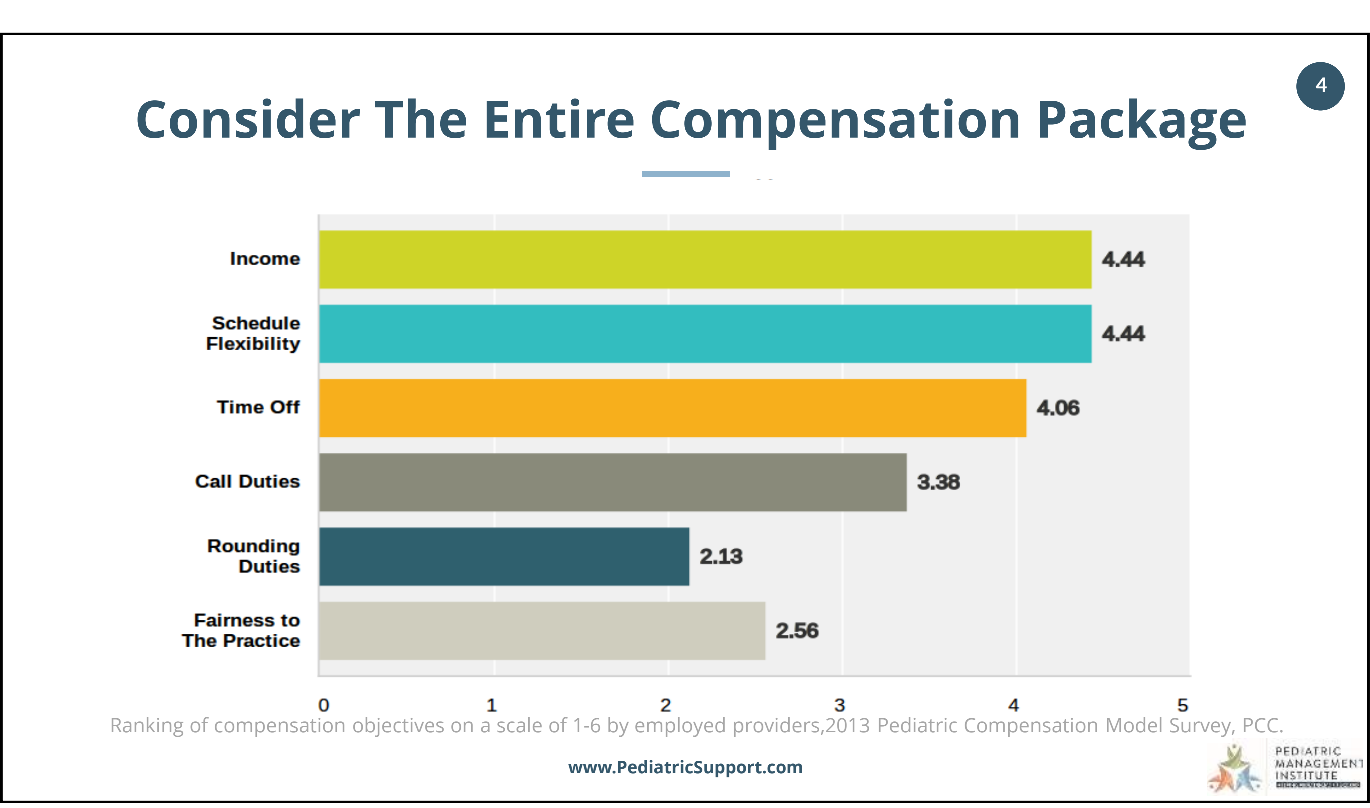

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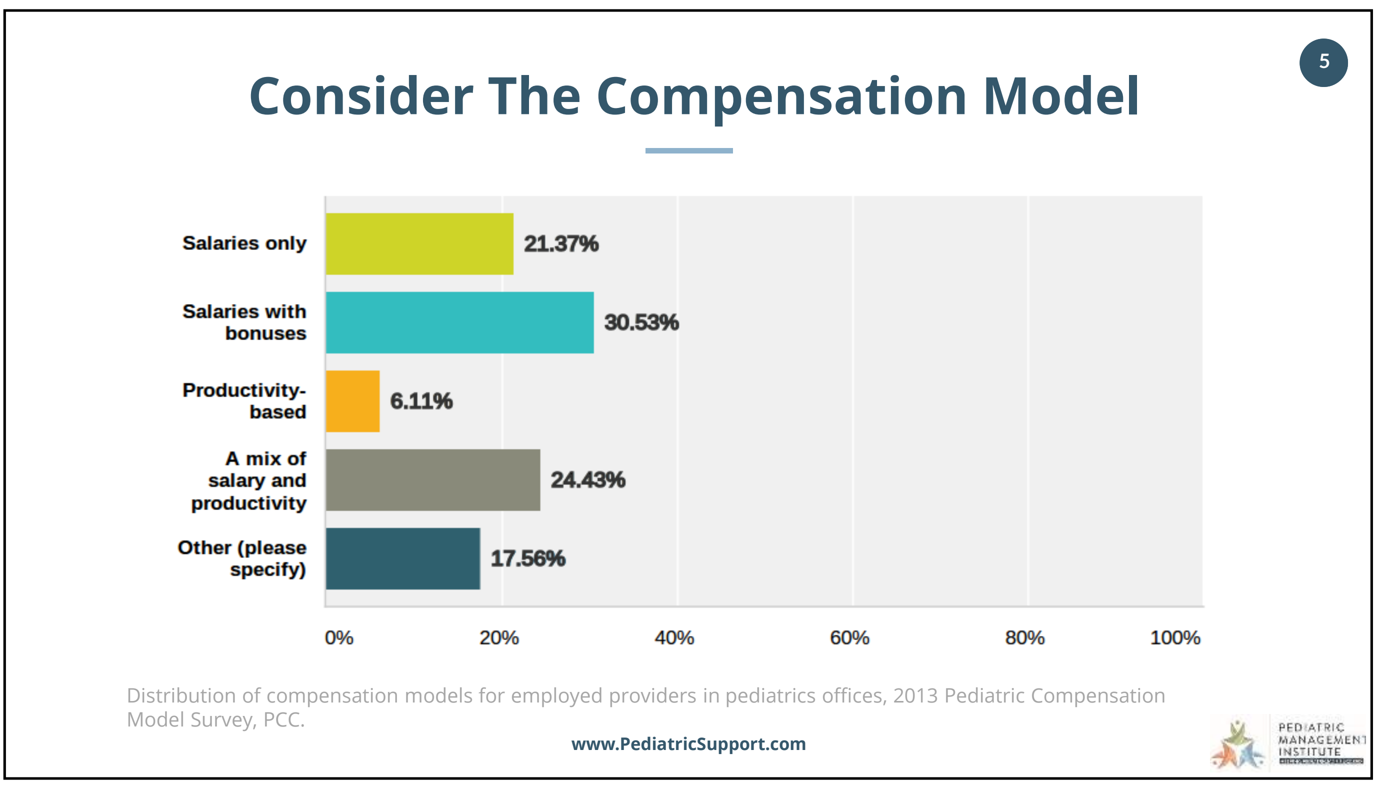

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Here's the Math!

6

33% of Payments

60% Overhead

Your margin...

...of error.

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Final Math Rule of Thumb

A good rule of thumb:

20-40% of expected payments is fair to the practice and to the employed provider.

Expected Margins

Physicians: 5-10%

Extender: 10-15%

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CORE INCENTIVE	DESCRIPTION	POTENTIAL METRIC EXAMPLES
Productivity	Measure of a physician's clinical work or output	▸ wRVUs ▸ Historical Averages
Quality	Measure of a physician's quality of care outcomes	▸ Medicare or NCQA/HEDIS Quality Metrics ▸ CME ▸ Design and peer review of clinical care pathways ▸ Engaging in system-approved programs for improving social determinants of health
Citizenship	Measure that drives patient brand loyalty and growth in a consumer-driven market	▸ Technology – % of Virtual Health Appointments Completed ▸ Leadership – Department/Division Roles ▸ Research – # of Published Publications ▸ Community outreach and indigent care

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Straight Salary

Fixed salary regardless of clinical productivity or other activities

ADVANTAGES

- Easily administered
- Transparent
- Offers financial security and mitigates stress, burnout

DISADVANTAGES

- No clinical productivity incentive
- Will overcompensate and undercompensate
- Minimizes adoption of new technology

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Salary + Productivity

Base salary plus productivity incentive bonus

ADVANTAGES

- Levers to incentivize clinical work
- Can be transparent
- Level of financial security mitigates stress, burnout

DISADVANTAGES

- Challenging to calibrate
- May lead to divisive competition
- Diminishes non-clinical contributions

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Salary + Outcomes

Base salary plus bonus based on any combination of factors such as quality metrics and patient satisfaction

ADVANTAGES

- Provides a measure of financial security (important for recent graduates)
- Can be transparent
- Customizable to mission/goals

DISADVANTAGES

- No clinical productivity incentive
- Challenging to calibrate

Pure Productivity

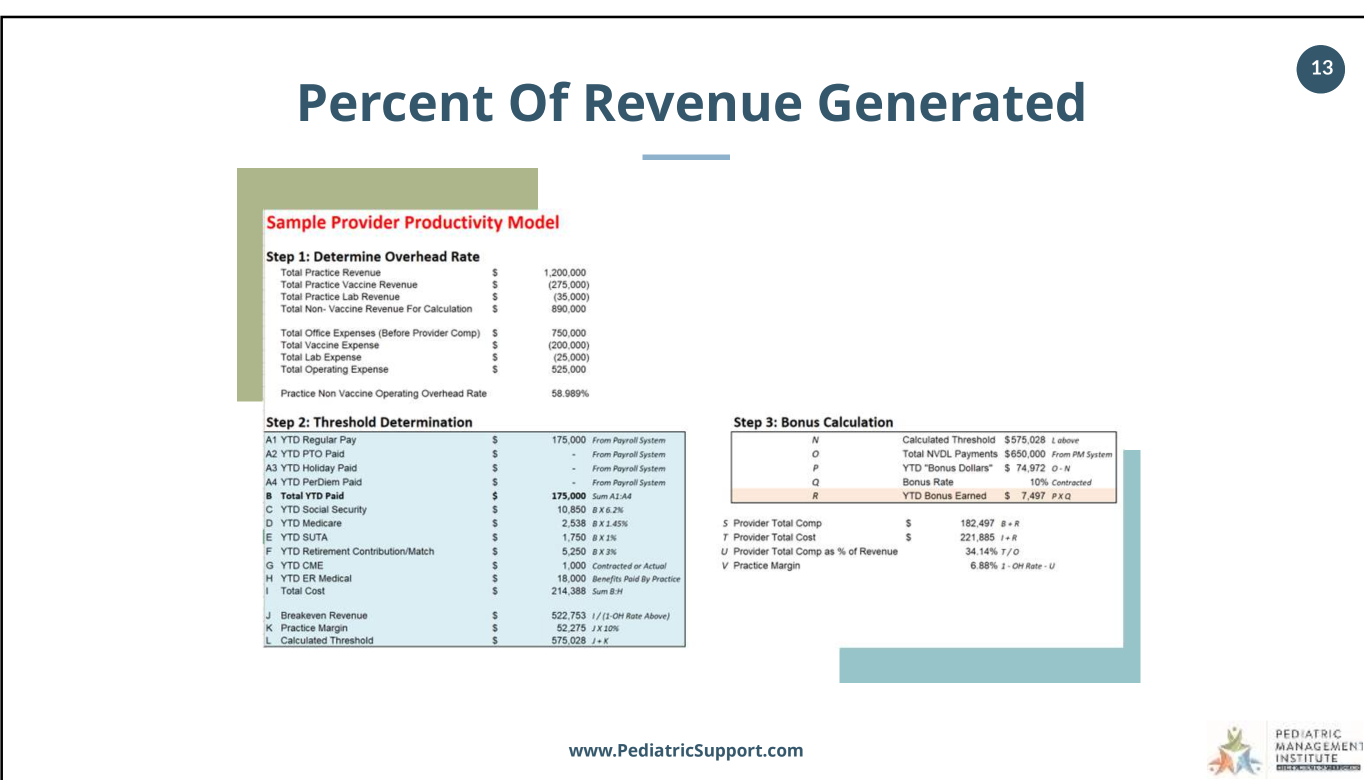
Payment or allocation of distributable revenue (after costs) based on percentage of billings, collections, or wRVUs

ADVANTAGES

- Incentivizes clinical productivity
- Potential for "healthy competition"
- Objective approach

DISADVANTAGES

- Possible discrimination based on payor source
- Unhealthy competition
- No correlation to patient experience or outcomes



Percent Of Revenue Generated

Sample Provider Productivity Model

Step 1: Determine Overhead Rate

Item		Amount
Total Practice Revenue	$	1,200,000
Total Practice Vaccine Revenue	$	(275,000)
Total Practice Lab Revenue	$	(35,000)
Total Non- Vaccine Revenue For Calculation	$	890,000
Total Office Expenses (Before Provider Comp)	$	750,000
Total Vaccine Expense	$	(200,000)
Total Lab Expense	$	(25,000)
Total Operating Expense	$	525,000
Practice Non Vaccine Operating Overhead Rate		58.989%

Step 2: Threshold Determination

	Item		Amount	Source
A1	YTD Regular Pay	$	175,000	*From Payroll System*
A2	YTD PTO Paid	$	-	*From Payroll System*
A3	YTD Holiday Paid	$	-	*From Payroll System*
A4	YTD PerDiem Paid	$	-	*From Payroll System*
B	**Total YTD Paid**	**$**	**175,000**	*Sum A1:A4*
C	YTD Social Security	$	10,850	*B X 6.2%*
D	YTD Medicare	$	2,538	*B X 1.45%*
E	YTD SUTA	$	1,750	*B X 1%*
F	YTD Retirement Contribution/Match	$	5,250	*B X 3%*
G	YTD CME	$	1,000	*Contracted or Actual*
H	YTD ER Medical	$	18,000	*Benefits Paid By Practice*
I	Total Cost	$	214,388	*Sum B:H*
J	Breakeven Revenue	$	522,753	*I / (1-OH Rate Above)*
K	Practice Margin	$	52,275	*J X 10%*
L	Calculated Threshold	$	575,028	*J + K*

Step 3: Bonus Calculation

	Item	Amount	Source
N	Calculated Threshold	$575,028	*L above*
O	Total NVDL Payments	$650,000	*From PM System*
P	YTD "Bonus Dollars"	$ 74,972	*O - N*
Q	Bonus Rate	10%	*Contracted*
R	YTD Bonus Earned	$ 7,497	*P X Q*

	Item		Amount	Source
S	Provider Total Comp	$	182,497	*B + R*
T	Provider Total Cost	$	221,885	*I + R*
U	Provider Total Comp as % of Revenue		34.14%	*T / O*
V	Practice Margin		6.88%	*1 - OH Rate - U*

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Pro's & Con's Of Revenue Incentives

Pro's

1. Aligns Provider Compensation With Practice Financial Success
2. Easier To Calculate
3. Easy To Explain/Understand

Con's

1. Variation In Patient Panel Profile
- Payor Mix
- Patient Age

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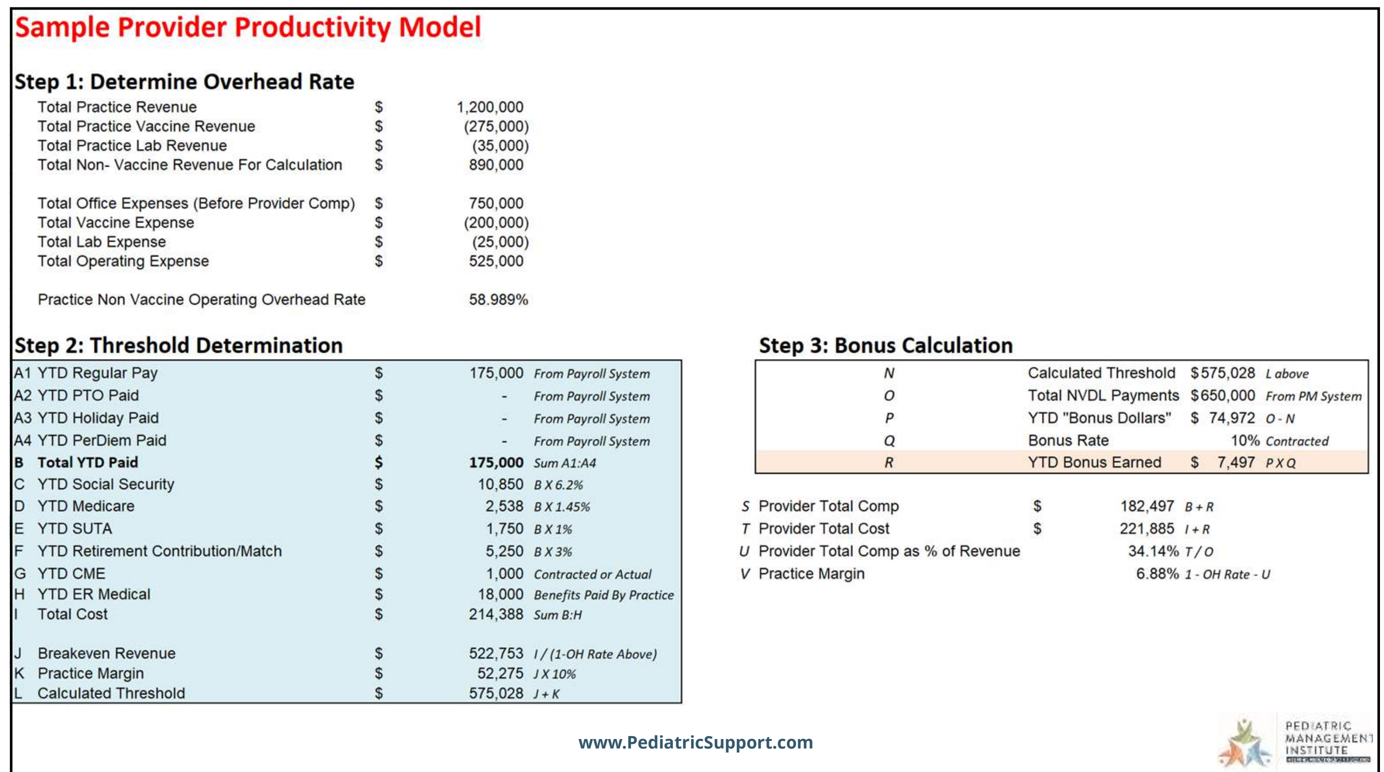

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	A	B	C	D	E
1	Provider Compensation Determination Worksheet				
2					
3		Threshold = Overhead + Provider Cost + Practice Margin			
4					
5	*A*	Visits Per Day	*Estimate*	18	22
6	*B*	Revenue Per Encounter	*Analysis*	$ 155.00	$ 155.00
7	*C*	Revenue Per Day	*A * B*	$ 2,790	$ 3,410
8	*D1*	Days per Week		4	4
9	*D2*	Weeks per Year		48	48
10	*D3*	Provider Days Worked	*Estimate*	195	195
11	*E*	Provider Annual Revenue	*C * D3*	$ 544,050	$ 664,950
12	*F*	Practice Overhead Rate	*Analysis*	65.00%	65.00%
13	*G*	Practice Overhead	*E * F*	$ 353,633	$ 432,218
14	*H*	Allowance for Provider & Practice Margin	*E - G*	$ 190,418	$ 232,733
15	*I*	Provider Salary	*Estimate*	$ 150,000	$ 150,000
16	*J1*	Malpractice Insurance		$ 3,500	$ 3,500
17	*J2*	Professional License		$ 2,000	$ 2,000
18	*J3*	CME/Dues			
19	*J4*	Health Insurance Allowance		$ 6,000	$ 6,000
20	*J5*	EmployER Retirement Contribution		$ 3,600	$ 3,600
21	*J6*	EmployER Medicare & Social Security	*7.65% of Salary*	$ 11,475	$ 11,475
22	*J7*	Total Benefits Cost	*Sum J1-J6*	$ 26,575	$ 26,575
23	*K*	Total Provider Cost	*J7 + K*	$ 176,575	$ 176,575
24	*L1*	Practice Margin Adjustor (%)		0.00%	0.00%
25	*L2*	Practice Margin Adjustor ($)		$ -	$ -
26	*M*	Threshold	*G + K + L2*	$ 530,208	$ 608,793
27	*N*	Bonus Collections	*E - M*	$ 13,843	$ 56,158
28	*O*	Bonus Rate		10.00%	10.00%
29	*P*	Bonus Amount	*N * O*	$ 1,384	$ 5,616
30	*Q*	Bonus EmployER Costs (8%)	*P * 8%*	$ 111	$ 449
31	*R*	Total Comp and Benefits	*K + P*	$ 177,959	$ 182,191
32					
33	*S*	Provider Comp & Bonus	*I + P*	$ 151,384	$ 155,616
34	T	Comp & Ben % of Revenue	*S / E*	27.83%	23.40%
35					
36	U	Practice Margin ($)	*E - G - K - P - Q*	$ 12,348	$ 50,092
37	V	Practice Margin (%)	*U / E*	2.27%	7.53%

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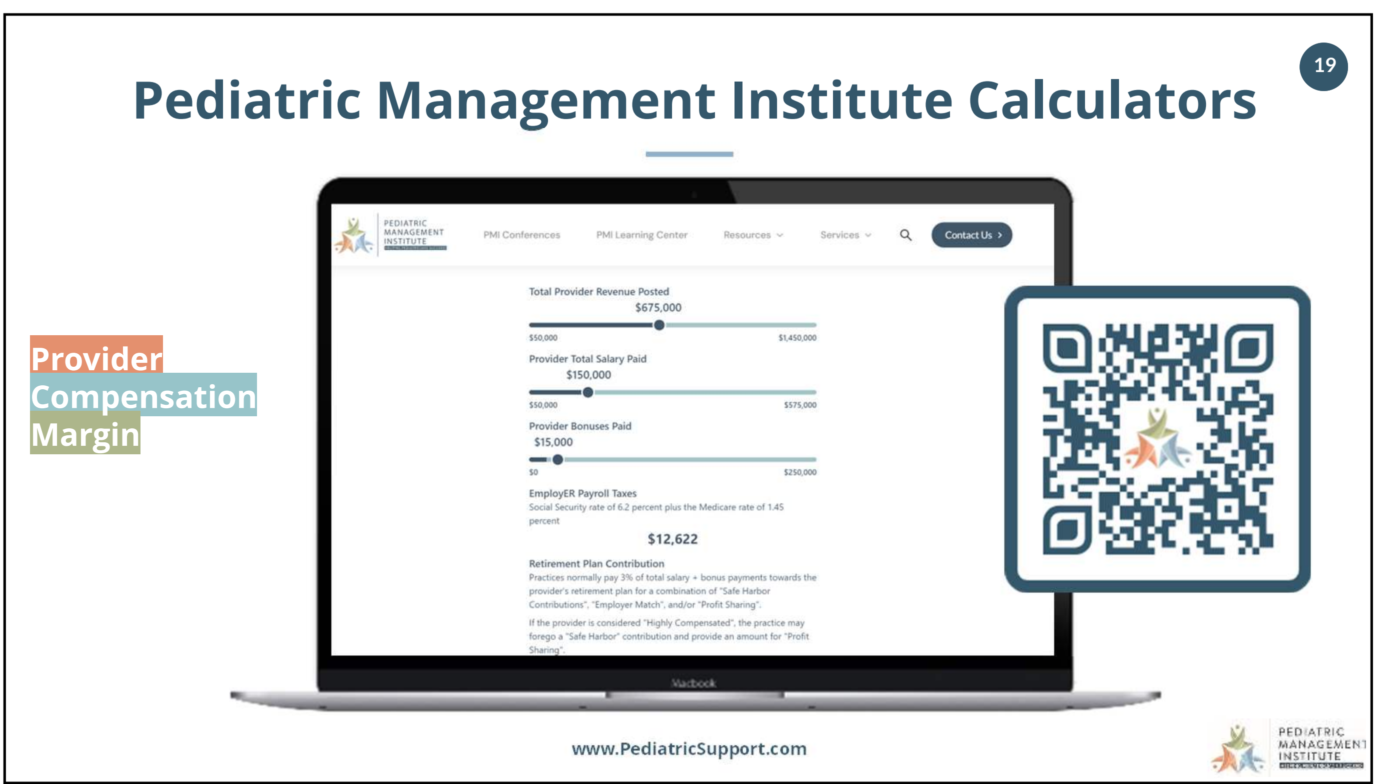

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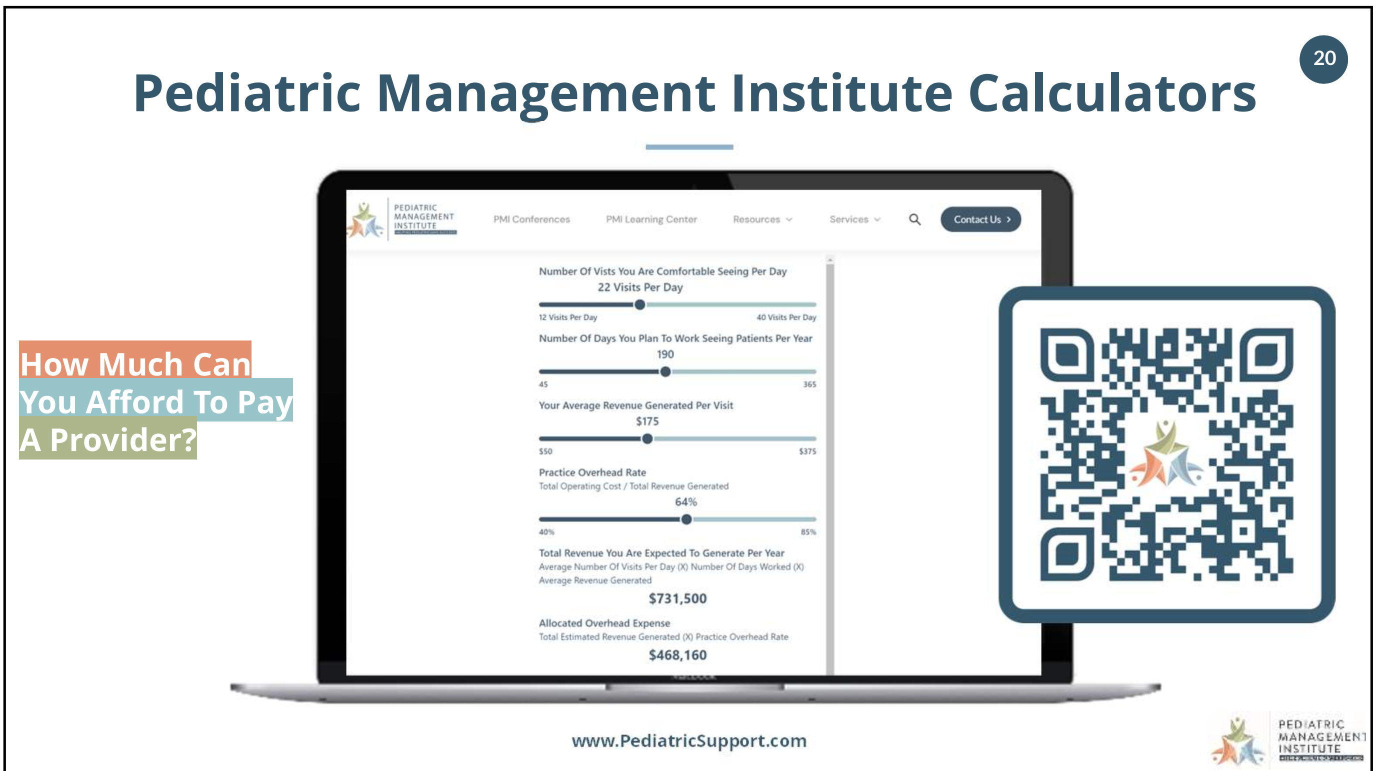

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RVU’s

Total wRVU’s * Pre-Determined wRVU Rate

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	A	B	C	D	E	F	G	H	I	J	K	L	Y	AF
1			2024 National Physician Fee Schedule Relative Value File July Release											
2			CPT codes and descriptions only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/DFARS Apply.											
3			Dental codes (D codes) are copyright 2024/25 American Dental Association. All Rights Reserved.											
4														
5			RELEASED 05/03/2024											
6														
7					NOT USED									
8					FOR			NON-FAC		FACILITY				
9				STATUS	MEDICAR	WORK	NON-FAC	NA	FACILITY	NA	MP	NON-FAC	CONV	
8498	99192		Special pump services	X		0	0		0		0	0	33.2875	
8499	99195		Phlebotomy	A		0	2.81		2.81	NA	0.06	2.87	33.2875	
8500	99199		Unlisted special svc px/rprt	C		0	0		0		0	0	33.2875	
8501	99202		Office o/p new sf 15 min	A		0.93	1.16		0.4		0.08	2.17	33.2875	
8502	99203		Office o/p new low 30 min	A		1.6	1.59		0.68		0.16	3.35	33.2875	
8503	99204		Office o/p new mod 45 min	A		2.6	2.18		1.13		0.24	5.02	33.2875	
8504	99205		Office o/p new hi 60 min	A		3.5	2.79		1.57		0.33	6.62	33.2875	
8505	99211		Off/op est may x req phy/qhp	A		0.18	0.51		0.07		0.01	0.7	33.2875	
8506	99212		Office o/p est sf 10 min	A		0.7	0.94		0.29		0.06	1.7	33.2875	
8507	99213		Office o/p est low 20 min	A		1.3	1.33		0.56		0.1	2.73	33.2875	$ 90.87
8508	99214		Office o/p est mod 30 min	A		1.92	1.79		0.83		0.14	3.85	33.2875	
8509	99215		Office o/p est hi 40 min	A		2.8	2.4		1.27		0.22	5.42	33.2875	
8510	99221		1st hosp ip/obs sf/low 40	A		1.63	0.65	NA	0.65		0.18	2.46	33.2875	
8511	99222		1st hosp ip/obs moderate 55	A		2.6	1.05	NA	1.05		0.23	3.88	33.2875	
8512	99223		1st hosp ip/obs high 75	A		3.5	1.38	NA	1.38		0.26	5.14	33.2875	
8513	99231		Sbsq hosp ip/obs sf/low 25	A		1	0.38	NA	0.38		0.09	1.47	33.2875	
8514	99232		Sbsq hosp ip/obs moderate 35	A		1.59	0.63	NA	0.63		0.12	2.34	33.2875	
8515	99233		Sbsq hosp ip/obs high 50	A		2.4	0.94	NA	0.94		0.18	3.52	33.2875	
8516	99234		Hosp ip/obs sm dt sf/low 45	A		2	0.73	NA	0.73		0.17	2.9	33.2875	
8517	99235		Hosp ip/obs same date mod 70	A		3.24	1.25	NA	1.25		0.24	4.73	33.2875	
8518	99236		Hosp ip/obs same date hi 85	A		4.3	1.56	NA	1.56		0.32	6.18	33.2875	
8519	99238		Hosp ip/obs dschrg mgmt 30/<	A		1.5	0.8	NA	0.8		0.11	2.41	33.2875	
8520	99239		Hosp ip/obs dschrg mgmt >30	A		2.15	1.1	NA	1.1		0.15	3.4	33.2875	
8521	99242		Off/op consltl new/est sf 20	I	+	1.08	1.1		0.51		0.07	2.25	33.2875	

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Why People Like RVU's

1. **Productivity-Based Compensation:**
   - wRVUs directly reward providers for the work they perform, aligning compensation with the quantity of services provided.

2. **Standardized Measurement:**
   - wRVUs are a standard measure across the healthcare system, which allows for easier comparison of provider productivity across different regions, specialties, and practices.

3. **Flexibility Across Specialties:**
   - It works for various medical specialties, adjusting for the complexity and time required for different types of care.

4. **Encourages Efficiency:**
   - providers may be incentivized to work more efficiently and see more patients or perform more procedures to increase their wRVU count.

5. **Simplifies Overhead Distribution:**
   - wRVU-based models often exclude considerations like practice overhead or insurance reimbursement variability, simplifying financial arrangements between providers and healthcare organizations.

6. **Fairness Across Variable Payer Mix:**
   - Since wRVU is independent of payer payment rates, providers with a more unfavorable payer mix (e.g., more Medicaid patients) can still be compensated "fairly" based on the work performed.

7. **Supports Objective Performance Evaluation:**
   - wRVUs offer a quantifiable measure of provider output, which can help in performance reviews and setting benchmarks.

Why People Shun RVU's

1. **May Incentivize Overutilization:**
   - Providers might be encouraged to focus on increasing volume (more procedures, visits) rather than quality, which can lead to overuse of healthcare resources.

2. **Limited Focus on Quality of Care:**
   - The model emphasizes quantity over quality. If not paired with quality metrics, it could lead to lower patient satisfaction or suboptimal care outcomes.

3. **Burnout Risk:**
   - Providers may feel pressured to work longer hours or see more patients than is sustainable to meet productivity goals, potentially leading to burnout.

4. **Disincentives for Non-Procedural Specialties:**
   - Certain specialties, particularly primary care or those focused on cognitive rather than procedural services, may find it harder to generate high wRVUs compared to procedural or surgical specialties.

5. **Lack of Incentive for Collaborative Care:**
   - It may discourage teamwork and interdisciplinary care, as providers are compensated for their individual productivity, not their contributions to team-based outcomes.

6. **Patient Complexity May Not Be Accurately Reflected:**
   - The model may not fully account for the time and effort required for complex patients or those with multiple comorbidities, making it harder to fairly compensate providers for managing difficult cases.

7. **Variable Compensation Due to Payer Mix:**
   - Although the wRVU model aims to equalize payer mix issues, variations in actual payment (based on contract negotiations or insurance plans) can still affect take-home pay unless a guaranteed conversion rate is provided.

8. **Administrative Burden:**
   - The need to accurately track and report wRVUs can increase administrative work for both providers and healthcare organizations.

Why Paulie Doesn't Like RVU's

Practice Has To Predict Expected Payment Per RVU Generated

- Influenced By:
  - Overhead Rate
  - Payor Policies
  - Billing Department
  - Financial Policies

Don't try to beat hospital RVU rates- you will never win!

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