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Key Observations

Employed physicians nationwide saw significant revenue gains in the third quarter, marking a second consecutive quarter of increases relative to the third quarters of both 2020 and 2019. Physician productivity also rose above pre-pandemic levels for a second consecutive quarter, but was essentially flat compared to Q2. At the same time, physician expenses continued to climb above pre-pandemic levels for a third straight quarter, due in part to increases in non-labor expenses such as drugs and medical supplies. The level of investment needed to supplement physician revenues also increased as a result.

Improvements for the quarter varied widely across different specialty cohorts. Primary Care, for example, had revenue and productivity gains and a decrease in investments from the second to the third quarters, while Surgical Specialties experienced revenue and productivity declines accompanied by an increase in investments over the same period.

Nationwide, the average Investment/Subsidy per Physician Full-Time Equivalent (FTE) inched up to $231,654 in Q3, but the gap between practices requiring the highest versus the lowest levels of investment continues to grow. The difference between the Investment/Subsidy per Physician FTE for practices in the 25th versus the 75th percentile increased more than $43,000 from $312,533 in Q3 2019 to $355,675 in Q3 2021. Contributing factors likely include wide variances in the pace of COVID-19 recovery, including how quickly patients are returning to physician offices across different geographic regions and specialties.

Investments, Productivity, and Compensation

The median Investment/Subsidy per Physician FTE was up 9.8% in the third quarter from $210,920 in the same quarter of 2020. It increased 4% compared to the second quarter of 2021, due to rising expenses and a leveling off in productivity. Physician work Relative Value Units (wRVUs) increased just 0.1% from the second to the third quarters, but were up 9.4% compared to the third quarter of 2020.
Key Observations (continued)

Looking at investment levels by different specialty cohorts, Investment/Subsidy per Physician FTE decreased from the second to the third quarters for Primary Care as more patients sought care that was deferred during the height of the pandemic. The metric also decreased for Psychiatry and was essentially flat for Hospital-based Specialties (including hospitalists and intensivists), but increased slightly for all other specialties.

Physician compensation increased for the quarter across two metrics. The median actual paid Physician Compensation per FTE was $339,542 in Q3 2021, up 5% from the previous quarter. Physician Compensation per wRVU rose 3.8% from $55.28 in Q2 2021 to $57.40 in Q3 2021.

Revenue and Expenses

The second consecutive quarter of significant physician revenue increases followed three quarters of revenues holding relatively steady at pre-pandemic levels of less than $600,000. Net Revenue per Physician FTE (including advanced practice providers or APPs) rose to $660,762 in the third quarter, up 4.4% from $632,691 in the second quarter and up 11.4% from the third quarter of 2020.

Net Revenue per Physician wRVU increased 2.4% from $103.46 in Q3 2020 to $105.97 in Q3 2021. Once again, the data suggest that recent changes in payments and fee schedules are having minimal impacts on fluctuations in this metric.

Physician expenses continued to escalate, surpassing the $900,000 mark due in part to higher revenue cycle costs, and increases in drugs and supply expenses. Total Direct Expense per Physician FTE (including APPs) rose to $914,045 in the third quarter, up 4.4% from Q2, 13.2% from Q3 2020, and 10.8% from Q3 2019. Expenses increased across all specialty cohorts between the second and third quarters.

Support Staff FTEs per 10,000 wRVUs remained relatively steady, rising just 1% above Q2 levels despite reports of mounting workforce shortages across healthcare. Compared to before the pandemic in Q3 2019, Support Staff FTEs per 10,000 wRVUs increased 2.3%. The metric was above pre-pandemic levels for a fourth consecutive quarter as wRVUs have increased, indicating that practices are coping with patient volume increases utilizing fewer staff.
Concluding Thoughts

Physician activity came roaring back in the second and third quarters of this year, with physician productivity and revenues significantly surpassing Q1 2021 and pre-pandemic Q3 2019 levels. With this increased productivity and revenue, higher costs also emerged driving overall increases in physician investments.

While the averages clearly show performance above pre-COVID-19 levels, the widening gap between high and low performers also is an important and alarming part of the story. Clear winners and losers are emerging across the U.S. as physician practices and the health systems that employ them prepare for a COVID-19 endemic future.

As they look ahead, healthcare leaders should consider the influence of both internal and external factors on their go-forward performance. While many of the challenges of 2020 and 2021 can be attributed to the pandemic, it is clear that some systems are beginning to feel the pressures of unsustainable physician investment levels and are taking action to bend the curve.

Examples of external factors include:
- COVID-19 outbreaks
- Flu season predictions
- Consumer expectations
- Disruptive market entrants changing health systems’ front doors

Examples of internal factors include:
- The link between physician compensation and productivity (Are you rewarding the harder working physicians in your system?)
- Physician clinical (wRVU) productivity
- APP mix and utilization
- Challenges recruiting and retaining clinical and front office support staff to keep up with growing volumes
- Direct cost components and their contribution to overall costs (be sure to look at drug and supply costs in addition to labor)
### Key Performance Metrics Summary

<table>
<thead>
<tr>
<th>Key Performance Metrics (Median)</th>
<th>Q3 2021</th>
<th>Change from Q3 2020 to Q3 2021</th>
<th>Q3 2020</th>
<th>Change from Q3 2019 to Q3 2021</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment/Subsidy per Physician FTE</td>
<td>$231,654</td>
<td>9.8%</td>
<td>$210,920</td>
<td>12.2%</td>
<td>$206,390</td>
</tr>
<tr>
<td>Physician Compensation per FTE</td>
<td>$339,542</td>
<td>7.5%</td>
<td>$315,993</td>
<td>4.9%</td>
<td>$323,566</td>
</tr>
<tr>
<td>Physician Compensation per wRVU</td>
<td>$57.40</td>
<td>(1.5%)</td>
<td>$58.30</td>
<td>(6.9%)</td>
<td>$61.63</td>
</tr>
<tr>
<td>Physician wRVUs per FTE</td>
<td>5,813</td>
<td>9.4%</td>
<td>5,314</td>
<td>6.3%</td>
<td>5,470</td>
</tr>
<tr>
<td>Net Revenue per Physician FTE</td>
<td>$660,762</td>
<td>11.4%</td>
<td>$592,915</td>
<td>11.1%</td>
<td>$594,808</td>
</tr>
<tr>
<td>Net Revenue per Physician wRVU</td>
<td>$105.97</td>
<td>2.4%</td>
<td>$103.46</td>
<td>4.5%</td>
<td>$101.42</td>
</tr>
<tr>
<td>Total Direct Expense (including APPs) per Physician FTE</td>
<td>$914,045</td>
<td>13.2%</td>
<td>$807,127</td>
<td>10.8%</td>
<td>$825,069</td>
</tr>
<tr>
<td>Clinical and Front Office Support Staff per 10,000 wRVUs</td>
<td>3.14</td>
<td>2.6%</td>
<td>3.06</td>
<td>2.3%</td>
<td>3.07</td>
</tr>
</tbody>
</table>

**Key Observations (continued)**

*No additional information on the page.*
Investment/Subsidy per Physician
The median Investment/Subsidy per Physician Full-Time Equivalent (FTE) increased 4% from Q2 to $231,654 in Q3 2021. That is up 9.8% from Q3 2020 and up 12.2% from Q3 2019.

Investment/Subsidy per Physician FTE increased from Q2 to Q3 for three regions, but declined in the Great Plains and Northeast/Mid-Atlantic. The West had the greatest quarter-to-quarter increase at 19.7%.
Investment/Subsidy per Physician FTE increased from Q2 to Q3 in three specialties and decreased in three. Ob/Gyn had the biggest quarter-to-quarter increase at 17.9%, followed by Medical-based Specialties at 16.2%.
Compensation
Physician Paid Compensation per Physician FTE
All Specialties - 25th, 50th, 75th %-tile

5.0% change Q2 2021 to Q3 2021

The median Physician Compensation per FTE rose to $339,542 in Q3, up 5% from the second quarter and up 7.5% from the third quarter of 2020.

Physician Compensation per FTE increased from Q2 to Q3 across five of six specialties. Ob/Gyn was the exception, with a quarter-to-quarter decrease of 2.6%.
Physician Compensation per Work Relative Value Unit (wRVU) increased 3.8% from Q2 to Q3 after dropping 9% between the first and second quarters.

Physician Compensation per wRVU rose across all specialty cohorts from the second to the third quarters, with Psychiatry seeing the biggest quarter-to-quarter increase at 16.7%.
Productivity and Revenue
Physician wRVUs per FTE increased just 0.1% from Q2 to 5,812.6 in Q3, marking a third consecutive quarter of increases. The metric was up 6.3% from before the pandemic in the third quarter of 2019.

Physician wRVUs per FTE decreased from Q2 to Q3 across four of six specialties. Psychiatry had the biggest drop at 6.7%, followed by Surgical-based Specialties at 5.8%.
Net Patient Revenue per Physician FTE (including APPs) was $660,762 in the third quarter, up 4.4% from Q2 for a third consecutive quarter of increases.

Net Patient Revenue per Physician wRVU (including APPs) rose 2.7% from Q2 to $105.97 in Q3. That is up 2.4% from the third quarter of 2020.
Expenses and Support Staff
Total Direct Expense per Physician FTE (including APPs) rose 4.4% from Q2 to $914,045 in Q3, and was up 13.2% from the third quarter of 2020.

Total Direct Expense per Physician FTE (including APPs) increased across all specialties from Q2 to Q3. Ob/Gyn and Primary Care had the biggest quarter-to-quarter increases at 7.9% and 7.8%, respectively.
Support Staff FTEs per 10,000 wRVUs rose just 1% from Q2 to Q3 after dropping slightly from Q1 to Q2. The metric was up 2.6% from the third quarter of 2020.

Support Staff FTEs per 10,000 wRVUs increased across three specialties and decreased for two from Q2 to Q3. Ob/Gyn had the biggest quarter-to-quarter increase at 12.4%, followed by Surgical-based Specialties at 11.4%.
About the Data

The *Physician Flash Report* uses actual data over the last three years sampled on a recurring monthly basis from Syntellis Performance Solutions, which contains more than 100,000 providers (physicians and APPs) from 100 different specialties. The sample of physicians represents data from across the United States. Physicians of all types are represented, from family medicine physicians to neurosurgeons, and from single physician practices to large academic physician groups. Advanced statistical techniques are used to standardize data, identify and handle outliers, and ensure statistical soundness prior to inclusion in the report.

### Map of Regions

- **West**
- **Northeast/Mid-Atlantic**
- **Midwest**
- **Great Plains**
- **South**

### General Statistical Terms

- **Range**: The difference in value between the maximum and minimum values of a dataset
- **Average (Mean)**: The average value of an entire dataset
- **Median**: The value that divides the dataset in half, the middle value
- **1st Quartile**: The value halfway between the smallest number and the median
- **3rd Quartile**: The value halfway between the median and the largest number
- **Interquartile Range (IQR)**: The difference between the 3rd Quartile and the 1st Quartile (Q3 – Q1).
What Is a Box Plot?
A box plot is a graphical description of the distribution of data through three quantities of the dataset: 1st quartile, median, and 3rd quartile. The trend line does not represent a particular value but is present to highlight the trend in medians between bars.

Evaluating the Plot
The box plot to the left contains three related vertical bars:
- The bottom of each bar represents the 1st quartile (25th percentile)
- The diamond between the top and bottom of the bar is the median value of the dataset.
- The top of each bar represents the 3rd quartile (75th percentile)
- The orange line shows the trend between the bars

Measure Definitions:
- **Investment/Subsidy per Physician FTE**: Subsidies represent net patient service revenue minus total direct expense. Subsidies are divided by physician FTEs.
- **Physician Compensation per wRVU**: Total physician compensation divided by Work RVUs.
- **Physician Compensation per FTE**: Total actual compensation paid for the period divided by physician FTEs; does not account for accrued physician incentives.
- **Physician wRVUs per FTE**: Physician Work RVUs divided by physician FTEs.
- **Net Revenue per Physician wRVU**: Net revenue divided by Work RVUs.
- **Net Revenue per Physician FTE**: Net revenue divided by physician FTEs.
- **Total Direct Expense per Physician FTE**: Total expense divided by physician FTEs.
- **Support Staff FTEs per 10,000 wRVUs**: Support Staff FTEs divided by 10,000 Work RVUs. Support Staff includes front office and clinical support staff. Work RVUs are adjusted by provider FTEs to assess productivity.
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