

OCTOBER 2020

Physician Flash Report

*Based on Data From Nearly 100,000 Providers
In More Than 100 Specialties*

KaufmanHall

Table of Contents

Welcome.....	3
Key Observations.....	4
Subsidy (Loss) per Physician.....	7
Compensation.....	10
Productivity and Revenue.....	13
Expenses and Support Staff.....	16
About the Data.....	19

Welcome

We are pleased to introduce the *Physician Flash Report*, which includes national data from Axiom Comparative Analytics from Syntellis Performance Solutions. The product contains data on nearly 100,000 providers (more than 68,000 physicians and 28,000 advanced practice providers), representing more than 100 specialties.

Unlike other data sources, the *Physician Flash Report* features **actual, real-time physician production, compensation, and operating expense data** that is updated monthly. The *Physician Flash Report* offers unique insights for CEOs, CFOs, and physician enterprise executives. Readers can:

- Review **quarterly physician enterprise trends** for perspectives on dynamic changes occurring in physician practices. With COVID-19 upending the healthcare business model, understanding the impacts on the entire care continuum is imperative, including physician compensation and production.
- Access **year-over-year data benchmarks for key metrics**—including Subsidy per Physician, Physician Compensation, and Production by physician specialty and cohort—to understand and adapt to changes in physician practices. These metrics will support restructuring clinical networks to better meet patient needs, create new efficiencies, and leverage technology to reduce Subsidy per Physician, leading to more clinically balanced and financially successful health systems.

- Access **actual physician compensation, production, and expense data**, which is a first for physician enterprises. This will help executives set realistic expectations regarding future investments and production.

The *Physician Flash Report* will be published quarterly, featuring the most up-to-date industry trends drawn from the same data that physician groups use to track their finances and operations. If you're interested in more detailed benchmarks by specialty or custom peer groups, email PhysicianFlashReport@kaufmanhall.com.

Thank you for reading,

Jim Pizzo and Jim Blake

Managing Directors, Kaufman Hall

Key Observations

The costs associated with operating employed physician practices—and the level of investment needed to subsidize inadequate professional revenue—remain significant concerns for health system executives nationwide, especially as they work to navigate their organizations through the COVID-19 pandemic. The first seven months of 2020 marked a **14.1% year-over-year increase** in overall Subsidy (Loss) per Physician for health systems, resulting in a **median subsidy of \$227,000 per physician** across all specialties.

While subsidies for employed physicians have consistently increased in recent years, the impacts are particularly challenging as health systems cope with pandemic-related declines in revenues and margins. Several factors contributed to the increase in Subsidy (Loss) per Physician, including decreased physician productivity, increased physician compensation, and moderately increased revenues. The figures below show key changes seen from 2019 to 2020.

↓ 7.6%

wRVU Production per Physician FTE

This decrease is directly attributable to COVID-19. Specialties such as surgery were particularly affected due to disruption in referral patterns and the temporary suspension of non-urgent procedures.

↑ 1.7%

Physician Compensation per FTE

Rising compensation contributes to higher fixed expenses that also include a relatively small 4.8% decrease in Total Direct Expense per Physician FTE (including Advanced Practice Providers).

↑ 2.5%

Net Revenue per Physician wRVU

The moderate increase in revenue is due in large part to expanded coverage of virtual visits by healthcare payers.¹

¹ Basu, S., et. al.: "Primary Care Practice Financials in the United States Amid the COVID-19 Pandemic." *Health Affairs*, June 2020.

Key Observations *(continued)*

As health system leaders continue to address the pandemic and plan for a post-pandemic era, they must find new ways to ensure optimal value. Key priorities should include:

Advance Telehealth	Work with payers and regulators to further enhance and solidify telehealth through measures such as permanent lifting of restrictive telehealth regulations, ensuring payment for telehealth services, and resuming full HIPAA privacy enforcement.
Build Patient Engagement	Review patient flow through both physical and virtual models, physical space requirements (including use of traditional offices and urgent care), patient website functionality, management of preventative and chronic care models, and patient in-home digital device capabilities.
Align Compensation	Review/revise physician and Advanced Practice Provider (APP) compensation structures to ensure providers are incentivized to meet patients' evolving needs.
Leverage Technology	Enhance use of IT and automation technology to reduce reliance on manual processing and support the ability to flex staff based on patient volumes.
Streamline Patient Access	Review referral patterns that have been disrupted and identify opportunities to streamline access protocols to ensure patients can meet with specialists in a safe and timely manner.

Key Performance Metrics Summary, 2018-2020

Key Performance Metrics (Median)	Year-Over-Year Change 2018 to 2019	Year-Over-Year Change 2019 to 2020	2020*	Factors
Subsidy (Loss) per Physician	12.2%	14.1%	\$226,991	Reduction in volume, with limited drop in expenses and increased collections per wRVU
Physician Compensation per FTE*	2.2%	1.7%	\$319,346	Limited increase in compensation due to fixed contractual agreements
Physician Compensation per wRVU*	8.5%	13.2%	\$71.46	Production decrease with steady physician compensation
wRVU Production (Volume) per Physician FTE	(3.6%)	(7.6%)	4,443	Production decrease with steady physician FTEs
Net Revenue per Physician wRVU	0.7%	2.5%	\$90.67	Slight increase in collections likely due to timely payment for virtual services
Net Revenue per Physician FTE	(0.8%)	(12.0%)	\$441,386	Decrease in volumes with steady physician FTEs
Total Direct Expense (Inc. APP) per Physician FTE	5.7%	(4.8%)	\$692,390	Limited volume variable expense decrease
Clinical and Front Office Support Staff per 10,000 wRVUs	10.4%	20.5%	3.3	Decrease in volumes with steady staff FTEs

* Notes: 2020 data are drawn from annualized results from January to July; FTE = Full-Time Equivalent; wRVU = Work Relative Value Unit.

Subsidy (Loss) per Physician

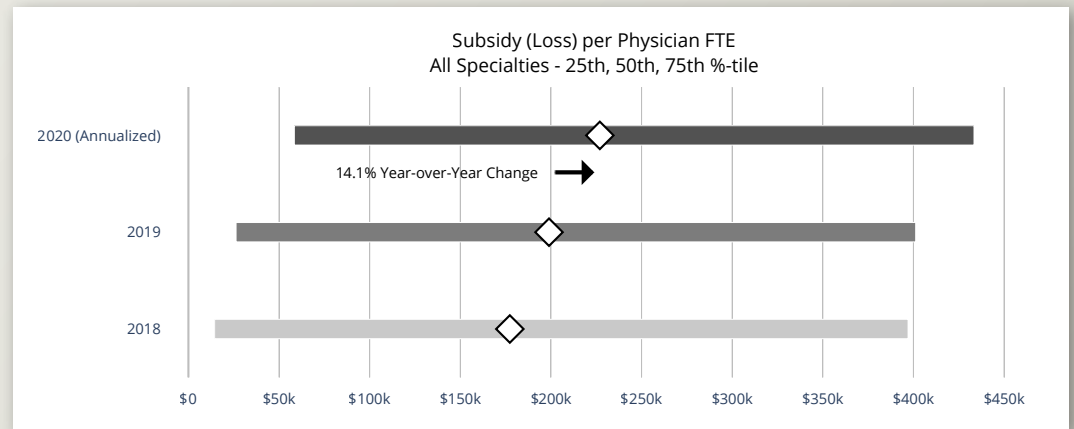
Costs per Physician Continue to Rise

Physician groups saw a significant year-over-year increase in Subsidy (Loss) per Physician Full-Time Equivalent (FTE) from a median of \$199,000 in 2019 to \$227,000 this year.

Over the past two years, the overall Subsidy (Loss) per Physician FTE has increased 28%, up from \$177,000 in 2018.

↑ 14.1%

Subsidy (Loss) per Physician

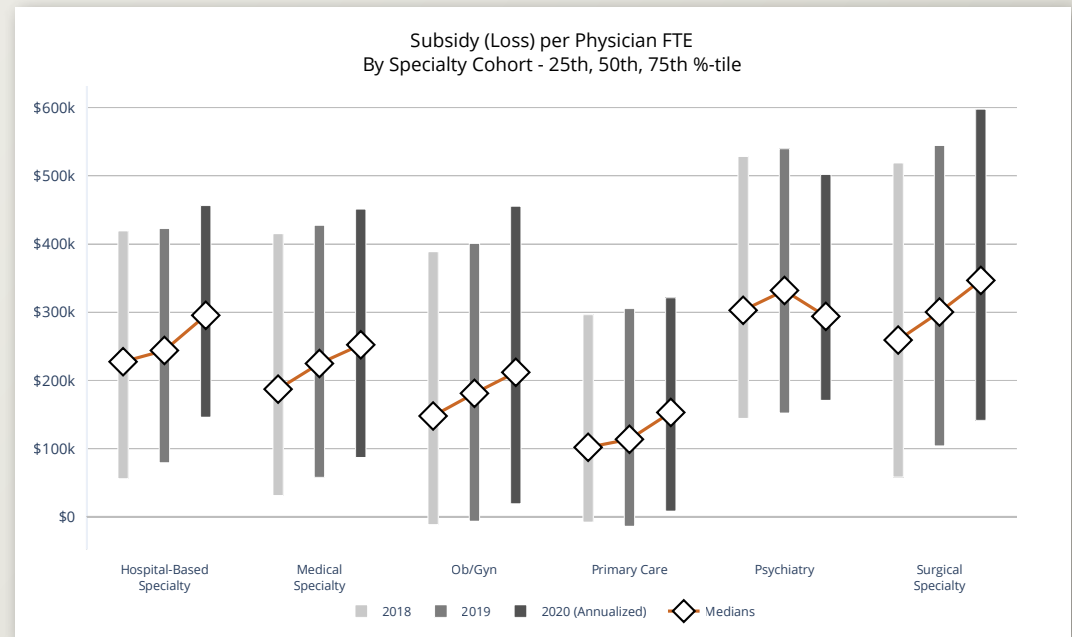


Source: Kaufman Hall Physician Flash Report, September 2020

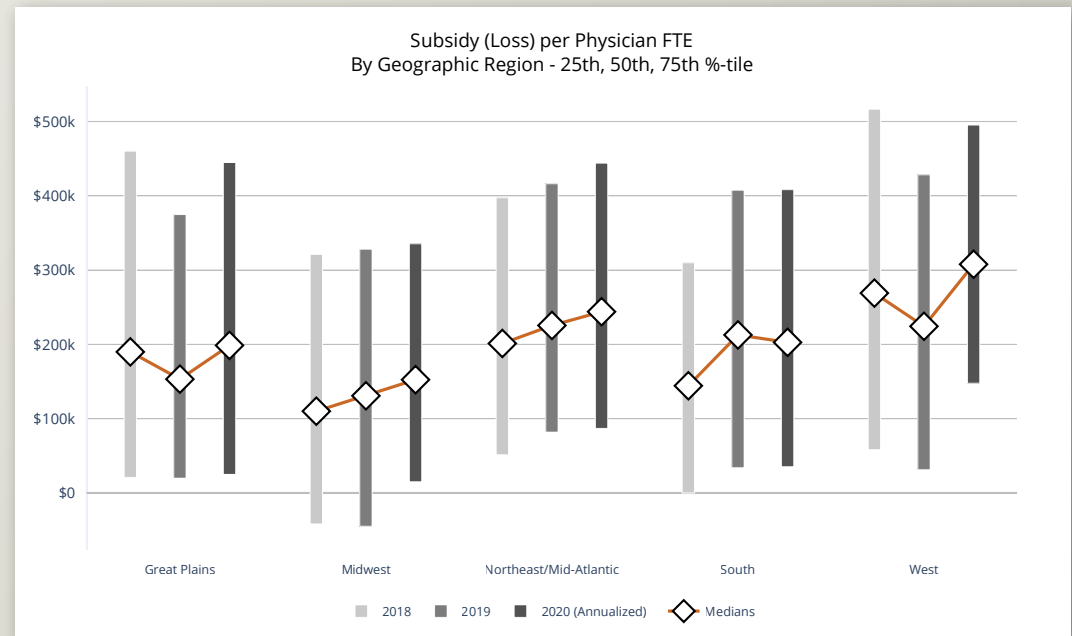
Increases Consistent Across Most Specialties and Regions

Five of six specialty cohorts saw increases in median Subsidy (Loss) per Physician FTE from 2018 to 2020. Surgeons had the highest associated costs, with a median subsidy of \$347,000 per physician in 2020. Psychiatry was an outlier as the only cohort to see subsidies decrease this year by \$38,000 per physician.

Subsidy (Loss) per Physician FTE also rose in four of five regions nationwide. The Midwest has consistently had the lowest overall per-physician costs, while the West had the highest for two of three years, reaching a high of \$308,000 in 2020. The South is an outlier, as practices in the region saw a 5% decrease to a subsidy of \$202,724 per physician in 2020.



Source: Kaufman Hall Physician Flash Report, September 2020



Source: Kaufman Hall Physician Flash Report, September 2020

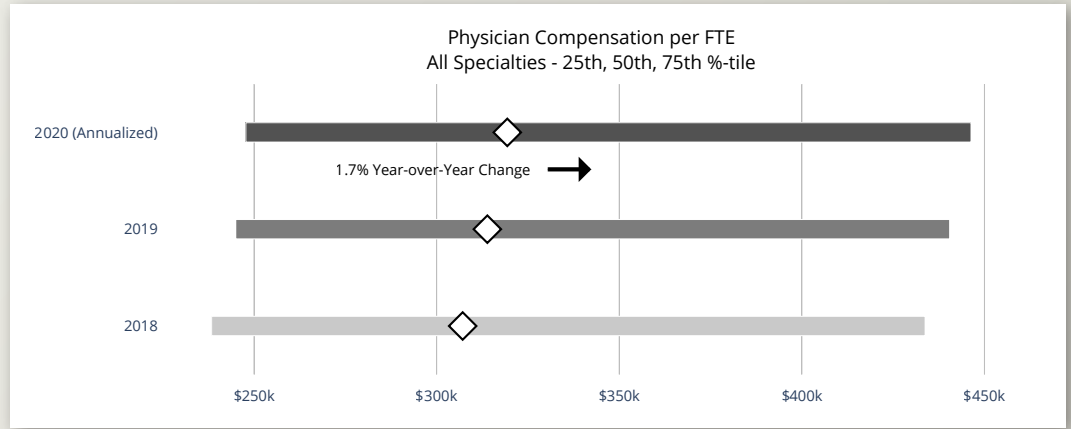
Compensation

Rising Compensation Contributes to Costs

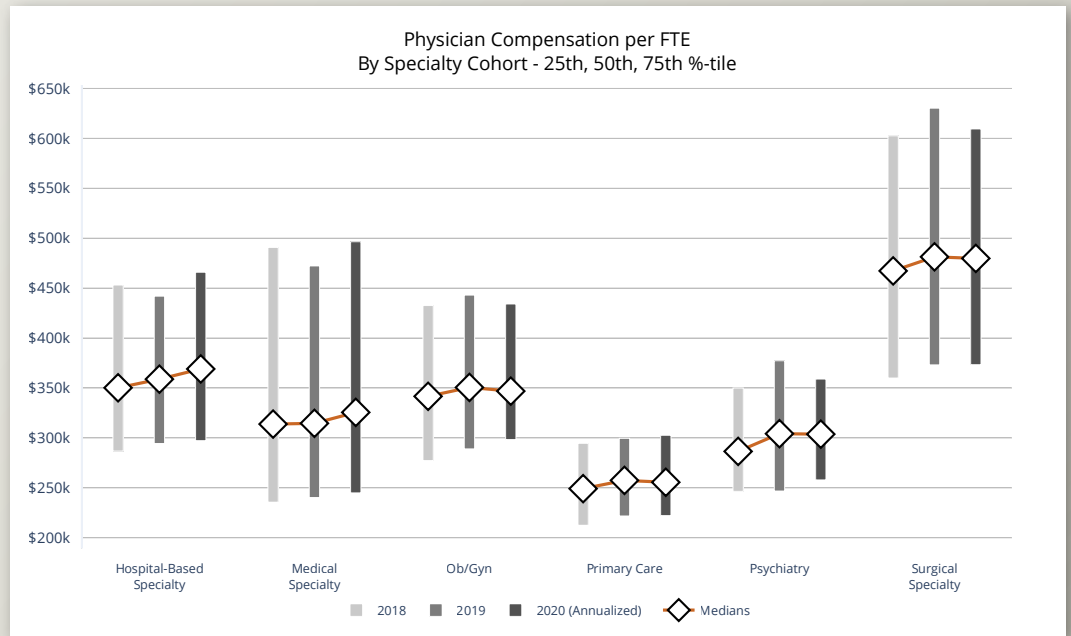
Physician Compensation per FTE increased 4% from 2018 through July 2020. The increase likely was limited due to reduced physician incentives from lower productivity as patient volumes have declined as a result of the pandemic. Looking at compensation across different specialties, Physician Compensation per FTE has remained fairly flat across different cohorts, with only moderate fluctuations ranging from -1% to 3% from 2019 to 2020.

↑ 4%

Physician Compensation per FTE (2018-2020)



Source: Kaufman Hall Physician Flash Report, September 2020

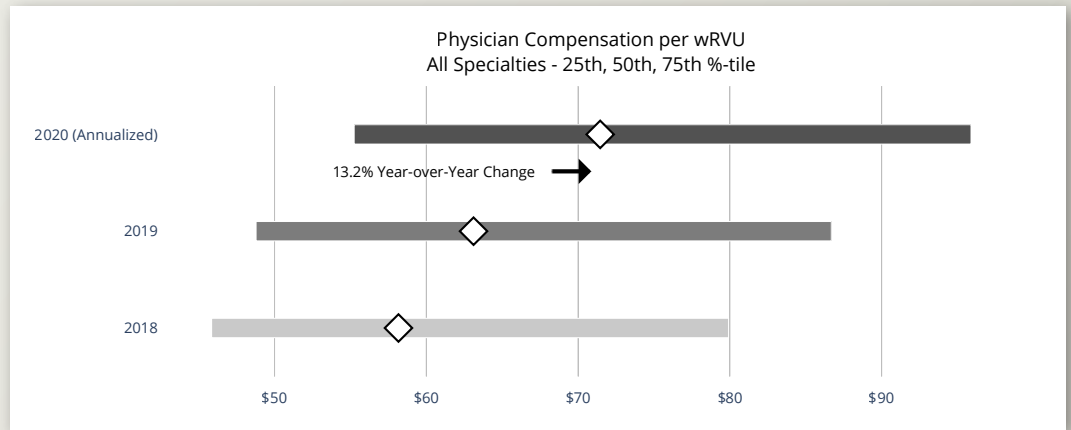


Source: Kaufman Hall Physician Flash Report, September 2020

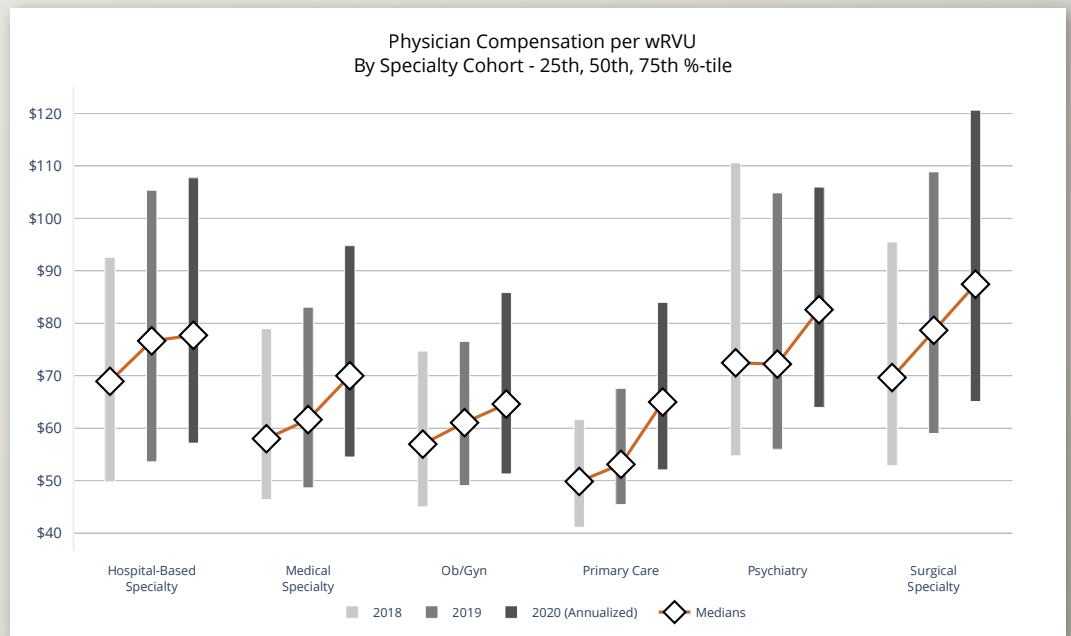
Compensation Up Across All Specialties

Physician Compensation per Work Relative Value Unit (wRVU) rose 13.2% year-over-year from \$63.11 in 2019 to \$71.46 per wRVU in 2020. This likely is due to systems seeking to maintain competitive physician compensation in the face of declining volumes from COVID-19.

By specialty group, Physician Compensation per wRVU rose significantly across five of six cohorts in 2020, primarily due to the declining volumes. Hospital-based specialties were the exception, as compensation increased only slightly from 2019 to 2020.



Source: Kaufman Hall Physician Flash Report, September 2020



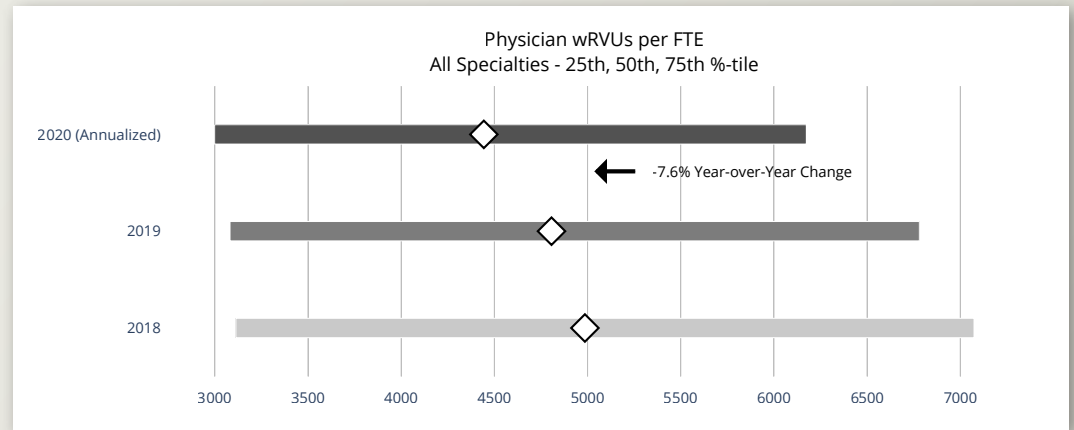
Source: Kaufman Hall Physician Flash Report, September 2020

Productivity and Revenue

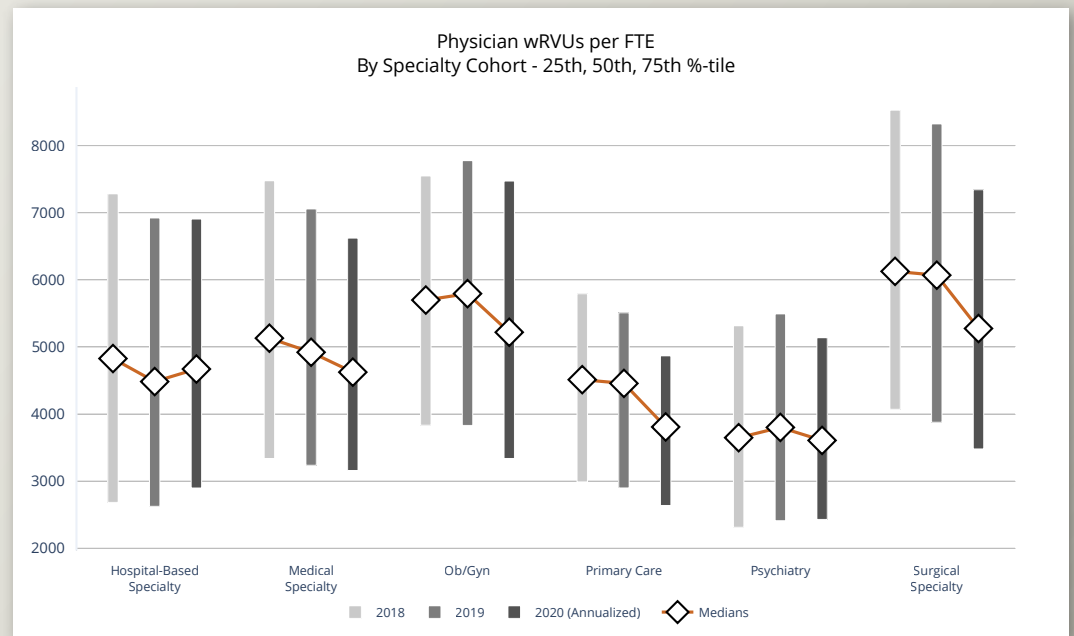
Physician Productivity Down

Physician practices generally are seeing a rebound in provider productivity since March and April, when production metrics plunged as low as 30% to 70%, respectively. Even so, Physician wRVUs per FTE declined 7.6% from 2019 to 2020 based on annualized data through July, due largely to declining volumes.

Production declines were most dramatic for surgical specialties, which fell to 5,275 Physician wRVUs per FTE in 2020 due to the temporary suspension of non-urgent procedures in the early months of the pandemic. Hospital-based specialties have remained relatively consistent from 2019 to 2020, as organizations have optimized use of staffing-to-capacity models.



Source: Kaufman Hall Physician Flash Report, September 2020



Source: Kaufman Hall Physician Flash Report, September 2020

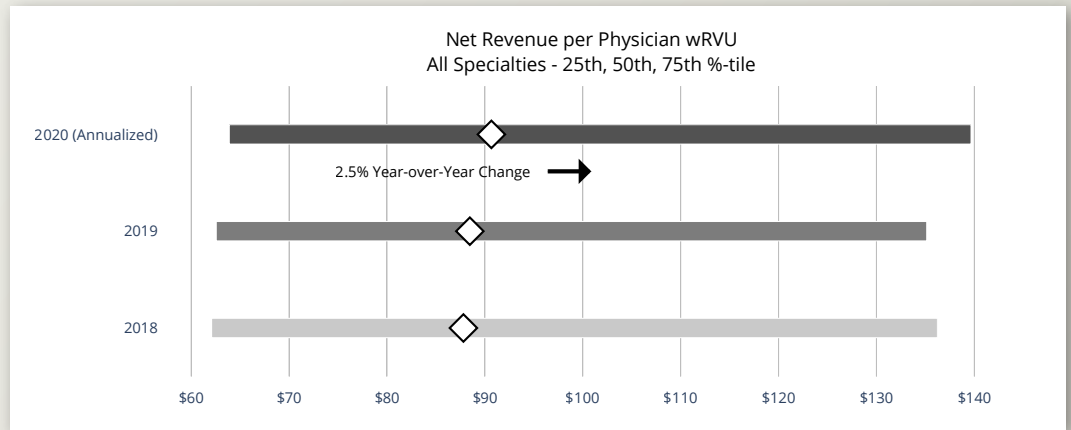
Per Physician Revenue Saw Significant Decrease

The facilitation of COVID-19 payments for virtual care services and potential payer contract increases have reduced revenue losses so far this year. Net Revenue per Physician wRVU has increased only slightly (2.5%) because volume has dropped to a greater degree than revenue.

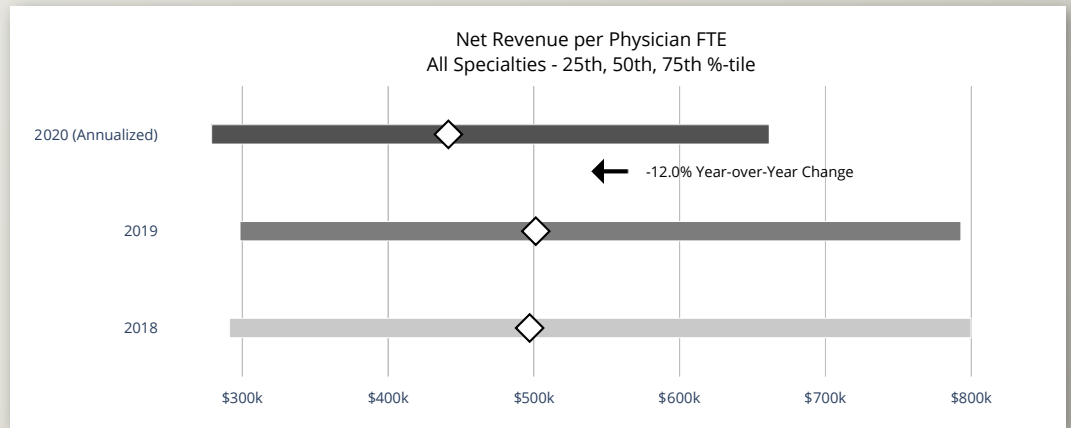
By contrast, Net Revenue per Physician FTE has declined more significantly to a median of \$441,386 in 2020 due to COVID-19 related volume declines.

↓ 12%

Net Revenue per Physician FTE



Source: Kaufman Hall Physician Flash Report, September 2020



Source: Kaufman Hall Physician Flash Report, September 2020

Expenses and Support Staff

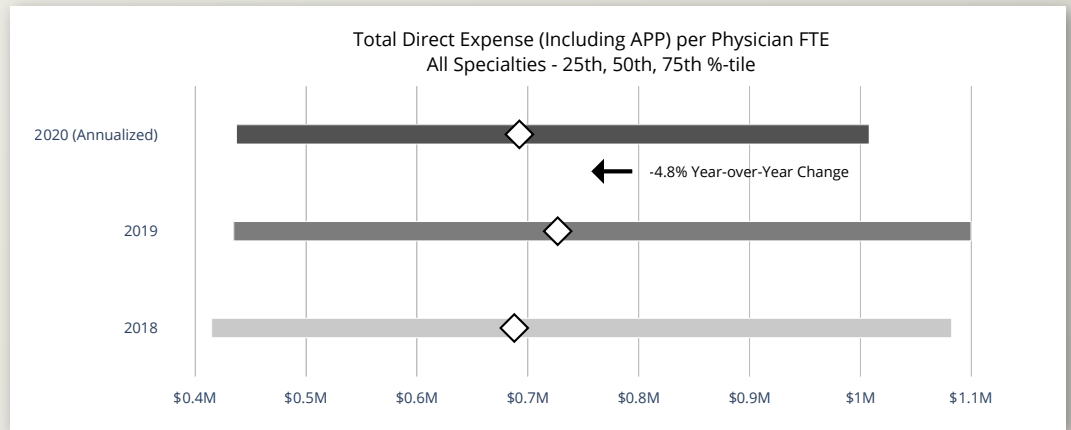
Total Expenses Decrease in Response to COVID-19 Impacts

Total practice expenses decreased year-over-year from 2019 to 2020, as organizations adjusted staffing and medical supply purchases in response to the impacts of COVID-19.

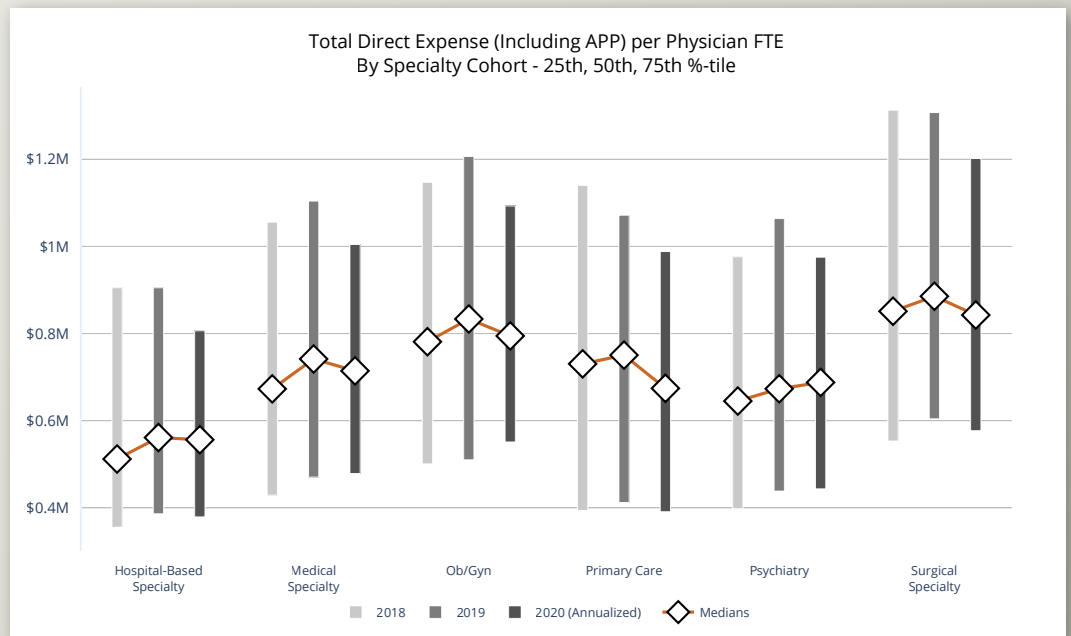
Among different specialty cohorts, primary care saw the most significant year-over-year decrease in practice expense, indicating that these organizations are focused on staffing and maintaining resources based on demand.

↓ 4.8%

Total Direct
Expense per
Physician FTE



Source: Kaufman Hall Physician Flash Report, September 2020

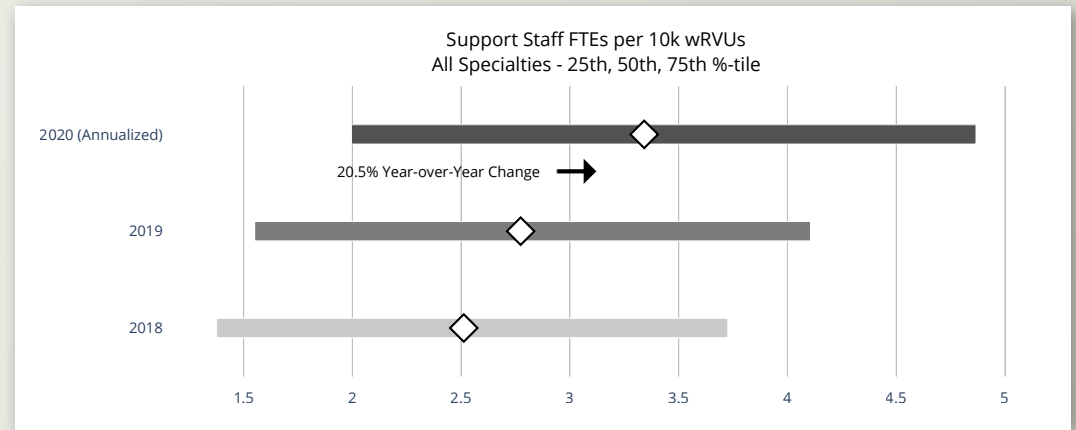


Source: Kaufman Hall Physician Flash Report, September 2020

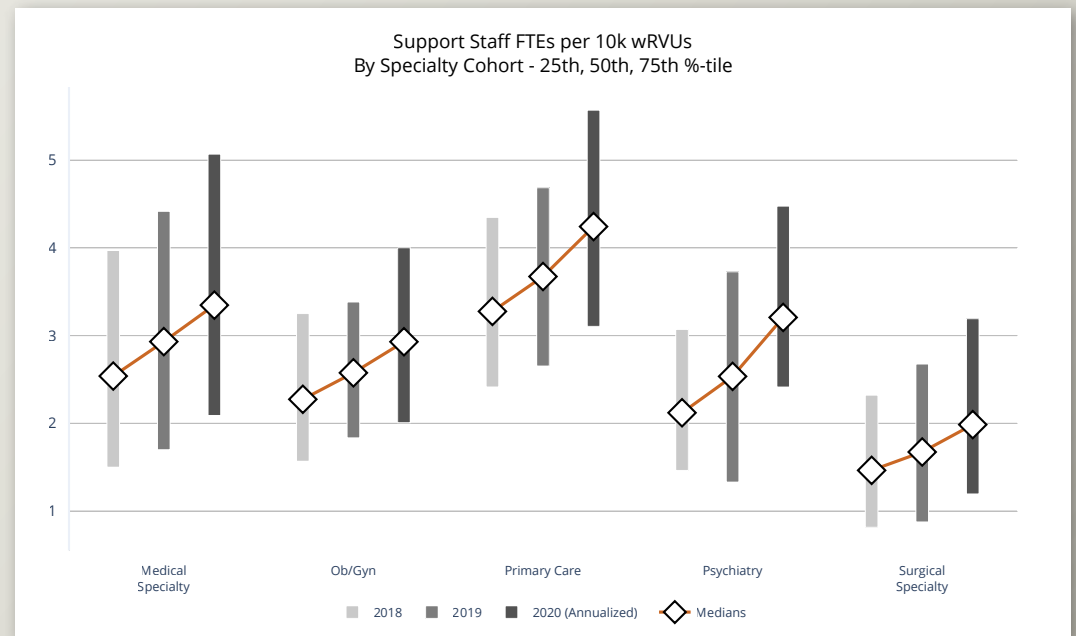
Support Staff Productivity Decreases Alongside Physicians

Median support staff ratios per 10,000 wRVUs grew between 2018 and 2019. In 2020, the annualized data show a larger increase of 21% to 3.3 Support Staff FTEs per 10,000 wRVUs.

Median staffing ratios per 10,000 wRVUs continue to rise across specialty cohorts. Primary care increased to 4.2 Support Staff FTEs per 10,000 wRVUs so far this year. When paired with a 15% decrease seen in primary care physician wRVUs per FTE, one can see how the volume declines result in underutilized support staff.



Source: Kaufman Hall Physician Flash Report, September 2020



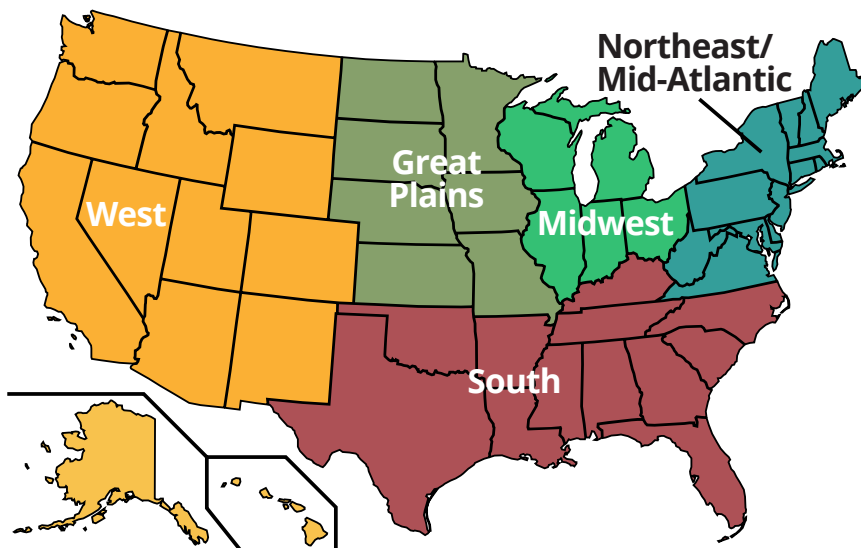
Source: Kaufman Hall Physician Flash Report, September 2020

About the Data

The *Physician Flash Report* uses actual data over the last three years sampled on a recurring monthly basis from Axiom Comparative Analytics from Syntellis Performance Solutions, which contains more than 68,000 physicians, 28,000 APPs, and 100 sub-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. While this report presents data in the aggregate, Syntellis has real-time data down to individual physicians, non-provider staff, job code, pay type, and account levels. Data can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

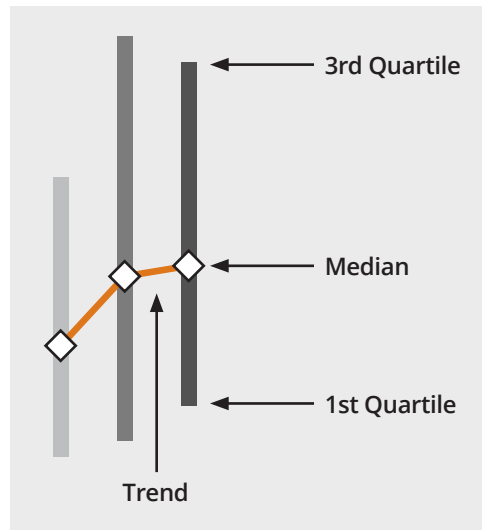
Map of Regions



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).

About the Data *(continued)*



What is a Box Plot?

A box plot is a graphical description of the distribution of data through three qualities 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

Syntellis Measure Definitions:

- **Subsidy (Loss) 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 physician compensation divided by physician FTEs.
- **Physician wRVUs per Physician FTE:** Physician Work RVUs divided by physician FTEs.
- **Net Revenue per wRVU:** Net revenue divided by Work RVUs.
- **Net Revenue per Physician FTE:** Net revenue divided by physician FTEs.
- **Total 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.