



Policy Research Perspectives

How are Physicians Paid? A Detailed Look at the Methods Used to Compensate Physicians in Different Practice Types and Specialties

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Introduction

Using data from the American Medical Association's 2014 Physician Practice Benchmark Survey, this Policy Research Perspective (PRP) provides a rare and detailed look at how physicians (outside of those in solo practice) are paid by their practices. It concludes that despite the continued focus on alternative payment models, pay based on productivity was still a large and important factor and its use appears to have changed little since 2012. It's unclear to what degree this marks a longer term shift because comparable data from earlier years are lacking. In addition, for many physicians, compensation was a blend of different methods.

In 2014, 33 percent (or 33 cents of every dollar) earned by non-solo physicians was received through pay based on productivity. For owner physicians this was even higher—42 cents. Fifty percent (or 50 cents of every dollar) of compensation was received through salary, and this percentage was higher for employed physicians than for those who had an ownership stake in their practice, 66.5 percent compared to 30.7 percent. Just over half of non-solo physicians (51.0 percent) said that their compensation was based on more than one method.

Physicians were compensated differently depending on their specialty. The percentage of physicians who were exclusively salaried in 2014 ranged from 9.4 percent of surgical specialists to 47.9 percent of psychiatrists. The percentage exclusively paid by productivity ranged from 7.1 percent of emergency medicine physicians to 27.3 percent among physicians in small specialties classified as "other."

Data and methods

The 2014 Benchmark Survey is a nationally representative survey of post-residency physicians who provided at least 20 hours of patient care per week, were not employed by the federal government at the time of the survey, and practiced in one of the 50 states or the District of Columbia.¹ The sample for the survey was drawn from the M3 Global Research Panel. The survey response rate was 35 percent and 3500 physicians completed the survey. Weights for the survey were constructed to reflect the probability of selection from the M3 panel into the sample, and to adjust for non-resolution

¹ See Kane (2015) for more information on the Benchmark Survey and its methodology.

of eligibility status, differences between respondents and non-respondents, and differences between the distributions of the sample respondents and the population. All estimates presented here are weighted.

In the Benchmark Survey, physicians were asked whether they received compensation from their practice through four methods: base salary; compensation based on personal productivity; compensation based on practice financial performance; and bonus based on factors other than personal productivity and practice financial performance (e.g., patient satisfaction or clinical performance measures). Physicians in solo practice were excluded from this series of questions because regardless of what they call their compensation, it is directly related to personal productivity and practice financial performance. Physicians were allowed to select multiple methods and also could provide a fill-in response. Physicians who selected multiple methods in the survey were asked to provide the shares of their income from each of those methods.

Based on that data, this report provides three perspectives on how physicians are compensated. First, it looks at how often the methods asked about in the Benchmark Survey were used. This metric does not distinguish between, for example, physicians who received 100 percent of their compensation from a method and physicians who received only one percent of compensation from that method. Rather, this measure of prevalence simply captures whether each method was used at all. Second, this report presents mean (average) compensation shares from each method. Here, for example, you might see that 50 percent of compensation was from salary and 50 percent was from productivity. While this is a useful summary measure, it doesn't provide distributional information about payment. In this example, you can't tell if every physician received exactly half of compensation from salary and half from productivity, if half of physicians were compensated entirely by salary and the other half entirely based on productivity, or if the mean shares were a result of other possibilities in between those extremes. Finally, physicians are categorized in a way that distinguishes between those who received all of their compensation from a single method and those who relied heavily on a method but received it in combination with others. Together, these three metrics provide a comprehensive look at how physicians are compensated both with regard to the prevalence of difference methods as well as their intensity of use.

In addition, this PRP describes how physicians in different segments of the population are compensated. It provides data on compensation methods by physician ownership status, practice type, and specialty.

Prevalence of compensation methods

Exhibit 1 shows how often various payment methods were reported by physicians in 2014. Salary and productivity based payment were the most often mentioned payment methods, reported by 61.2 percent and 53.5 percent of physicians, respectively. Thirty-two percent said that practice financial performance was a factor in their compensation and an almost equal share, 30.5 percent, said they received a bonus.² For many physicians, more than one payment method factored into their final compensation. In fact, less than half of physicians (49.0 percent) were compensated by only a single

² The 2.3 percent in the other category are the fill-in responses.

method, 29.6 percent received compensation through a combination of two methods, 14.4 percent through a combination of three, and 7.1 percent by 4 or more (Exhibit 2).

Even at this high level, it's clear that while there are differences between how practice owners and practice employees are paid, the methods used are overlapping. More than three-quarters (77.2 percent) of employed physicians said they received a salary compared to only 43.0 percent of physicians with an ownership stake in their practice. In contrast, less than half (48.5 percent) of employed physicians reported productivity based compensation compared to 60.7 percent of owners. Owners were more than twice as likely as employees to say that their practice's financial performance was a factor in their compensation (48.9 percent compared to 19.7 percent), but they were less likely to receive a bonus (26.8 percent compared to 35.4 percent).

There are also differences in the prevalence of methods across practice type, particularly between physicians who work in single or multi-specialty group practices and physicians who work in other settings. Practice type refers to the practice that either employs the physician (if he or she is an employee) or the practice that the physician is a full or part owner of (if an owner) or has a contract with (if an independent contractor). Seventeen percent of physicians were in solo practice in 2014 and, as explained earlier, are excluded from this analysis. Physicians in single specialty practice accounted for 42.2 percent of physicians, and those in multi-specialty practice, 24.7 percent. Other practice types were less common, with 2.8 percent of physicians in faculty practice plans (FPPs), 7.2 percent who were employed directly by a hospital, 2.3 percent who were employed a medical school, and 3.6 percent in other practice types not already mentioned (Kane, 2015).³

While 52.1 percent of physicians in single specialty groups and 60.5 percent of physicians in multi-specialty groups reported receiving a salary, approximately 90 percent of physicians in faculty practice plans, medical schools, or who were employed directly by a hospital did.

Productivity based pay was reported by 55.7 percent and 61.4 percent of physicians in single and multi-specialty groups, respectively, but by only about half of physicians in faculty practice plans, and by approximately 34 percent of physicians who were employed directly by hospitals or who worked in medical schools. Practice financial performance was a factor in the compensation of 37.2 percent and 31.3 percent of physicians in single and multi-specialty practices, but for only 18.4 percent to 25.9 percent of physicians in other practice types.

Mean compensation shares

Exhibit 3 shows the mean compensation shares for all physicians, and then the shares for the owners, employees and independent contractor physicians. On average, half of physician compensation in 2014 was earned from salary, about one-third was based on productivity, 11.8 percent based on practice financial performance, and 5.5 percent from a bonus or other methods. These shares varied greatly across ownership status.

While less than one-third (30.7 percent) of owner compensation was from salary, 66.5 percent of employee compensation was from that method. Forty-two percent of owner compensation was

³ In Kane (2015), medical schools were included in the "all other" practice type category.

based on productivity compared to only 25.1 percent for employees. Finally, while an average of 22.5 percent of owner compensation was based on practice financial performance, this share was negligible for employees (3.5 percent). Independent contractors' shares were generally in between those of owners and employees, although they had a substantially larger share of compensation from other methods (10.4 percent, compared to around 1 percent for owners and employees).

Methods received exclusively, or that account for more than half of compensation

Exhibits 4 through 7 make a distinction between physicians who received all of their compensation from a single method and those who relied heavily on a method, but received it in combination with others. Exhibit 4 focuses on differences by physician ownership status and type of practice, and Exhibits 5 through 7 on differences across specialty.

As discussed earlier, the compensation of 49.0 percent of physicians was determined by only a single method (Exhibit 2). Twenty-one percent of physicians were paid only by salary, 19.7 percent based only on their productivity, and 6.8 percent based only on practice financial performance (Exhibit 4).⁴ Thirty-two percent were compensated by more than one method with salary accounting for more than half of compensation. Ten percent said the same for pay based on personal productivity, and 1.9 percent for pay based on their practice's financial performance. Nine percent were compensated by some other method or combination of methods. There were notable differences by ownership status and practice type.

Differences across ownership status

Salary. While the compensation methods of owners and employees are overlapping, employees were much more likely to depend exclusively on salary than owners, 30.9 percent compared to 6.4 percent in 2014 (Exhibit 4). Another 38.9 percent of employees said that although they were compensated by multiple methods, more than half of their compensation was from salary. Among owners this percentage was only 26.5 percent.

Personal Productivity. In 2014, more than one-quarter (26.2 percent) of owners were compensated exclusively based on their personal productivity. Another 12.8 percent were compensated through multiple methods, but received more than half of their compensation based on their personal productivity. Although both of those percentages were lower among employees, it is noteworthy that, at 13.8 percent, the percentage of employees whose compensation relied entirely on their productivity was non-negligible.

Practice Financial Performance. Only owners indicated that their practice's financial performance was a key driver of their compensation. Fourteen percent of owners relied entirely on that method for their compensation, and another 3.3 percent received more than half of their compensation from that method although they received others as well.

⁴ Two percent of physicians were paid only by bonus, or only by some method other than bonus, personal productivity, salary, and practice financial performance. These physicians are included in the "other method" of compensation category in Exhibit 4.

Differences across practice type

As suggested earlier, salary was more often a key driver of compensation for physicians who worked outside of the group practice setting. Twenty-eight percent of physicians in FPPs and about 38 percent of direct hospital employees and physicians who worked in medical schools were paid solely by salary in 2014 (Exhibit 4). An additional 43.7 percent of hospital employees and about 48 percent of physicians in FPPs or medical schools were paid by multiple methods but received more than half of compensation from salary.

In contrast, less than 20 percent of physicians in single or multi-specialty group practices were paid exclusively by salary, and less than 35 percent were paid by multiple methods with more than half of compensation from salary. Those physicians relied more heavily on pay based on productivity. Twenty-five percent of physicians in single specialty practice and 21.1 percent of physicians in multi-specialty practice were paid solely by that method. Less than 5 percent of physicians in FPPs, who were direct hospital employees, or who worked in medical schools had compensation that was based in full on their productivity.

Differences across specialty

Exhibits 5 through 7 show how physicians in 12 specialty groups are compensated. Exhibit 5 includes all physicians regardless of ownership status, and Exhibits 6 and 7 include owners and employees, respectively.⁵

All physicians. Looking at Exhibit 5, it's clear that compensation methods vary across specialty. For example, the percentage of physicians who were exclusively salaried in 2014 ranged from 9.4 percent of surgical subspecialists to 47.9 percent of psychiatrists. The percentage exclusively paid by productivity ranged from 7.1 percent of emergency medicine physicians to 27.3 percent of physicians in small specialties classified as "other." One reason that payment methods differ across specialty is that physician ownership status varies across specialty⁶ and, as we saw throughout this report, payment methods differ between owners and employees. Examining compensation methods across specialties separately for owners and employees allows for a better understanding of the overall specialty differences.

Owners. Because so few owners are paid exclusively by salary (6.4 percent from Exhibit 4), the two salaried categories are combined for owners in Exhibit 6. Here, the salary category includes all physicians who received more than half of compensation from salary, regardless of whether or not they received it in combination with another method.

The specialty differences in payment methods for owner physicians were wide. Across specialty, there was a 34 percentage point spread in the share of owner physicians who received more than half of their compensation from salary. This ranged from 23.8 percent of psychiatrists to 58.2 percent of emergency medicine physicians. Relative to owners in other specialties, pediatricians were also heavily dependent on salary; 51.1 percent received more than half of their compensation from that

⁵ There were too few independent contractors to analyze at the specialty level.

⁶ In 2012, the percentage of physicians who were owners ranged from 37.3 percent among pediatricians to 71.9 percent among surgical subspecialists (Kane and Emmons, 2013).

method, second only to emergency medicine physicians. About one-quarter of owner surgeons, anesthesiologists, and surgical specialists received more than half of their compensation from salary.

In specialties where salary was of low importance for owner physicians, compensation based on productivity played a greater role. Fifty-seven percent of owner psychiatrists were compensated based entirely on their productivity. The same was true for half of general surgeons.

In some specialties, however, practice financial performance rather than personal productivity was a key determinant of owner compensation. Twenty-eight percent of owner radiologists and anesthesiologists received more than half of their compensation based on practice financial performance.

Employees. The compensation methods of employed physicians also varied across specialty (Exhibit 7). Here, the two salary categories are kept separate because there were large numbers of physicians in each one. However, because there were so few employees who were paid based on practice financial performance, that category is merged into the “other” category.

The percentage of employed physicians who were paid solely by salary ranged from 15.3 percent of surgical subspecialists to 60.1 percent of psychiatrists. In every specialty group, more than half of employed physicians relied either entirely on salary or were compensated by multiple methods but received more than half of compensation from salary. In anesthesiology, 89.8 percent of employed physicians received more than half of their compensation from salary.

Still, there were a number of specialties in which productivity based pay was an important factor for employed physicians. Over 30 percent of employed physicians in family practice and in other specialties reported that more than half of their compensation was based on productivity, either used alone or in combination with other methods.

In some specialties, the compensation of owner and employee physicians was quite different. For example, 60.1 percent of employed psychiatrists were paid entirely by salary, and this share was much *higher* than that for employed physicians in other specialties. In contrast, only 23.8 percent of owner psychiatrists received more than half of compensation from salary, and that share was much *lower* than that for owner physicians in other specialties.

Comparisons to 2012 Benchmark Survey

The AMA's 2012 Physician Practice Benchmark Survey also collected information on physician compensation methods although in a less detailed fashion. In contrast to 2014 when physicians were asked for compensation shares from every method received, in 2012 physicians were only asked for the share from the method they identified as contributing most to their compensation.⁷ As a result some, but not all, measures are comparable across years.

⁷ See Kane (2014) for a summary of the 2012 data on physician compensation.

Overall, the structure of physician compensation appears to have changed little between 2012 and 2014. Exhibit 8 includes some of the top level comparable results from both years. The percentages of physicians who received any compensation from each method were very similar. The largest changes—on the order of a 3 percentage point difference—were for productivity and bonus. The percentage of physicians who reported productivity based pay increased from 50.5 percent to 53.5 percent, and those who reported a bonus from 27.1 percent to 30.5 percent. The percentage reporting salary or payment based on practice financial performance also increased, but to a lesser (and not statistically significant) degree. The increase in reporting for these methods is consistent with the drop in the percentage of physicians who reported only one method, from 51.8 percent to 49.0 percent.

The percentage of physicians who said they were compensated only by salary, only based on their productivity, or only based on a bonus were similar across the two years. The largest change, a decline of 2 percentage points for the share of physicians reporting only productivity based compensation (21.7 percent to 19.7 percent), was not statistically significant.

Discussion

Using data from the American Medical Association's 2014 Physician Practice Benchmark Survey, this Policy Research Perspective provides a rare and detailed look at how physicians are paid by their practices. It finds that despite the continued focus on alternative payment models, pay based on productivity is still a large and important factor and its use appears to have changed little since 2012.

Last year, when the AMA reported results from the 2012 Benchmark Survey, we noted the absence of recent data on how physicians are paid. The data in the cited literature were from the early to mid-2000s—at least a decade old. Although no changes in compensation methods were evident over the last two years, it's unclear to what extent the current data mark a longer term shift because comparable data from earlier years are lacking.

The Benchmark data show that in 2014, 33 cents of every dollar received by non-solo physicians was received through pay based on productivity. For owner physicians this was even higher—42 cents. Twenty percent of non-solo physicians were paid exclusively based on their productivity. Highlighting that being an employee isn't synonymous with being salaried, 13.8 of employed physicians said that they were paid exclusively based on productivity.

Fifty percent (or 50 cents of every dollar) of compensation was received through salary, and this percentage was higher for employed physicians than for those who had an ownership stake in their practice, 66.5 percent compared to 30.7 percent. Twenty-one percent of non-solo physicians were paid strictly on a salary basis.

Slightly more than half of non-solo physicians, 51.0 percent, reported that their compensation was a blend of more than one payment method. However, there was often one method that was dominant. Thirty-two percent of non-solo physicians indicated that although they were paid by multiple methods, salary accounted for more than half of their compensation. Ten percent said the same about pay based on their personal productivity.

Physicians were compensated differently depending on their specialty. The percentage of physicians who were exclusively salaried in 2014 ranged from 9.4 percent of surgical specialists to 47.9 percent of psychiatrists. The percentage paid exclusively by productivity ranged from 7.1 percent of emergency medicine physicians to 27.3 percent of physicians in small specialties classified as “other.” Although some of this variation is related to differences across specialty in how many physicians were owners, wide specialty differences remained even after looking separately at the compensation patterns of owners and employees.

A recent paper (Ryan et al., 2015) examined this issue using practice level data from the 2012-2013 National Survey of Physicians Organizations (NSPO). In the NPSO data, practices in ACOs reported that their primary care physicians received 46.1 percent of their compensation from salary, similar to the percentage for practices not in ACOs. Although the basis of the NPSO survey was different than that of the Benchmark Survey (at the practice level rather than the physician level) the conclusions drawn from the two are consistent: despite the conversation about alternative payment and delivery models, for many physicians, productivity is still a key factor in their compensation.

References

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Exhibit 1. Percentage of Non-solo Physicians Who Report Compensation From Five Types of Payment Methods (2014)

	Salary	Personal productivity	Practice financial performance	Bonus	Other	N
All physicians	61.2%	53.5%	32.2%	30.5%	2.3%	2881
Ownership status						
Owner	43.0%	60.7%	48.9%	26.8%	1.6%	1196
Employee	77.2%	48.5%	19.7%	35.4%	1.9%	1515
Independent contractor	56.5%	44.6%	19.4%	16.0%	10.5%	170
Type of practice						
Single specialty group	52.1%	55.7%	37.2%	25.5%	2.1%	1466
Multi-specialty group	60.5%	61.4%	31.3%	35.7%	1.8%	875
Faculty practice plan	89.8%	50.6%	25.9%	47.9%	0.0%	100
Direct hospital employee	87.8%	34.4%	18.8%	35.9%	3.8%	241
Medical school	91.3%	34.0%	21.5%	37.3%	0.0%	82
All other	78.1%	26.1%	18.4%	23.8%	9.2%	117

Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

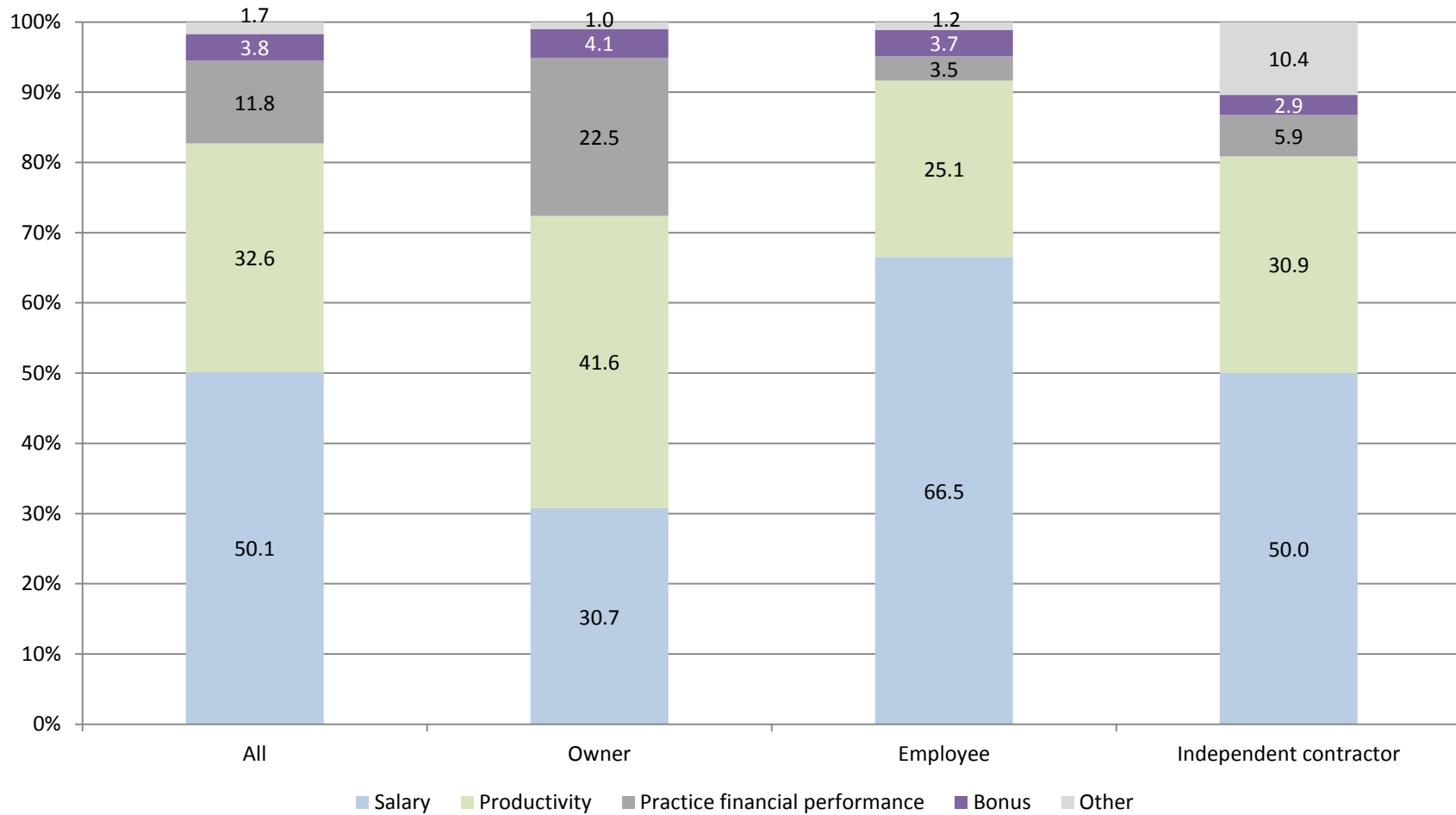
Note: The "all other" practice type category includes ambulatory surgical centers, urgent care facilities, HMO/MCOs, and fill in responses.

Exhibit 2. Distribution of Non-solo Physicians by Number of Payment Methods (2014)

Number of payment methods that factor into final compensation	
1	49.0%
2	29.6%
3	14.4%
4	7.0%
More than 4	0.1%
	100%

Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

Exhibit 3. Mean Compensation Shares by Physician Ownership Status (2014)



Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

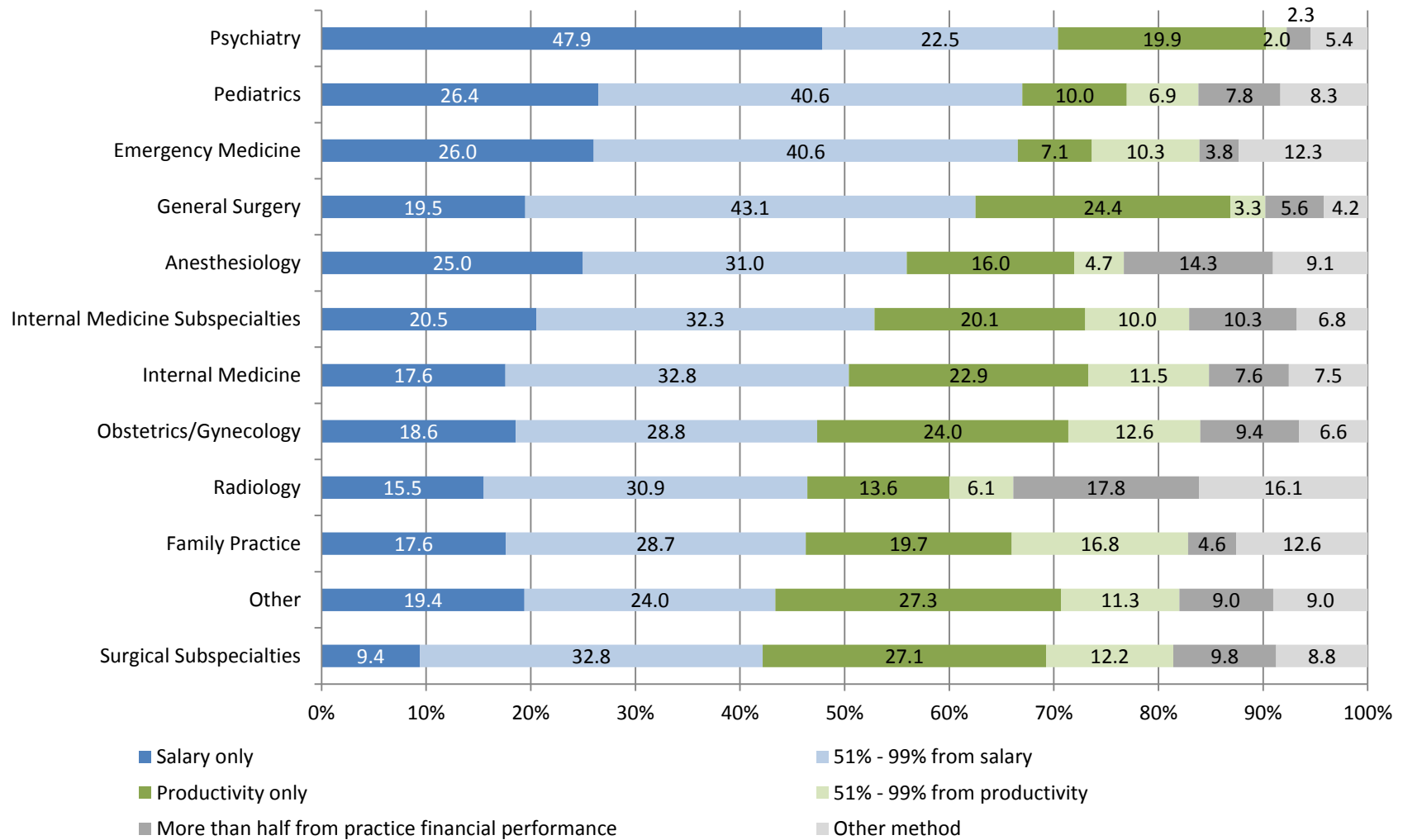
Exhibit 4. Distribution of Non-solo Physicians by Compensation Method (2014)

	Salary		Personal productivity		Practice financial performance		Other Method	
	Only	More than half but not 100%	Only	More than half but not 100%	Only	More than half but not 100%		
All physicians	20.5%	32.2%	19.7%	9.9%	6.8%	1.9%	9.0%	100%
Ownership status								
Owner	6.4%	26.5%	26.2%	12.8%	14.3%	3.3%	10.5%	100%
Employee	30.9%	38.9%	13.8%	8.2%	1.0%	0.8%	6.4%	100%
Independent contractor	33.2%	17.0%	22.9%	4.6%	2.4%	0.7%	19.2%	100%
Type of practice								
Single specialty practice	15.4%	27.0%	24.5%	10.0%	10.4%	2.5%	10.2%	100%
Multi-specialty practice	18.1%	34.8%	21.1%	13.0%	4.3%	1.6%	7.1%	100%
Faculty practice plan	27.7%	48.3%	3.3%	9.5%	0.0%	2.4%	8.9%	100%
Direct hospital employee	38.2%	43.7%	4.3%	3.4%	1.1%	0.5%	8.8%	100%
Medical school	36.7%	48.0%	4.0%	4.4%	1.3%	0.0%	5.6%	100%
All other	46.1%	29.1%	7.8%	4.3%	1.7%	0.6%	10.4%	100%

Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

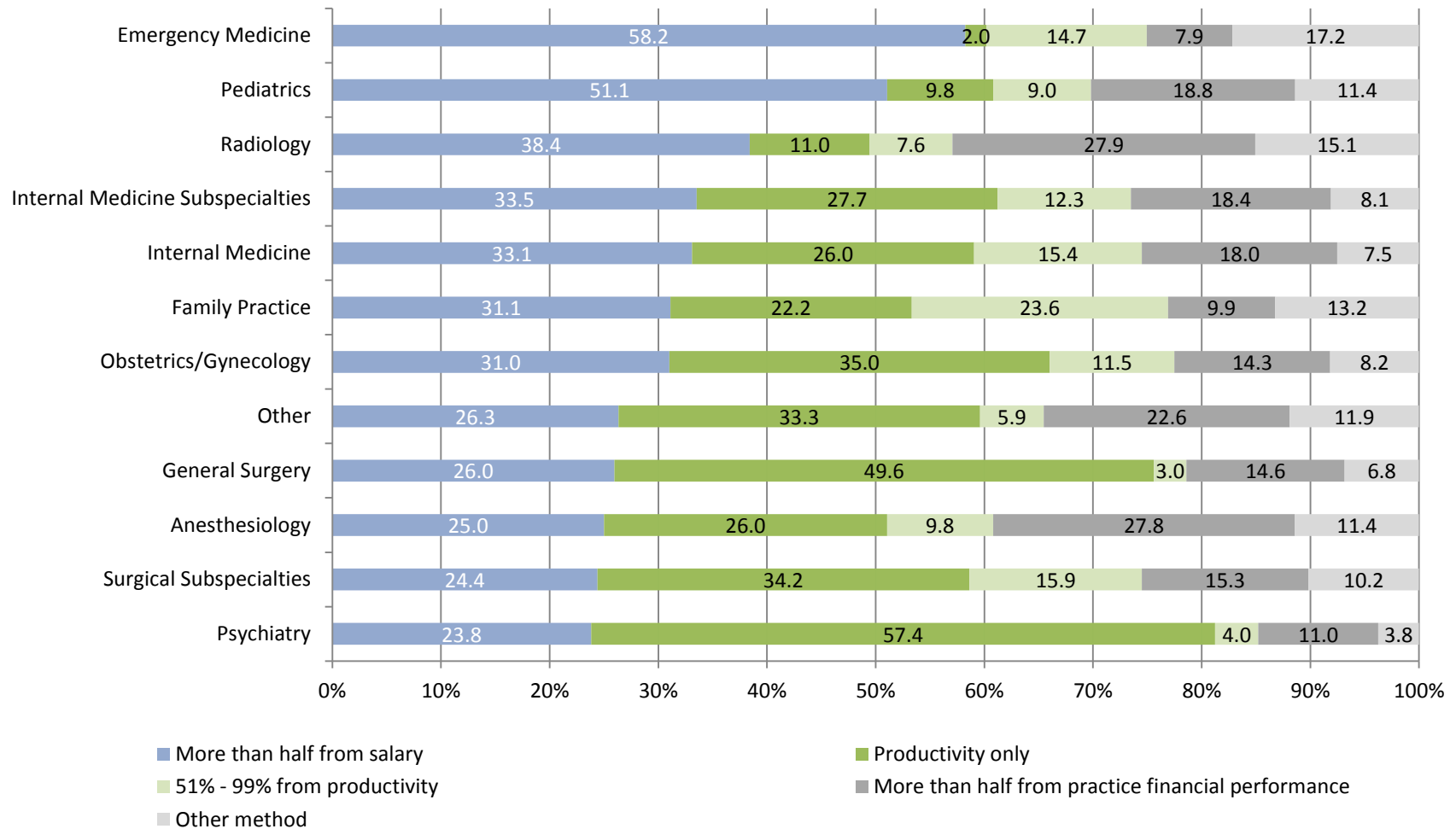
Notes: N's are the same as in Exhibit 1. The "all other" practice type category includes ambulatory surgical centers, urgent care facilities, HMO/MCOs, and fill in responses.

Exhibit 5. Distribution of Non-Solo Physicians by Compensation Method, Specialty Level Results (2014)



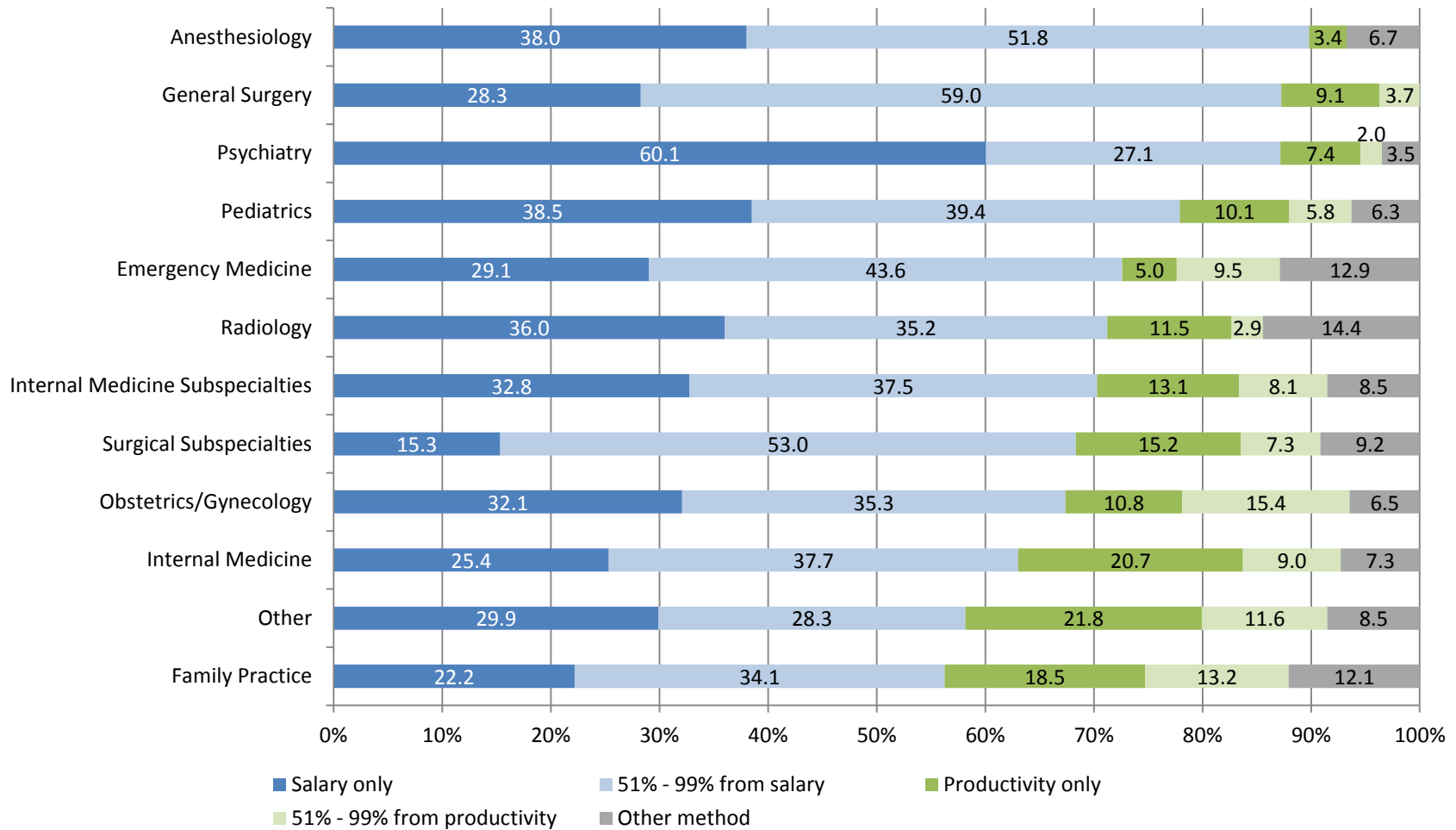
Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

Exhibit 6. Distribution of Non-Solo, Owner Physicians by Compensation Method, Specialty Level Results (2014)



Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

Exhibit 7. Distribution of Non-Solo, Employee Physicians by Compensation Method, Specialty Level Results (2014)



Source: Author's analysis of AMA 2014 Physician Practice Benchmark Survey.

Exhibit 8. Comparison of Compensation Methods (2012 and 2014)

	2012	2014
Salary		
Any	60.2%	61.2%
Only	20.0%	20.5%
Productivity based		
Any	50.5%	53.5% ^b
Only	21.7%	19.7%
Practice financial performance		
Any	30.1%	32.2%
Only	7.6%	6.8%
Any compensation from bonus	27.1%	30.5% ^a

Source: Author's analysis of AMA 2012 and 2014 Physician Practice Benchmark Surveys.

Note: Significance tests are for year to year changes. 'a' is $p < 0.01$ and 'b' is $p < 0.05$