How to Use MGMA Compensation Data

AN MGMA DATA REPORT

Understanding how to utilize benchmarking data can help improve operational efficiency and profits for medical practices

Throughout most of our history, MGMA has produced robust reports using the largest data sets in the industry to help practice leaders make informed business decisions. Year after year, *MGMA DataDive Provider Compensation* remains the gold standard for compensation data.

But having access to the data is only the first step. Knowing how to read and interpret MGMA compensation data is crucial to applying it properly for an array of uses. To that end, this report includes:

- Basic statistical terms and definitions
- Best practices
- A practical guide to MGMA DataDive
- Compensation trends
- Real-life examples
- Other factors to consider.

When you know how to use MGMA's provider compensation and production data, you can:

- Evaluate factors that affect compensation and **set realistic goals**
- Determine **alignment between medical provider performance and compensation**
- Determine the right mix of **compensation, benefits, incentives and opportunities** to offer new physicians and advanced practice providers (APPs)
- Ensure that your recruitment packages **keep pace with the market**
- Understand the effects that **teaching and research** have on academic faculty compensation and productivity
- Estimate the **potential effects of adding physicians and APPs**
- Support the determination of **fair market value** for professional services and assess compensation methods for compliance and regulatory purposes.

Understanding basic statistical terms is fundamental to understanding and using data

WHAT IS THE DIFFERENCE BETWEEN THE MEAN AND THE MEDIAN?

The mean and the median are measures of central tendency in statistical research. The median is the 50th percentile rank, or the middlemost point of data, whereas the mean is the average of all the numbers in the set.

MGMA also includes the 10th, 25th, 75th and 90th percentiles (as well as the standard deviation) in data tables to better understand the distribution of the sample. For an even more granular look, *MGMA DataDive Provider Compensation* includes every percentile from the 10th to the 90th.

SAMPLE WORK RVUs TABLE

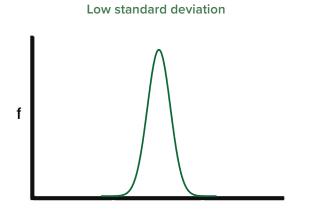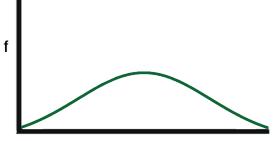| Specialty	Group count	Provider count	Mean	Standard deviation	10th percentile	25th percentile	Median	75th percentile	90th percentile
Family medicine (without OB)	1,000	7,200	4,600	2,100	2,400	3,400	4,400	5,600	6,900
Neurology	300	1,400	4,800	2,400	2,100	3,100	4,400	5,900	7,900
Pediatrics (general)	400	2,900	4,500	2,300	2,300	3,300	4,300	5,300	6,600
Urgent care	100	800	4,300	2,200	2,100	2,900	3,900	5,100	7,000

WHAT IS THE COUNT COLUMN?

The count (also referred to as the "N" or sample size) represents the number of eligible responses included in the sample. The higher the N, the more stable and representative the data.

WHAT IS STANDARD DEVIATION?

In lay terms, standard deviation refers to how spread out or scattered the responses are from the mean. The higher the standard deviation, the wider spread the data is.

Low standard deviation

High standard deviation

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Questions about MGMA data

DOES MGMA REVIEW THE SURVEY DATA BEFORE REPORTING IT?

MGMA's data collection and editing process is **rigorous and sophisticated**. MGMA takes multiple steps to ensure that the survey data are **clean, accurate and relevant**, including:

- Refining the survey to enable participants to report information that is relevant and meaningful to the healthcare industry
  o Reviewing data for completeness
  o Contacting participants
  o Verifying the accuracy of submitted figures
  o Ensuring that all required questions are complete
  o Trimming extreme outliers from the data set to avoid "bad" data skewing the results
- Requesting data from a diverse, extensive population (including members, nonmembers and collaborative partners)
- Providing exhaustive definitions to explain independent metrics and describing what metrics should be included.

ARE THERE ANY LIMITATIONS TO THE DATA?

MGMA DataDive Provider Compensation is based on a voluntary response by MGMA member and nonmember practices; **data might not be representative of all providers in medical practices**. Providers in the responding organizations might have different compensation and productivity than providers who did not respond to the survey. Additionally, note that the specific respondent sample varies from year to year. Therefore, **conclusions about longitudinal trends or year-to-year fluctuations in summary statistics might not be appropriate in all cases**.

Taking these limitations into account, it should be noted that **MGMA reports the largest, most reliable and relevant provider compensation sample in the industry**.

10 best practices for benchmarking compensation data

MGMA suggests the following **best practices** when benchmarking compensation data

1 USE TABLES THAT APPLY TO YOUR GROUP.
Look at a variety of tables by group size, region, ownership, etc., that best fit your practice.

2 USE THE MEDIAN.
We recommend benchmarking against the median compensation over the mean since the median is not influenced by extreme values.

3 BE AWARE OF THE POPULATION.
The larger the count (sample size or "N" of the data), the more reliable the benchmark.

4 DON'T EXTRAPOLATE AN HOURLY SALARY RATE.
Data collected for *MGMA DataDive Provider Compensation* is an annual total and will not give an accurate compensation when divided by an estimated number of hours worked per year. For support staff, you can use hourly rate data found in the *MGMA DataDive Management and Staff Compensation*.

5 DON'T DIVIDE ACROSS TABLES.
Take a look at the counts in each table — the populations are different. As such, percentiles across tables don't correlate (e.g., 75th percentile compensation versus 75th percentile wRVUs are different respondents).

6 USE RATIO TABLES.
The compensation-to-productivity ratio tables only include participants who reported both aspects of the ratio; we do the math for you so you don't have to divide across tables.

7 DON'T SHOP AROUND FOR THE BEST-FIT DATA.
Having a standard benchmark that is agreed upon and known by everyone in the practice helps establish trust. Agree internally on which tables your group will use before looking at data. Avoid "pick-and-choose" behavior.

8 ANALYZE THE QUARTILE TOOL WITHIN MGMA'S PRO REPORT BUILDER.
Explore the effect of productivity on compensation and discover that as compensation and production increase, compensation per unit of production decreases. **(Learn more about the Quartile tool on page 6.)**
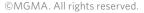
9 CONSIDER MGMA CUSTOM ANALYSIS REPORTS.
Whether you're looking for unpublished data, specific data tables for a presentation or negotiation, or data to support your practice valuation report, MGMA expert analysts can help you.

10 CONTACT MGMA IF YOU HAVE QUESTIONS.
Many of our staff have years of experience working with the surveys and are eager to help with any questions you have. **Email survey@mgma.com or call 877.ASK.MGMA (275.6462), ext. 1895.**
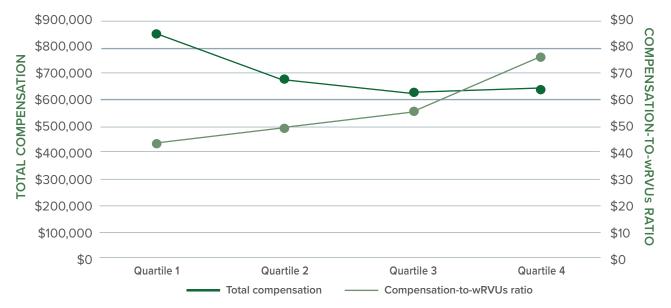
Benchmarking with MGMA DataDive: A practical guide

When looking at MGMA data, providers often mistakenly assume that if they fall in the 90th percentile for wRVUs, they should also be paid in the 90th percentile for compensation per wRVU. This is very rarely the case.

MGMA has two benchmarking tools within the Pro Report Builder that add depth to your analysis of the *MGMA DataDive Provider Compensation* data set:

QUARTILE TOOL

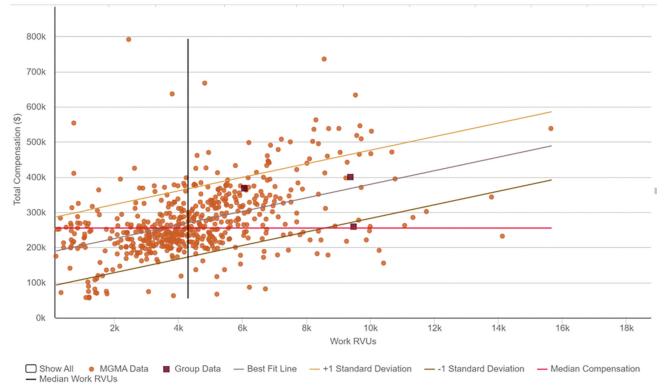The Quartile tool within Pro Report Builder allows you to accurately benchmark your providers against MGMA data.

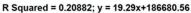**QUARTILES GROUPED BY wRVUs FOR GASTROENTEROLOGY**

Example: Let's say your provider falls in the top quartile of wRVUs for his or her specialty (which means the provider is a high producer of wRVUs). **Wouldn't you both want to know what others in the top quartile are getting paid per wRVU and what their total compensation is?**

Start by selecting your quartile benchmark, then select what you would like displayed across those quartiles. In this case, we want to select wRVUs as the quartile benchmark, and display compensation-to-wRVUs ratio and total compensation across the quartiles. This report helps illustrate how the compensation amount per wRVU decreases.

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Benchmarking with MGMA DataDive: A practical guide

PAY-TO-PRODUCTION PLOTTER

Enter your providers' compensation and production data and see how it compares with industry data on a scatter plot of MGMA data points.

R Squared = 0.20882; y = 19.29x+186680.56

Each orange dot represents MGMA data, specifically where each data point falls on the spectrum of compensation (vertical axis) and wRVUs (horizontal axis). You also can choose to display collections across the horizontal axis. The maroon squares represent the providers for whom you entered data.

The best use for this tool is to find MGMA data points with similar compensation amounts, and compare their production amounts with your providers. You can do so by hovering over any of the dots to see the compensation and production values.

Learn more
MGMA DataDive users can access the exclusive guide, "The Power of the MGMA Pay to Production Plotter," in the Resources section.
data.mgma.com

Compensation methodologies: There isn't a one-for-all plan!

There are probably as many different compensation methodologies as there are medical group practices that use them. This diversity is the result of efforts to tailor compensation systems to be competitive with local markets, allocate common expenses and reward providers who support the practice's mission. Compensation can be as simple as a fixed salary system or it can involve cost allocation systems, multiple productivity measures and additional incentives for community service, quality metrics and patient satisfaction. **In a sense, the practice's compensation method is a reflection of its culture.** Some practices have an "eat what you treat" culture while others take a "one for all, all for one" approach. What works well in one practice might fail in another.

These questions should help you answer the question, "Is the practice getting its money's worth?"

Regardless of the system, practice managers have four main concerns:

1. **Is the compensation level adequate to allow the practice to recruit and retain providers?**
2. **Is the practice paying an appropriate or fair amount for the work performed?**
3. **Is the compensation model economically robust and sustainable?**
4. **What behaviors are driven by the compensation model's incentives or disincentives?**
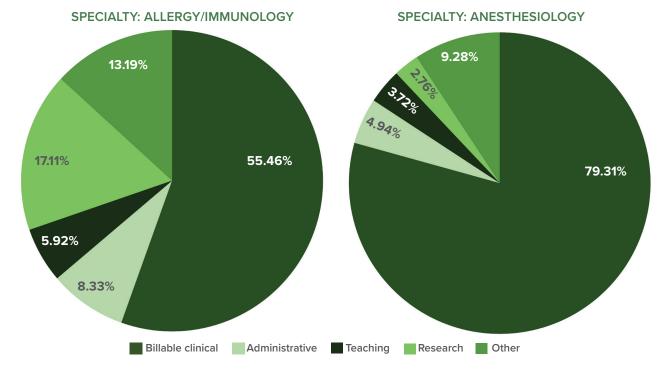
Practice managers who focus on these questions generally use multiple comparative metrics and communicate regularly with providers regarding their success and struggle to maximize the potential and longevity of their organization. Understanding which metrics are appropriate for certain situations can greatly improve a manager's ability to communicate effectively with the providers who are the economic engine and principal leaders of their business.

Other factors to consider when looking at compensation data

Review definitions of data used to help you compare internal benchmarks with external benchmarks. Your definition might be different than what you're benchmarking against. **(For a list of all benchmarks and filters available in MGMA data sets, as well as definitions, visit the MGMA DataDive Onboarding page.)**

ACADEMIC PRACTICES

Academic faculty have different responsibilities — such as teaching and research — than do providers in private practice, and often less clinical time (see data below from the table: Physician Work Hours Allocation, *MGMA DataDive Provider Compensation*), and as such their compensation levels tend to be lower. **Academic groups may use private practice compensation figures to stay competitive**, but to get more realistic benchmarks, they should compare themselves with similar medical centers by using the academic compensation data set within *MGMA DataDive Provider Compensation*.

PHYSICIAN WORK HOURS ALLOCATION — ACADEMIC ONLY

SPECIALTY: ALLERGY/IMMUNOLOGY

- 55.46%
- 13.19%
- 17.11%
- 5.92%
- 8.33%

SPECIALTY: ANESTHESIOLOGY

- 79.31%
- 9.28%
- 2.76%
- 3.72%
- 4.94%

■ Billable clinical   ■ Administrative   ■ Teaching   ■ Research   ■ Other

STARTING SALARIES

New providers should review the placement salary information found in the Provider Placement Starting Salary data set of *MGMA DataDive Provider Compensation* to understand what compensation and incentives (such as signing bonuses) are guaranteed to new hires. The MGMA Provider Placement Starting Salary data set reports signing bonuses separately.

Other factors to consider when looking at compensation data

ON-CALL COMPENSATION

Daily on-call stipend is the most common type of compensation method used among providers who are paid for on-call duties.

MEDICAL DIRECTORSHIP COMPENSATION

Medical directorships are often provided for certain physicians with the capacity and the expertise to perform such services for another practice. Often this is a hospital, imaging center or ambulatory surgery center. In all cases, compensation for such positions depends on matching the physician's qualifications to the job description requirements. There may also be medical directorship positions within a physician practice where a physician is asked to perform administrative duties in partnership with practice managers.

Additional data for physicians receiving and not receiving additional on-call compensation, and annualized medical directorship compensation can be found in the On-Call Compensation data set and Medical Directorship data set within *MGMA DataDive Provider Compensation*.

Type of compensation method used	% of providers paid for on-call duties
Daily stipend	49.82%
Hourly rate	23.35%
Annual stipend	13.99%
Other compensation method	8.48%
Monthly stipend	2.38%
Per wRVU	0.93%
Weekly stipend	0.89%
Per procedure	0.15%

Compensation trends —
Asking the right questions

The accuracy of trending data depends on the sample size and reporting organizations from year to year.

MGMA offers a trend reported by the respondents. Minor fluctuations are not significant unless viewed from a multiyear period perspective. Organizations can best use the data to demonstrate the overall change in compensation during a three- to five-year period to note how compensation rises versus the cost of living and changes in production and the payer market. **By comparing the sample size year to year, the validity of the data as compared with a particular practice can be valuable to see how a practice is trending versus the overall market for a specialty or practice ownership type.**

If a particular physician has reduced compensation from a prior year, you can ask the following questions to gain valuable insights:
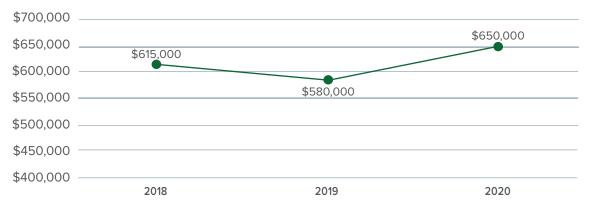
- Was there a material change in managed care contracting for the provider or in the market?

- Were specific procedures in which the physician specializes adversely affected by changes in government reimbursement?

- Did the physician add or subtract services to his or her practice, such as diagnostic testing or increased utilization of APPs?

- Did production decrease?

- Were billable clinical hours reduced for a comparable period?

- Has the practice added another provider who contributed to the practice production and revenue?

- Have the practice mix or provider responsibilities changed from the prior year?

- Is the compensation made up of different components such as more or less call coverage or directorship responsibilities?
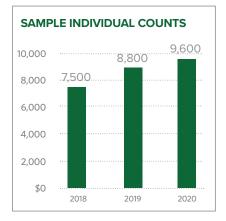
Compensation trends —
Asking the right questions

Asking the right questions when interpreting the data provides a broader picture than strictly comparing compensation year to year. Data trends are important to factor in, as well.

SAMPLE TOTAL COMPENSATION TREND: SURGERY

On first glance at this sample data, there was a pay cut of $35,000 in 2019, followed by a $70,000 raise in 2020. However, it's important to dig into and **understand factors that influence compensation**, especially as they relate to a year-over-year-trend.

SAMPLE INDIVIDUAL COUNTS TREND

Year	Eastern	Midwest	Southern	Western	Total
2018	1,000	2,800	2,200	1,500	7,500
2019	2,500	2,000	2,200	2,100	8,800
2020	1,750	3,000	2,350	2,500	9,600

SAMPLE INDIVIDUAL COUNTS

The responding survey population increased by 1,300 between 2018 and 2019, and then by another 800 between 2019 and 2020. In addition to an increase in sample size, **it's important to note the shift in responding population.**

- In 2018, the sample size is predominantly from the Midwest and Southern regions (66.6%).
- In 2019, there is a shift in responding population where it's fairly split across the regions.
- By 2020, the Midwest shifts back to being the predominant region reflected in the data.

Taking a closer look at how this affects compensation, we see Midwest and Southern regions pay more. When shifts occur and Eastern and Western regions become a larger share of the overall sample sizes, shifts in the reported data are expected. **Other demographical factors to consider when reviewing longitudinal trends in the data include demographic classification and provider years in specialty.**

MGMA resources

MGMA DataDive Provider Compensation

Access industry-leading benchmarking data on:

- Physician and APP compensation and production
- Academic compensation and production
- Medical directorship compensation
- On-call compensation
- Provider placement starting salaries.

For more detailed information on MGMA DataDive tools or to schedule a one-on-one tutorial, contact MGMA Data Solutions at survey@mgma.com or 877.275.6462, ext. 1895.

Ask an Advisor

Need an answer to your practice management questions? MGMA members can submit inquiries to our in-house subject matter experts for resources and tools.

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ABOUT MGMA

Founded in 1926, the Medical Group Management Association (MGMA) is the nation's largest association focused on the business of medical practice management. MGMA consists of 15,000 group medical practices ranging from small, private medical practices to large national health systems, representing more than 350,000 physicians. MGMA helps nearly 60,000 medical practice leaders and the healthcare community solve the business challenges of running practices so that they can focus on providing outstanding patient care. Specifically, MGMA helps its members innovate and improve profitability and financial sustainability, and it provides the gold standard on industry benchmarks such as physician compensation. The association also advocates extensively on its members' behalf on national regulatory and policy issues. **mgma.com**