MGMA COMPENSATION, WORK RVUs AND COMPENSATION TO WORK RVUs RATIO EXPLAINED

Understanding the relationship between the total compensation, work RVUs and compensation to work RVU will help to avoid potential pitfalls.

Many users will make an assumption the median total compensation, median work RVUs and median compensation to work RVU are related. In actuality, it is unlikely the medians are coming from the same participant thus dividing the median total compensation by the median work RVUs are not likely to add up to the median compensation to work RVU ratio.

The issue is related to the participation counts between the total compensation table and the work RVU table and the likelihood the source of the data at the median is the same. Here's an example that may help to visualize what happens when someone calculates a ratio from the medians in the table. The following will be total compensation and work RVUs and a calculated ratio based on those two components for 5 physicians.

- **Physician A**
  $300,000 total compensation with 5,600 work RVUs and a calculated ratio of $53.57 per work RVU ($300,000/5,600 = $53.57).
- **Physician B**
  $325,000 total compensation with 6,372 work RVUs and a calculated ratio of $51.00 per work RVU.
- **Physician C**
  $350,000 total compensation with 6,363 work RVUs and a calculated ratio of $55.01 per work RVU.
- **Physician D**
  $375,000 total compensation with 7,211 work RVUs and a calculated ratio of $52.00 per work RVU.
- **Physician E**
  $400,000 total compensation with 7,407 work RVUs and a calculated ratio of $54.00 per work RVU.

Based on this sample we'd report a median compensation of $350,000 in our table.

- Physician A — $300,000
- Physician B — $325,000
- Physician C — $350,000
- Physician D — $375,000
- Physician E — $400,000

We'd report a median work RVUs of 6,372 in our table.

- Physician A — 5,600
- Physician C — 6,363
- Physician B — 6,372
- Physician D — 7,211
- Physician E — 7,407

And for the ratio, we'd report a median ratio of $53.57.

- Physician B — $51.00
- Physician D — $52.00
- Physician A — $53.57
- Physician E — $54.00
- Physician C — $55.01

Dividing the median compensation of $350,000 by the median work RVUs of 6,372 gets us a ratio of $54.92. With the physician being identified we can see that we are dividing Physician C's compensation ($350,000) by Physician B's work RVUs (6,372) to get the $54.92 and wondering why it doesn't match up to MGMA's calculated median of $53.57.

As the survey requires all participants to submit compensation but doesn't have the same requirement for work RVUs, we'll usually see a drop off in participation counts between the total compensation and work RVUs tables. The total compensation may be 629 providers vs. 498 giving us work RVUs. MGMA only runs the ratio calculation on the providers who give us both their total compensation and their work RVUs. Using the MGMA calculated compensation to work RVUs ratio will be more credible as it is based on the same provider instead of dividing one provider's compensation by another provider's work RVUs.

WHY IS IT BEST PRACTICE TO USE THE MEDIAN FOR COMPENSATION TO WORK RVUs RATIO REGARDLESS OF THE PROVIDER'S WORK RVUs RANKING?

Some users assume a provider producing work RVUs at higher percentiles should be paid out at the higher compensation to work RVUs ratio percentiles. This can be a mistake and result in overpaying the providers for their services. Let's use the 90th percentile data in the following table to show how the math doesn't add up; and instead, using the median ratio to become more in line with the 90th percentile total compensation.

Specialty	Median	75th %tile	90th %tile
Compensation to Work RVUs Ratio	$63.67	$80.19	$102.99
Total Compensation	$529,027	$643,265	$806,570
Work RVUs	8,047	9,951	13,010

If we multiply the 90th percentile work RVUs of 13,010 by the 90th percentile ratio of $102.99 we get $1,339,900; in comparison to the 90th percentile compensation of $806,570. Yet, if we multiply the 90th percentile work RVUs by the median ratio of $63.67 we get $828,347, which aligns better with the 90th percentile compensation of $806,570. To further illustrate the median being the 'magic number'. If we multiply the median ratio by the 75th work RVUs we get $633,580 vs. $797,970 by multiplying the 75th ratio by the 75th work RVUs. Again, using the median ratio aligns better with the 75th percentile compensation.

As the intent of the productivity payment is to pay a flat fee for RVUs, and the median amount is the middle payment per RVU; the higher (or lower) compensation now falls squarely on the productivity of the provider. Not to say we can't deviate a little +/- from the median but going upwards of the 75th percentile ratio and we are likely overpaying the provider.