Compensation & Partnership Models

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What hat do you wear?

Owner

Doctor

What You Can Pay

Expected Revenue

- Expected Overhead

- Practice Margin

Expected Revenue

Patients per Day

* Days per Week

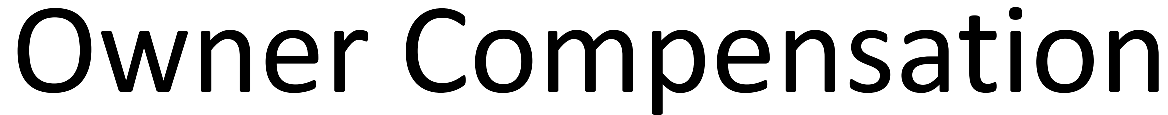
* Weeks per Year

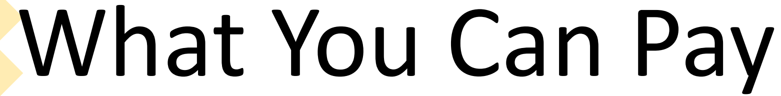
* Revenue per Visit

Total Practice Expenses

- Costs of Revenue Generating Clinicians

Risk Budget





What You Can Pay

Salary

Payroll Taxes

401K

Health Insurance

Cell Phone

Etc.

Here's the Math!

33% of Payments

60% Overhead

Your margin...

...of error.

Example: Max Compensation

Revenue	$	500,000
Overhead (60%)	$	(300,000)
Margin (10%)	$	(50,000)
Compensation Available	$	150,000

Includes:

Taxes, Benefits, Salary, etc.

Example: In Reverse!

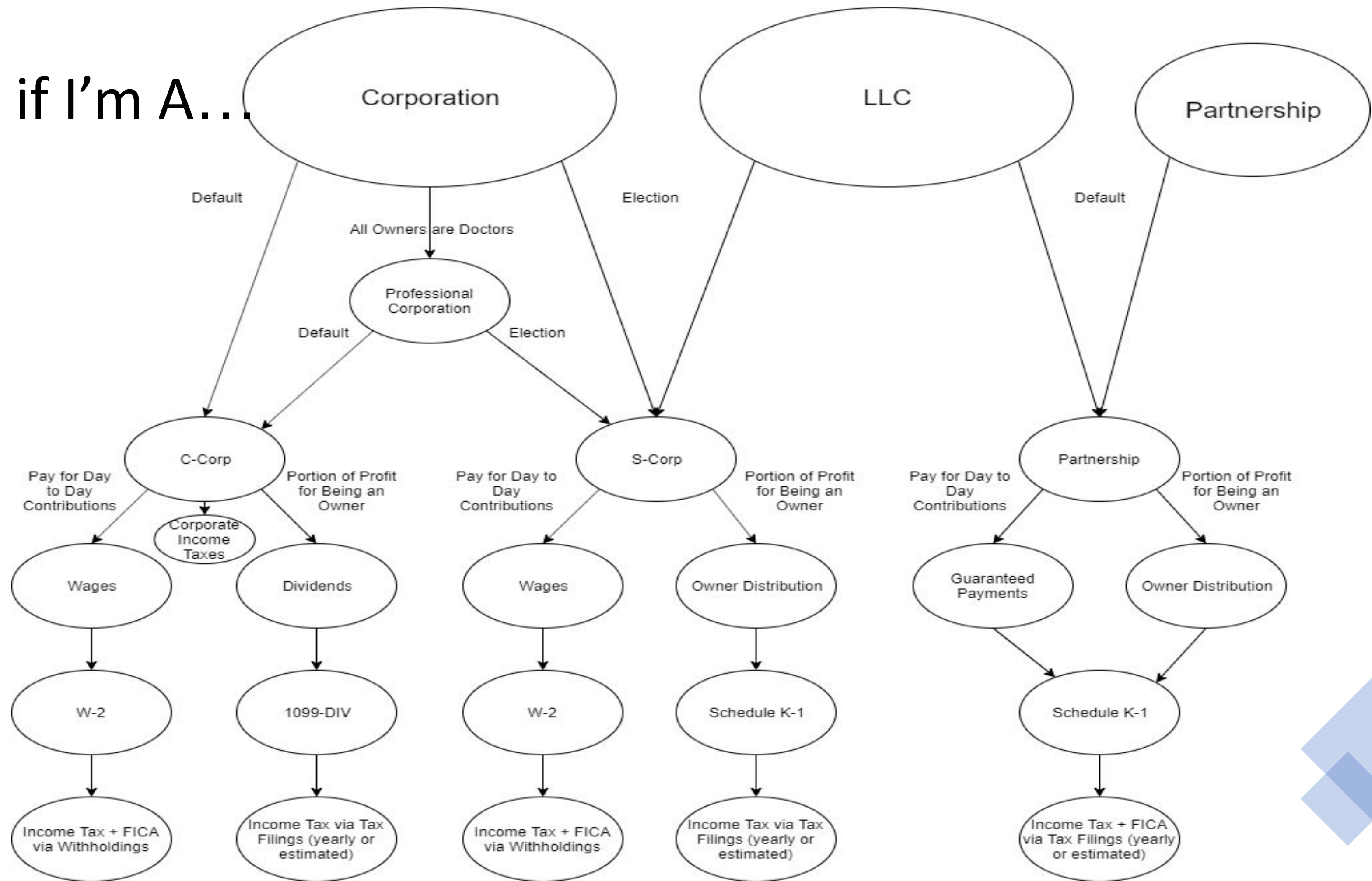
Desired Compensation	$	200,000
Overhead (60%)	$	400,000
Margin (10%)	$	66,667
Revenue Needed	$	666,667

Includes:

Taxes, Benefits, Salary, etc.

Manager & Leader

What if I'm A…



How do you share?

Productivity Basis

	PROS	CONS
Charges	Payor Neutral Immediately available	May require removal of vaccines, labs, etc. May not correlate directly to revenue VFC & Pre-discounted work change results
Payments	Most accurately reflects direct financial contribution	May require removal of vaccines, labs, etc. Requires 90+ day lag for accuracy Payor mix dependent Attribution can be difficult Takebacks Quality/capitation payments
RVUs	Payor Neutral Immediately available Does not include vaccines, labs, etc. Avoids immediate money focus	RVUs more opaque and harder to calculate Baseline measure changes annually

- What portion of compensation?
- Vaccines
- Payor Mix
- Visit Type Mix
- Call
- Non-Clinical Responsibilities
- Buy-In/Buy-Out

Real Life Example A

Group: 10 Pediatrician Practice

Type: 30 years, large metro area

Satisfied: Yes

Last Changed: 1974

Compensation Style:

- All partners straight salary.
- All non-partners straight salary.
- Partners evenly divide profits annually.
- Non-partners receive subjective bonus.

Real Life Example B

Group: 6 Pediatrician Practice

Type: 25 years, large metro area

Satisfied: Yes

Last Changed: 2004

Compensation Style:

- Partner income based on collections.
- Partners receive 100% of collections after fixed and variable costs.
- Non-partners guaranteed salary for two years, with incentives.
- Assessments made quarterly.

Real Life Example C

Group: 7 Pediatrician Practice

Type: 31 years, suburban

Satisfied: Yes

Last Changed: 2003

Compensation Style:

- Partner income based on total visits.
- Visit counts are estimated and post-cost income distributed monthly. Annual re-assessments.
- Non-partners are salaried.

Real Life Example D

Group: 11 Pediatrician Practice

Type: 25 years, suburban

Satisfied: No

Last Changed: 1990

Compensation Style:

- 50% Salary based on FTE, 50% based on collections.
- Fixed and variable costs based on FTE.
- Only one physician given admin bonus.

Real Life Example E

Group: 5 Pediatrician Practice

Type: 20 years, suburban

Satisfied: No

Last Changed: 1990

Compensation Style:

- All salary, some adjustment for FTE
- Two partners change of life…1/2 time, no salary cut?

Real Life Example F

Group: Large Pediatric group

Challenges: Mixed population with significant Medicaid.

“Generations” of physicians

Distribute income fairly while promoting practice health and supporting local health clinics

Solution:

- Create a Mixed Model
- Salary represents the smaller portion
- Office-specific “RVU” system assigns points to primary procedures; weight procedures that benefit the entire practice
- Assign values to non-clinical work (volunteering at local clinic)
- Pay 'bonuses' quarterly and examine the system annually
- Distribute management tasks among partners and rotate often
- Allow high producers to “pay” their social obligations by supporting the work of their partners in local clinics

Example Spreadsheet

Overhead Percent	66.0%
Desired Practice Margin	5%
Productivity Pool	10%
Total Call Value	$ 100,000.00

Clinician	FTE	Partner Share	Call Days	Visits	Charges	Payments	2020 RVUs	Total Compensation
Partner 1	0.75	16.66%	1	2,475	$ 675,151.80	$ 321,555.74	6,461.13	$ 133,123.00
Partner 2	1.00	16.66%	1	3,857	$ 1,138,536.70	$ 466,512.29	10,494.04	$ 168,079.00
NP 1	1.00	0.00%	1	3,365	$ 793,428.80	$ 356,447.76	8,579.74	$ 95,573.00
Partner 3	1.00	16.66%	1	3,364	$ 981,045.50	$ 480,455.34	9,231.55	$ 167,200.00
Partner 4	1.00	16.66%	1	3,453	$ 985,069.70	$ 467,085.73	9,247.86	$ 150,898.00
Partner 5	0.75	16.66%	1	2,412	$ 583,007.90	$ 290,238.36	6,122.47	$ 131,261.00
Partner 6	1.00	16.66%	1	3,572	$ 1,077,670.50	$ 577,009.09	10,047.65	$ 168,779.00
Total	**6.50**	**99.96%**	**7**	**22,498**	**$ 6,233,910.90**	**$ 2,959,304.31**	**60,184.45**	**$ 1,014,913.00**

				By FTE %		By RVUs				
	Overhead	**Practice Margin Generated**	**Productivity Pool Contribution**	**Call Contribution**	**Base Salary + Benefits**	**Productivity Bonus**	**Call Pay**	**Total Salary + Benefits**	**Practice Margin Allocated**	**Total Potential Compensation**
Partner 1	$ 212,226.79	$ 16,077.79	$ 9,325.12	$ 11,538.46	$ 72,387.59	$ 9,213.23	$ 14,285.71	$ 95,886.53	$ 24,651.00	$ 120,537.53
Partner 2	$ 307,898.11	$ 23,325.61	$ 13,528.86	$ 15,384.62	$ 106,375.09	$ 14,963.94	$ 14,285.71	$ 135,624.75	$ 24,651.00	$ 160,275.76
NP 1	$ 235,255.52	$ 17,822.39	$ 10,336.99	$ 15,384.62	$ 77,648.25	$ 12,234.26	$ 14,285.71	$ 104,168.22	$ -	$ 104,168.22
Partner 3	$ 317,100.52	$ 24,022.77	$ 13,933.20	$ 15,384.62	$ 110,014.23	$ 13,163.71	$ 14,285.71	$ 137,463.65	$ 24,651.00	$ 162,114.65
Partner 4	$ 308,276.58	$ 23,354.29	$ 13,545.49	$ 15,384.62	$ 106,524.76	$ 13,186.96	$ 14,285.71	$ 133,997.44	$ 24,651.00	$ 158,648.44
Partner 5	$ 191,557.32	$ 14,511.92	$ 8,416.91	$ 11,538.46	$ 64,213.75	$ 8,730.31	$ 14,285.71	$ 87,229.78	$ 24,651.00	$ 111,880.78
Partner 6	$ 380,826.00	$ 28,850.45	$ 16,733.26	$ 15,384.62	$ 135,214.76	$ 14,327.42	$ 14,285.71	$ 163,827.89	$ 24,651.00	$ 188,478.89
Total	**$ 1,953,140.84**	**$ 147,965.22**	**$ 85,819.82**	**$ 100,000.00**	**$ 672,378.42**	**$ 85,819.82**	**$ 100,000.00**	**$ 858,198.25**	**$ 147,906.03**	**$ 1,006,104.28**

Close Enough

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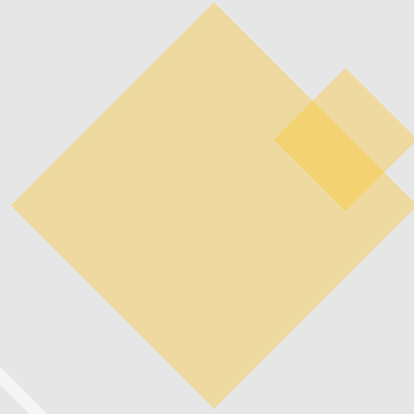
Good Enough



Thank You!

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