Financial Performance in Physician Practices

George Washington University
National Health Policy Forum
About MGMA

Our mission...

To continually improve the performance of medical group practice professionals and the organizations they represent

MGMA has

• 22,000 members...

• Who manage and lead 12,500 organizations

• With 270,000 physicians
Providers per Practice – Insight into MGMA Members and the Survey Database

Median Number of Providers
Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Total FTE Physicians</th>
<th>FTE nonphysician providers (PA, NP, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multispecialty</td>
<td>32.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Cardiology</td>
<td>12.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Family Practice</td>
<td>5.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>8.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Orthopedic Surgery</td>
<td>7.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Urology</td>
<td>6.6</td>
<td>2.0</td>
</tr>
</tbody>
</table>
Staffing – Employees per FTE Physician by Specialty

Median Employee Staff per FTE Physician
Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

- Business operations and administrative staff per FTE physician
- Front office support staff per FTE physician
- Nursing staff per FTE physician (RN, LPN, MA)
- Ancillary support staff per FTE physician

Multispecialty | Cardiology | Family Practice | Internal | Orthopedic | Urology
---|---|---|---|---|---
1.2 | 1.7 | 0.8 | 1.5 | 1.5 | 1.8
1.5 | 1.7 | 0.9 | 1.4 | 1.1 | 1.4
1.6 | 1.5 | 0.5 | 0.5 | 0.8 | 0.4

Copyright 2008, Medical Group Management Association. All rights reserved.
Medical Group Staffing Has Changed As a Result in Changes in Physician Practice

Mean FTE Support Staff per FTE Physician
Multispecialty Groups
MGMA Cost Survey

- 2.85
- 3.41
- 3.33
- 3.80
- 3.80
- 4.57
- 4.72
- 5.19
- 4.99

Payer Mix: Multispecialty Groups

Multispecialty Group Payer Mix

- Commercial Fee-for-Service: 52%
- Medicare: 27%
- Medicaid: 11%
- Self-pay: 5%
- Workers’ compensation: 1%
- Charity care: 1%
- Other government payers: 1%
- Commercial Capitation: 2%

Source: MGMA Cost Survey: 2007 Report Based on 2006 Data
Payer Mix by Specialty

Payer Mix for Selected Physician Practices

Source: MGMA Cost Survey: 2007 Report Based on 2006 Data
## Payer Mix by Specialty

### Table: Payer Mix by Specialty

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Multispecialty</th>
<th>Cardiology</th>
<th>Family Practice</th>
<th>Internal Medicine</th>
<th>Orthopedic Surgery</th>
<th>Urology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>27.5%</td>
<td>50.1%</td>
<td>21.2%</td>
<td>43.6%</td>
<td>27.1%</td>
<td>45.3%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>11.1%</td>
<td>3.3%</td>
<td>7.2%</td>
<td>3.2%</td>
<td>4.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Commercial Insurance</td>
<td>53.0%</td>
<td>41.8%</td>
<td>64.2%</td>
<td>48.0%</td>
<td>53.6%</td>
<td>45.7%</td>
</tr>
<tr>
<td>Charity Care</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.2%</td>
<td>0.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Self Pay</td>
<td>5.5%</td>
<td>3.3%</td>
<td>5.6%</td>
<td>4.5%</td>
<td>3.6%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other Payers (Workers Comp, Tricare, etc.)</td>
<td>2.3%</td>
<td>1.0%</td>
<td>1.4%</td>
<td>0.5%</td>
<td>10.5%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Source: MGMA Cost Survey: 2007 Report Based on 2006 Data
Patients per Physician by Specialty

Median Patients per FTE Physician
Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

- Multispecialty: 1,558
- Cardiology: 1,582
- Family Practice: 2,099
- Internal Medicine: 1,224
- Orthopedic Surgery: 1,547
- Urology: 1,846
## Economic Structure of a Medical Group

### Revenue and Expenses per FTE Physician for All Multispecialty Groups

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total medical revenue</td>
<td>324</td>
<td>$654,132</td>
</tr>
<tr>
<td>Total support staff cost</td>
<td>324</td>
<td>$197,991</td>
</tr>
<tr>
<td>Total general operating cost</td>
<td>323</td>
<td>$203,563</td>
</tr>
<tr>
<td><strong>Total operating cost</strong></td>
<td>323</td>
<td><strong>$406,133</strong></td>
</tr>
<tr>
<td>Total medical revenue after operating cost</td>
<td>323</td>
<td><strong>$251,686</strong></td>
</tr>
<tr>
<td>Total nonphysician provider compensation and benefits</td>
<td>290</td>
<td>$22,260</td>
</tr>
<tr>
<td>Total physician compensation and benefits</td>
<td>324</td>
<td>$249,593</td>
</tr>
<tr>
<td>NetNonmedical revenue</td>
<td>247</td>
<td>$5,916</td>
</tr>
<tr>
<td>Nonmedical cost</td>
<td>93</td>
<td>$1,764</td>
</tr>
<tr>
<td><strong>Net inc, excl fin supp (all prac)</strong></td>
<td>315</td>
<td><strong>-$2,207</strong></td>
</tr>
</tbody>
</table>
Revenue Flow in Medical Practices by Specialty

Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

- Multispecialty
- Cardiology
- Family Practice
- Internal Medicine
- Orthopedic Surgery
- Urology

Median Total Medical Revenue per FTE Physician
Median Total Operating Cost per FTE Physician
Median Total Medical Revenue after Operating Cost per FTE Physician

Copyright 2008, Medical Group Management Association. All rights reserved.
Distribution of Total Cost: Multispecialty Groups

Cost Categories as a Percent of Total Cost for Multispecialty Practices

- Total physician compensation and benefits, 40.8%
- Total support staff compensation and benefits, 31.3%
- Building and occupancy cost, 6.6%
- Medical and surgical supply cost, 5.2%
- Ancillary services cost, 2.9%
- Other general operating cost, 9.97%
- Total nonphysician provider compensation and benefits, 3.21%
Practice Expenses by Specialty

Practice Expenses
Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

- Multispecialty
- Cardiology
- Family Practice
- Internal Medicine
- Orthopedic Surgery
- Urology

- Total support staff cost
- Medical and surgical supply
- Admin supplies and services
- Radiology and imaging
- Information technology
- Building and occupancy
- Prof liability insurance
- Drug supply
- Furniture and equipment
- Clinical laboratory
- Misc operating cost

Copyright 2008. Medical Group Management Association. All rights reserved.
## Practice Expenses by Specialty

### Median Operation Cost per FTE Physician

<table>
<thead>
<tr>
<th></th>
<th>Multispecialty</th>
<th>Cardiology</th>
<th>Family Practice</th>
<th>Internal Medicine</th>
<th>Orthopedic Surgery</th>
<th>Urology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total support staff cost</td>
<td>$197,991</td>
<td>$278,670</td>
<td>$159,844</td>
<td>$144,421</td>
<td>$259,392</td>
<td>$230,009</td>
</tr>
<tr>
<td>Information technology</td>
<td>$10,736</td>
<td>$17,413</td>
<td>$6,945</td>
<td>$6,634</td>
<td>$15,966</td>
<td>$13,265</td>
</tr>
<tr>
<td>Drug supply</td>
<td>$26,455</td>
<td>$21,649</td>
<td>$13,755</td>
<td>$7,771</td>
<td>$19,772</td>
<td>$62,549</td>
</tr>
<tr>
<td>Medical and surgical supply</td>
<td>$10,256</td>
<td>$10,301</td>
<td>$7,667</td>
<td>$5,426</td>
<td>$15,802</td>
<td>$29,679</td>
</tr>
<tr>
<td>Building and occupancy</td>
<td>$43,065</td>
<td>$55,082</td>
<td>$37,074</td>
<td>$31,025</td>
<td>$63,776</td>
<td>$67,911</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>$7,987</td>
<td>$10,666</td>
<td>$3,784</td>
<td>$4,472</td>
<td>$9,473</td>
<td>$10,702</td>
</tr>
<tr>
<td>Admin supplies and services</td>
<td>$11,161</td>
<td>$12,797</td>
<td>$10,877</td>
<td>$10,936</td>
<td>$19,739</td>
<td>$20,905</td>
</tr>
<tr>
<td>Prof liability insurance</td>
<td>$14,725</td>
<td>$18,312</td>
<td>$9,370</td>
<td>$7,552</td>
<td>$35,111</td>
<td>$21,000</td>
</tr>
<tr>
<td>Clinical laboratory</td>
<td>$14,486</td>
<td>$2,553</td>
<td>$12,232</td>
<td>$7,564</td>
<td>$264</td>
<td>$8,123</td>
</tr>
<tr>
<td>Radiology and imaging</td>
<td>$6,672</td>
<td>$65,669</td>
<td>$2,453</td>
<td>$3,236</td>
<td>$14,477</td>
<td>$17,755</td>
</tr>
<tr>
<td>Misc operating cost</td>
<td>$58,020</td>
<td>$46,500</td>
<td>$63,842</td>
<td>$49,986</td>
<td>$65,240</td>
<td>$45,084</td>
</tr>
<tr>
<td>Total general operating cost</td>
<td>$203,563</td>
<td>$260,940</td>
<td>$168,000</td>
<td>$134,601</td>
<td>$259,621</td>
<td>$296,971</td>
</tr>
<tr>
<td>Total operating cost per FTE physician</td>
<td>$406,133</td>
<td>$538,135</td>
<td>$315,782</td>
<td>$290,802</td>
<td>$517,302</td>
<td>$536,792</td>
</tr>
</tbody>
</table>

*Source: MGMA Cost Survey: 2007 Report Based on 2006 Data*
Operating Overhead for Primary Care Specialties

Median Total Operating Cost per FTE Physician as Percent of Total Medical Revenue for Primary Care Specialties

- Family Practice: 58.2%
- Internal Medicine: 54.9%
- Obstetrics and Gynecology: 53.2%
- Pediatrics: 60.6%

Source: MGMA Cost Survey: 2007 Report Based on 2006 Data
Operating Overhead for Surgical and Medical Specialties

Median Total Operating Cost per FTE Physician as Percent of Total Medical Revenue for Surgical and Medical Specialists

Source: MGMA Cost Survey: 2007 Report Based on 2006 Data

Copyright 2008, Medical Group Management Association. All rights reserved.
Operating Overhead Has Changed As a Result in Changes in Physician Practice

Median Operating Cost as a Percent of Total Medical Revenue: 1987 through 2006 for Multispecialty Groups
Distribution of Mean Gross Charges by Location and Activity
Multi-specialty Groups
Source - MGMA Cost Survey: 2007 Report Based on 2006 Data

- Medical procedures - inside practice, 45.3%
- Medical procedures - outside practice, 8.6%
- Surgical procedures - outside practice, 11.4%
- Surgical procedures - inside practice, 5.8%
- Laboratory procedures, 9.8%
- Radiology procedures, 9.3%
- Total nonprocedural charges, 9.9%
### Type and Site of Service: Distribution of Mean Gross Charges by Location and Activity

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Multispecialty</th>
<th>Cardiology</th>
<th>Family Practice</th>
<th>Internal Medicine</th>
<th>Orthopedic Surgery</th>
<th>Urology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical procedures - inside practice</td>
<td>45.3%</td>
<td>35.9%</td>
<td>70.9%</td>
<td>57.6%</td>
<td>15.6%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Medical procedures - outside practice</td>
<td>8.6%</td>
<td>31.0%</td>
<td>3.5%</td>
<td>15.9%</td>
<td>0.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Surgical procedures - inside practice</td>
<td>5.8%</td>
<td>0.8%</td>
<td>3.7%</td>
<td>1.1%</td>
<td>9.3%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Surgical procedures - outside practice</td>
<td>11.4%</td>
<td>6.6%</td>
<td>2.2%</td>
<td>0.8%</td>
<td>59.1%</td>
<td>28.5%</td>
</tr>
<tr>
<td>Laboratory procedures</td>
<td>9.8%</td>
<td>0.6%</td>
<td>12.1%</td>
<td>12.7%</td>
<td>0.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Radiology procedures</td>
<td>9.3%</td>
<td>19.9%</td>
<td>3.7%</td>
<td>4.4%</td>
<td>10.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Total nonprocedural charges</td>
<td>9.9%</td>
<td>5.2%</td>
<td>3.9%</td>
<td>7.5%</td>
<td>4.2%</td>
<td>12.4%</td>
</tr>
</tbody>
</table>
Median Total and Work RVUs per Year
Source - MGMA Physician Compensation and Production Survey: 2007 Report Based on 2006 Data

- Cardiology: Invasive - 14,544
- Cardiology: Noninvasive - 16,604
- Family Practice (w/ OB) - 7,902
- Family Practice (w/o OB) - 6,567
- Internal Medicine: General - 8,313
- Orthopedic Surgery: General - 4,092
- Internal Medicine: General - 7,661
- Internal Medicine: General - 4,073
- Internal Medicine: General - 7,412
- Internal Medicine: General - 3,947
- Orthopedic Surgery: General - 15,034
- Orthopedic Surgery: General - 7,405
- Urology - 14,551
- Urology - 6,536

Median Total RVUs per Year
Median Physician Work RVUs per Year
Clinical Service (Patient Care) Hours per Year
(CME, Vacation, Administration Are Excluded)

Mean Clinical Service Hours Worked per Year
Source - MGMA Physician Compensation and Production Survey: 2007 Report Based on 2006 Data

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Hours Worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiology: Invasive</td>
<td>2,014</td>
</tr>
<tr>
<td>Cardiology: Noninvasive</td>
<td>1,902</td>
</tr>
<tr>
<td>Family Practice (w/ OB)</td>
<td>1,838</td>
</tr>
<tr>
<td>Family Practice (w/o OB)</td>
<td>1,828</td>
</tr>
<tr>
<td>Internal Medicine: General</td>
<td>1,837</td>
</tr>
<tr>
<td>Orthopedic Surgery: General</td>
<td>2,011</td>
</tr>
<tr>
<td>Urology</td>
<td>1,885</td>
</tr>
</tbody>
</table>
Physician Compensation and Collections per Clinical Service (Patient Care) Hour

Source - MGMA Physician Compensation and Production Survey: 2007 Report Based on 2006 Data

- Cardiology: Invasive - $325
- Cardiology: Noninvasive - $314
- Family Practice (w/ OB) - $207
- Family Practice (w/o OB) - $206
- Internal Medicine: General - $192
- Orthopedic Surgery: General - $389
- Urology - $368

Median Collections per Hour: $223, $218, $96, $93, $98, $226, $196
Median Compensation per Hour: $325, $314, $207, $206, $192, $389, $368
David N. Gans, FACMPE
Vice President, Practice Management Resources
Medical Group Management Association
104 Inverness Terrace East, Englewood, CO 80112

877.275.6462 ext. 1270

dng@mgma.com