Forum Session
Meeting Announcement

Physician Income and Medical Practice Differences Across Specialties: Should Medicare Care?

A Discussion Featuring:

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Location
Washington Court Hotel
525 New Jersey Avenue, NW
Montpelier Room

Registration Required
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Send your contact information by e-mail to: nhpfmeet@gwu.edu
Physician Income and Medical Practice Differences Across Specialties: Should Medicare Care?

OVERVIEW

Congress continues to debate the appropriate update to physician fees under Medicare’s sustainable growth rate (SGR) methodology. Increasingly, information about physician income and differences in income across specialties has entered into these discussions. A variety of factors that affect a medical practice’s revenues and expenses contribute to physician specialty compensation differences. This small group meeting will provide information on these factors. Data on income disparities and their sources across physicians who practice in large groups will be presented, with comments by physician practice managers.

SESSION

Physicians’ income from their medical practices varies widely, with primary care specialties like family practice, internal medicine, and pediatrics among the lowest paid and orthopedic surgery and radiology among the highest. While a number of characteristics of each medical practice, such as location, productivity, and efficiency, affect its profitability, systematic differences across specialties also contribute. Physician specialties differ in their sources of revenue, such as their mix of services, and their expenses, like equipment, staff, and malpractice insurance. The amount of revenue remaining after paying the practice’s expenses affects the amount available to compensate its physician(s).

Compensation differences across physician specialties could signal access problems to particular services or physicians, or could point to excessive utilization. Income disparities across specialties could indicate that some services are more profitable than others, possibly encouraging overuse, or that fees for some services are too low, possibly leading to underutilization. Although the volume of all categories of physician services continues to rise faster than the population, the disproportionate increase in advanced imaging services, for example, has raised concerns about whether imaging fees are too high. In the longer run, specialty compensation differences may influence physician supply. In particular, concerns have been raised that relatively low salaries for primary care physicians may discourage U.S. medical students from entering those specialties.
Revenues and Expenses in a Practice

Physician specialties differ with respect to how much of their revenues depend on physician-delivered services. Primary care practices receive the highest share of revenues through office visits. In other specialties, office visits may generate a smaller share of direct revenues, although office visits may lead to the use of other services provided by the medical specialty. Oncology practices, for example, often supply chemotherapy drugs in addition to office visits. Orthopedic practices generally provide surgical services and possibly imaging and therapy services in addition to office visits.

Practices’ operating expenses also vary across physician specialties. Clinical and nonclinical labor would constitute a higher proportion of expenses for those specialties that deliver most of their services in the office, such as primary care practices. Labor costs could compose a lower proportion of expenses for specialties that use the hospital or another setting for delivering their services, such as surgery or anesthesiology. Malpractice premium costs vary because they are based on the riskiness of the services provided by the specialty.

Medicare’s Fees and Specialty Income Differences

Medicare’s fee for each service, including an office visit, is the same regardless of the specialty of the physician providing the service. Each fee is based on and updated through an American Medical Association (AMA)–led process that determines the average resources used to provide the service relative to the average resources used across all physician services. In theory, this means that for the typical medical practice, each service would be equally profitable when paid for by Medicare and that any differences in profitability across individual practices would be due to variations in productivity. However, practices may be limited in their ability to generate revenues through providing office visits. More opportunities may exist in certain specialties for expanding the number and increasing the efficiency of services that do not involve physician time. Further, many believe that physician office visits are undervalued in Medicare’s fee schedule. Specialties that provide other medical services may be advantaged if these additional services contribute to a practice’s ability to finance activities that many believe are not reimbursed, such as care coordination or patient education.

KEY QUESTIONS

- How do medical practices bill for services? How do physicians get paid?
- What factors affect the revenues generated in a medical practice? What is the relative influence of number of hours worked? Use of nonphysician practitioners? Provision of ancillary services or physician-administered drugs?
What factors affect a medical practice’s expenses? What is the relative influence of staffing levels? Location? Malpractice costs?

How and why do the revenues and expenses of a medical practice vary across specialties? Has the disparity across specialties grown recently?

Should physician income and relative differences in physician income influence federal policies, particularly updates to Medicare fees and relative differences in fees across services? Why or why not?

How much could changes to Medicare fees or Medicare’s update methodology affect relative compensation differences across specialties? How much would a differential update to the fees for office visits affect cross-specialty compensation differences? How much would this affect future physician specialty choice?

What would be the effect on beneficiary access of a differential update to Medicare fees for office visits? On Medicare costs?

**SPEAKERS**

David N. Gans, vice president, practice management resources, Medical Group Management Association (MGMA), will begin the Forum session by presenting descriptive information on physician medical practices from MGMA’s member surveys. MGMA represents 21,500 administrators, chief executive officers, physicians in management, board members, and office manager members from more than 13,500 organizations in which almost 270,000 physicians practice. Its surveys focus on revenues and expenses, provider compensation and production, management compensation and group performance for medical and academic practices. Although not representative of all physician medical practices, these data will be a valuable starting point to help frame questions about specialty compensation differences and the reasons for the differences. Mr. Gans’s presentation will be followed by comments from three physician practice managers who will share their insights about compensation differences, the characteristics of a medical practice that affects its revenues and expenses, and methods for changing the practice’s bottom line. Christine A. Schon is vice president of community group practice operations at Dartmouth-Hitchcock Medical Center. Warren C. White, Jr., is the administrator of Southwestern Medical Clinic, P.C., in Berrien Springs, Michigan. And Michael Kirlin is the business development director of the Health Care Management Group, Rockville, Maryland, which manages small physician practices.