



PYA COMPENSATION STUDY: SPOTLIGHT ON PSYCHIATRY

Will increasing compensation lead to a greater supply of psychiatrists?

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INTRODUCTION

Over the past several years, PYA has observed multiple hospital clients struggle to secure sufficient physician resources for behavioral health services. Market information suggests that physician supply has been unable to keep pace with the increasing demand for psychiatric services. PYA's "Spotlight on Psychiatry" studies market trends related to the supply and demand for physician resources within psychiatry, as well as the impact the physician shortage has had on physician compensation between 2013 and 2016.

BACKGROUND

Demand for mental health services has increased as a result of heightened awareness of mental illnesses and a greater willingness among patients to seek help for this often-stigmatized medical condition.

According to the National Alliance on Mental Illness, nearly one in 25, or 10-million adults in America, live with a serious mental illness. Additionally, 60% of adults with a mental illness received no mental health services in the previous year. An even more surprising statistic is that the average delay between the onset of mental health symptoms and intervention is 8-10 years.¹

The lack of physician resources to provide the necessary support for mental health treatment could be contributing to these issues. According to the Kaiser Family Foundation, as of September 2016, there are 4,454 mental health professional shortage areas (HPSA) nationwide, which are defined as areas with less than one mental health professional to every 30,000 residents. This is an increase of 12.2% from the last count of 3,968 in April 2014. It is estimated that approximately 2,772 additional practitioners would be needed to eradicate the HPSA designations for mental health. The shortages were more acute in the states with lower population density such as South Dakota, Montana, Alaska, and New Mexico, where less than 25% of needs were met.²

Currently, there are approximately 28,500 psychiatrists in active patient care in the U.S., 60% of whom are 55 years old or older, and approaching retirement, according to data reviewed by Merritt

¹ National Alliance on Mental Illness, at <http://www.nami.org/Learn-More/Mental-Health-By-the-Numbers>.

² <http://kff.org/other/state-indicator/mental-health-care-health-professional-shortage-areas-hpsas>.

Hawkins. Additionally, the expected number of psychiatrists who will complete their graduate medical education in the next four years is not likely to replace the expected retirements in the field.³

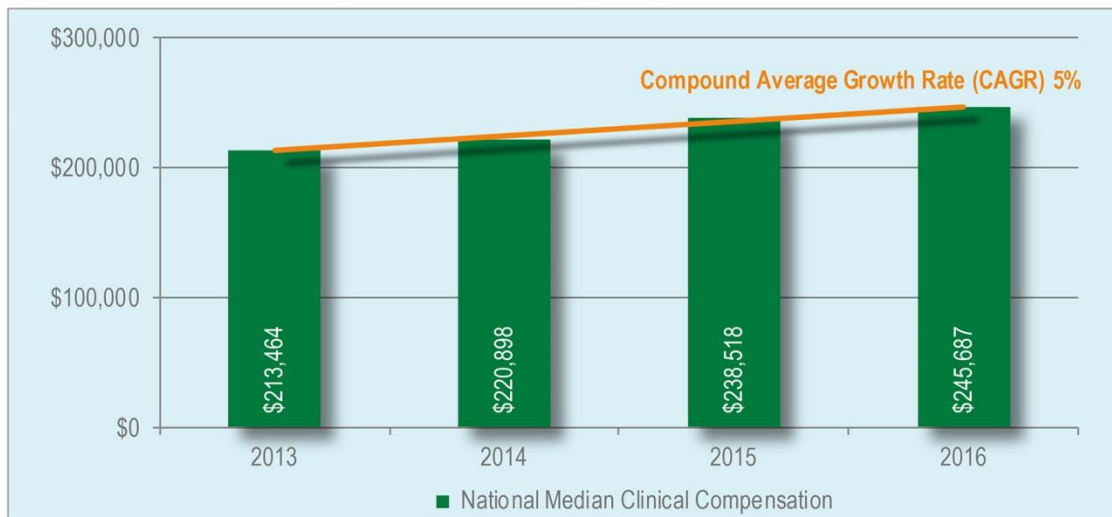
For the first time in the more than two decades that Merritt Hawkins has conducted its “Review of Physician and Advanced Practitioner Recruiting Incentives” study, psychiatrists were second on the list of the most requested recruiting assignments in 2016, supplanting general internists, who had ranked second on the list for nine consecutive years. An 8.6% increase was observed in the number of searches performed for psychiatrists between 2015 and 2016.⁴

NATIONAL CLINICAL COMPENSATION BENCHMARKS

The laws of economics suggest that the heightened need for mental health services, coupled with a shortage of providers within psychiatry, is likely to increase compensation. Physicians may also be required to care for a larger patient base, often working additional hours and covering for facilities without sufficient physician oversight. PYA’s review of market benchmark data,⁵ presented below, provides some measurable information on physician compensation and productivity trends.

- In **Figure I**, general psychiatry clinical compensation increased most significantly between 2014 and 2015 by nearly 8.0% at the median of benchmark data, and on average, grew at 5.0% over the last four years.

Figure I: Trends in Clinical Compensation – General Psychiatry^{1,2}



¹ Average of national median clinical compensation from several survey resources.

² The total compensation received by the physician reported as direct compensation which may include salary, bonus and/or incentive payments, research stipends, honoraria, profit-sharing, clinical medical directorships, call coverage, and voluntary salary reductions. The compensation reported excludes fringe benefits paid by the medical practice (e.g., retirement plan contributions and health insurance).

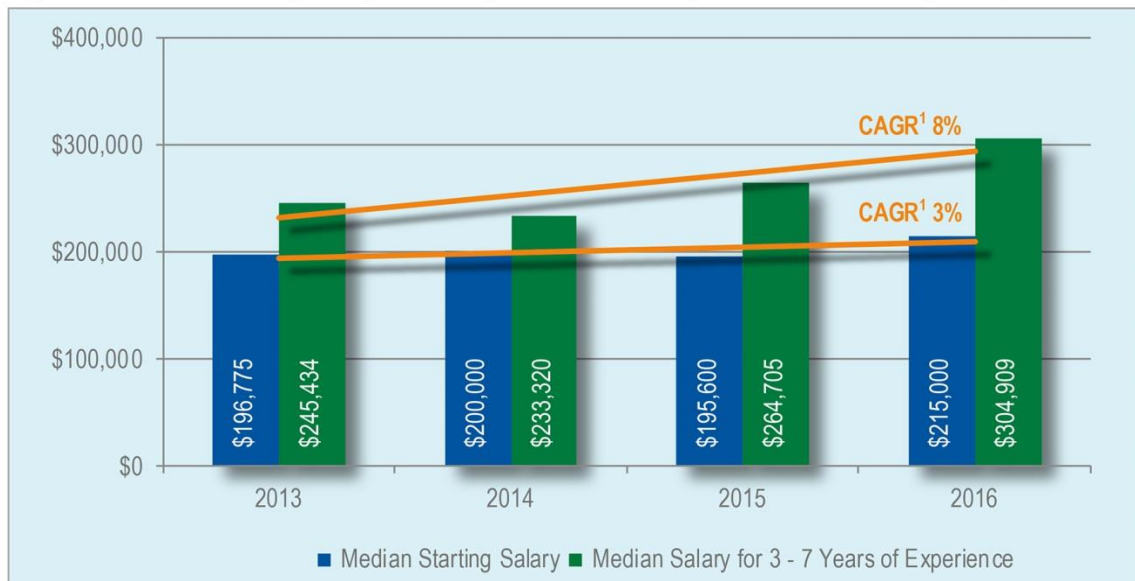
³ https://www.merrithawkins.com/uploadedFiles/MerrittHawkins/Surveys/MH_Recruiting_Incentives_2016.pdf.

⁴ https://www.merrithawkins.com/uploadedFiles/MerrittHawkins/Surveys/MH_Recruiting_Incentives_2016.pdf.

⁵ Resources utilized include: AMGA Medical Group Compensation and Productivity Survey, MGMA Physician Compensation and Production Survey, SullivanCotter Physician Compensation and Productivity Survey, AAMC Faculty Salary Report, MGMA Medical Directorship and On-Call Compensation Survey, HHCS Physician Salary & Benefits Report.

- In **Figure II**, a general upward trend (3%) was observed for all starting salaries, but the growth was higher (8%) for those with more years of experience.

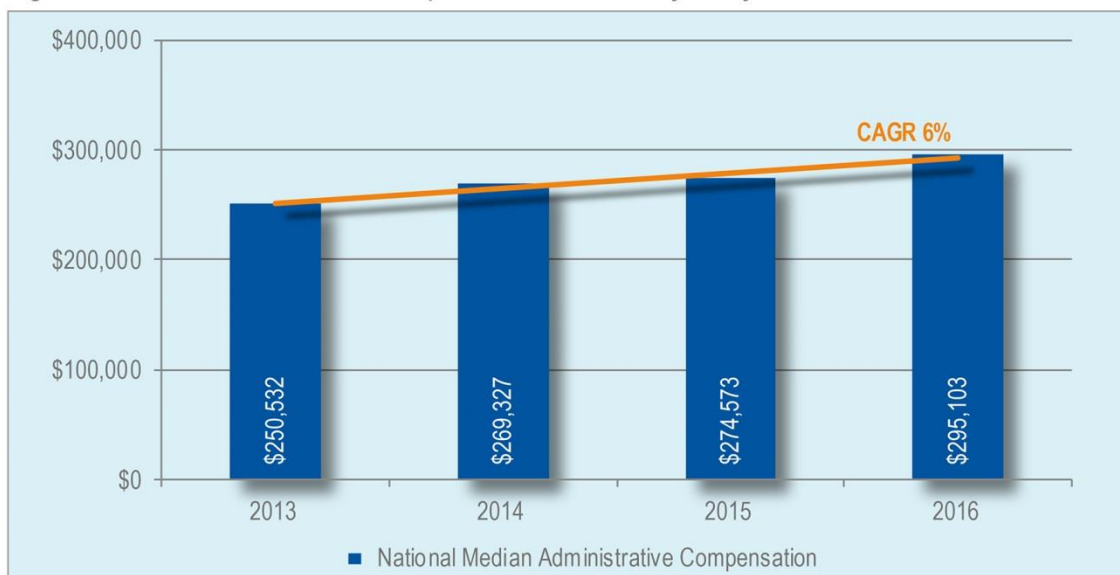
Figure II: Trends in Starting Salary and Salary at 3-7 Years of Experience – General Psychiatry



¹ The number of data points available with respect to the above figure was limited.

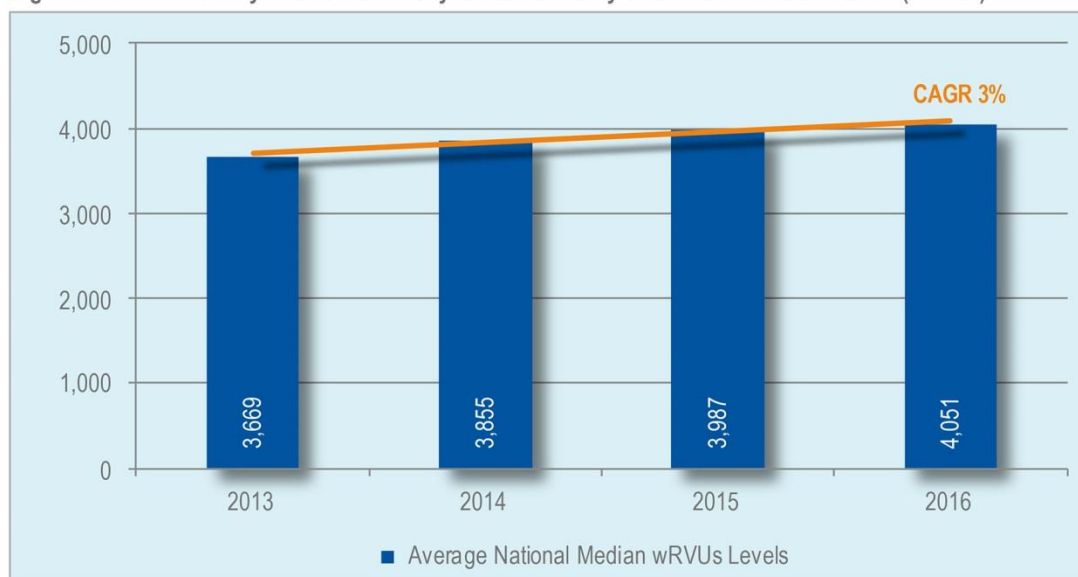
- As demonstrated in **Figure III**, administrative compensation for a full-time employee is generally higher than clinical compensation for the specialty of general psychiatry and experienced similar growth (6%) in compensation over the last four years.

Figure III: Trends in Administrative Compensation – General Psychiatry



- In **Figure IV**, wRVUs grew at 3.0% per year at the median. In comparison, physician compensation grew at a faster (5.0%) annual rate than physician wRVUs.

Figure IV: Trends in Physician Productivity as Measured by Work Relative Value Units (wRVUs)



- In **Figure V**, physician reimbursement for professional fees increased by 1.76% from 2013 to 2015. In comparison, physician compensation grew at a faster (5.0%) annual rate.

Figure V: Trends in Reimbursement – General Psychiatry

Component	Weighted Average Annual Growth Rate ¹
Physician Professional Fee	1.76%

¹ Per unit Medicare reimbursement was analyzed for the top 20 procedures used in each year from 2013 through 2015.

CONCLUSION

As demand for psychiatric services grows, and supply remains limited, patient care is likely to be negatively affected unless providers find innovative ways to bridge the gap. The use of telepsychiatry and mid-level provider coverage are two such approaches to help alleviate provider shortages. Additionally, increasing compensation trends can create incentives for new medical graduates to elect to pursue psychiatry residency, assuring a stronger supply of future care givers.

About PYA

PYA provides independent and objective valuation and consulting services to a broad range of healthcare organizations. We support our clients' many needs including physician employment arrangements, medical directorships, call coverage, and many other types of arrangements associated with various acquisitions and/or affiliations.