



American Association
of Provider Compensation Professionals

Assessing the Impact of Employer-Paid Benefits on Provider Compensation

HOW MUCH IS TOO MUCH?



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Introduction

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Agenda

- Types of benefits, benefit trends, and benefit structures
- Key considerations for benefit values
- Benefit valuation approach
- Determination of excess benefits
- Case study
- Questions



Compensation or Benefits

Compensation

- Salary
- Relocation incentive*
- Signing bonus
- Paid time off (e.g., vacation, illness, holiday, etc.)*
- Medical education loan reimbursement*
- Productivity incentive
- Value-based/Quality incentives
- Other

Benefits

- Contributions to a retirement plan*
- Life insurance premiums*
- Health insurance premiums (medical, dental, vision, etc.)*
- Disability insurance premiums*
- Liability insurance premiums*
- Workers' compensation insurance premiums*
- Supplemental insurance premiums
- Continuing medical education allowance*
- Payments for professional dues*
- Payments for professional licenses
- Employer portion of payroll taxes
- Maternity leave*
- Other

*Considered essential by LeverageRx in March 2021 and Physicians Thrive in August 2021. LeverageRX is a lending and insurance marketplace for physicians. Physicians Thrive is a physician advisory group.

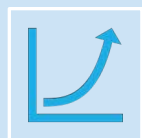


Generally Speaking



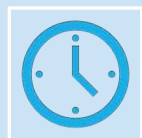
Your benefits package may be a competitive differentiator

What is your “benefits reputation”?



Eligibility¹

42% - Month after start date
35% - Immediately
15% - More than one month after start date
8% - Other



Requirements¹

Minimum hours for eligibility – 22.9 hours, on average
Hours required for full benefits – 33.4 hours, on average

¹ 2021 AMGA Medical Group Compensation and Productivity Survey Report



Retirement Benefits

- Defined benefit vs Defined contribution
 - Not-for-profit
 - For-profit
 - Governmental unit
- 401k
- 403b
- Section 125 Tax Savings Plan
- Why this matters



COVID-19 Impact on Benefits

During 2020, approximately 13% of respondents considered or implemented changes to physician benefits programs¹

- 37% implemented changes to continuing medical education programs
- 9% implemented changes to mental health benefits
- 54% implemented changes to paid time off policies
- 57% implemented changes to retirement contributions

¹ 2021 SullivanCotter Physician Compensation and Productivity Survey



Key Considerations for Benefit Values



Do the proposed benefits make business sense?

Customary for the industry
Not “flashy”
Perks



Benefits abundance



Benefits consistency



Part time vs. full time



Paid time off policies



Continuing medical education



Paid Time Off



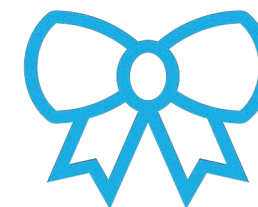
Vacation Days, on average¹:

New physician – 23.1 days

Established physician – 26.4 days

New APP – 20.8 days

Established APP – 24.4 days



Holiday Days, on average¹:

New physician – 6.9 days

Established physician – 6.9 days

New APP – 6.9 days

Established APP – 6.9 days

If the Paid Time Off Policy is in excess of industry norms for the specialty, the approach to valuing physician compensation may need to be modified to consider less than full-time employment status.

¹ 2021 AMGA Medical Group Compensation and Productivity Survey Report



Continuing Medical Education



Physician, on average¹:

Days – 7.4 days

Dollars – \$4,105



APP, on average¹:

Days – 5.4 days

Dollars – \$2,383

Beware of “phantom usage” of continuing medical education benefits.

¹ 2021 AMGA Medical Group Compensation and Productivity Survey Report



Benefit Valuation Approach

1. Compute the value of the employer-paid portion of employee benefits. Include:
 - Payroll taxes
 - Premiums for health, disability, and life insurance
 - Consider an estimate for an allocated portion of workers' compensation insurance
 - Professional development (e.g., continuing medical education)
 - State and local license fees
 - Retirement plan contributions
 - Consider "hidden benefits" or other perks
2. Compute the percentage value of the employer-paid portion of employee benefits
3. Determine the national benchmark percentile in terms of dollars and percentage
4. Apply and document valuator's judgment
5. Consider if any "excess benefits" exist
6. Add any excess benefit value to the assessment of compensation



Survey Definitions of Benefits

National benchmark surveys are mostly aligned in their definition of benefits for reporting to the survey. The surveys ask that the employer portion of the following be **included**.

- Employer's share of payroll taxes
- Health, disability, life, and workers' compensation insurance
- Dues and memberships to professional organizations
- Professional development
- State and local license fees
- Retirement plan contributions

The surveys ask that the following be **excluded**.

- Malpractice liability insurance
- Paid time off



Case Study 1 - Fact Pattern

- Total anticipated cash compensation is \$900,000 for a cardiothoracic surgeon
- The employer provides a standard benefits package to its physicians
- The employer is a component unit of the county
- The employee may participate in both the state-sponsored retirement plan (defined benefit) and the employer-sponsored retirement plan (defined contribution)
- The employer provides health, life, and disability coverage
- The employer provides up to \$5,000 of continuing education benefit annually
- The employer pays for medical licenses and dues



Case Study 1 - Analysis

Description	Value	Formula
Anticipated Total Cash Compensation	\$900,000	A
Social Security Tax	\$8,854	B or $\$142,800 * 6.2\%$
Medicare Tax	\$13,050	C or $\$900,000 * 1.45\%$
State Sponsored Retirement Benefit (defined benefit)	\$43,200	D
Employer Sponsored Retirement Benefit (defined contribution)	\$10,000	E
Health, Life, Disability, and estimate of Workers' Compensation Insurance	\$12,000	F
Continuing Medical Education	\$5,000	G
Medical Licenses and Dues	\$2,000	H
Total Benefits - \$	\$94,104	I=Sum(B:H)
Total Benefits - %	10.5%	J=I/A



Case Study 1 - Analysis, Continued

Description	Value
Total Benefits - \$	\$94,104
Nearest National Benchmark, specialty specific	75th Percentile
Total Benefits - %	10.5%
Nearest National Benchmark, specialty specific	Mean

Does this physician have excess benefits? If so, how much?



Case Study 2 - Fact Pattern

- Total anticipated cash compensation is \$275,000 for an endocrinologist
- The employer provides a standard benefits package to its physicians
- The employer is a component unit of the county
- The employee may participate in both the state-sponsored retirement plan (defined benefit) and the employer-sponsored retirement plan (defined contribution)
- The employer provides health, life, and disability coverage
- The employer provides up to \$3,000 of continuing education benefit annually
- The employer pays for medical licenses and dues



Case Study 2 - Analysis

Description	Value	Formula
Anticipated Total Cash Compensation	\$275,000	A
Social Security Tax	\$8,854	B or \$142,800 * 6.2%
Medicare Tax	\$3,988	C or \$275,000 * 1.45%
State Sponsored Retirement Benefit (defined benefit)	\$35,000	D
Employer Sponsored Retirement Benefit (defined contribution)	\$10,000	E
Health, Life, Disability, and estimate of Workers' Compensation Insurance	\$8,000	F
Continuing Medical Education	\$3,000	G
Medical Licenses and Dues	\$2,000	H
Total Benefits - \$	\$70,842	I=Sum(B:H)
Total Benefits - %	25.8%	J=I/A



Case Study 2 - Analysis, Continued

Description	Value
Total Benefits - \$	\$70,842
Nearest National Benchmark, specialty specific	>90th Percentile
Total Benefits - %	25.8%
Nearest National Benchmark, specialty specific	<90th Percentile

Does this physician have excess benefits? If so, how much?



What About Malpractice Tail Insurance Coverage?

- Definitions
 - *Claims made* - covers potential malpractice events reported while the policy is in effect and occurred on or after the date defined by the policy
 - *Claims incurred* – covers any potential malpractice event occurring while the policy is in effect *regardless of when it is reported*
- A claims made policy generally requires malpractice tail insurance coverage
- Is the cost of the malpractice tail insurance coverage a benefit to the provider?



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