

Compensation Model Advantages and Disadvantages

Model	Characteristic	Advantages	Disadvantages	Compensation at Risk
Salary	<ul style="list-style-type: none"> ▪ Paid fixed amount regardless of productivity 	<ul style="list-style-type: none"> ▪ Income is predictable and guaranteed ▪ Can facilitate mission by eliminating payer-mix concerns ▪ Can address part-time ▪ Works for first year/new physicians 	<ul style="list-style-type: none"> ▪ Does not reward high performance ▪ Could pay more in compensation than practice can afford ▪ Lacks mechanism to reward specific group goals, objectives 	None
Equality	<ul style="list-style-type: none"> ▪ Revenue after expenses is split equally 	<ul style="list-style-type: none"> ▪ Promotes teamwork ▪ Reinforces focus on overall group profitability and positioning ▪ Minimizes impact of payer mix or sub-specialty focus 	<ul style="list-style-type: none"> ▪ Difficult to allow for part-time physician or partial retirement ▪ Does not address difference in productivity, attitude toward work or part-time 	At risk to extent physicians are able to manage expenses
Incentive-based	<ul style="list-style-type: none"> ▪ Base salary ▪ Incentive for meeting specific targets <ul style="list-style-type: none"> -Productivity -Quality -Expense management -Service excellence 	<ul style="list-style-type: none"> ▪ Provides a range of incentives that match practice goals ▪ Overall incentive pool is driven by practice profitability, which helps promote practice focus on performance ▪ Can accommodate part-time 	<ul style="list-style-type: none"> ▪ Requires good measurement tools ▪ Regular feedback is necessary ▪ Relatively small amount is usually at risk for quality and service performance which may not place sufficient "value" on measures 	Partial risk based on meeting performance standards
Entrepreneurial or "Eat what you kill"	Compensation = Revenue - Expenses	<ul style="list-style-type: none"> ▪ Most like solo/private practice ▪ Ensures compensation does not exceed practices' affordability ▪ May lead to cherry picking of patients 	<ul style="list-style-type: none"> ▪ Does not reward other critical performance measures ▪ Does not foster teamwork; may increase competition between physicians ▪ Requires formula to allocate expenses fairly 	Total risk

Source: Witt, Mary J. MSW. Designing Physician Compensation to Achieve Medical Group Goals. Group Practice Journal. October 2009. pg 36 – 43.