

# EMERGENCY PHYSICIANS MONTHLY

The Independent Voice  
For Emergency Physicians

www.epmonthly.com

VOLUME 14, NUMBER 7 | July 2007

Official Reprint

TheDocHunter Advice from the Recruitment Guru

## Compensation Confusion Gentlemen, start your calculators

By Larry Wills

I remember the first time I discussed compensation with an emergency physician, it was back in the mid 80's. We were discussing a northwest contract and he was at the competing hospital in town. He asked, "What is the pay?"

I confidently recited, "It is incentive-based compensation and you receive 36 percent of your gross charges." Before I could finish, he started laughing.

"Wow, and who gets the rest?" He went on to tell me he received 70% of collections and proceeded to lecture me about how the big ED groups are keeping all the money. I couldn't wait for the call to end. With ego deflated, and wondering what I had gotten myself into with this emergency medicine recruiting stuff, I marched into Dr. KGM's office (actually, I asked permission to enter). His first question after I shared my phone conversation was, "Did you go through the numbers, like collection rates, average patients per hour seen and then break it down to an hourly, or per patient amount? Larry, you have to compare apples with apples!"

It is no wonder residents struggle with this issue. Percent of collections, percent of gross charge, fee-per-code, flat hourly, 80/40 rule, salary, minimum

hourly guaranty with bonus, hourly differentials, RVU incentive with bonus, minimum hourly plus RVU plus bonus, partnership bonus, (bonus if the moon aligns with Venus on the third Thursday of the fourth quarter) . . . On and on it goes, the more complicated the formula, the greater the perception of smoke and mirrors. Then there is the question, "What is fair for the contract holder to keep for overhead and profit?" which we'll tackle in a future column.

### So, what is a resident to do?

#### Three quick suggestions

1. Learn to turn on your calculator.
2. If incentive based, know and understand the formula being used.
3. Break compensation, benefits and bonuses (if any) down to an hourly or per patient amount so you can compare with other practices in the area.

#### Example

You are interviewing for two positions in town, one as an employee with benefits, the other as an IC. The compensation for



the IC position is \$130.00 per hour, no benefits. The salaried position is \$185,000 per year plus a \$30,000 a year benefits package. As an employee, the group requires twelve 12-hour shifts per month, or 1728 hours per year. Simple:  $\$185,000 + \$30,000$  divided by 1728 = \$125.00 per hour. (Also, it can be good to break down the dollars received per patient, as that \$130.00 per hour position may not be that appealing if you are seeing 2.5 patients per hour (\$52.00 per patient seen) and the other site is at 1.4 patients per hour (\$89.00 per patient seen).

Incentive-based compensation is usually the best model if it is production driven. How many times have we heard physicians vocalize their concerns when they know they are

seeing more patients than their colleagues and the compensation is the same?

Oh, as to my lecture from Dr. "KGM", I found my calculator and called the physician back. Together we figured the actual per patient dollars received; the difference was \$1.05 between our compensation models...in our favor. It wasn't enough to sway the physician to join us, but he did stop laughing.

Any questions about how that was figured, just ask. My calculator is always on.

#### The Doc Hunter Larry Wills

Wills has been a medical recruiter for 29 years, for the Air Force and Fischer Mangold before joining TeamHealth. Wills has spent 20 years recruiting specifically for emergency physicians.

