Considerations in Structuring Physician Compensation-Per-WRVU Models

For hospitals and health systems in the United States, one of the most common methods for compensating physicians for their clinical and procedural services is via the work relative value unit ("WRVU"). In this article, we discuss some of the benefits, as well as potential pitfalls, of physician per-WRVU compensation models.

The RVU System

The Relative Value Unit ("RVU") is the principal unit of measurement of the Resource-Based Relative Value Scale ("RBRVS") utilized by the Centers for Medicare and Medicaid Services ("CMS") in determining reimbursement for medical services covered under government health care programs. The WRVU is the component of the total RVU meant to reflect provider work effort or the relative level of time, skill, training, and acuity required of the physician or advanced practice clinician providing the service. Each Current Procedural Terminology ("CPT") code involving a professional provider component includes an associated level of WRVUs as reported by the Physician Fee Schedule published by CMS.

Common Compensation-per-WRVU Models

Compensation-per-WRVU models are common in both employment and independent contractor relationships between providers/provider groups and hospitals as the WRVU can often be the best measure of professional work effort and physician productivity available.

Under a compensation-per-WRVU structure, a physician's compensation is driven to at least some extent by the level of WRVUs they personally produce. Per Sullivan Cotter's 2020 Physician Compensation and Productivity Survey, approximately 70% of medical and surgical physician respondents have a WRVU productivity component in their compensation package. Below are some WRVU-driven structures commonly employed in physician compensation arrangements:

- Pure Compensation-per-WRVU – Example: A physician is compensated at a rate of $50 for all WRVUs personally produced during the calendar year.
- Base Salary plus WRVU Bonus Compensation – Example: A physician is compensated with an annual base salary of $400,000, plus a compensation-per-WRVU rate of $50 for all WRVUs personally produced above 8,000 WRVUs during the calendar year.
- Tiered Compensation-per-WRVU – Example: A physician is compensated at a rate of $58 per WRVU for all WRVUs produced up to 7,000 WRVUs in the calendar year and is then compensated at a rate of $65 per WRVU for all WRVUs produced beyond 7,000 in the calendar year.

Benefits of the Compensation-per-WRVU Model

The compensation-per-WRVU model is popular for good reason. Some of the key benefits of this model are outlined below.

- Compensation is directly tied to physician work effort / productivity directly incentivizing physicians to be clinically productive.
- The RVU system is utilized by CMS in determining reimbursement under government sponsored healthcare programs so significant time and research goes into determining WRVU values by CPT code that capture physician work effort.
- The compensation-per-WRVU model is very commonly used by health systems across the country.
- Per-WRVU compensation is not directly correlated with a patient's ability to pay so physicians are not penalized for treating indigent payors.

- With consideration to Stark Law and the Anti-Kickback Statute, compensation-per-WRVU models set at reasonable levels theoretically would not take into account the volume or value of referrals, because the WRVU is based solely on the subject provider's work product, and not the volume of referred technical or ancillary services such as X-rays and CT scans.

Common Pitfalls in Structuring Compensation-per-WRVU Models

While compensation-per-WRVU models have numerous benefits, there are several pitfalls that administrators should be aware of when developing these types of compensation structures.

Risk to Quality of Care

An unfortunate side effect of compensation-per-WRVU structures could be incentivizing physicians to focus more on patient throughput than patient care. For this reason, many health systems and hospitals include opportunities to earn quality of care compensation bonuses for achieving pre-defined quality goals. While patient throughput is important as a means for patient access to care, rewarding physicians for optimal patient care outcomes can help offset concerns about incentivizing physicians to increase patient throughput.

Misinterpretation of Survey Data

Other common pitfalls in structuring compensation-per-WRVU models are related to determining the fair market value ("FMV") dollar amount of the per-WRVU compensation to ensure compliance with Stark Law and the Anti-Kickback Statute. Hospitals and valuation firms often reference national physician compensation and productivity surveys in determining physician compensation-per-WRVU. These surveys can be helpful as they report compensation-per-WRVU levels by medical specialty across multiple percentiles. However, it is essential that the survey data be applied correctly in determining FMV compensation-per-WRVU amounts. The below section details common misapplications of market survey data.

Inverse Relationship Between Annual WRVUs and Compensation-per-WRVU

It is important to understand there is often an inverse relationship between the level of WRVUs produced and the correlated compensation-per-WRVU rate observed in market survey data. In other words, physicians who produce at the higher percentiles of annual WRVUs often effectively earn at the lower percentiles of compensation-per-WRVU (and vice versa) in market provider compensation and productivity surveys.

If a physician producing at high levels of WRVUs were to earn the highest levels of compensation-per-RVU, the resulting percentile of total cash compensation levels could significantly exceed the corresponding percentile of WRVU productivity. Using data from MGMA's 2022 Provider Compensation and Production Survey, if a neurological surgeon who produces the 90th percentile of WRVUs (18,034 WRVUs) also earned the 90th percentile of compensation-per-WRVU ($173.70 per WRVU), they would earn $3.133 million dollars annually, or 200% of the 90th percentile of total cash compensation.

Advanced Practice Clinician Production

Health systems and hospitals who contract with physicians who work alongside advanced practice clinicians ("APCs") should consider how these APC services are recorded under a physician compensation-per-WRVU structure. Most physician compensation and productivity surveys require that respondents report WRVUs for personally performed services, meaning that reported annual physician WRVU and compensation-per-WRVU survey data does not include any productivity, incident-to or otherwise, performed by APCs. As such, when determining a compensation-per-WRVU structure for a physician, it is recommended that compensated WRVUs only include those generated from personally performed services, particularly if the physician receives separate stipends for APC supervision.

Modifier Adjustments

Similarly, many of the physician compensation and productivity surveys referenced in determining compensation-per-WRVU specifically request that respondents report WRVUs that have been adjusted for the impact of any CPT code modifiers. It is recommended that physicians are compensated based on modifier-adjusted WRVUs rather than unadjusted WRVUs as both survey data and payor reimbursements reflect adjustments from modifiers.

Physician Fee Schedule Changes

Another consideration when structuring a compensation-per-WRVU model is the ever-changing Physician Fee Schedule published by the Centers for Medicare and Medicaid Services. Between 2020 to 2021, CMS made significant changes to WRVU factors for certain CPT codes. For example, based on procedural profile data from MGMA, physician specialties such as family medicine (without OB), urgent care, and rheumatology experienced an uptick in annual WRVUs of over 20% using the CMS 2021 factors when compared to the equivalent set of services in 2020 . It is important to ensure that proper adjustments are made to survey data utilized to determine compensation-per-WRVU amounts to account for these changes to the CMS Physician Fee Schedule. Additionally, hospital administrators should ensure they understand the impacts of the ongoing Covid-19 pandemic on recent survey data.

Key Takeaways

Per-WRVU physician compensation models are widely used throughout the healthcare industry as they incentivize physician productivity and often align with health system goals of creating patient access to care. However, it is important that hospital administrators are well versed in health care compensation regulations, market survey data, and fee schedule changes to ensure the compensation amounts paid to their affiliated physicians are compliant and consistent with FMV.

Sources & Endnotes

1 https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched

2 Information based on VMG's internal analysis of MGMA's 2021 Procedural Profile Survey – 2021 Report Based on 2020 Data and MGMA's 2020 Procedural Profile Survey – 2020 Report Based on 2019 Data and CMS WRVU Factors.

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