Past, Present, and Future of Provider Compensation

by Jessica A. Johnson, CPA

Change is a simple word, yet anyone related to the healthcare field completely understands its immense impact. Whether it is laws, regulations, best practices, or other issues, change is an inevitable part of healthcare. One area that has certainly seen its fair share of change over the years is the way in which physicians are compensated.

As the overall healthcare atmosphere evolves, including both the adjustment to delivery and payment methods, physician compensation must undergo a transformation from the direct impact caused by the overarching alterations in the industry.

Physician groups and integrated delivery systems are learning from the past, and using these lessons to design improved and more equitable forms of compensation models. In the 1990’s, the industry witnessed physician practice acquisitions that were too expensive, accompanied by virtually unavoidable losses causing many organization to approach compensation models with increased caution. Providers were not producing or meeting desired expectations and had often received a guaranteed salary for several years while their employers saw a red bottom line. The variety of arrangements prevalent in the last several decades have often been criticized for being unfair or one-sided and promoted the individuals’ interest instead of cultivating the group culture. Capitation compensation models, along with guaranteed salaries, were recognized as outdated and inefficient, and were replaced with production models that dominated the 2000’s. These were often much less complex than the preceding models of the prior decade.

As reimbursement shifts from the Fee-for-Service (FFS) model towards payment factoring in quality of care, compensation arrangements should be redesigned to bridge the gap and adapt to the foreseeable industry changes. This shift is a slow and gradual process as pay is tied to reimbursement, reimbursement is still largely connected to FFS; and FFS is based on the volume of services – ignoring quality altogether. As quality and efficiency measures find their way into the payer reimbursement models, these same factors will drive change in physician compensation and find their way into the structures.

Health systems are continuously becoming more technologically savvy as the use of Electronic Medical Records (EMR) intensifies and enables access to data to track quality and performance incentives. However, it is still a struggle to effectively use and interpret the data obtained from the system. Processes need to be refined to appropriately tie a portion of the provider compensation, whether this is an incentive-based bonus or a holdback, to the quality measures.

Looking beyond the payment reimbursement alterations and at the “before and after” snapshots of the current trends, fragmented care will shift to a coordinated and integrated approach to care with value based payment, and providers will begin caring for a population instead of the individual patient. Provider driven accountable care will override the payer driven managed care concept and result in better outcomes for patients and financial rewards in providers.

For a compensation model to be sustainable, considering the significant expected adjustments to the healthcare industry, the arrangements need to be continued on page 19...
denials still occur. Having a process for managing these denials is important as they can often be reversed on appeal. Even if they cannot be amended later, denials can help identify process flaws that can be fixed to prevent further denials. The denials management process should be continuous, with staff running reports daily to support quick identification and response.

Offer Comprehensive Cross Training
Cross training can do more than just ensure job coverage during staff illnesses or vacations; it can also promote better customer service and enhanced financial performance through broadened employee knowledge. A good cross-training program should cover in detail how front-desk tasks affect the back-end, and vice versa. Cross training should occur frequently, ideally, twice per year.

To reach optimal revenue cycle performance, practices cannot take a haphazard approach to the aforementioned activities. Providers, administrators and staff must buy in and commit to the work. Those practices that sustain a high-level commitment can reap tangible rewards, including better revenue cycle performance and measurable financial gains.

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