



It's Not the Money — It's the Money!

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The article by Feldman and Heck creates a realistic scenario that has confronted many physicians throughout the country. It nicely points out the foundations upon which to build a compensation formula. Discussions concerning compensation are usually animated and frequently stimulate strong feelings — not only among physicians, but among other professionals as well. After all, concern over compensation and distribution of revenues has been at the heart of much of the “reorganization” and “new structures” that have come about over the past several years. As one contemplates the following article, I would direct the readers attention to several points:

- *Numerous compensation plans* ~ Compensation formulae abound. There is no perfect compensation formula. Rather, the mechanism by which employees and owners are reimbursed needs to be viewed as a living, evolving undertaking which requires analysis and adjustment at regular intervals. Processors need to be put in place that will assess revenue sources and

adjust the compensation mechanisms accordingly. Businesses and practices change and it is unreasonable to expect that a compensation formula will remain the same indefinitely.

- *It's not easy* ~ Practices have varying amounts of fee-for-service, capitation and other managed care contracts. These varying payment mechanisms add significant complexity to the tracking of reimbursement. It is frequently suggested that once a group has 30-40% of its revenues from capitation they should no longer strictly reward productivity. However, there are exceptions to this rule of thumb and it becomes quite apparent that it is difficult, if not schizophrenic, to practice in an environment in which your professional habits are expected to be different for one form of payment revenue vs. another. Indeed, some would question the authenticity, ethics and legitimacy of professional advice that varies according to a payment mechanism.

- *Quality and Reputation* — *yours and your colleagues* ~ This is a major issue and should be an item that is rewarded appropriately. The notion that all physicians are the same in terms of their professional skills is fallacious and no more true than the statement that all lawyers or all accountants are the same. The challenge becomes one of appropriate quantification of quality parameters. Importantly, the quality of the entire group is

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jeopardized by individuals who may not meet the high quality standards of the majority. Additionally, the statement that high quality will attract lower risk patients could be challenged. Informed consumers are attracted to higher quality. Cardiovascular specialists take care of older populations with complex medical problems. Higher quality practices are likely to attract patients that are more ill and require more resources. People with complex medical problems should undoubtedly benefit from clinical efficiencies in a high quality practice. Therefore, it doesn't necessarily follow that good quality practices will attract low risk patients. Indeed, they are likely to attract high risk populations. The whole concept of *medical risk* is one that needs to be reviewed and articulated carefully in relation to compensation. Actuarially one may be able to provide an overview of a population. However, the delivery of care occurs at the bedside in individuals who are human beings that respond to similar disease processes differently. Human nature, culture and the manner in which complex diseases impact any one individual may not be as precisely quantifiable as actuaries and theoreticians would like to believe.

- *Rewarding leadership and management skills* ~ Too frequently there is lack of attention to financially rewarding those individuals who devote themselves to providing important leadership and management for the group. The skills and talents these people provide usually go beyond normally expected good citizenship activities (participation in committees, etc.). Strong management and leadership are part of the infrastructure upon which successful practices are built and maintained and should be given appropriate financial recognition.

- *Long-term, short-term and sometimes a wake up call* ~ Finally, compensation needs to reflect the philosophy of the professionals involved in the practice. Medical care and treatment of people with complex illnesses has traditionally been viewed as a long-term undertaking. Short-term approaches with rapid "payouts" and "cash outs" don't speak well for the long-term viability of the practice. Time will tell if patients with complex cardiovascular problems will be willing to change physicians easily as the Medicare population moves into managed care products. Compensation needs to realistically reflect the operations of the practice and its ability to grow. It is unrealistic to

think that practices losing money or not growing will be able to sustain incremental growth in salaries. Leadership and management need to articulate clearly the rationale for fluctuations in income (both positive and negative) and craft strategies that allow for continued growth of the business. Even in not-for-profit environments, the old cliché of "no margin no mission" still holds true.