Physician compensation is one of the most-regulated elements of the U.S. economy and models for physician payment are notable for their variation and complexity.

The COVID-19 pandemic introduced even more complexity, but it also introduced much-needed flexibility from both government and private payers leading toward more adoption of value-based concepts, said attorneys with the Polsinelli national law firm in “Cutting edge issues and options when designing and monitoring physician compensation,” an AMA webinar.

These developments “continue to add to the kind of murkiness of the physician compensation climate,” Neal D. Shah, a lawyer in Polsinelli’s Chicago office, said in an interview with the AMA. But a clear trend emerging from the uncertainty is a shift away from pure volume-based fee for service to more outcomes- and values-based compensation.

Where value-based care stands

“The biggest thing that we can say about value-based care is that the federal government is still committed to it,” said Shah, who previously worked for the Centers for Medicare & Medicaid Services. “They rolled out this whole fraud-and-abuse framework that’s designed to promote value-based care arrangements and with a lot of regulatory flexibility that other entities don’t have.”

Payer policies also are often a major driver of the way that compensation models are set up, because they reflect the actual revenue flowing into private practices and can affect rules on coverage, data collection, documentation, risk adjustment and supervision.

Private “physician practices are looking at their compensation models and rethinking whether the models that they implement really fully capture their strategic goals,” Shah said.
Check out the “AMA STEPS Forward™ Private Practice Playbook” (PDF), a guide for physicians who are aspiring to open or enter a private practice, practice managers and operations leaders.

Automated prior authorization denials

Pandemic-related volatility affected patient volumes and payer mix as many patients lost their jobs, then lost their employer-based health insurance and enrolled in a government plan.

There is growing payer willingness to engage in non-fee-for-service payment such as capitation or a value-based model, and growing awareness among payers regarding the costs associated with retaining physicians and the wisdom of investing in burnout prevention.

“My conversations with physicians continue to indicate some dissatisfaction with payer policies on this front,” Shah said. “Where there have been things like encouraging physicians to engage in self-care and wellness efforts, there’s also been, unfortunately, ongoing concerns around payer strategic policies, like increasing use of prior authorization, including algorithmic denials, where they preemptively deny claims without necessarily even having a human being looking at the claims.”

Telehealth uncertainty unsettling

Payers’ willingness to pay for services delivered via rapidly adopted telehealth and remote-monitoring technology is a welcome development, but the unsettled nature of telehealth payment adds volatility.

Medicare payment “is directly dependent on temporary emergency authorization, and so that makes predicting the long-term practice financial impact a little bit difficult,” Shah said in the webinar. “It puts question marks around the ability to take this revenue attributable to telehealth and turn it into a sustainable compensation package.”

Tackling prior authorization and supporting telehealth are critical components of the AMA Recovery Plan for America’s Physicians. You took care of the nation. It’s time for the nation to take care of you. It’s time to rebuild. And the AMA is ready.

Who does what in designing models


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“Physician practice leaders are in the best position to design the economics of a compensation relationship that aligns the incentives of their employed physicians, makes sure everyone feels they’re treated fairly, and makes sure that the practice continues to work well as a business,” Shah told the AMA.

“The attorney's role is to make sure that that set of economic goals complies with applicable law, is documented correctly, fits within policies and procedures, and is generally defensible if a regulator or a whistleblower targets that compensation methodology,” he added.

It takes astute clinical judgment as well as a commitment to collaboration and solving challenging problems to succeed in independent settings that are often fluid, and the AMA offers the resources and support physicians need to both start and sustain success in private practice.

Find out about the AMA Private Practice Physicians Section, which seeks to preserve the freedom, independence and integrity of private practice.