Methods used to compensate physicians are continuing to diversify as nearly three in five physicians (59.2%) earned their income in two or more ways in 2020 with salary-plus-bonus being the most common pairing.

At the same time, the percentage of physicians who were paid by a single method dropped to 40.8%, compared with 51.8% in 2012.

“A driving force in the trend away from compensation by a single method is a shift away from physicians receiving all their compensation from salary (a two percentage-point decrease) or personal productivity (a five percentage-point decrease) and towards receiving a bonus in combination with more than half their compensation coming from salary (an eight percentage-point increase),” says a new AMA Policy Research Perspective report.

The report—“Physician Compensation Methods: The Combination of Salary and Bonus Continues to Dominate through 2020 as Physicians are Increasingly Paid by Multiple Methods”—was written by AMA Senior Economist Apoorva Rama. She examined the different methods used to compensate physicians from 2012 to 2020, such as salary, personal productivity, practice financial performance, or bonus unrelated to personal productivity.

Results were based on data from the biennial Physician Practice Benchmark Survey, conducted by the AMA Division of Economic and Health Policy Research. Physicians in solo practice are excluded from survey questions on compensation methods as their compensation is directly related to practice financial performance, which itself is partly driven by productivity. The division conducts independent research to support AMA federal, state and private-sector advocacy.

“This shift away from compensating physicians by a single method and towards two or more methods was coupled with each compensation method on an individual basis becoming a smaller share of physicians’ income,” the report says.
Despite the growing prevalence of personal productivity in physician compensation structures, climbing to 55.5% in 2020 from 50.5% in 2012, “personal productivity is a smaller share of physician compensation overall because it is increasingly being used in combination with other methods and not on its own,” the report says.

Salary the main way doctors are paid

Salary was the principal method of physician compensation in 2020, with more than two-thirds (67.0%) of doctors earning a portion of their income from salary and 57.9% earning more than half of their income from this method. That’s up one percentage point from 2018.

Meanwhile, 55.5% of physicians received some payment based on personal productivity and, for 27.8%, more than half of their income was productivity-based, down slightly from 28.6% in 2018.

Data on the Benchmark Survey show a decline in physicians in private practice and an increase in physicians in hospital-owned practices since 2012. Further, since the 2018 Physician Benchmark Survey, employed physicians have outnumbered physician practice owners. This year’s report notes how compensation methods differed for physicians employed by physician-owned practices and physicians employed by hospital-owned practices.

“Although both practice ownership structures rely heavily on salary to compensate employees, the combination of methods used in tandem with salary differ,” the report says.

Physicians employed by private practices were more likely to get paid entirely through salary: 27.7%, compared with 19.9% for physicians employed by hospitals. They were also more likely to get most of their compensation from salary, without receiving a bonus: 18.5% of private practice-employed physicians had this structure, compared with 15.3% of hospital-employed physicians.

Hospital-employed physicians, however, were more likely to earn more than half of their compensation from salary while also receiving a bonus: 32.4% compared to 24.6% for physicians employed by a private practice.

“Also notable,” says the report, is that “10.9% of employees in hospital-owned practices had more than half—but not all—their compensation depend on productivity compared to only 5.4% of employees in private practices.”

How specialty affects structure
Physicians in the Benchmark Survey were classified into 12 broad specialty categories—nine of these specialties relied heavily on the salary-plus-bonus formula.

The exceptions were psychiatrists and ob-gyns (for whom the most-common structure was 100% compensation derived from salary) and surgical subspecialists, (for whom 100% productivity-based compensation was the most-common structure).

Surgical subspecialists also had the highest percentage of physicians, 18.7%, for whom productivity accounted for more than half—but not all—of their compensation.

Specialties with the highest percentage of physicians paid only by salary in 2020 were:

- Psychiatry: 40.4%.
- Obstetrics and gynecology: 25.6%.
- Family medicine: 19.7%.
- Pediatrics: 19.0%.
- Internal medicine: 18.8%.

Specialties with the highest percentage of physicians paid only by productivity in 2020 were:

- Surgical subspecialties: 31.3%.
- Anesthesiology: 20.8%.
- Other, 20.7%.
- Obstetrics and gynecology: 20.1%.
- Internal medicine subspecialties: 19.5%.

The least-common compensation method was 100% of compensation linked to the financial performance of the practice. For half of the specialties, this method applied to less than 2% of physicians surveyed.

A significant exception was radiology, where 17.6% of physicians had all their compensation depend on the financial performance of the practice.

Learn why the AMA formed a section for private practice doctors.