



Policy Research Perspectives

Physician Compensation Methods: The Combination of Salary and Bonus Continues to Dominate through 2020 as Physicians are Increasingly Paid by Multiple Methods

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Introduction

The American Medical Association (AMA) releases a series of Policy Research Perspectives that examine methods, such as salary and productivity, used to compensate physicians (see Rama 2020 and Rama 2018 for previous reports). This report is the latest installment, which updates the findings with results from the 2020 AMA Physician Practice Benchmark Survey. In 2020, 59.2 percent of physicians were compensated by a combination of two or more methods while this was the case for only 48.2 percent of physicians 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 2 percentage point decrease) or personal productivity (a 5 percentage point decrease) and towards receiving a bonus in combination with more than half their compensation coming from salary (an 8 percentage point increase). Salary was the primary method used to compensate physicians in 2020, with 67.0 percent of physicians receiving at least some compensation from salary and 57.9 percent receiving more than half their income from salary. Nonetheless, personal productivity was also a prominent compensation method. Most physicians (55.5 percent) received at least some compensation based on their personal productivity and 27.8 percent had more than half their income depend on personal productivity. The report also covers differences in compensation methods across physician employment status, practice ownership structure, and physician specialty.

Data and methods

The 2012 to 2020 AMA Physician Practice Benchmark Surveys are a series of biennial surveys that include nationally representative data on approximately 3,500 physicians who provide at least 20 hours of patient care, have completed residency, and were not employed by the federal government at the time of the survey (see Kane 2021 for details on survey methodology). The surveys collect detailed information about physicians and their practice arrangements. This report focuses on questions in the survey related to methods used to compensate physicians. Physicians were first asked if their compensation is based on salary, personal productivity, practice financial performance, bonus (unrelated to personal productivity or practice financial performance), and/or some other method. After that, they were asked to provide their best estimate of the percentage of their income

from each compensation method received.¹ Because the compensation of solo practitioners is directly related to practice financial performance (and, inherent to that, their productivity as well), these physicians were excluded. As such, anytime the term “physicians” is used in this report, it refers to “non-solo physicians.”

Prevalence of compensation methods

In 2020, 67.0 percent of physicians received at least some compensation from salary and 55.5 percent received at least some compensation based on personal productivity (Exhibit 1). Less prevalent in physician compensation were practice financial performance and bonuses, where 31.2 percent and 37.3 percent of physicians, respectively, indicated that these methods factored into their compensation. Less than 3 percent of physicians indicated that some other method was involved in their compensation. There were differences in the prevalence of these compensation methods across practice arrangements and over time.

Differences across employment status (2020)

Similar to previous years (see Rama 2020), there were striking differences in the prevalence of compensation methods across employment status. In 2020, employees were substantially more likely than owners to receive at least some compensation from salary and bonus whereas owners were more likely than employees to receive at least some compensation from personal productivity and practice financial performance.² Exhibit 1 shows that 80.0 percent of employees compared to 48.7 percent of owners received at least some compensation from salary - a 31 percentage point difference. In contrast, the percentages of owners with at least some compensation from personal productivity and practice financial performance were 12 and 30 percentage points higher, respectively, than the percentage of employees receiving compensation from these methods. Still, it is striking that productivity plays a role in the compensation structure of most employees (51.3 percent). Nonetheless, the discrepancy between employees and owners is to be expected as it is not uncommon for employees in other industries to receive a fixed salary (and periodic bonuses) and for owners to have a stake in the variable financial performance of their company.

Differences across practice type (2020)

In addition to differences across employment status, there was variation across practice type. Notably, the compensation structure of physicians in single specialty or multi-specialty practices substantially differed from that of physicians in hospitals and other practice types.

Physicians in single specialty (59.5 percent) and multi-specialty (66.9 percent) practices were less likely to receive at least some compensation from salary than physicians in hospitals (89.6 percent) or other practice types (81.2 percent). In contrast, physicians in single specialty (57.6 percent) and multi-specialty (61.1 percent) practices were more likely to receive at least some compensation from personal productivity than physicians in hospitals (42.5 percent) and other practice types (41.1

¹In 2012, physicians were only asked to estimate the percentage of their income for the method that accounted for the largest share of their income.

²Breakouts of physician employment status and practice type in 2020 can be found in Kane (2021).

percent). In a similar vein, practice financial performance was more likely to factor into the compensation structure of physicians in single specialty (35.8 percent) and multi-specialty (29.4 percent) practices than physicians in hospitals (19.5 percent).

Earlier, it was noted that employees were more likely than owners to be salaried while owners were more likely than employees to have personal productivity and practice financial performance impact their compensation. Kane (2021) shows the employment status of physicians differs across practice types. For example, physicians in hospitals were predominantly employees (none were owners) while physicians in single and multi-specialty practice include both owners and employees. As such, the differences between physicians in single and multi-specialty practices compared to those in hospitals relate in part to differences seen across employment status.

Trends in prevalence and number of compensation methods (2012 vs. 2020)

Exhibit 2 shows that between 2012 and 2020 there was a 7 percentage point increase in the percentage of physicians that were salaried (from 60.2 percent to 67.0 percent) and a 10 percentage point increase in the percentage of physicians that received a bonus (from 27.1 percent to 37.3 percent). Although not as striking, physicians indicating at least some compensation from personal productivity increased by 5 percentage points (from 50.5 percent to 55.5 percent). There were minimal changes in the percentage of physicians receiving compensation from practice financial performance (1 percentage point increase) or some other method (0.5 percentage point decrease).

The increasing prevalence across most methods reflects an increase in practices using a blend of methods to compensate physicians. Exhibit 3 shows that, in 2020, only 40.8 percent of physicians were compensated by a single method while this was the case for 51.8 percent of physicians in 2012 - an 11 percentage point difference. While there was only a 3 percentage point increase over this period in the percentage of physicians compensated by two methods, there was over a 7 percentage point increase in the percentage of physicians compensated by three or more methods.

The increased prevalence in compensation by salary and bonus may also be capturing shifts in the physician population. Kane (2021) found that between 2012 and 2020, there were notable shifts in physician practice arrangements. For example, there was an 8 percentage point increase in the percentage of physicians that were employees and a 4 percentage point increase in the percentage of physicians that were either directly employed by or contracted directly with a hospital. Earlier, Exhibit 1 showed that physician employees were more likely to be salaried than owners and physicians in hospitals were more likely to be salaried than those in single and multi-specialty practices. Since more physicians were employees or worked in hospitals, this likely shifted the percentage of physicians that were compensated by salary. Nonetheless, certain patterns, such as the uptick in the prevalence of compensation from personal productivity (which employees and physicians in hospitals are *less* likely to be involved in) suggest that the increase in prevalence of some compensation methods occurred independently of changes in physician practice arrangements.

Methods received exclusively, or that account for more than half of compensation

The previous section provides perspective on compensation methods that play a role in physician income, exploring trends and differences across practice arrangements. However, that analysis does not shed any light onto how heavily each method factors into physician income. Notably, the 2012 to 2020 shift away from compensating physicians by a single method and towards two or more methods suggests that each compensation method on an individual basis would, in 2020, account for a smaller share of physician compensation than in 2012. This section assesses related trends and breakouts. To begin, physicians are distributed into mutually exclusive categories based on whether *all* of their compensation or only more than half but not all their compensation came from salary, personal productivity, or practice financial performance over the 2012 to 2020 period. For physicians that received more than half but not all of their compensation from salary, those that also received at least some compensation from a bonus are distinguished from those that did not.

Trends from 2012 to 2020

The percentage of physicians that received more than half their compensation from salary steadily increased from 51.0 percent in 2012 to 57.9 percent in 2020 (Exhibit 4). However, there were differences in the combination of methods involved in the compensation of these physicians. Notably, from 2012 to 2020, the percentage of physicians that received all their compensation from salary decreased by 2 percentage points (from 20.0 percent to 18.0 percent) while the percentage of physicians that received most of their compensation from salary and at least some from a bonus increased by 8 percentage points (from 18.3 percent to 26.6 percent). These patterns are consistent with the earlier discussion on the increasing prevalence of salary and bonus as compensation methods (Exhibit 2) and the shift towards multiple compensation methods (Exhibit 3).

The percentage of physicians that received more than half their compensation based on personal productivity slightly declined from 30.2 percent in 2012 to 27.8 percent in 2020. Driving this change is a 5 percentage point decrease in the percentage of physicians receiving all their compensation from personal productivity outpacing a 2 percentage point increase in the percentage of physicians receiving most but not all their compensation from personal productivity. Thus, despite the prevalence of personal productivity increasing (Exhibit 2), 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.

Finally, the percentage of physicians that received all their compensation from practice financial performance declined to nearly half of what it was in 2012 - from 7.6 percent to 3.9 percent in 2020. This may relate to the aforementioned shift away from physicians having an ownership stake in their practice over this period (see Kane 2021) and owners tend to rely more heavily on practice financial performance in their compensation compared to employees (discussed later).

Patterns across practice arrangements in 2020

This section focuses on how the 2020 compensation shares described above differ by physician practice arrangements. New to this PRP is a more focused viewpoint than in the past. Previous PRPs on this topic examined differences in the intensity of use of compensation methods between all physician owners and all physician employees. However, in this installment, physicians in private practice (physician-owned practices) are examined to better understand how physician owners and the physicians they employ compare in terms of their compensation structure. This section also examines the compensation structure of physicians employed in private practices compared to those employed in hospital-owned practices. Finally, as in previous PRPs, differences in the intensity of use across physician specialty are examined.

Differences within private practice

Within private practices, 70.8 percent of employees received most of their compensation from salary compared to only 31.5 percent of owners (Exhibit 5).³ Notably, employees (27.7 percent) were more likely than owners (5.6 percent) to receive all their compensation from salary. In contrast, owners (24.2 percent) were more likely than employees (13.9 percent) to receive all their compensation from personal productivity. Nonetheless, it is noteworthy that, for roughly one fifth of employees in private practice (19.3 percent), more than half their compensation was based on productivity. Finally, 10.1 percent of owners received all their compensation based on practice financial performance while this method was almost never used for private practice employees.⁴ These differences illustrate that physician owners of a private practice generally have a different compensation structure from the physicians they employ, with the owners relying more heavily on variable compensation methods while employees are given a more salary-driven and fixed compensation structure.

Differences across ownership structure

The data presented in Exhibit 5 also show that the compensation structures of employees differed across practice ownership structure (private practice compared to hospital-owned practices).⁵ Although both practice ownership structures rely heavily on salary to compensate employees, the combination of methods used in tandem with salary differ. Employees in private practice were more likely than those in hospital-owned practices to receive all their compensation from salary (27.7 percent compared to 19.9 percent) and to receive more than half but not all their compensation from salary but no bonus (18.5 percent compared to 15.3 percent). In contrast, employees in hospital-owned practices were more likely to receive more than half their compensation from salary along with a bonus (32.4 percent) than employees in private practice (24.6 percent). Also notable, 10.9 percent of employees in hospital-owned practices had more than half but not all their compensation depend on productivity compared to only 5.4 percent of employees in private practices.

³Exhibit 5 excludes physicians that were independent contractors.

⁴Generally, it should be noted that the qualitative nature of these differences for private practice fall in line with overall differences between owners and employees (2020 data not shown, see Rama 2020 for 2018 data).

⁵Exhibit 5 excludes physicians that were owners of a practice that was jointly hospital-owned (N=139) and physicians that were directly employed by a hospital (N=291).

Differences across physician specialty

The specialty results show that salary is an important driver of compensation in most physician specialties (Exhibit 6). The percentage of physicians indicating that more than half of their compensation came from salary ranged from 37.7 percent of surgical subspecialists to 70.8 percent of psychiatrists. The specialty breakdown also illustrates what was noted at the outset of this PRP, that many physicians have a compensation structure that relies heavily on salary with a bonus. In fact, for physicians in nine of the 12 specialty groups, the most common compensation structure was more than half of compensation coming from salary with a bonus. The exceptions were psychiatrists and obstetricians/gynecologists, among whom receiving all compensation from salary was the most common method, and surgical subspecialists, among whom receiving all compensation based on productivity was most common. In fact, 50.0 percent of surgical subspecialists received more than half of their compensation from personal productivity, whereas for the 11 other specialties, this percentage ranged from 14.7 percent (radiologists) to 30.8 percent (family practice physicians). Finally, less than 10 percent of physicians in all specialty groups but one indicated that all of their compensation was based on practice financial performance. Only radiologists did not fit this pattern as nearly one fifth (17.6 percent) indicated that their compensation depended solely on practice financial performance.

Conclusion

Based on data from the AMA Physician Practice Benchmark Surveys, this Policy Research Perspective (PRP) provides an in-depth look into the compensation methods that factor into the income of physicians (excluding solo practitioners). Over the 2012 to 2020 period, the data show that physicians were increasingly compensated by multiple methods with a notable shift towards compensation that relied heavily on salary but that also incorporated a bonus.

In 2020, salary was the most prevalent method, with over two thirds of physicians (67.0 percent) receiving at least some compensation from salary. Personal productivity followed, with 55.5 percent of physicians receiving at least some compensation from this method. There were differences in these patterns across physician employment status and practice type. Employees were more likely than owners to have at least some salary in their compensation (a 31 percentage point difference) while owners were more likely than employees to have at least some of their compensation depend on personal productivity (a 12 percentage point difference) and, more striking, practice financial performance (a 30 percentage point difference). Compared to physicians in single and multi-specialty practices, those in hospitals or other practice types had a higher percentage receiving at least some compensation from salary (at least a 14 percentage point difference) and a lower percentage receiving at least some compensation from personal productivity (at least a 15 percentage point difference).

The compensation of most physicians relied heavily on salary (i.e., 57.9 percent received more than half their compensation from salary) while over a quarter of physicians relied heavily on personal productivity (i.e., 27.8 percent received more than half their compensation based on personal productivity). However, between 2012 and 2020, there was a decrease in the percentage of physicians compensated *only* from salary (by 2 percentage points), personal productivity (by 5

percentage points), and practice financial performance (by 4 percentage points). Commensurate with those decreases was an increase in the percentage of physicians receiving more than half but not all of their compensation from salary and some from bonus (by 8 percentage points) and receiving more than half their compensation from personal productivity (by 2 percentage points). This relates to the trend of physicians increasingly being compensated by two or more methods. In 2012, most physicians (51.8 percent) were compensated by a single method compared to only 40.8 percent of physicians in 2020. As such, 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.

This PRP highlights several important differences in the intensity of use of compensation methods that relate to physicians' employment status, practice ownership type, and specialty. First, it illustrates that physician owners of a private practice generally have a different compensation structure from the physicians they employ. Among physicians in private practices, 70.8 percent of physician employees received most of their compensation from salary compared to only 31.5 percent of physician owners. Owners, however, were more likely than employees to rely heavily on personal productivity and practice financial performance in their compensation. Further, both private practices and hospital-owned practices rely heavily on salary to compensate employees, although the combination of methods used in tandem with salary differ. Notably, employees in private practices were less likely (by 8 percentage points) than employees in hospital-owned practices to receive most of their compensation from salary with a bonus but more likely (by 8 percentage points) to receive all their compensation from salary. Lastly, salary was an important driver of compensation across physician specialties. In almost all physician specialties studied, a bonus paired with more than half of compensation coming from salary was the most common compensation structure. Surgical subspecialists were a notable exception. Fifty percent of physicians in this specialty group received more than half their compensation from personal productivity.

References

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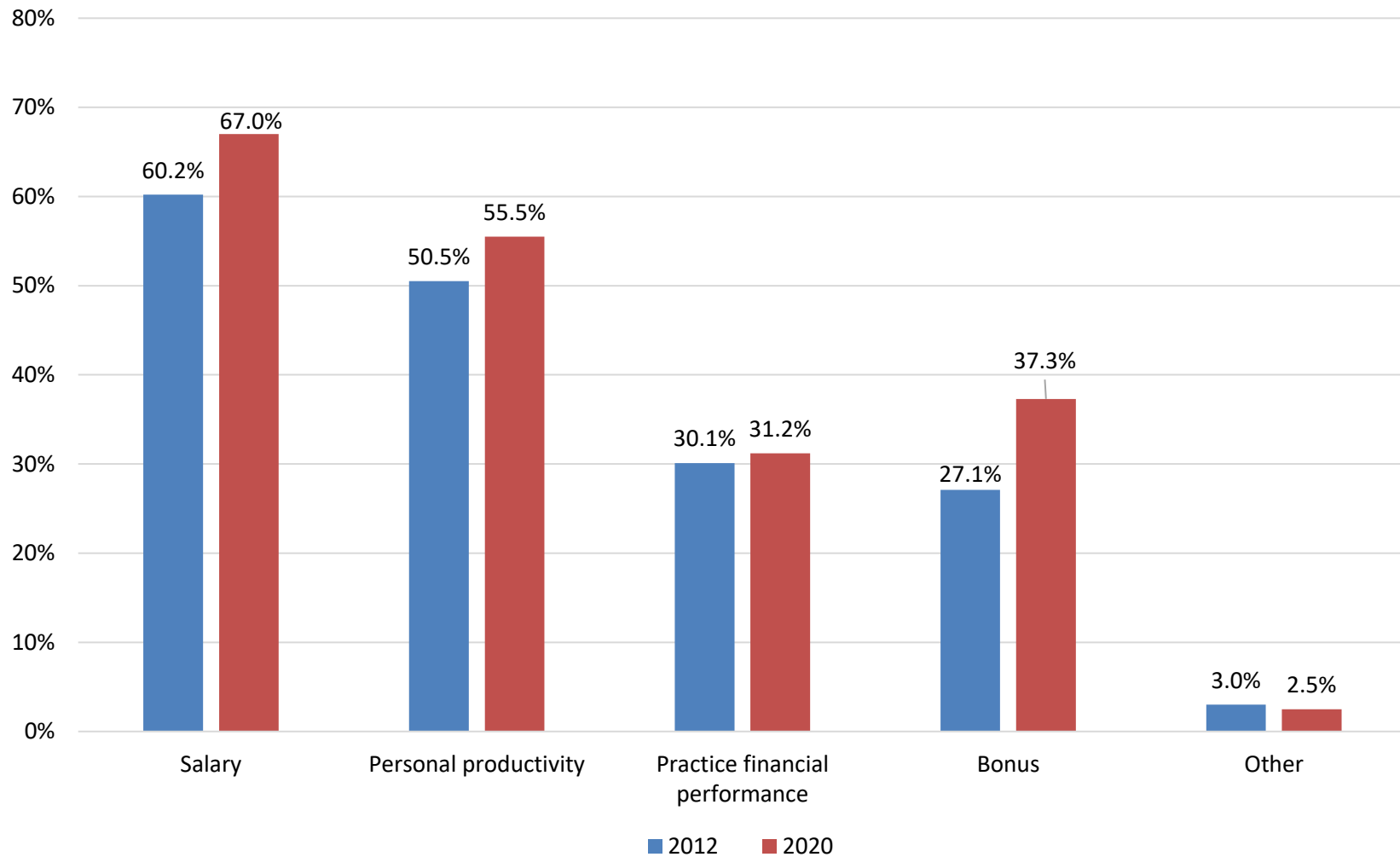
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Exhibit 1. Prevalence of physician compensation methods by employment status and practice type (2020)

	Salary	Personal productivity	Practice financial performance	Bonus	Other	N
All physicians	67.0%	55.5%	31.2%	37.3%	2.5%	3011
Employment status						
Owner	48.7%	63.2%	50.1%	33.2%	1.4%	1110
Employee	80.0%	51.3%	20.6%	41.7%	2.1%	1715
Independent contractor	55.2%	49.4%	16.8%	21.0%	12.5%	182
Practice type						
Single specialty	59.5%	57.6%	35.8%	34.7%	1.9%	1503
Multi-specialty	66.9%	61.1%	29.4%	39.4%	1.7%	900
Hospital	89.6%	42.5%	19.5%	40.6%	2.4%	327
Other	81.2%	41.1%	25.9%	40.9%	8.2%	281

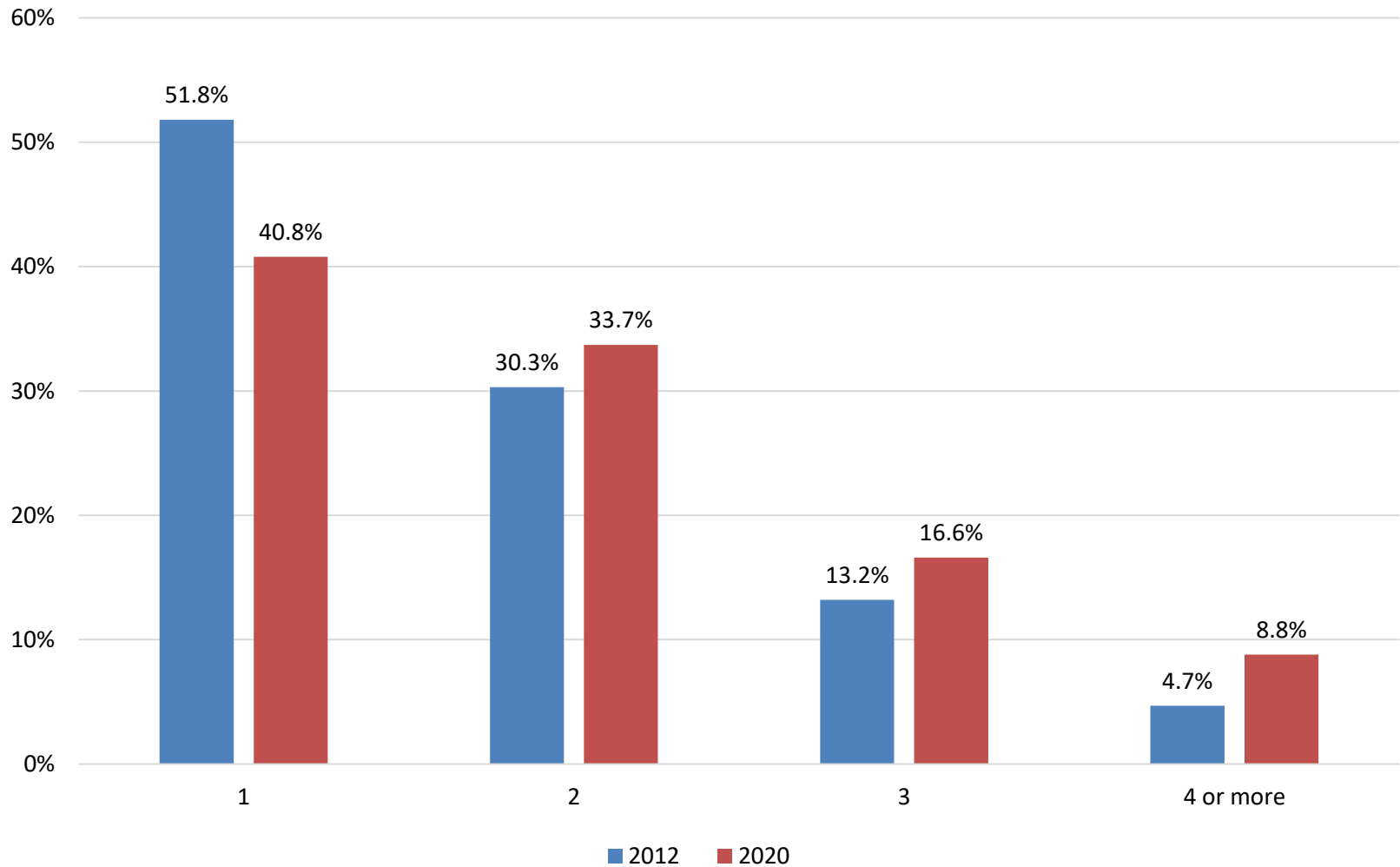
Source: Author's analysis of AMA 2020 Physician Practice Benchmark Survey. Physicians in solo practices are excluded from the analysis. The "all other" practice type category includes faculty practice plan, medical school, ambulatory surgical centers, urgent care facilities, HMO/MCOs, and fill in responses. Physicians in hospitals are either employees or independent contractors; physicians in any other practice type category can be owners, employees, or independent contractors.

Exhibit 2. Prevalence of methods in physician compensation (2012 vs. 2020)



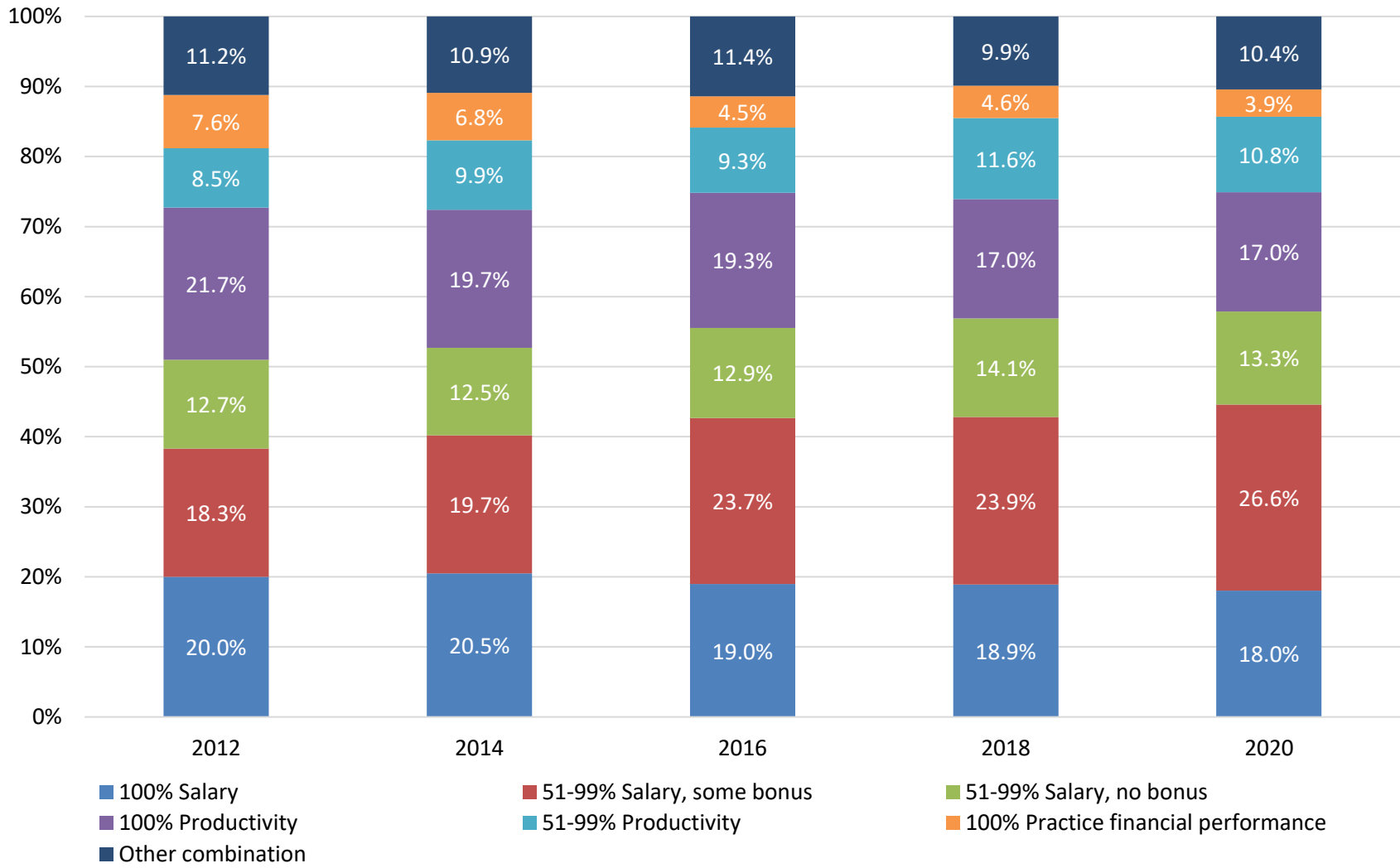
Source: Author's analysis of AMA 2012 and 2020 Physician Benchmark Surveys. Physicians in solo practices are excluded from the analysis.

Exhibit 3. Distribution of physicians by number of compensation methods (2012 vs. 2020)



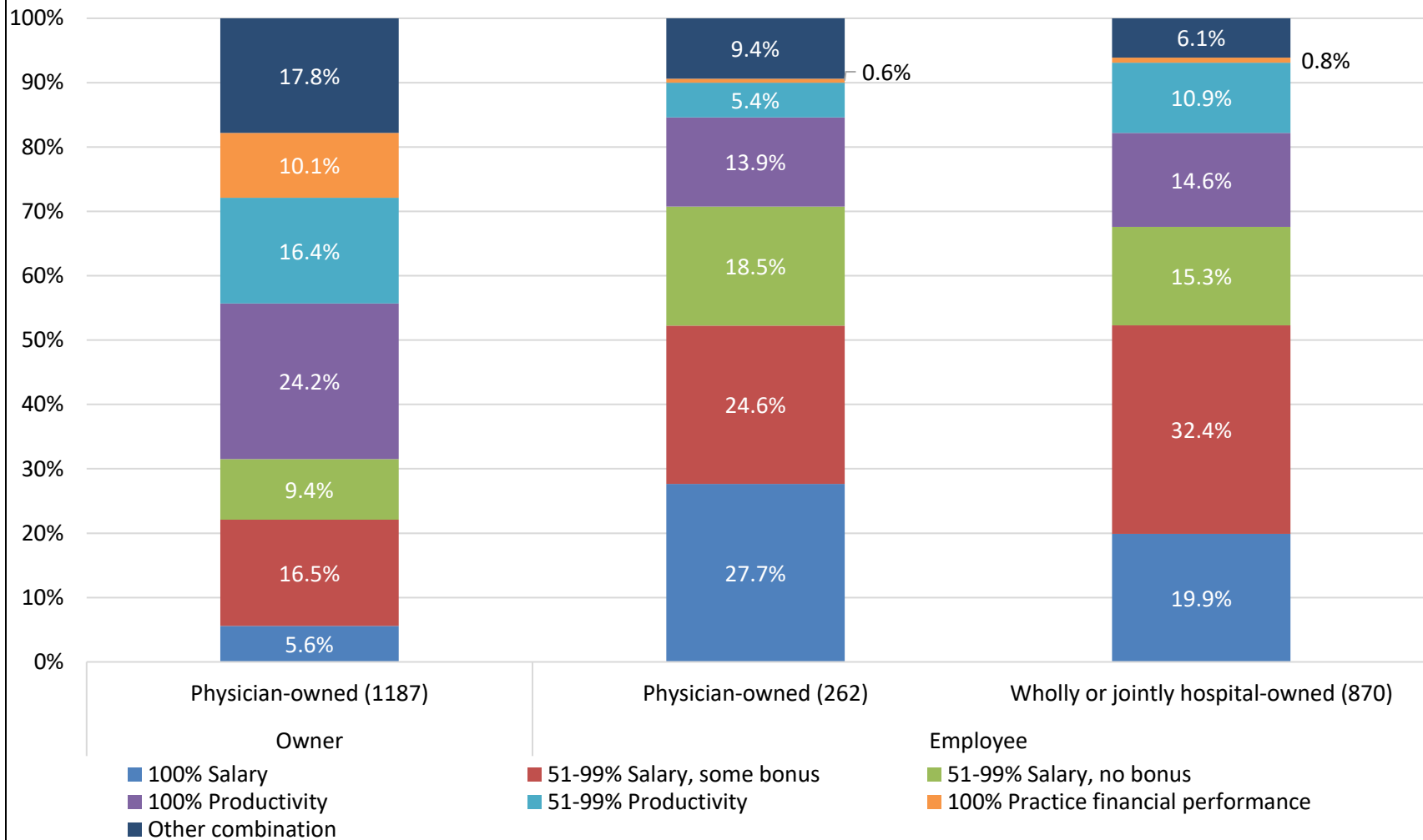
Source: Author's analysis of AMA 2012 and 2020 Physician Benchmark Surveys. Physicians in solo practices are excluded from the analysis.

Exhibit 4. Distribution of physicians by primary compensation method (2012-2020)



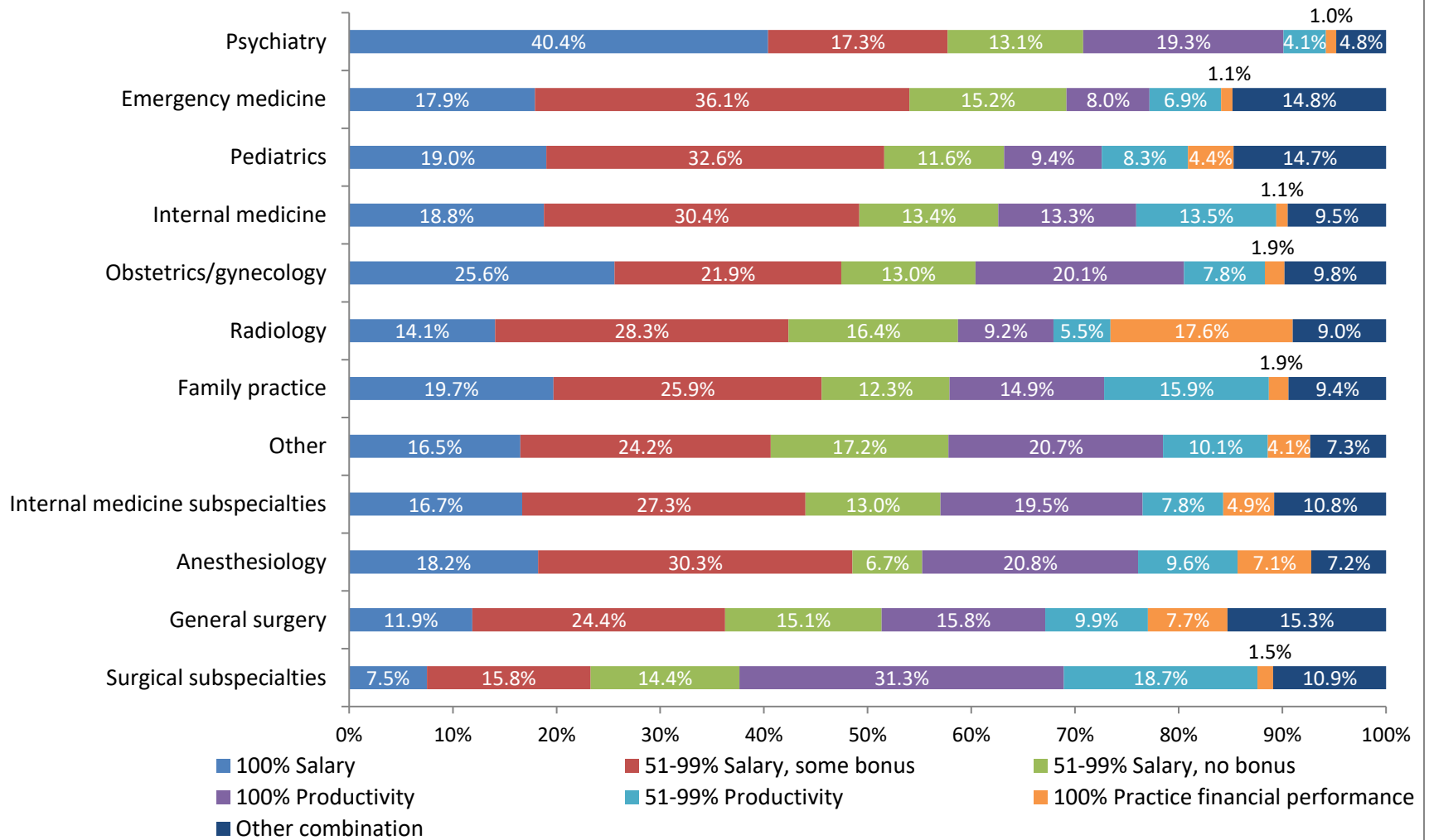
Source: Author's analysis of AMA 2012-2020 Physician Benchmark Surveys. Physicians in solo practices are excluded from the analysis.

Exhibit 5. Distribution of physicians by primary compensation method across practice ownership and employment status (2020)



Source: Author's analysis of AMA 2020 Physician Benchmark Survey. N are in parenthesis.

Exhibit 6. Distribution of physicians by primary compensation method across physician specialty (2020)



Source: Author's analysis of AMA 2020 Physician Benchmark Survey. Physicians in solo practices are excluded from the analysis.