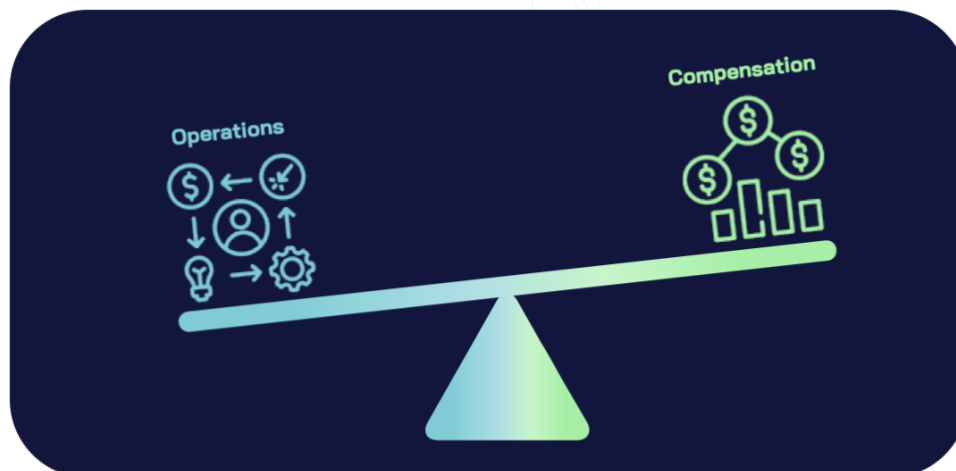


Physician Compensation: It's About Shared Accountability and Trust

Imagine a boat being rowed in opposite directions. Everyone is trying to reach a destination ahead, but they're constantly going in circles. Sounds frustrating, right? Well, it's exactly how we describe what physician and administrative leaders experience when there is minimal communication and no shared map of where they're all supposed to be heading – or *worse*, when the map is giving conflicting directions. If the goal is to be a high performing medical group that's well positioned to care for patients, then it's vital for physician and administrative leaders to be rowing toward the same objectives. [The best way to signal which objectives matter most is to ensure that physician compensation is aligned with those strategic priorities.](#)

Like we wrote in July 2022, [there's no magic formula for aligning physician compensation](#), but to get it right, you have to start with your purpose and strategy, *not the formula*. Why the medical group exists and what it intends to achieve is foundational and should be influenced by **both** physician and administrative leaders. To accomplish this, physician and administrative leaders have to be in the same room, candidly sharing thoughts on equal ground. Our experience validates that physician and administrative leaders each believe they're misunderstood by the other, and by having everyone collaborate to shape a common language through compromise and shared understanding, transparency and trust are built and can be sustained.

Once everyone is aligned on the strategy, and we've begun to establish trust and transparency, we can tackle the next hurdle: discussing how the group makes and spends money. While few people love talking numbers (besides our friends in accounting and finance, of course), we can't move forward with reimagining compensation until everyone understands the parameters of financial sustainability and defines the balance between risk and reward. As you can imagine, this looks different for each medical group, so it's important to openly debate (see a recurring theme?) whether the group thinks each revenue and expense category should be dictated by the operating model or the compensation model.



Let's look at it in action: [we partnered with a health system employed medical group to reimagine compensation for their primary care physicians](#). The hospital leaders felt like they were writing blank checks each year as losses in the medical group continued to increase. We discovered that physician and administrative leaders were not aligned on the strategy of the group, physicians felt burned out and under-appreciated (exacerbated by their wRVU comp plans), and it was difficult to recruit and retain top talent due to larger competitors and disruptive primary care organizations that were moving into the area. Not to mention the administrative time associated with quarterly reconciliations, and physicians feeling like they couldn't take PTO due to potential clawbacks – to put it bluntly, *no one was winning*.

We recognized the need to transition to a compensation model based on **panel size**—not wRVUs—and to create strong core values for the group to rely on. Through consistent conversation and collaboration, the medical group shifted to focusing on people and lives rather than solely rewarding burn and churn wRVUs. Although there wasn't (and isn't) a magic formula, *there was magic* that happened during the process when we brought together physician and administrative leaders to develop a strategically aligned, financially sustainable compensation plan.

The main takeaway from this work (and others) is that throwing money at physicians to solve problems doesn't work. What does work is aligning mission and strategy through collaboration and ensuring all voices across the medical group are heard and understood. This builds trust between physician and administrative leaders and empowers everyone to serve patients to the best of their ability, while also keeping the medical group financially strong. After all, a rising tide lifts all boats.

Ready to row in the same direction? Contact us today:

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