



Medical Oncology
Compensation Survey Report 2013

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Background

During the past five years there has been a significant shift in the relationship between medical oncology practices and hospitals. The traditional, physician-owned practice has given way to alignment with health systems, largely through professional service agreements (“PSAs”) and employment. In fact, one study¹ found that during the past six years, more than 450 medical oncology practices either entered into a contractual relationship with a hospital (e.g., PSA) or were acquired (e.g., employment). Revenue deterioration through an increasingly poor payor mix and a declining reimbursement schedule are the primary impetus of this market shift towards alignment, but qualitative factors, such as the desire for better work life balance, have also contributed to the transition. This alignment has resulted in cost savings and quality improvement through new, more integrated health care delivery models.

While movement from private practice to an integrated model is not exclusive to medical oncology, medical oncologists, and their relationship with hospitals, present unique and interesting challenges. Unlike other specialties, a private medical oncology practice is driven largely by non-evaluation and management (“E&M”) services, (i.e., infusion therapy). Infusion accounts for around 20% of a medical oncologist’s work relative value units (“WRVUs”) and around 80% of the practice income². Once the physicians are employed, the infusion therapy that was previously billed under the physician fee schedule in an independent practice often switches to provider based billing³. For the hospital, provider based billing is very advantageous because the reimbursement rates are higher. But, because the infusion is billed through the hospital’s provider based billing schedule, it is slightly more difficult to attribute WRVUs from infusion supervision to a specific physician. While the inclusion or exclusion of infusion services supervision impacts medical oncology compensation significantly, current nationally published survey sources do not discriminate between the two, making it increasingly difficult to develop a compensation plan that returns a fair market value level of total cash compensation.

¹ *Community Oncology Practice Impact Report*, Community Oncology Alliance.

² INTEGRATED Healthcare Strategies’ proprietary database.

³ If the facility in which the infusion takes place is not converted to a “hospital” facility (for which there are various requirements), then the infusion services could remain under the physician fee schedule even while the physicians are employed.

Introduction

To better understand industry current practices in this area, INTEGRATED Healthcare Strategies (“INTEGRATED”) initiated a national survey of leading healthcare organizations in the Spring of 2013. A total of 39 healthcare organizations are included in our report, representing nearly 500 employed and independently contracted medical oncologists.

The following results of INTEGRATED’s 2013 Medical Oncology Compensation Survey provide insight on the typical industry practices for medical oncology compensation design today, with specific attention paid to infusion services and supervision/administrative compensation, as well as commentary on compensation trends for this specialty.

Survey Findings Highlights

The vast majority of our survey respondents represent medical oncologists that are employed or independently contracted (e.g., through Professional Services Agreements, Management Services Agreements, and Co-Management Agreements). Although most of our participants offer similar medical oncology services, compensation for these services can vary typically based on the relationship between physicians and practices.

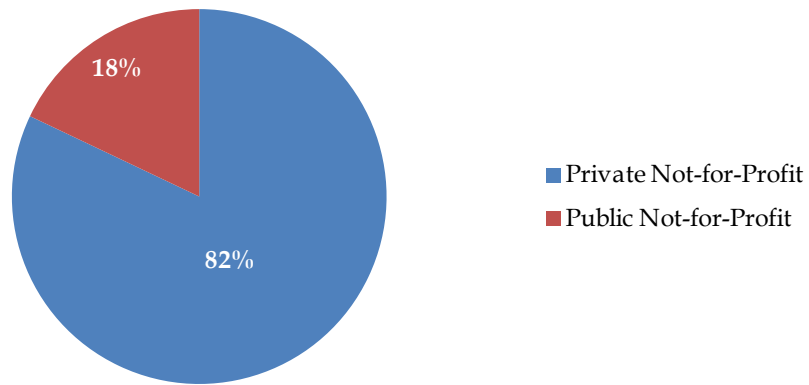
Key survey findings include:

- ◆ It is more common to find guaranteed base salaries under employment models than PSAs
- ◆ Over 75% of the participants providing a salary or stipend for administrative services employ the medical oncologists
- ◆ Nearly 70% of medical oncologists receiving total WRVU credit for infusion services are employed
- ◆ Compensation for infusion services supervision is predominantly determined by actual WRVU credit based on billed infusion services supervision codes or a compensation per WRVU rate with this supervision “built-in”
 - It is more likely for independently contracted medical oncologists to utilize actual WRVU credit based on billed infusion supervision codes
- ◆ Advanced Practice Clinicians (APCs) are predominantly compensated by either a base salary or hourly rate
 - Of the APCs that are compensated with a base salary, 75% are employed by a hospital or health system

Organization Information

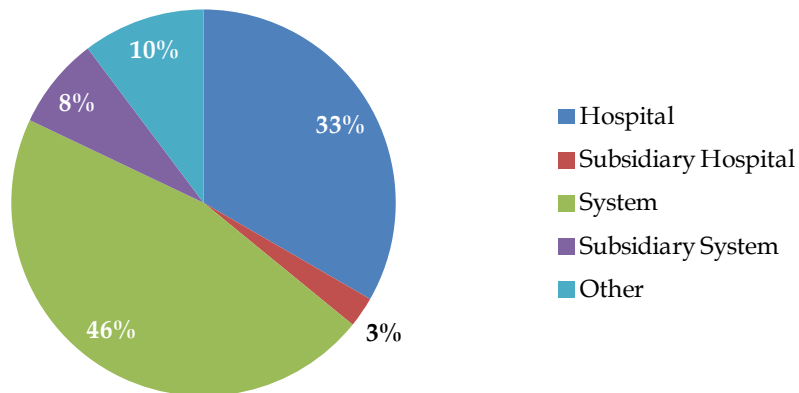
All of the survey participants represent hospitals, health systems, and subsidiaries that are not-for-profit. A detailed list of participants has been included at the end of this report.

Type of Ownership



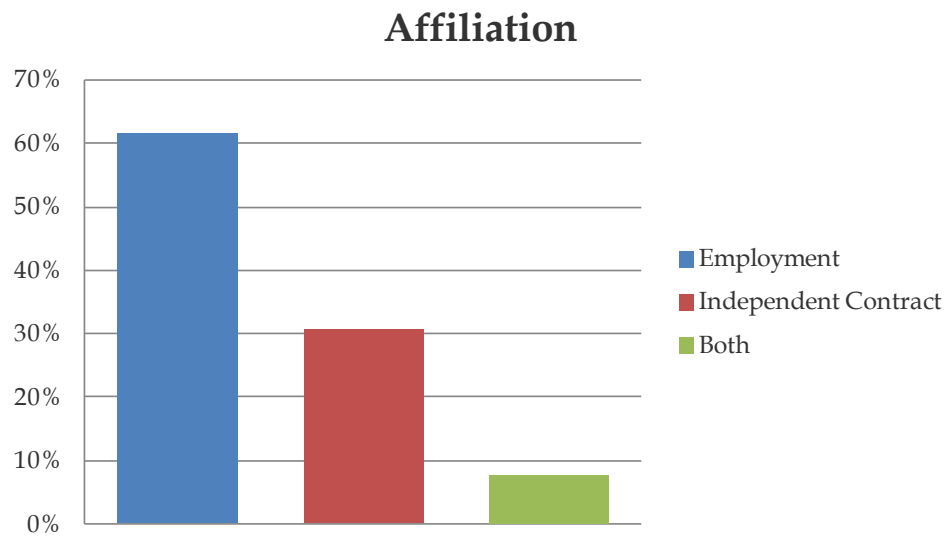
Participants are comprised primarily of hospitals, health systems, and subsidiaries, shown below:

Type of Organization



Service Line Size & Alignment

All of the participants included in this report represent employment and independent contract relationships. Those who answered both (e.g., medical oncology service line comprised of both independent contractors and employees) include private independent contract groups with employed medical directors/administrators. Typically, it is the distinction between employed medical oncologists and independently contracted medical oncologists that can have the greatest influence on the structure of physician compensation models.



Illustrated above, just over 60% of medical oncologists represented in this report are employed. Independent contractors comprise just over 30% of our sample, while the remaining 8% is comprised of the portion of organizations who have employed medical directors providing administrative duties over independently contracted medical oncology service lines.

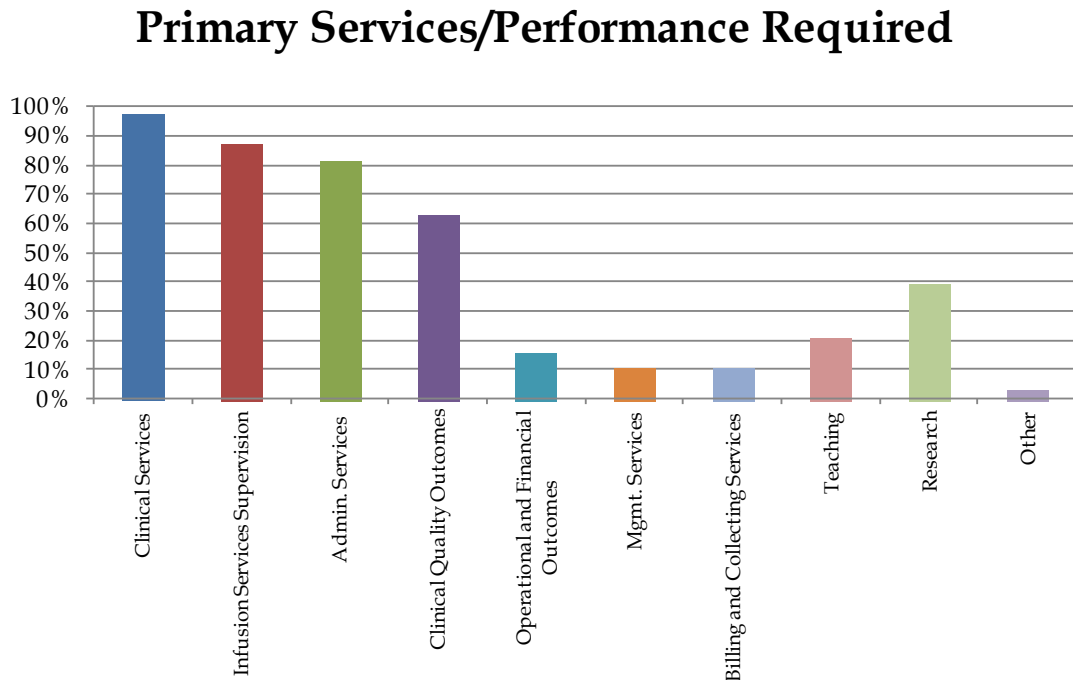
A full-time equivalent (FTE) oncology physician is defined as one who spends at least four full days per week in clinic seeing patients, part of the fifth day on clinic business, and shares call equally with other physicians⁴. According to a presentation given at the 2013 Cancer Center Business Summit, the market median practice size for oncology, regardless of physician type (i.e., employee versus independent contractor) is approximately 5 FTE physicians⁵. For our sample, the median size of medical oncology practices that employ physicians is lower than market median, at 4 FTE physicians. Service lines comprised of independently contracted physicians, on the other hand, are much larger with a median of 8 FTE physicians.

⁴ 2013 National Practice Benchmark Data, Thomas R. Barr.

⁵ 2013 National Practice Benchmark Data, Thomas R. Barr.

Primary Services

To gain a better understanding of the services or performance required of the employed or contracted medical oncologists, we had participants select as many choices as appropriate from predefined categories. The following graph shows the typical service requirements of medical oncology practices:

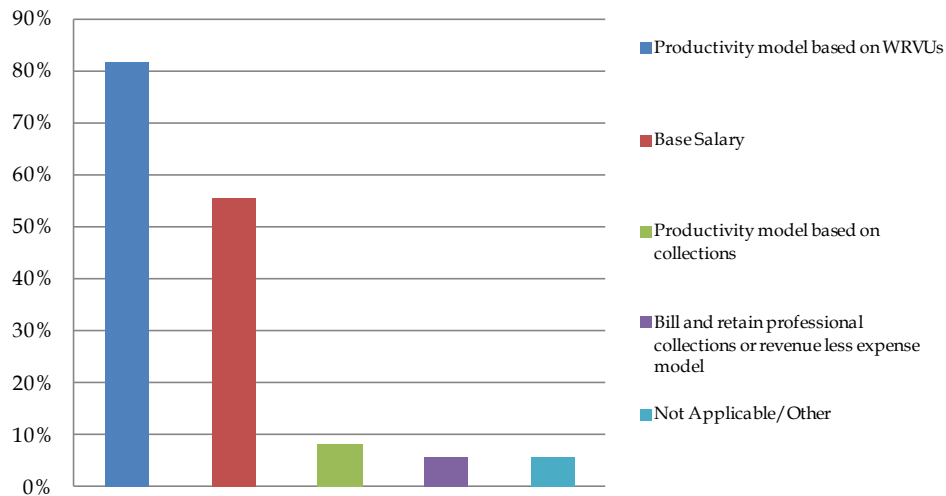


Medical oncology practices are most likely to require clinical services, infusion supervision, administrative services, and clinical quality outcomes. Other categories such as teaching, research, and operational and financial outcomes were also prevalent. While these services and performances are fairly standard across all forms of physician-practice alignment, compensation for the appropriate service or performance, as explained below, can vary.

Clinical Compensation

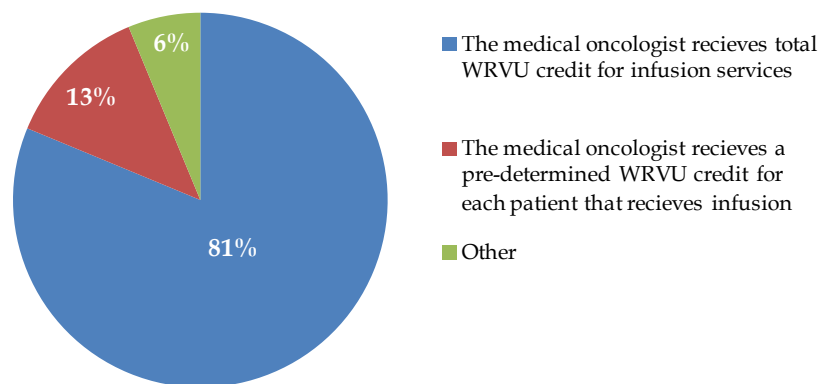
Compensation for medical oncology clinical services is generally composed of multiple components. Approximately 50% of organizations reported having a some blend of a productivity model (either based on WRVUs or based on collections), base salary, compensation based on billing and retaining professional collections or revenue less expense model, or other forms of compensation. Based on the data provided, there is no trend between alignment and clinical cash compensation that is composed of multiple components. However, of the base salary only compensation packages provided, 75% were from organizations that employ medical oncologists, which suggests that there may be a positive correlation between the two.

Clinical Compensation



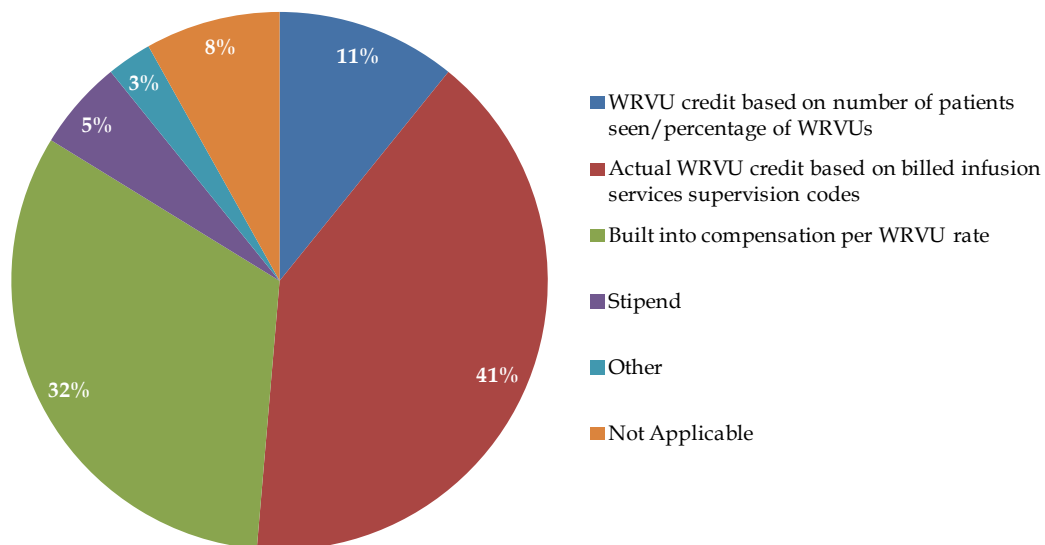
For many participants, a portion of the WRVUs that comprise an oncologist’s clinical compensation is related to the administration of infusion services. A breakdown of how organizations credit WRVUs to medical oncologists is provided on the next page. Of the 13 participants receiving total WRVU credit for infusion services, 50% employ medical oncologists, suggesting further that the physician-provider alignment plays a large role in determining the compensation for medical oncologists.

WRVU Credit for Infusion Services



In addition to clinical compensation, approximately 40% of the participants reported separate compensation for infusion services supervision. The primary method of compensating physicians for infusion services supervision, as illustrated on the following table, is through actual WRVU credit based on billed infusion services supervision codes or a built-into compensation per WRVU rates.

Infusion Services Supervision Compensation

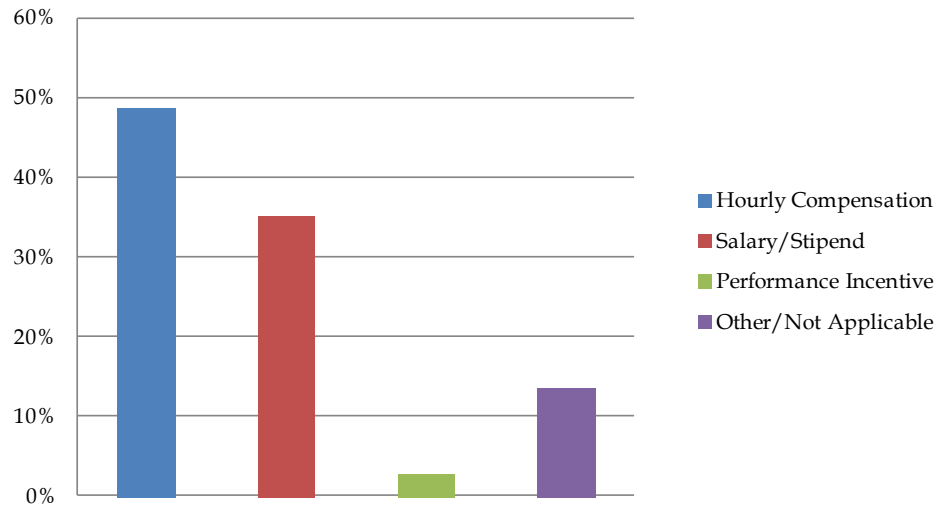


Infusion services supervision compensation models were distributed evenly for employed physicians, with 10 physicians having infusion services supervision compensation built into their clinical compensation per WRVU rate and 9 physicians receiving actual WRVU credit based on billed infusion supervision codes (with the remaining 2 receiving WRVU credit based on the number of patients seen). Independently contracted physicians had a more skewed distribution, with 50% of the 12 participants receiving actual WRVU credit based on billed infusion services supervision codes and the remainder split between the other categories. Reiterating the differences in compensation methods due to the relationship between providers and practices, it is more likely for independent contract alignments to utilize actual WRVU credit based on billed infusion supervision codes, based on the participant data.

Administrative Compensation

Consistent with market best practices, most administrative compensation packages provided were on an hourly basis (capped at a maximum annual amount) or a salary/stipend. The remaining 20% participants reported having other forms of administrative compensation or none at all. It is important to identify that, unlike clinical compensation, administrative compensation packages are typically defined by a single component. Of the 35 participants who provided information on administrative compensation, only 2 had models comprised of more than one component. 13 participants reported having salaries/stipends for administrative compensation, and of these, over 75% employ medical oncologists, which suggests further that there is a relationship between alignment and compensation for medical oncologists.

Administrative Compensation



We have found the data provided above on administrative compensation to be in line with market norms based on our experiences working with medical oncology practices. From INTEGRATED's 2013 Medical Director Survey Report, the following statistics were reported on administrative compensation for Cancer Center/Oncology⁶:

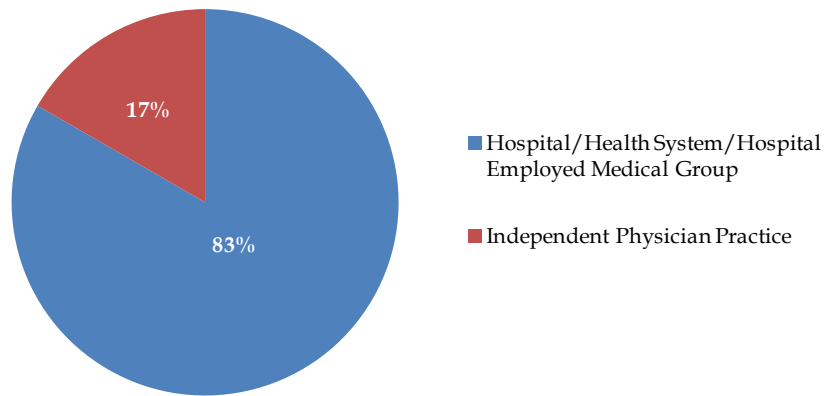
Organization	Statistic	Count	Mean	P25	P50	P75	P90
Compensation Data per Organization	Base Compensation						
	Dollars Paid per Year	57	\$151,144	\$36,000	\$75,000	\$181,000	\$435,790
	Average Hourly Rate	51	\$187.29	\$140.30	\$173.06	\$214.94	\$280.77
	Incentive Compensation						
	Average Percentage Opportunity	11	27.0%	11.0%	20.8%	35.8%	42.9%
	Average Percentage Earned	3	*	*	*	*	*
	Total Compensation						
	Dollars Paid per Year (Including Incentives Earned)	57	\$153,577	\$38,437	\$75,000	\$181,000	\$435,790
	Average Hourly Rate	51	\$190.46	\$140.31	\$175.00	\$219.95	\$283.61
	Hours Worked						
Total Hours Worked per Year	49	771	239	452	980	2,080	
Organization Demographics	Net Revenue (Millions)	53	\$885.2	\$299.4	\$518.9	\$853.0	\$2,483.0
	Number of Beds	54	906	340	485	882	2,408

⁶ The complete table from INTEGRATED's 2013 Medical Director Survey Report has been included in the Appendix.

Advanced Practice Clinician Support

75% of the survey participants are supported by APCs, defined as nurse practitioners or physician assistants. The distribution between employed and independently contracted APCs is as follows:

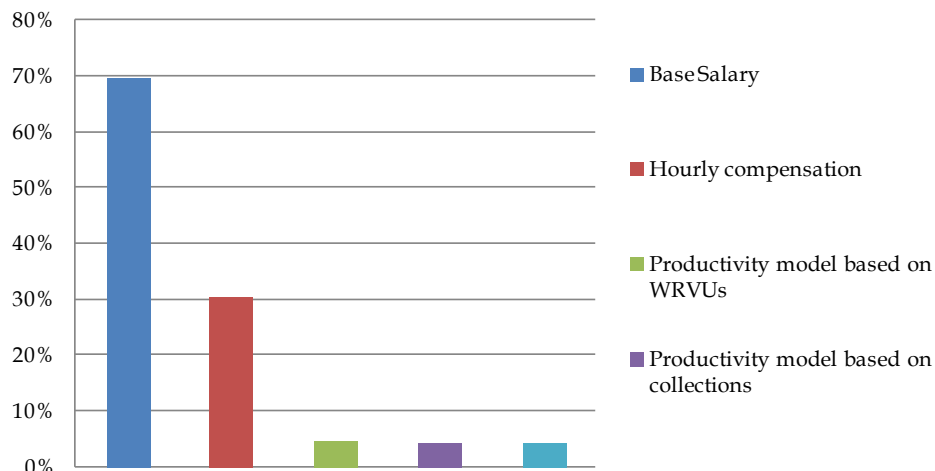
APC Alignment



Over 80% of the APCs providing support to medical oncologists are employed by the hospital or health system, which is due to the fact that the majority of survey respondents were from physician employment settings. Consistent with market norms, the employment status of FTE's is aligned with the employment status of the medical oncologists.

Most APCs were compensated primarily with a base salary or through an hourly rate. Other compensation methods, such as a productivity model based on WRVUs or collections and individual performance models, were also provided, but far less prevalent. Of the APCs that are compensated with a base salary, 75% are employed by a hospital or health system, which follows the positive correlation between base salaries and employees represented in the aforementioned clinical cash compensation analysis. A detailed table with APC compensation figures is also provided on the following page.

APC Compensation



From INTEGRATED's 2011-2012 Advanced Practice Clinician Survey, the following statistics were reported on APC compensation in Hematology/Oncology service lines:

	Count	Average	P10	P25	P50	P75	P90
Hourly Compensation							
Base Salary Rate	390	\$44.52	\$36.55	\$39.40	\$43.63	\$48.07	\$53.34
Range Minimum	327	\$35.48	\$30.67	\$33.34	\$35.29	\$37.05	\$39.97
Range Maximum	327	\$54.78	\$49.85	\$51.68	\$54.90	\$56.45	\$60.84
Annual Compensation							
Total Cash Compensation	390	\$96,586	\$76,128	\$83,562	\$91,692	\$102,116	\$115,247
Annual Productivity							
Professional Charges	31	\$261,982	\$110,616	\$145,423	\$250,845	\$289,378	\$417,413
Professional Collections	25	\$152,014	\$80,636	\$87,322	\$135,653	\$159,575	\$195,047
Work RVUs	46	1,513	530	803	1,158	1,853	2,958
FTE Status							
FTE Status	373	0.91	0.57	1.00	1.00	1.00	1.00

Conclusion

The current overall state of medical oncology is being redefined by different forms of physician-practice alignment. Currently, as suggested by the participants included in this report, there is an indication that the alignment model (i.e., employed or independently contracted) of the practice has distinct implications to compensation and billing methods, most significantly represented through base salary clinical and administrative compensation models, WRVU credit for infusion services, and compensation for infusion services supervision. INTEGRATED recommends that organizations consider these differences when developing compensation plans for medical oncologists.

List of Organizations Included in This Report

Organization Name:	City:	State:
Allegiance Health	Jackson	MI
Augusta Health	Fishersville	VA
Broward Health	Fort	FL
Cone Health	Greensboro	NC
Continuum Health Partners	New York	NY
Central Texas Medical Center	San Marcos	TX
Dignity Health	Redding	CA
Frederick Regional Health System	Frederick	MD
Hartford HealthCare	Hartford	CT
Hays Medical Center	Hays	KS
HealthEast Care System	St. Paul	MN
Hendrick Health System	Abilene	TX
IHA Health Services Corporation	Ann Arbor	MI
Inova-OHLR	Leesburg	VA
Memorial Cancer Institute	Hollywood	FL
Mercy Health Partners	Toledo	OH
Monongalia County General Hospital	Morgantown	WV
Mount Sinai Medical Center	New York	NY
Norton Hospitals, Inc.	Louisville	KY
Norwalk Hospital	Norwalk	CT
Phoebe Putney Health System	Albany	GA
Pinnacle Health System	Harrisburg	PA
Providence Hospital	Mobile	AL
Rapid City Regional Hospital	Rapid City	SD
Saint Francis Health System	Tulsa	OK
Saint Francis Medical Group	Hartford	CT
Southeast Health	Cape	MO
St. Joseph's-Candler	Savannah	GA
St. Rita's Medical Center	Lima	OH
Stamford Hospital	Stamford	CT
Straub Clinic & Hospital	Honolulu	HI
Sutter Pacific Medical Foundation	Santa Rosa	CA
Terrebonne General Medical Center	Houma	LA
Thompson Oncology Group	Knoxville	TN
UHS	Johnson City	NY
University Health System	Knoxville	TN
Wellmont Medical Associates, Inc.	Kingsport	TN
West Michigan Cancer Center	Kalamazoo	MI

Medical Oncology Compensation Survey

Appendix

Barr, Thomas R. 2013 *National Practice Benchmark Report*. Oncology Metrics, a Division of Altos Solutions.

Community Oncology Alliance (COA). (2013). *Community Oncology Practice Impact Report*. Retrieved August 7, 2013. http://www.communityoncology.org/UserFiles/Community_Oncology_Practice_Impact_Report_6-25-13F.pdf

INTEGRATED's 2013 Medical Director Survey Report (Cancer Center/Oncology Table):

GENERAL INFORMATION		COUNT
Organizations	Number of Organizations	59
	Pay Hourly Rate	28
	Pay Fixed Amount	16
	Did Not Respond	15
	Offer Incentive Opportunity	11
	Do Not Offer Incentive Opportunity	48
Physicians	Total Number of Physicians	90
	Number of Employed Physicians	52
	Number of Independent Contractor Physicians	34
	Did Not Respond	4

ORGANIZATION	COUNT	MEAN	P25	P50	P75	P90	
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Oncology Metric's 2013 National Practice Benchmark Report:

Hematology/Oncology Practice Size

