4sight Health Roundup

The Irrationality of Physician Compensation

June 6, 2024

David Burda:

Welcome to the 4sight Health Roundup podcast, 4sight Health podcast series for healthcare revolutionaries, outcomes matter customers count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. It is Thursday, June 6th. Today is the 80th anniversary of the D-Day landing in Normandy, France. More than 2,500 US troops were killed that day, and more than 5,000 wounded. They made the ultimate sacrifice to defeat Nazi Germany and other fascist dictators in Europe who wanted to take over the world. You don't have to run across a wide beach under heavy machine gun and artillery fire to stop fascism in the us. All you have to do is vote against a wannabe fascist dictator on November 5th. Oh, and he's also a rapist and a convicted felon. This shouldn't be that difficult people, especially if you're in healthcare. And if you're in healthcare, you know that one of our ongoing conversations is physician compensation, and that's what we're gonna talk about on today's show with Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi, Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:

Well, Dave, thanks for bringing up D-Day. Such a tribute to America's Greatness and the Greatest of Generations. So thank you for doing that. But I gotta say June 6th always makes me a little bit sad, because that's the day Robert F Kennedy died after being shot by Sirhan Sirhan as he was about to I believe win the Democratic domination for President. And I always have wondered if he could have led the country out of Vietnam and continued the Great Society Program and prevented a lot of the harm that that came, you know, subsequently. So sad day too. Great day, but also a sad day.

The Irrationality of Physician Compensation

June 6, 2024

Burda:

Yeah. No, another thing that changed history. That's, that's for sure. Yeah. Julie, how are you?

Julie Murchinson:

I am well, I spent the last few days with the NCQA board talking about where quality measurements head with all these changes to delivery and technology and innovation, and let’s just say like, there's, there's so many exciting things that could happen with just a few tweaks here and there. So, I'm energized.

Burda:

Yeah, yeah. An optimistic tone. Before we talk about how and how much physicians make, let's talk about your connections to World, world War II. Dave, any friends or relatives fight in World War II, either in Europe or in the Pacific Theater?

Johnson:

Not really. My parents were Korean war generation which means my grandparents were, were too old to fight in World War in their relatives. Not to mention they were all in Norway. But so not, not really. Most of the veterans I know are either Korean War, Vietnam, or the Iraq wars including my new new best friend, perfecto Sanchez

Burda:

<Laugh>, right? Yeah. I'm in the same boat. I have to go back a couple generations, which I'll mention in a second. Julie, same thing. Any friend or family connections to World War II?

Murchinson:

The Irrationality of Physician Compensation

June 6, 2024

You know, my father and my father-in-Law, both served in the Navy and Army respectively, but more around Korean War days. And didn't see a whole lot of action. But we're very proud. I mean, very different generation than I think, you know, what we have today.

Burda:

Yeah, no, couldn't agree more. For me, my uncle Russ, who actually was my mom's uncle, fought in Europe. My uncle Joe, who was my dad's older brother fought in the Pacific. You know, like you, Dave, my dad was a Korean War, Korean war generation. And then my father-in-Law, Joe Sham, had also fought in the Pacific and World War II. They all came back, got married, got jobs, raised families, like it was no big deal. Truly amazing. You know, I complained when my back hurts after I do a little yard work as I open up a cold beer. What a life. <Laugh>, right? <Laugh>.

Murchinson:

They fought for you, Dave.

Burda:

They did. They did. You know, who also does a lot of complaining, doctors they complain about money. We're gonna talk about how and how much doctors get paid thanks to three new reports. One from the American Medical Association, one from the online physician platform, Doximity, and one from the Medical Group Management Association. Let me give you the top line findings of each and then get your reaction. The a MA report said 68% of doctors received at least some of their compensation from salaries in 2022. That's up from 60.2% in 2012. 55% of physician compensation came from salaries in 2022. That's up from 50.1% in 2014. The Doximity report said the average compensation per

The Irrationality of Physician Compensation

June 6, 2024

Dr. Rose 5.9% last year compared with a 2.4% decrease in 2022. More than one third of doctors. 36% said they were dissatisfied or very dissatisfied with their current salary and compensation package. That's the complaining part. The MGMA report said total median compensation for primary care physicians rose 4.4% last year. Surgical specialists enjoyed the same bump, 4.4% total. Median comp for non-surgical specialists rose just 1.8% last year. But the total median comp for advanced practice providers jumped 6.5% in 2023. Dave is always a lot to unpack here. What do you think about how we're paying physicians in the fact that it hasn't really changed much over the past decade? And how would you change that to create more value for consumers?

Johnson:

Hasn't changed much over the last decade: How about the last 50 years? Yeah. Yeah. Still fee for service driven, activity based, not linked to desired outcomes, still operating largely in concert with the hierarchical captain of the ship. All responsibility is my leadership model with which we acculturate physicians in medical school even today. So interdisciplinary interprofessional team-based care for far too many doctors remains an anathema. So, what do I think about how we're paying doctors and it, the fact it supports this archaic way of delivering medicine? Not much <laugh>. I particularly like the the Doximity report. The anomalies contained within are just breathtaking and speaks to the artificial nature of the, of medical compensation in the country. West coast doctors make more than East Coast doctors. Doctors in Boston and Washington DC are among the lowest paid, even though they live in two of the highest cost of living cities in the country. The gaping gender pay gaps and the fact that most male doctors don't believe there's a problem, high paid surgeons making three times more than primary care physicians. And we wonder why there's a shortage of

primary care physicians. On this last point, let me tell a story from when I was writing my first book market Versus Medicine. My friend Zeke Emanuel and I were doing case studies together. He was writing yet another of many of his, many books. And we went up to the Dean clinic in Madison to look at their model integrated system. They, in mid-Wisconsin, they had an insurance company that covered about half of their patient volume, and they really celebrated their primary care physicians. They took us to a clinic. Every time we asked, you know, they went on and on about how they were the physicians, they were the brand. They were the primary connection point with customers, all the things you wanna hear. And then the last session of our two days in Madison, we met with the senior executive team. And I made the observation that they really had a high regard for their primary care physicians primary. And they just, you know, again, exalted the virtues of primary care physicians and what they do for the dean clinic and the community and so on. And so, s o then I said, well, based on how important they are, I assume over time, that means you're, you're paying your primary care physicians relatively more than your specialty care physicians. And that's when the gobbledygook started. I mean, I honestly didn't understand the next 10 minutes of what I heard, because they had no way of justifying the fact that their specialists were making three to four times as much as their primary care doctors. sAnd I ran into Craig Samet, who at that time was at Anthem, but he was the old CEO of the Dean Clinic. And I was telling him the story, and Craig just chuckled and he said, well, you know, we probably ought to be paying him both around 400,000. What we do is we pay the primary care 200,000 and the specialist 800,000, and just paper over the differences. So, you know, there we are. We <laugh> this, this system that really doesn't align with our desired outcomes for the medical profession. So, I'll wrap it up here. 'cause I've, I know I'm waxing on a little long here, but there's no easy fix. But the long-term trend is clear. We need to shift

resources away from high cost specialty care and the high cost facilities they require into more preventative care health promotion, chronic disease management, and integrated behavioral health services staff accordingly, and let the chips fall where they may.

Burda:

Yep. Yeah. That, that, that gap is really, really something to see. Thanks, Dave. Julie, any questions for Dave?

Murchinson:

Yeah, Dave I was intrigued by this incongruency, 36%. The physicians said they were dissatisfied or very dissatisfied with their current salary and comp package, and yet 75% of physicians surveyed said that they're willing to accept or have already accepted lower pay for more autonomy or work-life balance numbers just seem a little bit wide to me on those. <Laugh>, what do you think?

Johnson:

Actually, it makes sense to me. I unlike so much of what we do with physician compensation I, you know, I get paid a lot less for being a writer and than I did when I was being an investment banker. But I sure enjoy it a whole lot more and believe I'm having a bigger impact. Those really have tangible value. And I think what's coming out in these numbers, Julie, is how dissatisfied physicians are with the way they're working. And if they can make their work life integration better, they're willing to accept less money for it. I, I don't think it's any more complicated than that. Although the fact that physicians are complaining about how much we pay them is <laugh> isn't a surprise at, at all. That seems to have been going on forever.

The Irrationality of Physician Compensation

June 6, 2024

Burda:

Thanks Dave. Julie, let me ask you about how much doctors make do you think their compensation is in line with what they do? And we talked a little bit about that. And where do you see these numbers going in five years and why?

Murchinson:

Well, I took a big look at different slices here. And Dave, I'm gonna double down on a couple of things that you mentioned. First, I looked at the highest and lowest paid ties, so no surprise that the partialists I mean the specialists, it's a funny word.

Johnson:

They're partialists too.

Murchinson:

<Laugh>, isn't that great? Yeah. I heard that phrase this week. Yeah. No, I, I can't. Someone else who I sat with this week coined that I loved it. So the partialists are the highest paid. So orthopedics number one, then plastic surgery, cardiology, urology, gastroenterology. I mean, you could imagine what the top 10 of this looks like, right? The five lowest are some pretty key societal and, you know, health areas. Bottom of the barrel is diabetes and endocrinology. Then a little bit less bad pediatrics, infectious diseases. Oh, that hasn't been important. Public health and preventative medicine. Yeah, that hasn't been important in family medicine, which is always pretty, pretty low. So I was pleased of course, to see that psychiatry was not among the lowest, but we know why. Right?

Burda:

The Irrationality of Physician Compensation

June 6, 2024

Shortage,

Murchinson:

Cash pay. Ah,

Burda:

Ah. Okay. Yeah,

Murchinson:

Cash pay, that's my assumption. So then I looked at this gender gap that you raised, Dave which is actually decreased to 23% from 28% a couple years ago. So I suppose we should celebrate that, but we can't because male physicians earn nearly 102,000 more than women for the same work. Even when you control over specialty location and years of experience. I mean, what the bark, so <laugh> women physicians earn less than men and every medical specialty, but we're apparently not the worst. We should not move to France and practice there ladies, because male specialists in France earn 63% more than women <laugh>. That's not fun. So that took me down the geography road, and in 2023 30 cities saw their compensation increase by more than 6%, eight saw by over 10%. And I don't know what's going on in Raleigh, North Carolina, but they led the pack with a whopping 15% increase for physicians. So something's going on there. And I think, Dave, you mentioned this slightly different city is interestingly, but new just for cost of living. St. Louis is the best, and Washington DC is the worst. So, you know, good, good to know if you're thinking about moving and you're a doctor. So then I went global again, and, you know, we, it's not surprising that we leave the pack on average. And as primary care followed by Germany, I did note that physicians on average in 2021, this is 2021 data earned $12,000 in Mexico. So that's quite different from what we're earning

here. But as soon as you jump to specialty, Germany pays our specialists a lot also. So we're pretty on par there. So it just you know, it's interesting when you start to look at what they're getting paid in different countries.

Burda:

Yeah, the discrepancies are just, just amazing. That is a great, great rundown. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Well, I've got a joke first that triggered by your comments on psychiatry. So Julie, how many psychiatrists does it take to change a light bulb?

Murchinson:

My gosh, <laugh> a hundred.

Johnson:

No, it's, it only takes one. But the light bulb has to wanna change.

Murchinson:

<laugh> <laugh>,

Johnson:

And that's how I feel about the medical profession. You know, it's, it's gotta wanna change. I don't think it really wants to change. And that gets to my question. You know, you brought up in congruence, let's double down on it. 80% of doctors feel they're overworked. Over half of the women doctors and half of the doctors under 30 are thinking about early retirement or changing professions. The way physicians are working clearly isn't working yet. Yet, when Doximity asked about strategies for

addressing the physician shortage, the top two were more medical education funding and loan forgiveness. How's that for innovative, out of the box thinking? 44% want to end non-competing arrangements. So they can do side gigs. How are they gonna do side gigs when 80% of them think they're, they're overworked? So there seems to be little appreciation for how to work smarter, how to shift responsibilities to NPS and PAs, how to use technology to improve efficiency, how to shift care delivery to more convenient settings, essentially, how to do more with less. So how can the profession address these blind spots and engage physicians in the effort to undertake fundamental care redesign focused on improving outcomes and reducing costs? Or is it a kind of a hopeless battle with this group of people?

Murchinson:

You know <laugh>, there's, as I started at the top, there are so many possibilities and those organizations that are really getting on it, like my friends at NCQA. Yeah. it is so possible, and when I think back, I don't know if I shared this a few weeks ago, but when I moderated a panel that had Dr. Patrick McGill from CHN on it, he talked about one of the first things they did to really kind of shift the mindset of physicians in order to be able to make change was strip away the perception of RVs, move that RVU u you know, piece out and up to administration and set up a new payment model for physicians that was more rational. And that was, he said, pivotal. They would not have been able to do all the work they've done in digitization and in care model redesign without doing that. So the how we pay physicians, obviously, we talk about this all the time, is a big issue. But I think, Dave, you're also getting to the, like, what they do in their day jobs. Yeah. And I always come back to, you know, Houston Methodists and some of the leaders there who are really looking at how to remove the administrivia. And I'm even hearing that some of those, one of those systems who shall remain nameless is

looking at how they commercialize their services package for some of the things that they do virtually now. Because they can kind of deliver, you know, a new care model in a box with some of the new solutions plus humans that are sitting in, you know an I'll say out of box location. So, hello again. Hello. It comes back to changing.

Murchinson:

Why not? Yeah, I'm sorry.

Johnson:

No, no, totally. It comes back to like the work, like of course doctors wanna do more work because the other work is actually more interesting.

Burda:

Yep. Sometimes, yeah. Bring in rational thought to a physician pay scale, right?

Murchinson:

<Laugh>,

Burda:

Right? That's the solution. And kudos to those doing that. Thanks, Julie. All I'll say is that doctors were bad tippers. Back in the day when I was a caddy, you know, back then all doctors were off on Wednesdays, and most of them golfed. Why they were all off on Wednesdays. I'll never understand. It's like, oh, Wednesday, you know, don't get sick on a Wednesday. There are no doctors. You know, I'd be lucky to get a dollar tip and a pop for my five hours of work, you know, and that, that's bitter.

The Irrationality of Physician Compensation

June 6, 2024

Johnson:
Are you bitter?

Burda:
I'm still bitter about it, Dave.

Johnson:
Seriously, right?

Murchinson:
You might need some therapy <laugh>.

Burda:
That's, yeah. That's when I was, I was a caddy when I was 12. Yeah, 12, four years, 12 through 16, and doctors were the worst man. Now let's talk about other big news that happened this past week. It wasn't all bad, was it Julie, what else happened that we should know about?

Murchinson:
Well, despite all the, you know, the chit chat lately on NPR, I'm still an avid NPR listener, and I heard this great piece this week about Fat Joe. Do you know Fat Joe?

Johnson:
I heard that too. Yeah. Yeah. <Laugh>. Oh,

Murchinson:
That's so awesome. This dude has been up on the hill three years running, talking about hospital price transparency, and he's fighting for it

in dc And what's interesting is when I got off the train in DC a couple days ago, I saw this advertisement with some, you know, a couple guys who talked about, who were basically saying that hospital costs have gotta change, they're robbers. And I thought to myself, oh my God, that's the best ad ever. And then it switched, right? Like ads do these days. And I couldn't go back and figure out what it was, and I was in a hurry. But I think that Joe must have just been on the hill because there was this ad totally aligned with his messaging. You have to listen to it.

Burda:

Influencers, man, they're, they're getting on price transparency. That's something else.

Murchinson:

He was great.

Burda:

Yeah. Dave, you, what were you gonna say?

Johnson:

Well, my favorite part was, he'll talk to anybody. He goes, it’s, pricing transparency, healthcare. It's not a Republican issue. It's not a democratic issue. It's an American people issue. <Laugh>, <laugh> way to go Fat Joe.

Burda:

You know? Oh, that, that's great. Dave, what other news is worth mentioning this week?

Johnson:

Well, speaking of Congress, what do y'all think of the Senate's the Republican in the Senate blocking nationwide access to contraception this week? I mean, do they not realize that women vote? I mean do they actually wanna lose elections? So, you know, just the idiocy continues. And then on a personal note, we announced this week that I am becoming the first board member and strategic advisor for a company called Spark Change Health in Kansas City. That does touchless process automation. And I'm pretty excited about that great little company.

Burda:

Yeah.

Murchinson:

Congratulations.

Johnson:

Thank you.

Burda:

Yeah. And you'll get some Kansas City barbecue, right? Oh, no, you're, you don't eat meat, Dave. What?

Johnson:

Barbecued tofu. Don't hate it until you try it.

Burda:

All right. They'll have some vegan choices for you there. That's great. That is all the time we have for today. Thank you Dave, and thank you Julie. If you'd like to learn more about the topics we discussed on

The Irrationality of Physician Compensation

June 6, 2024

today’s show, please visit our website @ 4sighthealth.com. You also can subscribe to the roundup on Spotify, Apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don’t miss another segment of the best 20 minutes in healthcare. Thanks for listening, I’m Dave Burda for 4sight Health.