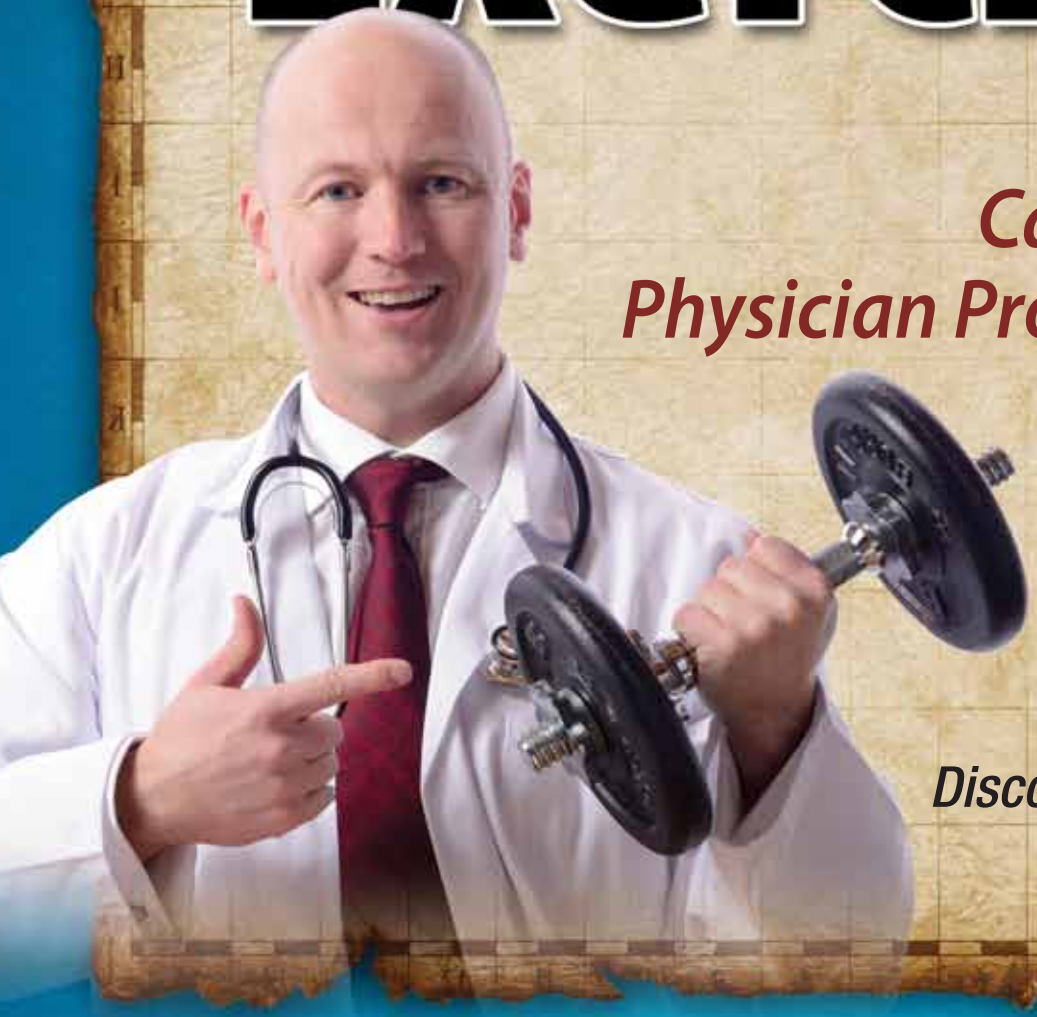
ADVENTURES IN MEDICINE

Career & Life Planning

Exercise



Calculating Physician Productivity

Discovery Resource

E-28

Calculating Physician Productivity

Overview

It's common for physicians to be offered a starting salary for one year (practicing physicians) or two years (residents coming out of training) with the opportunity to earn additional income based on productivity and/or quality performance bonuses. After a one- or two-year guaranteed salary, it's typical to graduate to 100% productivity. Physicians who do not have a game plan to build a practice to sustain their income may earn less on productivity than their guaranteed salary. When this happens, physicians often feel unappreciated and look elsewhere — only to start the cycle over. The following exercises will help you gain a clear understanding of the techniques for taking control of your compensation by breaking down the number of RVU's and patient visits per year, per day, and per hour for you to achieve your desired income.

Learning Objectives

- Discover how to maintain or increase your income by leveraging your productivity formula.
- Learn how to achieve your financial goals and/or sustain your income after your guarantee expires.

EXERCISE #1

Situation	Question
As a newly hired physician, you receive a two-year guaranteed salary of $200,000 per year. For the purposes of this exercise, assume that: • Compensation per work RVU = $45 • 248 working days in a year (includes 7 days off for holidays) • 4 weeks of vacation (20 days) • 1 week of CME (5 days) • Work week = 4.5 days • 36 patient contact hours per week • 1.2 average work RVU's generated per visit	How many patients do you need to see to maintain an income of $200,000 starting the third year? ☐ RVU's per year _____ ☐ RVU's per day _____ ☐ RVU's per hour _____ ☐ Patients per day _____ ☐ Patients per 8-hour day _____

EXERCISE #2	
Situation	**Question**
You want to earn $275,000 with work RVU incentives. Assumptions remain the same as in Exercise #1.	How many patients do you need to see to achieve your income objective? ☐ RVU's per year _____ ☐ RVU's per day _____ ☐ RVU's per hour _____ ☐ Patients per hour _____ ☐ Patients per 8-hour day _____

EXERCISE #3	
Situation	**Question**
You receive two offers from local hospitals. **Offer A:** • $35,000 signing bonus • $275,000 guaranteed salary in years 1 and 2 • $100,000 guaranteed salary plus $30/work RVU in years 3-5 **Offer B:** • No signing bonus • $225,000 guaranteed salary in years 1-3 • $50,000 guaranteed salary plus $55/work RVU in years 4 and 5	If you anticipate producing an average of 4,500 work RVUs per year, which offer is the best one financially?

Answer Key

EXERCISE #1

Answers		Calculations
RVU's Per Year	4,444	Divide $200,000 by $45 per work
RVU's Per Day	20	Step 1: Estimate days worked per year 248 work days in a year (20) days of vacation (5) days of CME = 223 days worked Step 2: Divide 4,444 RVU's per year by 223 days worked
RVU's Per Hour	2.75	Step 1: Calculate average patient contact hours per day. Divide 36 patient contact hours per week by 4.5 working days = 8 patient contact hours per day Step 2: Divide 20 RVU's per day by 8 patient contact hours per day
Patients Per Hour	2.30	Divide 2.75 RVU's per hour by 1.2 RVU's per patient average
Patients per 8-hour day	18.4	2.3 patients per hour times 8 hours

EXERCISE #2

Answers		Calculations
RVU's Per Year	6,111	Divide $275,000 by $45 work RVU
RVU'S Per Day	28	Step 1: Estimate days you must work for 1 year 248 work days in a year (20) days of vacation (5) days of CME = 223 days worked in a year Step 2: Divide 6,111 RVU's per year by 223 days actually worked
RVU's Per Hour	3.5	Step 1: Calculate average patient contact hours per day Divide 36 patient contact hours per week by 4.5 working days = 8 Patient Contact hours per day Step 2: Divide 28 RVU's per day by 8 patient contact hours per day
Patients Per Hour	2.9	Divide 3.5 RVU's per hour by 1.2 RVU's per patient average
Patients per 8-hour Day	23,2	2.9 patients per hour times 8 hours

EXERCISE #3

Answer	Calculations
•Offer A = $1,290,000 total $258,000 per year Offer B = $1,270,000 total $254,000 per year	Offer A Year 1 - $310,000 ($35,000 Bonus+$275,000 Guar. Salary) Year 2 - $275,000 ($275,000 Guar. Salary) Years 3-5 - $235,000 ($30 x 4,500 = $135,000 + 100,000 Base) Offer B Years 1-3 - $225,000 (Guar. Salary) Years 4-5 - $297,500 ($55 x 4,500 = $247,500 + $50,000 Base)