

CAREER AND LIFE PLANNING EXERCISE



AIM

Calculating Physician Productivity

Calculating Physician Productivity

Taking control of your compensation is a matter of breaking down the number of relative value units (RVUs) and patient visits (per year, per day, and per hour) and is key to achieving your desired income.

Objectives:

In this exercise the participant will learn to:

- Calculate Relative Value Units (RVU's).
- Impact their income by leveraging a productivity formula by calculating the RVUs by different measures. They will:
 - Calculate RVUs in terms of measures including per year, per day, per hour
 - Determine the number of patients per 8 hrs. would be required to achieve the desired financial level.



Calculating Physician Productivity

How to Use This Tool:

1. Practice your calculations by completing the various exercises then compare the results.
2. Use this formula to calculate the productivity figures to determine the level of effort required for any desired salary range.
3. Use this formula to build and sustain your desired income level after your guarantee expires.

Related Resources

To view resource, click on the desired Title or go to physiciancareerplanning.com and type in the desired title or Resource No. into the "Enter Keyword" field and click search.

TITLE	RESOURCE NO.
Physician Compensation	ST-03
Sample Physician Compensation Analysis	S-11
Physician Compensation Worksheet	E-23



Calculating Physician Productivity

Instructions:

1. To determine Relative Value Units (RVUs) required per year, start by dividing the desired annual compensation (in dollars) by the compensation per work RUV.
2. Next you will need to determine the estimated number of work days you have per year. Do this by taking the total number of work days per year and subtracting vacation and CME days from that total. This will give you your estimated work days.
3. To determine the number of RVUs per day, you will divide your RVUs per year by the number of work days.
4. At this point to determine your RVUs per hour you will need to first calculate your patient contact hours. Simply divide the number of patient contact yours in a week by the number of work days to determine your patient contact hours per day.
5. To determine your RVUs per hour you will divide the RVUs per day by the number of patient contact hours per day.
6. To determine the number of patients per hour you will divide the RVUs per hour by the 1.2 RVUs per patient average.
7. You can now calculate the number of patients you need to see per 8 hr day by multiplying the number of patients per hour by 8 hrs.



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.

Exercise #1	
Situation	Question
<p>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:</p> <ul style="list-style-type: none">• 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	<p>How many patients do you need to see to maintain an income of \$200,000 starting the third year?</p> <ul style="list-style-type: none"><input type="checkbox"/> RVU's per year _____<input type="checkbox"/> RVU's per day _____<input type="checkbox"/> RVU's per hour _____<input type="checkbox"/> Patients per day _____<input type="checkbox"/> Patients per 8-hour day _____



Calculating Physician Productivity

Exercise #2

Situation	Question
<p>You want to earn \$275,000 with work RVU incentives. Assumptions remain the same as in Exercise #1.</p>	<p>How many patients do you need to see to achieve your income objective?</p> <ul style="list-style-type: none"><input type="checkbox"/> RVU's per year _____<input type="checkbox"/> RVU's per day _____<input type="checkbox"/> RVU's per hour _____<input type="checkbox"/> Patients per hour _____<input type="checkbox"/> Patients per 8-hour day _____

Exercise #3

Situation	Question
<p>You receive two offers from local hospitals.</p> <p>Offer A:</p> <ul style="list-style-type: none">• \$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 <p>Offer B:</p> <ul style="list-style-type: none">• No signing bonus• \$225,000 guaranteed salary in years 1-3• \$50,000 guaranteed salary plus \$55/work RVU in years 4 and 5	<p>If you anticipate producing an average of 4,500 work RVUs per year, which offer is the best one financially?</p> <div style="background-color: #e6f2ff; height: 200px; width: 100%;"></div>

Answer Key

Exercise #1

Answers

RVU's Per Year: 4,444

RVU's Per Day: 20

RVU's Per Hour 2.5

Patients Per Hour 2.08

Patients per 8-hour day 16.64

Calculations

Divide \$200,000 by \$45 per work RVU's

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=
19.92 (round up to 20)

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=2.5

Divide 2.50 RVU's per hour by 1.2 RVU's per patient average= 2.08

2.08 patients per hour times 8 hours

Exercise #2

Answers

RVU's Per Year 6,111

RVU'S Per Day 28

RVU's Per Hour 3.5

Patients Per Hour 2.9

Patients per 8-hour Day 23.2

Calculations

Divide \$275,000 by \$45 work RVU

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

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

Divide 3.5 RVU's per hour by 1.2 RVU's per patient average

2.9 patients per hour times 8 hours

Answer Key

Answers

Offer A = \$1,290,000 total
\$258,000 per year
Salary)

Offer B = \$1,270,000 total
\$254,000 per year

Calculations

Offer A
Year 1 - \$310,000 (\$35,000 Bonus+\$275,000 Guar.
Year 2 - \$275,000 (\$275,000 Guar. Salary)
Years 3-5 - \$235,000 total ($\$30 \times 4,500 = \$135,000$
+ 100,000 Base)

Offer B
Years 1-3 - \$225,000 (Guar. Salary)
Years 4-5 - \$297,500 ($\$55 \times 4,500 = \$247,500$ +
\$50,000 Base)