APPENDIX N — PHYSICIAN COMPENSATION & CONTRACTING TOOLKIT

A practical guide for structuring, evaluating, and communicating compensation models with physicians

---

Compensation is one of the most influential factors in a physician's decision yet it is also one of the most misunderstood, miscommunicated, and inconsistently structured areas across health systems.

This appendix gives you a comprehensive toolkit to:

- Build compensation models physicians trust
- Communicate compensation clearly and confidently
- Explain wRVUs, conversion factors, and incentives
- Structure sustainable call pay
- Evaluate fair-market value (FMV)
- Align contracts with operational expectations
- Avoid common compensation pitfalls
- Support successful onboarding and retention through compensation clarity

This guide was designed for executives, recruiters, compensation committees, and department leaders.

SECTION 1 - COMPENSATION MODEL OVERVIEW

The four most common models used in today's market.

1. Straight Salary

- Predictable income
- Good for early career or low-volume markets
- Less incentive for volume growth

Best for: Stability and alignment with mission-driven organizations.

---

2. Salary + wRVU Bonus

- Most common in hospital-employed models
- Provides predictable base
- Incentivizes productivity
- Bonus measured quarterly or annually

Best for: Organizations needing balance between stability and performance.

---

3. wRVU-Only Compensation

- Purely productivity-driven
- High earning potential
- High burnout potential
- Requires strong OR access and staffing support

Best for: Mature, high-volume service lines or private practice models.

---

4. Income Guarantee (Typically 1–2 Years)

- Provides financial stability during ramp-up
- Reconciled at the end of the period
- Often part of private practice recruitment

Best for: Smaller markets or independent groups.

SECTION 2 - UNDERSTANDING wRVUs & CONVERSION FACTORS

A simple, physician-friendly explanation.

wRVUs measure the *work effort* of clinical services.
The conversion factor (CF) is the dollar amount paid per wRVU.

Example:

If a urologist produces **6,000 wRVUs** and the CF is **$70**, then:

6,000 × $70 = $420,000 total wRVU compensation

Factors that influence CF:

- Market competition
- Case mix
- OR access
- Hospital resources
- Workload intensity

Average Urology wRVU Ranges

- Community Urology: **5,500–8,000 wRVUs**
- Urologic Oncology: **7,500–10,500 wRVUs**

- Robotics-heavy roles: **8,000–12,000 wRVUs**

SECTION 3 - COMPENSATION BENCHMARKING & FMV

Avoiding compliance risk while staying competitive.

Sources include:

- MGMA
- AMGA
- SullivanCotter

FMV Guardrails

Organizations must consider:

- Specialty supply and demand
- Regional competition
- Call burden
- Clinical intensity
- Leadership roles
- Procedural volume

FMV is not meant to restrict competitive pay. It's meant to ensure pay is **defensible, consistent, and compliant**.

SECTION 4 - CALL PAY STRUCTURE TOOLKIT

One of the most contentious compensation areas in medicine.

Option 1 — Daily Call Stipend

Simple, predictable.

Option 2 — Tiered Call Pay

Higher pay for holidays, weekends, and Level 1 trauma coverage.

Option 3 — Q6 Modifier / Locums Model

Used when locums are filling gaps for absent physicians.

Option 4 — Hospitalist Model for Surgical Specialties

7-on/7-off or 14-on/14-off, increasingly common in urology and surgical specialties.

Key Factors Influencing Call Pay

- Inpatient acuity
- ED volume
- OR availability
- Burden on existing physicians
- Subspecialty backup needs

SECTION 5 - CONTRACT STRUCTURE CHECKLIST

A must-have for both leaders and recruiters.

COMPENSATION

☐ Base salary clarity

☐ wRVU structure

☐ Bonus frequency

☐ Performance incentives

☐ Call pay structure

OPERATIONS

☐ OR access commitment

☐ Block time

☐ Staff support

☐ Clinic resources

☐ Equipment list

WORK EXPECTATIONS

☐ Call schedule

☐ Clinic days

☐ Surgical days

☐ Outreach expectations

☐ Telemedicine arrangements

RETENTION

☐ CME funds

☐ Loan support

☐ Sign-on bonuses

☐ Relocation assistance

☐ Partnership pathways (if applicable)

SECTION 6 - OFFER LETTER TEMPLATE

Clear, warm, and thorough.

Dear Dr. _____,

We are thrilled to extend this offer for the position of _____ at _____ Health.

Your skills, experience, and values align with our team, and we look forward to the opportunity to work with you.

Your compensation package includes:

Base Salary: $_____
wRVU Conversion Factor: $_____
wRVU Threshold: _____ wRVUs
Performance Bonus: Up to $_____

Call:

- Structure: _____
- Frequency: _____
- Compensation: _____

Additional Compensation:

- Sign-on bonus
- Relocation
- Loan support
- CME funds

Support:

- Dedicated MA/APP
- OR block time ___ days per week

- Available technology/equipment: _____

We believe you will make an outstanding addition to our team.

Warmly,

SECTION 7 - COMPENSATION FAQ FOR PHYSICIANS

A high-value patient-friendly resource to reduce confusion.

Q: How do wRVUs get counted?

A: Through documented encounters and CPT codes assigned via billing/EMR systems.

Q: Why does call pay vary so much?

A: It depends on market, volume, acuity, and call burden.

Q: What if my volume is low at first?

A: Income guarantees or ramp-up models protect early earnings.

Q: How does compensation grow over time?

A: With productivity, leadership roles, advanced procedures, and expanded service lines.

SECTION 8 - PHYSICIAN COMPENSATION RED FLAGS

Used to prevent future turnover or frustration.

- Unrealistic wRVU expectations
- No OR access commitment
- No transparency in call compensation
- Frequent mid-contract changes
- Lack of operational support
- No pathway to leadership

- Over-reliance on locums without a solution
- Imprecise or vague contract language

Red flags should be addressed *before* onboarding begins.

SECTION 9-— COMPENSATION DISCUSSION SCRIPTS FOR LEADERS & RECRUITERS

Clear, confident, and professional.

Initial conversation

"Let me walk you through your compensation model in a straightforward way."

Discussing wRVUs

"Your income is supported by both a guaranteed base and a clear productivity model."

Handling negotiation

"We want you to feel valued. Let's explore what matters most to you."

Remaining compliant

"Our goal is to align with fair-market value while being competitive in this market."

SECTION 10 - SUMMARY: COMPENSATION IS A COMMUNICATION STRATEGY

Compensation is not just numbers. It's trust, clarity, and alignment.

When organizations communicate compensation clearly, recruit honestly, and support physicians operationally, recruitment becomes stronger, onboarding improves, and long-term retention increases dramatically.