

# Fair Play, Fair Pay: Assuring Provider Pay Equity

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*It's not easy to determine if there is equity in provider compensation across your organization, given the many departments, specialties, and roles—but it's essential.*

Consider the following hypothetical: A local news source reports a 30% pay discrepancy between your male and female maintenance employees performing the same work. Chances are you would rather not have to manage the likely reaction from both your employees and your community. Fortunately, this type of inequity would be relatively easy to spot and correct.

Popular sympathy may not be as great when the pay gap applies to highly compensated employees such as physicians, but fair is fair, and with the national focus on equity, a gap of that size would still command attention—none of it positive. Your organization certainly intends to compensate your providers equitably, yet many factors may contribute to unplanned variation in compensation—practice acquisitions, mergers, lack of standardized compensation plans, and ad hoc medical staff growth.

To minimize legal risk, avoid problems with public perception, and promote satisfaction and diversity in your provider workforce, organizations need to be sure their providers are paid equitably.



## **PROVIDER PAY EQUITY: THE FACTS**

On a national basis, there's reason for concern. A recent study by Doximity found that *male physicians earned 28% more than female physicians—a gap of \$116,000*. This isn't caused solely by a differing mix of specialties—there are “no medical specialties in which women earned as much or more than men in 2020.”<sup>1</sup> In US public medical schools, women chairs of clinical departments earned \$0.88 for every dollar earned by men, after adjusting

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<sup>1</sup> [https://www.doximity.com/2020\\_compensation\\_report#compensation-report-gender-section](https://www.doximity.com/2020_compensation_report#compensation-report-gender-section)

for multiple factors.<sup>2</sup> Female primary care physicians earn less per hour of patient care work—\$0.87 on the dollar—because they spend more time with patients.<sup>3</sup>

Compensation variation by race/age is harder to track, but the American College of Physicians reports that based on Medscape data, White physicians made \$303,000 per year, Asians, \$283,000, Latino \$271,000, and Black physicians \$262,000. An earlier study, controlling for various factors, could only compare White and Black physicians due to sample size limitations, but still showed a significant discrepancy.<sup>4</sup>

## ASSESSING AND MANAGING PAY EQUITY

Determining whether your providers are paid equitably, and identifying gaps, requires an objective, analytic approach.

### Step 1: Assemble a detailed database on each physician's compensation and other characteristics

Collect information for each provider from multiple sources and integrated into a single database. Required data for each individual will include:

Demographic characteristics:

- Gender, age, race/ethnicity
- Veteran status

Clinical characteristics:

- Years post-training
- Rank
- FTE status
- Specialty/subspecialty
- Historical WRVU Productivity
- Primary practice location
- Market rate factor for that location

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<sup>2</sup> <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2762575>

<sup>3</sup> <https://twin-cities.umn.edu/news-events/closer-look-gender-pay-gap-physicians>

<sup>4</sup> [https://www.acponline.org/system/files/documents/newsroom/research\\_on\\_compensation\\_equity\\_and\\_transparency\\_in\\_the\\_field\\_of\\_medicine\\_2017.pdf](https://www.acponline.org/system/files/documents/newsroom/research_on_compensation_equity_and_transparency_in_the_field_of_medicine_2017.pdf)

## Compensation characteristics:

- Total cash compensation
- Base compensation
- Productivity, quality, and other incentives
- Call coverage compensation
- Administrative compensation
- Other factors driven by organizational compensation policy

### **Step 2: Develop a model that groups providers who are subject to similar pay practices**

Using clinical characteristics, create an initial segmentation of providers who would be expected to experience similar pay practices. Where segment size allows, multiple regression analyses can be used to model expected compensation; segmentations may need to be revised after initial analyses are reviewed. Likely, organizations will require outside expertise for this complex statistical exercise, one that also understands provider compensation for appropriate segmentation.

### **Step 3: Perform statistical analysis on the data, comparing actual vs. predicted pay distribution by segment**

Determine the difference between predicted pay based on the regression model, and actual compensation for each physician. Group providers by demographic characteristics and correlate the variation in compensation with those characteristics to determine whether there are departures from equitable pay, the extent of those departures, and which groups are affected by them.

## **WHAT NEXT?**

If the analysis discloses pay gaps that cannot be accounted for by provider clinical characteristics, your organization will want to look at how compensation plans can be redesigned to address any inequities and prevent them from redeveloping in the future. (If there are no such gaps, congratulate yourself on a usually positive workplace and an opportunity for good public relations).

The results of the statistical analyses can help you estimate the cost of correcting those inequities, and determine how you can stage required changes. Your communication strategy will be critical in managing dissemination of results and intentions for the future. ●