



# Compensation Survey 101

## WHAT IS A COMPENSATION SURVEY?

Compensation surveys are a useful means for companies to decide how much to pay someone based on aggregation of market data points. In most industries, overpaying an employee keeps that person happy, but hurts payroll costs and profitability. In physician compensation, paying above fair market value can be illegal and lead to hefty government fines. Fair market value (FMV) is generally defined as the price a knowledgeable, willing, and unpressured buyer would pay to a knowledgeable, willing, and unpressured seller in the market.

## OUR BUDGET IS TIGHT, CAN WE AFFORD A COMPENSATION SURVEY?

Compensation survey costs vary widely depending on the level of customization and availability of the data. When compared to a facility's payroll or the potential federal fines for being caught in non-compliance, the cost of a survey is tiny. Comparatively, when you seek information on your own compensation when negotiating a raise, the upfront expense of data is small in comparison to your potential pay increase.

## WHAT ALTERNATIVES EXIST?

The main alternative to a compensation survey for documenting the compliance of contracts is to employ an FMV expert to write an opinion. These opinions can cost several thousand dollars for each contract. Some organizations don't consult an outside source for help pricing contracts and make requests for coverage (RFCs) to community physicians. The danger with RFCs is that physicians could collude and request more than the fair market value because they have market leverage. Despite meeting the "demands of the market," your contract could be at risk for non-compliance with federal regulations.



## **WHY SHOULD I BUY SURVEY DATA WHEN I CAN GET THE INFO FREE ONLINE?**

Some limited compensation information is available for free on the internet; however, because of limited reporting and lack of detail, it is almost impossible, to determine if you are comparing apples to apples. Free compensation data available generally does not give enough detailed information to be of good use to determine how much physicians should be paid.

## **REMEMBER...NOT ALL COMPENSATION SURVEYS ARE CREATED EQUAL.**

Every survey offers a different methodology and different strengths. It is important to consider what you want to achieve with the information from the compensation survey. Research and ask questions about how the company collects and analyzes data. Some surveys are self-reported, some surveys utilize verified information, some are nationwide, and some are localized and conducted to demonstrate a specific argument.

Once you know which questions to ask, compensation surveys are not as daunting. With stakes so high surrounding physician contracts, how can you afford not to use a compensation survey?