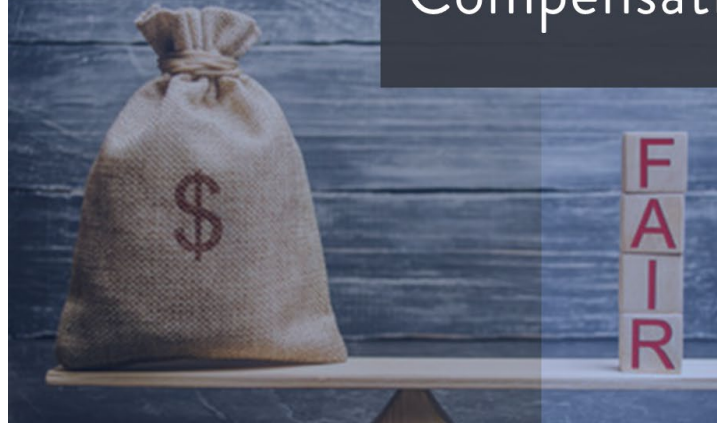


# Navigating Trends in Physician Compensation and Fair Market Value

By Christopher Majdi, MS, CBA, CVA



Physician compensation has long been a topic of discussion and scrutiny within the healthcare industry. The landscape is dynamic, continually influenced by factors such as evolving healthcare delivery models, changes in reimbursement structures, and shifts in the overall economic climate. In tandem with these changes, the concept of fair market value (FMV) has become increasingly critical, ensuring that compensation arrangements align with regulatory guidelines and ethical standards. In this article, we will explore the top five major trends in determining physician compensation and the importance of adhering to fair market value principles.

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## Physician Shortages and Specialty Demands

Physician shortages in certain specialties such as Anesthesiology, Radiology and Hospital Medicine continue to be a challenge, leading to increased competition for highly skilled professionals. This trend places upward pressure on compensation packages, particularly in high-demand specialties such as primary care, cardiology, and orthopedics. Fair market value assessments need to reflect these market dynamics to attract and retain top talent while maintaining compliance with regulatory standards.

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## Telemedicine and Remote Work

The rise of telemedicine and the acceptance of remote work have altered the traditional physician practice landscape. Physicians are now able to provide consultations and monitor patients remotely, impacting the way compensation is structured. Telemedicine incentives and allowances for remote work are becoming integral components of compensation packages. Fair market value considerations must account for the changing nature of physician work, ensuring that remote services are valued appropriately.

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## Value-Based Care Models

As the healthcare industry transitions from fee-for-service to value-based care models, physician compensation structures are undergoing a transformation. Value-based reimbursement ties a significant portion of compensation to the quality and outcomes of care provided rather than the volume of services. Physicians are increasingly being incentivized to focus on preventive care, patient satisfaction, and overall population health. This shift aims to improve the quality of care, enhance patient outcomes, and control healthcare costs in the long run.

## Private Equity Investments in Healthcare

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The healthcare industry has witnessed a surge in private equity investments, with physician practices being attractive targets. As practices merge or align with larger entities, physician compensation arrangements are subject to scrutiny to ensure they adhere to fair market value principles. Balancing the financial interests of investors with the need to maintain ethical compensation practices is a delicate task requiring careful negotiation and expert valuation.

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## Importance of Fair Market Value

Fair market value is a legal and ethical concept that ensures compensation arrangements are reasonable and reflect the true value of services provided. Adhering to fair market value principles is crucial to avoiding legal and regulatory pitfalls, including violations of the Stark Law and Anti-Kickback Statute. Healthcare organizations and physician practices must engage in comprehensive and transparent valuation processes to assess the fair market value of physician services accurately.

In the ever-evolving landscape of healthcare, trends in physician compensation and fair market value are deeply intertwined. As the industry navigates value-based care, telemedicine adoption, physician shortages, and private equity investments, it is imperative to maintain a keen focus on the ethical and legal aspects of compensation. Striking a balance between competitive compensation packages and adherence to fair market value principles will be essential for healthcare organizations aiming to attract, retain, and reward top-tier physician talent.

Author, **Christopher Majdi**, is the Director of Valuation at Zephyr Healthcare Advisors. Mr. Christopher Majdi specializes in finance, valuations, and merger and acquisitions. He has served as a senior valuation consultant and merger and acquisition advisor at various management consulting firms. Mr. Majdi provides technical guidance on diverse engagements including business valuation, compensation valuation and transaction advisory of provider groups, health facilities, risk-bearing entities and intangible assets. Chris has had previous service line responsibility for valuation at MDS Consulting and Premier, Inc.

**Zephyr Healthcare Advisors** conducts business valuations of hospitals, ambulatory centers, physician group practices, independent physician practices, and other healthcare entities. We also develop independent, thoroughly researched physician/provider compensation assessments – Fair Market Valuations (FMVs) and commercial reasonableness opinions for hospitals.

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