Fred Horton is president of AMGA Consulting. He has over 20 years of experience working inside the healthcare industry, including management roles at several integrated health systems. A dynamic healthcare advisor, he possesses industry experience, market insight, exemplary capabilities managing diverse and challenging projects, and the ability to create tangible results on behalf of his clients. He brings his operational, strategic, and financial acumen to his clients in order to create effective and market-sensitive solutions to their challenges. In addition, he oversees AMGA’s benchmarking surveys on medical group compensation and productivity, operations and finance, and provider and employee satisfaction and engagement. Group Practice Journal interviewed him about the major issues facing medical groups and health systems today and the trends he sees in his work with groups moving to value-based care.

**GPJ:** What are you hearing are the major pain points that groups are facing in medical group operations?

**Horton:** We are hearing a significant amount of concern regarding the need to improve in the area of operational efficiencies. This applies to both independent and integrated medical groups. Regardless of setting, revenue pressures have resulted in a need to focus on operational performance and the need to manage to metrics.

In addition to revenue pressures, groups are also experiencing cost pressures related to EHR performance, development of population health and value infrastructure, and care redesign. All of these areas contribute to tighter margins and, in the case of integrated groups, the need to manage investment per physician, which has become a major issue, especially in relation to the growth of the practices and number of employed physicians.

**GPJ:** What trends are you seeing in provider compensation models?

**Horton:** We are seeing more of an emphasis on value components, increase in focus on salary-based models, and development of panel-based plans. As organizations shift their plans in these directions, they must also ensure these efforts are linked with the organization’s support of a provider performance review process. This then ensures that physicians and advanced practice providers (APPs) understand what is expected of them as the new models are implemented. Additionally, we are seeing a significant increase in redesigning APP plans and a strong desire to ensure both physician and APPs are working toward the same general goals. Typically, we are seeing a strong desire to ensure that value-based incentive plans are similarly structured for both the physicians and APPs within an organization.

**GPJ:** How have value-based models and risk impacted physician compensation?

**Horton:** In the past, 100% of physician compensation was typically based upon either work RVU production for production-based physicians or based upon hours or shifts worked for shift-based positions. What we see now is that these components may make up approximately 85% of compensation, with value-based metrics—such as quality, satisfaction, and access—making up the remaining portion of compensation. While the total compensation may stay the same, the methodology to achieving that compensation includes not only production (or hours), but also the new value components.

**GPJ:** How important is fair market value (FMV) analysis in compensation design?

**Horton:** It is extremely important. In fact, as we work to design a compensation plan, we are always mindful of the need to ensure the compensation philosophy and the methodology will produce a plan that is within FMV guidelines. This ensures that organizations can be assured that they can install the plan and that the plan can...
withstand regulatory scrutiny. Organizations invest significant time and political capital as they work through a compensation redesign effort. Additionally, done properly, they include physicians in that process. If the final plan is not within guidelines, the process would be wasteful and likely lead to disastrous results. While FMV is only one component of designing an organization’s compensation philosophy and guiding principles, it is an extremely important component to keep in mind during the design process.

GPJ: What is the role of culture in aligning providers?
Horton: It is our perspective that culture is the key determinant in alignment. We also feel that, while you can adjust a compensation design, it will not provide shift in direction if it is unaligned to the culture in an organization. Therefore, if an organization wants to adjust its trajectory, the culture itself must be realigned in order to produce tangible change.

GPJ: How are you working with clients to address physician burnout?
Horton: Recently, AMGA added questions related to provider burnout on our Provider Satisfaction Benchmarking Survey. This will enable organizations to see potential issues and address them in as proactive of a manner as possible. Additionally, we assist organizations by addressing efficiencies within the operational environment through our operations improvement service line. Inefficient operations are a significant contributor to frustration, which then leads to burnout. Lastly, we work with organizations to improve their provider review process and their physician leadership development programs.

For more information about AMGA Consulting and its services, visit amgaconsulting.com or contact Fred Horton directly at fhorton@amgaconsulting.com.