

Setting the Record Straight on Physician Compensation

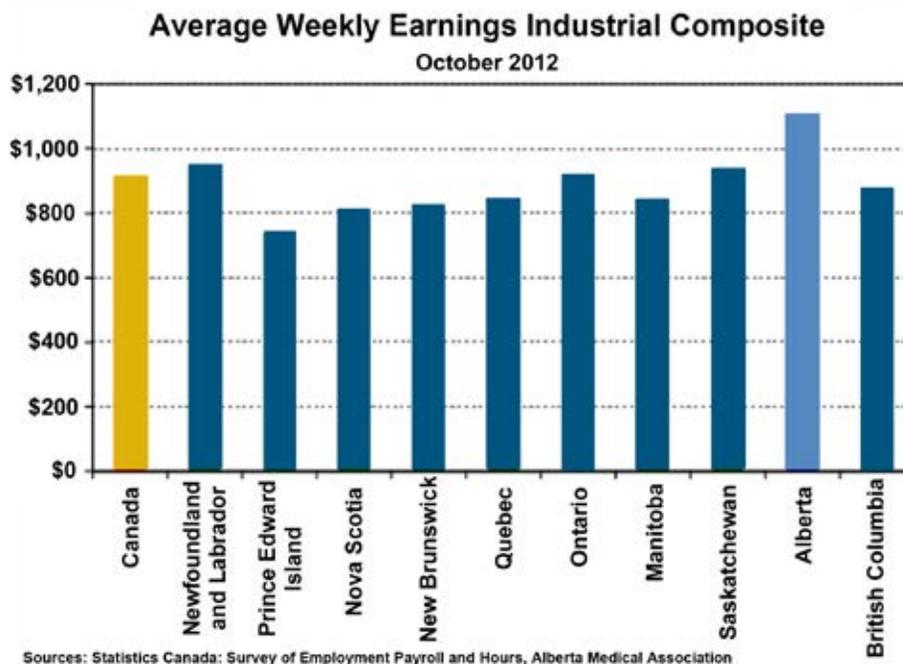


**ALBERTA
MEDICAL
ASSOCIATION**

Recently there has been much discussion about how much Alberta doctors are paid. Government gives every appearance, for example, of believing that physician compensation can be a path out of their present budget woes. This Alberta Medical Association (AMA) document is intended to provide the most current and relevant information for physicians, patients and the public at large as we all attempt to interpret unfolding events.

It is untrue that Alberta doctors are overpaid

Overhead factors need to be considered when talking about doctors' pay. We pay higher costs to hire our staff and run our practices. We are competing with other industries for our staff. And, across the board, average wages in Alberta are 20% higher than the national average.



Alberta has extremely high and rising lease costs, e.g., average city-wide office gross rental rate in Calgary rose by 10.4% from 2009 to 2012. (Source: Cushman and Wakefield, Marketbeat Office Snapshot)

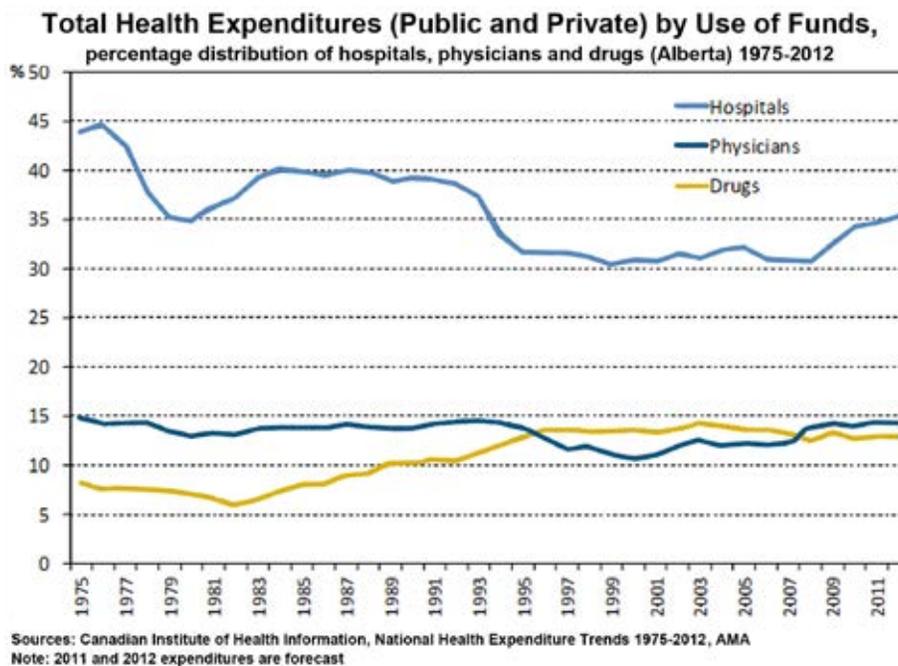
Out of a year's income, a typical community-based primary care physician pays approximately \$149,000 for overhead-related expenses, of which:

- 40% goes to staffing (wages and benefits)
- 25% to leasing office space.

(Source: Physician Business Cost Model, developed by AMA/Alberta Health/ Alberta Health Services, 2008-11)

Alberta's level of spending on physician services is steady

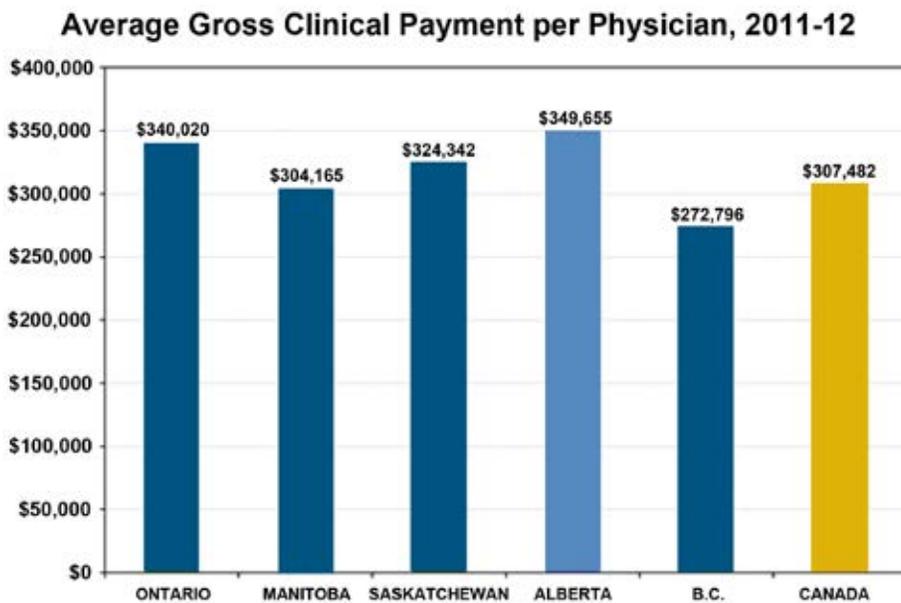
For about 40 years, approximately 15% of Alberta's overall health (public and private) spending has gone to physicians.



It is untrue that Alberta's physician payments are out of line with other provinces

Using the latest data and best available methodology, the Canadian Institute for Health Information (CIHI) released new figures in January 2013 showing that average gross payments to Alberta physicians are 14% above the national average. The table below represents the most recent data from CIHI. It incorporates all payment methods because physicians are paid differently in different provinces. Taking all data into account makes this figure far more accurate and reliable than the 29% cited by government. CIHI itself uses 14% in media releases.

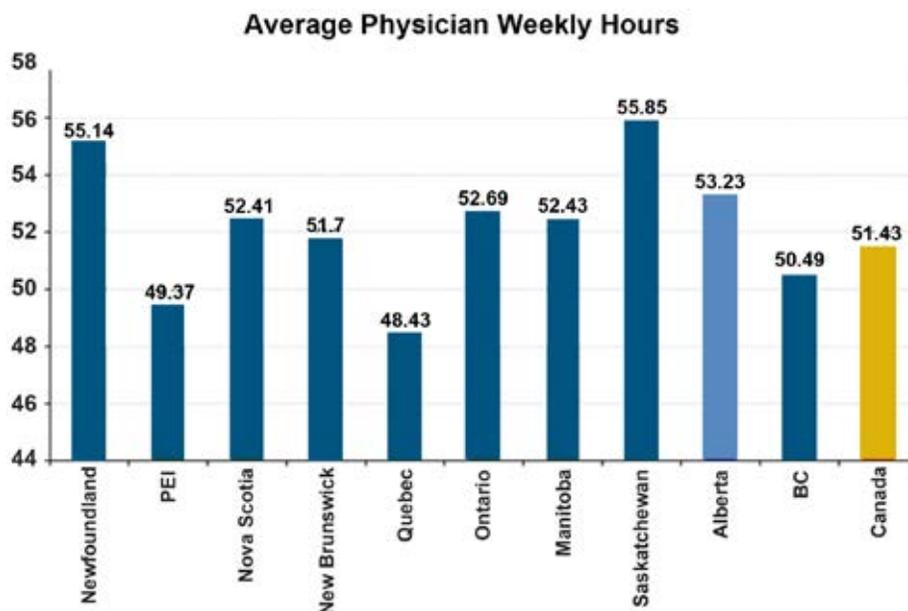
Note: Remember that payments are not the same as earnings. With the highest overheads in the country, Alberta physicians earn far less than 14% above the average.



Sources: CIHI, National Physician Database, AMA

Alberta doctors work longer hours than their provincial counterparts

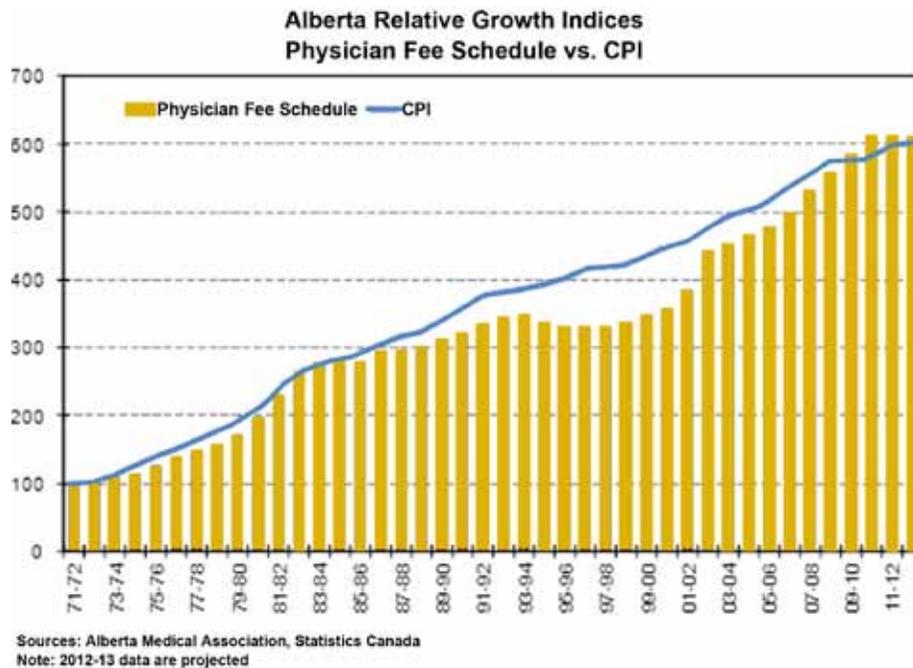
The 2010 National Physician Survey showed that Alberta physicians work 3.5% more hours per week (53.23) than the national physician average (51.43).



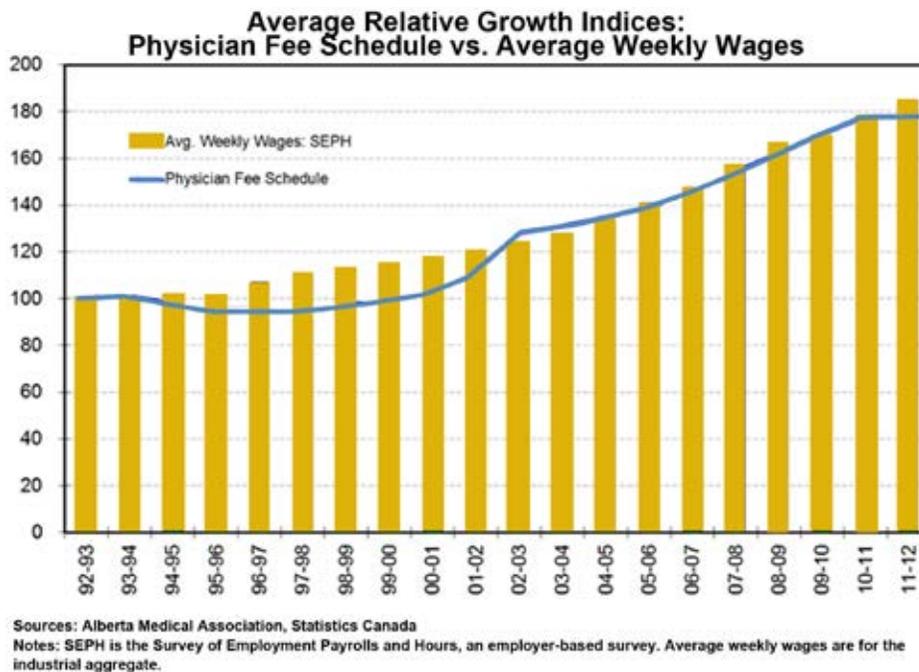
Sources: 2010 National Physician Survey, The College of Family Physicians of Canada, Canadian Medical Association, The Royal College of Physicians and Surgeons of Canada, AMA

Alberta has had success in attracting and retaining physicians but it can easily be lost

Over the years, physician fees (i.e., the amount paid for each service) in this province have increased roughly in line with inflation. Pressures of high costs for staff and offices, however, continue to threaten the viability of physician practices. The Physician Business Costs Model shows that physician overhead typically increases more quickly than the Consumer Price Index (CPI).



During the early 1990s, government austerity measures resulted in fee cuts for physicians and physician fees fell below inflation. Under the 2003-11 Master Agreement, the gap closed. Yet even considered in isolation, fee schedule increases were not excessive; physician fees increased at a rate similar to the average provincial wage for all industries.



In March 2012, Government agreed that 2.5% was reasonable compensation

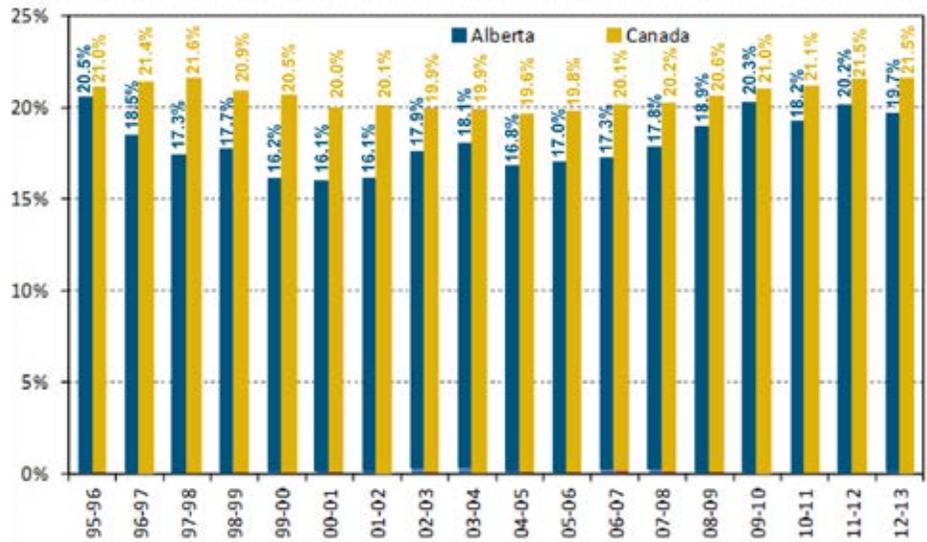
The Agreement in Principle that the minister signed and then withdrew provided modest increases of 2.5% for 2011-12 and 2.5% for 2012-13.

Read the Agreement in Principle: https://www.albertadoctors.org/Member%20Services/MemSer_Phy_Negotbackground_Agreement_in_PrincipleMarch21_2012_SIGNED.pdf

Physicians are not the reason for escalating health care costs

Alberta spends a smaller proportion of the health budget on physician services than the other provinces.

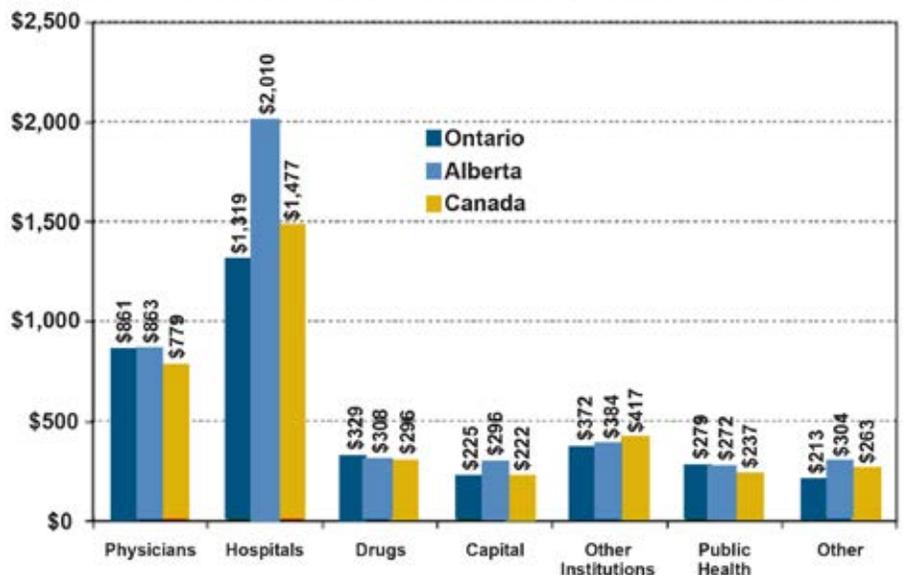
Shares of Physician Spending in Provincial Government Health Expenditures



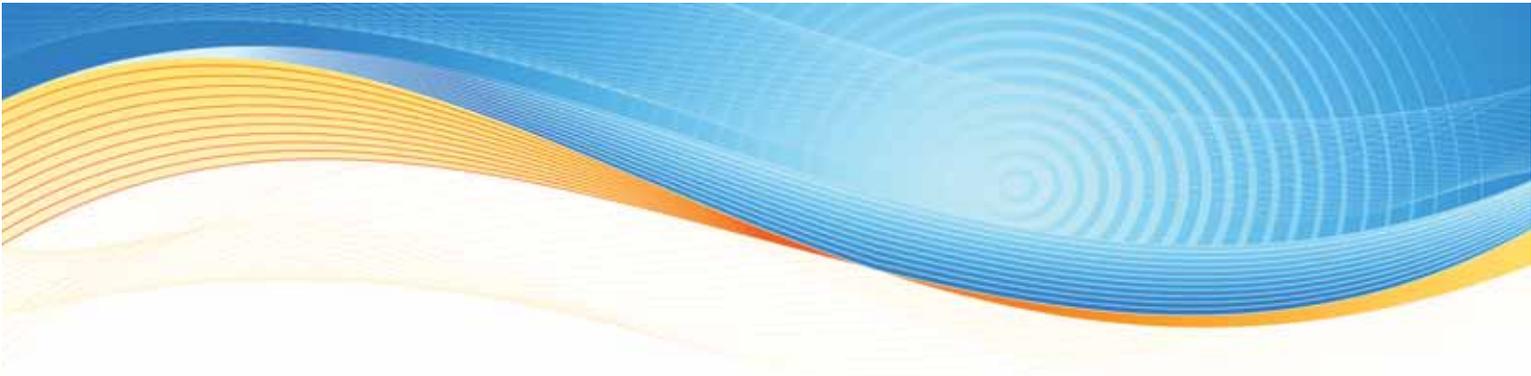
Sources: Alberta Medical Association, CIHI National Health Expenditure Survey
Note: 2011-12 and 2012-13 data are forecast

We understand government is concerned about having the highest per-capita spending on health but as the chart (right) shows, physician payments are not the problem.

Provincial Government Per Capita Health Expenditures, 2010



Sources: CIHI National Health Expenditure Trends, AMA



Let's ask the important questions

Dealing with the challenge of the health care system – getting the most out of every health care dollar – begs two questions:

1. Is government really willing to partner with physicians and actively seek their expert advice to identify efficiencies?

Physicians are not appropriately engaged, and being treated as scapegoats is unhelpful.

2. Statistical information can help if used correctly, but why is government not painting a more accurate picture?

And, if we can't get that accurate picture, how will we ever face our challenges?

Let's stop dwelling on the wrong data and the wrong questions and the wrong ideas and get back to job one: successful conclusion of mediated negotiations.

Negotiations are about far more than money. They are about reaching an agreement that aligns health care delivery's different components – primary, secondary, tertiary care, academic medicine, roles, relationships and the way physicians are remunerated – all with the goals of improved patient care, access, quality and productivity. In short, the negotiations and the agreement address the big question: How do we make health care better for patients?

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