

Physician Compensation Review: A Strategic Opportunity for Michigan Physicians and Physician-Owned Practices

Article summary:

- Compensation methodology is a powerful culture signal. How a practice designs, reviews, and communicates physician compensation reflects its commitment to transparency, fairness, and physician value.
- Proactive review can become a strategic advantage. For Michigan physician-owned practices, regular compensation review can strengthen recruitment, retention, succession planning, physician alignment, and long-term independence.
- 2026 is a timely opportunity to realign and lead. CMS wRVU valuation changes, payer dynamics, workforce shortages, and evolving quality metrics make now the right time to reassess thresholds, incentives, and compensation strategy.

Physician compensation methodology is not “just a formula.” It is a direct reflection of a practice’s culture, transparency, governance, and how it values physicians.

For physician-owned practices, compensation methodology also reflects something even deeper: the ability to stay aligned, remain competitive, support physician engagement, and preserve practice independence in a rapidly changing healthcare environment.

A recent MGMA Stat article by Chris Harrop, “Falling behind on physician compensation plan review carries real risk,” highlights an important reality: most medical groups formally review physician compensation methodology annually or every two to three years, but one in four has not updated its approach in three or more years. MGMA’s April 2026 poll found that 37% of groups review compensation methodology annually, 38% review every 2 to 3 years, and 25% have gone 3 or more years without a formal update. ([MGMA](#))

For physicians and physician-owned practices in Michigan, this creates an important opportunity.

Michigan’s healthcare environment is changing quickly. The state’s population is aging, Medicare and Medicare Advantage enrollment are significant, and physician recruitment remains competitive. According to the Michigan Center for Data and Analytics, Michigan’s senior population is projected to rise from 1.9 million in 2022 to more than 2.4 million by 2032, increasing from 18.7% to 23.0% of the state’s population. This demographic shift will continue to increase demand for physician services, specialty care, chronic disease management, surgical access, and team-based care models. ([Michigan Office of the Auditor General](#))

Michigan's payer environment also matters. The Michigan Health & Hospital Association reported that, based on December 2025 data, just over 25% of Michigan's total population is enrolled in Medicaid, and 23% is enrolled in Medicare. Total Medicare enrollment is approximately 2.3 million, with 63% of beneficiaries enrolled in Medicare Advantage plans. ([MHA Michigan](#))

These trends are not just challenges. They are signals.

They signal the need for physician-owned practices to be intentional about compensation design, workforce planning, payer strategy, APP utilization, succession planning, and long-term sustainability.

The compensation methodology should also account for national workforce pressures. The Association of American Medical Colleges projects a physician shortage of up to 86,000 by 2036, as population growth and aging continue to drive demand. ([AAMC](#))

For Michigan physician-owned practices, a well-designed compensation model can be a strategic advantage. It can support recruitment, improve retention, strengthen physician alignment, and help practices remain independent in markets where hospitals, health systems, private equity-backed platforms, and large multispecialty groups are also competing for physician talent.

This is especially important as CMS's CY 2026 Medicare Physician Fee Schedule final rule includes a new efficiency adjustment. CMS finalized policy changes for CY 2026, and the efficiency adjustment affects work RVUs and the corresponding intraservice portion of physician time for certain non-time-based services. ([CMS](#))

For practices using wRVU-based compensation, partner distribution formulas, productivity incentives, or associate bonus plans, this creates a clear opportunity to model the impact before it affects physician pay. Physicians may perform the same work but generate fewer wRVUs because CMS changed the measurement, not because their effort, productivity, access, or value declined.

A proactive compensation review allows practices to evaluate whether thresholds, conversion factors, productivity targets, and incentive formulas remain aligned with current CMS values, market benchmarks, and practice goals.

A strong compensation review should ask:

- ✓ Is the methodology understandable to physicians?
- ✓ Are benchmarks current, specialty-specific, and regionally relevant?

- ✓ Has the practice modeled the impact of 2026 wRVU changes by specialty and CPT code mix?
- ✓ Are call coverage, APP supervision, administrative work, access, quality, and leadership responsibilities appropriately recognized?
- ✓ Does the model support recruitment, retention, succession planning, and practice independence?
- ✓ Is the methodology documented and defensible from a fair market value and commercial reasonableness perspective?
- ✓ Most importantly, does the compensation model support the culture that the practice wants to build?

For Michigan physicians and physician-owned practices, compensation review is not simply about pay. It is about clarity, sustainability, competitiveness, fairness, and trust.

With a growth-minded approach, compensation review can help physician-owned practices strengthen alignment, protect independence, prepare for market changes, and build a more transparent and sustainable future.

The message to physicians should be clear:

Your work has value. Your compensation methodology should reflect it. And your practice can proactively design a model that supports both physician success and long-term organizational strength.

For more information:

The Physician Alliance's partnership with MGMA offers members excellent opportunities to select services best suited to their practices and personal needs.

<https://tpadocs.com/affiliate-partners/physician-consulting-services/>

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