

GAO

Report to the Honorable
Constance A. Morella
House of Representatives

September 1997

PAY AND BENEFITS

Comparative Analyses of Federal Physicians' Compensation





**United States
General Accounting Office
Washington, D.C. 20548**

General Government Division

B-276378

September 15, 1997

The Honorable Constance A. Morella
House of Representatives

Dear Ms. Morella:

This report responds to your request for information on pay and benefits of physicians employed by the federal government and in the private sector to be used in considering reauthorization of the Federal Physicians Comparability Allowance Act (5 U.S.C. 5948). The authority to enter agreements to pay physicians comparability allowances (PCA) under this act is currently due to expire on September 30, 1997. This act permits federal agencies that are experiencing problems in recruiting and retaining physicians to provide PCAs to physicians who are paid under title 5 of the U.S. Code. On July 18, 1997, the Director of the Office of Personnel Management (OPM) transmitted a report on PCAs to the President of the Senate and the Speaker of the House of Representatives recommending a 3-year extension of agencies' authority to enter into PCA agreements with employees.

Background

As of September 1996, there were over 25,000 full-time physicians employed by the federal government. (See appendix IV.) Most of the physicians paid under title 5 were with the Departments of Health and Human Services (HHS) and Defense (DOD).¹ Physicians paid under title 37 were with HHS' Public Health Service Commissioned Corps or on military duty. Physicians paid under title 38 were with the Department of Veterans Affairs (VA). Although not eligible to receive PCAs under title 5, physicians paid under titles 37 and 38 are eligible to receive other types of special pay for physicians. Also, under a delegation of authority from OPM, some HHS physicians who receive basic pay under title 5 are eligible to receive special pay under title 38.

Objectives, Scope, and Methodology

As we agreed with you, our principal objectives were to (1) compare amounts paid² to federal physicians under title 5 with amounts paid to physicians under other sections of the U.S. Code and with physicians in

¹A small number of federal physicians work for such organizations as the Tennessee Valley Authority or the Central Intelligence Agency or are in the Foreign Service. These physicians are paid under other titles of the U.S. Code and are also eligible for PCAs.

²For the purpose of this report, we defined amounts paid to physicians as "physicians' pay," which was the total of basic pay plus any special pay or PCAs that were available only to physicians. Basic pay is defined in appendix III.

the private sector; (2) determine what other types of pay and benefits federally employed physicians receive; and (3) identify ongoing efforts by federal agencies that affect or have the potential to affect physicians' pay. In addition to the primary comparisons required by our objectives, we also developed additional analyses of physicians' compensation, which are discussed in appendix I.

In our previous report on federal/private sector pay comparisons,³ we noted that experts in labor market analysis suggested that federal/private compensation comparisons that focus exclusively on pay may be misleading. A more complete analysis of total compensation would be needed to consider factors such as differences in pay plans and job responsibilities, federal restrictions limiting amounts of either basic or special pay, working conditions, job satisfaction, and risks of being laid off. This would apply to comparisons among federal positions as well. Because much of this information was not available from studies of physicians' pay and because of the time constraints for completing this review, we only obtained pay-type information for federal and private sector physicians and did not assess these other factors. In addition, as agreed, we did not evaluate the significance of recruitment or retention problems upon which PCAs are based. Therefore, we did not attempt to make conclusions or recommendations on the sufficiency, size, or continued need for PCAs under title 5.

On the basis of our preliminary work, we agreed to obtain physicians' pay and benefit information for full-time federal physicians paid under titles 5, 37, and 38 of the U.S. Code. In doing our work, we interviewed officials from HHS, DOD, VA, OPM, and the Office of Management and Budget (OMB) to obtain descriptive information on the various types of pay and benefits that physicians received and on recent actions that affect or have the potential to affect physicians' pay. HHS, VA, DOD, and the Commissioned Corps provided us with payroll information, which we used to make our comparisons. Unless otherwise stated, except for military physicians, federal physicians' pay data in this report are for calendar year 1996. We did not verify the pay information we obtained. Our scope and methodology are described in greater detail in appendix III.

³Federal Personnel: Federal/Private Sector Pay Comparisons (GAO/OCE-95-1, Dec. 14, 1994).

We also purchased and reviewed several studies on physicians' compensation that were prepared by private consulting firms.⁴ These studies contained pay information for physicians in various medical specialties who were employed primarily in group practices, health maintenance organizations (HMO), and hospitals. Except for pay data for physicians in various medical specialties, these studies did not contain information that would allow us to compare the pay of the private sector physicians with the pay received by federal physicians.

We requested comments on a draft of this report from the Secretaries of HHS, Defense, and VA, and the Directors of OPM and OMB. The agencies' comments are discussed at the end of this letter. We performed our review from December 1996 to August 1997 in accordance with generally accepted government auditing standards.

Results in Brief

The average⁵ annual pay for HHS physicians⁶ paid under title 5 was (1) 17 percent less than the average for HHS physicians who received special pay under title 38, (2) 21 percent less than the average for VA physicians paid under title 38, (3) 4 percent greater than the average for Commissioned Corps physicians, and (4) 23 percent greater than the average for physicians in the military.

The average pay for title 5 HHS physicians was \$101,660. For HHS physicians who received PCAs, average pay was \$104,730 compared with \$79,485 for those who did not receive a PCA or special pay under title 38. The average pay for DOD physicians paid under title 5 was \$86,760. For DOD physicians receiving a PCA, average pay was \$89,710. For VA physicians and HHS

⁴We purchased studies prepared by Hospital & Healthcare Compensation Service (HHCS); Sullivan, Cotter, and Associates, Incorporated (Sullivan); American Medical Group Association (AMGA); and Medical Group Management Association (MGMA). Two of these organizations cautioned users of their reports that the data provided by responding medical practices may not be representative of all physicians or all medical groups because the data were not based on a random sample of medical practices.

⁵In this report, the word "average" refers to the mean. We recognize that the use of medians is preferred because they are not subject to distortions that may occur in averages when extremely high or low values are included in a data set. However, we used averages because they were only slightly different from the medians and because the medians were not available for all federal physician groups we compared. We also rounded all dollar amounts to the nearest 5 or 0.

⁶For the purpose of this report, unless otherwise cited, information on physicians paid under title 5 was based on amounts paid by HHS and DOD to physicians who both did and did not receive PCAs. According to OMB data, HHS employed approximately 1,363 of the 2,402 title 5 government physicians in fiscal year 1996. Because of time constraints, other than selected data on title 5 physicians with DOD, we elected not to obtain detailed pay data on physicians paid under title 5 who were with non-HHS agencies.

physicians who received special pay under title 38, average pay was \$128,540 and \$122,555, respectively. Average pay for physicians in the military (Army and Air Force) and the Commissioned Corps, both of whom were paid under title 37, was \$78,250 and \$97,770, respectively.

In general, physicians paid under titles 37 and 38 were eligible for and received more types and higher amounts of special pay than HHS and DOD physicians receiving PCAs under title 5. The average PCA for HHS physicians was \$15,760, and the average PCA for DOD physicians paid under title 5 was \$12,505. Average special pay amounts for VA and HHS physicians receiving title 38 special pay were \$39,585 and \$38,950, respectively. Average special pay amounts for physicians in the military and the Commissioned Corps were \$35,190 and \$43,260, respectively.

For selected medical specialties, our comparisons of pay information from studies of private sector physicians' pay with the pay of federal physicians who were paid under titles 37 and 38 showed that private sector physicians were generally paid more. In some specialties, private sector physicians were paid considerably more. Pay information for HHS physicians paid under title 5 was not available by medical specialty. These physicians were not eligible for specialty pay, per se, but were eligible for PCAs based on determinations that significant recruitment and retention problems existed.

In addition to basic pay and physicians' special pay, federal and private sector physicians were eligible for employer-provided nonwage compensation (e.g., retirement and health and life insurance benefits). Some federal physicians also received other types of pay based on factors such as hours of duty, special skills, or places of work. Physicians in the military and the Commissioned Corps were generally entitled to supplements to basic pay in the form of tax-free allowances for subsistence and housing. Appendix I contains information on these other benefits.

Regarding ongoing efforts that affect or have the potential to affect physicians' pay, we identified two recent initiatives. Since November 1993, OPM has delegated authority to HHS, DOD, and the Department of Justice allowing them to provide title 38 special pay to their physicians. As of May 1997, HHS was the only agency to have used this authority. Also, VA is currently exploring the feasibility and appropriateness of linking physicians' pay with performance.

Analyses of Physicians' Pay

We used several measures—averages, medians, and percentiles—to portray and compare the pay federal physicians received under titles 5, 37, and 38. Our principal analyses consisted of comparisons of (1) physicians' pay—a combination of basic and special pay, (2) basic pay, (3) special pay, and (4) federal and private sector physicians' pay for selected medical specialties.

Federal Physicians' Pay Comparisons

When measured by the average, physicians' pay for HHS physicians who did not receive title 38 special pay was less than physicians' pay of HHS and VA physicians who received special payments under title 38. In contrast, average physicians' pay of HHS physicians exceeded the average pay of military and Commissioned Corps physicians who were paid under title 37. Table 1 shows, for government physicians paid under titles 5, 37, and 38, average amounts of basic and special pay combined. Where available, we also included information on maximum pay, medians, and pay at the 25th and 75th percentiles.

Table 1: Annual Physicians' Pay for Federal Physicians in Selected Agencies

Groups of physicians by pay titles	25th percentile	Median	Average	75th percentile	Maximum
HHS title 5	\$89,540	\$102,640	\$101,660	\$113,255	\$148,400
HHS title 5 receiving PCAs	94,150	104,350	104,730	117,310	147,705
DOD title 5	N/A	N/A	86,760	N/A	N/A
DOD title 5 receiving PCAs	N/A	N/A	89,710	N/A	N/A
HHS title 5 receiving title 38 special pay	111,290	133,200	122,555	145,645	167,440
VA title 38	118,845	128,910	128,540	139,090	186,700
Commissioned Corps title 37	N/A	N/A	97,770	N/A	N/A
Military physicians title 37	N/A	N/A	78,250	N/A	151,230 ^a

Note: N/A indicates that data were not available.

^aFor military physicians, the maximum amount paid was not based on actual payroll information but was based on DOD pay tables and information on special pay provided by a program official.

Source: GAO analysis of physicians' pay data provided by federal agencies.

According to DOD officials, the majority of military physicians do not make the military a career and usually leave active military duty after fulfilling all required service obligations for education and training. Approximately 70 percent of the physician force is evenly distributed between the O-3

(entry level) and O-4 ranks.⁷ This skews the presentation of “average salaries” of military physicians to relatively low amounts.

Federal Basic Pay Comparisons

Similar to total physicians’ pay, basic pay—one component of physicians’ pay—was the highest for HHS and VA physicians and lowest for physicians in the military. HHS physicians paid under title 5 and VA physicians paid under title 38 had average basic pays of \$87,815 and \$89,350, respectively. Average basic pay for physicians paid under title 37 was \$43,110 for physicians in the military and \$54,510 for Commissioned Corps physicians.

Average basic pay received by physicians paid under titles 5, 37, and 38 of the U.S. Code is shown in table 2. Where available, maximum basic pay authorized or received by these physicians as well as median pay amounts and amounts paid to physicians at the 25th and 75th percentile are also shown.

Table 2: Annual Basic Pay for Federal Physicians in Selected Agencies

Groups of physicians by pay titles	25th percentile	Median	Average	75th percentile	Maximum
HHS title 5	\$79,005	\$87,265	\$87,815	\$98,315	\$148,400
HHS title 5 receiving PCAs	79,760	88,345	88,970	98,680	130,250
DOD title 5	N/A	N/A	77,685	N/A	102,620
DOD title 5 receiving PCA	N/A	N/A	77,205	N/A	101,615
HHS title 5 receiving title 38 special pay	80,135	91,375	83,605	98,680	110,670
VA title 38	90,090	90,090	89,350	90,090	123,100
Commissioned Corps title 37	41,355	48,520	54,510	71,600	98,290
Military physicians title 37	N/A	N/A	43,110	N/A	104,240 ^a

Note: N/A indicates data were not available.

^aFor military physicians, the maximum amount paid was not based on actual payroll information but was based on DOD pay tables.

Source: GAO analysis of basic pay data provided by federal agencies.

Federal Special Pay Comparisons

For physicians receiving special pay—the second component of physicians’ pay—average PCAs received by physicians under title 5 were lower than special pay received under titles 37 and 38. Large differences in average special pay to physicians—over \$20,000—existed between HHS physicians who received PCAs (\$15,760) and VA physicians and HHS

⁷In the Army and the Air Force, the O-3 rank is a Captain and the O-4 rank is a Major. In the Navy, the O-3 rank is a Lieutenant and the O-4 rank is a Lieutenant Commander.

physicians who received special pay under title 38 (\$39,585 and \$38,950, respectively). The average PCA of HHS physicians (\$15,760) was also lower than the average special pay received by military and Commissioned Corps physicians, \$35,190 and \$43,260, respectively. Table 3 shows special pay averages for federal physicians. Where available, maximum special pay received by these physicians as well as the medians and amounts paid to physicians at the 25th and 75th percentile are also shown.

Table 3: Annual Special Pay for Federal Physicians in Selected Agencies

Groups of physicians by pay titles	25th percentile	Median	Average	75th percentile	Maximum
HHS title 5 receiving PCAs	\$12,065	\$16,615	\$15,760	\$20,000 ^a	\$20,000 ^a
DOD title 5 receiving PCAs	N/A	N/A	12,505	N/A	20,000
HHS title 5 receiving title 38 special pay	30,060	44,075	38,950	50,365	63,000
VA title 38	29,500	39,000	39,585	48,295	84,485
Commissioned Corps title 37	N/A	N/A	43,260	N/A	N/A
Military physicians title 37	N/A	N/A	35,190	N/A	79,500 ^b

Note: N/A indicates that data were not available.

^aThe maximum authorized annual PCA amount is shown. In several cases, payroll records included PCA payments for an additional pay period in 1996, thereby showing PCA payments in excess of the maximum.

^bBased on DOD program information.

Sources: GAO analysis of information provided by federal agencies.

Unlike HHS and DOD physicians who received only PCAs, physicians paid under title 37 and 38 were eligible to receive several types of special pay. However, not all physicians can receive each type of special pay. Table 4 shows, for the five different types of special pay paid under title 37, the number of Commissioned Corps and military physicians that received each type of special pay, the average amount of special pay received, and authorized maximum special pay amounts. Table 5 shows the authorized maximum amounts for each of the seven types of special pay paid under title 38 as the actual data were not readily available. Each type of special pay is described in more detail in appendix II.

Table 4: Types and Amounts of Special Pay Received by Military and Commissioned Corps Physicians

Type of special pay	Agency	Number receiving	Average amount received	Authorized maximum special pay amount
Board certified	Military ^a	5,071	\$3,595	\$6,000
	Corps	1,171	4,300	
Variable	Military	8,872	7,860	12,000
	Corps	1,458	8,735	
Additional	Military	6,593	15,000	15,000
	Corps	1,309	14,930	
Incentive	Military	5,790	17,385	36,000
	Corps	1,128	14,805	
Multiyear	Military	2,011	9,745	14,000
	Corps	879	10,310	

^aNumbers and amounts reported for military physicians are based on Army and Air Force payroll information.

Sources: GAO analysis of special pay data provided by the Commissioned Corps and the Army and Air Force.

Table 5: Authorized Maximum Special Pay Amounts Under Title 38

Types of special pay	Authorized maximum special pay amounts
Length of service	\$25,000
Scarce specialty	40,000
Board certified	2,500
Geographic location	17,000
Exceptional qualifications	15,000
Responsibility	45,000
Full time	9,000

Note: In a draft of this report, we presented information provided to us by VA on the number of physicians receiving each type of special pay and the average amounts received. At VA's request, we deleted these data by specific type of special pay because, upon further review, VA noted that automated pay system records do not contain complete information for individual special pay components.

Source: VA.

Special pay received by individual physicians paid under titles 37 and 38 could differ significantly because not all physicians received the same types or amounts of special pay. PCAS received by title 5 physicians varied less because PCAS may not exceed \$20,000. In 1996, of the 1,193 full-time

HHS physicians⁸ who had a full year of service, 830 received only PCA pay; 113 received only physicians' special pay under title 38; and 135 received both types of special pay, but not at the same time during the year. Of the full-time physicians, 115, or less than 10 percent, did not receive PCAs or title 38 special pay.

Comparison of Federal and Private Sector Physicians' Pay for Selected Medical Specialties

HHS and DOD physicians paid under title 5 were not eligible for specialty pay per se. Instead, these physicians could be eligible for PCAs based on agencies' determinations that significant recruitment and retention problems existed for categories of physicians. According to PCA regulations (5 C.F.R. 595.103(b)), categories of physicians include those doing direct care, research, physical examinations, and administration of medical or health programs.⁹ Federal physicians paid under titles 37 and 38 and some HHS physicians eligible for title 38 special pay could receive special pay based on their certifications as specialists by one of the recognized American Medical or Osteopathic Specialty Examining Boards. Such special payments included board-certified pay, incentive and scarce-specialty pay, and multiyear special pay.

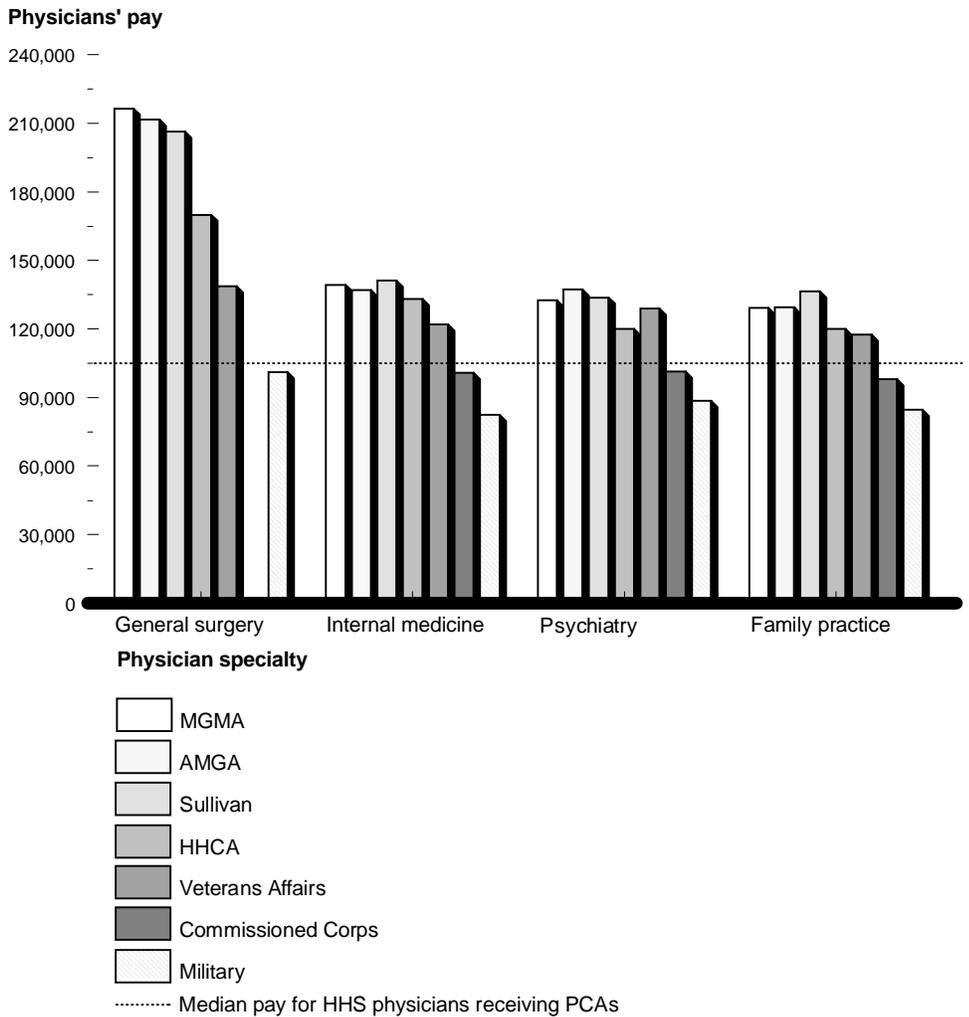
In selected medical specialties in which large numbers of federal and private physicians practiced (general surgery, internal medicine, psychiatry, and family practice), our comparison of pay information from studies of private sector physicians' pay and the pay of federal physicians who were paid under titles 37 and 38 showed that private sector physicians were generally paid more. In other specialties (e.g., thoracic surgery, radiology, and anesthesiology), private sector physicians were paid considerably more, based on information from these studies.

Figure 1 shows for VA, DOD, Commissioned Corps, and private sector physicians the median or average pay for selected medical specialties (see table 6 for detailed dollar amounts).

⁸We excluded HHS physicians in administratively determined pay plans from our analysis of HHS data because most of these physicians were research fellows at the National Institutes of Health (NIH) and their duties were different from other full-time HHS physicians.

⁹Appendix II contains descriptions of these categories.

Figure 1: Federal and Private Sector Physicians' Pay by Selected Medical Specialties



Note: Average pay for title 5 physicians was not available by specialty. Average pay information was the only information available for VA and Commissioned Corps physicians (Commissioned Corps data were not available for general surgery). For military physicians, DOD estimated average amounts paid to physicians in each specialty based on pay table data and program information on amounts of special pay provided to physicians in these specialties. Medians are used for private sector pay.

Source: GAO analysis of information provided by VA, the Commissioned Corps, DOD, and private sector studies of physicians' pay.

Table 6: Federal and Private Sector Physicians' Pay by Selected Medical Specialties

Physicians' specialty	MGMA	AMGA	Sullivan	HHCS	VA	Corps	Military
General surgery	\$216,560	\$211,735	\$206,360	\$170,000	\$138,710	N/A	\$100,960
Internal medicine	139,320	137,000	141,245	133,030	121,925	\$100,850	82,400
Psychiatry	132,480	137,210	133,830	120,000	128,910	101,305	88,510
Family practice	129,150	129,415	136,370	120,000	117,410	97,930	84,575

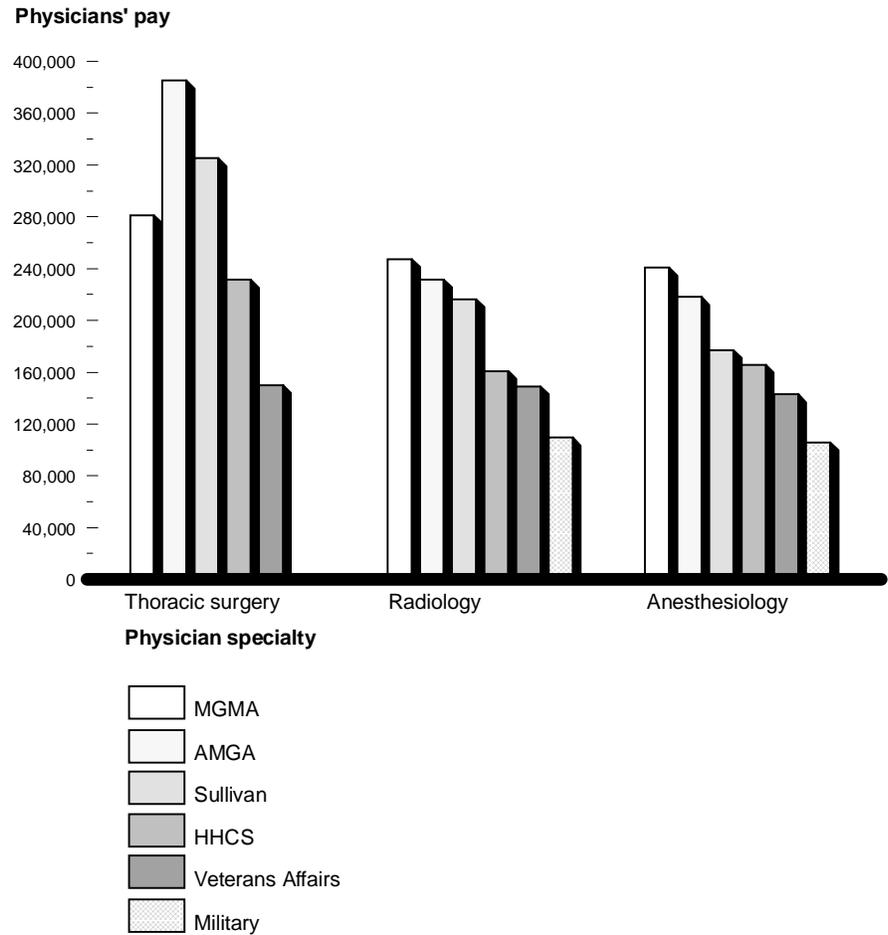
Note 1: N/A indicates data were not available.

Note 2: Information on average pay was the only information available for VA and Commissioned Corps physicians. For military physicians, DOD estimated average amounts paid to physicians in each specialty based on pay table data and program information on amounts of special pay provided to physicians in these specialties. Medians are used for private sector pay.

Source: GAO analysis of information provided by VA, the Commissioned Corps, DOD, and private sector studies of physicians' pay.

For other selected medical specialties—thoracic surgery, radiology, and anesthesiology—private sector physicians' pay greatly exceeded the average pay of VA and military physicians. Comparisons of amounts paid to private sector physicians and VA and military physicians for these selected specialties are shown in figure 2 (see table 7 for detailed dollar amounts).

Figure 2: Physicians' Pay for VA, Military, and Private Sector Physicians in Thoracic Surgery, Radiology, and Anesthesiology Specialties



Note: We did not present Commissioned Corps information because of the small number of physicians in these specialties. For military physicians, DOD estimated average amounts paid to radiologists and anesthesiologists based on pay table data and program information on amounts of special pay provided to physicians in these specialties. VA amounts are averages, whereas medians are used for private sector pay.

Source: GAO analysis of information provided by VA, DOD, and private sector studies of physicians' pay.

Table 7: Physicians' Pay for VA, Military, and Private Sector Physicians in Thoracic Surgery, Radiology, and Anesthesiology Specialties

Physicians' specialty	MGMA	AMGA	Sullivan	HHCS	VA	Military ^a
Thoracic surgery	\$281,235	\$385,125	\$325,290	\$231,450	\$150,035	N/A ^b
Radiology	247,505	231,705	216,335	160,680	149,160	\$109,495
Anesthesiology	240,665	218,000	177,150	165,800	142,905	105,765

^aFor military physicians, DOD estimated average amounts paid to radiologists and anesthesiologists based on pay table data and program information on amounts of special pay provided to physicians in these specialties. VA amounts are averages, whereas medians are used for private sector pay.

^bN/A indicates that data were not available because DOD groups its thoracic surgeons with surgeons in other specialties.

Source: GAO analysis of information provided by VA, DOD, and private sector studies of physicians' pay.

In general, federal physicians' pay is limited by (1) amounts provided under basic pay schedules, (2) maximum authorized special payment amounts, and (3) legislation stating that total pay cannot exceed specified executive pay levels. Private sector physicians' pay would not generally be subject to these types of constraints.

Other Types of Benefits, Pay, and Allowances

Other compensation for which physicians may be eligible included (1) nonwage compensation, such as health and retirement benefits; (2) premium pay, such as overtime; (3) incentive pay for hazardous duty; (3) other types of special pay, such as diving pay; (4) tax-free allowances, such as subsistence and housing; and (5) miscellaneous benefits, such as base exchange privileges.

For the agencies that we reviewed, the cost of nonwage compensation (retirement and health and life insurance benefits) ranged from about 19 percent of basic pay for HHS physicians paid under title 5 to about 40 percent of basic pay for physicians in the military. In the private sector studies that we reviewed, comparable information on nonwage compensation was generally not available for the physicians studied.

Some federal physicians paid under titles 5 and 37 also received other types of pay that were unrelated to their classification as a physician but related more to hours of duty or special skills possessed. For example, some HHS physicians paid under title 5 received overtime pay, which averaged \$3,100 (see table I.4), and some physicians in the military

received aviation career incentive pay averaging about \$4,000 annually (see table I.5).

In addition to nonwage compensation and these other types of pay, most physicians in the military and the Commissioned Corps received tax-free allowances, the most common of which were for housing and subsistence. Housing allowances averaged over \$8,000 and subsistence allowances averaged about \$1,800. Because these allowances were not subject to federal income tax, military and Commissioned Corps physicians also had an additional tax advantage.¹⁰

Even though the amounts of these other types of benefits, premium and incentive pays, and allowances were sizeable in some cases, we did not include them in our primary analysis because the cost of some benefits could not be readily quantified and because of the time constraints for completing our analysis. Appendix I contains additional details on these other types of compensation.

Agencies' Actions Affecting Physicians' Pay

We identified two recent actions that affect or have the potential to affect physicians' pay. One involved a delegation of the use of certain title 38 personnel authorities to several agencies whose physicians are paid under title 5. The other involved VA's exploration of the feasibility of recognizing physicians' performance in establishing a new pay system.

In November 1993, following an OPM study that identified problems in recruiting and retaining individuals in health care occupations, OPM delegated, under 5 U.S.C. 5371, the authority contained in certain title 38 personnel provisions to HHS, DOD, VA,¹¹ and the Department of Justice. The provisions that were delegated related directly to pay rates and systems, premium pay, position classification, and hours of work.¹² The purpose of this delegation was to give these departments additional flexibilities to maintain quality health-care staffs. As of May 1997, HHS was the only agency to have used this expanded authority to provide special pay to its

¹⁰The amount of tax advantage received depends on family size and the amount of basic pay. For example, with a family of three, a physician in the O-5 pay grade with 2 years of service with basic pay of \$39,809 would have a tax advantage of \$2,101 and with 18 years in the service and basic pay of \$56,034 would have a tax advantage of \$4,630, according to January 1996 military compensation pay tables.

¹¹OPM's delegation to VA does not involve physicians' special pay or other compensation for physicians.

¹²OPM's delegation regarding special pay pertains only to physicians at grades below the Senior Executive Service and Executive Schedule levels.

physicians. Information on how HHS used this title 38 pay authority showed that, based on average pay, HHS physicians paid under title 38 earned \$17,825 more than HHS physicians receiving PCAs.

According to an HHS official, HHS agencies' use of title 38 pay authorities has enabled HHS to remain reasonably competitive with salary levels in the private sector. Another HHS official said that budgetary constraints have limited the number of physicians who can receive title 38 special pay and have forced HHS to concentrate on positions for which recruitment and retention have historically been difficult. For example, the FDA has focused its efforts on providing title 38 special pay to supervisors and team leaders.

Another action that has the potential to affect physicians' pay involved VA. VA indicated that some thought was being given to changing the manner in which its physicians are paid. In 1995 and 1996, a task force appointed by VA's Under Secretary for Health met to discuss the development of a new pay system for physicians and dentists. The task force's objectives were to design a pay system that used a total salary concept that continued to consider local pay markets along with a new incentive pay component to reward exceptional performance and productivity.

VA officials told us that, as of July 1997, the Veterans Health Administration was continuing to examine issues dealing with types of information available regarding local market pay and how to measure and link clinical performance and total salaries. Instead of physicians being automatically entitled to special pay by virtue of their length of service, geographic location, or medical specialty, the system under discussion would consider the local market, an individual's performance and experience, and other relevant factors in determining physicians' pay. VA officials also told us that, because of the complexity of physicians' pay, modifications to the present system—which would require legislative action—are in the early stages of study.

Agencies' Comments

HHS and VA provided written comments on a draft of our report. DOD's Deputy Director for Manpower and Support, Health Services and Readiness Support, Office of the Assistant Secretary of Defense for Health Affairs, and OPM's Chief, Compensation Administration Division, Office of Compensation Policy, provided oral comments on our draft report on August 18 and 20, 1997, respectively. DOD, OPM, and VA said they generally agreed with the report's contents. The agencies' comments, which were essentially technical in nature or to clarify points, have been incorporated

where appropriate. OMB was unable to provide official comments on our draft report within the timeframe we requested. However, we discussed and resolved comments of a technical nature with OMB staff familiar with physicians' pay issues and made changes to the report where appropriate.

We are sending copies of this report to the Chairmen and Ranking Minority Members of interested congressional committees; the Secretaries of HHS, Defense, and VA; and the Directors of OPM and OMB. Copies will be made available to others on request.

Major contributors to this report were Larry Endy, Ed Tasca, Wayne Barrett, and Jessica Botsford. Please contact me at (202) 512-9039 if you have any questions concerning this report.

Sincerely yours,



Michael Brostek
Associate Director
Federal Management and
Workforce Issues

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Abbreviations

AMGA	American Medical Group Association
CDC	Centers for Disease Control
C.F.R	Code of Federal Regulations
COLA	Cost-of-living allowance
CSRS	Civil Service Retirement System
DOD	Department of Defense
FDA	Food and Drug Administration
FERS	Federal Employees Retirement System
HHCS	Hospital & Healthcare Compensation Service
HHS	Department of Health and Human Services
HMO	Health Maintenance Organizations
IHS	Indian Health Service
MGMA	Medical Group Management Association
NIH	National Institutes of Health
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCA	Physicians Comparability Allowance
U.S.C.	United States Code
VA	Department of Veterans Affairs

Additional Analyses of Federal and Private Sector Physicians' Compensation

In addition to the primary comparisons discussed in this report, we developed additional analyses of physicians' compensation. This appendix presents average pay information, when it was available, based on physicians' years of service and pay grades or position types.¹³ We also discuss other aspects of compensation in addition to basic and special pay, including (1) employers' contributions to the costs of physicians' retirement and health and life insurance benefits—also referred to as nonwage compensation; (2) other types of premium and incentive pay paid under titles 5 and 37 to some physicians; and (3) tax-free allowances for subsistence, housing, and other expenses paid under title 37 to most physicians in the military and the Commissioned Corps.

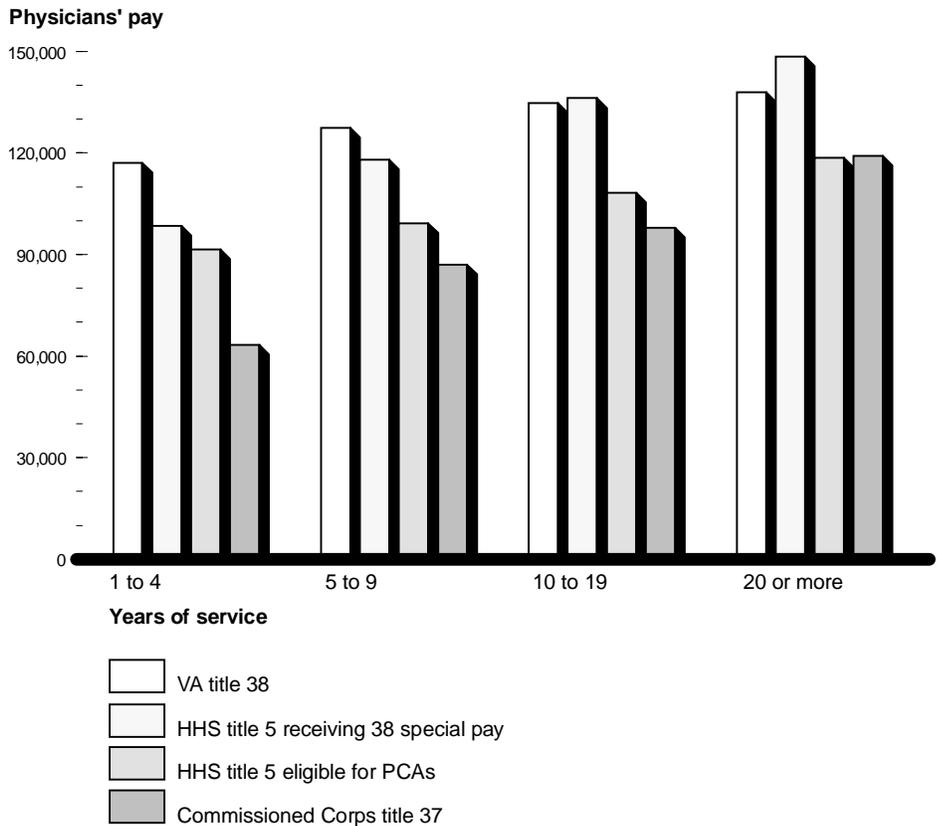
Federal Physicians' Pay by Years of Service

Consistent with previous comparisons in this report, VA and HHS physicians receiving title 38 special pay were paid more than other federal physicians based on their years of service. For HHS physicians paid under title 5 and Commissioned Corps physicians paid under title 37, differences in pay narrowed as years of service increased. Average pay for HHS title 5 physicians and Commissioned Corps physicians was nearly the same for physicians with more than 20 years of service—\$118,650 and \$119,145, respectively. For military physicians, information on amounts of special pay was not readily available in the years-of-service groupings we requested. Figure I.1 shows comparisons of average physicians' pay based on years of service (see table I.1 for dollar amounts).

¹³Because information was not available from the pay data provided, we did not develop pay comparisons based on physicians' roles as clinicians, researchers, teachers, or administrators.

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**Figure I.1: VA, HHS, and
Commissioned Corps Average
Physicians' Pay by Years of Service**



Source: GAO analysis of information provided by VA and HHS.

**Table I.1: VA, HHS, and Commissioned
Corps Average Physicians' Pay by
Years of Service**

Years of experience	VA title 38	HHS with title 38 special pay	HHS title 5	Commissioned Corps
1 to 4	\$117,035	\$98,535	\$91,535	\$63,270
5 to 9	127,500	118,080	99,150	87,005
10 to 19	134,330	136,175	108,240	97,890
20 and more	137,910	148,470	118,650	119,145

Source: GAO analysis of information provided by VA and HHS.

Federal Physicians' Pay by Position

For executive-level pay,¹⁴ the average pay for VA physicians exceeded that of HHS title 5 physicians by \$17,580, or about 12 percent. The average pay for these HHS physicians exceeded the average for Commissioned Corps physicians in O-7 and O-8 pay grades (Admiral) by \$10,455, or about 8 percent, and military physicians in O-7, O-8, and O-9, pay grades (General) by \$12,645, or about 10 percent.

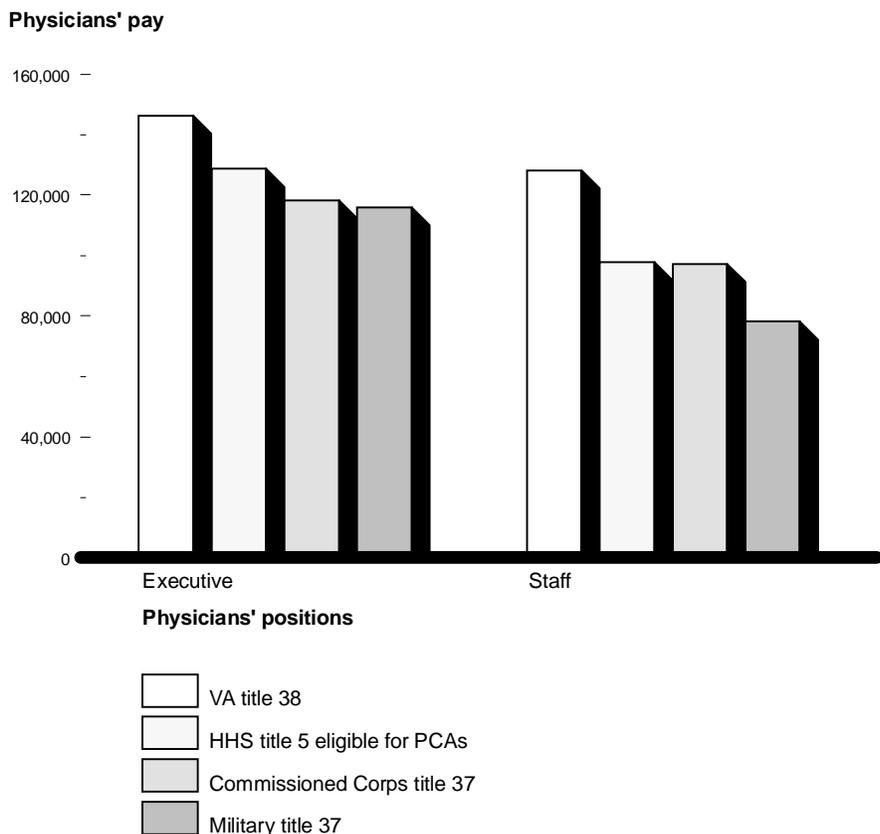
For staff-level pay, the average for VA physicians (first level supervisors, "chief grade," and below) exceeded that of HHS title 5 physicians who were paid under the General Schedule by about 24 percent, or \$30,405. The average pay for military and Commissioned Corps physicians was 39 and 24 percent less than the average for VA physicians. The average pay for HHS physicians was about the same as the average for Commissioned Corps physicians and about 20 percent more than the average for physicians in the military.

Physicians' pay for military and Commissioned Corps physicians varied considerably by pay grade. Pay for Commissioned Corps physicians in the O-3 pay grade averaged \$39,030 and in the O-6 pay grade averaged \$118,845. According to DOD officials, a large percentage of military physicians at the O-3 level are in graduate medical education programs in either internships or residency training. These physicians were not eligible for incentive or multiyear special pays that averaged about \$27,000 and were available to military physicians in higher pay grades. Figure I.2 shows physicians' pay by type of position (see table I.2 for detailed dollar amounts).

¹⁴Includes VA physicians in the "executive grade" and higher, including Senior Executive Service and executive level equivalents. According to 38 U.S.C. 7404(b)(2), VA officials in the executive grade must hold the position of chief of staff at a hospital, medical center, outpatient clinic (independent), or comparable position. Title 5 executives are generally those in the Senior Executive Service or under the Executive Schedule.

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Figure I.2 Average Federal Physicians' Pay by Position



Source: GAO analysis of pay data provided by federal agencies.

Table I.2: Average Federal Physicians' Pay by Position

Pay grade	VA title 38	HHS title 5	Commissioned Corps	Military title 37
Executive	\$146,240	\$128,660	\$118,205	\$116,015 ^a
Staff	128,215	97,810	97,265	78,160

^aFor physicians at the O-7, O-8, and O-9 levels, GAO calculated this amount from DOD payroll data on basic pay and DOD program information on special pay.

Source: GAO analysis of information provided by federal agencies.

Other Compensation

Federal physicians may also be eligible for other types of compensation, such as nonwage compensation, incentive or premium pay, or allowances. In some cases, only small numbers of federal physicians receive these

benefits. In the case of nonwage compensation for both federal and private sector physicians, benefit costs were not always quantified. When they were quantified, available estimates of benefit costs generally were not calculated in a consistent fashion that permitted meaningful comparisons among categories of physicians, either within the federal sector or between the federal and private sectors. We therefore did not include information on these other benefits in our principal comparisons.

**Employer-Provided
Nonwage Compensation**

Nonwage compensation includes employers' retirement benefit contributions and employers' shares of physicians' health and life insurance costs.¹⁵ Nonwage compensation paid by federal agencies on behalf of their employees ranged from 19 to 40 percent of basic pay. Studies of private sector physicians that we reviewed did not contain similar information on nonwage compensation. However, a 1994 Department of Labor study of employee benefits showed that, for white-collar professional workers in the private sector, the cost of employer-provided nonwage compensation (i.e., health and life insurance, retirement, social security, and workers' compensation benefits) was about 23.4 percent of basic pay. Federal physicians paid under titles 5 and 38 are required to pay for a share of their nonwage compensation. Private sector organizations may also require their physicians to contribute toward the costs of these benefits. Information on the costs of nonwage compensation that physicians received under titles 5, 37, and 38 and according to private studies follows.

Title 5 Physicians: Based on information from the HHS payroll system, the government's costs for nonwage compensation averaged about \$16,480 or about 19 percent of basic pay for the HHS physicians paid under title 5. This amount included the government's share of retirement benefit costs under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) as well as the government's share of health and life insurance costs. A more general measure of indirect cost is contained in OMB Circular A-76.¹⁶ This circular states that in 1996 the standard cost factor for federal civilian employees' retirement benefits was 23.7 percent, for life insurance and health benefits it was 7.05 percent, and for miscellaneous fringe benefits it was 1.7 percent.

¹⁵For more information on employer-provided benefits, see *Tax Policy: Effects of Changing the Tax Treatment of Fringe Benefits* (GAO/GGD-92-43, Apr. 7, 1992).

¹⁶Circular A-76 establishes federal policy for the performance of recurring commercial activities and provides guidance for determining whether recurring commercial activities should be operated under contract with commercial sources, in-house, or through interservice support agreements.

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Title 38 Physicians: According to a VA official, the total cost of nonwage compensation for its employees was about 25 percent of basic and special pay. In 1996, average basic and special pay for VA physicians was about \$128,540. Based on VA estimates, nonwage compensation would be about \$32,135 if these benefits averaged 25 percent of physicians' pay.

The dollar value of nonwage compensation for VA physicians was higher than the dollar value of these benefits for HHS physicians paid under title 5. Physicians paid under title 38 can include physicians' special pay as part of basic pay in determining retirement annuities under CSRS and FERS. In contrast, PCAs earned by title 5 physicians and special payments to physicians in the military and the Commissioned Corps are not considered part of basic pay for retirement benefit calculation purposes.

Title 37 Physicians: For fiscal year 1996, the DOD actuary estimated the cost of military retirement benefits to be 32.9 percent of basic pay. Costs of other nonwage compensation for military personnel were 1.45 percent for medicare hospital insurance benefits and 6.2 percent for old age, survivors, and disability insurance benefits on basic pay up to \$62,700. Physicians in the military and the Commissioned Corps and their dependents may receive free health care benefits in military facilities, but DOD has not developed, in terms of basic pay, information on the cost of providing these benefits.

Physicians in the military and the Commissioned Corps also may receive other benefits and privileges that are neither easily quantified nor readily susceptible to comparison. Examples of several of these benefits include eligibility to purchase goods and services at military base commissaries and exchanges at prices generally lower than those charged by commercial facilities and access to military service clubs and other DOD-sponsored recreational facilities.

Further, these physicians have the option of declaring a state of residence, regardless of where they are actually stationed or the length of time they spend in that state. This can be of significant value for those selecting residency in states with no personal income taxes. While these benefits and privileges can be of considerable value to physicians in the military and the Commissioned Corps, we did not attempt to estimate their comparative values or costs.

Private Sector Physicians: Information from studies of private sector physicians showed that the organizations that were surveyed also

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provided physicians with nonwage compensation. Table I.3 shows information on the types of benefits provided and the percentage of survey respondents providing the benefit. These studies did not provide information on total employer costs of these benefits or on the cost of these benefits as a percentage of basic pay.

Table I.3: Types of Private Sector Employer-Provided Benefits

Type of benefit	Private sector organizations	
	Hospital and Healthcare Compensation Service (January 1997 data)	Sullivan, Cotter, and Associates, Incorporated (January 1996 data)
	Percentage providing benefit	Percentage providing benefit
Retirement	^a	95
Defined benefit plan	63	^b
Defined contribution plan	81	^b
Group medical insurance	99	100
Group life insurance	97	99

^aTotal percentage providing retirement benefits not reported.

^bPercentage receiving each type of retirement benefit not reported.

Source: Studies of private sector physicians' pay.

In addition to the benefits shown in table I.3, other benefits for which some organizations provided payment included vision care, professional organizations' dues, continuing education expenses, personal time off, and flexible benefit plans.¹⁷ Federal agencies may also pay educational and training expenses for their physicians.

The HHCS study indicated that about 60 percent of the 179 participant organizations that responded offered a "fixed" set of employee fringe benefits, 32 percent offered a "flexible" or "cafeteria" set of benefits, and 8 percent offered both fixed and flexible benefits. Flexible benefit or cafeteria plans are generally not available to federal employees.

Premium, Incentive, and Other Types of Pay

Some physicians paid under titles 5 and 37 also received premium, incentive, or other types of pay based on factors such as hours of duty,

¹⁷Flexible or cafeteria benefit plans allow employees to choose from a list of fringe benefits that best fit their families' needs. Benefits commonly offered by flexible benefit plans include medical and dental insurance, life insurance, accidental death and disability insurance, and long-term disability insurance.

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possession of special skills, performance, or working under extreme conditions. These other types of pay were not based on an individual's occupation as a physician but were earnings based on the above-mentioned circumstances. For those physicians receiving these types of pay, compensation was increased by amounts that ranged from a few dollars to over \$24,000. Based on agency-provided information, tables I.4 and I.5 list for physicians paid under titles 5 and 37 (1) other types of pay; (2) numbers of physicians receiving the pay; (3) average amounts received; and (4) where available, ranges of compensation received.

Title 5 Physicians: Table I.4 contains information on other types of pay earned by at least 50 HHS physicians.

Table I.4: Other Types of Pay Received by HHS Physicians (1996)

Types of additional pay^a	Number receiving compensation	Average amount received	Range of compensation received
Award	652	\$1,610	\$100 to \$13,565
Overtime	330	3,100	5 to 21,865
Holiday	145	585	5 to 3,780
Night	82	1,125	5 to 6,180
Uniform	63	240	15 to 415
Retention ^b	62	11,100	750 to 24,525
Sunday	58	850	40 to 4,935

^aPhysicians may receive more than one type of additional pay. Also, HHS physicians receiving special payments under title 38 cannot earn premium pay that is paid under chapter 55 of title 5 (e.g., overtime pay, holiday premium pay, night pay differentials, and Sunday premium pay).

^bHHS's personnel manual states that physicians who receive PCAs may also receive retention allowances. The manual further states that every effort must be made to ensure that they are authorized only in extreme cases.

Source: GAO analysis of HHS payroll information.

Physicians paid under title 5 may also be eligible for other payments, such as recruitment bonuses, relocation allowances, and certain cost-of-living allowances (COLA) that are not identified in table I.4.

Title 37 Physicians: Other types of pay that physicians in the military received are listed in table I.5.

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**Table I.5: Examples of Other Pay
Received by Physicians in the Military**

Types of pay	Number receiving pay		Average annual amount received	
	Army	Air Force	Army	Air Force
Aviator career incentive	189	502	\$3,980	\$4,270
Hostile fire	98	95	1,800	1,800
Foreign language	2	103	805	1,075

Source: GAO analysis of Army and Air Force pay data.

Some physicians may be eligible to simultaneously receive more than one type of incentive or special pay. Unlike some title 5 physicians, physicians in the military and the Commissioned Corps do not receive compensation for working overtime, at night, on Sundays, or on holidays.

Title 38 Physicians: According to a VA official, VA full-time physicians are considered to be on duty for 24 hours a day. As such, they are not eligible for premium pay, such as overtime and for work on Sunday or at night. VA physicians also do not receive locality-based comparability payments under 5 U.S.C. 5304; however, they may receive geographic location pay if they work in areas where extraordinary recruitment or retention difficulties exist. They may also be eligible for recruitment bonuses and retention allowances under 38 U.S.C. 7410.

**Allowances for Military
and Commissioned Corps
Physicians**

Physicians in the military and the Commissioned Corps may be entitled to a variety of different allowances related to such elements as subsistence, housing, family separation, and COLAS. Table I.6 shows, for these physicians, average annual allowances received and the number of physicians receiving them. Allowances are tax free and generally vary depending on marital status, family size, and pay grade.

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Table I.6: Allowances Received by Military and Commissioned Corps Physicians

Types of allowance	Number receiving allowance			Average allowance amounts		
	Army	Air Force	Corps	Army	Air Force	Corps
Basic housing	4,085	3,611	1,443	\$8,265	\$8,355	\$9,540
Basic subsistence ^a	4,726	4,068	1,458	1,800	1,805	1,795
Overseas station-COLA	846	429	137	5,125	6,050	5,940
Overseas station-housing	215	229	N/A	8,950	5,740	N/A
Overseas station-other housing	1,037	904	N/A	680	450	N/A
Family separation	96	51	N/A	1,330	1,910	N/A
Variable housing ^b	3,801	3,580	1,256	2,755	1,890	3,895

Note: N/A indicates data were not applicable.

^aDifferences in basic subsistence amounts were due to differences in time periods for which the data was collected.

^bVariable housing allowances supplement basic quarters allowances for service members who reside in high-cost areas in the United States.

Source: GAO analysis of Army, Air Force, and Commissioned Corps pay data.

Because allowances are not subject to federal income tax, physicians in the military and the Commissioned Corps also receive a tax advantage that can be expressed as the additional income that they would have to receive in order to be left with the same net take-home pay, if allowances were taxable. Because many allowances vary by pay grade and number of dependents, the tax advantage varies. For example, according to January 1996 military compensation pay tables, the tax advantage for an officer in the O-4 pay grade ranged from \$1,889 to \$3,813, depending on family size and years of service. For an officer in the O-6 pay grade, it ranged from \$2,168 to \$4,777.

Descriptions of Special Payment Provisions and Roles of Federal Physicians

In addition to basic pay, federal physicians may be entitled to various special payments, depending on the laws under which they are paid. Each of the laws—title 5 for most civilian physicians in federal agencies other than VA, title 38 for VA physicians and selected title 5 physicians, and title 37 for physicians in the military and the Commissioned Corps—spells out (1) requirements that are to be met for physicians to receive special payments and (2) dollar ranges for these payments. Special payments may be provided in varying amounts based on different factors, such as a physician’s years of service, medical specialty or category of service, geographic location, or length-of-service agreement. In general, physicians who received special payments under titles 37 and 38 received more types and higher amounts of these payments than physicians paid under title 5. The following sections discuss these special payment provisions and the roles of federal physicians paid under these laws.

Types of Special Payments to Physicians

Title 5-PCAs

Federal physicians paid under title 5 may be eligible for PCAs if agencies document significant recruitment and retention problems and if physicians enter into a service agreement with their employing agencies. These agreements require physicians to complete periods of service of 1 or 2 years.

The maximum allowance is \$14,000 per year for physicians with less than 24 months of federal service and \$20,000 for physicians with more than 24 months of service. While these are the maximum amounts authorized by law, some agencies have established schedules that limit PCAs based on the characterization of the positions in which physicians serve. For example, for physicians with more than 24 months of service, the maximum allowance is \$10,000 for occupational health physicians and for physicians performing disability evaluations, according to HHS’ personnel manual.

PCAs are not considered basic pay for purposes of calculating premium pay (e.g., overtime, night, and holiday pay), payments for accumulated and accrued annual leave and severance pay, compensation for work injuries, or retirement and life insurance benefits.

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Table II.1 shows the agencies employing the most physicians under title 5 and the percentage of physicians receiving PCAs in fiscal year 1996.

Table II.1: PCAs by Agency (Fiscal Year 1996)

Federal departments and agencies	Number of physicians eligible for PCAs	Physicians with PCAs	Percentage with PCAs
HHS	1,363	1,019	75
DOD	633	487	77
Justice	198	183	92
State	60	54	90
Other agencies (14)	148	98	66
Total	2,402	1,841	77

Source: GAO analysis of OMB information.

The number of physicians eligible for PCAs in the 14 other agencies ranged from 1 to 35; 8 of these agencies employed fewer than 10 physicians. Five of the 14 agencies did not provide PCAs to any of their physicians. Officials with the National Aeronautics and Space Administration, with 27 eligible physicians, and the Tennessee Valley Authority, with 4 eligible physicians, told us that PCAs were not necessary to retain or recruit physicians in their agencies.

Title 38 Special Payment Provisions

Title 38 authorizes several different special payments for physicians. While most of the physicians receiving special payments under title 38 are employed by VA, OPM has authorized agencies (HHS, DOD, and the Department of Justice) that pay physicians under title 5 to pay selected physicians' special payments under title 38. Physicians receiving these payments are not eligible to receive PCAs. Under title 38, physicians may be eligible for one or more of the following types of special payments.

- **Full-time status:** Physicians who have full-time status are entitled to a special payment of \$9,000 annually.
- **Length of service:** Physicians are entitled to length of service awards that range from \$4,000 for 2 to 4 years of service to \$25,000 for 12 or more years of service. VA has established a schedule for length of service pay, which is shown in table II.2.

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Table II.2: Length-of-Service and Special Pay Amounts for VA Physicians Paid Under Title 38

Length of service		Special pay amount
At least	But less than	
2 years	3 years	\$4,000
3 years	4 years	6,000
4 years	6 years	9,000
6 years	8 years	12,000
8 years	12 years	15,000
12 years	20 years	18,000
20 years	25 years	20,000
25 years		25,000

Source: VA.

- **Scarce medical specialty:** Physicians serving in medical specialties for which there are extraordinary recruitment and retention difficulties may receive payments of up to \$40,000. Physicians serving in executive positions in VA's headquarters office are prohibited from receiving scarce specialty pay.
- **Responsibility pay:** Physicians serving in executive positions either in field offices or in VA's headquarters office may be eligible for amounts ranging from \$4,500 for a service chief to \$45,000 for the Under Secretary of Health, based on the specific position in which they serve.
- **Board certification:** Physicians are entitled to a special payment of \$2,000 if they are board certified. If they are certified in a subspecialty or secondary board, they are entitled to an additional \$500.
- **Geographic location:** Physicians serving in specific geographic locations where extraordinary recruitment or retention difficulties exist are eligible for geographic location pay of up to \$17,000 annually.
- **Exceptional qualifications:** VA's Under Secretary of Health may approve, on a case-by-case basis, special payments at an annual rate of not more than \$15,000 for physicians with exceptional qualifications within a specialty.

**Title 5 Physicians
Receiving Title 38 Pay**

HHS, DOD, and the Department of Justice, which pay physicians under title 5, were authorized, under a delegation of title 38 pay authority from OPM, to use the same categories of special payments to physicians described in the previous section in paying their physicians. OPM delegated title 38 pay authority to these agencies and VA¹⁸ in November 1993 to provide them with added flexibilities needed to maintain a quality health care staff. HHS agencies began using its delegated authority to make special payments to physicians under title 38 in August and September 1995. DOD has formalized a plan for the title 38 special pay authority, but as of April 1997, it had not used the authority to pay its physicians. Justice has not formalized a plan for using this authority. On June 27, 1997, OPM extended title 38 pay authority to HHS, DOD, and Justice through June 30, 2002.

HHS guidelines for implementing OPM's delegation of authority provide for almost identical special payment amounts using criteria similar to those used by VA. HHS limits special payments for length of service to \$18,000 compared with \$25,000 for VA. Also, by law (5 U.S.C. 5371(c)(1)), members of the Senior Executive Service are not eligible for special payments under title 38.

**Title 37 Special Payment
Provisions**

Under title 37, physicians in the military and Commissioned Corps physicians are eligible for types of special payments for physicians similar to those available to title 38 physicians. Special payments and the amounts authorized are discussed below.

- **Variable special pay:** Physicians in the military and Commissioned Corps physicians are entitled to variable special pay. Variable special pay is paid monthly and ranges from \$1,200 annually for interns to \$12,000 annually for officers with 6 but less than 8 years of service. After 8 years, this pay declines based on the theory that future retirement benefits and other types of special payments will serve as greater incentives for physicians to stay on active duty.
- **Board-certified special pay:** Physicians who are board-certified in their respective specialties are entitled to amounts ranging from \$2,500 to \$6,000 annually, based on their years of service. Physicians with less than 10 years of service receive \$2,500 annually; physicians with 18 or more years of service receive \$6,000 annually. Board certified pay is paid monthly.

¹⁸OPM's delegation agreement with VA expands the use of some of VA's existing title 38 authorities. It does not involve special payments to physicians or other compensation for physicians.

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- Additional special pay: Physicians who sign an agreement to serve at least 1 additional year from the effective date of their service agreements are entitled to \$15,000 annually, which is paid at the beginning of the 1-year period. Physicians who are undergoing internships or initial residency programs do not qualify for additional special payments.
- Multiyear special pay: Physicians who are fully qualified in designated medical specialties are eligible to enter into written agreements to provide 2, 3, or 4 more years of service. The duration of the agreement determines the amount payable. Annual amounts ranging from \$2,000 to \$14,000 are payable upon acceptance of the agreement and on the anniversary of the agreement. To receive multiyear special pay, physicians must have completed any service commitment incurred for medical education and training or completed 8 years of service. In either case, these physicians must be below the pay grade of O-7 (General or Admiral). Every year, the Assistant Secretary of Defense for Health Affairs convenes a Triservice Flag Officer Review Board to determine the annual amount provided for each specialty, to be based primarily on the staffing level in each specialty community.

In fiscal year 1996, physicians who signed 4-year agreements could receive \$14,000 for each year of the agreement in medical specialties, such as family practice, orthopedic surgery, emergency medicine, internal medicine, and urology. Other medical specialties received less. Also, multiyear special pay was not available for all specialists; for example, in fiscal year 1996, anesthesiologists and physicians in the pediatric and internal medicine subspecialties were not eligible to sign agreements for multiyear special pay under title 37.

- Incentive special pay: Physicians who sign an agreement to remain on active duty for at least 1 year and who are fully qualified in medical specialties designated as critical and practice in that specialty a substantial portion of the time or who meet other criteria related to their assignment may be authorized to receive up to \$36,000 in incentive special pay. Physicians must be in pay grade O-6 and below to receive this pay, which is a lump-sum payment at the beginning of the 12-month period. The Flag Officer Review Board annually determines the authorized amount of incentive special pay for each specialty.

Roles of Federal Physicians

Federal physicians serve in a variety of categories and medical specialties, depending on the mission of the employing federal agency and the needs

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of the population served. The following sections describe, by pay authority, the roles that these physicians fill in their employing agencies.

Title 5 Physicians

Federal regulations related to PCAs (5 C.F.R 595) require heads of agencies to establish, as a minimum, the following separate categories of physicians for purposes of determining if there are significant recruitment and retention problems.

- Category 1: Positions primarily involved in the practice of medicine or direct service to patients in hospitals, clinics, public health programs, diagnostic centers, and similar settings.
- Category 2: Positions primarily involved in the conduct of medical research and experimental work or the identification of causes or sources of diseases or disease outbreaks.
- Category 3: Positions primarily involved in the evaluation of physical fitness or the provision of initial treatment of on-the-job illness or injury.
- Category 4: Positions not described above, including positions involving disability evaluation and rating, training, or the administration of patient care or medical research and experimental programs.

PCAs may be paid only to physicians serving in positions in categories determined by the agency to have significant recruitment and retention problems. Table II.3 shows, for the agencies with the most physicians being paid under title 5, the number of physicians in each category and the number receiving PCAs.

Table II.3: Number of Physicians by Category and Number Receiving PCAs (Fiscal Year 1996)

Federal Agency	Category 1		Category II		Category III		Category IV	
	(Direct care providers)		(Researchers)		(Fitness examiners)		(Administrators or disability examiners)	
	Number	PCAs	Number	PCAs	Number	PCAs	Number	PCAs
HHS	404	343	813	532	0	0	146	144
DOD	485	354	32	29	116	104	0	0
Justice	198	183	0	0	0	0	0	0
State	51	45	0	0	0	0	9	9
Other	31	26	33	15	18	7	66	50
Totals	1,169	951	878	576	134	111	221	203

Source: GAO analysis of OMB data.

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In addition to HHS physicians who were paid under title 5, some physicians in HHS were eligible for special payments under title 38. In fiscal year 1996, HHS provided physicians' special payments under title 38 to 294 physicians. Most of these physicians were employed in the Food and Drug Administration (FDA), Indian Health Service (IHS), and NIH.

Even though physicians in the federal government are paid under a number of different pay plans, there is some commonality in the types of positions they fill in the agencies for which they work.

The following section illustrates the roles of federal physicians.

Titles 5, 37, and 38 physicians in HHS: HHS physicians may be paid as civilians under title 5 and as Commissioned Corps personnel under title 37. In addition, some title 5 physicians received special payments under title 38 as a result of the previously mentioned delegation of authority. Examples of physicians' roles in the HHS agencies that employ the most physicians are listed as follows:

- FDA: Approximately 95 percent of FDA's physicians are involved in researching and evaluating the clinical research data related to technology assessment, investigational studies, or marketing of medical/patient care services or products. According to OMB's annual report on PCAS, FDA competes with pharmaceutical companies for physicians qualified to support the regulation of food, prescription and over-the-counter drugs, and medical devices.
- NIH: NIH physicians are involved in intramural medical research, extramural and collaborative research, or the administration of these programs. NIH competes with the academic community and with private sector pharmaceutical firms for physicians with outstanding research skills.
- IHS: IHS provides a comprehensive health services delivery system, including hospital and ambulatory medical care and prevention and rehabilitation services, for American Indians and Alaska Natives. Much of the population served by IHS is scattered over long distances and in remote areas. IHS physicians are paid as civil servants under title 5 or as Commissioned Corps officers under title 37. IHS has 914 physicians and administers 37 hospitals and numerous health centers.
- Centers for Disease Control (CDC): Physicians at CDC provide leadership and direction in areas such as the prevention of infectious and chronic diseases, environmental health, occupational safety, international health, epidemiologic and laboratory research, data analysis and information management, and health promotion.

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Title 38 physicians at VA: According to VA payroll system data, VA had over 7,300 full-time physicians that had been employed for at least 1 year, as of December 1996. VA physicians serve in the largest federal medical-care delivery system in the United States, providing care to over 2.9 million patients in 1996. These physicians have training in numerous specialties and provide inpatient and outpatient hospital subacute, rehabilitative and psychiatric care, and residential and nursing-home care. In addition to providing patient care, numerous VA physicians are involved in administering its facilities; conducting basic, clinical, epidemiological, and behavioral research; and training medical residents and students.

Title 37 Commissioned Corps physicians: Commissioned Corps payroll data indicated that, as of December 1996, the Corps had over 1,450 full-time physicians who had been on duty for at least 1 year. Approximately 1,210 or 80 percent of these physicians were with the following HHS agencies: NIH (473), IHS (337), CDC (331), and FDA (69). Other Corps physicians either were with the remaining HHS agencies or were detailed to such other federal agencies as the Bureau of Prisons and the Coast Guard. In a 1996 report on the Commissioned Corps,¹⁹ we noted that Commissioned Corps officers and federal civilian employees often had similar duties and some—physicians, nurses, and pharmacists—had identical duties.

Title 37 military physicians: As of September, 30, 1996, the Army, Navy, and Air Force had about 13,000 military physicians. About 12 percent of these physicians had graduated from the Uniformed Services University of the Health Sciences, a 4-year, tuition free medical school established by DOD in response to the Department's need to attract and retain physicians. About 80 percent of the 13,000 physicians received financial assistance for their medical education in civilian medical schools under DOD's Health Professions Scholarship Program. The remaining physicians were brought into the military through direct accession.

A wide range of medical specialties are needed to support operational forces during times of war and other military operations and to maintain and sustain the well-being of the fighting forces in preparation for war. Military physicians also provide health care services to nonactive duty beneficiaries and to the dependents of active and nonactive duty personnel. Furthermore, military physicians also contribute to research

¹⁹Federal Personnel: Issues on the Need for the Public Health Service's Commissioned Corps (GAO/GGD-96-55, May 7, 1996).

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efforts conducted in areas such as Acquired Immune Deficiency Syndrome, breast cancer, and blood research. As of September 1996, of the 13,000 DOD physicians, over 1,000 were serving internships, and about 2,900 were in specialty training programs.

Differences exist between military physicians paid under title 37 and DOD civilian physicians paid under title 5. According to DOD officials, the DOD civil service system is structured to hire physicians primarily at the GS-13/14/15 levels where experience requirements and pay are significantly higher than they are for military physicians at the O-3 and O-4 levels (approximately 70 percent of the military physicians). The civil service does not have a significant attrition rate when compared with the attrition rate of junior military physicians. The result of the different employment situations is that most civilian physicians are employed at grade levels comparable with military pay grades O-5 and O-6.

Objectives, Scope, and Methodology

Because the authority to enter agreements to pay PCAs is due to expire on September 30, 1997, Representative Constance A. Morella requested a report on federal and private sector physicians' pay and benefits. Following discussions with her office, we agreed that our principal objectives would be to (1) compare amounts paid to federal physicians under title 5 to amounts paid under other sections of the U.S. Code with each other and with amounts paid to private sector physicians, (2) determine what other types of pay and benefits federally employed physicians receive, and (3) identify ongoing agency efforts that have the potential for affecting federal physicians' pay.

To compare physicians' pay, we obtained and analyzed information on physicians' basic pay and on any special payments that were available only to physicians. For purposes of this report, basic pay means a rate of pay established under titles 5, 22, 37, or 38, including a special salary rate under 5 U.S.C. 5305 (or similar authority) and a locality-adjusted rate of pay under 5 U.S.C. 5304. On the basis of our preliminary work, we agreed to obtain physicians' pay and benefit information for full-time federal physicians paid under title 5, most of whom were with HHS or DOD; physicians with the Public Health Service's Commissioned Corps or on military duty and paid under title 37; physicians with VA and paid under title 38; and title 5 physicians with HHS who received special payments under title 38. We also reviewed federal statutes and regulations on special pay that is available only to physicians, for information on the various types of special pay that physicians could receive.

HHS, VA, and the Commissioned Corps provided us with actual annualized pay data for full-time federal physicians with over 1 year of service for the 12-month period ending December 1996. Payroll information for military physicians was obtained from Defense Finance and Accounting Service pay centers for the Army and Air Force. Army and Air Force information was for the 12-month periods ending January and March 1997, respectively. The same comparable data used for the Army and Air Force could not be obtained from the Navy pay and personnel system. According to DOD officials, because all three military departments use the same pay rates, Army and Air Force data provide a fairly accurate representation of pay for military physicians. Unless reported separately, amounts and averages for DOD military physicians were based on combined information from the Army's and Air Force's payroll systems. According to data from the Defense Manpower Data Center, as of September 1996, of the 13,051 physicians in the military, 8,955 were in the Army and Air Force. From the information provided by the Army and Air Force, we could not determine

median pay amounts or identify amounts paid at the 25th and 75th percentile for military physicians. We did not independently verify the accuracy of any pay data we obtained.

DOD's Directorate of Compensation prepares extensive pay-related information in the form of pay tables for all military personnel. These tables show for each pay grade, longevity step, and family size, information such as basic pay, quarters and subsistence allowances, and Social Security and federal income tax withholdings. Also, DOD health affairs staff have developed information showing estimated amounts of special pay that military physicians in various pay grades are likely to earn on an annual basis. This information, together with staffing data, can be used to estimate amounts paid to DOD's military physicians.

We sought actual rather than estimated payroll data from all agencies for our primary analyses because these data would more accurately reflect the pay of physicians. We also sought actual data to avoid the potential difficulty of comparing data among agencies that used different estimating methodologies or of comparing estimated and actual data provided by these agencies. However, actual pay data in the formats and timeframes we specified were not always readily available.

For information on DOD physicians paid under title 5, DOD program officials for the Army and Navy provided us with estimated annualized pay data based on information for an April 1997 pay period, which was multiplied by 26—the number of pay periods in 1 year. The Air Force obtained annual physicians' pay data from its personnel data system. We used the data provided to avoid the additional time that would have been involved in collecting actual pay data for these physicians from multiple pay centers.

For pay and benefits data for private sector physicians, we identified physician compensation studies listed in *Modern Healthcare*.²⁰ From the studies listed and a discussion with the author of the above-mentioned article, we judgmentally selected and purchased four studies that contained information on physicians employed primarily in group practices, HMOS, and hospitals. We selected these studies because they contained information on (1) physicians practicing in settings that were similar to those in which federal physicians practiced, rather than information on physicians operating as sole practitioners and (2) amounts paid to physicians as salary and direct compensation, rather than as net income. Because these studies did not contain information on the median

²⁰*Modern Healthcare*, July 15, 1996.

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pay of all physicians surveyed, we were unable to make across-the-board comparisons between federal physicians' pay and private sector physicians' pay. However, these studies contained information on median pay for physicians in selected medical specialties. Where possible, we compared the pay of VA, Commissioned Corps, and military physicians with the pay of private sector physicians in the following medical specialties—general surgery, internal medicine, psychiatry, and family practice. These were medical specialties where large numbers of federal and private sector physicians practiced.

The organizations that prepared these pay surveys have been conducting physician pay studies from 4 to 21 years. We did not independently verify the data shown in these studies. Information on the scope of these studies is shown in table III.1.

Table III.1: Information on Private Sector Studies

Study publisher	Time period covered	Number of physicians covered	Number of medical specialties covered	Types of organizations responding
Hospital & Healthcare Compensation Service ^a	1996	12,676	42	324 hospitals, group practice facilities, and HMOs
American Medical Group Association	1995	23,280	69	272 group practices
Medical Group Management Association	1995 ^b	28,928	57	1,380 group practices
Sullivan, Cotter and Associates, Incorporated	1995	14,000	94	192 hospitals, group practices, and HMOs

^aThe HHCS study contained information on government and nongovernment physicians. We used the information on nongovernment physicians.

^bIn some cases, information was for a more recently completed 12-month period.

Source: Private sector studies indicated.

The preparers of two of these studies cautioned users of their reports that the data provided by responding medical practices might not be representative of all physicians or all medical groups because the data were not based on a random sample of medical groups. Two of these preparers also recommended the use of medians in evaluating physicians' pay, because the median is not subject to the distortion that may occur in the mean (average) when extremely high or low values are included in the data set. We therefore used medians when presenting private sector data. However, we used averages in our analyses of federal data because

median pay was not available for all federal physicians' groups we compared. Also, in most cases, the averages differed only slightly from the medians.

To determine other types of pay and benefits received by federal physicians, we reviewed (1) federal statutes and regulations on pay and benefits that physicians could receive in addition to their basic and special pay and (2) actual pay information provided by the agencies reviewed. We also asked these agencies for information on the cost of other compensation that the government paid for, either in whole or in part, but which was not included in physicians' pay. For example, employer costs include amounts paid for Social Security and other federal retirement benefits and for the government's share of costs for employees' health and life insurance benefits. After receiving the data from these agencies, and depending on how the agencies formatted the data, we made additional calculations or reformatted the data to make it as consistent as possible.

Regarding the objective to identify ongoing agency efforts that could potentially affect physicians' pay, we asked agency officials if they were involved in activities that had the potential for affecting physicians' pay.

In addition to the limitations indicated above:

- We did not make a determination on whether PCAs should be increased or whether there should be a minimum comparability allowance because we did not collect and compare information on such factors as (1) physicians' duties and responsibilities, (2) amounts of supervision physicians either received or provided, and (3) actual retention and recruitment concerns experienced.
- The military service pay centers for the Army and Air Force provided us with total amounts of basic pay, special pay for physicians, incentive pay, and allowances. From this information, we could calculate averages but could not determine median or percentile pay.
- Because of the small numbers of physicians involved and the specialized reasons for which they were hired, we did not compare pay and benefit data for physicians employed by the Uniformed Services University of the Health Sciences under 10 U.S.C. 2113 (f)(1) or in the Senior Biomedical Research Services under 42 U.S.C. 237.

We requested comments on a draft of this report from the Secretaries of HHS, Defense, and VA; and the Directors of OPM and OMB. Written comments from HHS and VA and oral comments from DOD and OPM were incorporated

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in the report, where appropriate. Similarly, we incorporated comments from OMB staff familiar with physicians' pay issues.

We did our work in Washington, D.C., from December 1996 to August 1997 in accordance with generally accepted government auditing standards.

Number of Full-Time Federal Physicians (September 1996)

Federal physicians	Number
Military ^a	13,051
Veterans Affairs ^b	8,048
Commissioned Corps ^c	1,594
Other government physicians ^d	2,770
Total	25,463

Note: Numbers of physicians in this table do not correspond to those used as the bases for analysis in other sections of this report. Our analyses generally were based on physicians that had 12 months of service during the year.

^aPhysicians in the military (Army, Navy, and Air Force) and paid under title 37.

^bAlmost all VA physicians are paid under title 38. A few are paid under title 5.

^cInformation is for December 1996. Corps physicians are paid under title 37.

^dMost of these physicians are paid under title 5 and are with HHS or DOD.

Source: OPM's Central Personnel Data File, Defense Manpower Data Center, and the Commissioned Corps.

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