

ONLINE APPENDICES

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**Physician and other health  
professional services**

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ONLINE APPENDIX

# 4-A

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**Payments from drug  
and device manufacturers  
to physicians**

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In 2009, the Commission recommended that the Congress mandate public reporting of physicians' financial relationships with drug and device manufacturers (Medicare Payment Advisory Commission 2009). Making physician-industry relationships more transparent would help Medicare, other payers, and the general public better understand the scope and nature of these financial ties and how they affect practice patterns and health care spending. The Patient Protection and Affordable Care Act of 2010 created the Open Payments program, a public reporting system in which manufacturers and group purchasing organizations (GPOs) submit information to CMS about certain payments and other transfers of value to physicians and teaching hospitals.

In 2014, the category of physicians in Open Payments included almost 500,000 medical doctors and osteopaths and about 110,000 dentists, optometrists, podiatrists, and chiropractors. Although the Commission recommended that manufacturers be required to report payments to other health professionals—including advanced practice registered nurses and physician assistants—the statute was limited to physicians and teaching hospitals. About 400,000 (80 percent) of the medical doctors and osteopaths who received industry payments in 2014 billed Medicare in the same year. Sixty-two percent of the medical doctors and osteopaths who billed Medicare for at least one beneficiary in 2014 received industry payments in the same year.

In 2014, physicians received \$2.5 billion in research payments and \$2 billion in general payments from manufacturers and had ownership or investment interests valued at \$700 million. Research payments include payments for basic research, applied research, and product development; they include payments to physicians when they are the primary recipient and to research institutions when a physician is a principal investigator on a project.<sup>1</sup> General payments include promotional speaking fees, royalty or license payments, consulting fees, food and beverage, travel, education, and other categories. Ownership or investment interests include ownership interests by physicians in manufacturers or GPOs.<sup>2</sup>

We examined general payments in greater detail because they include a wide variety of payment types; in addition, most of these payments represent direct compensation to physicians. A small proportion of physicians accounted for a majority of the total dollars in the general payments category. In 2014, the top 5 percent of physicians received 86 percent of the dollars; each of these physicians received \$57,000 in payments, on average. The top 10 percent of physicians received 91 percent of the dollars, with each physician receiving \$30,000, on average. By contrast, physicians in the bottom 90 percent received only 9 percent of the dollars, with each physician receiving about \$300, on average.

Compensation for services other than consulting (such as promotional speaking fees and honoraria) accounted for almost one-third of the value of general payments to physicians in 2014 (Table 4-A1). Payments in this category were received by about 30,000 physicians (5 percent of physicians who received at least one general payment) who each received about \$20,000, on average. Royalty or license payments (payments for the right to use patents, copyrights, and other intellectual property) accounted for about one-fifth of general payments and had the highest average amount per physician—almost \$227,000. Only about 2,000 physicians received one of these payments. Consulting fees were received by about 36,000 physicians and accounted for 17 percent of general payments. Food and beverage accounted for 11 percent of the total but were received by about 568,000 physicians (94 percent of physicians who received a general payment), which indicates the widespread prevalence of industry-provided meals to physicians.

We also examined the distribution of general payments by specialty for medical doctors and osteopaths in 2014. We identified physician specialties for records worth 84 percent of the dollars.<sup>3</sup> Orthopedic surgery accounted for 23 percent of the dollars for which we identified a specialty, with each physician receiving \$20,000, on average. Cardiology accounted for 7 percent of the dollars (almost \$6,000 per physician). Internal medicine and family practice each accounted for 6 percent of the dollars, but the average amount per physician was less than \$2,000. ■

**TABLE  
4-A1****General payments by manufacturers and GPOs  
to physicians, by payment category, 2014**

	<b>Payments (in millions)</b>	<b>Share of total</b>	<b>Number of physicians</b>	<b>Share of total</b>	<b>Mean payment per physician</b>
Compensation for services other than consulting	\$610	30%	30,096	5%	\$20,274
Royalty or license	451	22	1,989	0.3	226,747
Consulting fee	334	17	36,196	6	9,226
Food and beverage	224	11	567,733	94	395
Travel and lodging	179	9	69,735	12	2,562
Honoraria	69	3	9,960	2	6,921
Education	46	2	153,794	25	302
Ownership or investment interest	43	2	798	0.1	53,375
Serving as faculty at medical education program	30	1	3,677	1	8,211
Grant	17	1	2,062	0.3	8,135
Gift	12	1	20,782	3	556
Charitable contribution	1	0.03	228	0.04	2,566
Entertainment	0.4	0.02	4,008	1	96
Total	2,015		606,225		3,325

Note: GPOs (group purchasing organizations). "Physicians" include medical doctors, osteopaths, dentists, optometrists, podiatrists, and chiropractors. "Compensation for services other than consulting" includes promotional speaking fees and payments to acquire physician-owned companies. "Royalty or license" includes payments for the right to use patents, copyrights, and other intellectual property. "Ownership or investment interest" includes interests that manufacturers or GPOs give to physicians but excludes interests that are purchased by physicians. All ownership or investment interests, whether given to physicians or purchased by physicians, appear in a separate file. "Serving as faculty at medical education program" includes compensation for serving as faculty at unaccredited and accredited education programs.

Source: MedPAC analysis of Open Payments data from CMS, 2014.

## Endnotes

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- 1 Manufacturers must report all payments for services included in the written agreement or research protocol. These payments may cover costs associated with patient care, the time spent managing the study, the drugs or devices that are studied, and other in-kind items provided by the manufacturer.
- 2 Ownership or investment interests include stocks, stock options, partnership shares, limited liability company memberships, loans, bonds, and other financial instruments that are secured with an entity's property or revenue.
- 3 We linked the physician specialty code that appeared on Medicare claims in 2011, 2012, or 2013 to physician records from the general payments file. Because 19 percent of the medical doctors and osteopaths in the general payments file did not bill Medicare in those years, we were not able to identify a specialty for 8 percent of the records on the general payments file, representing 16 percent of the dollars.

## References

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Medicare Payment Advisory Commission. 2009. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC.