

Report to Congress on the Physicians' Comparability Allowance Program

Introduction

Section 5948(j) of title 5, United States Code, requires the President or his designee to report annually to the Congress on the operation of the physicians' comparability allowance (PCA) program, including information on--

- which agencies use the allowance;
- the nature and extent of recruitment and retention problems justifying the use of the allowance by each agency;
- the number of physicians entering into PCA service agreements by agency;
- size of the allowances and duration of the agreements; and
- the degree to which the allowance alleviates recruiting and retention problems.

To prepare this 2002 report, including 2001 actual data, the Office of Management and Budget (OMB) asked all agencies with PCA-eligible physicians to provide data on--

- the numbers of physicians, identifying the type of work they do (clinical, research, occupational health, disability, or administration); the numbers of physicians eligible for the allowance; and how many actually receive it;
- average compensation (excluding PCA) for eligible physicians receiving and not receiving the allowance and the amount of the average PCA overall, by category of work and length of PCA agreement;
- physician recruitment and retention information, including average number of years of continuous service per physician, number of accessions and separations the agency experienced, number of unfilled physician positions and average length of time positions were vacant; descriptions of the physicians' work; and
- organizational components of PCA-reporting agencies that employ more than 100 physicians receiving PCA.

Background

The material presented below provides background information and trends on the use of PCA payments by Federal agencies and presents FY 1998-FY 2002 PCA data. It also includes physician compensation comparisons to other Federal systems and the private sector.

Title 5 Physicians Comparability Allowance (PCA). The PCA statute authorizes agencies documenting severe recruitment and retention problems to pay an allowance to physicians of up to \$14,000 per year for physicians with 2 years or less of service as a Government physician and up to \$30,000 for physicians with more than 2 years of service as a Government physician. The PCA incentive was originally authorized by Pub. L. 95-603 in 1978 (5 U.S.C. 5948) with simple extensions through 1997. The program was then authorized on a permanent basis by Pub. L. 106-571 in December 2000. The maximum allowable PCA was raised from \$20,000 to \$30,000 per year in October 1998 by Pub. L. 105-226, the Federal Employees Health Care Protection Act of 1998.

The statute authorizes PCA payments only to solve significant physician recruitment and retention problems. For purposes of this allowance, severe recruitment and retention problems are considered to exist if all of the following conditions exist: long-lasting position vacancies; high turnover rates in positions requiring well-qualified physicians; applicants lacking the superior qualifications necessary for the position; and difficulties in filling existing vacancies with well-qualified candidates without PCA.

PCA Is One Type of Special Pay. A small portion of Federal physicians receives PCA payments. Of an estimated 27,500 full-time physicians employed by the Federal Government, 3,400 or about 12 percent are eligible for PCA, and 1,629 or roughly 6 percent are actually paid PCA. These eligible PCA physicians are generally covered under title 5 of the U.S. Code as General Schedule or Senior Executive Service employees. Most of the remaining non-PCA Federal physicians are under the military and Public Health Service (PHS) Commissioned Corps system (authorized under title 37 of the U.S. Code) and under the VA system (authorized under title 38), about which some basic contextual information is provided later in this report.

Compensation for PCA Recipients. The average compensation for PCA physicians (before receiving PCAs) was \$100,940 in FY 2001, and the PCA represents an average supplement of 19.5 percent to a physician's base compensation. In FY 2002, this supplement is projected to grow to 19.8 percent of base compensation due primarily to the phase-in of higher maximum PCA rates authorized by Pub. L. 105-226.

Summary of PCA Usage in the Federal Government

The recruiting and retention needs that justify use of the physicians' comparability allowance vary widely across the Government. Some agencies require physicians with special expertise in areas such as biomedical research or oversight of medical disability program criteria. Other agencies require physicians to live and work in remote areas. Other agencies face challenges because local non-Federal competition for physicians has pushed compensation requirements above the standard Government pay scale.

Table 1. Number and Compensation of Federal Physicians Receiving PCA

**Federal Physicians Receiving the Physicians Comparability Allowance
Fiscal Years 1998 to 2002**

	FY 1998 (Actual)	FY 1999 (Actual)	FY 2000 (Actual)	FY 2001 (Actual)	FY 2002 (Est.)
Physicians Eligible	2,912	2,929	3,233	3,400	3,530
Physicians Receiving	1,649	1,523	1,521	1,629	1651
% of Eligible Receiving	57%	52%	47%	48%	47%
Average Salary of PCA physicians (PCA excluded)	\$91,537	\$91,694	\$98,955	\$100,940	\$103,157
Average PCA	\$15,849	\$16,649	\$17,868	\$19,722	\$20,425
Average Total Compensation	\$107,386	\$108,343	\$116,823	\$120,662	\$123,582
Total PCA Spending (\$ in millions)	\$26.1	\$25.4	\$27.2	\$32.1	\$33.7

Source: OMB data collection from Federal agencies using PCA.

Data for FY 2002 are estimated. Some agencies did not provide all of the requested data.

Physicians Eligible for PCA, Physicians Receiving PCA. As of FY 2001, the last year for which we have actual data, 1,629 physicians in Federal employment received PCA, out of 3,400 who were eligible. This means that 48 percent of all eligible physicians received PCA. The average compensation in FY 2001 (excluding PCA) of those Federal physicians receiving PCA totaled \$100,940, while the average PCA paid was \$19,722. Therefore, the average total compensation for PCA physicians was \$120,662 in FY 2001, an increase of 3.3 percent over FY 2000.

The largest users of PCA in FY 2001 were five sub-agency components of the Departments of Defense, Justice, and Health and Human Services, as follows: Army (354), National Institutes of Health (240), Indian Health Service (233), Food and Drug Administration (204), and Bureau of Prisons (188). These five sub-components account for 75 percent of all PCA recipients. (See Table 4.)

The number of physicians eligible for PCA increased to more than 3,400 physicians in FY 2001. Eligible physicians shown in Table 1 include some HHS physicians who do not receive PCA because they receive alternative special payments authorized under title 38.

The overall increase in the number of eligibles relates to greater hiring of physicians, yet the percentage of these physicians receiving PCA declined from 57 percent to 47 percent between FY 1998 and FY 2001.

Average Compensation (excluding PCA). The average compensation (excluding PCA) for physicians receiving PCA increased modestly between FY 2000 and FY 2001, from \$98,950 to \$100,940, an increase of 2 percent. On average, PCA represents somewhat more than 16 percent of the overall compensation package of physicians receiving PCA.

Table 2. Data on Number and Compensation of Federal Physicians by Length of Agreement

**Physicians Signing 1-Year and 2-Year (or more) PCA Agreements
Fiscal Years 1998 to 2002**

		FY 1998 (Actual)	FY 1999 (Actual)	FY 2000 (Actual)	FY 2001 (Actual)	FY 2002 (Est.)
Signing 1-Year Agreements	Physicians	105	91	169	150	173
	Average PCA	\$11,431	\$10,645	\$16,109	\$13,126	\$14,739
Signing 2-Year (or longer) Agreements	Physicians	1,544	1,424	1,352	1,478	1,463
	Average PCA	\$15,969	\$17,203	\$18,637	\$21,304	\$22,154

Source: OMB data collection from Federal agencies using PCA.

Data from FY 2002 are estimated. Some agencies did not provide all of the requested data.

In order for physicians to receive PCA payments, they are required to sign a 1-year service agreement or a 2-year (or longer) service agreement with their agency. Most PCA physicians sign agreements for 2 years or more. In FY 2001, agreements of 2 years or more accounted for 91 percent of all PCA agreements.

Agencies offer a 2-year contract to secure a longer work agreement in exchange for a higher PCA supplement. It should be noted that the average PCA amount for a 2-year contract in FY 2001 was \$21,300, considerably above the \$13,100 average for a 1-year contract.

Retention Information. Agencies providing PCA payments to physicians report that accessions have increased from FY 2000 to FY 2001, from 167 (11 percent of the PCA workforce) to 195 (12 percent of the PCA workforce). Accessions tend to be higher in the aggregate category of all eligible physicians (which includes both physicians receiving and not receiving PCA) than in the category for physicians receiving PCA. In FY 2001, for example, the accession rate for all eligible physicians was 17 percent, compared to 12 percent for PCA recipients.

Table 3. Data on Accessions and Separations in Positions Eligible for or Receiving PCA

Federal Physicians Accessions and Separations
Fiscal Years 1998 to 2002

		FY 1998 (Actual)	FY 1999 (Actual)	FY 2000 (Actual)	FY 2001 (Actual)	FY 2002 (Est.)
Number of Physicians Eligible		2,912	2,929	3,233	3,400	3,530
Number of Physicians Receiving PCA		1,649	1,523	1,521	1,629	1,651
% of Eligible That Receive PCA		57%	52%	47%	48%	47%
Accessions	Among Eligible Physicians	481	516	583	572	506
	% of Eligible Physicians	17%	18%	18%	17%	14%
	Among PCA Physicians	189	229	167	195	191
	% of Receiving Physicians	11%	15%	11%	12%	12%
Separations	Among Eligible Physicians	256	236	376	485	398
	% of Eligible Physicians	9%	8%	12%	14%	11%
	Among PCA Physicians	218	164	134	154	165
	% of Receiving Physicians	13%	11%	9%	9%	10%

Source: OMB data collection from Federal agencies using PCA.

Data for FY 2002 are estimated. Some agencies did not provide all of the requested data.

In fiscal years 1999-2001, the separation rate among PCA physicians ranged from 9 to 11 percent, and in 2002, it is estimated based on agency reports that separation rates will remain within this range. It should be noted that separation rates for non-PCA physicians are higher, due in part to the fact that non-PCA physicians have different characteristics from those receiving PCAs. For example, agencies pay PCAs to certain categories of physicians recognizing that it is harder to retain them in the workforce. If PCAs were not provided, it is probable that separation rates for the harder-to-retain categories would rise over time.

Reporting Data for the Largest PCA Users. Departments and agencies report additional information on their organizational components that employ more than 100 physicians receiving PCA. Table 4 summarizes this information on the largest users of the PCA incentive.

Table 4. Comparative Data on Five Largest Users of Physicians' Comparability Allowance for Physicians Receiving PCA, FY 1998 vs. FY 2001

(Dollars in Thousands)

FY 1998						FY 2001					
	Receiving PCA	Avg. PCA	Avg. Comp. (PCA + Salary)	Access-ion Rate	Separation Rate		Receiving PCA	Avg. PCA	Avg. Comp. (PCA + Salary)	Access-ion Rate	Separation Rate
Army	390	\$12.3	\$90.8	13%	10%	354	\$19.2	\$111.2	13%	8%	
NIH	249	\$17.3	\$128.1	9%	5%	240	\$22.8	\$142.6	9%	11%	
FDA	190	\$17.9	\$108.0	22%	22%	204	\$20.1	\$119.1	12%	8%	
IHS	248	\$17.3	\$103.1	17%	25%	233	\$16.3	\$103.7	12%	8%	
BOP	184	\$17.2	\$118.3	8%	8%	188	\$21.4	\$132.1	12%	12%	
Weighted Total	1,261	\$15.8	\$107.2	14%	13%	1,219	\$19.8	\$120.5	12%	9%	

An examination of the five sub-component agencies shows that between FY 1998 and FY 2001, they employed about 75 percent of the Federal physicians receiving PCA payments. The number of PCA recipients in the five sub-component agencies decreased from 1,261 in FY 1998 to 1,219 in FY 2001, a drop of 3 percent. Another feature that stands out in the comparison is the volatility of the accession/separation rate data, both by years and by agency. Annual separation rates, for example, in the Indian Health Service (IHS) fluctuated from 25 percent in FY 1998 to 8 percent in FY 2001. Similarly, the separation rates for PCA recipients in the Food and Drug Administration (FDA) decreased from 22 percent in FY 1998 to 8 percent in FY 2001.

Comparisons with Other Federal and Non-Federal Pay Systems

As noted above, PCA is one of several pay authorities applicable to Federal physicians. Background information for the other two main systems, as well as compensation trends in the private sector, is provided below and on the following page for reference.

Military and PHS Commissioned Corps. Military or PHS Commissioned Corps physicians under title 37 receive additional compensation through special pays based on factors such as board certification, clinical specialty skills, and retention needs. In addition to these special pays, title 37 physicians also receive housing and subsistence allowances and related tax advantages. Accounting for these factors, the average compensation package in 2000 is

estimated at more than \$130,000 for military physicians and more than \$125,000 for Public Health Service (PHS) Commissioned Corps physicians.

Title 38 VA Physician Special Pay. Under the title 38 pay authorities, VA physicians are eligible to receive other types of special pay in addition to their base salary. For example, physicians may qualify for special pays based on factors such as full-time status, length of service, scarce medical specialty, and geographic location. The average total compensation (base pay plus special pay) of a title 38 physician was estimated to be between \$140,000 and \$145,000 in 2000.

Non-Federal Physicians' Compensation. In 1999, there were more than 651,000 active non-Federal physicians employed in the United States, with about 39 percent working as primary care physicians and the remainder in a wide variety of specialties such as neurology, urology, and cardiovascular diseases.¹ Physician compensation in the non-Federal sector is at the high end of the compensation spectrum compared to other professional occupations. In recent years, though the trends are mixed for some physician specialties, overall physician pay has tended to be relatively flat.

Based on 1999 data from a 2000 Medical Group Management Association (MGMA) survey, annual pay for primary care physicians (family practice, internal medicine, and pediatrics) averaged \$143,970 and \$245,900 for specialists.² Compensation for primary care physicians increased by about 2.8 percent annually from 1997 to 1999. According to the MGMA survey, compensation for specialists increased 5.5 percent annually over the same period.

Non-Federal physician compensation, after accounting for inflation, is increasing modestly and is linked to the larger presence of managed care in the health delivery system, where greater emphasis is placed on containing operating costs, including salaries. Another contributing factor to the relatively small increases is that a higher proportion of physicians is converting to salaried staff in managed care organizations and other health care providers.³ In addition, an estimated 80 percent of medical school graduates have opted for salaried positions upon entering the job market.⁴ Finally, the demand for primary care physicians may have peaked in the 1990s, with the result that the relatively generous supply of those physicians may now be holding down compensation levels.⁵

1. Health United States, 2001, Adolescent Health Chartbook. National Center for Health Statistics, pg. 3312-313.

2. 2000 Medical Group Management Association (MGMA) Physician Compensation and Production Survey: 2000 Report on 1999 Data, as cited by William Hoffman in the American College of Physicians and American Society of Internal Medicine (ACP-ASIM) Observer, February 2001.

3. Medical Group Management Association (MGMA) as cited by Edward Martin in the American College of Physicians and American Society of Internal Medicine (ACP-ASIM) Observer, November 1998.

4. Serafini, Marlyn Werber, "Physicians, Unite!" National Journal, June 5, 1999, p. 1524-1528.

5. Merritt, Hawkins & Associates as cited by Managed Care Magazine, Compensation Monitor, March 1998

Summary

The physicians' comparability allowance (PCA) is an incentive payment that is provided to a relatively small portion of the Federal physician workforce. From FY 1998 to FY 2001, the number of physicians receiving PCAs has remained substantially the same, while the annual amount of the allowance has increased from about \$15,900 to \$19,700 during the period.

In terms of effectiveness measures, about 91 percent of PCA physicians now sign agreements to work for their agencies for 2 or more years. This is a positive trend that helps retain and stabilize the PCA physician workforce. In addition, the overall separation rate for PCA physicians has declined since 1998, from 13 percent to 9 percent in 2001. Holding down the outflow of physician talent is a critical purpose of the PCA, and the PCA incentive plays a key role in achieving that objective.

The PCA incentive is an important factor in retaining and compensating physicians in a variety of programs across the Government. More specifically, the allowance helps ensure that Federal agencies can continue to be competitive in attracting and retaining skilled physicians.

Attached to this report is an Appendix that contains more detailed descriptions of the status and use of PCA on an agency-by-agency basis.

Recommendation to Delete the Statutory Requirement for Annual PCA Reports to the Congress

As noted earlier in this report, the PCA incentive was authorized on a permanent basis in December 2000 by Pub. L. 106-571. Prior to that time, PCA authorities were continued by simple legislative extensions every 3 or 4 years. Those extensions reflected the assumption that PCA incentives were still technically experimental and temporary in nature and that close monitoring of the effectiveness of the incentive was considered necessary. Now, however, since the PCA incentive has been effectively used and managed by Federal agencies for more than

20 years and has been given a permanent statutory authorization by the Congress, the Administration recommends that the annual reporting requirement (5 U.S.C. 5948(j)) on the operation of the PCA program be deleted.

Appendix: Summary of Agency PCA Reports

Department of Health and Human Services (HHS)

HHS employs the largest number of physicians eligible for and receiving PCA. Physicians perform a variety of tasks and possess skills of considerable value outside Federal employment. For example, the National Institutes of Health, as a leader in biomedical research, competes with the academic community to recruit physicians with outstanding research competence. Similarly, the Food and Drug Administration competes with pharmaceutical companies for physicians to support its mission of regulating food, prescription and over-the-counter drugs, and medical devices. Additionally, the Indian Health Service provides clinical care to a large population, much of which is in remote areas.

In FY 2001, HHS provided PCA to 852 out of 2,501 eligible physicians. The average PCA allowance was \$19,886, and the average compensation (not including the allowance) of physicians receiving PCA was \$101,911. Among physicians receiving PCA, HHS had 122 accessions, 100 separations, and 192 unfilled positions. For PCA physicians, the average length of a vacancy was 5 months and average continuous service was 8 years.

Department of Defense (DOD)

In FY 2001, DOD provided PCA to 434 physicians (an increase of 14 percent over FY 2000). The average allowance was \$18,768, and the average compensation (not including the allowance) of physicians receiving PCA was \$91,366. In the same year, DOD had 36 accessions and 25 separations among its PCA physicians. The average length of continuous service for PCA physicians in DOD is 11 years and has increased steadily over the past 5 years.

Department of Justice (DOJ)

DOJ's Bureau of Prisons employs physicians to provide health care services to inmates. These physicians work under difficult conditions, including close contact with a potentially dangerous and violent population, more potential exposure to infectious disease, and rigid work schedules.

In FY 2001, DOJ provided PCA to 188 physicians out of 206 eligible. The average allowance was \$21,400, and the average compensation (not including the allowance) of physicians receiving PCA was \$110,726. Loss rates for PCA physicians in the Bureau of Prisons decreased substantially in FY 2001 compared to FY 2000, from 18 percent to 12 percent.

Department of State

State Department physicians working overseas advise diplomatic staff on foreign policy questions having medical importance, provide medical care for American employees and their dependents, provide emergency medical support to foreign posts, monitor quality of care in embassy health units, and maintain liaison with local physicians, hospitals and public health officials. Physicians working at headquarters oversee the State Department's Medical Program, determine medical clearances, coordinate and oversee medical evacuations, and provide occupational health services to headquarters employees.

According to the State Department, recruiting and retaining physicians is difficult because “government service overseas, with its disruptive elements, threats of personal security, separation from family, reduction in income, and intellectual and professional isolation, is an unattractive option for most experienced physicians.”

In FY 2001, the Department of State provided PCA to all 53 of its eligible physicians. The average allowance was \$28,333, and the average compensation (not including the allowance) of physicians receiving PCA was \$116,689. In the same year, the Department had three accessions, two separations, and two unfilled positions. The average length of a vacancy was 5 months, and average continuous service for PCA physicians was 8 years.

National Aeronautics and Space Administration (NASA)

NASA began participation in the PCA program in FY 2001. NASA paid PCA to 26 of its 29 eligible physicians in FY 2001. The average PCA was \$14,238, and the average compensation (not including PCA) was \$105,232.

Environmental Protection Agency (EPA)

In FY 2001, EPA provided PCA to all nine of its eligible physicians. The average allowance was \$15,000, and the average compensation (not including the allowance) of physicians receiving PCA was \$99,556. EPA reported no accessions or separations in FY 2001.

Armed Forces Retirement Homes

The Armed Forces Retirement Homes (AFRH) consist of the United States Naval Home (USNH) and the U.S. Soldiers' and Airmen's Home (USSAH). In FY 2001, AFRH paid PCA to seven of its eight eligible physicians. The USSAH reports that it must offer PCA to attract specialists in the competitive and expensive Washington area. AFRH had one accession and one separation in FY 2001. The average continuous service for PCA physicians in AFRH was 9 years in FY 2001.

Department of Labor (DOL)

DOL uses PCA in hiring physicians for the Office of Workers' Compensation Programs (OWCP) and the Occupational Health and Safety Administration (OSHA). Because of OWCP's unique requirements (e.g., developing medical standards by which disabilities will be judged, treatment delivered, and costs contained), it has been difficult to retain physicians who are qualified and interested in this type of work. OSHA uses PCA agreements to attract and retain physicians needed to provide medical and epidemiological expertise in clinical investigations. There continues to be a high demand for occupational physicians in the United States. Consequently, the private sector recruits most graduates by offering salaries above the Government rate.

In its efforts to obtain qualified physicians, DOL has contacted organizations such as the American Academy of Orthopedic Surgeons, local chapters of the American Medical Association, and medical schools. Most physicians contacted through these means have declined employment consideration, citing low salary as the main reason for their disinterest. In many instances, the expected salaries of these physicians are as much as one and one-half to two times higher than the rate for GS-14, step 1.

In FY 2001, DOL provided PCA payments to seven out of eight eligible physicians. The

average allowance paid was \$16,360, and the average compensation (not including the allowance) was \$98,550. In FY 2001, DOL had no accessions or separations.

Social Security Administration (SSA)

Most of SSA's physicians receiving PCA are medical specialists who establish the medical criteria used to evaluate the severity of medical impairments of applicants for, and beneficiaries of payments under the disability program administered by SSA. The specialists conduct studies, keep abreast of modern medicine, and work with the medical community to ensure that the medical criteria of the SSA disability program reflect the latest advances in medicine.

In addition, SSA uses PCA for the Medical Director and Medical Officer positions in the Office of Human Resources. SSA's Medical Director serves as the agency's chief medical professional for a diverse, nationwide workforce with primary responsibility for ensuring that employees and management are provided with high quality medical support. SSA's Medical Officer provides support to the Medical Director to help keep pace with current and emerging developments in medical technology and treatment programs and services.

Without PCA, SSA would not be able to recruit and retain qualified physicians (who must be American Board Certified and experienced in their specialties) since many physicians are not attracted to administrative medicine, especially in SSA where doctors are not integrated into academic, research or clinical fields.

In FY 2001, SSA provided PCA to all eight of its eligible physicians. The average allowance was \$17,000, and the average compensation (not including the allowance) for physicians receiving PCA was \$114,224. SSA had one accession and no separations in FY 2001. The average length of continuous service for a PCA physician in SSA is 7 years.

Central Intelligence Agency (CIA)

CIA reports that it requires PCA payments to attract and retain physicians because of specialized security and travel requirements. In FY 2001, CIA paid PCA to all of its eligible physicians. The average PCA was \$25,507, and the average non-PCA compensation of the physicians receiving it was \$109,475.

U.S. Agency for International Development (USAID)

USAID recruits physicians with highly specialized skills. Specific expertise is required in areas such as epidemiology, preventive medicine, international health, tropical medicine, and infectious disease. These technical skills are often combined with management/administrative skills and a knowledge of international development, as well as interpersonal skills and the ability to interact with developing-country colleagues. USAID indicates that it is at a serious financial disadvantage in competing for such physicians compared to international agencies such as the World Health Organization.

With only a few physicians working for USAID, the workload is demanding and difficulty in retaining staff is directly related to demands made on USAID physicians. In FY 2001, USAID provided PCAs to all five of its eligible physicians. The average allowance was \$25,600, and the average compensation (not including the allowance) of physicians receiving PCA was \$106,206.

Peace Corps

In FY 2001, the Peace Corps provided PCA to seven of its eight physicians. There were two accessions and one separation of PCA physicians in FY 2001. The average length of continuous service for a PCA physician was 7 years.

Department of Veterans Affairs (VA)

While physicians working in Veterans hospitals are paid under a separate pay system, VA does employ physicians who are paid according to the General Schedule. These physicians may be eligible for PCA. In FY 2001, VA provided PCA to one eligible physician. The allowance was \$30,000, and the compensation (not including the allowance) was \$112,104.

Department of Agriculture (USDA)

USDA employs two PCA physicians. According to USDA, the Department has had difficulty filling vacancies for physicians who possess human nutrition and research qualifications. In FY 2001, the average PCA payment was \$20,000, and the average compensation (excluding PCA) was \$111,581.