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THE FUTURE OF HEALTHCARE COMPENSATION VALUATION: AI-ENABLED, EXPERT-LED

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AI is reshaping how healthcare organizations find, organize, and interpret information; however, when it comes to physician and advanced practice provider (APP) compensation valuation, technology should strengthen (not replace) professional judgment. The most defensible model for the next generation of fair market value (FMV) support is AI-enabled, expert-led: using modern tools to accelerate research and analysis while relying on qualified valuation professionals to form and defend the ultimate opinion.

In today's healthcare environment, ensuring FMV in provider arrangements is more than a best practice; it's a regulatory necessity. Compliance with the Stark Law, the Anti-Kickback Statute, and Internal Revenue Service private inurement/private benefit standards hinges on accurate FMV compensation determinations, with organizations facing significant financial and reputational risk if they get it wrong.

FMV also matters beyond "checking the box." It helps boards of directors and executives demonstrate stewardship of charitable assets, supports consistent compensation strategy, and reduces internal friction when recruiting and retaining providers in highly competitive markets. At the same time, regulators and payers continue to scrutinize

financial relationships that could influence referral patterns, utilization, or decision-making. For many organizations, the question is no longer whether an FMV process is needed, but whether the process is repeatable, explainable, and audit-ready.

FMV in practice: What's being valued?

In healthcare compensation, FMV questions show up in many forms: base salary, productivity compensation, call coverage, medical director (or other administrative) services, quality incentives, APP supervision, shift-based coverage, and co-management or leadership roles. Determining FMV typically requires evaluating who is providing the services (specialty, experience, credentials), what services are being provided (scope, intensity, administrative burden), how the services are delivered (time-based, productivity-based, hybrid), and where and under what conditions they are performed (geography, coverage expectations, patient acuity, and operational constraints). Because these factors, and others, rarely line up perfectly with a single survey benchmark, a defensible conclusion often depends on professional judgment applied to the specific facts.

Independent valuation opinions have several advantages over

determining FMV compensation internally, especially when arrangements are complex, compensation is high, and/or organizational stakeholders need objective support for decision-making.

- ◆ **Independence and objectivity:** Opinions provided by independent experts reduce potential bias and conflicts of interest.
- ◆ **Broad expertise:** Expert appraisers understand compensation valuation methodologies, broader market nuances, and national trends.
- ◆ **Defensible documentation:** Independent valuation opinions provide written support for compliance audits and legal scrutiny.
- ◆ **Risk mitigation:** Relying on an independent valuation firm to prepare FMV compensation opinions shifts some risk from the organization to the valuation firm.
- ◆ **Consistency across the organization:** Third-party experts help standardize how benchmarks, adjustments, and documentation are applied across service lines, reducing the risk of one-off exceptions that are challenging to defend later.
- ◆ **Methodology selection and reconciliation:** Experienced appraisers can explain why certain approaches are appropriate, and others are not for a particular arrangement.
- ◆ **Clear communication to nonexperts:** A strong report helps compensation committees, boards of directors, finance committees, and compliance teams understand the “why” behind the number, not just the number itself.

What are auditors and regulators looking for?

Whether the review comes from internal audit, external audit, counsel, or a regulator, defensibility usually centers on a few recurring themes: contemporaneous documentation of the arrangement and duties; credible and relevant market data; transparent assumptions and adjustments; a logical link between services performed and compensation paid; and evidence that the compensation was set in advance and not tied to the volume or value of referrals. A valuation report often serves as a “single source of truth” that connects these points in a way decision-makers can understand, and a third party can test.

As AI tools become more prevalent, the dominant question for organizations becomes: “*Can I use AI to replace independent human appraisers in determining FMV compensation?*” The short answer is “no.” AI cannot provide an **opinion** of value. AI can accelerate research, improve consistency, and help teams explore scenarios; however, it cannot assume professional responsibility for an FMV conclusion. In highly regulated environments, the issue is not whether a tool can calculate a number, but whether an organization can *defend* the process and reasoning behind that number.

What is an opinion of value?

An **opinion** is a personal belief or judgment based on an interpretation of facts and circumstances. In valuation, an **opinion of value** is a professional conclusion about what constitutes FMV for a specific arrangement, informed by weighing the significance of data, context, market dynamics, and relevant facts and incorporating elements

of common sense, informed judgment, and reasonableness. A defensible opinion of value is not just a dollar value; it’s a reasoned conclusion backed by methodology, documentation, and professional judgment.

AI can accelerate research, improve consistency, and help teams explore scenarios; however, it cannot assume professional responsibility for an FMV conclusion.

For example, two medical director arrangements may each involve “10 hours per month,” yet differ materially in required leadership experience, program maturity, after-hours demands, meeting cadence, or compliance oversight. Similarly, a call coverage rate that is reasonable for one specialty in a major metropolitan area may not be reasonable for the same specialty in a rural market with limited coverage depth. The appraiser’s role is to interpret these facts, weigh which factors impact value most significantly, and articulate a rationale that a prudent, independent party could accept.

This complex process is also why FMV support is more than a spreadsheet output. A model may produce a range or a point estimate; however, an **opinion of value** requires selecting and

defending the appropriate data, explaining the adjustments, reconciling conflicting indicators, and concluding what is reasonable for the specific arrangement as documented. In other words: calculations can be automated; accountability and judgment cannot.

Why can't AI provide an opinion of value?

AI is powerful, but it has fundamental limitations:

- ◆ **No consciousness or subjective experience:** Valuation opinions require discernment and judgment, qualities unattainable with AI algorithms.
- ◆ **No professional judgment:** AI can analyze patterns, summarize information, and propose options; however, AI does not possess professional accountability and can misread context or miss nuance.
- ◆ **Pattern-based outputs:** AI generates results from data and training, not genuine belief.
- ◆ **Bias risks:** AI models can inherit biases from their datasets, sometimes resulting in prejudiced or unsupported results.
- ◆ **Lack of accountability:** Should an AI-generated report be challenged, there would be no human to defend the report's findings as their own opinion.
- ◆ **Data integrity and "garbage in, garbage out":** AI can only work with the data it is given. Inconsistent duty descriptions, inaccurate time logs, or misclassified productivity data can lead to confident-looking outputs that are nevertheless unreliable.
- ◆ **Confidentiality and data governance concerns:**

Compensation details and provider productivity information are sensitive. Organizations must ensure any AI tool is used in a way that complies with privacy, security, and vendor risk requirements.

- ◆ **Explainability gaps:** Many AI systems cannot clearly trace how each input influenced the output in a way that satisfies audit standards. When a conclusion must be explained to counsel, a board of directors, or an auditor, "the model said so" is not sufficient.

Where AI can help: Decision support

A more reasonable and defensible use of AI with FMV determinations is as a **research assistant**. It can gather and organize information quickly, but it should not make the final decision, which requires the human expertise and human intelligence of a valuation professional.

AI shines as a decision-support tool in the valuation process:

- ◆ **Summarizing background and key assumptions:** AI can summarize arrangement details and relevant context.
- ◆ **Gathering benchmarks and resources:** AI can gather market survey data and industry reports. However, while some data is available publicly, many experts purchase up-to-date benchmarks and reports to consider in developing their opinions.
- ◆ **Analyzing influencing factors:** AI can identify trends, regional supply/demand dynamics, and external market pressures.
- ◆ **Supporting valuation approaches:** AI can assist with analysis and comparisons of valuation approaches.

An AI-enabled, expert-led workflow (practical example)

Understanding the strengths and limitations of AI in FMV determination will help organizations make informed decisions about how best to integrate AI into their valuation workflows.

- ◆ **Intake and scoping (expert):** Collect the draft agreement or term sheet, service descriptions, time expectations, and relevant background (service line goals, coverage model, quality metrics). Define the valuation question clearly (e.g., hourly rate, total annual compensation, per-shift rate, work relative value unit rate).
- ◆ **Data collection and normalization (AI-assisted):** Use AI to extract key facts from documents, standardize job duties into comparable categories, and flag missing information (e.g., unclear time logs, vague deliverables, or mismatched dates).
- ◆ **Market data assembly (expert and AI-assisted):** Gather applicable surveys and benchmarks, identify relevant percentiles, and document sources. AI can help organize tables, but a professional with judgment and experience should determine which benchmarks are truly comparable.
- ◆ **Analysis and adjustments (expert and AI-assisted):** Evaluate drivers such as specialty demand, geography, call intensity, administrative burden, program maturity, and productivity expectations. Document any adjustments and the rationale for each. AI may help identify trends in datasets or research market-specific factors.
- ◆ **Reconciliation and professional conclusion (expert):** Weigh all

indicators, reconcile conflicting data, and conclude a reasonable FMV range or point conclusion. This is where professional judgment is essential.

- ◆ **Documentation and review (expert and AI):** Prepare a report that explains assumptions, methods, and conclusions in plain language. Maintain workpapers so the analysis is repeatable, and ensure the final opinion is reviewed and signed by qualified professionals. AI may help complete forms or reports that are reviewed and validated by an expert.
- ◆ **Governance and monitoring (expert and AI):** Define when updates are required (e.g., material duty changes, renewal, or market shifts), and track expirations so the FMV support remains current. AI can help with tracking expiration dates.

A few guardrails when using AI

While integrating AI can streamline many steps in the valuation workflow and improve overall efficiency, successful implementation depends on clear boundaries and responsible use.

To ensure both accuracy and defensibility, organizations should adopt specific safeguards as they leverage AI in support of expert-led valuation processes.

- ◆ **Keep humans accountable:** AI may support analysis, but a qualified valuation professional should own the conclusion, sign the report, and be available to defend it. Further, the first time a human sees the report should not be when asked to defend it.
- ◆ **Use approved tools and data handling practices:** Limit use to platforms that have been reviewed and determined to comply with AI policies, minimize sensitive data exposure, and follow organizational privacy and security requirements.
- ◆ **Require source transparency:** Market data should be traceable to identifiable sources (e.g., survey name, year, table, and definitions).
- ◆ **Validate outputs:** Treat AI outputs as draft inputs that must be checked for accuracy, completeness, and consistency with the facts.
- ◆ **Document assumptions explicitly:** If an assumption is

necessary (e.g., call burden or time allocation), state it, justify it, and confirm it with stakeholders where possible.

While AI enhances efficiency, improves data organization, and supports deeper analysis, FMV compensation opinions still demand human judgment, professional accountability, and contextual understanding that no algorithm can replicate. The most sustainable path forward is an AI-assisted, expert- and professional-led process that combines faster research with stronger documentation, disciplined governance, and a qualified professional's reasoned conclusion. When compliance risk is high, and scrutiny is increasing, organizations cannot afford conclusions that lack defensibility. Use AI for what it does best: accelerating insights, elevating analytic rigor, and supporting repeatable workflows. But rely on experienced valuation professionals to deliver the independent, defensible opinions of value that regulators, auditors, and stakeholders expect. ^{CT}

Takeaways

- ◆ **Fair market value (FMV) is a regulatory necessity:** Accurate FMV compensation is required under the Stark Law and Anti-Kickback Statute to avoid severe financial and reputational risks.
- ◆ **AI cannot replace human judgment:** AI lacks the professional accountability and contextual discernment required to provide a defensible, legally sound opinion of value.
- ◆ **Leverage AI for decision support:** Use AI as a research assistant to accelerate data gathering, organize benchmarks, and summarize complex arrangements.
- ◆ **Experts must own the conclusion:** Qualified valuation professionals must weigh market indicators, explain adjustments, and defend the final opinion to auditors and regulators.
- ◆ **Establish strict AI guardrails:** Ensure defensibility by requiring source transparency, validating AI outputs, and ensuring a human expert signs and defends the final report.