

Structuring Physician Compensation Packages; Maintaining a Competitive Edge

MAPRA

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All Star Recruiting

30 Years

Healthcare Recruitment
Physician/Hospital Integration
Practice Administration
Practice Acquisition and Transition
Strategic Planning
Medical Staff Development
Physician Compensation
Contract Management

Staffing Industry

Retained in 1987
COO

Joined All Star in 2016

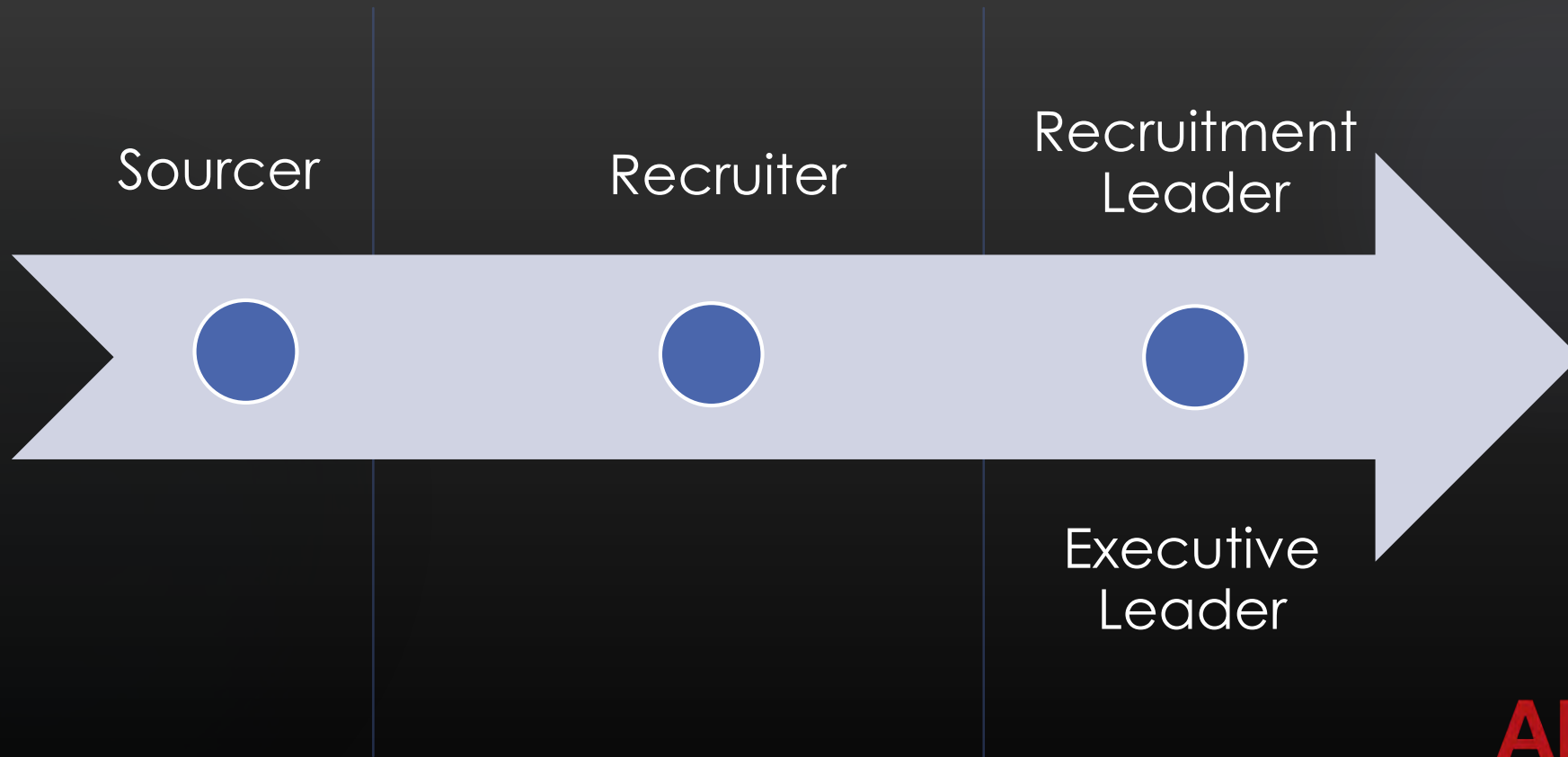
- Contingency and Locum Tenens Placement
 - All 50 states and US Virgin Islands

Hospital/Health Systems

- Hamot
- Bon Secours – Charity (NY)
- Central Florida Health
- HCA
- Augusta Health

- FASPR
- CMSR
- CAPPMM
- FMSD

Recruitment Impact Zones





com · pet · i · tive

1. as good as or better than others of a comparable nature

RECRUITMENT; How are you **different** from your competitors?

- What we promote:
 - Family
 - Recreation
 - Geography
 - Quality Medicine



What do Physician's Want ?



Priorities?

1. Geography

- Near Family and Friends
- *Although 82% would relocate*

2. Supportive work environment

- Retention Programs
- Job Sharing/Flex Time
- Feedback
- “Being Need Conscious”

3. Passion

- Meaningful Work

4. Job and Financial Security

- Salary and Bonus
- Benefits and Perks
- Debt Relief



The Answer

=

Balance

A man in a dark suit and white shirt is holding a whiteboard. The whiteboard has handwritten text in white marker. The text is organized into two columns. The left column lists: work, career, business, performance, and responsibility. The right column lists: life, health, family, friend, and happiness. A thick white horizontal line is drawn across the middle of the whiteboard, separating the two columns. The man's face is partially obscured by the whiteboard.

work
career
business
performance
responsibility

life
health
family
friend
happiness

CIO.com – Millennials will move and take less money for positions they are passionate about.

So **IMPORTANT** to understand what people care about
before jumping to a solution!

RETENTION: The Magic Bullet?

- ▶ [A Careerbuilder survey](#) showed that 45% of employees plan to stay with their employer for less than two years.
 - ▶ Does the same statistic apply to physicians?
 - ▶ Is “job hoping” our new normal?
 - ▶ Working for a purpose is especially important for millennials
 - ▶ Poor work-life balance can also contribute to a job change
 - ▶ A culture mismatch can drive an employee out the door faster than a smaller paycheck can

“My Authentic Self”

- Something Tangible
- Something you “actually” do
- A point of pride

Common Compensation Models

▶ #1 - **Employment**

- ▶ Preferred model of physicians
- ▶ Salary and Benefits to include PTO, Insurance, CME, Pension, etc.
- ▶ At first glance appears to meet many of the quality of life needs
- ▶ Limited Risk
- ▶ Typical 1-2 year contracts
 - ▶ Go to productivity at the end

▶ #2 - **Equity Model (Guarantee)**

- ▶ Less Desired model by physicians
 - ▶ <5% of new grads want private practice
- ▶ Autonomy (own boss)
- ▶ Full risk for practice development and success of practice with commercial loan terms for payback
- ▶ Income stream for 2 years with 3 year payback
- ▶ Equity

How Did We Do?



1. Geography



2. Supportive work environment



3. Passion



4. Financial Security



Don't Provide

FOR BEHAVIORS YOU DON'T WANT

Incentives

“HHS: Stark Law, Anti-”Kickback Statute are barriers to innovative payment models”

February 09, 2017 – Beckers Hospital Review

“HHS recently released a report that provides observations on the effect healthcare fraud and abuse laws have on the industry's transition to value-based payment models.”

Qualities of a Competitive Compensation Plan

1. It should be fair
2. It should be understandable and transparent
3. It should be easily monitored and administered.
 - a. Including being flexible enough to be modified to reflect needed changes.
4. It must be consistent with the philosophy and mission of the organization
5. It should encourage and stimulate effectiveness and personal/professional satisfaction.

Employment Compensation #1

- ▶ **Guaranteed Salary +Bonus**
 - ▶ Benefits
 - ▶ wRVU Threshold
 - ▶ wRVU incentive Compensation
 - ▶ Conversion factor per wRVU
 - ▶ Migrates to total Productivity
 - ▶ wRVU Based

wRVU - An estimate of time and effort expended by a provider in performing a procedure or service associated to the specific code.

For example, a 99213 (office/outpatient visit; established patient) has a work RVU of 0.97.

A 99203, the same level for a new office visit, has a work RVU value of 1.42

wRVU's are paid by CMS according to a conversion factor per RVU (\$38.00 ex.)

Employment Compensation #2

▶ **Productivity**

- ▶ 100 Productivity Based
 - ▶ Per wRVU
- ▶ Benefits
- ▶ Draw based upon previous year compensation
- ▶ Reconciled Quarterly

Encourages productivity and effort. May fuel competition, encourages silo mentality and discourages team/group culture, administrative needs, seeking balance and even patient satisfaction.

Employment Compensation #3

- ▶ **Base Salary + Bonus**
 - ▶ Benefits
 - ▶ Salary does not drop off to productivity
 - ▶ Typically a portion of salary at risk
 - ▶ Set or variable bucket of incentive compensation
 - ▶ \$50,000 (example)
 - ▶ Can be tied to wRVU and many other indicators

Offers security and encourages increase of income through performance. Puts a large component of income at risk so flexibility is the key in setting the at risk component. Salary must be livable and generally within market variances.

Quality/Culture Incentive Model

▶ Standard

- ▶ Signing Bonus
- ▶ Relocation
- ▶ Benefits
- ▶ Loan Repayment
- ▶ wRVU Bonus
- ▶ Retention Bonus
 - ▶ After 3 years

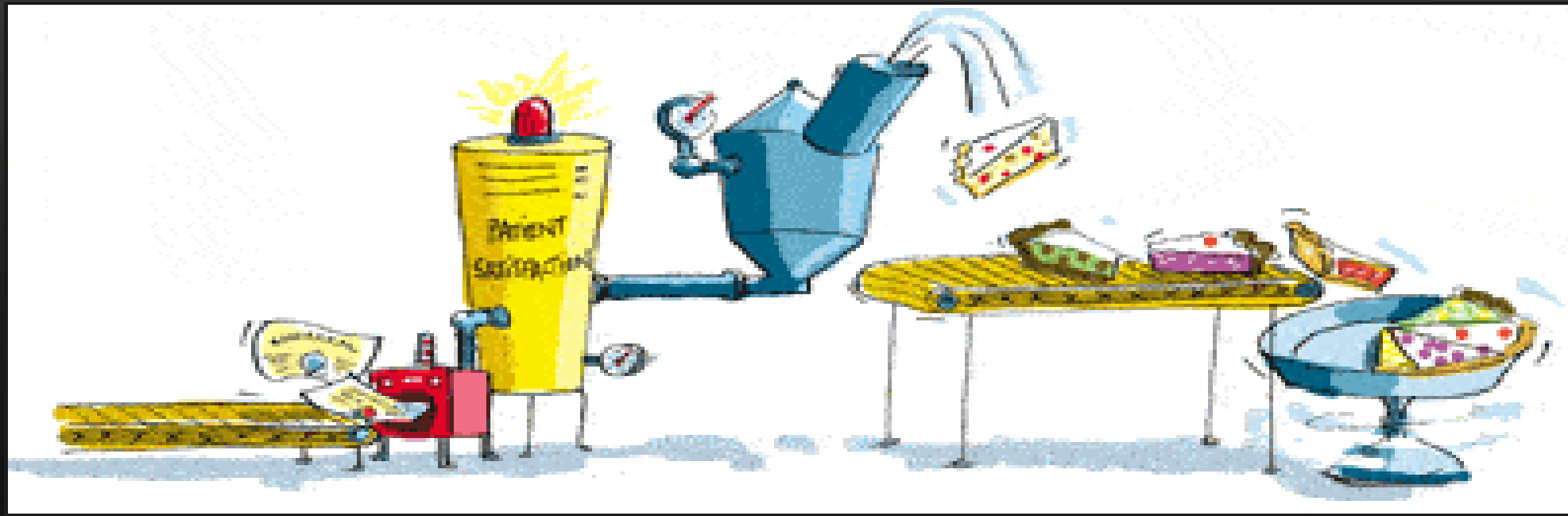
▶ Enhanced

▶ Incentive Pool

- ▶ Quality
- ▶ Medical Records
- ▶ Coding Compliance
- ▶ Patient Satisfaction
- ▶ Positive Group Culture

Tied to performance + wRVU Incentive

Establishing the Incentive Pool



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Where do the \$'s come from?

▶ Fixed or Variable Amount

- ▶ Based upon difference in median and 75%ile salary (or any variant in-between)
- ▶ Based upon actual wRVU's with increased conversion factor
- ▶ Based upon a discretionary amount
- ▶ % withheld from base salary
- ▶ Can be individual pool or shared pool with other physicians in the practice

New Employment Compensation

▶ Salary

- ▶ 100 percent with no Risk
 - ▶ Set at median
 - ▶ Discretionary amount up to FMV
 - ▶ Or \$ per wRVU
 - ▶ Salary does not drop off
 - ▶ Well suited for new physicians and new practices/market
- ▶ Incentive Compensation Formula

▶ Salary Plus +

- ▶ Risk = Reward
 - ▶ Salary at median or above
 - ▶ Withhold %
 - ▶ Ability to earn larger portion of incentive as long as FMV
 - ▶ Great for physicians who have a more established practice and risk tolerance
- ▶ Incentive Compensation Formula

- Percentage of the whole based upon performance evaluation scoring
- Circuit break on Productivity

#1 – Patients Need to Be Seen

Incentive Compensation Metrics

<u>Measure</u>	Possible Points
Patient Satisfaction Score 85-100% Score	20
Performance Evaluation	35
Quality Metric Score	25
Charting/Billing	10
Positive Group Culture	10
Total Points Available	100

Quality/Culture factor to be based on overall score

Calculation of Incentive – Example # 1

Dr. #1 – Salary @ MGMA 50%ile	\$200,000
Contract wRVU Threshold	4,649
Actual Net annual production wRVUs	4,888
Individual wRVU Incentive (239 * \$38.00)	\$ 9,082
Pool Based on actual wRVU's (2016)	\$19,552
Bonus Pool per wRVU	\$4.00

If <Median wRVU's = up to \$1.00/wRVU

Total Points = 80 out of 100

Additional Compensation @ 80%	\$ 15,642
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Total Compensation	\$224,724
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Calculation of Incentive – Example #2

Dr. #2 – Salary/Bonus @ MGMA 50%ile (Minus 15%)

\$200,000 less \$30,000 = Annual Salary \$170,000

Contract wRVU Threshold 4,649

Actual Net annual production wRVUs 4,888

Individual wRVU Incentive (239 * \$38.00) \$ 9,082

Additional Pool at Risk compensation \$30,000

Pool Based on actual wRVU's (2016) \$29,328

Bonus Pool per wRVU \$ 6.00

 If <Median wRVU's = up to \$2.00/wRVU

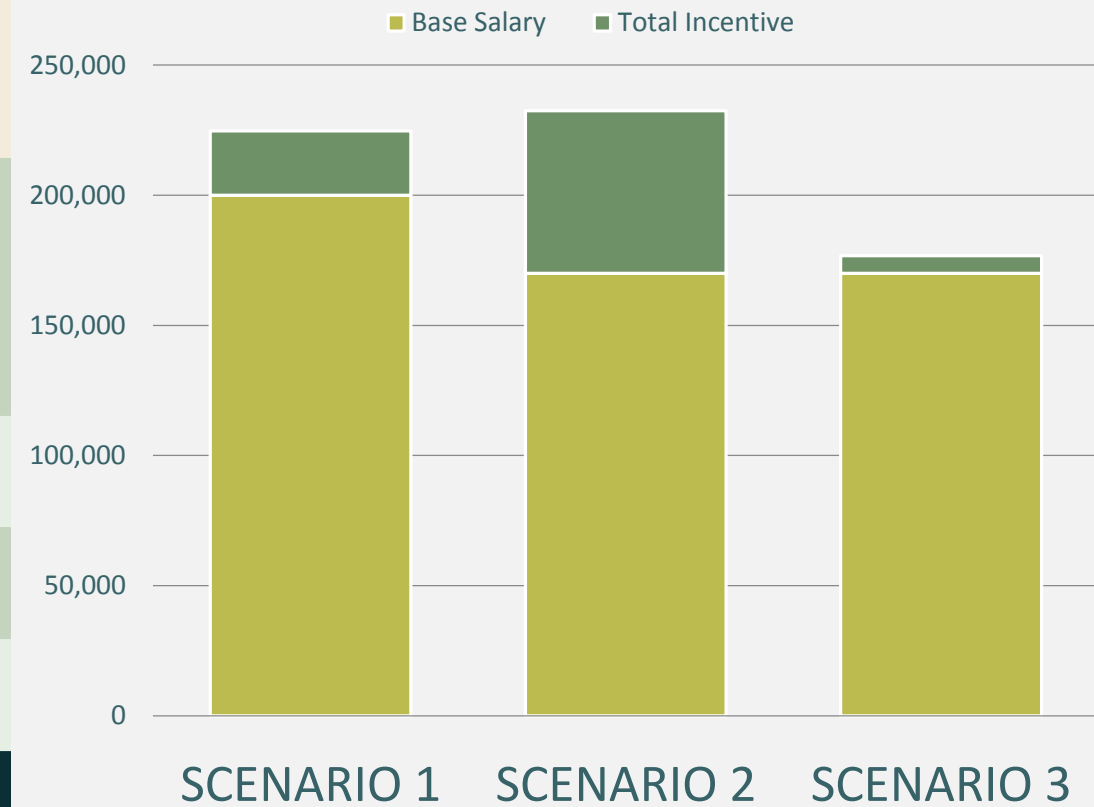
Scored Total Points = **80 out of 100**

Additional Compensation @ 80% \$ 62,410

Total Compensation \$232,410

Compensation Comparison

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Compensation Type	Salary	Salary + (at risk%)	Salary + (at risk%) <Median
Conversion Factor per wRVU	\$4.00	\$6.00	\$2.00
Base Salary	\$200,000.00	\$170,000.00	\$170,000.00
Actual wRVU's	4888	4888	4200
Total Incentive	\$24,724.00	\$62,410.00	\$6,720.00
Total Income	\$224,724.00	\$232,410.00	\$176,720.00



Quality/Culture Incentive Model

1. Fair
2. Easily Monitored and Flexible
3. Understandable
4. Consistent with Group/Organization Culture
5. Stimulates job satisfaction and personal effectiveness/growth

✓ **Incentivizes:**

- ✓ Group Culture
- ✓ Productivity
- ✓ Patient Satisfaction
- ✓ Quality of Patient Care
- ✓ Competence and Meaningful Work



Questions



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