Designing Physician Compensation

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July 19, 2016

Steps for Designing a Physician Compensation Plan

A Word About Using Consultants

The Advisory Board Company

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Steps for Designing a Physician Compensation Plan

Define the Vision

- Understand the Strategic Imperative
- Assess Capacity for Change

Develop the Right Model

- Structure the Model
- Pressure Test the Model

Map the Transition

- Craft an Engagement Strategy
- Administer the Model

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Step #1 – Define the Vision

A. Understand the Strategic Imperative

What is Today's Reality?

- Are we achieving our performance goals?
- Does our current compensation plan incent the right physician behaviors?
- Is our current plan affordable?

What is Our Strategic Direction for Tomorrow?

- What market shifts, legislation, funding do we anticipate?
- What is our vision for our org in this new reality?
- How will our business model evolve to fulfill our mission?

How Will This Affect Our Industry?

- How will market shifts, legislation, funding impact reimbursement?
- What implications will our evolving business model have for physician behavior and/or workflows?

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Step #1 – Define the Vision

B. Assess Capacity for Change

Are We Ready Culturally?

- Do we have a unified culture amongst our sites?
- Do our physicians trust our leadership and administrative capabilities?
- Which executives will lead the redesign?
- Are all of our leaders aligned regarding changing the comp plan?

Can We Support Compensation Re-Design? Do We Have:

- A consistent operating model and high functioning revenue cycle. EMR/practice management information system?
- A single source of truth for defining and measuring successful performance?
- Effective channels for communicating with physicians?

How Will We Enfranchise Physicians?

- Which clinicians should be involved to build consensus?
- What role should they play in developing and approving the model?
- How will administrative and physician leaders work together to secure physician buy-in at every level?

Step #1 – Define the Vision

C. Tasks

To Do List

- Clearly articulated shared vision statement
- Defined organizational structure and core capabilities to support execution of strategic initiatives
- Compensation committee
- High-level communication strategy with clear purpose and timeframe

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Step #2 – Develop the Right Model

A. Structure the Model

What Are Our Core Principles?

- What are our nonnegotiables?
- What are our unique organizational and market considerations?
- What is our approach to salary versus incentive components?
- What can we learn from external best practices?

Which Metrics Should We Tie To Incentives to Support our Vision?

- *Individual*: productivity, quality, service, patient experience, expense management, access, panel growth & management, group leadership, group citizenship?
- *Collective*: team-based care, group goals?
- *Strategic*: consistent with system's strategic goals and vision?

Can we Ensure Rigorous Performance Measurement?

- Can we validate and benchmark the chosen metrics?
- Do we anticipate any changes in operations and work flow to enhance quality of data capture?
- Do we have the expertise to build the proper algorithms?

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Step #2 – Develop the Right Model

B. Pressure Test the Model

How Will We Ensure the Effectiveness of the Plan?

- Can we calculate the potential impact on individual compensation and model various scenarios?
- Can we incorporate tracking mechanisms to ensure the ongoing effectiveness of the plan for providers and for the organization?
- Can we adjust the model for unintended consequences?

Is the Model Practical? Is it:

- Simple, easy to understand?
- Standardized across the organization, yet nuanced for specialty-specific, geographic, or other issues?
- Competitive, flexible, predictable, affordable and sustainable?
- Compliant with fair-market value and all legal considerations?

Step #2 – Develop the Right Model

C. Tasks

To Do List

- Finalized compensation plan
- Core principles of model
- Definition of vetted agreed-upon compensation model including metrics incentives and targets
- Multiple physician impact scenarios

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Step #3 – Map the Transition

A. Craft an Engagement Strategy

How Will We Communicate The Redesign To Physicians?

- What are the critical issues to address: strategy and vision for the redesign, pathway and expectations, timeline, support mechanisms?
- Which channels/media will we use at each stage?
- What forums we will have for physician feedback and iteration?

How Will We Transition Physicians To The New Model?

- What are the pros and cons of a slow vs. aggressive transition?
- Will there be a shadow period? When will the model "go live'?
- Is our timeline consistent with market changes?
- How will we onboard new physicians under the revised model?

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Step #3 – Map the Transition

B. Administer the Model

Do We Have The Necessary Technology Infrastructure?

- Do we have a mechanism for gathering all of the required data from multiple sources?
- Can we ensure the integrity of data?
- Can we dedicate sufficient resources (staff and other) to get the model up and running in a reasonable time frame?

How Will We Report Performance And Compensation Data?

- Do we have the expertise to identify and construct the right analyses and dashboards?
- How often will we report the information?
- How will physicians access and interact with their data?

Step #3 – Map the Transition

C. Tasks

To Do List

- Formal compensation policy:
  - Restatement of principles
  - Definition of finalized model including incentives and administration
  - Definition of fair market value criteria
- Detailed transition plan
- Physician engagement strategy
- Physician compensation dashboard

One SIZE Does NOT Fit All

The Evolution of YVFWC's Physician Comp Plans

Evolution of Physician Comp Plan

1.0
Pure
Productivity
2006

2.0
Addition of
Value Based
2013

2.1
Tweaks
2015

2.2
Tweaks
Current

Why We Wanted a Change

- Lagged the market
  - We hadn't updated our market data in two years
- Compensation floor was not meaningful to participants
- Physicians felt the second tier was unattainable
- Plan mechanics were cumbersome, not well understood by participants and complicated to administer
- Negative reconciliations were a HUGE dissatisfier
- The desire to add value-based incentives


Additional Compensation
Above Median Compensation
Extra productivity, meeting pay, hospital calls, and supervision of PA-C's are included in this category (meeting pay and hospital calls are paid above threshold).
BONUS
Quality & Patient Satisfaction
10% of Median by specialty
Each physician is eligible for patient satisfaction and quality measures. The quality measures include InBasket and meaningful use measures.
Target Productivity
Encounters + WRVUs = 90% of Median by specialty
Physicians are compensated for both Encounters and WRVUs. All Encounters/WRVUs have three tiers of pay: 1st Tier rates will apply to any productivity earned up to the median target, 2nd Tier rates to any between the median and the 75th percentile, and 3rd Tier to any above the 75th percentile.
Annual Draw Floor
Guarantee Set Annually
Each physician is assigned a minimum pay level regardless of performance. The floor is used to set the minimum bi-weekly pay levels.

Median Compensation

Survey Data Previously Used – 75% Community Health & 25% Commercial

Now using 100% Commercial

Pediatrics	$172,783
FP w/o OB	$173,276
FP w/ OB	$188,196
Internal Medicine	$179,825
OB/GYN	$248,780
Child Psychiatry	$213,843

DANGER WILL ROBINSON!! This data is 4+ years old!

Eligibility: The first qrt following the expiration of the salary guarantee. Physicians can early adopt the first qrt following six full months of data.

Annual Draw Floor

Guarantee Set Internally

Each physician is assigned a minimum pay level regardless of performance. The floor is used to set the minimum bi-weekly pay levels.

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Pediatrics	$138,000
FP w/o OB	$139,000
FP w/ OB	$151,000
Internal Medicine	$144,000
OB/GYN	$200,000
Child Psychiatry	$171,000

The Physician Compensation plan is designed so the majority of physicians earn at or above the target median compensation in chart 1 on previous slide. However, for the physician's financial protection we have set a minimum floor guarantee. The floor is set at 80% of target median compensation.

Target Productivity

Encounters + WRVUs = 90% of Median by Specialty

Used to be weighted 60% WRVUs and 40% Encounters (math below)

Now Weighted 50% WRVUs and 50% Encounters

	Tier 1		Tier 2	
	WRVU	Rate	**WRVU**	Rate
Pediatrics	1 - 4259	$19.11	> 4,260	$22.40
FP without OB	1 - 4062	$19.65	> 4,063	$23.03
FP with OB	1 - 3898	$21.81	> 3,899	$25.55
Internal Med	1 - 4341	$19.65	> 4,342	$23.03
OB/GYN	1 - 5374	$22.41	> 5,375	$26.15
Child Psychiatry	1 - 2929	$35.37	> 2,930	$41.27

	Tier 1		Tier 2	
	Encounters	Rate	**Encounters**	Rate
Pediatrics	1 - 3,420	$16.16	> 3,421	$18.92
FP without OB	1 - 3,420	$16.52	> 3,421	$19.34
FP with OB	1 - 3,420	$17.60	> 3,421	$20.60
Internal Med	1 - 3,150	$18.32	> 3,151	$21.44
OB/GYN	1 - 3,420	$23.76	> 3,421	$27.72
Child Psychiatry	1 - 1,980	$34.92	> 1,981	$40.74

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Pay will be set at the beginning of every quarter using a look back of productivity over the previous 12 months.

For physicians who enter the plan following six full months of production data or after the expiration of their salary guarantee the most recent 6 months of production data will be used to calculate productivity pay.

Bi-Weekly

Quality & Patient Satisfaction

10% of Median by Specialty

Each physician is eligible for patient satisfaction and quality measures. The quality measures include worklist, and meaningful use measures.

Quality [1]

5% of Median

Pediatrics	$9,639
FP without OB	$8,664
FP with OB	$9,410
Internal Medicine	$8,991
OB/GYN	$12,439
Child Psychiatry	$10,692

Measure 1

50% pay out compliance with work list requirements. 85% of work list complete in:

Pediatrics	4 days
FP w/ OB days	4 days
FP no OB	4 days
Internal Medicine	6 days
OB/GYN	4 days

50% pay out if > 98 percent of urgent labs reviewed within 24 hours

Measure 2

50% pay out Clinics achieve NCQA Certification

- 12 Clinics by April 2014
- 4 Clinics by August 2014

Quarterly

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Quality & Patient Satisfaction

10% of Median by Specialty

Each physician is eligible for patient satisfaction and quality measures. The quality measures include worklist, and meaningful use measures.

Patient Satisfaction [1]

5% of Median

Pediatrics	$8,639
FP without OB	$8,664
FP with OB	$9,410
Internal Medicine	$8,991
OB/GYN	$12,439
Child Psychiatry	$10,692

Patient Satisfaction Survey score > = 88 on the question, "Degree to which your provider listened and answered your questions."

MHS composite score > = 4.0 for the group on the questions “extent to which your individual needs were addressed” and “ability of services to meet your needs"

Bi-Annually

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Other Operational Pay

Additional Pay

Call Stipend	$75 per 24 hour	Flat rate for any physician on the call schedule OB/GYN excluded	Bi-Weekly
Meeting Pay	$100 an hour	Payment for any meeting hours > 40 in the plan year	Quarterly
PA-C Supervision	$2000 annually	per PA-C < 1 Yr. experience	
	$1000 annually	per PA-C > 1 Yr. experience	
CMD/RMD Pay	Varied	In addition to, and separate from, this plan.	Bi-Weekly

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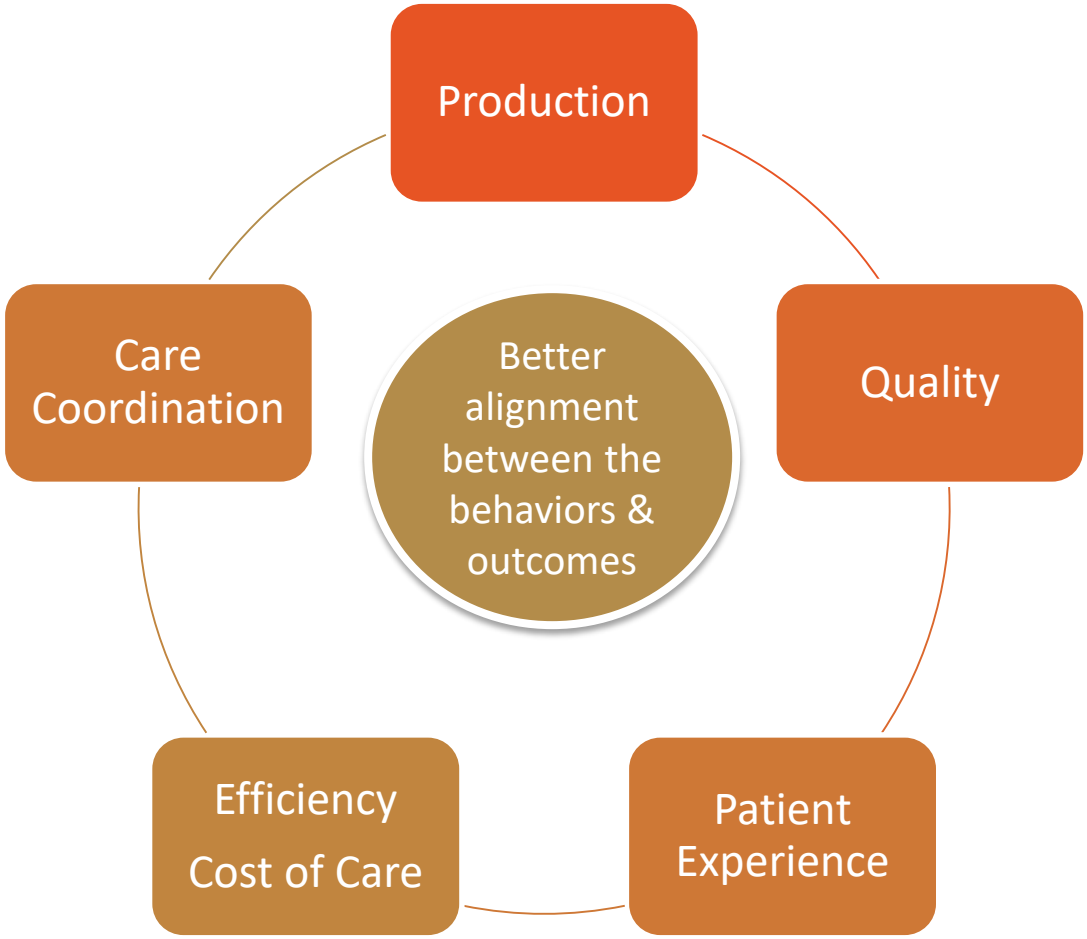
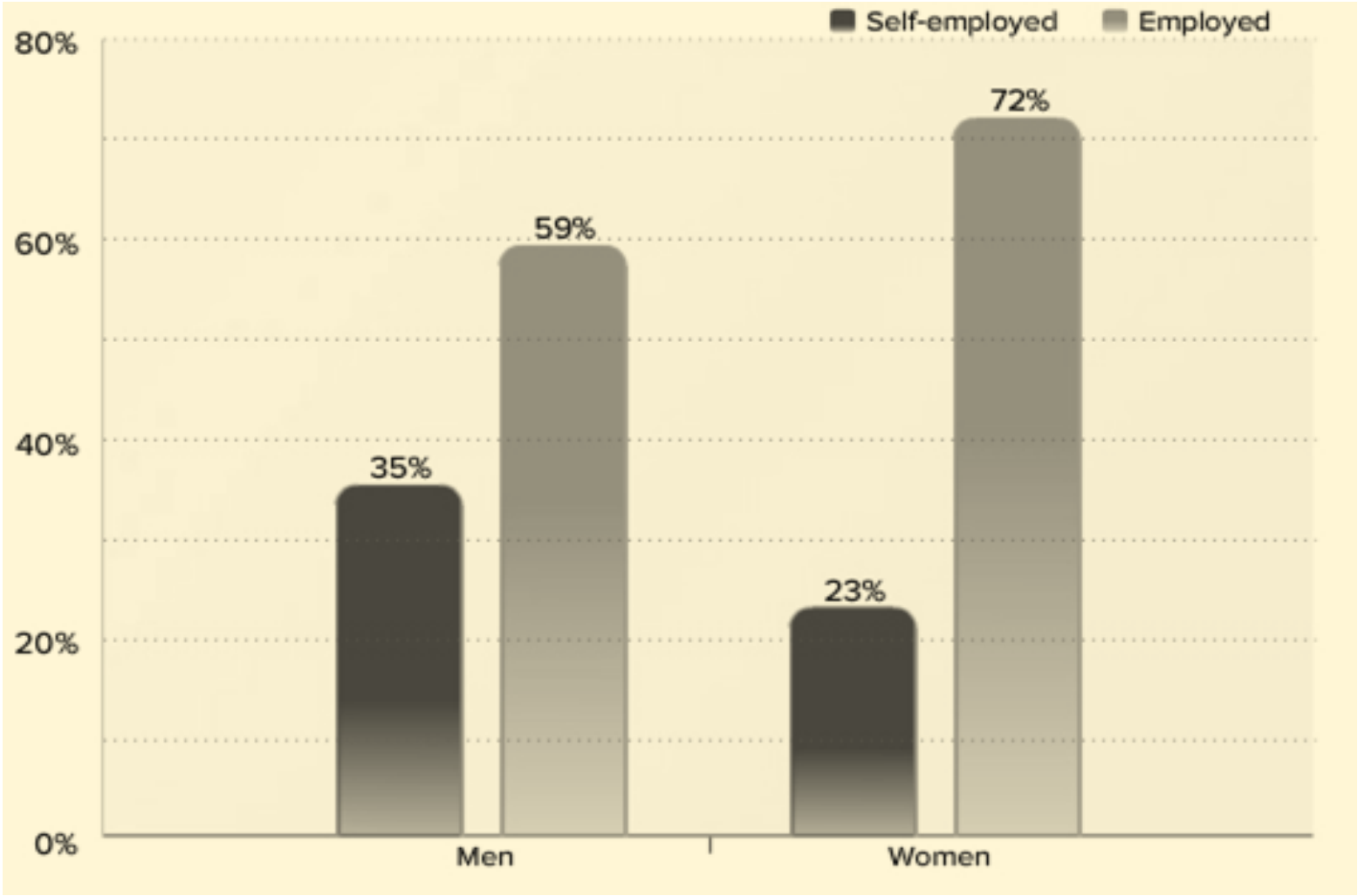
Emerging Trends

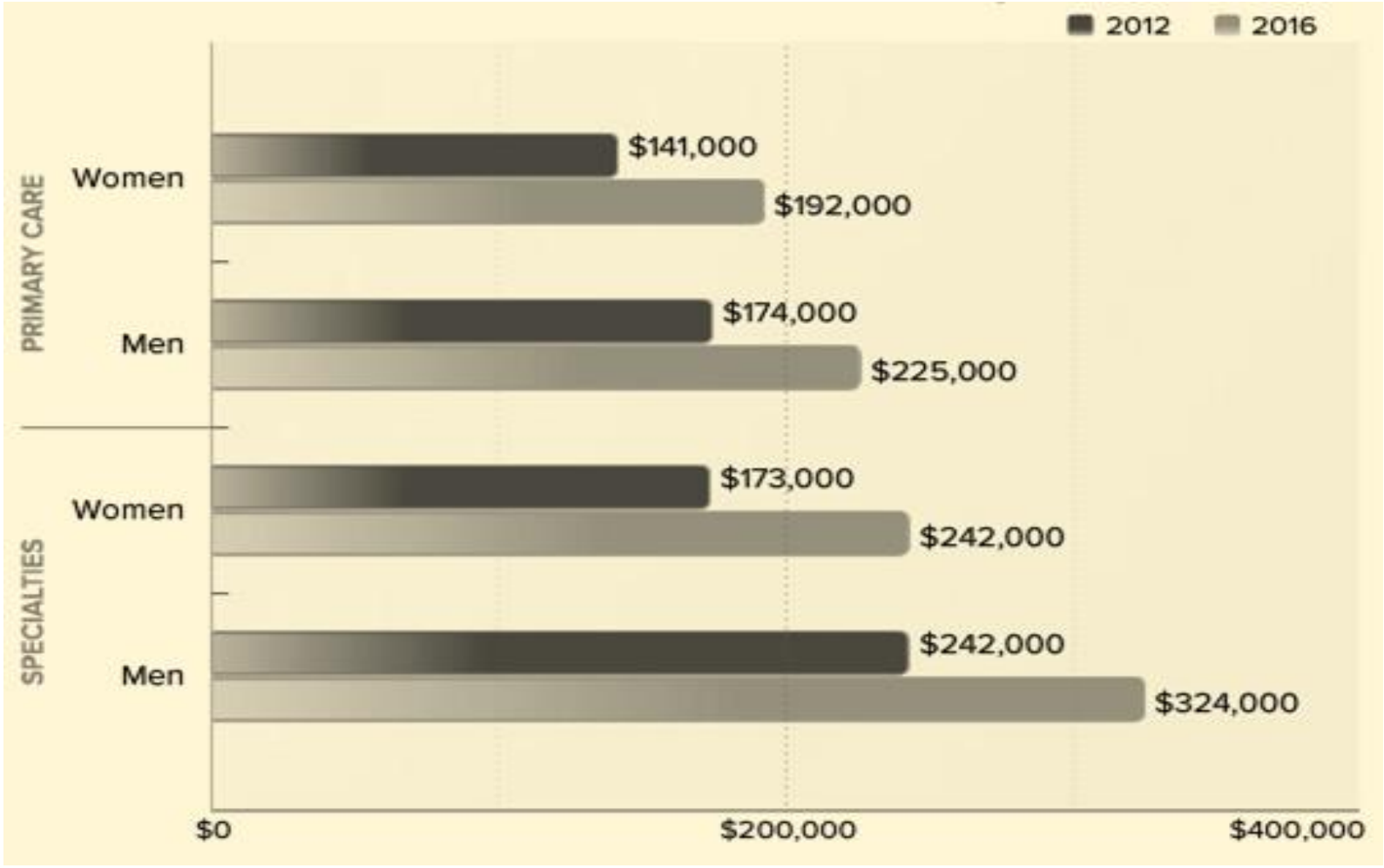
Physician Compensation Trend



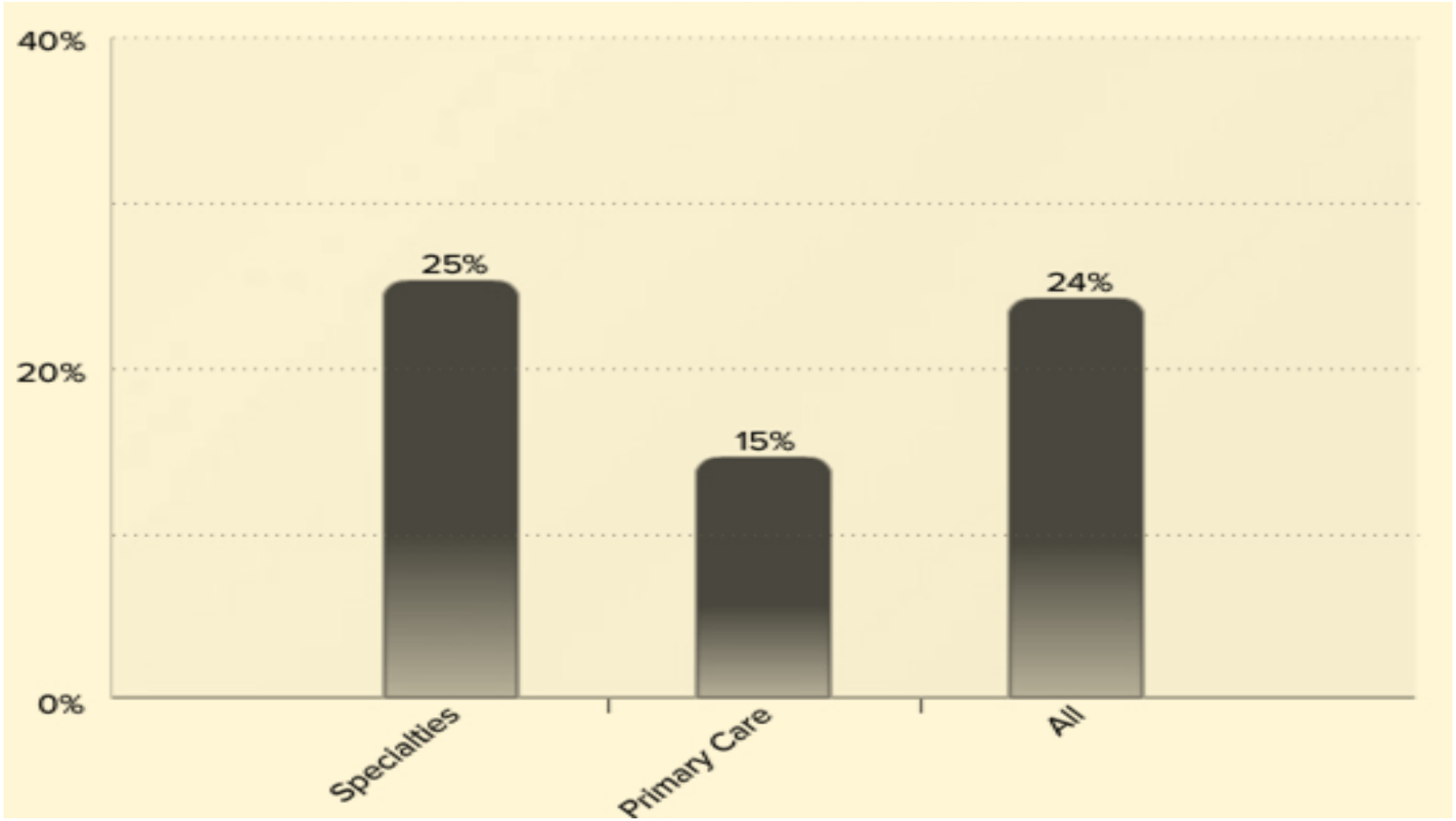
Employed Physicians



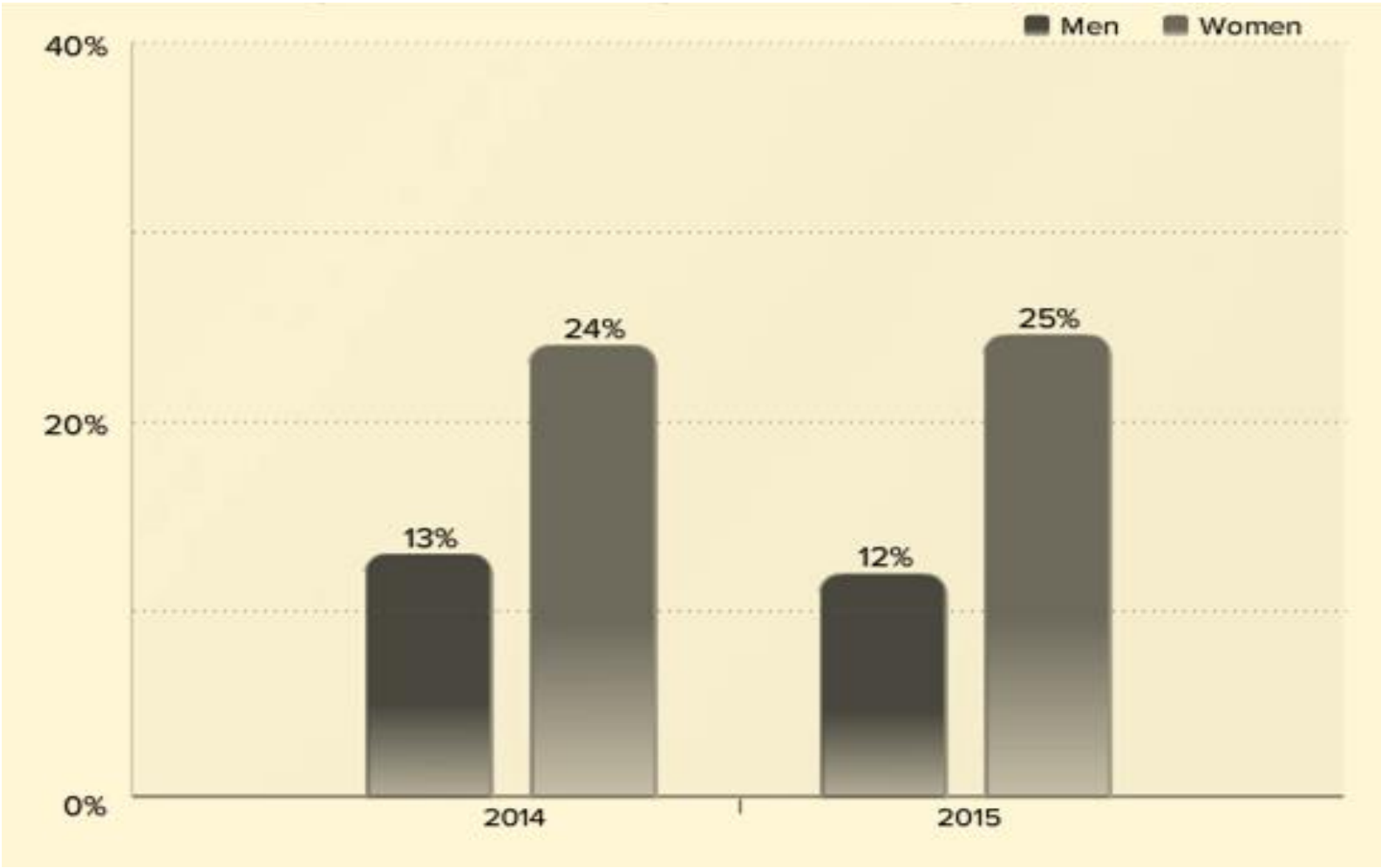
Who Earns More?



How Much Less do Women Make?



Who Works Part-Time?



Questions?