There & Back Again: Administration's Tale of Designing, Developing, and Implementing a New Physician Compensation Plan

Susan Kline, MS; David Dellinger, Gwen Pfeifer, CPA

Department of Pediatrics, Duke University, Durham, NC 27710

Department of Pediatrics
Duke University School of Medicine

Duke Children's

Introduction

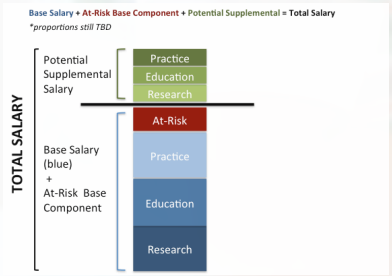
Of the 15 clinical academic departments in the School of Medicine (SOM), the Department of Pediatrics was one of the only departments that had not established a clinical productivity-based physician compensation plan across all its specialty divisions. Of its 17 clinical academic divisions, the Department had one division (Primary Care/ Med-Peds) that had a clinical productivity component driving faculty total compensation. The other divisions utilized generic plans that were originally developed by the Private Diagnostic Clinic, LLC (PDC), the for-profit physician practice plan. In addition there were more than 14 other internal physician supplemental pay plans (division and individual level), majority of them not associated with any mission productivity measures.

This project, which was initiated in January 2015, intended to restructure the physician compensation plan that established a defined and transparent methodology.

Objectives

The primary aim was to define and design an updated productivity-based physician compensation plan. It was to incorporate expectations for developing and adjusting physicians' base salary and a potential supplemental pay component to establish a target total salary. Measures of success for sustaining productivity included:

- Strategic clinical productivity and growth to increase revenue and limit unnecessary expenses (individual, division, and department)
- Research productivity via grants/awards and publications/ national recognition
- Educational contributions and accomplishments



Method/Approach

After completing a current state analysis, three mission workgroups (clinical, research, education) was formed to develop details and logistics of the future plan. Each group was led by a physician and an administrator and consisted of diverse faculty representing all clinical areas (primary/specialty care, inpatient/outpatient based) and academic ranks. Project management tools were utilized to ensure roles/responsibilities, scope, and the align with the following design criteria:

- Respective mission expectations to achieve individual base pay
- Respective mission expectations to receive additional potential supplemental pay for individual and group/division
- The percentage and/or flat amount that should be base pay, at-risk base pay, and potential supplemental pay

These workgroups were under the guidance of the Department's Chair/Vice-Chair Committee, whose responsibilities will included:

- Incorporating each mission recommendation to create the final compensation plan (includes target compensation of each specialty for equity/competitive alignment)
- Develop/execute communication plan to department throughout process
- Design/ lead implementation (present version and future iterations)
- Generate transparent report and update to help monitor/measure outcomes
- Evaluate plan periodically and gather feedback from division leadership on impact

Results

Figure 1a. Original Progress Reports (Excel)

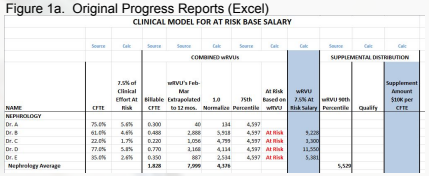
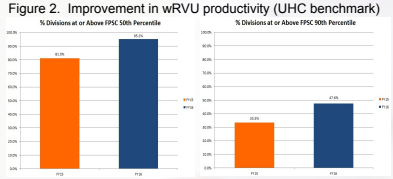


Figure 1b. Current Progress Reports (Tableau)

Figure 2. Improvement in wRVU productivity (UHC benchmark)



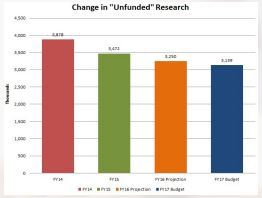
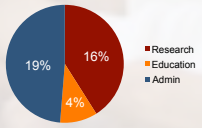


Figure 3. Decrease in Unfunded Research Effort

Figure 4. Actual to Budget Improvement



Conclusion

A physician compensation model should help with the management of expectations for all faculty, especially those that do not generate clinical revenue. While the Department had to establish incentives for productivity/quality in all three missions, there was a need to define overall baseline expectations of what an academic clinician in the Department is responsible for and needs to demonstrate in the various missions. Setting these baseline expectations was critical for communication and determining the base salary components (base and at-risk base component). We learned that at-risk components should be well-defined and be flexible to allow for those physicians who are more aligned with one mission and also to take into account the variety of practices within the Department.

In addition, we learned that this plan also helped identify faculty that are high-potential researchers, educators, or physician administrators who can help with focused growth, leadership development and succession planning. In this project the intent was not to decrease current physician base salaries since the at-risk expectations were reasonable and should be achievable by all. However, it is acknowledged by Departmental leadership that there could be situations where individuals might not achieve expectations as it relates to their effort distribution across the missions. This is why it is critical to understand total professional effort and report it accurately. A separate taskforce is now working on creating a new effort survey and faculty training to understand it.

The original workgroups continue to review and obtain recommendations on potential new/replacement at-risk and supplemental components for future implementation. Items like fellow evaluation, quality improvement and innovative educational tools have already been submitted for consideration, and readiness for future external factors (NC Medicaid overhaul, MACRA, etc). The defined amounts and objectives/targets will be reviewed and adjusted each year to accommodate the changing environment and department needs.

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