

# Trends in Faculty FMV Compensation – Utilizing Incentive Metrics to Drive Results



AAAP 2017 Annual Meeting

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# Agenda

- Introduction and Background
- Objectives
- Methods
  - ✓ MCW FMV Initiative
  - ✓ DOP Incentive Plan
- Results
- Conclusion and Speculation

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# **INTRODUCTION AND BACKGROUND**

# Introduction

- Academic medical centers increasingly develop progressive compensation methodologies to incentivize productivity across all missions
- Most compensation plans link salaries directly to wRVU benchmarks
- Utilizing clinical metrics alone fails to incentivize academic and scholarly productivity, which leads to faculty engagement and retention challenges, and puts children's future health at risk by minimizing education and research

# Background: Governance & Compliance

- Federal regulatory requirements require total physician compensation to be calculated at Fair Market Value
  - ✓ Inurement
  - ✓ Stark
  - ✓ Anti-kickback
  - ✓ Tax Exempt 501 (c)(3) Laws
- Federal initiatives to reduce healthcare costs have put academic medical centers under more scrutiny due to the complex intertwining of federal oversight for reimbursements
- Generally accepted principles suggest if paid over 75<sup>th</sup> of FMV benchmark must be justified by business factors (productivity, competition, etc.)

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# OBJECTIVES

# Objective #1: Institute Fair Market Value (FMV) Initiative at MCW

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## Purpose:

- Develop a consistent institutional compensation philosophy
  - ✓ Considers strategic impacts:
    - Performance metrics
    - Affiliate relationships (financial mgt)
    - Compensation philosophy and governance
    - Practice compensation committees
    - Strategic modeling and planning
    - Department budgeting and program initiatives
  - ✓ Informs Chairs and leaders of best practice methodology
  - ✓ Ensures compliance with benchmark guidelines
  - ✓ Aligns with business needs of the organization

# Objective #2: Develop Metrics for “at-risk” Compensation in the DOP

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## Directive:

- Incorporate a base + incentive component into department faculty compensation plans
  - ✓ At least 10% of FMV total faculty compensation at risk
  - ✓ Incentive components should be metric-based
  - ✓ Total compensation percentile must align with benchmark productivity percentile
  - ✓ Payout is dependent on department performance

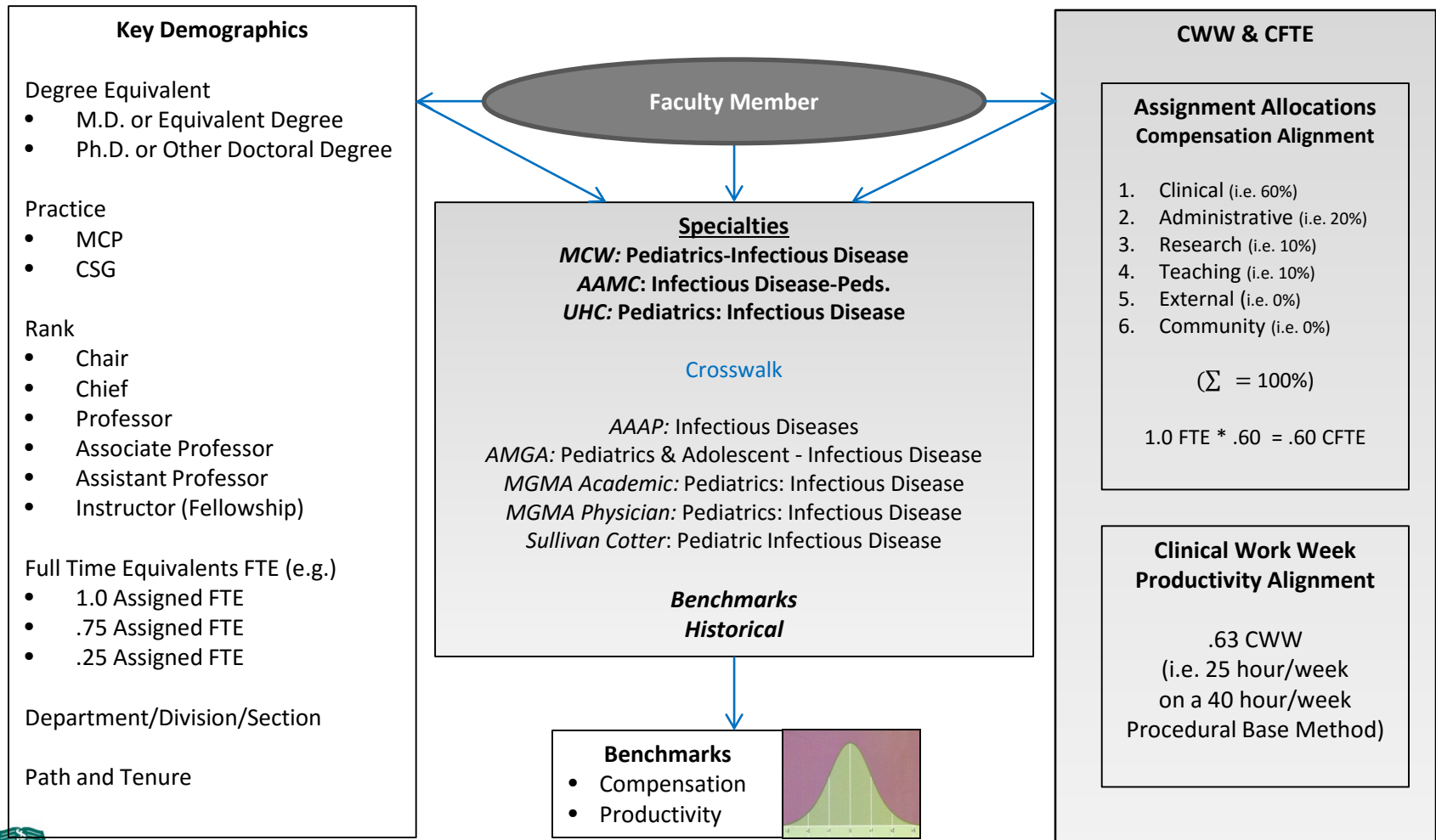
The DOP requested a multi-year glide path in lieu of a salary withhold



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# **METHODS – MCW FMV INITIATIVE**

# Key Information – FMV Crosswalk

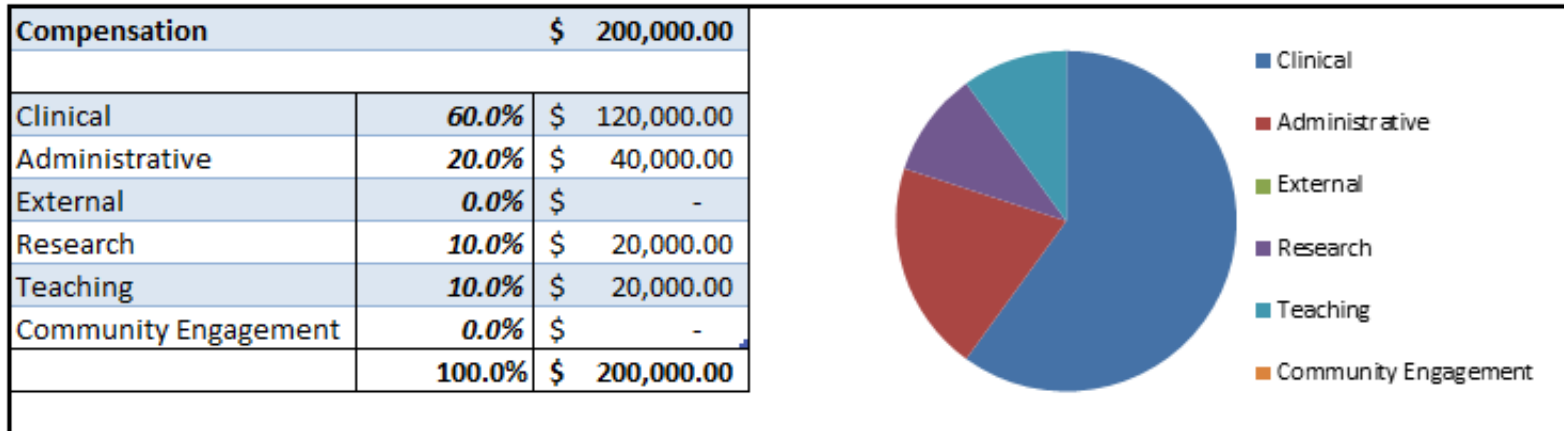


# Defining the Assignment Allocations

- *Assignment Allocations Methodology*

**Purpose:** provides a measurement of faculty effort distribution across six category (Clinical, Research, Teaching, External, Administration and Community Engagement) used to align assignment Full Time Equivalent (FTE) effort with compensation.

**Example:**



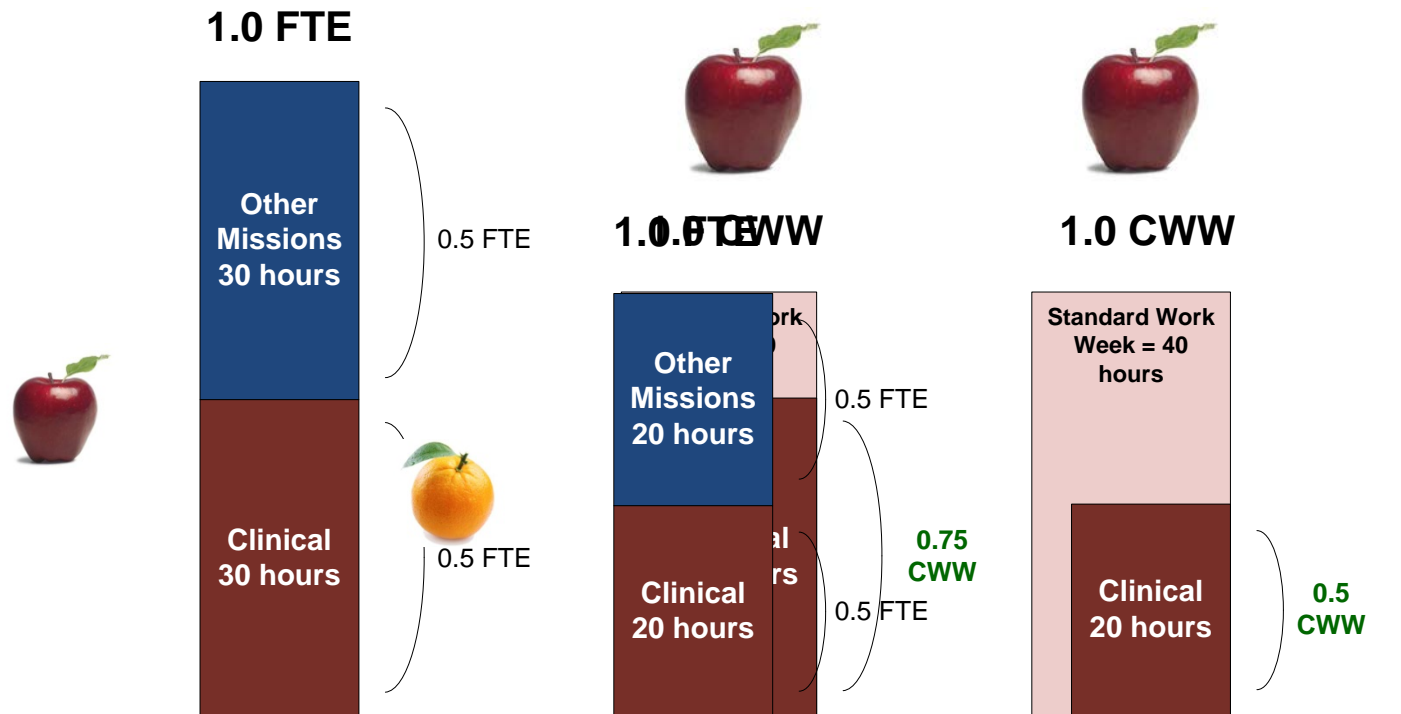
Full Time Equivalent (FTE) = 1.0

For FMV: ( Research + Teaching + Community Engagement ) = Academic

# Defining Clinical Work Week

## *Comparing Apples to Apples*

### Effort Allocation Clinical Work Week (CWW) Lens



**Purpose:** Provides an overall look at faculty distribution of time is across missions.

**Purpose:** Provide an apples to apples comparison between providers which can be utilized for clinical benchmarking purposes and applied consistently

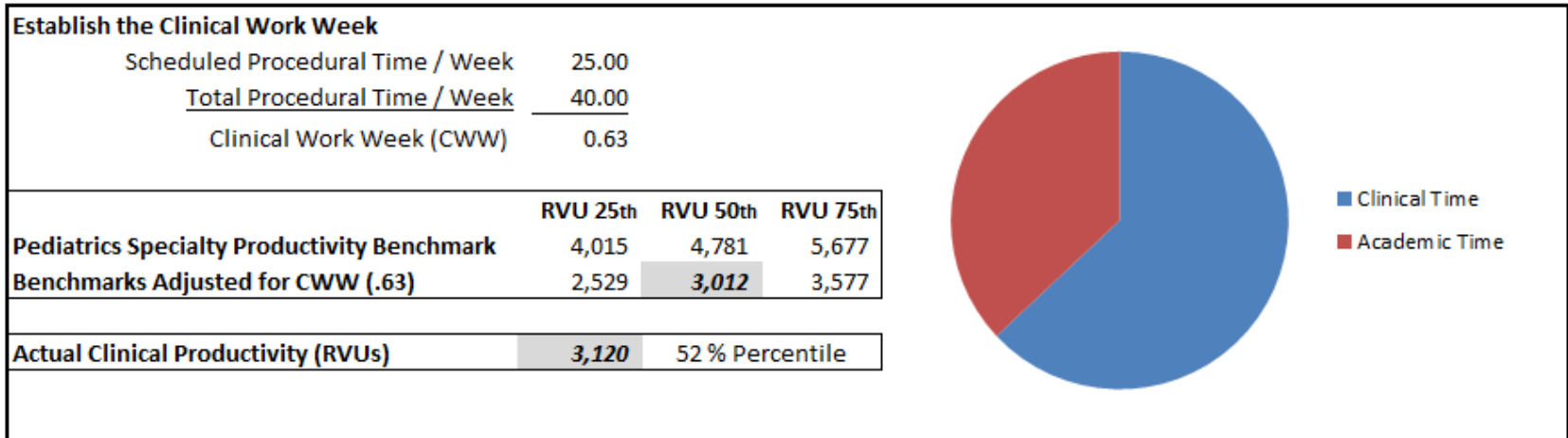
# Guiding Principles of a CWW definition

- Administrative time related to clinical work is considered part of the clinical work week (CWW)
- A total CWW can be up to 1.0, but cannot exceed it
- One size will not fit all, a clinical work week must take into account the differences in provider type (e.g. procedure based, E&M based, etc.)
- Need the ability to look across the practice at how FTEs are divided across missions
- If any two faculty work an equal amount of time in clinic, their clinical work week must equal

# Clinical Productivity Review

- *Clinical Productivity vs. Benchmark*

## Example:



# FMV Benchmark Philosophy



+



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## Clinical Benchmarks:

- American Medical Group Association
- Medical Group Management Association-Physician Practice
- Sullivan Cotter and Associates, Inc.

## Academic Benchmarks:

- Association of American Medical Colleges
- Medical Group Management Association-Academic
- Association of Administrators in Academic Pediatrics

## Administrative Leadership Benchmarks :

- Association of American Medical Colleges,
- Sullivan Cotter and Associates, Inc.

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**X** = FMV Benchmark Guideline

# FMV Faculty Benchmark

## Example: General Pediatrics

Rank	Total FTE	Clin. FTE	Acad. FTE	Admin. FTE	External FTE	Base Pay	Incentive Pay	Total Comp	FMV Total Comp Median Benchmark	FMV Compa Ratio
Assistant Professor	1.00	0.60	0.20	0.20	0.00	\$150,000	\$0	\$150,000	\$176,694	85%

### Clinical Benchmarks:

	<u>Median</u>
American Medical Group Association (AMGA)	\$193,205
Medical Group Management Association-Physician Practice (MGMA)	\$169,947
Sullivan Cotter and Associates, Inc.	\$162,516
<b>Average:</b>	<b>\$175,223</b>

### Academic Benchmarks:

	<u>Median</u>
Association of Administrators in Academic Pediatrics (AAP)	\$144,264
Association of American Medical Colleges (AAMC)	\$155,672
Medical Group Management Association-Academic	\$142,517
<b>Average:</b>	<b>\$147,485</b>

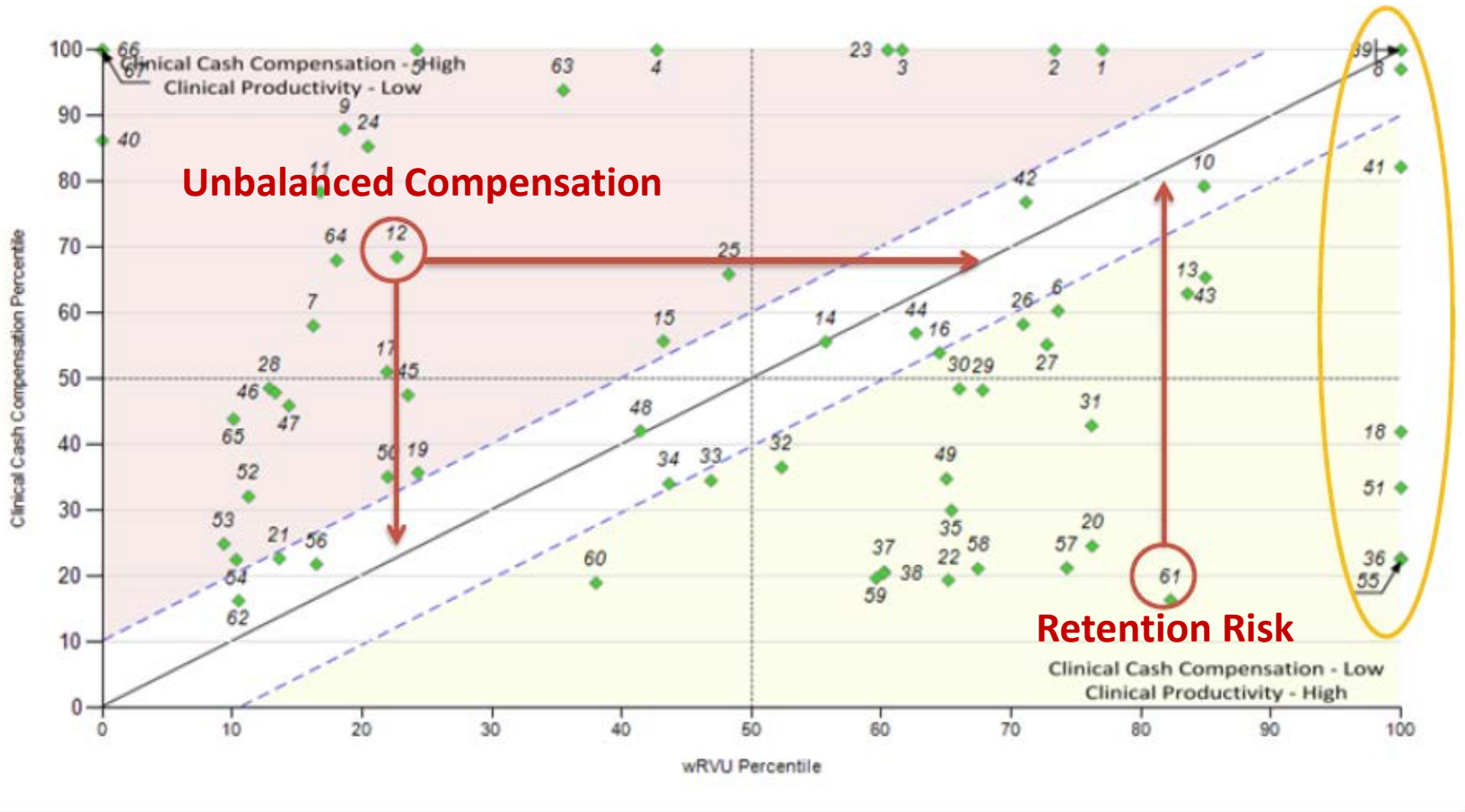
### Administrative Leadership Benchmark:

	<u>Median</u>
Sullivan Cotter and Associates, Inc. (Medical Director Role)	<b>\$210,317</b>

Clinical FTE Weighted Benchmark (.60 x 175,223):	\$105,134
Academic FTE Weighted Benchmark (.20 x 147,485):	\$29,497
Administrative FTE Weighted Benchmark (.20 x 210,317):	\$42,063
	<b>\$176,694</b>



# Achieving Alignment



Points between blue dotted lines represent data that are within the Clinical TCC and productivity confidence interval.

Example Graph (not actual data)

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# **METHODS – DOP INCENTIVE COMPENSATION**

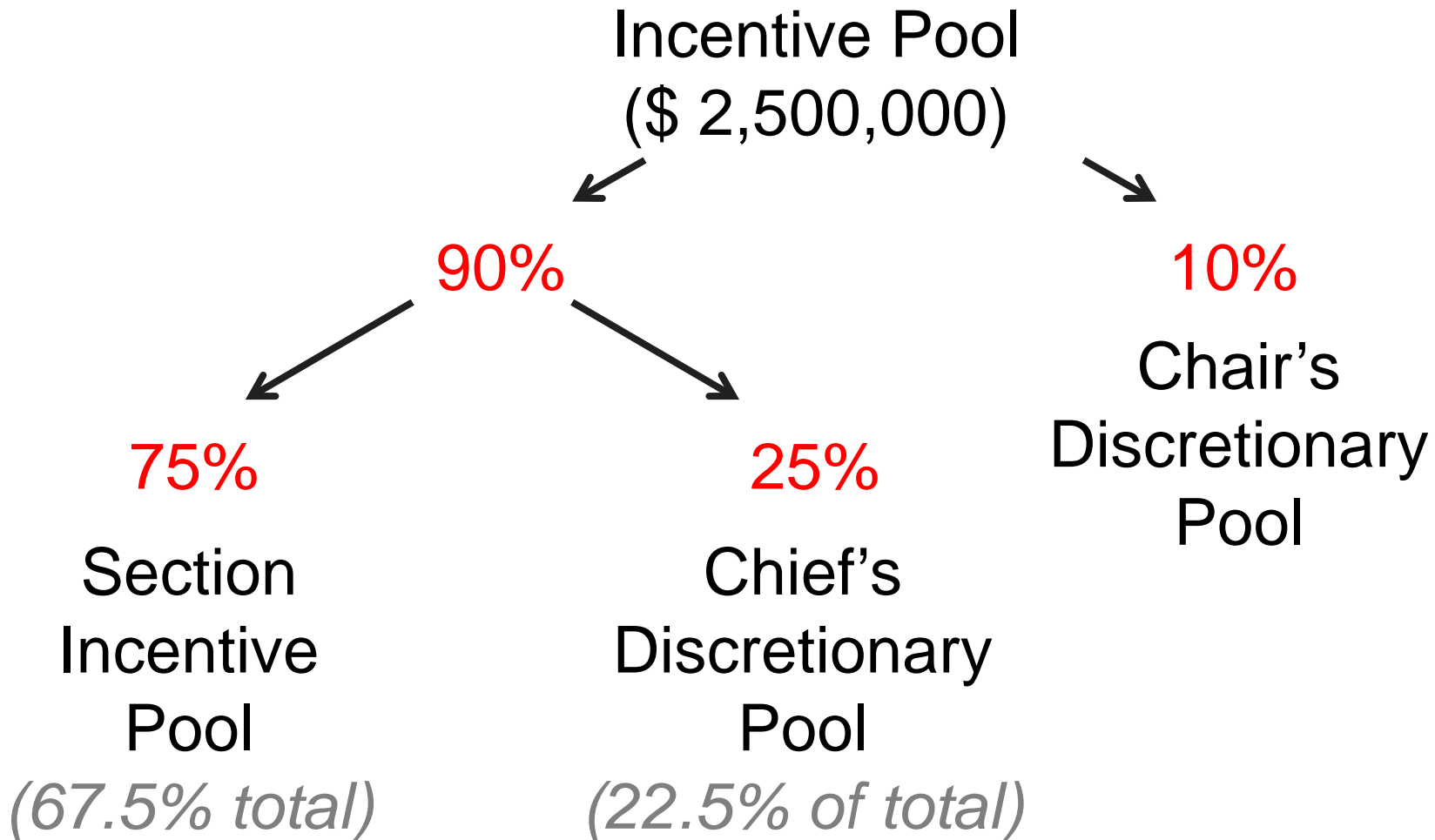
# Guiding Principles of our Approach

- Develop a process that increases transparency
- Develop a process that states clear expectations
- Develop a process that rewards merit
  - ✓ Defined by department productivity
  - ✓ Define by section productivity
  - ✓ Defined by individual productivity
- Develop a process that recognizes section differences
- Develop a process that allows us to be nimble and adapt
- Develop a process that moves us towards a seamless relationship with our partners

These are particularly important because the ability to facilitate other's success is among the most valued

# Incentive Plan

*(Example)*



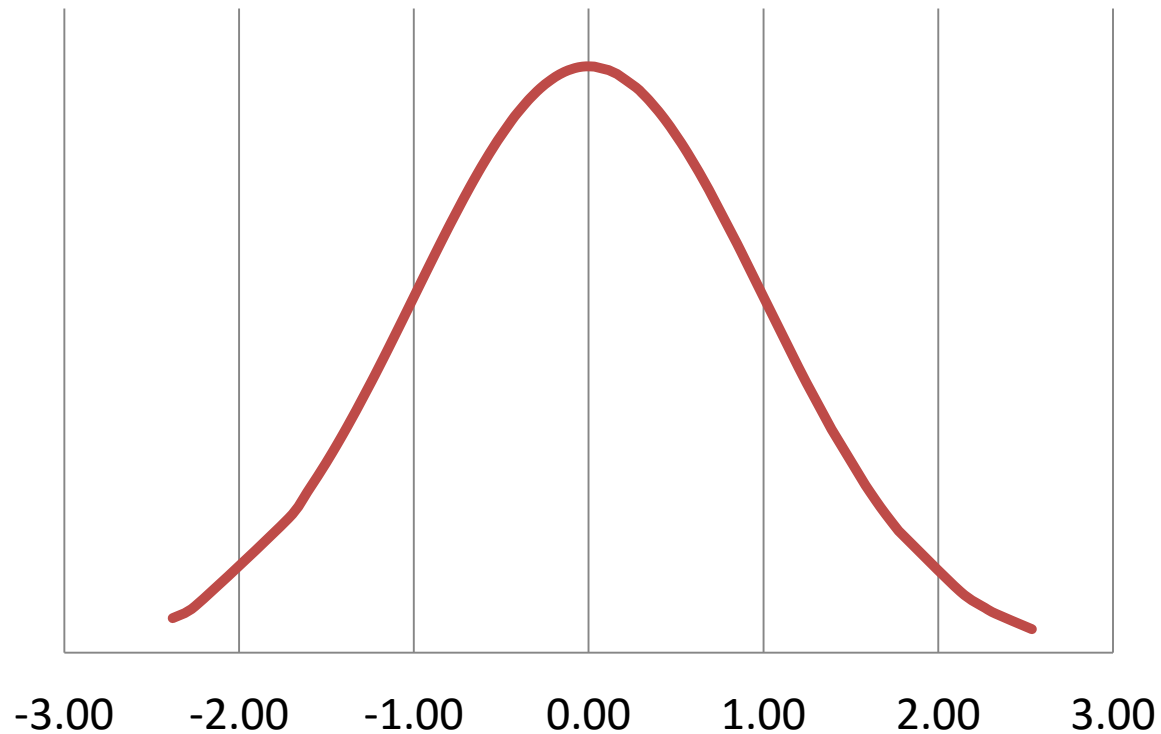
# Section Incentive Pool

- General C
- Clin
- Edu
- I
- V

Metric	Factor
K-club Presentation	10.0
Formal involvement in the MCW or CHW IRB or IACUC	10.0
PAS Poster	1.0
PAS Moderator	1.0
PAS Workshop or State of the Art Leader/Invited Workshop	10.0
PAS Platform	5.0
Review Article	1.0
Chapter in National Textbook or Periodical Review	1.0
Primary / Chief Editor of Major Textbook	10.0
Corresponding Author on peer reviewed journal impact factor < 2.5	1.0
Corresponding Author on peer reviewed journal impact factor > 2.5 and < 5.0	2.0
Corresponding Author on peer reviewed journal impact factor > 5.0	3.0
Author on Manuscript with Corresponding Author in another section/department	1.0
Co-PI on NIH Award (with salary support)	5.0
MCW	15.0
MCW Leadership position on formal CHW or MCW quality/value committee	1 - 3
MCW Progress on DOP SMART quality initiatives	0 - 3
MCW Selected for "high" level training amongst peers (e.g. ATP course)	30.0
MCW DOP "Tea	AHW, National Foundation, or Other Application < \$100,000/year
MCW DOP "Out	Maintenance of NIH Award < \$150,000/year
High 5 Award fr	Maintenance of NIH Award > \$150,000/year
High 5 Award from	Less: Voluntary Cost Sharing (% of total research expense per FTE)
Teaching Pin Recipient	10.0

# Incentive Distribution

## Departmental Incentive Distribution

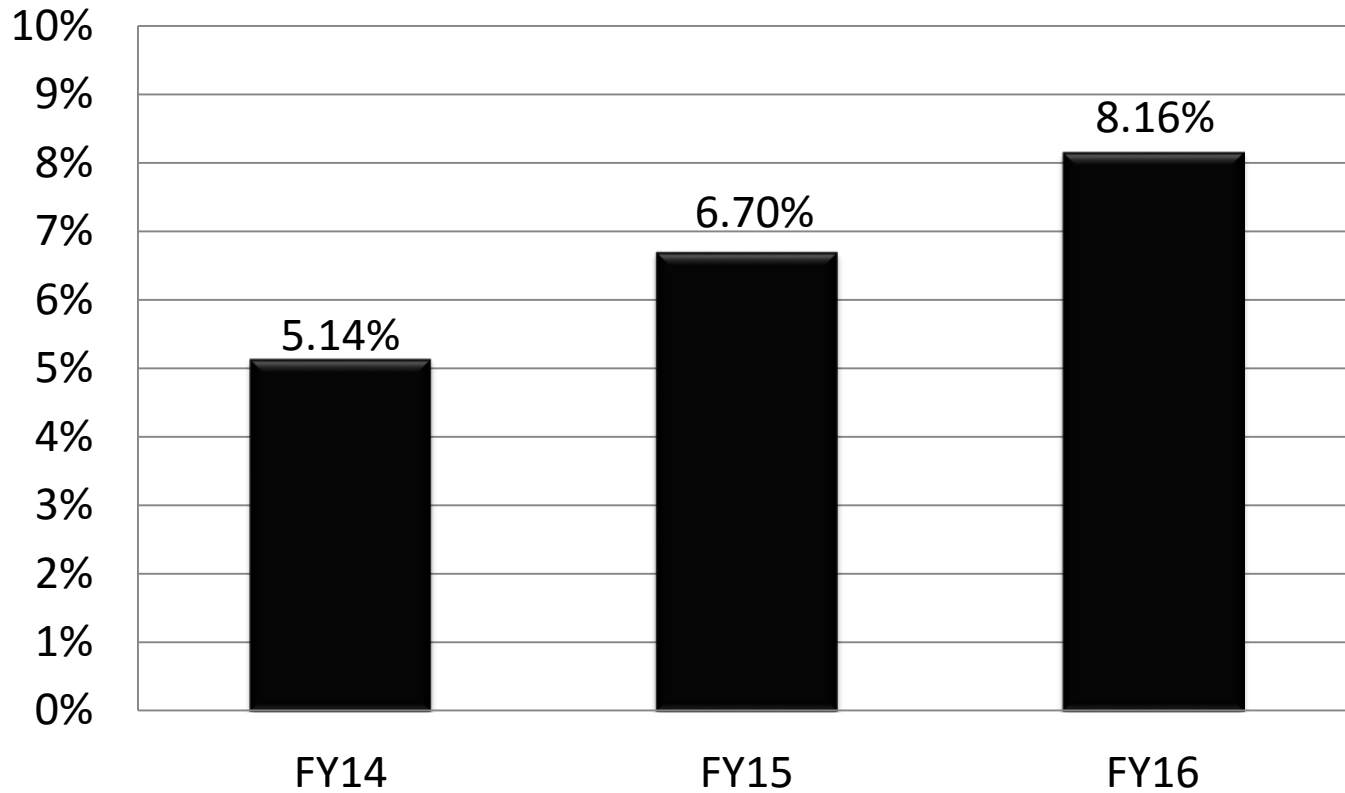


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# RESULTS

# Results

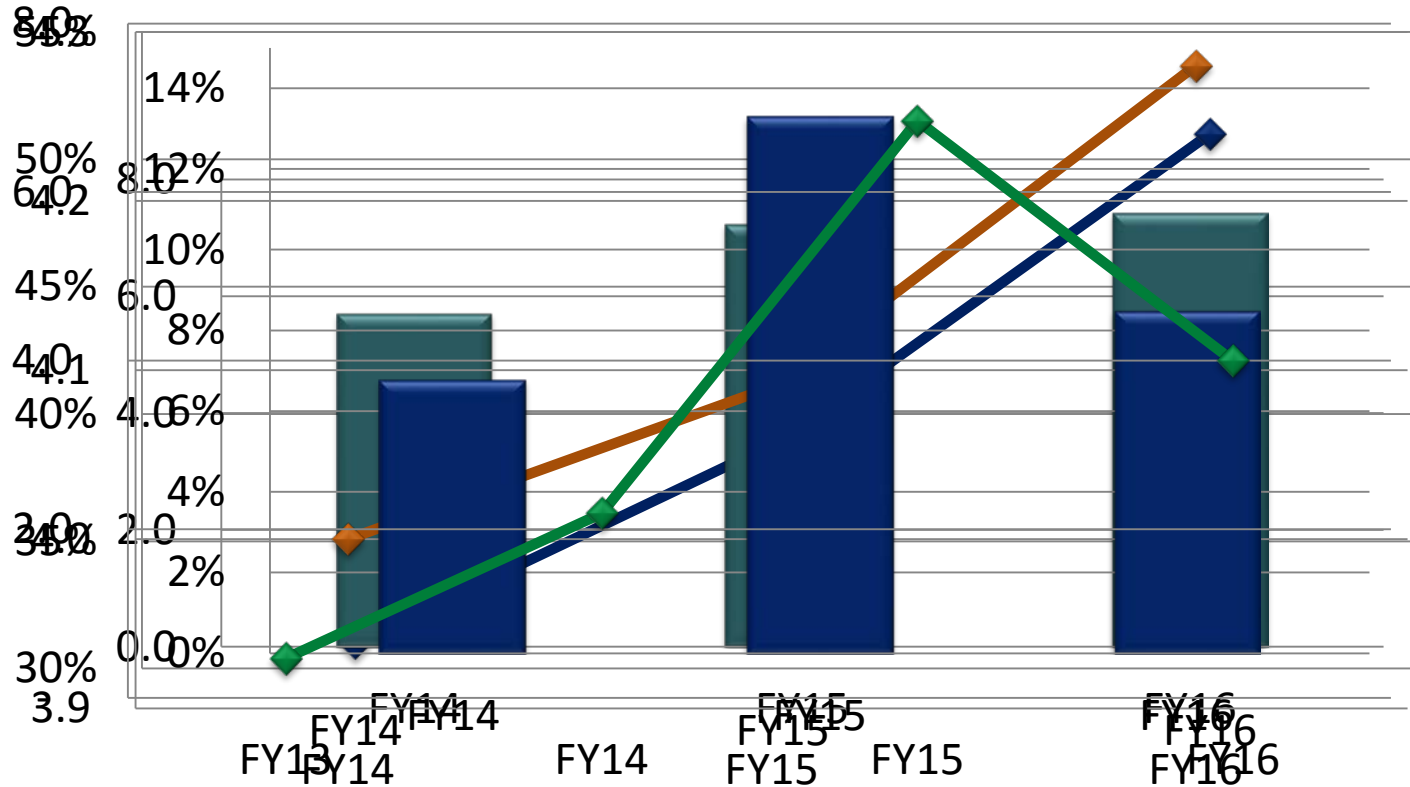
## Incentive Payout Glide Path





# Results

MDM Available for Fulfillment  
Grant Applications for Research FTE



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# CONCLUSION AND SPECULATION

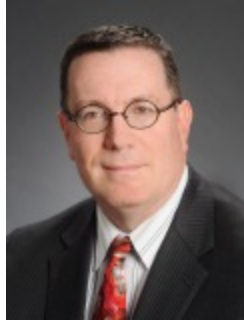
# Conclusion

- Faculty compensation plans can drive favorable results without negatively impacting engagement

# Speculation

- Further analysis to understand how incentive plans coincide with the goals and subsequent supports available from the AMC and affiliate hospital will help identify specific factors that equivocally contribute to performance
  - ✓ Examples:
    - › Clinical Metrics: Staffing, space, scheduling, clinic management, marketing
    - › Scholarly Metrics: Grant-writing retreat, PAS practice sessions, protected time, access to data, grants development support
    - › Engagement: Career development, mentoring, communication, leadership, culture

# Acknowledgements



**Robert H. Lane, MD, MS**, Pediatrician in Chief, The Barri L. and David J. Drury Chair in Pediatrics, Children's Hospital of Wisconsin; Professor and Chair, Department of Pediatrics



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**THANK YOU!**