Implementation of a Physician Incentive Program

Jonathan Scheidt, EMT-P, MBA — Vice President, Pediatric Service Line
Sarah N. Kass, MHA — Senior Administrative Director, Pediatric Service Line
Nigam Gandhi, MHA — Project Manager, Pediatric Service Line

Steven and Alexandra Cohen Children's Medical Center of New York, New Hyde Park, NY

Cohen Children's Medical Center
Northwell Health℠

Introduction/ Objectives

A paradigm shift in healthcare has lead to an emphasis on outpatient services throughout the nation. As a result, it has become vital to create a business plan for ambulatory services that is financially sustainable. Over the past three years, the Pediatric Service Line at Northwell Health (formerly North-Shore LIJ Health System) has demonstrated exponential growth in building its employed faculty base as well as ambulatory network. Although building an expansive ambulatory model allows the service line to achieve economies of scale, this can only be sustainable if increased productivity is aligned as well. In 2015, the Service Line leadership decided to address clinical productivity as an area for enhancement, without impacting academic productivity. It was determined that providing financial incentives based on work RVUs would be the preferred model to increase clinical productivity, in an effort to improve financial performance.

Materials/ Assumptions

An analysis was conducted for all subspecialty and hospital-based physicians, excluding the division chiefs. Each physician's annual work RVUs were calculated based on billing data. A clinical FTE was calculated for each physician based on their job functions. For example, physicians who were responsible for directing a subspecialty fellowship program were assigned a lower clinical FTE percentage than a physician who was only providing clinical care. Productivity benchmark targets from two leading professional societies AAAP (Association of Administrators in Academic Pediatrics) and AMGMA (Academic Medical Group Management Association) were applied. It was decided not to have a service line aggregate target and/or use a single benchmarking scale for all divisions, because each subspecialty has varying visit types and clinical complexity. After the target was established for each division, using one of the two published benchmarking tools, a variance was calculated. The calculation was based on total work RVU generated by each physician compared to the target. A value of $30 per RVU was used to calculate the total penalty or incentive payout.

In an effort to smoothly implement the incentive plan over time, a two year approach was used. In Year 1, physicians had the opportunity to earn up to a $25,000 incentive bonus based on their 2015 productivity calculation as described above. In Year 2, physicians will continue to earn up to this incentive bonus, with a penalty for underperformance of physicians who miss the target by more than 10%.

Conclusions

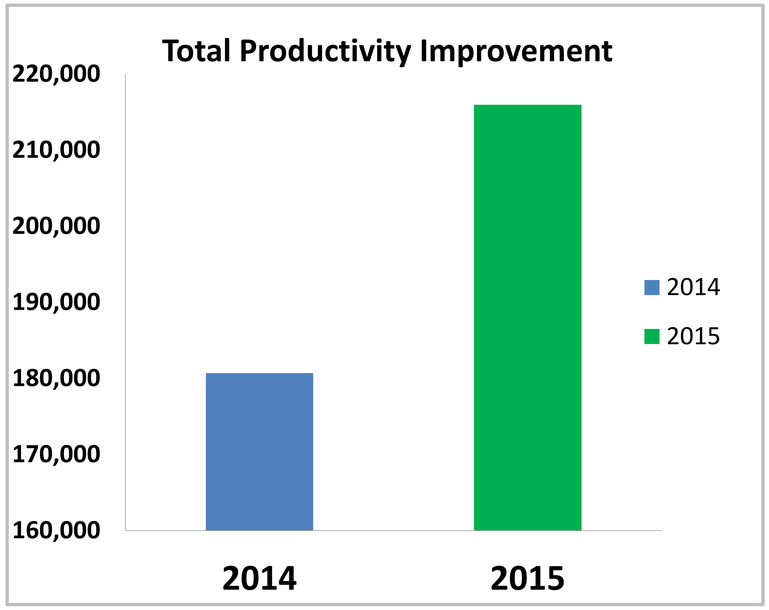
Overall, there was a 10% increase in productivity within the service line, as a result of implementing the wRVU incentive compensation program. This calculation included all physicians who were employed in 2014 as well as 2015. It did not account for new recruitments or physicians who were not employed both years.

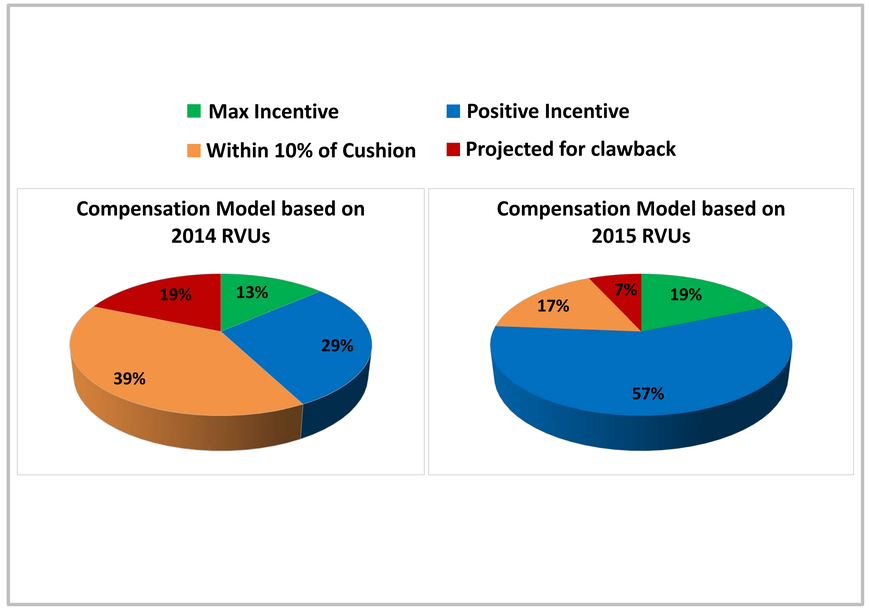
- 72% of the divisions increased their overall work RVU output, primarily in outpatient office visits.
- 28% of the divisions remained flat or decreased from 2014 to 2015.
- Divisions that had long wait times for access and maximized physician schedules, had minimal or zero increase in work RVUs during 2015.
- If the plan was operational in 2014, only 29% of physicians would have been eligible, compared to 57% of physicians who were eligible to receive incentive compensation in 2015.

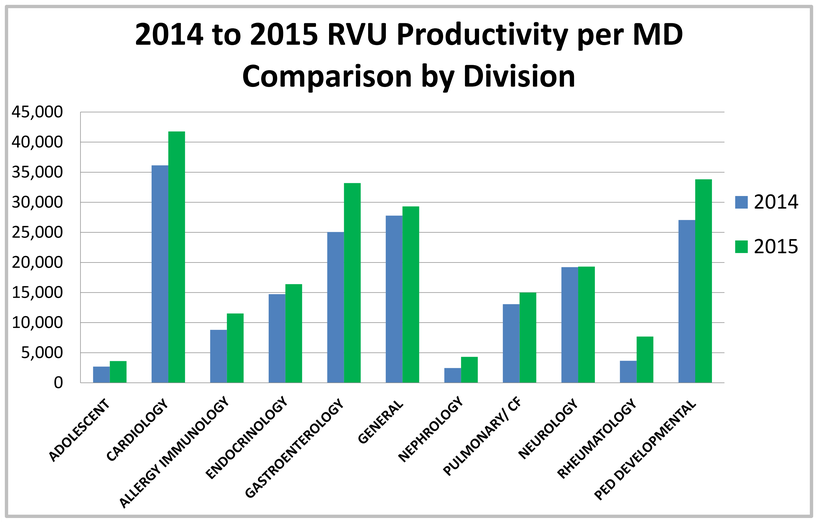
In conclusion, this incentive plan was successful at increasing productivity and financial performance of the Service Line as well as providing additional earning potential to the faculty. By continuing to offer the incentive compensation plan, the Service Line will be able operate a more financially secure outpatient portfolio. This will be vital component in the increasingly changing healthcare landscape. It will also provide a solid foundation to supporting the goal of expanding outpatient services throughout new geographical markets and patient populations.

Results

**All Physicians included in this analysis were employed in both 2014 and 2015. It did not account for new recruitments or physicians who were not employed both years.







References/Acknowledgements

2014 Academic Practice Compensation and Production Report by the Academic Medical Group Management Association
2015 Academic Practice Compensation and Production Report by the Academic Medical Group Management Association
2014-2015 Pediatric Faculty Compensation and Productivity Survey for the Association of Administrators in Academic Pediatrics