STAR² CENTER TALKS COMPENSATION PLANNING

MAY 29, 2019

1PM EASTERN

association of clinicians for the underserved

STAR²CENTER
SOLUTIONS TRAINING AND ASSISTANCE FOR RECRUITMENT & RETENTION

www.chcworkforce.org

Curt Degenfelder Consulting, Inc.

ASSOCIATION OF CLINICIANS FOR THE UNDERSERVED

Access to Care & Clinician Support

Recruitment & Retention

- National Health Service Corps
- Resources
- Training
- Networking

WHO WE ARE

Association of Clinicians for the Underserved

STAR²CENTER
SOLUTIONS TRAINING AND ASSISTANCE FOR RECRUITMENT & RETENTION

Funded by HRSA's Bureau of Primary Health Care

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WEBINAR HOUSEKEEPING

We are Recording

Ask Questions

Have Fun

PROVIDER COMPENSATION,

INCENTIVE COMPENSATION & RETENTION

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Incentive Compensation Design

IMPACT OF PROVIDER PRODUCTIVITY INCREASE

Revenue

- Net revenue per visit $120 x 100 = $12,000

Expense

- Provider and staff salary - $0
- Provider incentive compensation - $40 x 100 = $4,000
- Medical supplies - $6 x 100 = $600
- Office supplies - $3 x 100 = $300

Margin

- $12,000 – 4,900 = $7,100

FUNDING THE INCENTIVE COMPENSATION POOL

- The health center needs to be paid first – therefore an incentive compensation needs to be affordable.
- The funding for any system should be at least partially based on the health center's bottom line, and a large portion should be paid after year end closing. Thus the funding could be structured as follows:
  - An incentive withhold of 40% of incentive compensation
    - Health center meets financial goals – 100% of incentive compensation paid out (60% guarantee & 40% withhold)
    - Health center finishes year above break-even but below financial goal – 80% of incentive compensation paid out (60% guarantee & 20% withhold)
    - Health center finishes year below break-even – 60% of incentive compensation paid out (60% guarantee & 0% withhold)

POOL FUNDING – PROFIT BASED

	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Profit	$ 1,824,262	$ 3,219,732	$ 1,710,352	$ 3,005,959
Applicable Revenue	$ 26,897,682	$ 28,473,616	$ 29,260,079	$ 32,921,295
Profit Margin	6.78%	11.31%	5.85%	9.13%
40% of amount over 3%	$ 406,933	$ 946,209	$ 333,020	$ 807,328

Note that this system is designed both a provider (45% of pool), and administrative (55% of pool) program

PAYING OUT THE INCENTIVE COMPENSATION POOL

- If incentive compensation payments are monthly, providers will start to see it as part of "normal" compensation, and may lose sight of incentive compensation goals.
- Health center is not protected in a monthly system against variation – if a provider has a great month, followed by a terrible month, the center is probably not going to ask for money back
- Until the books are closed for the year (either by the Finance staff or the auditors), the full incentive compensation should not be paid out.

THREE -TIERED PERFORMANCE MANAGEMENT AND COMPENSATION PROGRAM

Tier I – The Management Team

Cascading goals/objectives quantitatively identified from the top (Board) to the CEO, to the rest of the management team

Tier II – Providers

Driven by combination of visit and RVU based productivity, quality, patient satisfaction, and commitment to the organization

Tier III – Staff

Driven by Financial performance, Average Billable visits per provider FTE, minimum quality and minimum patient satisfaction scores

WHAT MAKES AN INCENTIVE SYSTEM WORK?

- Transparency
  - Management, Providers and Staff have to understand how the system works, and how their job duties contribute to the overall performance of the center
  - Also must know how much they can potentially earn – either in dollars, or percent of salary
- Customization
  - An incentive system has to be designed to fit the center's operations
- Size of the Center
  - The system should be proportional and realistic
    - A center with a budget of $5 million probably cannot support a total package of incentives worth $500K – it is out of scale with the center's operations

MAKING INCENTIVES MEANINGFUL

- Amount of the incentive
  - Target incentive compensation must be large enough to be a meaningful incentive
  - May mean limiting participants
- Linked directly to performance - incentives cannot be "pennies from heaven"

MAKING INCENTIVES MEANINGFUL

- Established around distinct criteria
  - A center should have requirements for participation in the incentive program
- Who participates – if everyone gets incentive comp regardless of individual performance, is there any true incentive? What is the minimum % of providers who should earn incentive for the program to be deemed successful?
- Administration – if it's too complicated, it will take too long to calculate, and the potential for error increases

POTENTIAL PARTICIPATION CRITERIA

- Minimum length of service, and/or prorated based on length of service during the year being incentivized
  - e.g., must be employed minimum of 6 months in the year, then prorated to actual length of service
- Employment status on date of payment
  - Must be an employee in good standing on the date of payment
  - Cannot be in a performance plan or on "probation"

RELATIONSHIP OF INCENTIVE COMPENSATION TO TOTAL COMPENSATION

- Any provider incentive compensation needs to consider total compensation – including salary, inpatient pay, overtime & Saturday pay, stipends, etc. Incentive compensation is often a small part of total compensation
- While most health centers would not pay incentive compensation to a provider not "earning" their base salary, many pay extra compensation to low performing providers
- This situation often arises when there are inpatient or off-site activities; i.e. the provider receives a per visit amount for the off-site work, but their "clinic salary" is not adjusted accordingly
- Should also consider other benefits such as 403b (pension), 457b (deferred comp), travel allowance, longevity, etc.

RELATIONSHIP OF INCENTIVE COMPENSATION TO TOTAL COMPENSATION

Provider Name	Total Visits	Base Pay	Base Pay per Visit	Base Pay % of Total Pay	Float Pay	Inpatient Pay	Stipend	Incentive Pay	Total Provider Pay	Total Pay per Visit
Jones, Bill	2,494	141,741	56.83	0.44	888	169,756	0	7,083	322,349	129.25
Name, Tony	3,129	149,814	47.88	0.92	0	1,730	7,692	625	162,642	51.98
Mercedes, Bob	3,138	147,089	46.87	0.80	0	19,556	0	9,993	183,395	58.44
Kalararam, Ramaa	2,524	114,829	45.49	0.98	0	0	0	0	117,714	46.64
Sauce, Sinetra	2,751	124,345	45.20	0.85	0	17,670	0	734	145,631	52.94
Alvadama, Eduardo	3,883	138,174	35.58	0.83	0	20,975	0	4,837	167,338	43.10
PAtel, Vikram	3,629	121,749	33.55	0.85	1,560	4,676	3,077	7,233	143,445	39.53
Tong,Qao	3,621	121,388	33.52	0.89	8,125	0	0	2,479	135,810	37.51
Gupta, Anupama	3,709	116,567	31.43	0.82	975	7,861	9,616	3,707	141,611	38.18
Chan, Milo	4,755	137,325	28.88	0.57	0	74,762	10,000	9,200	239,361	50.34
Soriano, Elsie	4,800	134,271	27.97	0.81	600	8,759	0	20,020	166,531	34.69
Sallo, Dan	4,843	117,478	24.26	0.69	700	28,232	10,000	10,815	170,107	35.12
Sans, Karim	6,010	144,556	24.05	0.62	48,738	5,491	10,000	12,922	232,377	38.67
Mayana, JL	2,057	48,444	23.55	0.96	0	0	0	0	50,513	24.56
Yes, JT	4,122	96,073	23.31	0.93	538	0	0	3,785	103,686	25.15
Median			*33.52*	*0.83*						*39.53*

PROVIDER DISTRIBUTION
OPTION 1: GOAL SETTING & EVALUATING TOTAL PERFORMANCE

COMPONENTS OF A PROVIDER PERFORMANCE MONITORING PROCESS

- Goals should be carefully chosen to balance conflicting priorities, such as encouraging improvement in provider efficiency and effectiveness while maintaining a high level of quality of care. Categories of goals could include:
  - Productivity
  - Patient Satisfaction
  - Quality of Care
  - Contribution to the Organization

PROVIDER PRODUCTIVITY

- Productivity is a key measure of provider performance. Increasing productivity can:
  - Maximize patient throughput
  - Realize additional revenue
  - Increase a health center's capacity to meet the needs of the community
- The most effective way to evaluate provider productivity is to use visits to measure financial contribution, and Relative Value Units (RVUs) to measure service contribution.

WHAT IS AN RVU?

- The Medicare program took a major step to reform physician payments by implementing the Medicare Fee Schedule (MFS) on January 1, 1992.
- The Resource Based Relative Value Scale (RBRVS) used in the MFS includes three components:

  (1) total physician work

  (2) practice expenses, and

  (3) malpractice expenses.
- Each component is measured in terms of relative value units (RVUs).

RELATIVE VALUE UNITS

- ***Components of RVUs***
  - The National Physician Fee Schedule Relative Value File has columns for the individual components of RVUs, as well as for the total RVU.
  - ***Work RVU*** - measures the provider skill and effort required to complete the service;

*Work RVU for a 99213 = .97**

  - ***Practice Expense ("PE") RVU*** - measures the practice expense/overhead resources required to complete the service; *2012 Overhead RVU for a 99213 = 1.07*
  - ***Malpractice ("MP") RVU*** - measures the malpractice risk associated with the particular procedure. *2012 Malpractice RVU for a 99213 = .07*

* Not 2019 figures

Total RVU for a 99213 = .97+ 1.07 +.07 = 2.11*

PROVIDER PRODUCTIVITY USING WORK RVUS

		PROVIDER A		PROVIDER B	
CPT Code	Work RVU	Procedures	Total Work RVUs	Procedures	Total Work RVUs
99203	1.42	159	225.78	885	1256.70
99212	0.48	1,142	548.16	401	192.48
99213	0.97	1,749	1696.53	904	876.88
99214	1.50	1,163	1744.50	1,722	2583.00
SUBTOTAL VISITS		**4,213**		**3,912**	
11600	1.63	85	138.55	22	35.86
16000	0.89	34	30.26	18	16.02
TOTAL PROCEDURES/RVUS		**4,332**	**4,384**	**3,952**	**4,961**

PROVIDER PRODUCTIVITY SCORING

Providers (both physicians and mid-levels) can be evaluated against benchmarks appropriate for each provider level. Sample quarterly benchmarks are as follows:

Score Standing	Score	Quarterly Work RVU per FTE
Exceeds Expectations	3	≥ 1,100
Meets Expectations	2	≥ 1,000
Needs Improvement	1	≥ 900
Does Not Meet Expectations	0	< 900

Based on this example, a provider with 950 Work RVUs per FTE would score a 1 (Needs Improvement). RVU-based productivity is calculated utilizing CPT Code information. It is therefore imperative that provider coding patterns are monitored.

PATIENT SATISFACTION

- Patient satisfaction is critical to maintaining and/or increasing market share. Providers who strive to meet their patients' expectations should be acknowledged and rewarded.

- It is extremely important to extract provider satisfaction from the patient's overall health center experience. Therefore, factors beyond the provider's control, such as health center amenities, waiting times not associated with provider efficiency, front office staff performance, etc., should not be included in the evaluation instrument.

PATIENT SATISFACTION

- The following issues could be included when selecting goals relating to patient satisfaction:
  - Medical care received
  - Ability to communicate treatment/medicine requirements, etc.
  - Listening and addressing questions/concerns
  - People Skills
- The best way to gather this information is to use a provider-specific patient satisfaction questionnaire. This questionnaire would be stand for all providers and can be distributed to patients on a quarterly or on-going basis.

PATIENT SATISFACTION QUESTIONNAIRE SAMPLE

1. **Do you feel your provider listened and understood your concern(s)?**
   Not at all ____ Somewhat____ Well____ Very Well____ Does Not Apply_____

2. **How well did your provider meet your primary medical needs?**
   Poor ____ Fair ____ Good____ Excellent ____ Does Not Apply_____

3. **How complete was your provider in explaining your condition and treatment options?**
   Poor ____ Fair ____ Good ____ Excellent ____ Does Not Apply_____

4. **Would you recommend your physician/provider to family and friends?**
   Not at all ____ Maybe ____ Likely ____ Absolutely ____ Does Not Apply_____

QUALITY OF CARE

- Quality of Care is a tenet of any healthcare organization and is a central component of provider responsibility. Providers should be held accountable to provide the highest quality of care to his/her patients. Quality of Care can be measured on many levels. Categories could include:
  - Prevention/Primary Care
    - Immunizations/Vaccinations
    - Vision and Hearing Screening
    - Cholesterol Screening
    - Annual Pap Smear
  - PCMH Metrics
  - Condition/Disease Specific
    - Asthma Management (Adult and Pediatric)
    - Diabetes Management
    - Hypertension Management

QUALITY OF CARE

- Documentation
  - Accurate Documentation of Medical Record
  - Match Between ICD-9 and CPT Codes
  - Up-to-date Problem List

- Providers and Management must work together to pre-determine the specific quality goals within each category as well as benchmarks that should be used to evaluate the providers with respect to the achievement of such goals.

QUALITY OF CARE SCORING

- Quality of Care can be measured on a PASS/FAIL score.
- An overall Pass/Fail score for each participating provider will be assigned based on results from the selected measures.

Because the overall evaluation of participating providers is a weighted average of the four component scores, the Pass/Fail score for Quality of Care must be assigned a numeric value.

The Pass/Fail results will be linked to a numeric score as follows:

Pass/Fail Result	Numeric Score
Pass	4
Fail	0

CONTRIBUTION TO THE ORGANIZATION/COMMUNITY

- Providers play an important role in improving operations by ensuring continuity of and access to care, and by actively participating in their communities. These activities often go "beyond the job description" and should be encouraged and rewarded.
- Contribution to the organization/community can be measured in many ways, including the following:
  - Participation in internal and external committees
  - Participation in outreach and community service activities which enhance the health center's exposure
  - Participates in teaching, mentoring or research activities either internal and or external
  - Maintenance of CME requirements
  - Maintenance of academic appointments, participation in teaching programs, participation in research

OVERALL SCORING

- The overall score of the provider's results is determined by the weight distribution of each component. In the example below, the sample organization chose to distribute the overall score in the following manner:

Provider Productivity	50%
Quality of Care	25%
Patient Satisfaction	15%
Contribution to the Organization	10%
Total	100%

OVERALL SCORING

To calculate a total weighted summary score, multiply each component score by its respective weight and then sum the totals. Below is the weighted summary score for a sample provider:

Component	Score	Weight	Weighted Score
Provider Productivity	1	40%	.4
Quality of Care	4	25%	1.0
Patient Satisfaction	2	20%	.4
Contribution to the Organization	2	15%	.3
Weighted Summary Score		**100%**	**2.1**

OVERALL SCORING/PAYMENT

Compare the total weighted scores amongst providers to determine their percentage of the incentive compensation pool

	Total Weighted Points	% of Points/ Incentive Comp Pool	Incentive Comp Earned	
Provider A	2.1	13%	$ 6,334	
Provider B	3.4	20%	$ 9,744	
Provider C	3.6	22%	$ 10,718	
Provider D	1.6	10%	$ 4,872	Failed quality
Provider E	2.9	17%	$ 8,282	
Provider F	3.1	18%	$ 8,770	
Total	16.7		$ 48,720	

OVERALL SCORING/PAYMENT – GREATER DIFFERENTIAL

Since a score of 1 is the minimum, measure points above the minimum to create a greater differential

	Total Weighted Points	Points Above Minimum	% of Points/ Incentive Comp Pool	Incentive Comp Earned	
Provider A	2.1	1.1	10%	$ 4,872	
Provider B	3.4	2.4	22%	$ 10,718	
Provider C	3.6	2.6	24%	$ 11,693	
Provider D	1.6	0.6	6%	$ 2,923	Failed quality
Provider E	2.9	1.9	18%	$ 8,770	
Provider F	3.1	2.1	20%	$ 9,744	
Total		10.7		$ 48,720	

PROVIDER DISTRIBUTION

OPTION 2: DIRECT POOL DISTRIBUTION

FUNDING DISTRIBUTION AMONG PROVIDERS

- Total Incentive Compensation Funding - $20,000
- Provider Productivity Funding Distribution – 50%
- Provider Productivity Pool Distribution - $10,000
- Quality Required - No

Provider	Work RVUs/FTE	Dist %	Pool Distribution
Handler	2,500	31%	$3,100
Jeffreys	2,600	33%	$3,300
Smith	2,900	36%	$3,600
Total	8,000	100%	$10,000

FUNDING DISTRIBUTION AMONG PROVIDERS

- Total Incentive Compensation Funding - $20,000
- Patient Satisfaction Funding Distribution – 25%
- Patient Satisfaction Pool Distribution - $5,000
- Quality Required - Yes

Provider	Patient Satisfaction*	Dist %	Pool Distribution	Quality
Handler	94%	52%	$2,600	Pass
Jeffreys	89%	N/A	$0	Fail
Smith	86%	48%	$2,400	Pass
Total	180%**	100%	$5,000	

* percentage of total available survey points
** total of applicable providers only

FUNDING DISTRIBUTION AMONG PROVIDERS

- Total Incentive Compensation Funding - $20,000
- Contribution to the Organization Funding Distribution – 25%
- Contribution to the Organization Pool Distribution - $5,000
- Quality Required - Yes

Provider	Contribution Calculation	Dist %	Pool Distribution	Quality
Handler	50%	41%	$2,050	Pass
Jeffreys	100%	N/A	$0	Fail
Smith	80%	59%	$2,950	Pass
Total	135%**	100%	$5,000	

** total of applicable providers only

FUNDING DISTRIBUTION AMONG PROVIDERS

- Total Incentive Compensation Funding - $20,000
- Totals By Provider

Provider	Productivity	Patient Satisfaction	Contribution to the Organization	Total Pool Distribution
Handler	$3,100	$2,600	$2,050	$7,750
Jeffreys	$3,300	$0	$0	$3,300
Smith	$3,600	$2,400	$2,950	$8,950
Total				$20,000

SAMPLE DISTRIBUTION OF ACTUAL INCENTIVE MODEL

Bonus Amount	$ 10,000.00	850 = $2500 900 = $10,000	**Portion of Bonus**	
Required Visits/Month	935		Physicians	50%
Incentive Amount (per visit)	$ 40.00		MA	20%
Required Visits/Physician	275		Front Desk	10%
Bonus Period Ending	6/30/2014		Support	20%
FTE	3.2		Total	100%

SAMPLE DISTRIBUTION – SITE PROFIT BASED

Site Profit Per Provider	Payout Per Provider	Payout per Support Staff
$5,000	$500	$125
$7,500	$1,000	$250
$10,000	$1,500	$375
$15,000	$2,000	$500

DISTRIBUTION: TEAM BASED

- Some health centers have adopted systems of team-based incentive compensation. In these systems the metrics can be based on a single provider or multiple providers.
- Based on the provider(s) metrics, team earns a pool of incentive compensation funding
- Team may decide how to distribute funding, or there may be a set formula

SAMPLE TARGET FUNDING DISTRIBUTION

- Providers: up to 45% (depending on amount earned)
- Non-providers: at least 55%
  - Clerical and non-exempt employees 45%
  - Managers, supervisors, professional (exempt) staff 17%
  - Associate Directors and Directors 20%
  - Senior Management 18%

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COMPENSATION SERIES

Wednesdays at 1pm Eastern:

- June 5
- June 12

THANK YOU!