

**Once Upon a Time there was a Formulaic Compensation Plan...
...and they all lived happily ever after.**

Michael R. Gagnon, MBA
Chief Administrative Officer
Department of Orthopaedic Surgery
Duke University Medical Center
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**WHO CARES ABOUT
SWAG!**



I've got a formulaic comp plan, BABY

YEAH!

Life “PFCP”

(“pre-formulaic compensation plan”)

- Criticisms: subjectivity, favoritism, lack of transparency, wanted control and predictability
- Cash management worries
- Constant arguing/debating over resources (staffing levels, midlevel hiring decisions, space, computers)
- “Reconciliation anxiety”
- Insignificant incentive for academics and research
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5 Basic Steps

- **Step 1-** Understand the aggregate
- **Step 2-** understand the big buckets of revenue and assimilate all of these buckets categorically for each faculty member
- **Step 3-** identify total % (ie 10%) you want to earmark for academic incentive pay
- **Step 4-** Set ratios for the revenue buckets such that sum totals = (90%) of prior year total pay (or whatever you can afford)
- **Step 5-** model this for each faculty member comparing prior year actual vs this new model



Provisions

- Hold “harmless” provision within 3% for 1st year so long as production equal/better than year prior
- Patient Receipts are your big lever, don't commit to a ratio at beginning of year...commit to a range
- Establish your academic pay metrics with 3 levels of review (Self, Divisional, Departmental adjudication)
- Need a WRVU component (not % of receipts) for Pediatrics and Trauma
- Associate the following reconciliations for each faculty member:
 - Midlevel
 - Support Staff
 - Medical equipment leases (ie ultrasound)
 - Travel
 - Office Space
 - Computer
 - Other

Hypothetical Illustration of the math

Use prior year's data to model

		42%	100%		80%	80%		80%	80%	80%	100%			The \$1.2M in this column adds to roughly 10% of total FY 13 comp.	
	FY 13 RECEIPTS	MODELED PRODUCTION COMP	VA	Academic & Leadership Bonus	UNIVERSITY SALARY SUPPORT	MEDICAL DIRECTORSHIPS	GME	Coverage Agreements	Hospital Support	CO-MGT	ACTUAL OTHER COMP (PQRS, PDC SPECIAL PAY, EXPERT WITNESS)	MODELED GRAND TOTAL (Prior to academic salary)	ACTUAL FY 13 GRAND TOTAL	AVERAGE Academic & Leadership salary	MODELED GRAND TOTAL (with academic salary)
DOCTOR 1	\$900,276	\$378,116				\$85,000					\$85,507	\$531,623	\$666,772	\$50,000	\$581,623
DOCTOR 2	\$934,478	\$392,481									\$4,415	\$396,896	\$400,371	\$50,000	\$446,896
DOCTOR 3	\$1,114,462	\$468,074				\$51,417					\$6,020	\$515,228	\$567,290	\$80,000	\$595,228
DOCTOR 4	\$534,889	\$224,653	\$166,494						\$48,000		\$6,113	\$435,660	\$468,382	\$50,000	\$485,660
DOCTOR 5	\$1,664,773	\$699,205						\$37,700		\$155,292	\$7,070	\$860,668	\$1,004,090	\$50,000	\$910,668
DOCTOR 6	\$915,275	\$384,416									\$2,617	\$387,033	\$418,531	\$50,000	\$437,033
DOCTOR 7	\$796,807	\$334,659									\$2,759	\$337,418	\$418,531	\$50,000	\$387,418
DOCTOR 8	\$895,466	\$417,989									\$0	\$417,989	\$420,503	\$50,000	\$467,989
DOCTOR 9	\$821,592	\$345,069	\$82,839								\$16,470	\$444,378	\$404,796	\$50,000	\$494,378
DOCTOR 10	\$61,425	\$25,799	\$286,250								\$1,214	\$313,263	\$343,904	\$50,000	\$363,263
DOCTOR 11	\$583,124	\$244,912									\$1,500	\$246,412	\$245,025	\$50,000	\$296,412
DOCTOR 12	\$713,535	\$299,685									\$1,133	\$300,818	\$398,607	\$50,000	\$350,818
DOCTOR 13	\$649,148	\$272,642								\$36,173	\$1,087	\$302,668	\$340,817	\$50,000	\$352,668
DOCTOR 14	\$891,562	\$374,456									\$3,309	\$377,765	\$495,934	\$80,000	\$457,765
DOCTOR 15	\$806,544	\$338,748				\$50,000		\$37,100			\$16,271	\$424,699	\$490,912	\$50,000	\$474,699
DOCTOR 16	\$863,067	\$362,488						\$31,800			\$29,363	\$417,291	\$462,491	\$50,000	\$467,291
DOCTOR 17	\$742,102	\$311,683			\$155,000					\$75,283	\$6,001	\$501,910	\$530,921	\$50,000	\$551,910
DOCTOR 18	\$1,194,291	\$501,602				\$20,000					\$3,408	\$521,010	\$607,274	\$80,000	\$601,010
DOCTOR 19	\$659,685	\$277,068				\$24,000			\$130,646		\$11,949	\$412,734	\$507,964	\$50,000	\$462,734
DOCTOR 20	\$859,456	\$360,972									\$2,154	\$363,126	\$401,102	\$50,000	\$413,126
DOCTOR 21	\$1,198,518	\$503,378									\$2,857	\$506,235	\$565,661	\$50,000	\$556,235
DOCTOR 22	\$766,289	\$321,841	\$41,125			\$15,600		\$2,500			\$4,930	\$382,376	\$394,446	\$50,000	\$432,376
DOCTOR 23	\$581,690	\$363,969				\$50,000					\$19,981	\$423,950	\$443,996	\$50,000	\$473,950
		\$8,203,903	\$576,708		\$155,000	\$296,017		\$239,746	\$48,000	\$266,748	\$236,128	\$9,821,148	\$10,998,321	\$1,240,000	\$11,061,148

The sum of these two columns will be equal to roughly 10% of total compensation and earmarked for academic pay.

Which in turn will be spread across the faculty based on transparent metrics to result in a grand total of compensation that is almost exactly what is was in aggregate last year.

Keep it simple

On an annual basis the Department must assess its cash position to calibrate the specifics and for FY 14 this is how the plan will pay out.

PRODUCTION PAY OUTS	
42%	Receipts
100%	VA
100%	PQRS, Erx, PDC Special Pay, Expert Witness
80%	University Salary Support (i.e. CMO)
80%	Medical Directorships
80%	GME
80%	DRH Coverage Agreement and Call Pay
TBD	Academic, Education, Citizenship, and Leadership Pay

EXAMPLE- PRODUCTION PAY OUTS			
PAY RATE	PRODUCTION	PAY FOR THE PRODUCTION	
42%	\$766,289	\$318,010	Receipts
100%	\$41,215	\$41,215	VA
100%	\$3,500	\$3,500	PQRS, Erx, PDC Special Pay, Expert Witness
80%	\$0	\$0	University Salary Support (i.e. CMO)
80%	\$15,600	\$12,480	Medical Directorships
80%	\$29,276	\$23,421	GME
80%	\$2,500	\$2,000	DRH Coverage Agreement and Call Pay
TBD		\$65,000	Academic, Education, Citizenship, and Leadership Pay

\$465,626

Clean formulaic
Year-end
reconciliation
statements for
each faculty
member

Dr. Faulbaum

FINAL FY 2015 Year-End Reconciliation

Compensation Calculations

Pay Rate	Current Year Jul-14 thru Jun-15		Prior Year thru Jun-14	
	Production	Payout for Production	Production	
42%	\$876,543	\$363,765	\$507,115	Clinical Receipts
100%	\$22,000	\$22,000	\$74,954	VA and Federal Funds
100%	\$889	\$889	\$748	Other Revenue, Legal, Deposition, etc....
100%	\$5,000	\$5,000	\$0	Coverage Agreement
80%	\$72,000	\$57,600	\$62,655	University Based Salary Support (Research, Admin)
80%	\$0	\$0	\$4,500	Health System Support (ie Co-Mgt; Med Dir; Coverage)
100%	\$46,000	\$46,000	\$0	Academic, Education, Citizenship & Leadership (est)
	\$1,022,432	\$495,254	\$649,972	Total

Compensation Adjustments

Current Year Jul-14 thru Jun-15		
	(\$200)	Travel Adjustment
	(\$5,268)	Medical Equipment Leases
	\$4,500	58 Hours +/-
	(\$1,100)	PANP Adjustment Amount
	(\$2,068)	Total
	\$495,254	FY 15 Projected Pay for Production
	(\$2,068)	Adjustments
	\$493,186	FY 15 Grand Total Comp
		(FYI...your grand total comp in FY 14 was \$346,288)

Compensation Paid to Date

\$5,000	Quarterly Incentive Payment
\$227,000	Monthly PDC Distribution
\$5,000	PDC Special Checks
\$22,000	VA Compensation
\$95,000	University Compensation
\$354,000	Comp Paid to Date

To be paid \$139,186 This is the additional amount you will receive in reconciliation pay for FY 15

As an FYI, your total compensation as a percentage of your total clinical receipts is below:
56%

Dr. Faulbaum

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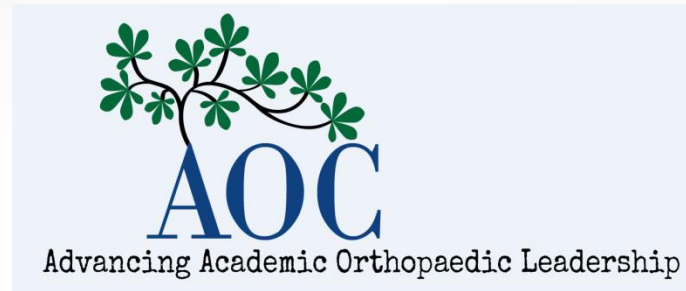
This is where you deduct a la carte items based on individual provider preferences



Life “PFCP”

(“post-formulaic compensation plan”)

- Predictability and transparency have increased faculty confidence of fairness across the board
- Fewer Cash management worries, higher risk tolerance to market swings...the plan lives within itself as production based (cash not WRVU)
- Faculty now in control of the spending/earning decisions for their practice...led to 27 FTE reductions and increased midlevel collections by 60% =(**\$2.7M bottom-line impact**)
- 99% reduction in ARA (“administrative reconciliation anxiety”)
- More weight on academics and research
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Thank you