SHM Roundtable
Physician Compensation and Incentive Plans
December 9th, 2010
Dan Fuller President & Co-Founder
IN Compass Health
Discussion

- How important is compensation?
- Look at the Surveys
- What does it all mean?
- Compensation Models and Incentives
- Things to Consider
- What’s next…
Compensation

- Salary is a component of compensation…fixed amount of money for work or services performed.
- Total Compensation
- Is money a motivator?
- Money is part of the extrinsic value of our job.
- *The Physician Executive*
  - Looked at factors contributing to reducing a physicians satisfaction with a position and,
  - Factors that enhance the satisfaction with a position.
## Physician Satisfaction

### The Physician Executive Nov/Dec 2006

### Factors That Attribute to Less Satisfaction

<table>
<thead>
<tr>
<th>Factor</th>
<th>Overall Average Satisfaction Rating (scale of 1-9)</th>
<th>Percent Rating Low (1-3)</th>
<th>Percent Rating Medium (4-6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost containment efforts by the hospital</td>
<td>5.04</td>
<td>19.7%</td>
<td>49.8%</td>
</tr>
<tr>
<td>Amount and quality of personal time</td>
<td>5.29</td>
<td>25.1%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Opportunities for research &amp; teaching</td>
<td>5.36</td>
<td>20.9%</td>
<td>38.0%</td>
</tr>
<tr>
<td>Approaches to utilization review by the hospital</td>
<td>5.44</td>
<td>12.9%</td>
<td>50.9%</td>
</tr>
<tr>
<td>Autonomy over non-medical decisions</td>
<td>5.45</td>
<td>20.0%</td>
<td>40.4%</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td><strong>5.66</strong></td>
<td><strong>18.2%</strong></td>
<td><strong>39.9%</strong></td>
</tr>
<tr>
<td>Administrative responsibilities</td>
<td>5.80</td>
<td>17.3%</td>
<td>36.5%</td>
</tr>
<tr>
<td>Organizational climate/culture of the hospital</td>
<td>5.80</td>
<td>16.0%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Workload</td>
<td>5.85</td>
<td>14.0%</td>
<td>41.3%</td>
</tr>
<tr>
<td>Autonomy over medical decisions</td>
<td>6.00</td>
<td>16.5%</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

Income falls just below the median in job satisfaction for physician.
### Physician Satisfaction
The Physician Executive Nov/Dec 2006

<table>
<thead>
<tr>
<th>Factor</th>
<th>Satisfaction Rating (scale of 1-9)</th>
<th>Percent Rating High (7-9)</th>
<th>Percent Rating Medium (4-6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships with patients</td>
<td>7.45</td>
<td>81.1%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Relationships with colleagues</td>
<td>6.98</td>
<td>68.9%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Family issues</td>
<td>6.97</td>
<td>67.5%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Personal growth</td>
<td>6.7</td>
<td>63.4%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Freedom to provide quality care</td>
<td>6.3</td>
<td>57.2%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Availability of office &amp; hospital resources</td>
<td>6.18</td>
<td>50.2%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Prestige for role as physician</td>
<td>6.1</td>
<td>49.1%</td>
<td>36.2%</td>
</tr>
</tbody>
</table>

Factors That Attribute to Greater Satisfaction!

### Reasons Physicians Leave

### Driving Forces for Physician Turnover

<table>
<thead>
<tr>
<th>Force</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor cultural fit</td>
<td>51%</td>
</tr>
<tr>
<td>To be closer to own or spouse’s family</td>
<td>42%</td>
</tr>
<tr>
<td>Left job for higher income opportunity</td>
<td>32%</td>
</tr>
<tr>
<td>Due to spouse’s job relocation</td>
<td>22%</td>
</tr>
<tr>
<td>Relocate to find better community fit</td>
<td>20%</td>
</tr>
<tr>
<td>Excess Call / Incompatible work schedule</td>
<td>17%</td>
</tr>
</tbody>
</table>
Trends

- Increasing demands on the programs to be more efficient and cost effective.
  - Compensation structures changing to include incentives for productivity and quality.
  - Increasing expectations on existing hospitalist

- Hospitalist compensation rising as the demand increases.
  - Growth in the more mature programs is slowing
    - Job searches for hospitalists declining in major metropolitan cities
  - “New” demand for programs in the rural market
Where Do We Start?

- SHM & MGMA State of Hospitalist Medicine – June 2010
- Today’s Hospitalist Compensation & Career Survey 2010
- Other Surveys
Figure 1. Mean annual salary of U.S. hospitalists

SHM-MGMA 2010 annual compensation for hospitalists who care for adults:
Mean: $225,344
Median: $215,000

Source: MGMA
SHM & MGMA 2010 Survey

- Median compensation $215,000 (Standard deviation of $67,629)
- Weeks worked;
  - 32.5% of the respondents worked less than 30 weeks per year!
  - 48.69% worked 45 to 49 weeks per year!
- Productivity measures used in compensation methodologies;

![Bar graph showing productivity measures](image)
Metric Used Other Than Productivity

SHM & MGMA State of Hospitalist Medicine 2010

Quality Indicators: 80.00%
Patient Satisfaction: 70.00%
Admin Responsibilities: 50.00%
Peer Review: 60.00%
Community Outreach: 20.00%
Seniority: 10.00%
Today’s Hospitalist 2010 Salary Survey

- Geographical differences - Northeast $187K versus the Southwest $224K.
- Size of the Group - 4 or less in the Group $192K as opposed to $218K for hospitalists in a Group of 15 or more providers.
- Productivity impacts compensation with providers who see in excess of 21 encounters per shift earn in excess of $224,000 per year.

Compensation Model
- 100% Salary $184K
- 100% Productivity $241K
Polling Question #1
Bottom Line

- $215,000
  - SHM/MGMA Survey 2010 Median $215,000
  - 2010 AMGA National Median $215,716
  - 2010 Today’s Hospitalist Mean $214,075
  - Hospital & Healthcare Compensation Survey 2010 75th percentile $215,331

- 15 to 17 shifts per month?

- Typical shift 12 hours?

- The “sweet” spot for encounters per shift between 15 to 18?
Who Makes More?

- Live in the southeast or southwest
- See and treat critical care patients
- Have a lower base compensation
- Have a productivity bonus based on work RVUs
- Have more experience
- Work in a non hospital owned practice
Polling Question #2
(Two Parts)
“Apples or Oranges”

- Surveys unable to accurately correlate the number of shifts or hours worked for the compensation.
- High degree of variation in the staffing model from program to program.
  - Full time shift based program
  - On Site/call based program
  - Hard to define a “shift”
- Other issues:
  - Productivity
  - Scope of practice
  - Impact of CPOE
  - Other
Compensation Models

- Fixed base compensation
  - Hourly
  - Shift Rate
  - Fixed monthly
- Productivity based compensation
- “Case Rate” compensation models
- Compensation based on gross charges and or collections
Aligning Incentives

- Programs can be benefit from even a small amount of their compensation being put at risk…10% to 20% of total compensation should be tied to productivity and or quality metrics.
  - RVU based bonus
  - Encounter based Team bonus
  - JCAHO Core Measures and Compliance
- Compensation tied to Patient Satisfaction scores
- Compensation tied to citizenship (participation and meeting attendance)
- Increased compensation for working less desirable shifts.
- Need to balance the need to recruit and stay competitive with the desire to increase productivity and enhance quality.
# JCAHO Core Measures and Compliance

## Sample Hospital | Hospitalist Program

### Compliance Metrics

**July-06**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Compliance</th>
<th>Trend</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heart Attack</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMI-01 Aspirin Prescribed at Arrival</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>AMI-02 Aspirin Prescribed at Discharge</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>AMI-03 ACEI or ARB for LVSD</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>AMI-04 Smoking Cessation</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>AMI-05 Beta Blocker Prescribed at Discharge</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Heart Failure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HF-01 Discharge instructions</td>
<td>97%</td>
<td>95%</td>
<td>93%</td>
</tr>
<tr>
<td>HF-02 LVF Assessments</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>HF-3 ACEI or ARB for LVSD</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>HF-4 Adult Smoking Cessation</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Pneumonia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PN-02 Pneumonia Vaccination</td>
<td>100%</td>
<td>95%</td>
<td>92%</td>
</tr>
<tr>
<td>PN-03 Blood Culture before Antibiotic</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>PN-04 Adult Smoking Cessation</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>PN-06a Initial ABX Sel for CAP Immunocompetent – ICU Pt</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>PN-06b Initial ABX Sel for CAP Immunocompetent – Non-ICU Pt</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>PN-07 Influenza Vaccination</td>
<td>100%</td>
<td>95%</td>
<td>86%</td>
</tr>
</tbody>
</table>
Sample Productivity Bonus

- Team based
- Quarterly
- Encounter centric – easier to manage than an RVU based bonus
- Allows us to establish a “baseline” for encounters per shift
- Distribution based on contribution – shifts
- Incentive for the Team to utilize productive locum tenens providers
Other Elements of the Compensation Package

- Paid Time Off
  - Average of 12 plus days paid time off.
  - Paradigm shift – physicians want more and more days off to work at other facilities.

- Developing a bonus pool for working additional shifts

- CME

- Loan repayment

- Relocation package

- Sign On bonuses ($12,000 to $15,000 *Today’s Hospitalist*)

- Administrative stipends

- Recognition
Important To Do Our Homework

- Do a salary survey for your area and look at the competition and other regional programs.
- Look at the Surveys - These surveys represent our best opportunity to determine the statistical average or mean for hospitalist compensation.
- Advertisements
- Websites like Salary.com
- Listen to the existing physician Team - a successful compensation package must enable the practice to attract and retain quality physicians.
Polling Question #3
Things to Consider…

- Location, Location, Location…
- The Program;
  - Scope of the practice
    - ICU
    - Codes
    - Procedures
    - Extenders
  - Size of the program
  - The staffing model
  - Program goals
  - Physician qualifications
- Existing Team - Problems with new programs and differential in pay between physicians.
Don’t Forget!

- Physician compensation is as much as 80% to 95% of the total cost of a program.
- Easy to focus on reducing this expense and or setting higher and higher productivity expectations.
- What is the real ROI for the program…
  - Cost per case
  - Reduced unnecessary utilization
  - Avoidable bed days
  - Enhanced outcomes
  - Patient and physician (PCP & Specialists) satisfaction
What’s Next?

- Compensation will continue to climb as the demand outpaces the supply.
- Will see more productivity based compensation packages as the demand increases for programs to be more efficient and cost effective in response to value-based purchasing.
- Quality, citizenship and patient satisfaction will continue to be important.
- We will need to develop models that no longer pay for capacity that is not being fully utilized.
Summary

- Have to consider the competition in the marketplace.
- Do your homework.
- Keep it simple and realistic.
- Package must have a strong enough base to attract applicants but be able to reward the physicians for their quality and productivity.