Example

---- DRAFT ONLY ---

AIMS Proposal- USF Department of Obstetrics and Gynecology

Introduction

The following proposal from the USF Ob/Gyn Department grew out of monthly work-out sessions involving the entire faculty. First, the group reached a consensus on what features characterize an ideal faculty incentive plan for the USF Department of Ob/Gyn. Next, as chair, I established requirements for the plan to ensure it would align with the missions of USF Health, and be fiscally self-sustaining. Then we brainstormed about various possible compensation plans, and evaluated each plan according to how well it met the previously determined criteria. Finally, we fine tuned the chosen plan to ensure it could be operationalized, and modeled the impact of the plan on each faculty's compensation.

Primary Goals

1. Provide balanced rewards for clinical, teaching and research productivity
2. Align goals of USF Ob/Gyn faculty with goals of USF Health, to enable USF Health and its Ob/Gyn Department to be able to respond swiftly to changing market and regulatory conditions.
3. Reward the best faculty to ensure they stay at USF to help it grow and flourish clinically and academically.
4. Break down silos and other politically-motivated social structures to allow faculty to focus on clinical care and academics.

Secondary Goals

1. Provide documentation of faculty's efforts in teaching, research and clinical care, to optimize positions of USF Health and USF Ob/Gyn in future contract negotiations with insurers, hospitals, county and state, as well as other contracting organizations, and to provide data for strategic planning.
2. Reward responsive, high quality care, not only of patients with excellent insurance coverage, but also of patients with minimal or no insurance, for whom we are contracted to treat.
3. Reward growth of department revenue and reward those who stretch to achieve it.
4. Reward referrals within the Ob/Gyn Department and USF Health
5. Integrate research and research training into the academic/teaching mission, acknowledging that any approach which attempts to isolate research from teaching will underestimate the importance of research to biomedical education.

Requirements for Incentive System:

1. Supports itself.

2. Balanced, to ensure growth of both the clinical and academic missions
3. Fair
4. Easy to administer
5. Transparent
6. Provide a minimum level of support for all faculty.
7. Compensation levels open at upper end, to encourage and reward stretch performance.
8. Provide resources for new faculty, while they are building their practices and/or garnering grant support
9. Credit and compensate only documented activities.
10. Meet preexisting contractual obligations to faculty with tenure.
11. Reward frugality, i.e. share savings from reductions in overhead, to encourage faculty to reduce cost while increasing revenue and academic.
12. Reduce silos and encourage teamwork

Summary:
Productivity will be measured along two axes, each with its own funding source- clinical and academic.

Clinical productivity will be measured and compensated based on Work Relative Value Units (RVU's).
The pool to compensate clinical activity will derive from revenue from clinical collections, contracts, service agreements, and directorships, minus Dean's Academic Enhancement Fund, USF PG and Department Growth Fund, as well as overhead.
Academic productivity Funding for academic activity will derive from state lines coming to the department, research grants and rebates coming to the department from indirects.
Academic productivity will be measured and compensated based on Educational Value Units (EVU) developed by Dr. Paul Wallach.
The equivalent of two FTE's also will be funded by the academic pool to pay part of the base salaries for those who run the medical student clerkship and the residency.
Performance of the teaching champions will be measured based on their attaining goals set each year by the Chair and Dr. Wallach.
Academic activities for the remainder of faculty will be compensated from the remaining academic pool, based on EVU's.
Currently, most revenue from state lines in the Department of Ob/Gyn is credited to individuals with tenured or tenure track faculty positions, which more reflects historic accident than compensation for academic performance.
Currently, no Ob/Gyn faculty receives all his/her compensation from state lines, i.e. the Department supplements base salaries for all faculty, so the existing tenure system should not preclude the awarding compensation for academic achievement based on productivity, as measured by EVU's and RVU's. Furthermore, the rules governing the tenure process do not preclude assignment of duties, nor do they guarantee specific levels of support in terms of space and secretarial help, so adjustments will be made in each of these to ensure even tenure faculty achieve a balanced P/L.
Therefore, we will be able to execute this proposal for a performance-based compensation system without violating commitments made to tenured faculty.
Research productivity will be compensated from research grants and contracts when available. Unfunded research, including limited start up packages, will be funded from the academic pool. This is justified because in Medicine today research and education

are inextricably intertwined. Research productivity in the Department of Ob/Gyn will be measured by points awarded for grant applications submitted, grants awarded, papers published, participation in NIH study sections and journal editorial boards. All research activity submitted for EVU credit will have to provide evidence of substantial medical student and/or resident involvement in order to qualify.

Clinical Faculty Compensation will include a base salary, benefits and bonus. The base salary will be adjusted each year based on the prior two years' performance, so that base salary represents 75% of average base and bonus compensation achieved over the prior two years based on RVU's and EVU's. Compensation for new faculty will be based on previously agreed upon, time-limited (typically two year) financial arrangements, funded by hospital, departmental and/or COM collection guarantees.

Access to office space, secretarial support, and capital equipment will not be guaranteed, but rather will be "purchased" by faculty, using revenue from their earnings, as reflected by RVU's and EVU's earned.

Revenue and costs will be recorded for each faculty member. RVU's and EVU's will accrue to each faculty member delivering these services.

All RVU's will be documented by the coding service.

EVU's will be documented by each faculty member and confirmed by the Teaching Champions, i.e. those faculty who own the teaching and research missions, as well as the Chair. Faculty will use the equivalent of a "coding sheet", which outlines the modified EVU scale, to document educational and research activities.

Faculty will receive payment towards their base salary on a monthly and bi-weekly basis, as is the current practice.

Bonus compensation will be awarded to make up the difference, if any exists, between compensation earned during the prior year, and the base salary. Bonuses will be awarded annually, within six months after the close of the fiscal year.

Clinical Faculty Compensation Pool: RVU's will be converted to dollars by dividing total departmental revenue for clinical activities (collections, contracts, service agreements), minus the Dean's Academic Enhancement (7%), USFPG charge (16.2%) and Departmental Growth Fund (10%), by total RVU's generated by the department. Individual faculty will receive credit toward their base, benefits, overhead and bonus compensation based on that share of the total clinical RVU's they generated and documented.

The portion of the RVU revenue pool credited to the faculty member will first cover the faculty member's base salary, benefits and expenses, including office space, share of secretary, nurse, medical assistant, equipment depreciation and/or rental, etc, as appropriate.

Remaining compensation will be awarded as a bonus awarded annually.

Thus, faculty members may increase their compensation by increasing revenue, decreasing expenses or both.

EVU's will be converted a dollar value by dividing the total departmental revenue for teaching activities by the total number of EVU's documented by faculty. The primary source of revenue to fund the academic mission will be the departmental state lines. For the majority of faculty, except the teaching champions, compensation for academic activity will be calculated by dividing total teaching revenue by total EVU's generated within the department and multiplying this figure by the individual EVU's generated by the faculty member. As with RVU's, the individual faculty member's compensation for academic activity initially will be committed to cover base salary, benefits, and overhead, then bonus pay.

Direct costs from research grants and contracts will be treated as pass-throughs to the investigator.

Filters for teamwork, values and teaching: All compensation will pass through two filters- for ***values and teaching quality***. Metrics for values, e.g. teamwork, straightforward communication, execution, etc. will be generated by a 360 degree assessment of each faculty member before the end of each fiscal year. The values metric will measure to what extent the faculty member approximates the values espoused in the USF CARES mission statement. The metric for teaching quality will be the teaching evaluation system currently in place.

Any funds available for bonus to a faculty member will be prorated according to the faculty member's score on the 360 degree evaluations and the filter for teaching quality.

Other features of Ob/Gyn incentive system:

The **Department Growth Fund** a.k.a. the "Departmental Tax" will finance new clinical, research and teaching initiatives, support faculty facing acute reduction in productivity for various reasons, fund the departmental reserve required for all departments by the COM, fund departmental core activities, e.g. departmental administration space and staffing, and reward the clinical service leaders for growing the clinical processes they champion, while maintaining quality (see below).

Incentive for Growth Oriented Leadership: to encourage entrepreneurial behavior in the Department, reduce silos among clinical divisions, reward stretch and foster growth, the organizational structure in the Department of Ob/Gynwill will change. Currently, the Department is organized along a conventional, hierarchical scheme, in which each faculty is assigned to a division. The Chair oversees Division Directors, and Division Directors oversee Faculty in their Division, etc. Division directors receive additional, but fixed compensation to oversee their divisions. This organizational structure encourages silos, which in turn predisposes to hidden turf battles, which checks growth and impairs quality. We need to change the compensation system for leaders so that it rewards, not retards, growth in volume and quality.

We propose a change in the organizational structure in the Department. Division directors will retain their titles for purposes of recognition by peers, but functionally will change from directors of discrete divisions to owners of processes. Some faculty may retain their traditional relationship to a single division, by working exclusively for one division director. Other faculty will perform clinical activities championed by more than one process owner. The Division Director's/Process Owners will no longer lead discrete divisions, for which traditionally they were incentivized to hoard personnel and resources, and/or protect their own clinical practice. Rather, under the new system, the Division Directors will own processes, which may be practiced by members in or out of their conventional division. This system will encourage growth, and discourage construction of division-wide silos. For example, many Divisions of MFM "own" amniocentesis, so many generalists who trained in this procedure are discouraged from practicing it. Conversely, some MFM's may not have a particular interest or skill in amnio, but perform it anyway, when they are "on service" to support the division. Patients often have to wait for their amnio until one of the MFM's who may or may not have a passion for performing them, has time in his/her schedule to perform one. Under the new system, the Division Director/Process owner may work with physicians from the generalist division who have a special interest and commitment to perform this procedure, as well as with members of his/her own division. Scheduling becomes more flexible The Division director ultimately will be responsible for deciding who can/cannot

perform the procedures which he champions, but will not be biased only by the physicians' affiliations

Division directors will not receive a fixed amount for running their division. Rather, they will receive credit to their P/L of 1% of all collections derived from the clinical procedure or consultation which they "own", irregardless of which faculty performed that procedure. The 1% growth oriented leadership incentive will be derived from the 10% Departmental Growth Fund.

In turn, the Division Director/Process Owner will be responsible for ensuring not only growth, but also quality and improvement in the execution of the processes they champion.

To receive this bonus this process must operate in the black, and the Division Director/Process Owner must meet the standard benchmarks for teamwork, values, and teaching quality.

***Quality Control and Assurance**:* The Division Director/Process Owner will be responsible to develop and apply metrics to assess the quality of the service they champion. They will be encouraged to work with the Systems and Quality Management Committee to develop these metrics. They will not receive their Bonus for Growth Oriented Leadership until these metrics have been signed off by the Systems and Quality Management Committee.

Hypothetical Examples:

Physician A generates X RVU's and Y EVU's each year. If total departmental revenue from contracts and collections, after subtracting the USF PG, Dean's academic enhancement fund and Department growth fund, is five million dollars, and this physician accounts for 5% of the $5 million in RVU's, $250,000 will be available to this physician. This doctor's costs, including support for her clinical team, and clinical and academic offices, come to $50,000. In addition, benefits, malpractice coverage, payroll tax and insurance, and retirement cost $50,000. These are subtracted from the gross clinical revenue, leaving $150,000 toward her base pay.

In addition, Physician A generated 5% of the EVU's for the department. The total educational revenue for the department was $1 million, so this physician is credited with $50,000 for her efforts toward education.

This faculty member's total compensation, then, could be up to $200,000. Since this doctor received the highest possible scores on the values and teaching rating systems, she will receive the entire $200,000 as compensation. This exceeds this doctor's current base pay, so during the first year, she will receive a $25,000 raise in base at the end of the fiscal year, and a bonus of $25,000. Thereafter, her bonus will depend on her performance in generating EVU

Physician B generates fewer RVU's and EVU's than Physician B. This doctor accounts for 3% of total departmental clinical revenue. After subtracting USF PG, Dean's academic enhancement fund and Departmental Growth Fund from the five million dollar clinical pool, this physician's share of clinical revenue comes to $150,000. This physician's half time secretary, academic office, clinical office space, and share of clinical support staff, come to $60,000. Malpractice coverage, payroll tax, insurance and contributions to the retirement fund come to $50,000. Of the total educational revenue received by the department for education of $ 1 million, Physician B accounts for 3% of

the EVU's, so this physician is credited with $30,000, for a total compensation of $70,000.
This physician currently earns $150,000/year, so this doctor generated revenue below that needed to support his base salary and benefits. This physician also has tenure with a state line of $60,000, so the department must pay the faculty member at least this amount to meet the previously agreed upon entitlement. During the next fiscal year, this doctor's base salary will be lowered to that funded by collections and academic revenues or to the tenured state, whichever is lower. He will be offered additional call, which provides opportunities to increase clinical collections. Unless revenue increases within a defined time frame negotiated with the Chair, this doctor will give up access to his secretary service, and space, since tenure does not guarantee these.

Formula for compensation:

$y = [(x1 + x2) – x3] k1k2$

where:

y = compensation

x1 = individual's dollar compensation for clinical activity =
{[RVU's generated by individual] [66.8% of total collections + contracts awarded to department for clinical activity/total RVU's generated by department]

Note: The other 33.2% of total clinical compensation is allocated as follows: COM academic enhancement fund 7% + 16.2% USF PG + 10% Department Growth Fund

x2 = individual's dollar compensation for educational activity =
[EVU's generated by individual] [total compensation awarded to department for educational activity/total EVU's generated by department]

X3 = cost of overhead attributed to faculty member = cost of benefits + cost of secretarial support + cost of academic office space + cost of clinical office space + cost of clinical support staff + depreciation cost attributed to faculty's practice

k1 = filter for achieving teaching quality
k2- filter for values benchmarks (USF Cares/360 degree assessment)

RVU's will be awarded for clinical activity will be derived from currently available tables of work RVU's.
EVU's for educational and research activity involving students and residents will be awarded based on a modification of the system developed by Dr. Paul Wallach.