Finances and Compensation Plans

Rebecca M. Minter, MD
A. R. Curreri Professor and Chair
Department of Surgery
University of Wisconsin School of Medicine and Public Health
Disclosures

• I do not have a Finance Degree
• I will display my very conscious bias regarding my thoughts about compensation plan attributes which drive (or inhibit) positive organizational behavior.
• I do not have any financial disclosures relevant to this finance talk.
The Academic Medical Center
Perspectives

Funds flow in academic medical centers
Moving toward a transparent and equitable funding model

Academic medical centers (AMCs) face significant pressures that challenge them on two fronts: navigating the increasingly complex industry dynamics and managing often misaligned stakeholder groups to advance their core missions in research, education, and care delivery. As external funding sources evolve and new regulatory standards emerge, AMCs must allocate resources in the most efficient and effective manner to ensure that resource allocations are closely aligned with the strategic objectives of the enterprise. The development of an effective funds flow model can help achieve this objective.
No Margin, No Mission
Flavors of Funds Flow

• Departments paid a specialty specific value per wRVU for unit of work
  – Pros
    • Autonomy for the department/ division
    • Simple and transparent
    • Eliminates payer mix disparities at the provider level
  – Cons
    • Favors procedural departments
    • Can create too much distance from reality of payment environment
    • “wRVU churn”
    • Internal competition/ may prevent clinical collaboration
Flavors of Funds Flow

• Departments submit budgets for compensation and academic/ operations support
  – Pros
    • Allows for potentially fairer distribution of funds between departments and creation of mechanism for consistent investment across missions
    • Creates opportunity for collaboration across system; invokes higher level leadership competencies
  – Cons
    • Less autonomy for the department/ division
    • Less flexibility in responding to unexpected expenses – have to report as a variance
    • Often requires a major change in day to day operations
Your funds flow and compensation models should be aligned to deliver against your "business strategy" "Form [should] follow function"

Every system is perfectly designed to achieve exactly the results it gets
Why does that happen?

In the design of the operations we become very transactional!
Compensation Planning

• Globally, important to understand:
  – How do I get paid? Who pays me?
  – Where does the money come from?
  – Typically 75-100% of compensation is paid from clinical dollars in support of all missions
    • Collections
    • Contracts – internal or external
    • VA support
Compensation Plan Design

- **Common structures**
  - “Eat what you kill”
    - Taxation
    - Additive model for compensation from other work
  - “Base salary” + incentive/ bonus
    - Typically assigns some productivity targets based on cFTE
    - Non-clinical effort typically “buys down” cFTE
    - Benchmarks are usually utilized for compensation and productivity targets
Benchmarks
Components of work

• Clinical
  – wRVUs
  – VA
  – Call
  – Outreach
• Research
• Education
• Administrative positions
  – Department
  – Health System
  – Medical School/ GME

At what level do you assign and assess accountability??

• Individual?
• Section?
• Division?
• Department?
• Service Line?
• Center?
• Medical School?
• University?
Word of caution

“\textit{When the profit motive becomes unmoored from the purpose motive bad things happen.}”

- Unnecessary procedures
- Internal competition
- Failure to properly supervise
Drive: The Surprising Truth about What Motivates Us.

- Autonomy
- Mastery
- Purpose

It's About Fairness

Iterating is a great cognitive skill

CARVE OUT NON COMMISSIONED WORK TIME

Feedback

Purpose

Why

Spend less time on the how, more time on why

Autonomy is a technology to get compliance

Management didn't spring from nature!

10% TIME

Non commissioned work time

Autonomy

RUDIMINARY TASKS

LARGER REWARD, POORER PERFORMANCE

More rewards for routine (not creativity)

“IF... THEN...”

Not a universal cure

Feedback

Mastery

How was your day?

Progress

Making progress

Small wins

Kabuki Theatre Performance Reviews

Can I do one thing in my realm to make a difference?

www.lynnecazaly.com
UW Department of Surgery
Compensation Plan Guiding Principles

1. The compensation plan will be transparent and simple in design.
2. The compensation plan will not be transactional, but rather will support autonomy, mastery, and purpose in one’s work.
3. The compensation plan will be internally fair and consistent, rewarding like work with like support, and externally fair using published benchmarks for salary from peer institutions for similar work and position.
4. The compensation plan will explicitly recognize the value of all missions of the department of surgery – clinical, research, and education.
5. The compensation plan will purposefully incent collaborative behavior across all missions.
6. If an incentive or bonus structure is an element of the compensation plan, it should not represent a significant portion of an individual’s total compensation, and performance metrics must be broad, relevant to the department’s/organization’s mission and goals and reflect the totality of great work.
Motivation - Take-home points

• Carrots and sticks work for simple tasks
  – Sign your notes, don’t get penalized
• Make the task more complex/ impactful and empower the faculty to find a solution
  – Autonomy
  – Mastery
  – Purpose
• Principle of “Pay people enough to take the issue of money off of the table” is important
  – Opens the door to set the bar high for an incentive to be earned
Thank you!

Minter@surgery.wisc.edu

@MinterWiscSurg