

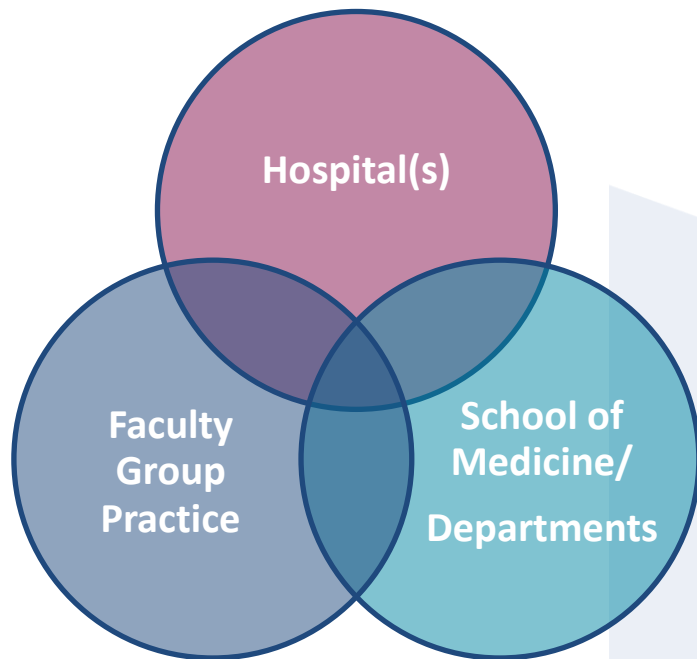


Finances and Compensation Plans

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- 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



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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.



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An industry in flux

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





**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

- “When the profit motive becomes unmoored from the purpose motive bad things happen.”
 - Unnecessary procedures
 - Internal competition
 - Failure to properly supervise

→ Daniel Pink @ HRIZON Melbourne

SEP
28
2012

Drive

The SURPRISING Truth
about what MOTIVATES

US.
I ❤️ REWARDS

What does SCIENCE say?



But I don't KNOW what I KNOW



IT'S at the BLOODSTREAM level

Reward = MORE
Punish = LESS

Well... Sometimes

Bonus -
WORKS
with Mechanical
Tasks

VS

LARGER REWARD

→ POORER PERFORMANCE

Rudimentary Tasks

NOT a
UNIVERSAL CURE

"IF ... THEN ..."
rewards for ROUTINE
(not CREATIVITY)

BUT we use them for
EVERYTHING (Doh!)

Iterating is a
great COGNITIVE SKILL



a few
CONSTRAINTS
are OK

commissioned
WORK

F
AUTONOMY
over TEAM

Carve
OUT NON COMMISSIONED WORK TIME

The ROAD is going to

MONEY
a IS
MOTIVATOR

UNITS of
BLISS!?

No.

IT'S ABOUT
Fairness

Pay people enough
to take money
OFF the TABLE

PURPOSE

Spend LESS time
on the HOW
more time on WHY

WHY

AUTONOMY

Management
is a TECHNOLOGY
to get COMPLIANCE

FedEx
DAYS → SHIP IT
DAYS

SELF
DIRECTION



Management
didn't spring
from nature!

10%
TIME

MASTERY

Small wins

PILE UP

→ WINS WIN WINS WIN WINS WIN WINS

MAKING
PROGRESS

- Celebrate it
- See it

KABUKI
Theatre
Performance Reviews

awkward

Feedback

REGULAR

RICH
ROBUST



How was
your
Day?



HEY...
This is what
makes us
HUMAN!

Can I do
1 thing in my
realm to make
a DIFFERENCE?

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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!



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