

Overpayments and Incentive Compensation for Physicians

Looking for Stars Amid the Darkness, White Paper by Canaccord Adams, Inc.

“Shhhh. Don’t tell anyone, but I think we may be overpaying our providers!” If you find yourself saying or thinking this, you are definitely not alone. Chances are, if you are calculating incentive compensation using spreadsheets, you are overpaying your providers. If you are not sure if you are overpaying or not, read on.

Humans Are Prone to Error

In general, humans are prone to error. We make mathematical errors, spelling errors, judgment errors—it’s just a part of human nature! (Where would we be without spell check?) In our very automated world, when complicated things need to work correctly, we end up automating them. It is the “end up” part that is important. Most innovations happen manually first and become automated later. This definitely applies to incentive compensation systems.

Why Overpayments?

Over time, incentive compensation for healthcare providers has become very complex. Using spreadsheets to perform the calculations is extremely prone to error. Errors occur both ways, resulting in underpayments and overpayments. But if a provider suspects his or her check may be short, without hesitation, that doctor will pick up the phone and ask the payroll department to drill down and prove that correct compensation has been made. On the other hand, will that same provider make the call if he or she thinks an overpayment may have occurred? We are in a unique position to talk confidentially to providers and administrators alike, and we hear the same answer from both groups. Usually, if a provider has been overpaid, that phone call is not made.

How Much Are You Overpaying?

According to Canaccord Adams, an investment banking, consulting and research company, “Incentive compensation products target a key operating inefficiency: commission systems overpayment. In fact, research suggests that most commission systems overpay by 5-8%.” Overpayments of 5-8% result in a loss in revenue of \$50,000 to \$80,000 for every million dollars in incentive compensation paid. Other sources estimate from 2-10% overpayments are common when using manual processes.

What Is the Solution?

The solution is to automate the incentive payment process. The return on investment alone from reducing overpayments makes automating the process a good business decision. And even though the result may mean a lower paycheck for providers, in the end, most providers appreciate having integrity in the systems that calculate their compensation.

About COREmática:

COREmática is the leading developer of compensation management software specializing in performance-based payroll for health care providers. Headquartered in Ann Arbor, Michigan, COREmática works with hospitals and large health care provider groups to implement effective incentive-based compensation plans to drive productivity and keep costs aligned with revenue objectives. Our software product, COREmática®, is used nationwide to calculate pay for thousands of clinicians in more than 25 states.

Founded in 2007, COREmática is a Health IT company staffed by information technology experts with over 30+ years of experience developing software products for the healthcare industry. We are degreed professionals and have over 15 years of experience working with incentive-based pay. We take pride in helping our customers implement the best, most effective compensation plan for their clinicians. With COREmática, you'll have a proven solution quicker than you can develop a custom solution, saving you time and money.

“If you can say it, we can pay it!”

