

Three Hallmarks of Good Incentive Plans for Physicians

Most emergency room physicians, mid-level providers and nurse practitioners are paid at least partially by incentives. The incentive plans vary widely based on the behaviors the group wants to reward or incentivize, so there is no one-size-fits-all plan. But there are three hallmarks every good incentive plan should include in order to be effective: aligning the financial goals of clinicians with the revenue objectives of the group, transparency, and timely payments.

Good Plans Align the Financial Goals of Clinicians with the Revenue Objectives of the Group

When the financial goals of practitioners and the revenue objectives of the group are aligned, both groups get what they want at the same time. Your clinicians have a variety of financial goals, but one thing all practitioners want is to be paid fairly. If Dr. A works harder, longer or more efficiently than Dr. B, Dr. A wants to be rewarded respectively. Practitioners can be rewarded if they:

- Work a night or weekend shift
- See more patients per hour
- Increase patient satisfaction scores
- Work an on-call shift
- Reduce door-to-doc times
- Work faster or more efficiently
- Document thoroughly
- Supervise a PA
- Provide single coverage on a shift
- Work a holiday shift
- Reduce the number of patients who leave without being seen
- Work more shifts
- Reduce the length of stay for patients

And generally speaking, provider groups need to find ways to reduce costs and/or increase revenues in order to stay profitable. If you look at the list of incentives provided above, they either:

- 1. Reward existing actions or**
- 2. Motivate new behavior**

Both are important. Rewarding existing actions makes it possible to pay practitioners fairly, and motivating new behavior helps the group increase revenues or decrease costs. According to Dr. Rob Strauss, "The good plans, the ones that really do work, add new value. If it's not adding new value, new money to the system, then it is simply redistributing what you already have." [i]

Questions to Ponder: Does our incentive plan distribute revenues equitably? Does our incentive plan bring in additional revenue?

Good Plans Are Transparent

Transparency is something we want in our government, in the companies we work for and, basically, in every area of our lives. We want to be able to understand and trust the people and institutions that

impact our lives. And when it comes to our paychecks, the need for transparency is even more important.

Recently, I was talking with a young doctor who practices emergency medicine. He said he did quite well in calculus in college, and he was obviously bright. But after pouring over the pages in his contract that described his incentive compensation plan, he could not figure it out! In a time when provider groups are competing to retain and attract the top practitioners, this is not a small matter. He used the words "lack of transparency" when describing his situation, and he said it was the one thing that he did not like about his company. "If the formula is so complex that no one understands the calculations or their purpose, that formula cannot be used as a tool to direct behavior." [ii]

Additionally, in order for incentive compensation plans to be transparent, practitioners need to see the actual calculations for each pay period. When paying a straight hourly wage or a salary, transparency is not an issue. Simple math calculations can verify if the paycheck is correct or not. However, productivity incentives are more complex, and the calculations must be exposed.

Questions to Ponder: Do our providers clearly understand how they are paid? Do we offer statements or financial reports showing exactly how they were paid?

Good Plans Pay Incentives Right Away

Suppose you receive a bonus of \$5 per RVU on top of your base salary. If you are responsible for 1,400 RVUs in a month, that results in a \$7,000 bonus. Which would motivate you more?

- Receiving the \$7,000 with your current month's pay or
- Receiving the \$7,000 two or three months later

Of course the answer is, with your current month's pay. Dr. Ron Hellstern, owner of Medical Practice Productivity Consultants, said, "The further the physician's payment methodology is from the reimbursement reality . . . the greater the likelihood of a distortion or misalignment of the relationship between the work performed and the revenue accrued." [iii] If your group is waiting two or more months to pay incentives, chances are they are not motivating practitioners to change behavior.

Question to Ponder: How quickly do we pay our incentive pay/bonus?

Designing a compensation plan is serious business, and these three items are only the beginning. But neglecting any of these three hallmarks will result in a less than optimal incentive compensation plan.

[i] Rob Strauss, M.D., FACEP, "Physician Compensation Structures: Show me the money." 2009 ACEP Scientific Assembly.

[ii] Lucy R. Carter, CPA & Sara S. Lankford, CPA, *Physician's Compensation: Measurement, Benchmarking, and Implementation*. New York: John Wiley & Sons, 2000; 37.

[iii] Dr. Ron Hellstern, owner of Medical Practice Productivity Consultants, Dallas, TX. Quote taken from "Physician Compensation Structures: Show me the money." 2009 ACEP Scientific Assembly.

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!”

