

# The Business of Academic Medicine for Jr. Faculty

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# Conflicts of Interest/Disclosures

- No relevant financial conflicts of interest



# Objectives

- Understand common business terms used in medicine including RVU, FTE, and productivity benchmarking
- Describe typical approaches to faculty time and compensation determination
- Apply basic knowledge of the BOM to individual situations

# Some basics

- FTE – full time equivalent
  - 1.0 FTE is “full time”
  - Typically a half day of activity is 0.1 FTE
    - 10 half days per week X 10 = 1.0 FTE
    - But we don't typically work a 40 hour week...
- RVU – relative value unit
  - “Relative value units (RVUs) are a measure of value used in the United States Medicare reimbursement formula for physician services”
  - Determined by the AMA “RUC” – 29 appointed physicians – for all codes
  - Comprised of physician, facility, malpractice components

# RVUs for selected procedures

	<u>Work RVU</u>
• Total laparoscopic hysterectomy (<250 gms)	13.36
• Postpartum BTL	5.28
• Pessary insertion	0.89
• New patient visit – 99203	1.42
• Established patient – 99213	0.92

- Medicare conversion factor = \$35.99

- Most payers reimburse at a multiplier of the Medicare rate

- E.g. 1.5X Medicare

# More Basics...

- MGMA – Medical Group Management Association
  - A non profit organization
  - Surveys practice groups annually re: physician RVU production
  - The largest/oldest of several organizations that do this
- UHC – University Hospital Consortium
  - Non-profit consortium of Teaching Hospitals
  - Surveys teaching hospitals re: faculty compensation and RVU production
- AAMC – American Association of Medical Colleges
  - Surveys Academic Medical Centers re: faculty compensation

# Productivity/compensation benchmarking

## MGMA, AAMC, AMGA, others...

- Most common
  - AAMC for salary
  - “MGMA Academic” or UHC for Productivity (RVUs)
- Know your institution!
  - Often salary target is lower than productivity target
    - E.g. 25%ile for salary, 50%ile for productivity
- Productivity is based on clinical FTE
  - Other parts of the mission don't typically produce revenue
    - Administrative
    - Educational

# AAMC Salary %tiles – Southern Region

## Total OB/GYN

	Instructor	Assistant Professor	Associate Professor	Professor	Chief
Count:	31	562	243	195	48
25th:	75	221	255	298	311
Median :	210	262	304	356	385
75th:	229	314	367	420	468
Mean:	172.6	271.8	309.6	356	394.1

## OB/GYN: General

	Instructor	Assistant Professor	Associate Professor	Professor	Chief
Count:	19	409	139	87	16
25th:	205	220	242	299	284
Median	221	255	286	354	327
75th	231	294	343	422	391
Mean	210.	262	290.9	356.4	339.9



# MGMA Productivity

	<b>10<sup>th</sup> %</b>	<b>Median</b>	<b>90<sup>th</sup> %</b>
Obstetrics/Gynecology: General	3,084	6,956	11,462
OB/GYN: Gynecology (Only)	2,051	4,873	8,950
OB/GYN: Gynecological Oncology	3,352	6,419	12,965
OB/GYN: Maternal and Fetal Medicine	4,898	8,834	16,782
OB/GYN: Reproductive Endocrinology	1,950	4,553	10,771
OB/GYN: Urogynecology	2,108	6,025	8,399

# Design Principles for a typical Faculty Compensation Plan

Total Faculty Compensation

Annual Base Salary

**Z: Incentive  
Performance-Based  
(Variable)**

*Incentive Payments (Z)  
Incentives contingent on  
exceeding performance  
expectations*

**Y: Specialty-Specific  
and  
Performance-Based  
(Fixed and/or  
Variable)**

**Performance Based (Y)**  
*Based on specialty-specific  
performance expectations.  
Contingent on meeting  
expected level of individual  
performance*

**X: Rank-based  
Fixed**

**Annual faculty salary  
(X)**  
*(outlined in annual MOA's)  
Based on rank*

1. Faculty compensation and incentive plan will follow X+Y+Z structure, with X+Y being the combined base/productivity components and Z being the incentive component
2. Future state incentives and corresponding **metrics will be developed from a "clean slate"** for the faculty members of the SOM. Current incentives will be phased out or modified, as applicable.
3. Target faculty compensation by rank and specialty will range between the **25<sup>th</sup> to 75<sup>th</sup> percentile of the AAMC Southern Region** with the overall goal of median aggregate UTRGV salaries being at the **AAMC Southern Region median** salary benchmark
4. Faculty benefits will not be considered in the compensation and incentive plan
5. Guiding principles and core design principles will be aligned across missions/workgroups
6. Eligibility for faculty incentives:
  - Rank: Assistant, Associate, and Full Professors will be eligible for incentives
  - Tenure: Tenure status will not be a barrier to eligibility
  - FTE: Faculty with **greater than or equal to 0.5 FTE** and a **primary appointment to the SOM** will be eligible for incentives
    - Faculty will be eligible for positive incentives across multiple missions, **as long as they are greater than or equal to 0.2 FTE** within a mission
7. There will be a "salary protection" period based on mission for new faculty during which total annual base salary (X+Y) will be protected from negative adjustments
  - Research: 3 year salary protection, Clinical: 2 year salary protection, Education: 1 year salary protection
  - Faculty in all three missions will be eligible for incentives during the salary protection period based on performance

# Design Principles, continued

Total Faculty Compensation

Annual Base Salary

**Z: Incentive  
Performance-Based  
(Variable)**

*Incentive Payments (Z)  
Incentives contingent on  
exceeding performance  
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**Y: Specialty-Specific  
and  
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**Performance Based (Y)  
Based on specialty-specific  
performance expectations.  
Contingent on meeting  
expected level of individual  
performance**

**Annual faculty salary  
(X)  
(outlined in annual MOA's)  
Based on rank**

8. Maximum positive adjustment for annual base salary will be 15% of prior year's (X+Y)
9. Annual salary may be decreased based on negative faculty performance up to a maximum of 15% of the total annual salary for the first year of review after the salary protection period
  - If a negative adjustment does occur, there will be a mechanism determined by the Department Chair to allow the faculty to restore their original annual base salary in the subsequent year
10. The SOM fully intends to honor payouts of earned incentives. Under rare, extenuating circumstances, the SOMs financial status may require that only a portion of the incentives may be paid
11. Community service not associated with a grant or other funding will be included with administrative and scholarly effort; and will be a compensated portion of the effort expectation for each faculty member
12. Community service associated with a grant/extramural funding will be called "Externally funded community engagement," and will be treated in this plan as research effort
13. Other institutional mechanisms separate from this plan would exist to recognize and reward exceptional faculty achievements, including UTRGV teaching awards, UT System faculty awards, etc.

# Mission Specific Compensation and Incentive Guidelines:

## Compensation and incentives for activities associated with Clinical Effort

1	<b>Mission Activities</b>	<ul style="list-style-type: none"><li>• All reimbursable clinical service activities will be considered under this effort, including:<ul style="list-style-type: none"><li>• Inpatient</li><li>• Ambulatory/Clinic</li><li>• Clinical Instruction (while seeing patients)</li></ul></li></ul>
2	<b>Incentive Triggers</b>	<ul style="list-style-type: none"><li>• Requirements to be eligible for incentives will include compliance with certain qualitative triggers, e.g.,<ul style="list-style-type: none"><li>• Timely completion of all billing requirements</li><li>• Timely completion of annual or regular compliance training</li><li>• Absence of professionalism concerns</li></ul></li></ul>
3	<b>Quantitative Productivity Expectation</b>	<ul style="list-style-type: none"><li>• Productivity expectation (X+Y) will be number of wRVUs adjusted for clinical effort</li><li>• Expected wRVUs will be based on specialty-specific MGMA academic median</li><li>• There will be an acceptable variance range of +/- 10% of expected wRVUs where faculty will neither be penalized (-10%) nor be eligible for incentives (+10%)</li><li>• Clinical work effort will be adjusted for non-wRVU and non revenue-generating activities</li></ul>
4	<b>Quality Expectations</b>	<ul style="list-style-type: none"><li>• Compliance with requirements set forth by the department, medical school, clinical affiliate, and institution, as applicable e.g., patient satisfaction (CGCAHPS, Press Ganey), group/team metrics, other national quality benchmarks</li><li>• These requirements will be outlined in the annual Memoranda of Appointment for each faculty member</li></ul>
5	<b>Incentive Structure</b>	<ul style="list-style-type: none"><li>• Faculty who achieve wRVUs greater than 110% of productivity expectation will qualify for incentives</li><li>• Incentive payment will be 50% of the collections per wRVUs multiplied by the incremental number of wRVUs over the 110% threshold for incentive eligibility (<i>pending due diligence on financial sustainability of compensation and incentive plan</i>)</li><li>• Frequency of incentive payouts will be annual for the first year given current reporting systems</li><li>• After the first year, frequency will be revisited and potentially adjusted to semi-annual or quarterly depending on ability to track productivity</li><li>• Faculty with exceptional performance would also qualify for alternative reward mechanisms subject to institutional approval</li></ul>

		A	B	C
Clinical Faculty Example		Faculty: Above Expectations	Faculty: In Expectation Range	Faculty: Below Expectation for 2 years
1	Rank	Associate Professor	Associate Professor	Associate Professor
2	Department	OB/GYN	OB/GYN	OB/GYN
3	FTE	1.0	1.0	1.0
4	Annual Base Salary (X+Y) Based on AAMC S. Region Median	X = \$60,000 +Y = \$220,000 \$280,000	X = \$60,000 +Y = \$220,000 \$280,000	X = \$60,000 +Y = \$220,000 \$280,000
5	Clinical Effort	70%	70%	70%
Expected Productivity				
6	wRVUs (#) Goal Based on 2016 MGMA Academic Median - OB/GYN General	70% of 5,827 wRVUs = 5,827*.7 = 4,079	70% of 5,827 wRVUs = 5,827*.7 = 4,079	70% of 5,827 wRVUs = 5,827*.7 = 4,079
Actual Productivity				
7	Actual wRVUs (#)	4,891	4,283	1,178
8	Actual wRVUs (% of Effort)	4,891/4,079 = 120%	4,283/4,079 = 105%	1,178/4,709 = 25%
Productivity Variance				
9	wRVU 110% threshold for incentive	4,079 * 1.1 = 4,486	4,079 * 1.1 = 4,486	4,079 * 1.1 = 4,486
10	Incentive qualifying wRVUs (Actual - 110% threshold)	4,891 – 4,486 = 405	N/A	N/A
11	Adjusted annual base salary (X+Y)	\$280,000 (No salary adjustment)	\$280,000 (No salary adjustment)	\$280,000 - \$14,000 (5%*) = <b>\$266,000 adjusted salary</b>
Incentive Compensation				
12	Collections(\$ per wRVU (2016 MGMA Academic 50 <sup>th</sup> %ile – OB/GYN General)	\$83	\$83	\$83
13	Incentive payment (Z) = (\$ per wRVU*wRVU Variance over 110%) * 50%**	[\$83*405] * 50% = \$16,807.5	Does not qualify for incentives	Does not qualify for incentives
14	Total compensation (X+Y+Z)	<b>\$296,808</b>	<b>\$280,000</b>	<b>\$266,000</b>

\*Adjustment up to 15% to be determined in collaboration between the Chair and Dean's Office

\*\*Pending due diligence on financial sustainability of compensation and incentive plan

# UH Compensation Plan Matrix

## Comp Guidelines by Productivity Tier

Jan - Dec 2017

Productivity Percentile Tier -----> (Productivity Percentile determined by dividing the 12 month (Dec 2015 - Nov 2016) wRVUs by the Avg cFTE (from same period) and calculating the percentile against the Academic Survey Benchmarks. For example 5,000 wRVUs / .50 cFTE = 10,000 wRVUs for productivity measurement)		Less than or Equal to the 25th						Greater than the 25th & Less than or Equal to the 50th		Greater than the 50th & Less than or Equal to the 62 1/2 %ile		Greater than the 62 1/2 %ile & Less than or Equal to the 75th		Greater than the 75th & Current Comp G	
		Compensation Component													
	Clinical Base (Description)	Set at Parity <sup>1</sup>	Set at Parity <sup>1</sup>	Set at the 56th Percentile	Set at the 68th Percentile	1/2 the Variance of RVU % - Comp	Set at the 75th Percentile								
	Clinical Base (Calculation)	Comp Percentile Equal to wRVU Percentile × cFTE	Comp Percentile Equal to wRVU Percentile × cFTE	56th Percentile × cFTE	68th Percentile × cFTE	(90th - 80th)/2 × cFTE (for ex)	75th Percentile × cFTE								
	Fixed Cash Supplement (FCS)	No Change	No Change	No Change	No Change	No Change	No Change								
	Non-Clinical Comp	No Change	No Change	No Change	No Change	No Change	No Change								
	Incentive (Description) <sup>2</sup>	No Incentive	No Incentive	Maximum of 5% of Clinical Base Less FCS	Maximum of 5% of Clinical Base Less FCS	Maximum of 5% of Parity Clinical Base Less FCS	Maximum of 5% of Parity Clinical Base Less FCS								
	Incentive (Calculation)	No Incentive	No Incentive	Clinical Base Minus FCS × 5%	Clinical Base Minus FCS × 5%	Comp Percentile Equal to wRVU Percentile × cFTE Minus FCS × 5%	Comp Percentile Equal to wRVU Percentile × cFTE Minus FCS × 5%								

Set at Parity <sup>1</sup> : The Alignment of the Comp Percentile with the wRVU Percentile (Comp %ile = wRVU %ile)

Incentive (Description) <sup>2</sup> : Each chairman has a maximum of 1.25% discretion in the distribution of the 5% incentive pool

# Sally Stevens

Works for university medical school. Paycheck is from medical school. On a three year guarantee and then will move to a productivity based plan.

Has small research grant that provides no salary support but looking to get NIH grant in next few years.

The department has a large private payor mix. Wants to do GYN only in next several years.

Chair wants to increase research productivity, but all core faculty are required to cover labor and delivery.

Base salary, no incentive x 3 years- \$250,000

# Sally Stevens

Can negotiate for time to work on research during guarantee- should plan to have grant with salary support before going to productivity based plan.



# Jennifer White

Works for physician practice plan in big health system. Full time clinical. Mixture of L&D, office and gyn surgery. Mixed payors. Chair wants this type of faculty person to be very clinically productive. She does a lot of L&D

Lots of contact with residents and students during clinical work. Looking to get more involved with residency program possibly into leadership.

Salary is productivity based plus incentive that is at risk.

Total FTE 1.0- \$250,000 base, 5% at risk if doesn't make productivity goals (\$12,500). Needs to be at least 50% of RVU benchmark.

# Jennifer White

<b>Academic Survey Productivity Benchmarks<sup>®</sup></b>				
<b>Survey</b>				
<b>Years</b>	<b>25th</b>	<b>50th</b>	<b>75th</b>	<b>90th</b>
<b>2012-2016</b>	<b>5,429</b>	<b>7,243</b>	<b>9,628</b>	<b>11,581</b>

Each core faculty member is given \$12,500 salary support

Total FTE= 1.0

- 0.05 salary support = cFTE 0.95

If cFTE is 0.95 she will need 6,880 RVUs

# Jennifer White

The group has been discussing how to split up RVUs that are earned during an L&D shift.

# Robert Smith

Works for hospital that is affiliated with a medical school. Has grant to start Ryan program (salary support for 2 years 0.5 fte- can be split among faculty). Part of salary is paid by local pregnancy termination clinic. Payor mix is almost exclusively Medicaid.

Base salary \$250,000

Total FTE 1.0

Hospital pays 0.8= \$200,000

Termination center pays 0.2= \$50,000

Salary supported by Ryan Grant- \$100,000/year

Hospital cFTE= 0.4

# Robert Smith

<b>Academic Survey Productivity Benchmarks<sup>®</sup></b>				
<b>Survey</b>				
<b>Years</b>	<b>25th</b>	<b>50th</b>	<b>75th</b>	<b>90th</b>
2012-2016	5,429	7,243	9,628	11,581

If cFTE is 0.4 he will need 2,900 RVUs

# Robert Smith

The hospital offers retirement benefits to all full time employees. Benefit is a fixed cash supplement and 401K match.

Hospital FTE is 0.8- he is not considered a full time employee so he does not qualify for this benefit.

# Lilly Jeffries

Works for a university medical practice for last 5 years. She wants to purchase a larger home and is looking to increase her salary. She is clinically productive and enjoys working with the residents. Currently does not hold any leadership positions. Salary is based on a productivity model with incentives. She is going to discuss with her chair how to increase her yearly pay.

Total FTE 1.0 salary last year was 265,000 and she was at the 50% for RVUs  
Chair allocates \$13,250 to each faculty member to support academic efforts.  
This currently reduces her cFTE to 0.95

# Lilly Jeffries

<b>Academic Survey Productivity Benchmarks*</b>				
Survey Years	25th	50th	75th	90th
2012-2016	5,429	7,243	9,628	11,581

<b>Academic Survey Total Compensation Benchmarks*</b>				
Survey Years	25th	50th	75th	90th
2012-2016	\$ 227,719	\$265,558	\$ 323,690	\$ 389,093