

 Mike Delmonico Consulting, LLC ™

*Healthcare and Medical Practice Success Essentials™*

# Introduction to Physician Compensation Plan Design Processes, Principles, and Elements

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## Compensation Plan Design Process

- What is driving the need for a new compensation plan?
- Identify the compensation plan design considerations and analyze
- Adopt key compensation plan principles
- Propose plan variables and create models for review
- Develop a transition plan from existing to new

## What is Driving the Need for a New Compensation Plan?

- To align with third-party payment arrangements?
- To align with third-party risk-sharing, P4P, and pop-health arrangements?
- To be more successful with physician recruitment and retention?
- To align with healthcare system goals and priorities?
- To meet compliance standards?
- To move the medical practice enterprise closer to break-even?
- To address physician work-life balance, well-being, and fulfillment?

## Compensation Plan Design Considerations and Analysis

- Compensation plan committee (with physicians and administrators) insights
- Healthcare system and medical practice payment arrangements with third parties
- Healthcare system and medical practice risk-sharing, P4P, and population health arrangements with third parties
- Physician recruitment and retention marketplace intelligence by specialty
- Organizational goals and priorities, and community needs assessment
- Existing employment agreement terms and conditions
- Financial goals for the medical practice component of the healthcare system
- Physician reports about burn-out, work-life balance, and well being
- Historical data on compensation, productivity, and quality measures

## Adopt Key Compensation Plan Principles

- Values Clinical, Administrative, and Academic Work
- Values Productivity and Quality
- Understandable and predictable
- Transparent and Fair
- Competitive in the Marketplace
- Aligned with Organizational Goals and Priorities
- Values Organizational Engagement (Citizenship)
- Sustainable and Flexible
- Supports Recruitment and Retention
- Supports Physician Work-life balance and Well-being

## Propose Plan Variables and Create Models

- Compensation plan models and “what if” scenarios are necessary parts of the design process to test proposed plan variables and to build adoption consensus
- Compensation plan models will highlight the variables being considered and the necessity to identify the sources of data and reports from which the variable measures will be generated
- Compare existing compensation plan results VS proposed compensation plan modeled results by specialty / by physician

## Possible Compensation Plan Variables

Base Salary  
Panel Size  
Adjusted Panel Size by Age,  
Gender, and/or Risk  
WRVUs  
P&L Results  
Appointment Access  
Quality Scores  
Meeting Attendance  
Administrative Assignments

Academic Assignments  
Committee Assignments  
Supervising Mid-level Providers  
Patient Experience  
Mentoring Junior Physicians  
Employment Longevity  
Patient Reported Outcomes  
In-network Retention of Referrals  
In-network Retention of Admissions  
Readmission Rates

## Develop a Transition Plan from Existing to New

- Organize physician, administrator, and support staff education
- Confirm that all source data and reports are available and functioning
- Identify end-date for the existing plan and start-date for the new plan
- Consider a phased-in implementation and/or hold-harmless period
- Amend/revise existing employment agreements