

## SAAA Meeting - Chicago, 2014

### How to Build a Transparent Compensation Plan

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## THE GOALS

### The compensation system should:

- Be perceived as equitable (not equal)
  - This requires a high degree of transparency
- Be adequate for recruitment and retention of talented faculty
- Reward activities that advances the mission(s), success and stability of the department
- Be fiscally responsible and sustainable



## THE GOALS

- An annual salary is a required component for a stable base income and reliable benefits
- A productivity-based bonus is necessary to align personal and departmental incentives and to allow faculty income to vary with departmental finances



## X + Y + Z

- **X** = Guaranteed salary
  - Carries benefits and cannot be decreased
  - Set at level that does not discourage retirement for non-productive faculty
- **Y** = Supplemental (variable) salary
  - Carries benefits
- **Z** = Bonus (Productivity)
  - No benefits



## Department of Anesthesiology (X + Y)

### Faculty Rank Component

	Base (X)
– Instructor	\$60,000
– Assistant Prof	\$60,000
– Associate Prof	\$65,000
– Professor	\$70,000



## Department of Anesthesiology Supplemental (Y) Salary Components

- Rank **\$0, \$5000, \$10,000, \$15,000**
- Clinical Job Responsibility **\$150,000 for all ranks**  
(changed annually for cost of living and market)
- Length of Service (LOS) **\$5,000 / year for 5 years**
- Participation in Call System **\$10,000**
- Administrative Duties **\$10,000**
- Chairman Development Fund **Discretionary (rarely used)**



### GUIDING PRINCIPLES For Bonus (Z) Compensation

- Cannot reward everything that is worthwhile
- A small number of easily understood metrics
- Compensate for productivity metrics that the faculty can influence and achieve
- The plan should not try to make everything “fair”
- All faculty must have opportunity to participate
- Bonus must be paid close in time to the activity for which it is paid




### Metrics for Z Compensation

Number of Metrics

With each increase in the number of goals for which participants are held accountable, the:

- award value of individual goals decreases, and consequently,
- incentive for “shopping the plan” to pursue only those goals that have the greatest impact on participants’ awards increases

Once plans include *more than four or five goals*, the goals impact on performance is significantly diminished.




### Essential Elements

- Mission-based categories:
  - Clinical Service
  - Research
  - Education
  - Administrative Bonus




### Clinical Service Bonus

- Productivity component...pay for what you do
  - Billable time during “transition” hours (3pm-5pm)
  - Billable time during nights and weekends
- Call Point component...pay for availability




### Clinical Service Bonus

Capped at 8 units per hour

\$15.00 per billable time unit 3:00 pm - 5:00 pm

\$25.00 per billable time unit after 5:00 pm

Solo rooms awarded at 8 units per hour after 5pm

Paid quarterly




### Clinical Service Bonus

- Each Faculty member must provide 55 “Points” of Call
- Points beyond 55 are paid at \$250 per point

CALL	DAY	Points
In-House	M - Thurs	1.0
	Fri	2.0
	Sat (24 hr)	5.0
	Sun (24 hr)	3.0
	Sat (12 hr)	2.5/2.5
Beeper Call	M - Thurs	1.0
	Fri	1.5
	Sat	2.5
	Sun	2
Backup Call	M - Thurs	0
	Fri	375
	Sat	625
	Sun	50
Late Room	Mon - Fri	50
	Fri	75




### Research Bonus

- Bonus dollars allocated to reward those faculty (PI or Co-PI) with extramural funding exceeding 50% of salary
- Bonus paid annually at fiscal year end



### Education Bonus

- Budget set annually..... about \$500,000; this is the only incentive that is a cost ( i.e. it is not driven by revenue)
- Faculty education portfolios compiled into divisional portfolio
- Education Bonus committee reviews and awards \$ to divisions
- Divisions determine individual awards



### Administrative Bonus

- For Faculty with Major Administrative Roles
  - Division Heads, Clinical Hospital Chiefs
- Target amount set annually
- Personalized metrics set based on administrative job performance
  - Financial targets
  - Faculty development targets
  - Clinical efficiency and quality targets
- Percent of target awarded in annual review
  - Predominantly objective measurements
  - Provides incentive for administrative performance
- Administrative Bonus disappears when role changes



### Results

- Conflicts about inequitable salaries has been eliminated
- Faculty income has significantly increased annually, driven by “Z” component
- Cost per unit of care has decreased
- Percent of salary assigned to grants has increased
- Impact of educational and administrative bonuses is more difficult to determine



**Thank You**



