



## What Comes After Physician Compensation Design?



As health care revenue sources continue to shift from volume to value and organizations take on more risk, new physician and advanced practice provider (APP) compensation strategies are emerging. The health care industry is adapting to new payment and care delivery structures with increasingly complex compensation models to match. Organizations must now consider a growing number of components when developing these plans, including recruitment, retention and engagement, patient satisfaction, access, quality of care, governmental regulations and more.

### You've put time and effort into designing an effective physician compensation plan. How can you make your implementation equally transparent, accurate and successful?

SullivanCotter experts Dr. Mark Rumans, Chief Medical Officer, and Courtney Dutton, Principal, recently answered questions on physician compensation design and implementation - helping to uncover emerging trends and address the increasingly complex challenges health care organizations are facing today.

#### **Q:** What are some common challenges organizations face when designing an effective physician compensation program?

**C:** Organizations are dealing with a significant number of moving parts when it comes to physician compensation programs. There is both a regulatory environment that focuses on pure productivity and a reimbursement environment that is rapidly changing to focus more on cost efficiencies and value. Because of the proximity of these two realities, along with their varying degrees of complexity, health care leaders often feel like they are living in two different worlds. As organizations start to incorporate more value and quality-based metrics into their plans, physician alignment and engagement becomes more challenging. Historically, physicians have often been isolated relative to the strategic initiatives of the hospital, health system or medical group. But organizations are now recognizing the importance of aligning system-wide goals across all workforces – executives, physicians, advanced practice providers and employees – and must consider a shared vision between each when developing new compensation plans.

**M:** It's very difficult to make changes to physician compensation when the physicians (or the medical group) do not fully understand the reason for the change. Physicians are not always fully aware of all the financial pressures in today's changing health care environment, and thus don't

understand why change is needed – especially if the physician group is happy with the current program. You need to be able to communicate what you are trying to accomplish and why, and explain how the new compensation plan is aligned with the mission, vision and values of the organization.

After identifying the need for change, the question many organizations struggle with is how far and how fast can you move at any one period of time? Organizations need to consider the gap between current and desired performance and, while they may have some aggressive goals, need to recognize that change to a compensation plan can only move so fast. Significant variation from the current state can cause disruption and unintended consequences if not carefully implemented.

**C:** Another common challenge is that the health care industry has been slower to embrace many of the administrative technologies that support infrastructure change and enhanced reporting capabilities of major initiatives such as compensation programs. As a result, there is no clear line of sight for physicians to understand their total performance and how changes in performance can impact their compensation. Right now, physicians are relatively comfortable with the accuracy of their personal productivity as measured in work relative value units (wRVUs). However, as organizations incorporate non-productivity elements into compensation payment models, lack of confidence in the data as well as insight into its impact on outcomes creates challenges when trying to gain physician support for new compensation models.

**M:** I agree. Physicians prefer compensation that is related to things they can control or influence - which makes having data points at the hands of a physician so critical. Physicians need a trusted reporting mechanism with accurate and timely data to help track how their actions directly impact their performance.

**Q:** When you consider some of these common challenges in physician compensation, what key things do organizations need to think about in the design and planning process to help ensure a successful implementation?

**M:** I cannot stress enough the importance of compensation committee member selection. Organizations need to include influential thought leaders on the compensation committee who are respected by their colleagues and who can effectively communicate the need for change. Ideally, your compensation committee should include a number of physician leaders who can set aside their personal and departmental compensation and consider the goals of the entire organization. Once your committee has been selected, laying out a framework for success and coming to agreement on what you're trying to do and why you're doing it is critical. This can be difficult at first because the committee will not likely have all the technical details about the new plan. Throughout the design process, there are four important things to keep in mind:

- Define the need for change with respect to the shared vision of the organization
- Select the process for change with consideration to what decisions need to be made
- Decide who is going to make these decisions and what data is needed to support them
- Define and begin implementation of a communication plan to providers

**C:** Identifying strong physician leaders to champion the change is vital to success. These strong physician leaders need to have an active voice in the development of the compensation plan. Physicians have a front-line care delivery perspective and can speak to issues that may hinder or enhance the move to a performance-based compensation model. Physician leaders who serve on compensation committees need to take ownership of the plan, inform and educate the committee, synthesize data that pertains to the plan and champion the change within the physician workforce throughout the entire process (development, testing, rollout, implementation and annual review).

**M:** As medical groups continue to grow, implementing compensation plan changes for groups with 200 or more physicians/providers is no longer an easy task. Imagine doing it with thousands of physicians! So, in addition to strong leadership, the compensation committee must also be mindful of the organization's ability to implement a new plan from a

"nuts and bolts" perspective. They need to assess what type of systems are required to implement the plan well before the plan has been approved. Working out the physical implementation of the plan well in advance of it going live has many benefits and allows you to course correct should there be any technical issues. Additional questions to consider are:

- What is needed from an IT standpoint to implement the plan?
- What tools do we currently have and what is our capability in regards to reporting performance metrics to physicians in real-time?
- How will comparisons of the current compensation structure to the new model(s) be communicated and what tools are needed to administer this change?

**Q:** How critical is communication when implementing changes to a compensation program?

**M:** Communication is as critical as the plan itself. Committees and administration need to develop a communication plan in tandem with the development of the compensation plan. The questions the compensation committee considers in the plan development will typically be the same questions asked later by providers. Anticipating these questions will help encourage plan adoption, drive engagement and serve as your roadmap to a successful launch.

**C:** Building a communications plan at the beginning of a compensation redesign helps set expectations regarding the project's timeline and identify the major milestones. Once the milestones are identified and agreed upon by the compensation committee, it is important to plan the frequency and mode of communication. Be sure to establish a process to allow for feedback and be flexible should changes need to occur based on that feedback.

**M:** What you communicate and how frequently you communicate are also very important factors to consider. An ideal communications plan will allow for several "touchpoints" to share (on paper, in person and electronically) the basics: who, what, where, when, why and how. Equally important is clearly articulating who the decision makers are, and why, to ensure expectations are set as to how feedback will be used throughout the process. You can do some of this communication via email, but ideally your communications plan will allow (early on and throughout the process) for several one-to-one and one-to-many communication opportunities. Consider the

following opportunities in your communications plan:

- Town Hall meetings
- Lunch and Learn presentations
- Dinner with your Chief
- Monthly or weekly communication from the CMO and/or compensation committee
- Online communication (such as a website that outlines the plan and process, stores important documents, Q and A and a managed chat room)

**C:** Setting context is an important first step. Providing opportunities for physicians to understand changes in reimbursement and compensation structures and how market influences are impacting and/or apply to your organization is very important. Be prepared to explain your organization's short-term and long-term strategy and what is driving the need for change. This is where physician champions are key. Allowing them opportunities to reinforce the need for change with peers lays the groundwork for physician engagement and involvement as opposed to a top-down approach when the message is delivered only by administration.

**Q:** Once the compensation plan is developed and agreed upon, how can an organization drive provider engagement throughout the implementation and transition to a new compensation program?

**M:** As new compensation plans are implemented, it is important for providers to have the opportunity to understand what the new performance expectations are and how a change in performance will impact their compensation. Give specific examples and allow physicians time to 'shadow' the new plan without any impact to their current compensation. During this shadow period, be able to show where there are gaps in performance and what changes are needed to mitigate any downturns. It is important that physicians understand the organization wants them to be successful and will work with them to understand and close any gaps in performance.

**C:** During the shadow period, it is also important to communicate how the plan will be administered once it is fully implemented. This should include how often physicians can expect performance reports, the process for identifying data discrepancies and availability of subject matter experts that can address questions. Additionally, after the completion of the shadow period, many organizations implement

a phase-in of the new compensation plan, which provides protection for providers with significant changes in compensation and allows for additional time to adjust behaviors and adapt to the new model.

**Q:** What are some tactics (or examples) for increasing provider acceptance and support of proposed changes to a compensation program?

**C:** Establishing a formal compensation review committee and governance process allows physicians the opportunity to present concerns or raise valid pushback/unintended consequences of the new compensation plan. This committee would be responsible for reviewing the plan on an annual basis to ensure continued alignment with system goals and strategic initiatives, recommending plan changes, reviewing non-productivity metrics and vetting provider or departmental requests for plan modifications.

**M:** In addition to establishing a governance process, any tools that make the plan more transparent will help to generate more support. Whether it is a report or online dashboard, you need to show physicians how they are performing and how this relates to the new compensation model. There is often apprehension surrounding this process, and the fear of change is often more harmful than the change itself. Be sensitive to this and utilize as many tools as possible to help make the transition as smooth as possible.

**Q:** Once the new compensation program is fully implemented, how do you sustain provider engagement?

**M:** Continued transparency is vital. The most successful systems allow for ongoing feedback on the program and continue to monitor the impact after it has been fully implemented. Don't be surprised if subtle program changes are required. Small changes to the plan over time may help with overall adoption, so be open to the idea of ongoing engagement for long-term improvement. The governance and physician compensation committees, ideally staffed with both physicians and administrative stakeholders, are the best resources for plan development and adoption. They review the plan, identify outliers, and put into place policies and procedures to help support the values of the organization. There is a high-level of built-in trust with this model as those developing and implementing the plan understand the unique complexities associated with being a physician.

**C:** Along those lines, communicate that this is not a “once and done” plan. Physicians will have a greater appreciation for the plan and process knowing that there will be an ongoing review process and a willingness to make changes as necessary. Let physicians know that you understand the bigger picture and that as health care evolves, the compensation program will need to flex over time to align with these changes.

**Q:** Why and how can technology be used to support this effort?

**C:** Change is often perceived as happening too fast. Having the use of technology to enable that change, especially when it comes to communicating and administering the plan, is key to its success. In this age of viral communications, things can spiral out of control quickly. We cannot rely on wRVUs to improve performance, nor can we rely on spreadsheets as a way to communicate and administer physician compensation. To engage physicians and gain trust when tying new non-productivity measures to compensation, organizations need to provide them with one place to access clear and concise performance data.

**M:** Being able to show physicians all the components that impact their pay is key. You need to be clear about how the plan is structured, what components are being measured, the goals of the organization, what is expected from providers, the source of your reported data and the actual compensation calculations. Technology can provide a platform that is both accurate and transparent – allowing people to really see and understand how their compensation is tied to value. Many organizations are now accessing and assembling compensation data from multiple different systems, which is time-consuming and can lead to human error. Data-driven technology transforms a lengthy and arduous process into one system that provides actionable insight and allows physicians and their managers to see as much or as little information as they want. This level of transparency creates an opportunity for course-correction if needed.

**C:** A strong technology platform can really act as the cornerstone for change. Just as EMRs have improved patient care, diagnostics, patient outcomes, and practice efficiencies, provider performance technologies can support organizations in the transition from volume to value by aligning pay with performance and serving the diverse needs of leadership, administrators and physicians.

### Courtney Dutton

Courtney Dutton is a Principal in the Physician Workforce Practice at SullivanCotter. She is nationally known for her expertise in advising large organizations on physician compensation and performance strategies. After more than 12 years working exclusively in this arena, Courtney represents SullivanCotter as the Vice Chair of the Large Clinic® Group, a 45-year-old independent affinity group comprised of the largest medical organizations in the United States.



### Mark Rumans, MD

Dr. Mark Rumans is the Chief Medical Officer at SullivanCotter. With over 30 years of experience as a practicing gastroenterologist and key physician leader, Mark uses his unique background to coach health care organizations through transformational change in the new value-based environment.



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