

# Aligning Advanced Practice Provider Compensation Programs with Optimal Care Delivery

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## INTRODUCTION

At a time when health care organizations remain focused on pandemic-related financial and care delivery challenges, there is an acute need to engage and retain the clinical workforce by reducing burnout and unexpected turnover. Analysis performed by SullivanCotter has found that how advanced practice providers (APPs) are utilized within the care team can have a significant impact on both retention and engagement. Given that the estimated cost of turnover per APP is more than \$114,000 annually, HR and compensation professionals are looking for better ways to more effectively support their APP workforce.

As organizations grapple with how to retain and engage their APP workforce, they face a variety of APP compensation challenges such as pay compression and consistent annual increases in APP salary market data. This is impacting the ability to not only retain their existing APP workforce, but also to grow and expand as needed. Additionally, organizations who find themselves below the market median in total compensation find it challenging to tackle issues like care model design – which can positively impact retention.

Traditionally, organizations would first design and optimize care team delivery models and then develop compensation programs to support this. However, the hyper-competitive labor market for APP talent often requires organizations to address compensation strategies before addressing care model design. Ensuring that APP compensation programs are externally competitive and equitable puts organizations in a good position to tackle broader workforce issues and achieve organizational goals.

The following case study will explore how one organization addressed its APP workforce challenges by redesigning its compensation program and care models to better support, engage, and optimize this growing workforce.

## CASE STUDY: SETTING THE STAGE FOR OPTIMAL UTILIZATION

In order to address critical challenges such as the rising cost of care, declining reimbursement and substantial growth in the size of their APP workforce without reciprocal increases in productivity or revenue, a large academic medical center located in the Southeast was looking to optimize its APP workforce. Specifically, the rapid increase in the number of employed APPs was leading to pay compression, disparate pay practices, inequity between specialties and the growing perception that compensation was falling behind the market. APP and physician leaders wanted to address compensation first as a change management strategy to set the stage for meaningful engagement on care team redesign efforts. This included engaging key stakeholders through focus groups and interviews.

The compensation analysis found that APP compensation was below market in most specialties and APPs with 3-5 years of experience were subject to significant pay compression – resulting in higher than average turnover. In addition, the lack of standard work and clinical expectations for the APPs resulted in a wide range of premium pay practices, such as extra shifts, shift differentials and call pay, which was creating inequity and competition between departments. The analysis also found that the compensation plans

themselves were more akin to a staff approach and did not offer the flexibility seen in more contemporary APP compensation programs.

The organization responded by forming a multi-disciplinary project team of physician chairs, APP leaders, and key partners from Finance, HR, Operations and Legal to develop an enhanced APP compensation plan based on four specialty groupings. This included accommodations for specific high-demand specialties such as cardiothoracic surgery and psychiatry. Years-of-experience progression was limited to APPs reaching the top of the scale at 8 years to allow for an adjustment process more aligned to the market. This was also applied to help reduce pay inequity between physician assistants and nurse practitioners.

In anticipation of the upcoming care team design work, the new APP compensation plan included the development of standard work and clinical expectations as well as the ability to incorporate incentives. With the development of consistent work effort expectations, it allowed for premium pay practices to be standardized by specialty area to help reduce internal turnover.

Developing a multi-phased approach to communicating the new plan – which included the use of department chairs, operational leaders and APP leaders – was critical in helping to gain buy-in and support from the APP workforce. Organizational leadership held a series of townhalls with APPs and physicians not only to discuss the compensation plan changes but also to introduce the adjustments as the first step in the care team design work.

## **DESIGNING CARE DELIVERY MODELS**

The organization followed an intentional process as it began to ramp up the efforts for developing new models of care. This included collecting and analyzing APP productivity metrics such as wRVUs, collections and encounters. The organization also performed modeling projections based on optimal care delivery scenarios. The modeling allowed it to prioritize which departments and specialty areas would be redesigned first. This was followed by facilitated discussions with the care teams to define the roles and responsibilities of APPs. For example, now that Cardiothoracic APPs had documented expectations to fully manage post-op care and the compensation metrics to support this. Not only were APPs now able and encouraged to practice at top of license, but their compensation plan supported this as well.

## **CONCLUSION**

The APP workforce is in high demand and financial pressures related to COVID-19 and the shift from volume to value has increased the need to optimize all members of the care delivery team. For the APP workforce, compensation and utilization are key drivers of overall retention and engagement. An intentional approach that aligns compensation design more closely with the goals of care team optimization can lead to reduced costs and improved team performance. Regardless of the order in which your organization tackles compensation and utilization issues, considering and reevaluating both of these together will allow for greater alignment between pay and performance.

SullivanCotter offers advisory support and solutions to help your organization align compensation programs with care delivery.

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