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PHYSICIAN ENTERPRISE

Simple Solution, Big Impact: Using Pay Accuracy to Drive Provider Satisfaction

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As a result of increasing financial pressures and market competition, healthcare organization leaders are consistently being tasked with extracting the most value from their provider enterprise.

One essential approach is the recruitment and retention of high-performing providers, which sees organizations implementing alternative compensation models that include incentives related to productivity, quality, performance, and complex clinical care to attract and reward talent.

However, when these complex compensation models are not administered in a timely and accurate manner, organizations may find themselves losing high-caliber resources who are frustrated with the process by which they are paid. Pay accuracy fosters provider satisfaction and trust, and every organization has opportunities to improve compensation administration efforts to cultivate provider satisfaction.

Based on our experience working with hospitals and health systems, below are five key strategies leaders can employ to drive pay accuracy and increase provider satisfaction.

1. **Capitalize on Quick Wins through Standardization**
2. **Define Your Compensation Governance Process**
3. **Optimize the Timing of Productivity-Based Pay**
4. **Embrace Technology to Drive Automation**
5. **Establish Effective and Efficient Communication Channels**

1 Capitalize on Quick Wins through Standardization

When administering provider compensation, it is best practice to standardize as much as possible to minimize errors, improve efficiency, and reduce variability between individuals. Standardization not only saves time for compensation administration teams but also promotes transparency by setting consistent expectations related to both procedures and results. There are three main areas of standardization that provider organizations should consider:

- **Contract Language and Terms:** Under standardized contracts, larger-scale compensation changes can be implemented and communicated via entity-wide notices or updates to a compensation manual versus the creation of new amendments for each individual contract. Consistent contracts also allow for more efficient review processes and resource utilization.

- **Compensation Methodology:** Establishing a consistent compensation methodology promotes transparency and equity and allows for efficient compensation calculations and adjustments for common—though potentially troublesome—scenarios, including changing market data, leaves of absence, part-time providers, and new hires or terminations. If these situations are not addressed consistently, it may cause variability in compensation and processes, thereby creating equity issues and additional administrative burden.

- **Payment Schedules and Timing:** ECG finds that provider trust is significantly diminished if payment timing is unpredictable. A widespread practice to combat unpredictability is the use of a standard payment “lag.” For example, an organization’s policy may be to pay all productivity bonuses within 60 days of the end of the calendar year for all eligible providers regardless of specialty. In this case the length of payment lag is 60 days from the measurement period of the calendar year. Elements such as payment lag can make compensation more predictable for providers and allow for consistency in compensation calculation, review, approval, and communication prior to payment.

2 Define Your Compensation Governance Process

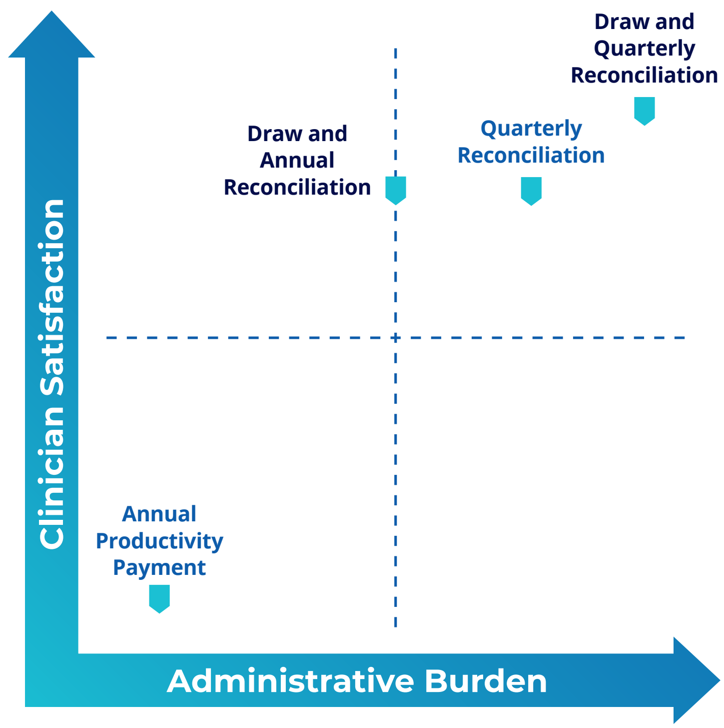
Due to the regulatory nature of provider compensation, organizations should have robust, transparent processes for review and approval that are documented in writing. For example, all provider compensation components should be regularly reviewed and approved by an internal governing body, such as a provider compensation committee or board of directors, to ensure accountability and reduce risk. A high-performing compensation governance structure will include the following:

- An approval body composed of both clinical and operational leadership to regularly review and approve compensation-related matters, which are then documented in official meeting minutes
- Written governance policies, including but not limited to:
  - The roles of each department involved in the design, implementation, and administration of provider compensation
  - A process for assessing fair market value and commercial reasonableness, as well as the corresponding approval authority as compensation levels escalate
  - An annual process for assessing compensation plans for appropriateness, to be informed by stakeholders in a variety of functions, including recruiting, HR, finance, operations, and provider compensation
- A robust manual detailing the philosophy, mechanics, and rates used to administer the current year's compensation

3 Optimize the Timing of Productivity-Based Pay

When organizations incorporate a productivity element in their compensation model, they must make two key decisions: (1) how much of the incentive to pay up front and (2) how often to reconcile the model. There are multiple approaches for productivity payment timing and reconciliation, and leaders should consider the implications of each related to provider satisfaction, administrative burden, and communication needs when determining which is best suited for their organization.

Standardize as much as possible to minimize errors, improve efficiency, and reduce variability between individuals.



Annual or Quarterly Productivity Bonus

The simplest structure is to pay 100% of the earned productivity incentive at the end of a defined measurement period. While easy to administer, this structure leaves much to be desired for providers who may receive a high percentage of their compensation at the end of the year and then must manage their income for the rest of the year. Because of the low provider satisfaction levels associated with an annual payment, many organizations disperse the payment over multiple periods (i.e., quarterly).

Draw Model

One of the most common productivity payment models is the draw model, where a percentage of the provider's projected productivity incentive is paid out in their regular paycheck. Draw payments are favored by providers but create risk for overpayment due to their prospective nature. In order to effectively administer this model, organizations must ensure they have the following support structures in place:

- A percentage draw cadence that balances provider satisfaction and overpayment risk
- Accurate and timely reporting to both periodically track progress throughout the year and monitor historical productivity trends
- Strong, up-front communication with providers to vocalize any adjustments to the model, which can occur with little to no notice but may be necessary to minimize the risk of overpayment

Draw Model with Annual Reconciliation
When a draw payment is made, there must also be a reconciliation whereby the productivity pay earned is compared to the productivity payments made. The goal of the annual reconciliation and draw model is to pay out productivity compensation throughout the year while avoiding overpayment and the need for clawback after the reconciliation occurs. It is common to allow a 60- to 90-day lag period so that reconciliation payments can be calculated and reviewed prior to payment.

Draw Model with Quarterly or Biannual Reconciliation
In some cases, organizations may decide to pay for productivity on a semiannual or quarterly basis, a model highly preferred by providers. However, the combination of draw and quarterly/semiannual reconciliation presents the highest risk for error because of the complexity and additional administrative burden required. Changes to productivity throughout the year may create opportunities for overpayment or miscalculation, so it is important to set draw payments at an appropriate level to minimize risk and implement mechanisms to monitor productivity throughout the year.

4 Embrace Technology to Drive Automation

Organizations can further improve efficiency and eliminate errors by automating their compensation calculation and administration processes. As an initial step, leaders should work to maximize the tools already in place, which could include:

- Creating well-organized and standardized Microsoft Excel templates for reconciliation calculations, monthly dashboards, and progress tracking.
- Developing macros to automatically pull information from data sources, run calculations, populate notices, send emails, etc.
- Using a Microsoft Access or Power BI database to store, organize, and manipulate large data sets, such as a comprehensive provider registry or CPT data pulls.

Compensation administration software can be extremely valuable for ensuring payment accuracy and timeliness.

- Implementing online portals or cloud-based systems to allow for sharing of information and increased transparency.

As organizations grow and achieve certain thresholds of employed and/or affiliated providers, they may want to explore additional automation tools to assist the teams managing provider compensation. Compensation administration software, for example, can integrate with other systems to automate data collection, calculation, and payroll payout and can be extremely valuable for ensuring payment accuracy and timeliness, particularly for large medical groups and health systems. These platforms can also serve as a "one-stop shop" for compensation approval processes to ensure proper governance and oversight. Additionally, contract management systems help staff keep track of key contract terms and dates and monitor governance activities (e.g., contract approvals). It should be noted, however, that these technology platforms are not an end-all solution and can actually make pay accuracy issues worse if they are not supported by efficient, high-performing processes and teams.

5 Establish Effective and Efficient Communication Channels

Compensation teams do not operate in a vacuum but rather work closely with finance,HR, legal, provider operations, and clinical leadership on a regular basis. Because of the cross-functional nature of this work, it is important to have established channels for effective and efficient communication between departments.

As touched on earlier, of equal—if not greater—importance is the need for clear and open communication with providers. While this will look different at every organization, communication structures that work well include:

- Monthly dashboards where providers can see their performance relative to key metrics.
- Periodic all-provider meetings during which leadership updates, educational materials, and other organization-wide announcement are shared.
- Regular report-outs to provider or site leaders regarding key metrics and topics to be discussed at a local level.

- Standardized forums to announce compensation or contract changes.

An Investment in Pay Accuracy Is an Investment in Your Providers

Organizations are facing large-scale challenges, including economic pressures, the transition from volume to value, the need for consumer loyalty, and increased regulatory scrutiny. These challenges put healthcare organizations at a crossroads where one road leads to the opportunity for increased market share and stability and the other to instability and uncertainty. As such, the provider enterprise needs as many competitive advantages as possible, particularly when it comes to recruiting and retaining high-performing providers who provide critical services to the community and improve the organization's competitive position.

Provider enterprises should explore pay accuracy as an essential tool to solidify long-lasting provider relationships, which means investing the necessary time, effort, and resources to get it right. ■

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