

Boston University Orthopaedic Surgical Associates Compensation Policy

Adopted: September 22, 2016

Revised: June 9, 2021

Objectives

To provide a system of compensation for clinical, administrative, research, and educational activities provided by the faculty of Boston University Orthopaedic Surgical Associates, Inc. (the "Corporation" or the "Department") that

1. supports the clinical and academic missions of the Department, Boston Medical Center ("BMC"), and Boston University School of Medicine ("BUSM")
2. provides equity among faculty by matching compensation to effort
3. establishes a link between provider clinical productivity and compensation
4. recognizes academic productivity and mission-critical activities, including departmental citizenship
5. enables financial sustainability

Limitations

This Policy is intended to have general applicability. It is, however, within the discretion of the President of the Corporation ("the Chair") to depart from this policy as he or she deems appropriate; provided, however, that any deviation from this policy will be set forth in the salary letter provided to each Provider.

This policy does not constitute an employment contract between the Provider and the Department. The Department reserves the right to amend this policy at any time as it deems necessary.

All compensation paid directly or indirectly to Providers will be in compliance with the policies and procedures of the Department, the Faculty Practice Foundation, Inc. d/b/a Boston University Medical Group (the parent corporation for all faculty practice plans at BMC known as "BUMG") and BUSM, and in accordance with the Physician Practice Agreement signed by each Provider.

Additionally, the Compensation Policy is intended to comply with all applicable laws and regulations governing physician compensation arrangements. In no instance shall a Provider's compensation vary with or take into account the value or volume of referrals for designated health services made by, or other business generated by, a Provider or otherwise be inconsistent with applicable law.

In the event of a change in law or regulation, or any change in interpretation of a law or regulation, that might raise questions regarding whether the policy complies with applicable law, the President will take

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appropriate action to remedy the situation immediately. This action may include modifying individual physician compensation amounts retroactively or prospectively.

Affected Faculty

The policy applies to all physician faculty employed by the Department who have had clinical responsibilities for at least two years. In the first two years of employment compensation will be guaranteed. After the initial two years of employment, compensation will be based on this policy. The first measurement period will start six months prior to the expiration date of the period of a guaranteed salary.

In the event of termination of employment, the provider shall be entitled to compensation only with respect to services rendered through the effective date of termination. The provider shall not have any claim whatsoever to any receivables, including, but not limited to, any receivables that are outstanding or collected on or after the date of termination.

Compensation Program

Compensation shall be composed of two components: (1) a base component from clinical, administrative, research and educational activities, and (2) an incentive component.

Base Component

Initial Base Salary (Two-Year Guarantee). The initial base salary will be set at the median of the most recent Association of American Medical Colleges (AAMC) Northeast Region benchmarks at the faculty member's academic rank and subspecialty. The President has the discretion to adjust the base salary to account for experience of the candidate, subspecialty, or other market conditions.

Base Salary Calculation After Two-Year Guarantee. After the two years of guaranteed salary, the base salary is determined from the provider's "net income," calculated as the excess of total revenue over total expenses. This base salary will be updated every six months and compensation adjusted accordingly. The "net income" formula is determined prior to the start of the academic year and communicated to all providers. See Appendix B for an example of a "net income" formula.

Total revenue includes clinical revenue (i.e. all collections and wRVUs for clinical services), contract revenue, and revenue from BMC, BUSM, or the Department for administrative duties, research, and educational activities. The President has the discretion to provide funds to a provider who provides critical services that the Department must perform but that may not be profitable (for example, focused research, teaching, payer mix, or disproportionate low wRVU due to specialty). These adjustments will be documented by the President and retained by the Department.

Clinical revenue is determined from a formula, determined prior to the start of the academic year and communicated to all providers, that incorporates a portion of the individual provider's cash collections,

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from personally performed services, as well as their total personally performed wRVUs. See Appendix C for an example.

Total expenses include direct expenses as well as Department indirect or overhead expenses that are allocated to each physician. Typical expenses are listed in Appendix A. In no event shall any expenses associated with the provisions of designated health services (as defined under the Physician Self-Referral (or “Stark”) Law) be included.

The base salary is 95% of the calculated net income. The remaining 5% forms the basis for the incentive component. A provider will be eligible to receive incentive compensation only if employed at the time the incentive payments are made.

The Chair may apply an additional reduction or withhold to the calculated base salary, taking into consideration the financial performance and/or position of the department.

Incentive Component

5% of each provider’s salary will be contingent upon performance metrics outlined below. Results for the entire six month measurement period will be applied to the following six month salary period. The Chair will evaluate the variables affecting incentive compensation for each Provider and review them with Providers at the end of each academic year.

The variables affecting the incentive component of compensation may be revised annually and any changes will be communicated to the Providers in advance of the measurement period.

The following components make up the incentive component of a Provider’s compensation:

- 1) Academic (2%)
 - a. Teaching (1%)
 - i. Based on resident and medical student reviews being average or above average.
 - b. Research (1%) All must be met in order to receive this component.
 - i. Must have active projects listed in the department research database with IRB approval, and
 - ii. Must demonstrate completion of projects by publishing one paper per academic year or two national presentations.
- 2) Citizenship (2%)
 - a. Attendance: must attend a minimum of 75% of mandatory meetings on time (Grand Rounds, Department Faculty meetings, and ad hoc mandatory meetings identified by the Chair). Exceptions are allowed for vacations, scheduled time off, and extraordinary circumstances as determined by the Chair. (1%)
 - b. Away Time: No less than 30 days advance notice of a cancelled OR and no less than 60 days advance notice of a cancelled clinic. Approval of cancellations within this timeframe

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is at the discretion of the Chair and will be approved only if it is clear that there was no way to avoid the event. (1%)

- 3) Compliance and Professional Development (1%). All must be met in order to receive this component.
 - a. Complete one professional development activity annually, to be approved in advance by the Chair.
 - b. Complete (1) resident evaluations within four weeks of a resident finishing rotation, (2) licensure/credentialing/certification renewals when due, and (3) required trainings by BU/BMC/IRB, flu shot, TB test and fit test.
 - c. Timely closing of 90% of Outpatient Encounters within 14 days of the visit and 95% of Operative reports within 7 days of surgery in the Electronic Health Record. Target may be reset annually by Department in conjunction with BUMG and any changes will be communicated to Providers prior to the measurement period.

Salary Reset

Physician salaries will be adjusted semi-annually.

Revenue and expense in each six month “activity period” will form the basis for compensation paid in the subsequent six month “salary period”. For example, revenue and expenses for the activity period July to December will determine the compensation paid in the subsequent period January to June. Revenue and expense in the activity period January to June will be used to calculate salary paid in the following six month period July to December.

The actual salary adjustments will typically be implemented each September and March.

If the reset is higher than the current compensation, the physician will receive a lump sum payment in September (or March) to reflect the underpayment in July and August (or January and February). The new salary will then be paid for the following four months of September to December (or March to June). This new salary will also be paid in the first two months of the subsequent period (January and February or July and August), until the next reset is implemented.

If the reset is lower than the current salary, the salary reduction will be adjusted and spread over the remaining four months of September to December (or March to June). This new salary will also be paid in the first two months of the subsequent period (January to February or July to August), until the next reset is implemented.

After every reset, the physicians will receive an updated salary letter indicating their compensation for the upcoming six months.

Examples of salary reset calculations for both the base and incentive components are provided in Appendix B.

Appendix A: Description of Expenses

In calculating Net Income all direct and indirect expenses are included. These include, but are not limited to the following:

Direct expenses:

1. Fringe benefits: fees as determined by Boston University as benefits administrator
2. Payroll processing fee: as determined by Boston University as common paymaster
3. Academic expense: 4% of clinical revenue
4. Billing fees: revenue cycle and vendor fees applied to clinical revenue
5. BUMG department support fee: % of clinical revenue (updated annually)
6. Physician malpractice
7. MD specific expense: individual expenses incurred by each physician at their discretion

Indirect expenses:

1. Support staff: salary and fringe of administrative and billing staff, transfers to affiliates and intra-company expense
2. Clinical: answering service, transcription, medical supplies, postage, telephone
3. Administrative: photocopy/reproduction, advertising, legal, consultants, storage, recruiting, repairs/maintenance, minor equipment
4. Residency program: net of revenue from BMC and other sources
5. Other: taxes, licenses, office relocation, food and entertainment, bank fees, insurance, and donations.
6. NPP salary and fringe: cost of non-physician providers shared with BMC

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Appendix B: Calculation of Net Income, Base Salary, Incentive, and Total Compensation

Calculations are done every 6 months; annualized values are shown for illustrative purposes.

<u>Revenue</u>	
90% of individual cash collection	\$ 900,000
Clinical revenue from 10% of department wRVU	90,000
BMC CARE+	120,000
Total revenue	1,110,000
<u>Direct expense</u>	
Academic fee (4.0%)	39,600
Billing vendor	22,000
PBO	27,000
BUMG department support fee (1.0%)	9,900
Subtotal direct expenses	98,500
<u>Indirect expense</u>	
Support staff	172,000
Clinical	28,000
Administrative	16,000
Resident	5,000
Other	26,500
MD specific	1,500
Subtotal indirect expense	249,000
Total expense	347,500
Funding available for salary, fringe, and payroll	762,500
Fringe	59,100
Payroll Processing	3,500
Salary	699,900
Base Salary (94%)	657,906
Incentive (6%)	41,994
Total Compensation	\$699,900

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Appendix C: Clinical Revenue Detail

Clinical revenue will be based upon a blend of cash collection (90%) and wRVU (10%).

Total department collection	\$9,000,000
Total department wRVU	50,000
<u>Provider A</u>	
Collections	\$1,000,000
wRVU	5,000
% of department wRVU	10%
10% of department collection	\$900,000
% department wRVU x 10% department collection	\$90,000
90% of provider A collection	<u>\$900,000</u>
Total clinical revenue for provider A	\$990,000