

BUMC Otolaryngologic Foundation, Inc. Professional Staff Compensation Policy

Adopted: Approved January 30, 2018

Revised: March 11, 2020

Objectives

To provide a system of compensation for clinical, administrative, research, and educational activities provided by the faculty of BUSM Otolaryngologic Foundation, Inc. (the “Corporation”) 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 (“President”) of the Department (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 physician.

This policy does not constitute an employment contract between the physician 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. (the parent entity for all faculty Department plans at BMC known as the “FPF”) 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 appropriate action to remedy the situation immediately. This action may include modifying individual physician compensation amounts retroactively or prospectively.

Affected Faculty

This policy applies to all physician faculty employed by the Department with clinical responsibilities and who have completed twelve months of service. After completing twelve months of service, compensation would be based on this policy. The first measurement period will start at the beginning of the faculty’s second year of employment.

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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 that are outstanding or collected on or after the date of termination.

Department Compensation Committee

The Department will establish a Compensation Committee that shall be responsible for periodically reviewing and recommending to the Department Chair changes in the Department's Compensation Plan. Any changes to the compensation plan will be communicated to the faculty prior to the start of a new academic year.

Compensation Program

Compensation shall include two components: (1) a base component from clinical, administrative, research and educational activities, and (2) an individual bonus component.

(1) Base Salary

The initial base salary will be set at 85% of the 50th percentile of the most recent Association of American Medical Colleges (AAMC) Northeast Region benchmarks at the faculty's member's academic rank and subspecialty. The President has the discretion to increase the base salary to account for experience of the candidate, subspecialty or other marker conditions. In subsequent years, base salary may be adjusted prospectively based upon physician's generated profit or loss.

Increase in Base Salary:

In order for a physician to be eligible for an increase in base salary, the physician must have generated a calculated individual profit for two consecutive six month periods. The base salary increase will not be greater than the lowest net income in the two previous six month periods. In consultation with the President, the physician may decline the increase in base salary or choose a lesser amount.

Decrease in Base Salary:

If a physician incurs negative net income in a six month period, then the negative net income will be deducted evenly from the individual physician's profit during the following two measurement periods. Losses will be considered cumulative. In the event that a physician generates a negative net income for two consecutive six month periods, then the physician's salary will be reviewed and reduced by the average negative net income of the last two six month periods.

There is one exception, if a physician's negative net income is greater than \$10,000 in any six month period (excluding FMLA) their salary will be reduced, equal to the loss, in the following period. Any decrease will be subject to the approval of the President. If a physician does receive a salary decrease, they will not be required to pay back calculated losses from the previous periods.

(2) Individual Bonus

A physician's bonus is determined by the physician's 'net income', calculated as the excess of total revenue over total expenses. Calculation of the net income will occur once every 6 months, July through December and January through June.

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Total revenue includes clinical revenue (i.e. cash collections net of refunds for clinical services performed by the physician, which shall not include any services the physician supervises), as well as revenue from BMC, BUSM, contract revenue or the Department for administrative duties, research, and educational activities.

Total expenses include direct expenses as well as indirect expenses that are allocated to each physician. Provided, however, that in no event shall any expenses associated with the provisions of designated health services (as defined under Stark) be included.

If net income is positive, the physician will receive a payment equal to the sum. If the resulting net income is negative, the Physician's base salary will be adjusted as stated above.

Citizenship Factors

To provide incentives to actions that are in the best interest of the Department, 5% of the base salary will be at risk based on the factors listed below. If any of the factors are not met, there will be a reduction to the net income calculation. The measurement period for the Citizenship components will be annually (July to June) and will be applied to both new income measurement periods in the subsequent fiscal year.

- 1) On time attendance at 50% of department meetings and conferences designated as "mandatory attendance by the Chair": 1%
 - a. Meetings and conferences will be designated as mandatory by the Chair.
- 2) Timely closing of Open Encounters in the Electronic Health Record: 1%
 - a. 95% closed within 7 days (BUMG Target). To be adjusted on an annual basis based upon change in the BUMG target.
- 3) Reasonable compliance with the BMC policy on advance notification of intent to cancel clinic sessions: 1%
 - a. Physicians need to cancel clinics within a timely manner based upon BUMG Standards. Less than 2% of bumped patients measured in aggregate for the year. Bumped patients are patients canceled by a physician within a 30 day time period.
- 4) Research and Scholarly Activities: 1%
 - a. Physicians will be expected to participate in research and scholarly activities that will result in presenting at one regional or national meeting and publish at least one per reviewed medical journal article a year.
- 5) Patient experience at BMC (1%):
 - a. Likelihood to recommend physician practice meets or exceeds the Department goal. The department goal will be communicated to the physician at the beginning of each fiscal year. Payout will be proportionate to the goal and will be measured on aggregate results for 12 months based on the physician's individual score.

Partial credit is awarded for all citizenship factors.

For Example: If a provider were to attend 40% of the mandatory department meetings, then, the provider would receive a deduction of 0.20% ($40\% / 50\% * 1\%$)

The variables affecting the incentive portion of compensation may be revised annually, so long as physicians are given sufficient notice of any material changes.

Bonus Measurement Periods

The bonus measurement period will be July through December and January through June.

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The actual salary adjustments and bonus payment will be made in October (January – June measurement) and April (July – December measurement). The payments will include the citizenship factor reductions, if applicable.

After every measurement period, the physicians will receive a net income statement indicating all revenue and expenses for the previous six months and a letter indicating changes in base salary.

Appendix A: Description of Revenues and Expenses

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

Revenues:

- Cash Collections from clinical services
- Institutional Support – Administrative or Education Leadership funding from CARE+. CARE+ wRVU subsidy funding. Care+ funding is provided by the hospital to the practices in order to compensate for payer mix and the purchasing of education and leadership positions.
- Contract Revenue – Payments from contracted agencies for clinical activity
- Grants and Other Funding – Funding from Federal, Non-Federal Grants and funding from Boston University School of Medicine
- Internal Funds Distribution – The Department, in the reasonable judgment of the President and with the President's approval, may provide funds to a provider who provides critical services that the Department must perform but that may not be profitable or breakeven (for example, focused research, teaching, administrative responsibilities, payer mix, or disproportionate low wRVU due to specialty).

Expenses

- Direct Expenses
 - Physician Salary, Fringe & Payroll Processing Fee
 - Revenue Cycle Expense: Billing Agency Fees, Collection Agency Fees
 - PBO Revenue Cycle Fee
 - MD Specific Expenses: Individual expenses incurred by each physician at their discretion, in accordance with Internal Revenue Service Guidelines.
 - Malpractice
 - BUMG Department Support Fee: % of Clinical Revenue (Cash Collections, HSN & wRVU Subsidy)
- Indirect Expense
 - Department Fee: Percent charged to each physician to cover total department indirect costs. The percentage that each physician is charged is calculated by that physician's cash collections, wRVU subsidy and contract revenue divided by the department totals. The department fee is adjusted on an annual basis to ensure break even operating performance for the department
 - Annual Participation Fee: \$10,000 per year

Appendix B: Schedule of Indirect Expenses included in Department and Participation Fee

- 1) Admin Salaries, Fringe, and Payroll Processing.
- 2) General Administration Expense
- 3) Depreciation and Amortization
- 4) Insurance
- 5) Supplies
- 6) Postage and Freight
- 7) Software Expense
- 8) Telephone and Communications
- 9) Rent Expense
- 10) Advertising Expense
- 11) Assessment for loss on individual physician losses

Example of indirect expense calculation:

	Physician #1	Physician #2	Physician #3	Dept Total
Cash Collections	\$ 485,000	\$ 459,500	\$ 465,000	\$ 6,312,961
CARE+ wRVU Subsidy	10,000	7,500	15,000	127,586
Contract Revenue	5,000	67,000	-	105,855
Total Revenue for Indirect Expenses	\$ 500,000	\$ 534,000	\$ 480,000	\$ 6,546,402
	8%	8%	7%	
 <u>Department Indirect Expenses</u>				
Admin Salaries & Fringe	\$ 920,374			
General Admin Expenses	57,554			
Depreciation	1,700			
Supplies	31,297			
Postage and Freight	1,250			
Individual Physician Losses	36,598			
Annual Participation Fee	(90,000)			
	\$ 958,773			
 Indirect Expenses per Physician	\$ 73,229	\$ 78,209	\$ 70,300	

Appendix C: Example of Net Income Calculation

	Physician #1	Physician #2	Physician #3
Citizenship Reduction	1%	0%	0%
<u>Revenue</u>			
Cash Collections	\$ 485,000	\$ 459,500	\$ 465,000
CARE+ wRVU Subsidy	10,000	7,500	15,000
Admin & Education Leadership	20,000	-	-
Contract Revenue	5,000	67,000	-
Grants and Other funding	-	5,000	-
Department Support	-	-	17,593
Total Revenue	\$ 520,000	\$ 539,000	\$ 497,593
<u>Expense</u>			
Direct Expense			
Physician Salary	\$ 285,000	\$ 365,000	\$ 315,000
Fringe	51,561	52,431	51,996
Payroll Processing	1,425	1,825	1,575
Revenue Cycle Expense	18,188	17,231	17,438
PBO Revenue Cycle Fee	16,733	15,853	16,043
MD Specific Expense	5,500	4,500	2,500
Malpractice	6,000	6,000	6,000
BUMG Department Support Tax	7,033	6,663	6,743
Total Direct Expense	\$ 391,438	\$ 469,503	\$ 417,293
Indirect Expense			
Annual Participation Fee	\$ 10,000	\$ 10,000	\$ 10,000
Department Fee	73,229	78,209	70,300
Total Indirect Expense	\$ 83,229	\$ 88,209	\$ 80,300
Total Expense	\$ 474,667	\$ 557,712	\$ 497,593
Net Income/(Loss)	\$ 45,333	\$ (18,712)	\$ -
Citizenship Reduction	\$ (2,850)	\$ -	\$ -
Total Profit to be distributed	\$ 42,483	\$ -	\$ -

Physician #1 – Physician will received a lump sum payment equal to the \$42,483 less fringe benefits. In the event that the provider has a profit in the next measurement period, the provider's salary will be adjusted.

Physician #2 - Since the loss was greater than \$10,000, the providers salary will be reduced for the full loss.

Physician #3 - The President determined that this provider provided critical services to the Department and the Department provided \$17,593 to the provider in order to breakeven.