Unifying Compensation:

The Lehigh Valley Physicians Group Experience

American Medical Group Association
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Conflicts

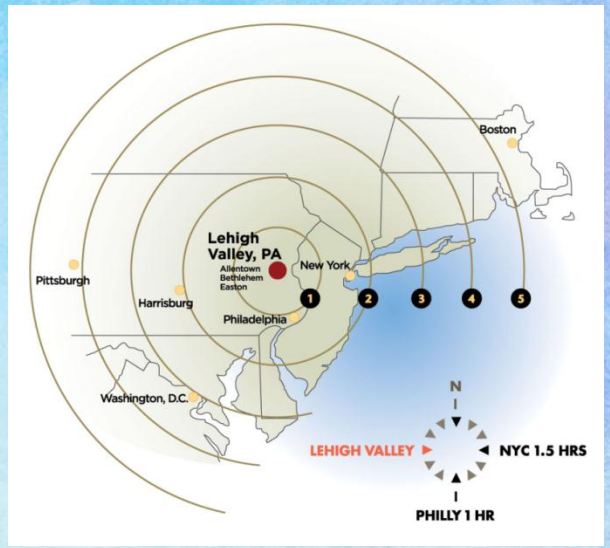
- No real or apparent conflict(s) of interest that may have a direct bearing on the subject matter of this CME activity.

LVPG Compensation

- Overview
  - Area
  - Lehigh Valley Health Network
  - Lehigh Valley Physician Group
- Baseline
- Compensation I
- Compensation II
- Compensation III
- Summary

Lehigh Valley Health Network

- Premiere academic community hospital
- 90 miles west of New York City
- 60 miles north of Philadelphia
- University of South Florida College of Medicine
  - Regional campus



Who We Are

- Largest academic community hospital in PA
- 3 hospital campuses
- 981 acute care beds
- Revenues over $2 Billion
- 54,056 admissions
- 173,678 ED visits

- Magnet Hospital
- Employees – 11,967
- Medical Staff – 1,193
- Largest Level 1 Trauma Center in region
- Certified Comprehensive Stroke Center


Cedar Crest


17th Street

Muhlenberg

Health Centers

Awards and Recognition

- Top Hospital in 2011

Incl. 65 out of 1200

THE LEAPFROG GROUP

Informing Choices. Rewarding Excellence.
Getting Health Care Right.

4th year in a row

BEST HOSPITALS
U.S.News & WORLD REPORT
NATIONAL
RANKED IN 3 SPECIALTIES
2012-13

Recognized for 17 consecutive years

MAGNET RECOGNIZED
AMERICAN NURSES CREDENTIALING CENTER

American Heart Association
American Stroke Association
CERTIFICATION
Meets standards for
Comprehensive Stroke Center

Quality Milestones

2008

- **America's Best Hospitals for digestive disorders, geriatrics, and heart care and heart surgery**-*U.S. News & World Report*
- **Nation's Highest Heart Attack Survival Rate**-*Centers for Medicare and Medicaid Services (CMS)*
- **Leapfrog Top Hospital**-*The Leapfrog Group*
- **Burn Care Re-verification for Adults and Children**-*American Burn Association and the American College of Surgeons*
- **Best 100 Companies to Work For**-*FORTUNE*
- **100 Best Places to Work in Healthcare**-*Modern Healthcare*
- **Blue Distinction Center for Complex and Rare Cancers**-*Highmark Blue Shield*
- **Top 100 Integrated Health Networks**-*Verispan*
- **100 Most Wired and 25 Most Wireless Hospitals**-*Hospitals & Health Networks*
- **First LEED-Certified Inpatient Facility in Pa.**-*U.S. Green Building Council*

2009

- **America's Best Hospitals for geriatrics, and urology**-*U.S. News & World Report*
- **Pennsylvania's Highest Heart Attack Survival Rate**-*Centers for Medicare and Medicaid Services (CMS)*
- **Accredited Chest Pain Centers**-*Society of Chest Pain Centers*
- **Best 100 Companies to Work For**-*FORTUNE*
- **Leapfrog Top Hospital**-*The Leapfrog Group*
- **Full Accreditation**-*Association for the Accreditation of Human Research Protection Programs (AAHRPP)*
- **Outstanding Program Achievement Award**-*American College of Surgeons' Commission on Cancer (CoC)*
- **Get With the Guidelines-Stroke Gold Performance Achievement Award**-*American Stroke Association*
- **100 Most Wired and 25 Most Wireless Hospitals**-*Hospitals & Health Networks*
- **EPA Mid-Atlantic Region Environmental Achievement Award**-*U.S. Environmental Protection Agency*
- **One of the 10 Best Hospitals in America**-*Becker's Hospital Review*

2010

- **America's Best Hospitals for geriatrics**-*U.S. News & World Report*
- **No. 1 in PA and No. 2 in the Nation for Heart Attack Results**-*Centers for Medicare and Medicaid Services (CMS)*
- **Top 5 Academic Medical Centers in U.S.**-*University HealthSystem Consortium (UHC)*
- **NCI Community Cancer Centers Program**-*National Cancer Institute, U.S. National Institutes of Health*
- **100 Most Wired and 25 Most Wireless Hospitals**-*Hospitals & Health Networks*
- **Top 100 Integrated Health Networks**-*SDI*
- **Leapfrog Top Hospital**-*The Leapfrog Group*
- **One of the 30 Best Hospitals in America**-*Becker's Hospital Review*
- **100 Best Places to Work in Healthcare**-*Becker's Hospital Review*
- **Carolyn Boone Lewis Living the Vision**-*American Hospital Association (AHA)*

2011

- **America's Best Hospitals for endocrinology, gastroenterology and geriatrics**-*U.S. News & World Report*
- **No. 1 and No. 2 Hospitals in the Region**-*U.S. News & World Report*
- **Magnet Hospital redesignation for nursing excellence**-*American Nursing Credentialing Center*
- **Top Performer on Key Quality Measures**-*Joint Commission*
- **Architecture and Design Award for environmentally friendly health care**-*GreenCare*
- **Top 100 Integrated Health Networks**-*Verispan*
- **100 Most Wired Hospitals**-*Hospitals & Health Networks*
- **100 Best Places to Work in Healthcare**-*Becker's Hospital Review*

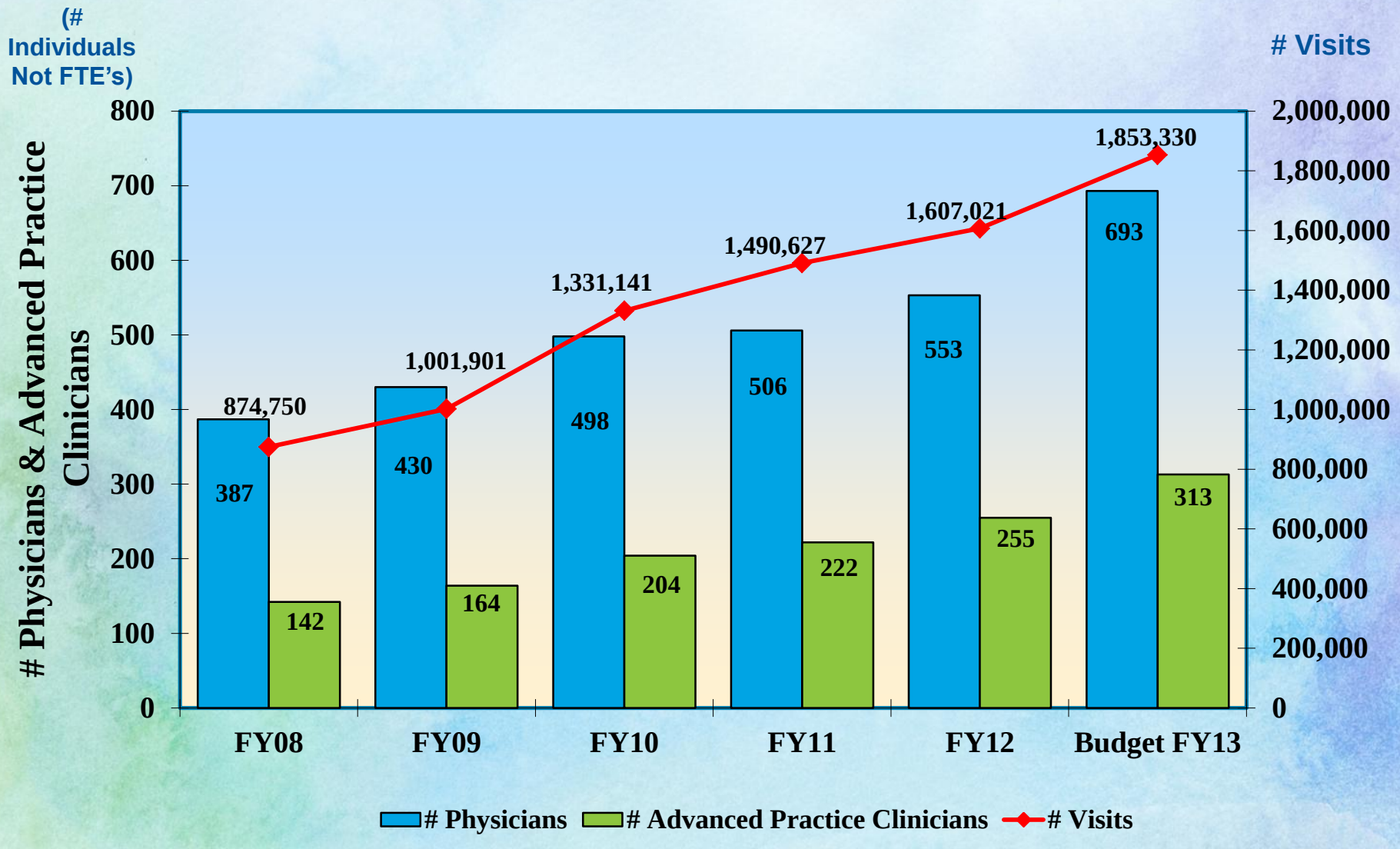
2012

- **America's Best Hospitals for gastroenterology, orthopedics and pulmonology**-*U.S. News & World Report*
- **Leapfrog Top Hospital**-*The Leapfrog Group*
- **Accredited Chest Pain Centers**-*Society of Cardiovascular Patient Care*
- **100 Most Wired Hospitals**-*Hospitals & Health Networks*
- **NCI Community Cancer Centers Program (NCCCP) redesignation**-*National Cancer Institute, U.S. National Institutes of Health*
- **100 Best Places to Work in Healthcare**-*Becker's Hospital Review*
- **Computerworld Honors Laureate**-*Computerworld Magazine*
- **VHA Leadership Award for Supply Chain Management Excellence**-*VHA*
- **HealthGrades Emergency Medicine Excellence Awards (LVH and LVH-Muhlenberg)**-*HealthGrades*
- **Certified Comprehensive Stroke Center**-*Joint Commission*

Lehigh Valley Physician Group

- Subsidiary of LVHN (501c3)
- Started in 1994
- Currently 600 physicians + 275 APCs
- 128 practice sites
- 400,000+ unique patients
  - Almost half the population of our primary service area
- 2,600+ employees
- Anticipate growth to 1,000 providers by year end
  - Over 50% of LVHN's medical staff
  - Touch over 80% of LVHN inpatients
- Projects for 1.8 million visits/year
- $400M operating budget (almost 25% of LVHN)

Lehigh Valley Physician Group



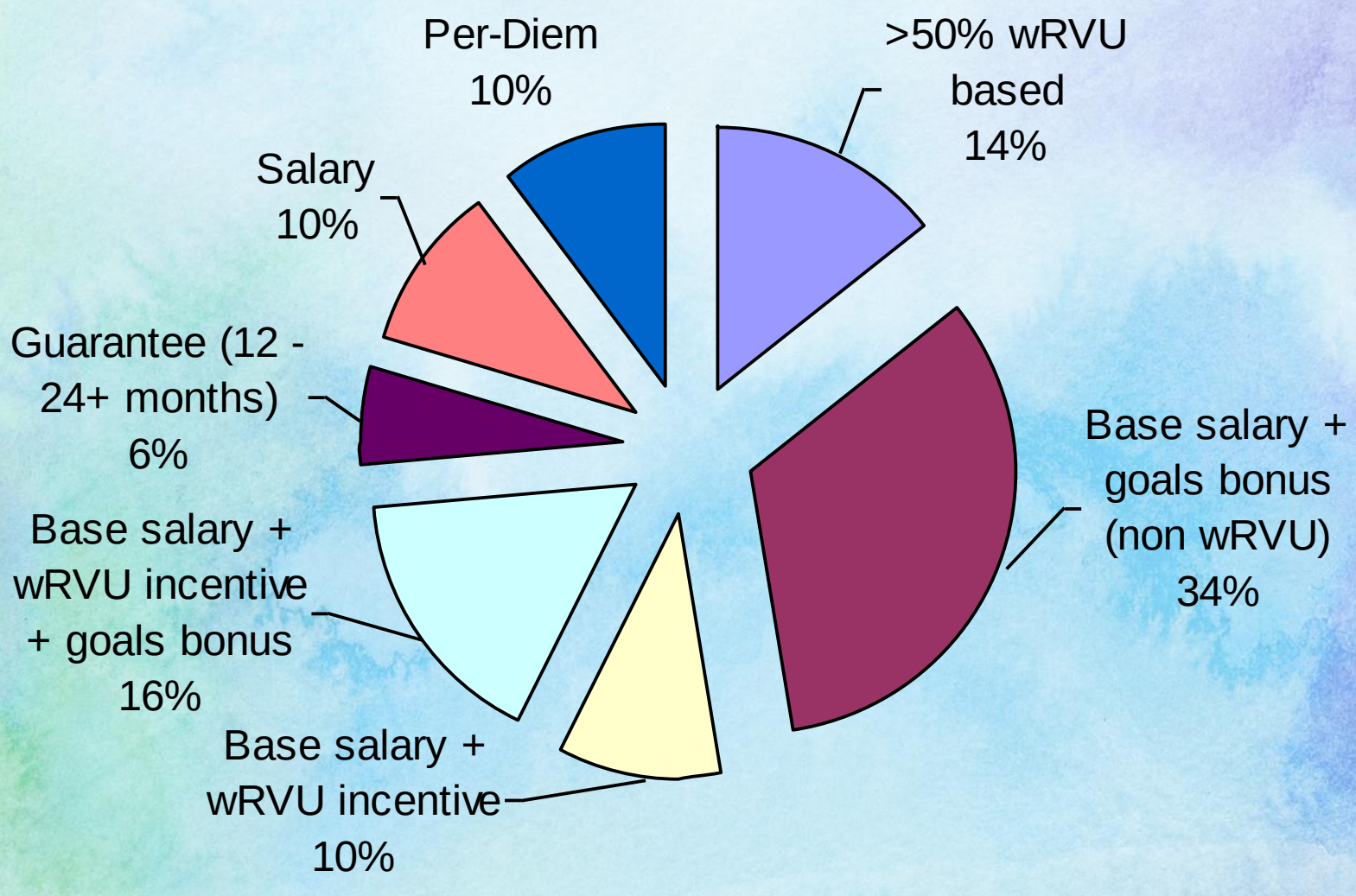
LVPG Compensation

- Overview
- Baseline
  - Old compensation plans
  - Salary notifications
- Compensation I
- Compensation II
- Compensation III
- Summary

Compensation Plan Philosophy

- Market-based
  - By specialty
  - Survey data from **3** independent sources
- Profitability – two perspectives
  - Network and Physician Group
- Customization
  - Balance for team/individual performance
  - Consideration for other factors
    - Program-based achievements and development
    - Academic roles (non-wRVU generating)

Original Compensation by Plan Types



Physician Compensation Survey Data

Year Published: 2008, Data Year: 2007

Specialty: **Family Practice (w/o OB)**

Department: **Family Medicine** *PRIMARY CARE*

TOTAL CASH COMPENSATION SURVEY DATA

Survey Name	National Responses (n)	East Responses (n)	National 25th%ile	East 25th%ile	National Median	East Median	National 60th%ile	East 60th%ile	National 75th%ile	East 75th%ile	National 90th%ile	East 90th%ile
AMGA	4554	339	$159,907	$140,164	$190,182	$160,985	$207,343	$176,494	$233,084	$199,758	$273,753	$244,419
MGMA	5959	1087	$139,457	$129,808	$173,812	$156,782	$192,476	$172,121	$220,472	$195,130	$283,010	$257,586
SCA	2777	415	$142,360	$135,300	$165,700	$153,372	$179,420	$160,669	$200,000	$171,615	$235,298	$200,700
	Weighted Averages:		$147,071	$132,953	$177,726	$156,787	$194,842	$170,345	$220,516	$190,681	$269,868	$242,338

wRVU SURVEY DATA

Survey Name	National Responses (n)	East Responses (n)	National 25th%ile	East 25th%ile	National Median	East Median	National 60th%ile	East 60th%ile	National 75th%ile	East 75th%ile	National 90th%ile	East 90th%ile
AMGA	2604	319	3893	3696	4747	4562	5149	4950	5752	5532	6814	6388
MGMA	3629	651	3701	3596	4600	4488	5002	4838	5606	5362	6796	6191
SCA	1132	188	3894	4728	4715	5361	5119	5611	5725	5986	6664	6768
	Weighted Averages:		3799	3807	4670	4650	5072	4994	5676	5510	6782	6339

Committee Notification Requirement

- Three notification thresholds
  - Pay in excess of $500,000 per year
  - Pay in excess of the composite of three surveys' national 90th percentiles by specialty
  - Pay projected in excess of salary cap, where salary cap is 110% of national 90th percentile by specialty

LVPG Compensation

- Overview
- Baseline
- Compensation I
  - Clinical base salary / value adjustment
  - Value reserve
  - PIP
  - Outcome
- Compensation II
- Compensation III
- Summary

Physician Compensation Redesign

- **Why:**
  - Rapid growth, resulting in 39 different comp plans
  - Lack of aligned incentives
  - Starting to impact LVPG's financial performance
- **Guiding Principles:**
  - Fair market value pay across the specialties (productivity)
  - Align incentives
    - Physicians, medical group, network)
  - Engage physicians
  - Standard, transparent and consistent methodology
  - Accountability
  - Improved budget process and accuracy

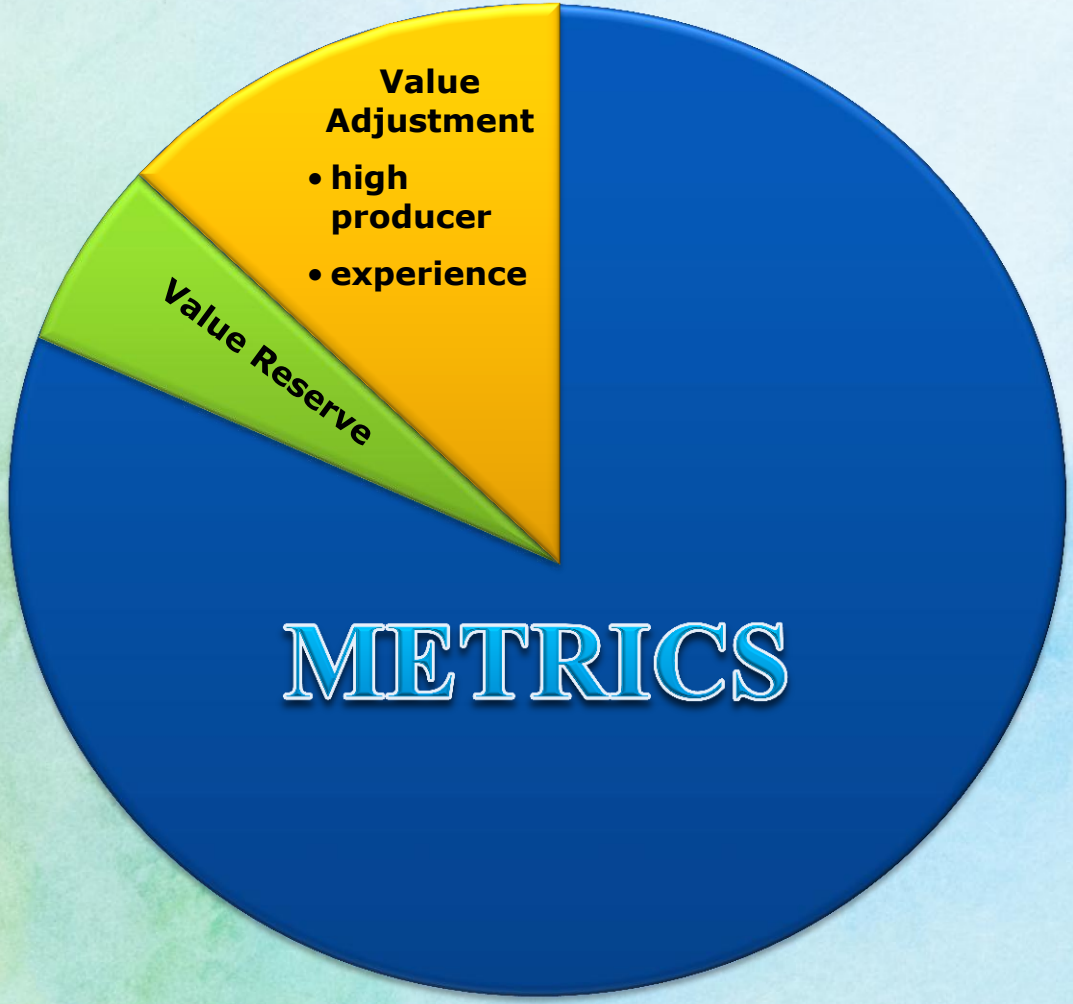
Physician Compensation I

- Guiding Principles:
  - Fair market value across the specialties
  - Improved budget accuracy
  - Align incentives and engage physicians
  - Standard, transparent methodology, math
  - Reduced costs of administration
  - Increased ease of compensation analysis

Compensation I Plan Proposal

- "The Snowman"
  - Goals
  - Incentives
  - Base salary

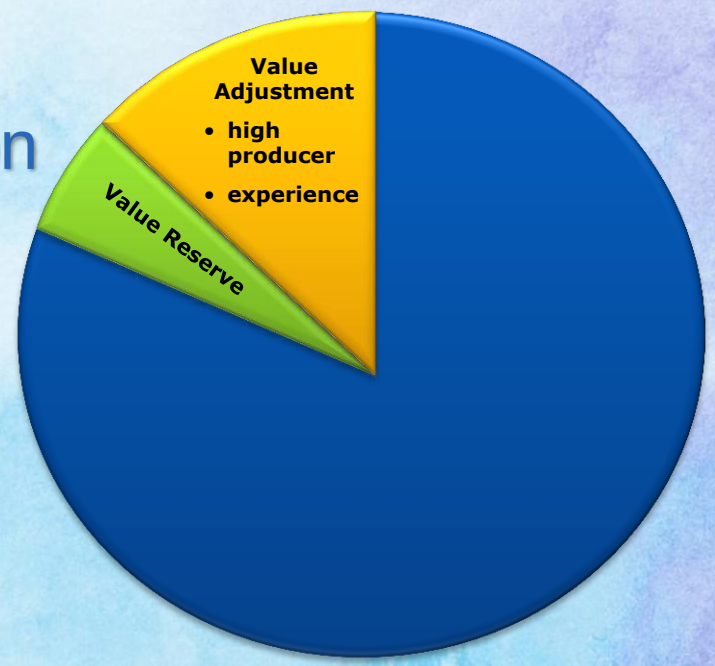
Base Salary



- Budgeted $ come from
  - Clinical revenue
  - Purchased services
  - Network
- Market-survey based
  - Corresponding wRVU expectations
- Metrics (points for)
  - Growth
  - Citizenship
  - Costs
  - Quality
  - Education/Research

Overall Compensation Model I

- Clinical Base Salary
  - Increased for high production
- Incentives
  - Quality
    - Value Reserve (VR)
    - Salary withhold & earn back
  - Over production
    - Physician Incentive Plan (PIP)



Physician Incentive Plan (PIP)

- Not budgeted
- Funded by practice performance (better than budget)
- 50% of positive practice margin equals PIP “pool”
- Eligibility:
  - Performance evaluation score ≥ 3.0
- Maximum = 10% of salary
- Metric “switches” for distribution

Physician Incentive Plan (PIP)

- Funded by each practice's financial performance
  - Better than budget
- 50% of positive practice margin equals PIP $ pool
- Align incentives (practice, medical group, network)
- Eligibility:
  - performance evaluation score >= 3.0 (meet expectations)
  - employed entire year
- Maximum distribution = 10% of salary
- Metric "switches" for distribution methodology

Metric Switches for PIP

Practice favorable "margin" 30%

- Revenue – expense

LVPG favorable "margin" 40%

- Revenue – expense

LVHN: Operating margin > budget 30%

LVPG Compensation

- Overview
- Baseline
- Compensation I
- Compensation II
  - Review / Elimination of Value Reserve
  - CARTS
  - Measurement system
- Compensation III
- Summary

Review of Compensation I Plan

- Helping us to achieve our strategy
- Encouraging low producers
- Encouraging high producers
- Adding accountability where needed
- Allowing transparency
- Allowing standardization

Review of Compensation Plan I Plan

- Accurate budgeting
- Attract and retain quality providers
- Easier to understand
- Evaluation linked to compensation plan

Compensation I Problems

- Clinical base Salary can be confusing / insulting
- Value Adjustment should be more clear
  - Clinical work is last year's performance
  - Difficult to predict the future
- Value Reserve (VR = salary withhold) is "broken" but it serves a purpose for each area
- PIP is not believable and hard to communicate

Salary Withhold Problems

- Trigger comes from the clinical base salary withhold
- Trigger in a zone or % of meeting budget that allows for errors
- Trigger can change over time to ease people onto the plan

Salary Withhold Problems

- Every group interprets it differently
- Should allow for individuation
- Dependent upon issues not in control of the provider
- Some practices have group goals

Eliminate Withhold

- Withhold interpreted as a penalty
- Eliminate withhold
- Incorporate basic expectations into performance evaluation
- Standardize performance metrics across LVPG:
  - **People** – LVPG meeting attendance (citizenship), professional development
  - **Service** – patient satisfaction, access/schedule standards
  - **Quality** – align w/ LVHN and PHO goals
  - **Cost** – achieve budget targets
  - **Growth** – align w/ department and LVHN goals
  - Education/Research - departmental

CARTS Model

C linical

A dministrative

R esearch

T eaching

S trategic

Paycheck Salary

BASE SALARY

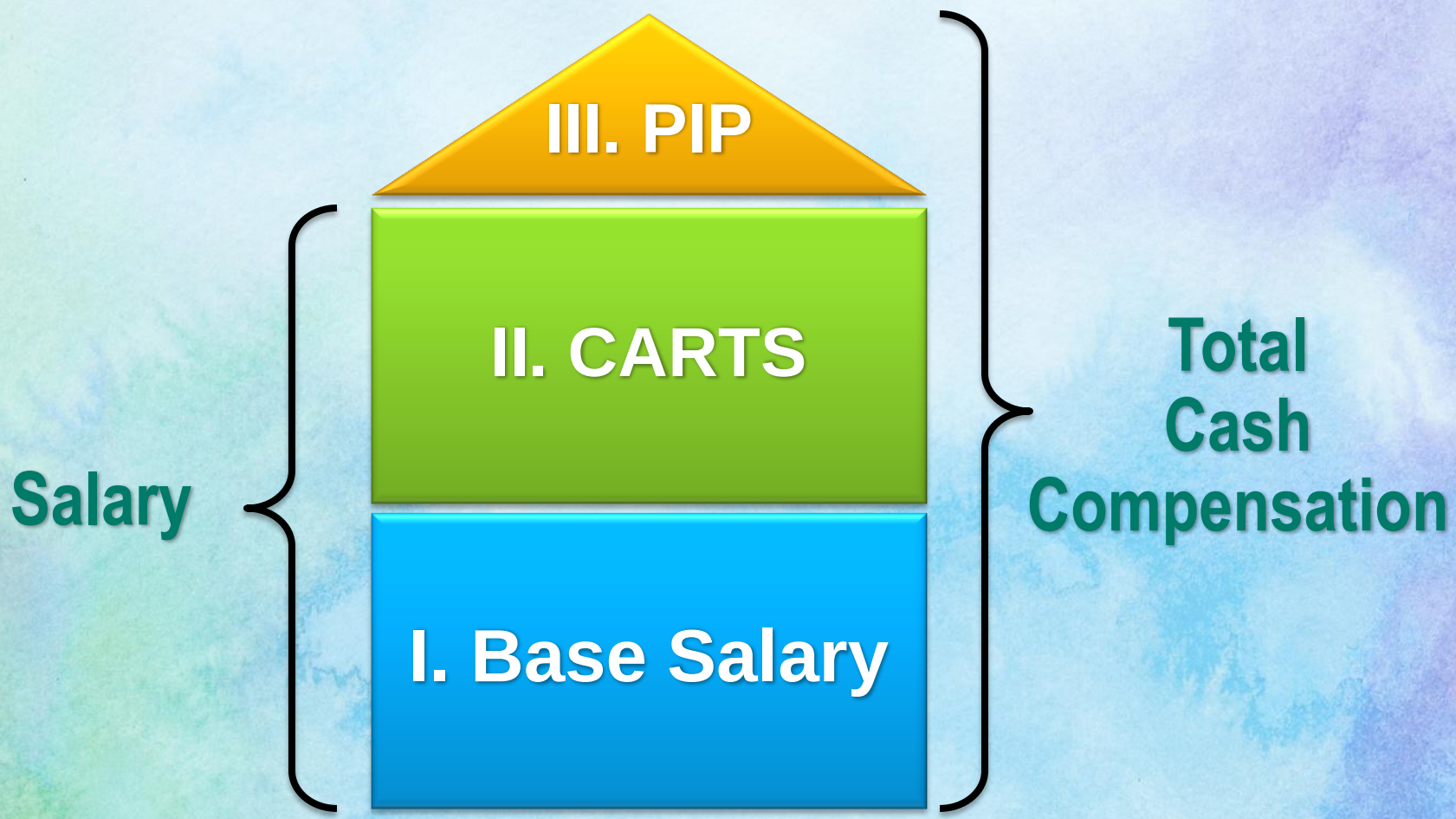
- 85% of Median Total Cash Compensation
- Fair Market Value survey publications.

CARTS

- Clinical: Productivity greater than 85% of Median, based on $/wRVU.
- Administrative, Research, Teaching, and Strategy: Budgeted FTE allocations and corresponding market-based stipends.

PIP

- Aligns practice, LVPG, LVHN
- Guard against budget "gaming" with:
  - look at growth c/w prior year
  - survey data for comp & productivity benchmarks
- Opportunity to include APCs (PIP = Practitioner Incentive Plan) and staff (pilot)

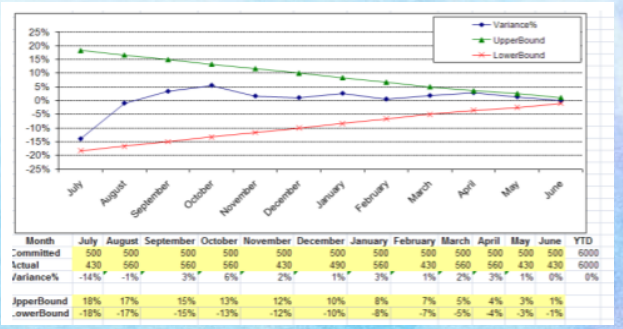

III. PIP
II. CARTS
I. Base Salary
Salary
Total Cash Compensation

Measurement of Productivity

- Corridor System
- Salary Adjustments
- 4th Quarter Adjustment

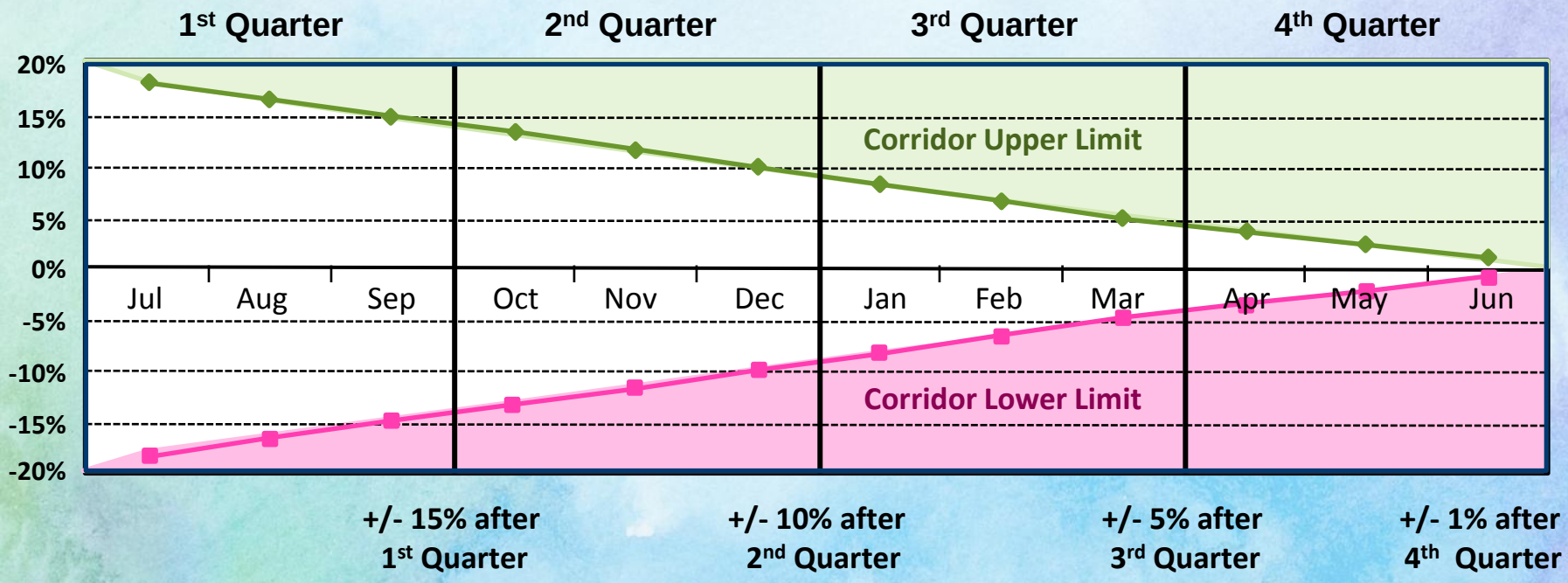
Current Compensation Model

- Prospective planning of wRVU (budget)
- Corridor monitoring and reports
- Potential quarterly adjustments
  - First quarter +/- 15%
  - Second quarter +/- 10%
  - Third quarter +/- 5%
  - Fourth quarter +/- 1%
- Adjustment process takes two months
- Chair and Physician Executive Director of LVPG approval required for corridor adjustment relief



Month	July	August	September	October	November	December	January	February	March	April	May	June	YTD
Committed	500	500	500	500	500	500	500	500	500	500	500	500	6000
Actual	430	560	560	560	430	490	560	430	560	560	430	430	6000
Variance%	-14%	-1%	3%	6%	2%	1%	3%	1%	2%	3%	1%	0%	0%
UpperBound	18%	17%	15%	13%	12%	10%	8%	7%	5%	4%	3%	1%	
LowerBound	-18%	-17%	-15%	-13%	-12%	-10%	-8%	-7%	-5%	-4%	-3%	-1%	

Corridor Salary Adjustments



- Adjustments to salary may be made if wRVU productivity in any quarterly review falls outside of the corridor range.
- *Adjustments in Quarters 1, 2 or 3 are not retroactive.*

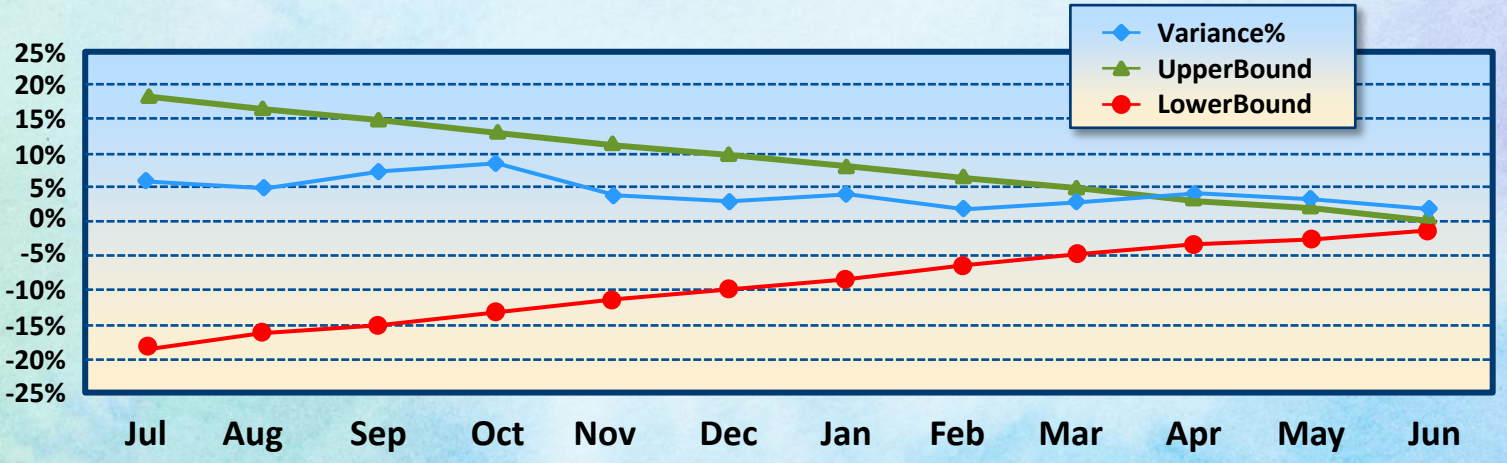
4th Quarter Adjustment

- Within +1%/-1% of budgeted wRVUs
  - No action
- Outside +1%/-1%
  - Budgeted wRVUs for year
    - Total compensation calc by professional services
  - Actual wRVUs for year
    - Total compensation calc by professional services

wRVU Above +1% Corridor

- Budgeted wRVUs for year
  - Total compensation calculated by professional services
- Actual wRVUs for year (minus 1% threshold)
  - Total compensation by professional services
- Difference between Actual and Budgeted wRVUs paid in lump sum
  - Adjustment difference comes from practice/group/department end of year revenue

Example 1: Provider with 6000 wRVU finishes year 130 wRVIs (2%) better than budget. They would receive a clinical settlement payment for the salary difference.



Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Committed	500	500	500	500	500	500	500	500	500	500	500	500	6000
Actual	530	520	560	560	430	490	560	430	560	560	500	430	6130
Variance%	6%	5%	7%	9%	4%	3%	4%	2%	3%	4%	4%	2%	2%
UpperBound	18%	17%	15%	13%	12%	10%	8%	7%	5%	4%	3%	1%	
LowerBound	-18%	-17%	-15%	-13%	-12%	-10%	-8	-7	-5%	-4%	-3%	-1%	
Salary	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	210000

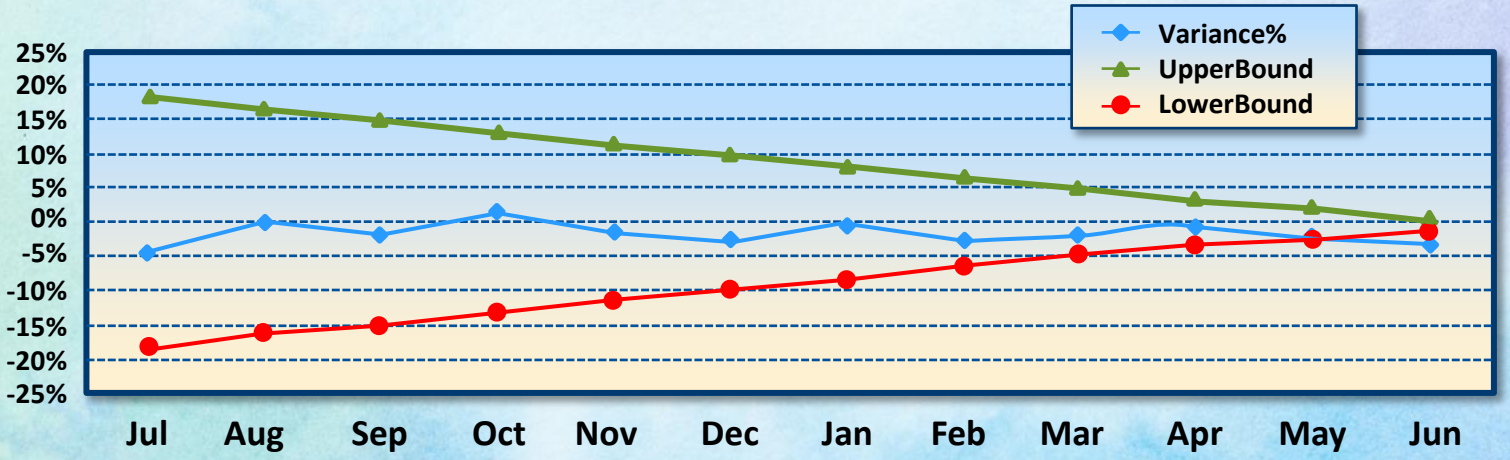
Settlement			
Clinical planned wRVU	6000	Actual wRVU	6130
Clinical salary for planned wRVU	210000	1% corridor	60
		Adjusted wRVU number	6070
		Salary commensurate w adjusted wRVU	212450

Difference of adjusted and realized salary 2450

wRVU Shortfall Below -1% Corridor

- Budgeted wRVUs for year
  - Total compensation calc by professional services
- Actual wRVUs for year (plus 1% threshold)
  - Total compensation calc by professional services
- Difference between Actual and Budgeted is applied as a salary adjustment to next clinical year
  - Salary adjustment occurs in ~18 bi-weekly pay periods
  - Option to make shortfall in one-time salary adjustment
  - Adjustment difference credited to practice/group/department prior end of year revenue for purposes of PIP calculation

Example 2: Provider with 6000 wRVU target finishes year 160 wRVUs (-3%) worse than budget. They would receive a clinical salary adjustment for the next FY salary. The total salary adjustment would account for the difference the under the 1% corridor.



Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Committed	500	500	500	500	500	500	500	500	500	500	500	500	6000
Actual	480	520	480	560	430	460	560	430	500	560	430	430	5840
Variance%	-4%	0%	-1%	2%	-1%	-2%	0%	-2%	-2%	0%	-2%	-3%	-3%
UpperBound	18%	17%	15%	13%	12%	10%	8%	7%	5%	4%	3%	1%	
LowerBound	-18%	-17%	-15%	-13%	-12%	-10%	-8	-7	-5%	-4%	-3%	-1%	
Salary	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	210000

Settlement			
Clinical planned wRVU	6000	Actual wRVU	5840
Clinical salary for planned wRVU	210000	1% corridor	60
		Adjusted wRVU number	5900
		Salary commensurate w adjusted wRVU	206500

Difference of adjusted and realized salary -3500

Impact of Compensation Plan II on LVPG Financial Performance

	New Comp Plan (#Physicians)	PIP (% payments)	LVPG Variance (c/w Budget)
FY '09			(5.38M)
FY '10	68	336K	(7.28M)
FY '11	**130**	**1.09M**	**2.83M**
FY '12	**322**	**1.56**	**4.52M**

LVPG Compensation

- Overview
- Baseline
- Compensation I
- Compensation II
- Compensation III
  - Evaluation of Productivity
  - Value-based Incentive
- Summary

Discussions

- The goal of >= median work and meeting budget:
  - Needs to be applied to everyone
  - Gets impacted by strategic moves (with low output)
- CARTS
  - VA has the elements of CARTS
  - Sources of “ARTS” funding $$’s need to be understood and transparent

Discussions

- Strategic docs/practices:
  - $ sit outside the pool that provides comp
  - Is the comp plan useful
  - When does one convert to the comp plan

Production

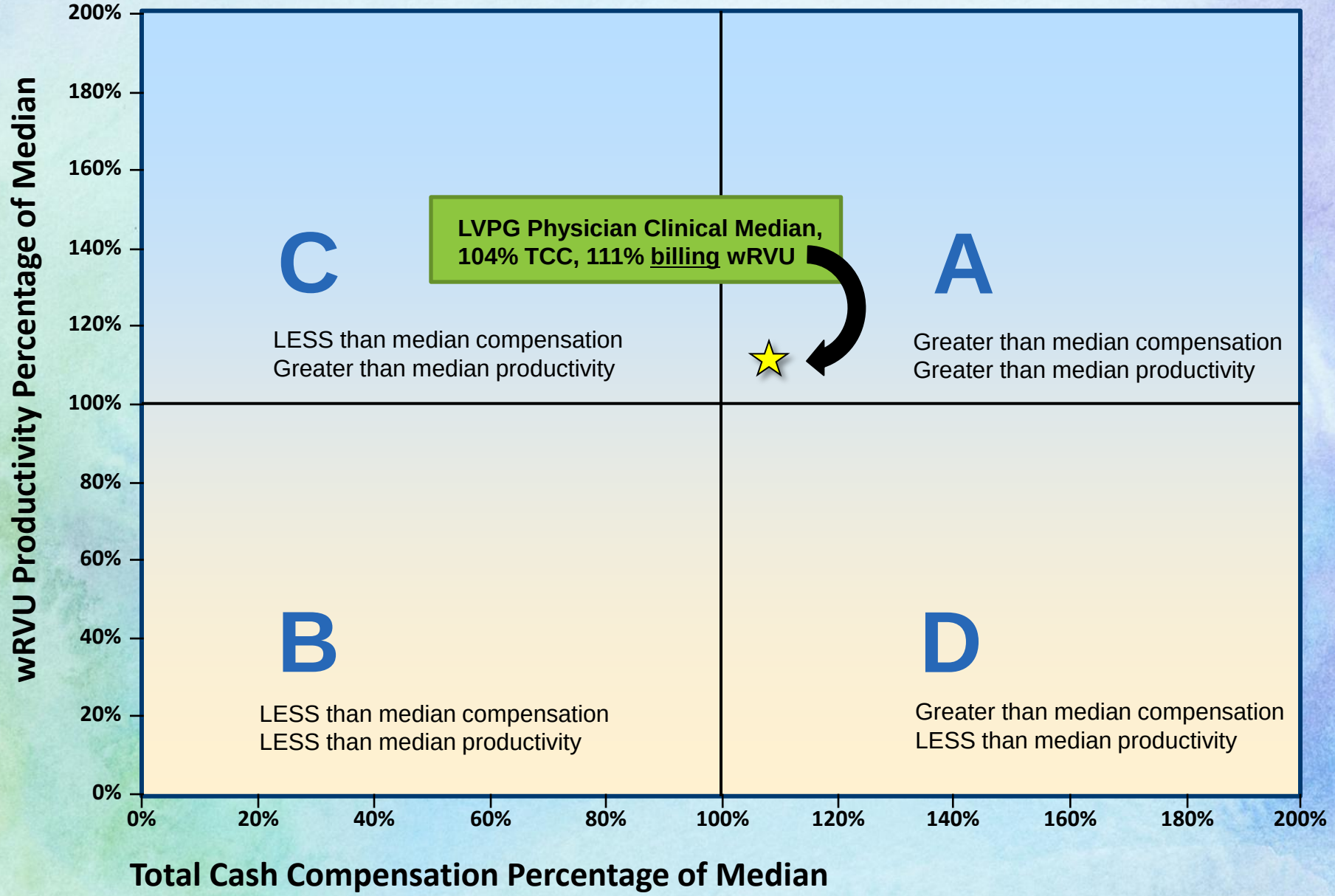
- Low producers:
  - Manage or get rid of low producers
  - Pay them at the appropriate level
  - Effect on the entire group
  - Chair's need to help by:
    - Not giving special deals
    - Applying to all new docs
    - Helping manage them
- High producers:
  - Comp plan can't be viewed as punitive

Production

- Middle of the pack:
  - Increase incentive to perform
  - Improve productivity
  - Better financial outcome

Practitioner wRVU Productivity and Clinical Cash Compensation

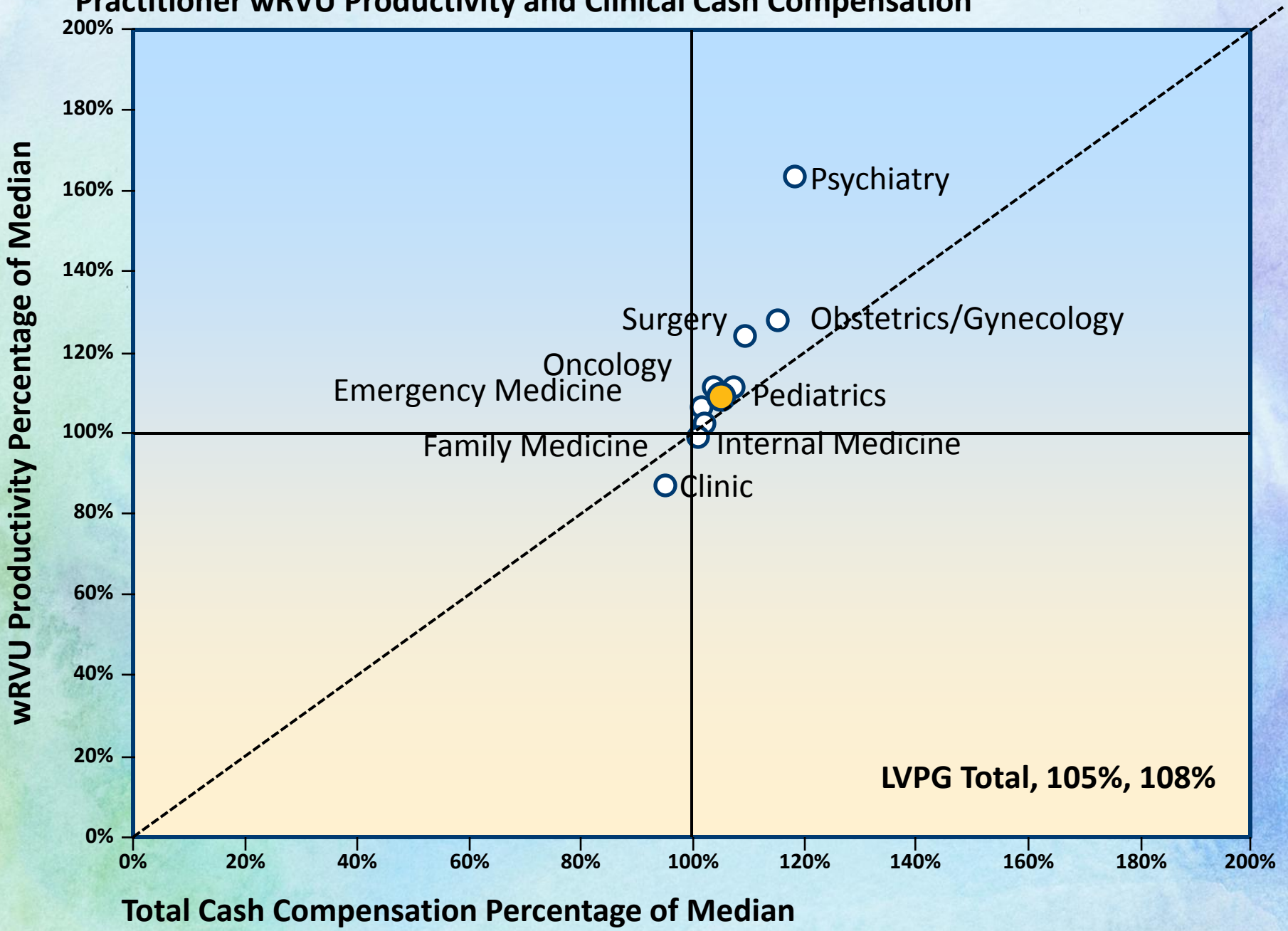
(Physician production numbers include APC work)



Compensation and Production Compared to Benchmarks

Type	Physician Count	% of Total Count	Compensation	Production
A	176	45%	>Median	>Median
B	85	22%	<Median	<Median
C	78	20%	<Median	>Median
D	51	13%	>Median	<Median

Practitioner wRVU Productivity and Clinical Cash Compensation



Clinical Base Salary (CBS)

- 85% of Median (= 25th %tile)
- Educate misconception of CBS vs Total Cash Comp
  - Developed for new grads!
  - Corresponding 25th % for base salary and productivity
- Remember CBS + CARTS = Actual Salary

CARTS

- **C**ARTS:
  - Accuracy of clinical FTE is paramount
  - Minimum LVPG productivity expectation = median wRVU (adjusted for clinical FTE)
    - Goal is 60th%
    - Allow for clarity and performance feedback
    - Move control of schedule to practice leadership
    - Higher productivity results in higher comp
- c**ARTS:**
  - Develop/implement consistent methodology and budgeting
  - Requires job descriptions and productivity expectations as well
  - Review current state for non-clinical FTE

LVPG Value-based Incentive Plan (VIP)

- **Purpose:** To reward practitioners for Value-based activities with new $ into current compensation plan
- **Start:** FY 2013
- **Amount:** $5K per eligible physician into VIP pool, $2.5K per eligible APC into VIP pool
- **Payout:** October of following Fiscal Year

  Tiered distribution methodology

VIP SCORING GRID

Points	People Annual Performance Evaluation	Citizenship Monthly LVPG Membership Meetings	Patient Satisfaction Press Ganey Overall Practice Percentile Ranking	Learning Completion of Assigned LVPG eLearning Modules	Quality	
					Eligible for MU attestation by December 31 of each Calendar Year	Otherwise - Coding and Compliance
20	Performance evaluation score >= 3.0	Attend 8-10 meetings	>= 90th percentile	100% of modules completed	Successfully attested for MU by deadline	High coding and compliance accuracy rate
15		Attend 6-7 meetings	>= 75th percentile and < 90th percentile	>=75% and <100%		
10		Attend 4-5 meetings	>= 50th percentile and < 75th percentile	>=50% and <75%		Moderate coding and compliance accuracy rate
5		Attend 2-3 meetings	>= 25th percentile and < 50th percentile	>=25% and <50%		
0	Performance evaluation score < 3.0	Attend < 2 meetings	< 25th percentile	<25%	Did not meet MU attestation requirements	Low coding and compliance accuracy rate

Impact of Compensation Plan II on LVPG Financial Performance

	New Comp Plan (#Physicians)	PIP (% payments)	LVPG Variance (c/w Budget)
FY '09			(5.38M)
FY '10	68	336K	(7.28M)
FY '11	130	1.09M	2.83M
FY '12	322	1.56	4.52M
FY '13 (Thru 2Q)	**353**		**6.01M** (Annualized = 12.02M)

LVPG Compensation

- Overview
- Baseline
- Compensation I
- Compensation II
- Compensation III
- Summary

Assessment

- Provider comp market is moving quickly
  - Demand >> supply
  - Data already stale (1.5 years behind)
- Recruitment and Retention remain challenges
- Paying more for less (higher $/wRVU)
  - Changing workforce demographics and expectations
- What keeps us up at night:
  - Financial pressure of increasing demand for non-clinical FTE time
    - Both salary expense and revenge loss
  - Researching the flat part of productivity curve
    - Provider burnout
    - Decreasing opportunity for more revenue to offset expense increases

LVPG Compensation

- FY'08 through FY'12
  - 152% growth in providers
  - 183% growth in patient visits
- 3 compensation plan modifications
  - More accurate budgeting
  - Better than budget performance
- Future steps
  - Move to value from volume

Question for the Group:

- What has your organization done with regards to physician compensation as we move from “Volume to Value”?
  - Incentives – New $$…. Or withhold & earn back?
  - What % of compensation is related to value?
  - Value metrics utilized?
  - PCMH?

Questions?

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