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THOUGHT LEADERSHIP

APP EMPLOYMENT AND COMPENSATION MODELS TO OPTIMIZE ALIGNMENT

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The expanding presence and roles of Advanced Practice Providers (APPs) in employed physician networks, and throughout most health systems, necessitates a review of APP employment methodologies and compensation philosophies to maximize alignment with organizational goals and objectives.

EMPLOYMENT MODEL

APP employment has traditionally been accomplished through a straight Human Resources exempt employee relationship. Most employed networks are realizing that this "at will" employment arrangement has pitfalls. The primary concern is that APPs, as exempt employees, are generally only required to provide a two-week notice of their intent to end the employment arrangement. This short notice is inadequate to avoid gaps in service as the recruitment, hiring, and onboarding process is much longer. As APPs fill crucial roles in patient care delivery, gaps in availability can be crippling. A second concern involves clarity of role expectations and fulfillment. Very often, APP position descriptions (PDs) fulfilling Human Resources requirements tend to be rather generic and may not be customized to specialty let alone specific position(s). Thus, positional roles and responsibilities may not be adequately defined, and expectations and accountability may be difficult to establish and administer.

Issues related to "at will" employment of APPs prompt employed networks to consider converting to the contractual employment model utilized for physicians in the network. The standard body of the contract addresses the evergreen "legal" aspects of the employment relationship, including "without cause" notice requirements of between 90 to 180 days. Addenda or exhibits then define individual-specific contractual elements, such as detailed, applicable position descriptions and corresponding compensation and benefit arrangements. Contractual employment agreements are usually well-received by APPs as they add clarity to the relationship and promote greater parity with physicians. However, APPs commonly express concern with non-compete clauses, which are a foreign concept for many APPs – especially APRNs who are familiar with the RN "free agency" concept of employment. Anticipating this area of concern, particularly when converting from "at will" employment to contractual employment, deciding in advance how strongly the organization desires to define, include, or adhere to these clauses, and proactively discussing the rationale with the APPs before tendering the actual contract may avoid APP consternation and rebuff.

COMPENSATION MODEL

The traditional APP exempt employee relationship has customarily been associated with a straight salary compensation model. Most employed networks are concluding that the straight salary model does not promote optimum alignment of APP effort with network and health system goals and objectives. Accordingly, HSG believes that value-based care delivery will ultimately lead to consistent utilization of a base plus incentives compensation model in which the base would be modified by capped, downward adjustments if threshold expectations are not fulfilled and the incentives consist of a mix of individual and team-based productivity and nonproductivity metrics.

Details about the **pros and cons of various compensation models** are delineated in a separate article **found here**.

In most scenarios, creating an APP compensation model that parallels the physician compensation model provides the cleanest fit and promotes confluent team efforts. Parallel, in this context, infers that the foundational elements of the models are consistent, if not the same. This degree of alignment favors cultivation of an allied, team-based relationship and an inherent customization by specialty with review of connected business operations.

As alluded to above, APP compensation model design must account for and reflect the differences in utilization and workload capture by specialty. In primary care for instance, most APPs are utilized, scheduled, and billed individually. Therefore, other than applying primary care APP benchmarking, the primary care APP compensation model can usually be identical to the primary care physician compensation model. Specific primary care business operations review often includes mechanisms to determine appropriate workload capture (and appropriate documentation and claims submissions) for shared visits – if or when they occur.

In specialties in which APP utilization does not promote individual workload capture, compensation based on individual productivity is untenable and alternatives need to be considered. As a corollary, situations in which APP workload rolls up to a physician must be accounted for in the physician's compensation model so that the physician is not compensated for work that he or she does not personally perform. One option to address this latter situation is to develop team-based productivity models – for threshold (base compensation) expectations and for incentive bonuses – for both the physician(s) and the APP(s). In this manner, the physician-APP team strives to boost efficiency, productivity, and reward. Adding non-productivity incentives then maximizes individual and team-based outcomes.

One situation that might seem to be conducive to a straight salary model involves positions associated with shift-based scheduling, such as those in urgent care clinics. However, a version of the base plus incentive model can be readily applied to these circumstances with maximal impact. In these settings, the base compensation level is usually determined by applying organizational compensation philosophies to external benchmarks. For instance, if the organization tends to compensate at the 50th percentile, the APP benchmark determines the base, which does not undergo downward adjustment as long as the APP satisfies the expected base number of shifts. A "productivity" incentive can be added for working more shifts than the base expectation requires. Non-productivity incentives associated with quality, patient experience, and citizenry round out the model to stimulate greater alignment and outcomes.

SUMMARY

APP employment and compensation models necessarily will vary according to organizational culture and philosophical constraints. Nevertheless, progressive utilization of APPs catalyzed by physician shortages and expanding team-based care delivery models requires organizations to re-examine their traditional, possibly outdated, approaches.

HSG has extensive experience in the area of evaluation APP employment and compensation models and stands ready to assist in the process of creating a customized approach to the various scenarios that exist in almost every employed network or health care system.

Contact **Dr. Terry McWilliams** to discuss a customized approach that fits your organizational goals and objectives.

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