

Redesigning Employed Network Compensation Model

REGIONAL HEALTH SYSTEM (SOUTHERN U.S.)

CLIENT QUICK FACTS

- Based in Southern U.S.
- 2 hospital health system
- \$200m net revenue
- 80+ employed providers
- Client since: 2008

OVERVIEW

HSG partnered with a southern U.S. regional health system to fundamentally redesign an employed compensation model that struggled for adoption by the employed providers. HSG worked with leadership to complete a redesign over a 6 month period with 100% of providers returning a signed contract. Leadership found the revised model to be consistent with health system goals and objectives.

“HSG’s expert assistance was invaluable in our work to successfully revise our physician and advance practice provider (APP) compensation models. Proactively involving direct physician and APP participation in model development **generated understanding, acceptance, and ownership of the proposed changes.**”

– MEDICAL GROUP VICE PRESIDENT

CHALLENGES

Health system leadership was struggling with adoption of a revised employed compensation model that was recommended by a large, national compensation consultancy. The existing employed providers found the model overly complicated and provider recruits struggled with comparing the model to other offers. In addition, the new health system leadership team found

the model did not sufficiently align provider behavior with the health system’s strategy. Given the organization had just gone through a redesign process, leadership needed HSG to quickly assess the situation and provide targeted recommendations and modeling to support a quick transition and ensure provider retention.

THE PROCESS

- 1 Develop simplified tenets of a new compensation philosophy.
- 2 Develop consistent methodologies for defining compensation model components, by specialty.
- 3 Incorporate considerations for quality, APP utilization, citizenship, and overall group performance.
- 4 Develop working models to project future compensation based on current performance.
- 5 Review and educate providers on model.

HSG began by reviewing current performance of the existing compensation models, and interviewed providers and leadership to understand desired changes and existing benefits/detriments of the current model. Once this was complete, HSG worked directly with health system stakeholders to do the five initiatives outlined on the left.

THE RESULTS

The compensation plan was successfully adopted by the employed provider group with 100% of providers returning a signed contract. A higher portion of total compensation is allocated to quality and other non-productivity based incentives. As a result, the system is better able to reward providers for supporting efforts dedicated to maximizing revenue under the system's value-based programs. Furthermore, the system is better able to recruit new providers and retaining existing providers with a compensation plan that is more market competitive.



KEY FINDINGS

Proactively involving direct physician and APP participation in model development **generated understanding, acceptance, and ownership of the proposed changes.**