

When a Healthcare Organization (particularly a not-for-profit entity) enters into contracts with Providers to be employed within the Hospital or the Physician Enterprise, in addition to a signed written contract there should always be an accompanying written determination of Fair Market Value (FMV) with respect to the Professional Compensation agreed to between the Provider and the Organization. The determination of FMV should minimally utilize one or more respected national and regional compensation benchmarks (as well as other additional considerations and approaches) to establish and support reasonable compensation levels that are sufficiently documented to be within FMV. Such determinations of FMV may in some cases be completed internally to the organization itself while in other cases, an independent third-party assessment of FMV may be warranted.

In order to provide for a uniform and rules-based approach to the management and oversight of Provider Compensation, the Organization should develop and establish an overarching Provider Compensation Philosophy Statement(s). This Compensation Philosophy Statement should be supported by a detailed series of underlying Guiding Principles set to establish realistic guide rails that help to maintain and align fair and equitable Professional Compensation with Organizational Provider Productivity requirements and expectations as well as clearly addressing any quality and/or service delivery standards across the Organization. Often overlooked, in addition to establishing and guiding expectations for exiting Providers, the establishment of such a comprehensive Compensation Philosophy can be an invaluable tool in the recruitment, onboarding and retention of new Providers to the Organization.

Determination of FMV and establishing Professional Compensation levels, while extremely important, is only part of ultimately optimizing the “*Alignment Equation*”. In addition to determining and documenting FMV compliance for the Professional Compensation associated with each individual Provider, the Organization must optimize the alignment of key work expectations (i.e. Provider Productivity, quality measures/outcomes, citizenship, satisfaction, etc.) with Provider salary and other potential incentive payments to insure financial viability is maintained for both the Organization as well as the employed Provider.

Incorporation of non-Productivity related quality and service delivery measures and associated Incentive Compensation into overall Provider Compensation Models continues to grow in importance. Across the country, these types of incentives are currently representing increasingly larger portions of Total Professional Compensation. Despite this, there is still no getting around the important requirement that all Providers regardless of Reimbursement Methodology(s) or Compensation Strategy(s) must become highly productive, efficient and effective practitioners in order to be financially viable and continue to meet the ever-increasing demand for the delivery of efficient and effective care to the patients for whom they serve.

Utilizing a combination of both internal and external healthcare industry benchmarks coupled with a keen understanding of your Organization's specific payer mix and local reimbursement rates will contribute to guiding the alignment of Professional Compensation with Provider Productivity. Depending on actual payer rates and payer mix associated with your local market, Professional Compensation levels may need to be set from as much as 5 to 25 percentile points lower than Production percentile targets in order for the practice to remain financially viable for the long term.

EBMGroup provides experienced, hands on advisory services aimed at partnering with you and your Organization in developing comprehensive Provider Compensation Assessments and Alignment Strategies as well as in the identification of opportunities for operational and financial performance optimization related to Provider Productivity and Compensation:

- Provider Compensation Philosophy & Model Development
- Provider Compensation Assessment and FMV Determination
- Compensation & Productivity Alignment Strategy
- Provider Productivity Optimization
- Professional Recruitment Strategy Assessment

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