



Physicians Caring for Texans

Essential Elements of Successful Clinical Faculty Compensation Models

Dramatic changes in the U.S. health care industry are forcing most of the nation's medical schools to modify their business practices. One important aspect of these changes is how clinical faculty members are paid. Well-designed clinical faculty compensation plans often incorporate productivity-based incentive formulas. Such formulas typically transfer some financial risk from the practice plan to individual faculty members. Based on objective productivity parameters, however, a well-designed plan allows individuals to have more personal control over their remuneration. Essential elements of successful models have the following characteristics:

- Compensation plans should be in alignment with the strategic goals of the academic practice plan;
- To achieve the greatest productivity, an incentive component should be incorporated into the compensation plan;
- Incentive plans should be fairly and scrupulously administered throughout the course of a fiscal year;
- Incentive formulas should be based on objective measures of productivity;
- Performance targets and other measures of clinical productivity should be linked to outcomes over which a faculty member has some control;
- Physician performance should be measured and rewarded on three important priorities: clinical care, teaching, and research, based on an institution's mission and the individual faculty members' primary responsibilities.
- A process for regular and reliable feedback to clinical faculty members regarding performance should be in place;
- Time between productivity measurement and actual incentive payouts should be as brief as possible;
- Incentive plans should utilize non-monetary rewards as well as monetary ones;
- Incentive plans should be prospectively and effectively communicated in writing to all faculty;
- Compensation plans that transfer financial risk to faculty members should apply at all levels from the lowest to the highest echelons of the institution.

Paying faculty clinicians according to their contribution to the practice plan's success gives them a strong sense of connection to the group practice and a greater sense of pride in their contribution. Fairness, objectivity, and good communication throughout the course of a fiscal year sets a successful plan apart from an unsuccessful one in the eyes of the faculty.

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