

# Developing a Sustainable Approach to Physician Compensation

*Thomas S. Nantais*  
*Chief Operating Officer*  
*Henry Ford Medical Group*

*The Health Industry Forum*  
*October 22, 2012*

# Déjà Vu Again

- Most MD predictions made in the late 1980s/early 1990s were inaccurate
- Many deals with MDs were not sustainable



# Trends

- **Today**, pay for clinical work consists of:
  - **Primary**: Pay for work effort (volume, time)
  - **Secondary**: Pay for quality, patient satisfaction, compliance and citizenship
- Most MD employers (86%) use **incentive-based pay**
  - Average mix: 80/85% salary; 20/15% incentive
- **Salary only** model is used by select large and prestigious MD groups

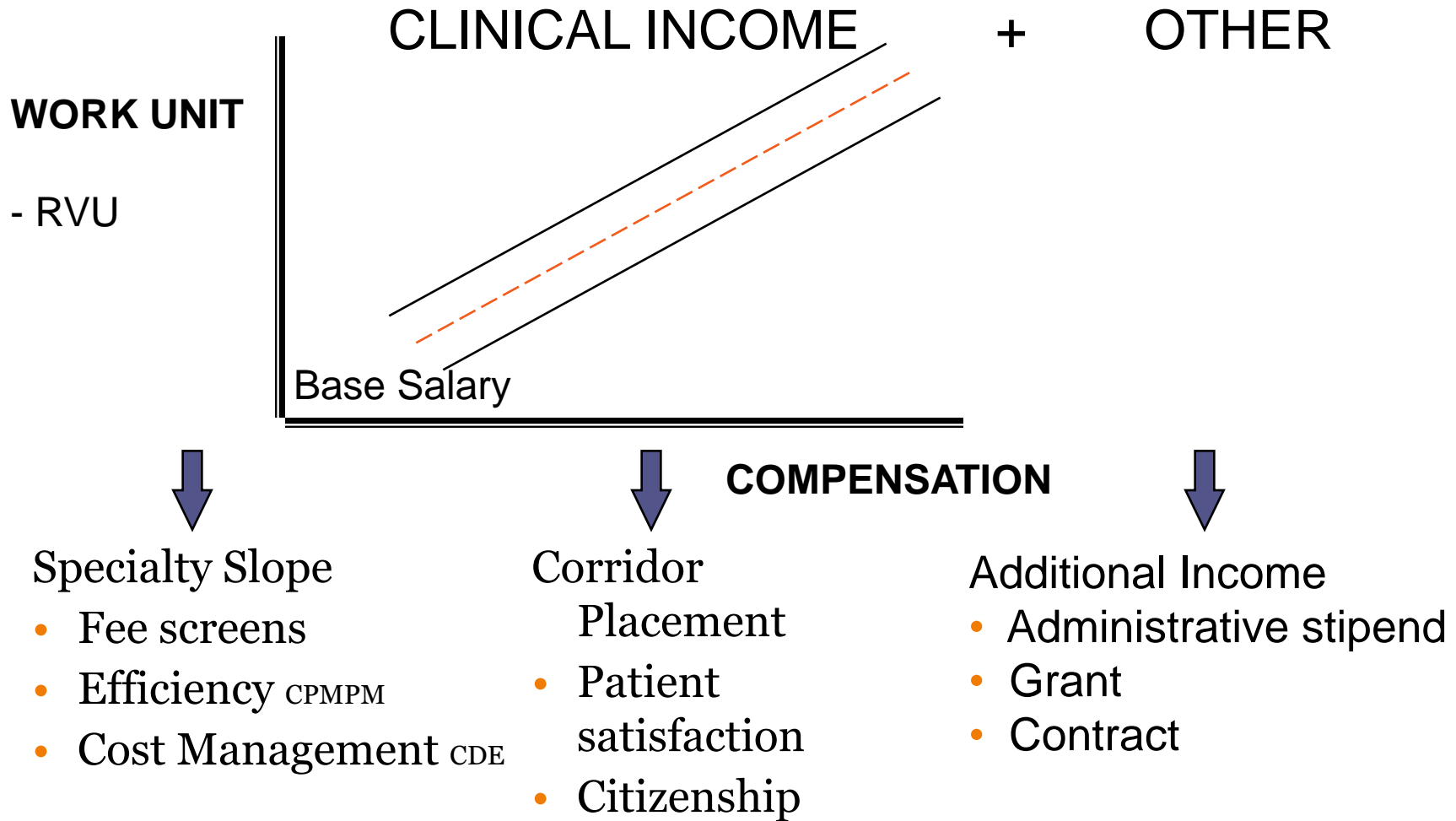
# Trends

<b>Most Common Incentive Measures</b>	
<b>Work Effort</b>	<b>Non-Work Effort</b>
wRVUs (74%)	Patient Satisfaction (74%)
Collections (29%)	Quality (72%)
Net Income (20%)	Citizenship (38%)
Patient Visits (14%)	Alignment with Org. Objs. (36%)

# HFMG Present Compensation Models

wRVUs are still the primary driver

# I) HFMG Individual wRVU Model



## II) HFMG Group wRVU Model

- Clinical pay is an increasing function of productivity as measured by the number of departmental wRVUs
- Due to high malpractice costs and lower average reimbursement vs. national norms, the 65th percentile of productivity will yield the 50th percentile of pay
- Patient satisfaction results are also a component of the payout formula
  - Presently a 5% factor....moving to 10% to 15%

# Neurosurgery Calculation

<b>Market wRVU Rate</b>	<b>\$48.25</b>
<b>Dept. wRVUs</b>	<b><u>x 73,950</u></b>
<b>Targeted Clinical Pay</b>	<b>\$3,568,087</b>
<b>Gross Contribution Adj.</b>	<b><u>(\$188,615)</u></b>
<b>Final Targeted Pay</b>	<b>\$3,379,472</b>



# Neurosurgery Calculation (cont)

<b>Final Targeted Pay</b>	<b>\$3,379,472</b>
<b>Current Compensation</b>	<b><u>\$3,055,101</u></b>
<b>Incentive Pool</b>	<b>\$ 324,371</b>
<b>% of Base Salary</b>	<b>10.6%</b>

# III) HFMG Gross Contribution Model

FFS NPR



Net HAP



Miscellaneous Income



Less Direct Operating Expenses

Future Adjusters

- Util. Mgmt
- Referral Rates
- Other Risk Sharing

Current Adjusters

Patient Satisfaction

Unit Pool

A green money bag with a large white dollar sign on it, representing the Unit Pool.

Enter the Transition

# Trends

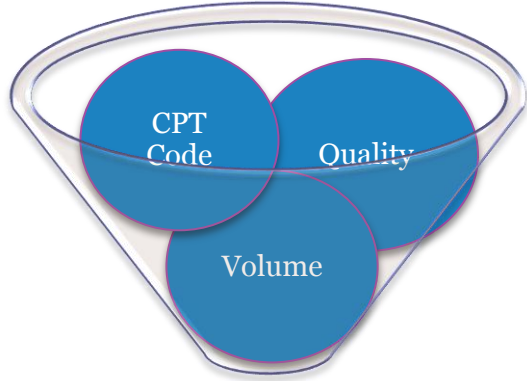
- **Reimbursement changes** will impact MD pay models:
  - Pay for efficiency
  - Pay for quality
  - Bundled payments
  - Pay for e-compliance
  - Episodic/accountable care

# Trends

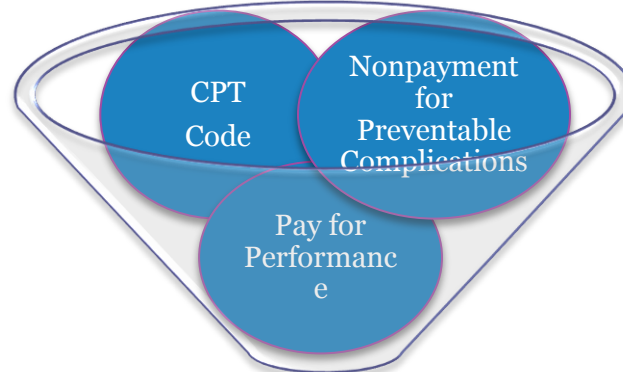
Reimbursement

Physician Compensation

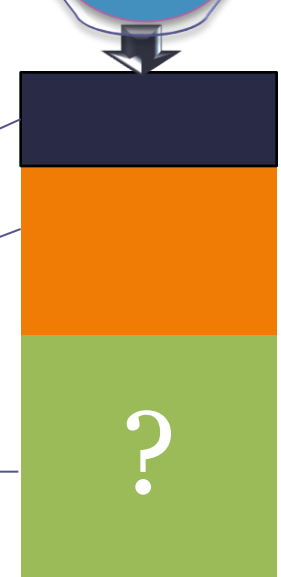
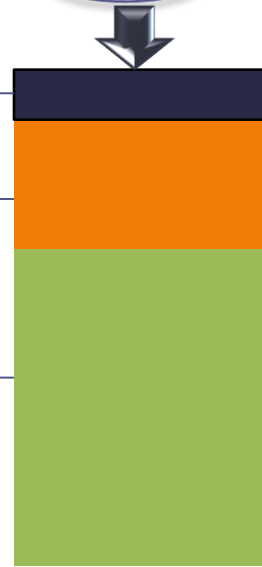
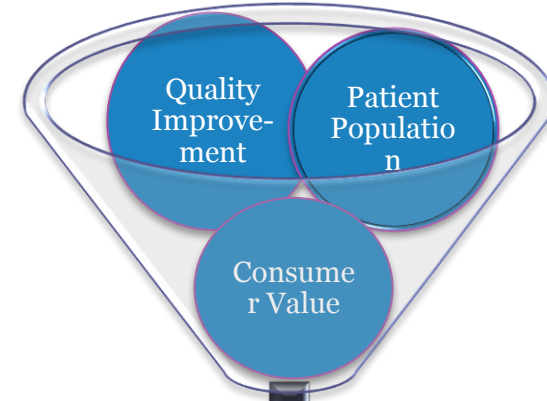
*Today*



*Tomorrow*



*Down the Road?*



## IV) HFMG Quality Incentive Model

- The plan is targeted to focus on three areas:
  - Quality: 45%
  - Utilization: 45%
  - Process: 10%

# HFMG Quality Incentive Model

- Quality:
  - Focus of Family Practice and IM:
    - 1) Preventative Care Bundles – 20%
    - 2) Chronic Care (Diabetes) Bundle – 25%
  - Focus of Pediatrics:
    - 1) Well-Child Visits – 45%

# HFMG Quality Incentive Model

- Utilization:
  - Focus of Family Practice and IM:
    - 1) High-Tech Radiology – 20%
    - 2) Non-emergent ED Utilization – 25%
  - Focus of Pediatrics:
    - 1) Non-emergent ED Utilization – 45%



# HFMG Quality Incentive Model

- Process:
  - Focus of All Areas:
    - Use of standard process put in place by Primary Care leadership

# HFMG Quality Incentive Model

- Funding:
  - Plan will pay eligible participants from a pool equal to  $2/3$  of the total payments received from the PGIP program
    - Eligible participants include primary care MDs, APCs and related support staff

# HFMG Quality Incentive Model

- Payouts:
  - Payouts are promulgated on the achievement of targeted goals in each performance area
  - Targets will be derived as improvement above a baseline goal and payouts are all or nothing

# HFMG Quality Incentive Model

- Schedule:
  - PGIP implemented 1/1/2011
  - Plan evaluation period is semi-annual
  - Payouts occur every six months
  - Plan currently being assessed

# Conditions for Success

- Strong MD leaders
- MD practice management expertise
- MD-centric systems that support high performance
- Patient-centric systems that allow MDs to provide high quality care
- High quality information systems
- Flexible work opportunities
- Financial strength

# MD Compensation Strategy

- Every model has advantages and disadvantages
- Every model requires the MD leader to manage some aspect of MD performance
- No compensation model is capable of replacing **strong MD leadership**



# Thomas S. Nantais

Mr. Nantais has been with the Henry Ford Health System (HFHS) for 27 years and is presently the Chief Operating Officer of the Henry Ford Medical Group, one of the nation's largest medical groups. His primary role includes the administrative management of the Medical Group's \$750,000,000 operating budget, covering 26 ambulatory sites and 4,000 FTEs, including 1,100 employed physicians, who provide service in over 40 medical and surgical specialties. In addition, Mr. Nantais administers the Group's physician compensation programs. He is a member of several key HFHS leadership committees, including the CEO Forum, Strategy Execution Team, System Quality Forum, as well as an ex-officio position on the HFMG Board of Governors.

Prior to being appointed HFMG COO in August 2005, Mr. Nantais was the medical group's CFO for the previous 12 years. His other career stops, within HFHS, included Assistant Vice-President, Corporate Finance, responsible for System business plan development and merger / acquisition analysis. He has also held numerous other financial management positions, within the Health System, during the course of his career.

Before joining Henry Ford Health System, Mr. Nantais worked in the insurance industry. He earned his Bachelor's and Master's of Business Administration-Finance degrees from Wayne State University in 1978 and 1982, respectively and was also a member of the WSU baseball team from 1975-1977. In addition, he has been an Adjunct Finance Professor at the University of Michigan-Dearborn for the past 18 years. Mr. Nantais has also conducted numerous workshops at many national meetings and conferences over the last 17 years in areas such as Physician Compensation, System Integration, and Healthcare Financial Management.

He is presently a board member of the Michigan Roundtable for Diversity and Inclusion, a not-for-profit company which focuses its services on educating companies on key issues around diversity.

## **CONTACT INFORMATION**

Henry Ford Health System  
1 Ford Place  
Detroit, MI 48202  
Email: [tnantais@hfhs.org](mailto:tnantais@hfhs.org)