FUTURE OF EMPLOYED PHYSICIAN COMPENSATION

Compensation plans will move away from pure production (revenue – expense / WRVU-based)

New Elements will emerge to replace up to 50% of production (1)

- Patient Experience
- Population Health
- Quality
- Cost/Efficiency
- Citizenship
- SGR Repeal

(1) Per PwC Health Research Institute Report, April 2011

COMPENSATION PLANS COMPARED

<table>
<thead>
<tr>
<th>Key Factors</th>
<th>% salary</th>
<th>% charges</th>
<th>% collections</th>
<th>Rev. - Exp.</th>
<th>WRVUs</th>
<th>Per Encounter</th>
<th>PMPM</th>
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Star Rating Key:
- Poor
- Fair
- Good
- Excellent
PHYSICIAN ALIGNMENT VEHICLES

Characteristics
- Super utilizers
- Multiple severe conditions, frail, elderly
- Frequent hospitalizations, ER visits
- 40%-50% of total cost
- Limited and stable chronic conditions
- At risk for procedures
- 30%-40% of total cost
- Healthy
- Minor health issues
- 10%-20% of total cost

High-Impact Care Priorities
- Care coordination
- Address behavioral and socioeconomic barriers
- Community engagement
- Reduce practice variation
- Systematic care and evidence-based medicine
- Team-based, coordinated care
- Reduce practice variation
- Focused coordination and prevention
- Movement toward virtual, mobile, anytime access
- Convenience

DEMAND ON THE RISE
- Median first-year compensation for PCPs increasing
- Median compensation for all PCPs increasing
- Increases due in large part to rise of ACOs and delivery of integrated delivery systems that require PCPs
- Health care reform extending coverage to more people has created additional demand for services
- According to Merritt Hawkins, 2013 Review of Physician and Advance Practitioners Recruiting Incentives, FP and internal medicine physicians are the most highly recruited specialties.
COMPENSATION REDESIGN: START WITH THE END IN MIND

- Effective compensation requires strategy
- Confirm the Health Center’s strategic goals before drafting a plan
- Physicians are more likely to support a compensation plan when they understand how the plan supports the strategy
- Understand the chain of causation
- Growth opportunities should inform strategy
- Strategy should inform individual compensation

Building a bridge
- Make sure your Health Center has taken the time to consider the ways the compensation plan will serve as the bridge between individual physician performance and Health Center goals.

BUILDING PHYSICIAN SUPPORT

- Centralize management of the process
- Share decision making
- Involve stakeholders
- Demonstrate opportunity, don’t guarantee outcomes
- Provide a road map for success
- Provide communication channels for troubleshooting
- Change gradually
- Match the pace of the market

CENTRALIZE MANAGEMENT OF THE PROCESS

- Since compensation is a key to strategy and financial performance, a core group with executive perspective should manage it.
SHARE DECISION MAKING

- Executives don't see everything
- Input will be needed from all levels
- Clinicians
- Service line leaders
- Share decision making creates a sense of ownership from the start and allows the best ideas to surface, regardless of their source.

INVOLVE STAKEHOLDERS

- Bring your toughest audience into the process at the ground floor
  - No matter what the ultimate plan looks like, some physicians stand to gain more than others
  - Target physicians likely to face the biggest changes and get them involved at the start

DEMONSTRATE OPPORTUNITY, DON'T GUARANTEE OUTCOMES

- The health care landscape is changing for everyone. Show your physicians they can succeed in the new world.
  - Help physicians understand the problem
  - Reimbursement pressure on all sides
  - Increasing efficiency and market share growth can benefit physicians directly
PROVIDE A ROAD MAP FOR SUCCESS

// If you ask for more, offer more - and tell them how to get there.
// Set concrete targets, thresholds and worthwhile rewards
// Provide real-time, reliable, and actionable reports on their progress toward goals

PROVIDE COMMUNICATION CHANNELS FOR TROUBLESHOOTING

// There will be challenges along the way. Make sure you create communication channels to manage them.
// Dedicated administrator
// Physician champion
// Communication loops

CHANGE GRADUALLY

// Start small and gradually incorporate larger changes
// Pilot program with a few physicians
// Stepwise implementation of new financial incentives and thresholds can be incorporated over several quarters or even the first few years.
MATCH THE PACE OF THE MARKET

The pace of change must match the change in the market. Be prepared, but don't let your compensation model get ahead of your reimbursement model.

THANK YOU

FOR MORE INFORMATION, for a complete list of our offices and subsidiaries, visit bkd.com or contact:

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