

Department of Health Sciences FY2023 Clinical Compensation Plan

I. Introduction:

This Department of Health Science Compensation Plan (this “Department Plan”) is designed to meet the goals of maintaining the long-term financial solvency of the Department, while encouraging excellence in clinical service, teaching, research and administration. It intends to reward high performing faculty and standardize expectations so as to foster accountability among all faculty for meeting certain minimum standards. Further, this Department Plan is intended to better align total compensation with mission-based productivity and national benchmarks, as well as acknowledge present and anticipated national changes in healthcare reimbursement and availability of grant funding. Lastly, this Plan’s goals include providing performance-based compensation that rewards all Departmental missions.

This Department Plan is subject to, and must conform to, the overarching UNC-Chapel Hill School of Medicine Clinical Department Faculty Compensation Plan (the “SOM Plan”). The SOM-wide rules for clinical faculty compensation are set forth in the SOM Plan. This Department Plan focuses on those areas in which the Department has certain flexibility, under the governing principles of the SOM Plan, to define and implement discrete methodology most appropriate for its specialty and clinical practice. The Department will provide copies of this Department Plan and the SOM Plan, upon request, to any faculty members participating hereunder. The Chair of each Department shall be responsible for implementing this Department Plan and any associated Divisional compensation plans and shall inform the Department’s faculty in writing of such plans not less often than annually.

II. Plan Summary:

The Department, with the approval of the President of UNC Faculty Physicians (“UNCFP”) in consultation with the Executive Dean of the School of Medicine, has elected to use a three (3) year rolling average of the Association of Schools Advancing Health Professions (“ASAHP”) national compensation survey as its general benchmark for establishing target Total Cash Compensation (“TCC”) for its faculty members. Together they have determined that this survey reflects market competitive compensation that is aligned with mission-based productivity.

Each Departmental faculty member’s TCC will be comprised of (a) Total Annual Salary (i.e. Annual Base Salary plus any Supplemental Pay); (b) Extra Duty Payments in consideration of excess duties (e.g. excess call coverage); and (c) Incentive Payment;

each of which are further defined in the SOM Plan. The sum total of which must conform with the UNC Board of Governors' salary policies¹.

Any Extra Duty Payment activities should be approved in advance by the Chair and Division Director.

As a member of the Faculty Practice, employee of the School of Medicine and citizen of the University, faculty are expected to fulfill FP Work Standards ("FPWS"). Fulfillment of FPWS are a necessary condition for eligibility for discretionary compensation, including, but not limited to, Incentive.

In addition to FPWS, each faculty member in this Department is expected to meet their annual Base Work Expectations ("BWE") to satisfactorily perform their job obligations.

All compensation paid pursuant to the SOM Plan and this Department Plan will be (a) in accordance with methodologies that are defined and set in advance of the start of the fiscal year (i.e., July 1); (b) consistent with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations; (c) not vary with, or take into account, the volume or value of referrals a faculty member makes within the Department or the SOM, or to UNC Hospitals, to any UNC Health Care System affiliate, or to any unaffiliated health care entity with which the Department has a contractual or other financial arrangement; and (d) not vary based solely upon receipt or termination of an externally sponsored research grant.

III. Eligibility for Participation:

All faculty members appointed to this clinical Department are eligible to participate.

Additional rules regarding eligibility under various circumstances are set forth in the SOM Plan and in all cases, where a faculty member's compensation is to be determined independent of the provisions of this Department Plan. Such alternate compensation must be (i) approved by the Chair and the Dean or Dean's designee; (ii) clearly documented; (iii) approved by the Office of University Counsel; (iv) clearly communicated to the faculty member; and (v) consistent with institutional policy and applicable law.

IV. Definitions: The terms Base Salary, Supplements, Total Annual Salary, FTE, cFTE, Extra Duty Payments, Incentive Payment, and Total Cash Compensation or TCC as used in this Plan all have the meaning defined in the SOM Plan.

¹ The UNC Board of Governors annually publishes approved salary ceilings for School of Medicine clinical faculty, by Department. Faculty salaries (inclusive of all components of salary compensation: annual base salary, supplemental pay, one-time payments and incentive) cannot exceed the stated ceilings without permission of the UNC System Office.

V. FP Work Standards (“FPWS”) are metrics that a faculty member must meet as a member of the FP, employee of the SOM, and citizen of the UNC-Chapel Hill. Failure to meet FPWS shall subject a faculty member to remedial measures, including, but not limited to, (i) Incentive Payment must be reduced or withheld; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and generally will be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of University Counsel. The FPWS are outlined in the SOM Plan and listed below:

1. Maintains timely and appropriate credentialing and licensure.
2. Speaks and acts towards patients, families and colleagues and staff in a respectful manner, and one that values diversity, equity, and inclusion.
3. Engages in professional behavior consistent with UNC-CH SOM & FP philosophy of teamwork as a basis of patient care.
4. Serves on regularly scheduled committees, as requested by Chair/Division Chief/Director.
5. Regularly attends unit meetings and departmental activities consistent with department policy.
6. Meets finance and compliance standards, coding standards and complies with UNC Healthcare documentation standards.
7. Meets and adheres to compliance and financials standards for UNC-CH research and sponsors.
8. Meets and adheres to compliance and financials standards for all UNC-CH funds.
9. Performs teaching responsibilities consistent with UNC-CH SOM guidelines as set by and agreed upon with Chair/Division Chief/Director.
10. Attends scheduled patient care activities on time unless adequate advance notice is provided per departmental guidelines.
11. Close notes for patient encounters within a reasonable time consistent with applicable standards of medical practice.
12. Follow all applicable policies listed in Section V.D.iii of the SOM Plan.

VI. **Base Work Expectations:** Base Work Expectations (“BWE”) for clinical, teaching, research, and administration (as applicable, depending on the faculty member’s

activities) are metrics that a faculty member is expected to fulfill and maintain in consideration of the faculty member's current year Base Salary; and must meet (i) to be eligible for earning an Incentive Payment in a particular category in the current fiscal year under metrics defined in this Departmental Plan; and (ii) to maintain their Annual Base Salary for the following year. BWE metrics must be clearly delineated and set by Departments prior to the beginning of the fiscal year and will be relative to each faculty member's involvement in patient care, teaching, research and administration, recognizing that a faculty member's effort and thus work assignment may not be spread equally across all areas. If the established BWE are not met during the course of the year, (i) Incentive Payment must be reduced or withheld in the category for which the BWE was not met for the applicable fiscal year; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and shall be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of University Counsel.² In the event a faculty member takes formal protected leave (i.e. FMLA leave, ADA accommodation, or leave approved under the UNCC Chapel Hill Policy for Faculty Serious Illness, Major Disability and Parental Leave) or receives any other formal accommodations, BWEs will be adjusted accordingly such that a faculty member is not penalized solely on the basis of having taken protected leave or receipt of formal accommodation. **BWEs are separate and distinct expectations than those activities assigned to faculty for which Supplemental Pay is awarded.** Health Sciences base work expectations can be found in the Department of Health Sciences Guidelines for Establishing Faculty Responsibilities & Productivity Expectations in Teaching, Research/Scholarship, Clinical Practice, Professional Service, and Administration. (Appendix A).

- VII. Salary levels for faculty at each academic rank in the Department of Health Sciences will be set by the Chair, in consultation with the Department of Health Sciences (DHS) Division/Unit Directors. This annual base salary will reflect current, expected minimum salary levels for Health Sciences faculty at each rank who meet minimum performance expectations as established in their annual faculty plan and approved by their respective Division/Unit Directors. These expected annual base salary levels will be adjusted periodically, but not more frequently than annually, and only in connection with the fiscal year cycle, based in part on changes in state EHRA salary dollars provided to the Department during that time. Recommended adjustments in the DHS Academic Minimum salaries will be forwarded to the Dean of the School of Medicine for approval. Salaries reflect a three (3) year rolling average of the ASAHP national compensation survey and are reviewed with Division Leadership on an annual basis.

²With respect to a faculty member, Department Chairs may forego remedial measures if, due to factors outside a faculty member's control, a faculty member fails to fulfill all BWE at 100%, but achieves at least 95% completion of the clinical BWE category.

Additional rules and procedures with respect to the setting, increase, and decrease of salary are set forth in the SOM plan(s).

Each faculty member will have measurable goals for the year. In addition to assessing performance relative to expectations for the previous year, Annual Base Salary is also set relative to a faculty member's specific productivity goals for the coming year (as documented in his/her completed Annual Productivity Plan and Performance Review form), as well as the current and anticipated availability of salary support in the Division. Rates may vary among rank across disciplines. Division/Unit Directors will recommend salary adjustments to the Chair of DHS for faculty in their Divisions, based upon the documented results of this annual performance review and goals set for the upcoming year.

Evaluation of a faculty's performance in terms of goals identified in his/her productivity plan will be made by the Division Director. Based on this recommendation and availability funds an increase may be recommended.

VIII. Incentive Payment: It is the Department's goal to encourage excellence and high performance across all missions, through metrics that are meaningful, measurable and manageable. While these incentive payments are in place, it is important to note that given the smaller clinical operations the Department typically does not have a large pool of funds to be used. Incentive Payments may be considered but not guaranteed for duties performed above the expectations set by FPWS or a faculty member's BWE. Each Departmental faculty member participating in this Plan will be evaluated according to the methodology set forth below; provided however, the payment of incentive is subject to the Limitations on Incentive Payment listed in the SOM Plan. Section V.C of the SOM Plan sets forth certain limitations on Incentive Payments applicable to all SOM Departments. Such limitations include, but are not limited to, the overall financial condition of the Department, UNCFP, and the SOM (e.g., operating margin, performance trends, expected costs of strategic initiatives, and performance compared to budget), timing limitations on when Incentives may be paid, as well as adherence to applicable laws and policies. Incentive payments in this Departmental plan are subject to all limitations in the SOM Plan. In addition, faculty (including APPs) whose contributions are significant to the Department may be eligible for incentive from the central departmental pool.

Necessary Conditions: Faculty Must Meet BWE and FPWS to be eligible (This is in addition to meeting the BWE and FPWS)

Faculty member has a combination of activities in the areas of Teaching, Research, & Service that exceed the normal expectations, as determined by the Division/Unit Director or Chair. Faculty member is recommended for an incentive payment by their Division/Unit Director or Associate Chair for Research/Clinical and approved by the Chair.

Faculty member has ensured that his/her Annual Performance Review is signed and returned to his/her Division Directors no later than June 30th.

Faculty are expected to meet the expectations of clinical performance including those that support high quality reimbursable care. In addition, faculty are expected to complete their work in a manner that supports organizational goals. This includes providing a high quality patient experience that results in patient and referral source satisfaction, writing quality patient documentation that supports timely payment of services, and engagement in the work environment in a manner that supports collaborative and interprofessional care.

The Incentive payment is to be decided on an annual basis. DHS will hold back 3% of Total Clinical Compensation for Incentives. Distribution of the incentive pool will be as follows:

10% Quality Measures (Schedule Utilization average of 85% or greater for cFTE (1 point), No show rate average of 8% or less (1 point), Patient Satisfaction Survey (1 point for at least one returned for provider)

62% Develop and Implement Patient Satisfaction Survey, (All Clinical Faculty who work in Health Sciences Faculty Practice Clinics, UPT, HCC and Durham locations will be eligible)

28% will be used toward Research, Education, Service and Administration. One faculty from each Health Sciences Division will be recommended for this portion based on Exceeding Expectations for all areas of the Annual Review. The faculty in the division will be nominated by the Division based on evidence of excellence.

Recommendations for Incentive payments will be made to the Chair. The Chair's decision to provide Incentive payments, as calculated pursuant to the above criteria, must take into consideration the current, overall financial condition of the Department. Distribution of any Incentive will take place on a quarterly basis, in December for Q1, March for Q2, June for Q3 and September of the following fiscal year for Q4. UNCHS Transfer may be used to supplement the Incentive Component based on criteria specified in this compensation plan (and not in any way that takes into account the volume or value of referrals or other business generated by Department faculty members for UNCH or any UNCHCS affiliate). Clinical incentives will be prorated based on cFTE. Given that the pool of funds for UNCHCS Transfers for the department is limited, Divisions may decide to provide incentive payments from discretionary funds based on the overall financial condition of the Division.

IX. Miscellaneous:

- A. Faculty members who perform clinical services pursuant to a professional services agreement ("PSA") that the Department has with a third party, and whose cFTE is reduced by the amount of effort assigned to that PSA, may be eligible to receive additional or alternative incentive compensation under formulae defined in the PSA, provided that compensation (i) is fair market value, and when included in TCC does not cause TCC to exceed fair market value; and (ii) does not take into account the volume or value of referrals made by the faculty member to the contractual third party. Targets must be vetted and approved by Division Directors in consultation with Associate Chairs (as appropriate) and the Chair of the Department.
 - B. Rank-Based Promotional Increases. In accordance with the SOM Plan, a faculty
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member may receive an increase of Annual Base Salary during a plan year in response to a promotion. The table below specifies the range of mid-year promotion related base salary increases for the Department of Health Sciences.

Promotion To Rank	Increase in Annual Base Salary over prior rank
- Assistant Professor	- \$1,000 -\$5,000
- Associate Professor	- \$1,000 -\$5,000
- Professor	- \$1,000 -\$5,000

Salary Offers to New Faculty

New salary offers are based on consideration of multiple factors: individual qualifications, including educational preparation, years and type of experience, and cumulative record of productivity and accomplishment in the areas of teaching, research and service relative to rank, appointment type and/or position; and market factors which include scarcity of needed specialty, minority status and prevailing salary scales. Based on the above factors and rank at initial appointment, the Department Chair and the Division Director identify the salary offer. If current faculty salaries in a given rank are at benchmark levels, then a new faculty member being appointed to the same rank is offered a benchmark salary at the appropriate range for that rank. If current faculty salaries in a given rank fall short of benchmark salaries, then a new faculty member being appointed to the same rank is offered a salary comparable to current faculty salaries.

The latter approach is taken to minimize the phenomenon of salary compression. Salary compression occurs when new faculty are hired at higher salaries than current faculty, given equivalent qualifications and records of accomplishment. There are, however, instances when it is necessary to bring in new faculty at salary levels higher than those of current faculty. Whenever this occurs, market salary increases (as described below) are given high priority in the following years in order to reduce the disparity in salaries between newly hired and longer-term faculty with equivalent qualifications and records of accomplishment.

To the extent the terms and conditions of this Plan conflict with the terms and conditions of the SOM Plan, the terms and conditions of the SOM Plan shall control.