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Special Report

Manager Incentive Plans

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Manager Incentive Plans

Incentive and Bonus plans for administrators are like medical group compensation plans – when you’ve seen one plan, you’ve seen one plan.

However, there are a number of methodologies that show up over and over again, and we have collected some to support your contract negotiations.

A couple of important points:

- There is no “best” incentive plan. What is right for one group might not work for another.
- It is important that the plan be tied directly to yearly personal performance objectives. Otherwise the plan is left to the whim of those giving the bonus.
- Incentive plans can be tied to both financial performance and personal performance objectives.
- The following methodologies do not represent all options, but point to a number of alternatives that could be modified or combine to result in a useful plan.



<i>System</i>	<i>Details</i>
Sign on Bonus	One-time payment when hired.
Discretionary Bonus	<ul style="list-style-type: none">• Set a potential bonus percentage.• At end of year, physicians discuss and decide amount to be distributed on a discretionary basis.
Bonus based on Reaching Identified Goals or Targets	<ul style="list-style-type: none">• Could set a bonus of 1 to 15% based on reaching certain goals or targets.• Could set a certain percent for each goal (say 3-5% for each goal selected).• Could set targets considering MGMA specialty statistics.• Targets could include:<ul style="list-style-type: none">○ Increasing patient collections to a certain level, or by a certain percentage.○ Increasing gross collection percentage to XX%.○ Increasing net collection percentage to XX%○ Reducing days outstanding in accounts receivable to XX or below.○ Reducing overhead to a certain percentage (Total Medical Revenue/Total operating costs [excluding MD draws] not to exceed XX%)○ Reducing staff to a certain level.○ Quality of service and care programs, as measured by such factors as:<ul style="list-style-type: none">▪ Patient satisfaction results.▪ Employee satisfaction results.▪ Employee turnover rates.○ Completion of identified projects. Examples:<ul style="list-style-type: none">▪ Bring accounting in house.▪ Build new building.▪ Implement new computer system.▪ Physician recruitment.



<i>System</i>	<i>Details</i>
Percent of Shareholder's Income	Examples: <ul style="list-style-type: none">• XX% of the median physician's compensation.• Employee receives additional compensation equal to XX% of the average quarterly productivity bonus paid to shareholders.• Physician shareholders receive 1/3 of their annual compensation in draws throughout the year and the balance as an "end of year bonus." The Administrator's bonus is 25% of the physician's bonus in year 1, 30% in year 2 and 35% thereafter. Bonus is 30% of a shareholder's year end bonus up to a maximum of \$50,000 in bonus pay.
Bonus Based on Increased Physician Compensation	Examples <ul style="list-style-type: none">• At the end of each fiscal year, XX% the average shareholder compensation over the prior year's average will be calculated and the difference paid as a bonus.• For the year, you will receive a bonus of 1% of base salary for every 1% increase in average physician W-2 compensation and benefits.
Bonus Based on Cash Receipts	Example: <ul style="list-style-type: none">• XX% of cash receipts over \$XXX.

As you might expect, our knowledge in this area is based on the fact that Latham Consulting Group has provided **Executive Search Services** to many medical groups. If we can provide assistance or answer any questions you might have, please contact us at 704/365-8889.