

# The South Beach Philosophy

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**Simple vs. Complex  
 Departmental Incentive Plans**

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**Talk Topics**

- ◆ What are depts currently doing?
- ◆ Why an incentive plan?
- ◆ Types of incentives?
- ◆ What Incentives Work?
- ◆ Bonus incentive models - simple versus complex

**Talk Topics**

- ◆ Why an incentive plan?
- ◆ Types of incentives?
- ◆ What Incentives Work?
- ◆ Bonus incentive models - simple versus complex

**Table 1. Categories of Incentive Plans for Clinical Productivity in Academic Anesthesiology Departments**

Category	Primary measurement of productivity
No Incentive Plan	Faculty receive a predetermined salary for clinical work
Charges	Plan measures charges billed or total ASA units billed. Includes plans that convert RVUs to ASA units or vice versa
Time	Plan measures time billed in either time units or minutes
Shift	Plan measures shifts worked, including regular hours, evenings (late rooms), and nights/weekends (calls). Includes plans that measure hours worked that include both billed time and nonbilled time
Late/Call	Plan measures and compensates only late rooms or call. Includes plans that pay faculty incentives only for extra call
Other	All other incentive plans. Includes plans that use revenue collected from the individual faculty's work to determine incentive payment

An incentive plan for clinical work was defined by measurement of clinical productivity and varying compensation on the basis of these measurements. The primary measurement of productivity was used to categorize the different plans.  
 ASA = American Society of Anesthesiologists, RVU = relative value unit.

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**Table 2.** Prevalence of Types of Clinical Incentives Overall and by Size of Department

Category	n	% Total	% by Number of faculty		
			1-20 (n = 20)	21-40 (n = 32)	>40 (n = 31)
None	24	29%	45%	22%	26%
Late/Call	25	30%	30%	41%	19%
Complete	34	41%	25%	37%	55%
Shift	17	20%	10%	22%	26%
Charges	9	11%	15%	3%	16%
Time	5	6%	0%	6%	10%
Other	3	3%	0%	6%	3%

Incentive plans for clinical productivity were categorized on the basis of primary productivity measurement. Complete incentive systems vary compensation according to work performed both during regular hours and in late rooms and on call. Complete systems are categorized as Shift, Charges, Time and Other. Late/Call systems vary compensation only for work performed in late rooms and on call. For a description of the categories, see Table 1. Compared with the "1-20" faculty category, both the "21-40" and ">40" groups differed significantly in the percentage of "None."

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- ### Why an Incentive Plan
- ◆ You want your faculty to do something they are not doing
  - ◆ You want your faculty to do something well that is not being done well
  - ◆ To ensure accountability for resource grants at divisional and individual levels
  - ◆ To reward excellence
  - ◆ It WILL NOT necessarily make faculty happy

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- ### What Makes Faculty Happy
- ◆ Recognition for work done
  - ◆ Expectations = Reality (defined rules)
  - ◆ Respect of Peers
  - ◆ Control/input over their daily lives
    - ✦ A sense of "fairness"
  - ◆ No matter what they tell you, money is LOW on the list, so incentives don't matter THAT much – studies routinely show that money only matters in comparison to nearest peer

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### CAVEATS

Incentives are one way the faculty can see "fairness." The larger and more complex and more subspecialized a department is, the harder it is to be "fair" like the faculty wish (what faculty mean by that is "equal").

It is impossible to equate exactly (through incentives or any other means) what one faculty member does with a different faculty's job in another area.

The key is a consistent work system that allows anyone who meets job requirements or who are in a similar situation to have the same "deal."

## What Makes Departments Happy

- ◆ Fulfilling all of the clinical demands
- ◆ Producing Research
- ◆ Training excellent residents
- ◆ Keeping Faculty Happy (i.e. little attrition and AWAY from the chair's or clinical director's office)
- ◆ Are incentives primarily to make faculty happy, or the department happy?

## THE MOST IMPORTANT 2 SLIDES ARE COMING UP!!!!

## Good Incentive Planning

1. Decide what the department values, and how it can be measured
2. Use the data over and over (bonus and academic time determinations, faculty feedback, dean's report)
3. Make sure you reward what you really want (The folly of rewarding A while hoping for B). Every system delivers EXACTLY what it is designed to do.
4. Find out what the faculty value in order to devise meaningful incentives
5. Consider rationalizing base salaries and eliminating from incentive what goes into figuring the base

## The Folly of Rewarding A and Hoping for B

- ◆ Utilization (productivity)
- ◆ Test Scores (application of knowledge, understanding)
- ◆ LOS (total overall costs of stay, contribution margin)
- ◆ Paying to send people for ASA presentations (papers)
- ◆ RVU's (short turnovers, willing to stay late, take on an extra room, go off site, more total RVU's for group)
  - Everyone acts in their rational (often economic) self interest

## Paying our People

- ◆ Competitive
  - \$\$\$\$ base plus \$\$\$ incentive +  
Psychic Income has to be greater  
than the alternative
  - Psychic Income = things like  
intellectual challenge, love of  
teaching, respect, recognition,  
lifestyle, security (opposite of  
incentives if too large %)
- ◆ Aligned Incentives to Produce  
What the Department Values

## Types of Incentive Systems

- ◆ *Carrot*
- ◆ *Stick*
- ◆ *Target (all or none)*
- ◆ *Incremental (varies with success)*

## Types of Reward Systems

- ◆ *Intangible Rewards:*
  - *Feeling valued*
  - *Feeling in control*
- ◆ *Tangible Rewards:*
  - *Money*
  - *Time*
  - *Preferences*

## Motivation to attempt to behave in a certain way is greatest when...

- ◆ The individual believes that the  
behavior will lead to outcomes
- ◆ The individual believes that these  
outcomes have positive value for  
him or her
- ◆ The individual believes that he or  
she is able to perform at the desired  
level

from "Motivation: A Diagnostic Approach" by Nadler and Lawler, 1977,  
McGraw Hill

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**Rules for Goal-Based Incentive Plans**

1. Focused goals inspire. Three to five goals are preferable to six or more goals.
2. Specific goals with measurable endpoints generate higher performance than general goals.
3. Difficult, achievable goals generate higher performance than easy or impossible goals.
4. Worker participation in goal setting elicits increased commitment and motivation.
5. Specific feedback, negative and positive, inspires increased levels of performance.

Adapted from —Kratz RD: Development of a Goal-Based Incentive Plan for Motivating Academic Anesthesiology Departments. Abstract presentation at the 2004 IARS Clinical and Scientific Congress in Tampa, Florida

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**Ideal Incentive:  
Target and Incremental**

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**Ideal Incentive Behavior**

Target bonus incentive at breakeven + 20%, gradually increase above that, increase rate of incentive at certain high level (secondary target)

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**Development of a Goal-Based Incentive Plan for Motivating Academic Anesthesiology Departments**

◆ **References:**

1. Hellreigel D, Slocum Jr JW, Woodman RW. (2001). Motivation in the Work Setting. Organizational Behavior (ninth edition). Cincinnati: South-Western College Publishing.
2. Hughes CL. GOAL SETTING Key to Individual and Organizational Effectiveness. 1965. American Management Association.
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4. Layman EJ, and Guyden JA. (2000). Renewal versus burnout: A career blueprint. The Health Care Manager, 18(3), pp. 52-62.

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### Development of a Goal-Based Incentive Plan for Motivating Academic Anesthesiology Departments

- ◆ The chair and faculty meet to determine mutually agreeable goals and determine measurement criteria for goal achievement.
- ◆ ensure that the resources necessary for goal achievement are available.
- ◆ follow up for feedback and evaluation allows for continuous improvement.

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### Assessing Faculty Satisfaction with a Faculty Incentive Plan

- ◆ A survey was developed using 19 statements with a five-point Likert scale: strongly disagree, disagree, neutral, agree, or strongly agree. Additional questions inquired about length of time in the department and specialty areas. Two open-ended questions allowed faculty to share experience with other plans and express concerns that were not addressed in the survey.
- ◆ 30 anesthesiologists were surveyed. 24 surveys were returned.

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### Assessing Faculty Satisfaction with a Complex Faculty Incentive Plan

- ◆ 80% did not understand how recent incentive determined
- ◆ 70% said not enough time to meet academic goals
- ◆ 35% did not feel they had the resources needed to make progress towards their yearly goals.
- ◆ 40% felt it did not influence their productivity
- ◆ Over half disagreed with statements that it motivated them to provide patient care, educational activities, research, or administrative activity.
- ◆ Only 35% were highly satisfied with the current plan.

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### Complex vs. Simple

- ◆ Developed an increasingly complex plan at Duke as Vice Chair, proud of its amazing inclusivity, targeting everything of value faculty did
- ◆ Although each individual faculty had their needs addressed, as a whole, it was so complex the faculty refused to believe it wasn't being manipulated and/or could not see how reward related to productivity (same as Penn State).
- ◆ The amazing list of things to include in the incentive program suggested that they wanted recognition, not money, for what they did
- ◆ Incentivize everything, you incentivize nothing (see my pithy A&A editorial)

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## Assessing Faculty Satisfaction with a Faculty Incentive Plan

- ◆ Faculty were more likely to be satisfied if they felt collegiality and support (P=0.0011), were in the department longer than 5 years (P=0.0347), and felt they had adequate time (P=0.0221) and other resources (P=0.0081).
- ◆ Mirrors my informal survey at Duke.

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## Fair vs. Understandable

Understandability Believability

Fairness Complexity

Special thanks to Tremper

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## Legal Problems with Direct Incentives

- ◆ Recent OIG Rulings
- ◆ Incentives to practitioners to limit care in return for direct gain (i.e. receiving a cut of the cost savings) are illegal
- ◆ NIH rules
- ◆ Group gain, or pay/hour OK

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## Accountability - measuring what is done with the time

- ◆ As a division what is accomplished - for departmental distribution of academic time
- ◆ As an individual for the division chief to locally administer the departmental grant of academic time to each individual

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Division (Rev)	Percent Pub 1,2,Sr	Total Resch Dollars	Research Percent	Salary Recovery	R-Sal \$ per FTE
GVT	21.53%	\$615,559	11.47%	\$127,253	\$13,509
<b>Dept Total</b>					

- ◆ **Percent publications 1, 2, Sr:** Point values are assigned on the basis of authorship (discussed later). The division total is divided by the department total.
- ◆ **Research percent** is div \$/total dept \$.
- ◆ **Research Salary dollars per FTE** is self-explanatory.

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### Salary Progression Grid

Rank	4	3	2	1
	Associate in Dept	Assistant Professor	Associate Professor	Full Professor
Year	0	\$110,000		
	1	\$110,000		
	2	\$110,000	\$140,000	
	3	\$110,000	\$144,000	
	4	\$110,000	\$148,000	\$162,000
	5	CAPPED	\$152,000	\$166,000
			\$156,000	\$170,000
			CAPPED	\$174,000
				\$178,000
				CAPPED
				\$200,000
				\$205,000
				CAPPED

+ psychic income makes ours the best job available (to the people we want)

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### Target = AAMC 50th Percentile

Target	\$144,250	\$183,000	\$210,000	\$239,182
	Associate in Dept	Assistant Professor	Associate Professor	Full Professor
	76%			
	76%			
	76%	77%		
	76%	79%		
	76%	81%	77%	
		83%	79%	
		85%	81%	77%
			83%	79%
			85%	82%
				84%
				86%

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### The Complex Plan for a Year End Distribution (YED)

- ◆ Clinical 60%
- ◆ Research 12.5% (+ salary %)
- ◆ Teaching 17.5%
- ◆ Administrative 5% (+ supplements)
- ◆ Discretionary 5%
- ◆ YED aims for about 15% of salary total

## Calculating (YED) -Research

- ◆ Different goals for developing vs. mature departments
- ◆ Goals
  - promote maximum publication in best journals
  - promote cooperation
  - encourage junior faculty but decrease high abstract/paper ratio
  - Increase Research Salary recovery
  - Increase NIH Grants

## Calculating (YED) -Research

- ◆ Publications - how to reward while promoting inclusion/inter-divisional cooperation, how to compare a landmark paper with a single author vs. a retrospective study with 10 authors in a throwaway journal

## Calculating (YED) -Research

- ◆ Value for each author (1st, 2nd, senior, other & only 1 position - no benefit limiting)
 

-Tier 1 ( <i>Anes</i> or CI > 4)	12/12/12/2
-Tier 2 (peer reviewed)	8/8/8/2
-Tier 3 (chapters)	4/4/4/2
-Tier 4 (letters, newsletter articles)	2/2/2/2
- Abstracts only for Asst Prof or below, first author only 2 points
- Individuals responsible for being more productive on extra academic time (-8/day)

## Calculating (YED) -Research

- ◆ Salary recovery = 20-33% of \$ = tax of 67-80% of residual
- ◆ Trade-off made by individual (=control so happy)
  - Tripled salary recovery first year implemented 1996 to 1997 w/ little change in total research grants
  - Almost 600% increase over 5 years.
- ◆ NIH grants - extra point/10K

## Calculating the Year End Distribution (YED) - Clinical

- ◆ We did it wrong for all old business (some change ain't worth it)
- ◆ % of Charges w/ daily avg. charges attributed to clinical non-billing activities
- ◆ Target plus gradual is the way to go. Target payments should be defined so it is not a competition for a fixed amount. Done for new business.

## The Simple Miami Plan

- ◆ Clinical "Bonus"
  - RVUs are out, "life equivalents" are in
  - Pay for dedicated time (Saturday orals, weekend holiday call)
- ◆ Defined amount of bonus (about 10% of total salary) with 3, maximum of 5 achievable targets
  - Everyone teaching evaluation >3.5/5
  - Individual, career appropriate goals with defined metric of success (Divisional goals for chiefs)
  - Personal accountability defined in writing for resource grants of money/time annually (Divisional accountability for chiefs)
- ◆ Research "Bonus"
  - Pay for direct salary support (33%)
  - Everything else is rewarded – invitations to lecture, fame, recognition, academic time, etc. – in other ways or by other people, so I don't waste department money or my time on it.
  - In very mature departments mature non-productive academicians with large salaries many have to be on a different incentive plan (never had that problem!)
- ◆ Chairman's discretionary for those exceeding expectations

## Rules for Goal-Based Incentive Plans

1. Focused goals inspire. Three to five goals are preferable to six or more goals.
2. Specific goals with measurable endpoints generate higher performance than general goals.
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