Guidelines for Departmental Faculty Compensation Plans

University of Massachusetts Medical School & UMass Memorial Healthcare, Inc.

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I. **INTRODUCTION**

The University of Massachusetts Medical School and UMass Memorial Healthcare, Inc. (collectively, the Health Sciences Center) compensates its faculty members in a manner that fairly reward contributions to clinical care, education, research, and leadership/service, recognizes excellent performance, and encourages faculty to support the goals and values of the organization. This document describes the guidelines for departmental faculty compensation plans at the Health Sciences Center. Each clinical and basic science department is required to implement a detailed compensation plan consistent with the guidelines in this document.

Faculty compensation plans may be organized at the level of the department, division or program as appropriate. At a minimum, a faculty compensation plan will include goals and objectives, a standard method for assigning faculty effort, a performance evaluation process, categories of compensation (including use of incentive compensation and eligibility criteria, if applicable) and performance criteria by which faculty members are evaluated. The financial elements, including base salaries, incentive compensation, and stipends for each faculty member will be reflected in the department's annual budget. Compensation plans must have a clearly defined source of funds for all the elements of the plan. Clinical department compensation plans are approved by the Dean of the School of Medicine and the CEO of UMass Memorial Healthcare, Inc., while basic science department compensation plans are approved by the Dean of Medicine and the Vice Chancellor for Administration and Finance.

II. **PRINCIPLES**

The University of Massachusetts Medical School-UMass Memorial Healthcare, Inc department faculty compensation plans:

- A. Enable the Health Sciences Center to attract and retain highly qualified faculty, and to reward the performance of its faculty;
- B. Are aligned with the goals and objectives of the organization;
- C. Reward excellent performance in any or all of the following missions: research, education, clinical care, and leadership/service;
- D. Allow compensation to be paid as both base pay and as incentives that recognize individual and departmental success;
- E. Are fundamentally fair, nondiscriminatory and based on objective criteria, including internal and external market factors;
- F. Support the development, improvement and enhancement of faculty performance;
- G. Are compliant with applicable laws, rules and regulations, including IRS rules relating to "excess benefit transactions" and "private inurement," as well as the policies, bylaws, and regulations of both the University of Massachusetts Medical School and UMass Memorial Healthcare, Inc.

III. <u>ELIGIBILITY</u>

Faculty compensation plans are applicable only to academically salaried faculty members (as defined in the Academic Personnel Policy, Doc. T95-022, Article 1, Section 1.5, and any amendments thereto), full or part time, who are employed by and receive compensation from the University of Massachusetts Medical School and/or UMass Memorial Healthcare Inc. for duties performed as a faculty member. The compensation

guidelines are not applicable to professionally salaried faculty members and those who do not receive compensation (serve in a voluntary, honorary or emeritus capacity).

It is expected that all faculty members will demonstrate standards of professionalism. Clinical faculty members will be compliant with the policies, bylaws and regulations of the University of Massachusetts Medical School and UMass Memorial Healthcare, Inc., while basic science faculty members will comply with the policies, bylaws and regulations of the Medical School. A faculty member's failure to demonstrate satisfactory performance in these areas may result in the forfeiture of the right to participate in salary increases, incentives, and stipends as outlined in existing policies and procedures.

IV. JOB EXPECTATIONS

Annually, the department chair or the faculty member's direct supervisor will define the job expectations in consultation with each individual faculty member and the percentage of effort that each faculty member shall spend in clinical care, education, research and leadership/service. An individual faculty member may have time allocated to one or more of the four mission categories. At times, a faculty member may have time allocated to professional development, editorship of journals, etc., and the individual's effort distribution should reflect these activities. The criteria that each department uses to determine distribution of effort allocation should be applied uniformly to all faculty members.

All of an individual faculty member's effort must be allocated to one or more of the mission categories or other approved activities. Service activities such as membership on committees, attendance at departmental research and educational meetings, participation in clinical quality improvement activities, among others, are part of institutional

citizenship. Such activities are subsumed under the four mission categories of effort allocation.

In the context of an individual faculty member's job expectations and effort allocation, performance goals will be jointly developed by the faculty member and his/her supervisor on an annual basis. Goals should be based on the individual's, department's and Health Sciences Center's priorities. Explicit goals should be established in all categories to which effort is allocated and objective criteria used to measure performance. The key concept is that goals, objectives, evaluations and compensation-related rewards for each faculty member are appropriately weighted in proportion with the effort assignment for that individual faculty member.

V. <u>PERFORMANCE EVALUATIONS</u>

A formal performance evaluation process is a requirement of all compensation plans. Performance will be evaluated using objective criteria. At a minimum, the department chair or the faculty member's direct supervisor will provide each faculty member an annual written performance evaluation based upon goals outlined at the start of the performance cycle.

In preparation for the annual evaluation, an individual faculty member shall have an obligation to provide data that demonstrate how he/she has met his/her goals for the evaluation period. The Health Sciences Center also will provide timely data on performance, as applicable, in such areas as learner evaluations, clinical productivity, quality and safety metrics.

The performance evaluation will assess a faculty member's performance in each mission area in which effort is allocated and will derive an aggregate assessment of performance, in which the performance rating in each mission area is weighted in proportion to the percentage of the faculty member's effort that is devoted to that mission.

VI. COMPENSATION

Compensation is measured on an annual basis and is the amount of money, not including benefits, paid to a faculty member over a twelve month period for performing her/his job responsibilities. Compensation may be paid as base salary only, or as base salary in combination with incentive compensation and/or a stipend, depending on the individual department's compensation plan. Total compensation is the sum of base salary, stipend and incentive compensation, if any. An individual's total compensation is based on academic and clinical specialty, performance, and external and internal market data. In determining compensation levels, a department will use comparable and objective market data. The recommended sources are databases from the Medical Group Management Association (MGMA) and Association of American Medical Colleges (AAMC), as well as other sources as applicable to a discipline/specialty. Market data for the clinical departments are approved by the Dean of the Medical School and the CEO of UMass Memorial Healthcare, Inc; the market data for basic science departments are approved by the Dean of the Medical School and the Vice Chancellor for Administration and Finance. Under certain circumstances, UMass Memorial Healthcare, Inc. may request review and prior authorization from the UMass Memorial Board of Trustees Compensation Committee for a compensation plan for an individual clinical faculty member.

A. **BASE SALARY**

The base salary is a fixed annual compensation paid to a faculty member for performing job responsibilities, excluding any other payments or allowances. All faculty members receive a base salary. Changes or adjustments in base salary are determined by the department chair or designee usually on annual basis. Factors used to determine base salary are academic and clinical specialty, academic rank, internal and external benchmarks and performance

Under certain circumstances, a faculty member's base salary may be reduced. Each department will define criteria and a process for salary reductions. With regard to faculty members who hold tenure at the Medical School, reductions in salary must be done in accordance with Academic Personnel Policy (Document T95-022 as Amended by the Board of Trustees on 8/23/2006) Article 11, Section 4e or any amendments thereto. Changes in the base salary of a faculty member in a clinical department are approved by the Dean of the Medical School and the CEO of UMass Memorial Healthcare, Inc; changes is the base salary for a faculty member in a basic science department are approved by the Dean of the Medical School and the Vice Chancellor for Administration and Finance.

B. **INCENTIVE COMPENSATION**

Incentive compensation is a method of compensation provided to a faculty member, in addition to base salary, in recognition of excellent performance against goals. All clinical departments will include a mechanism for incentive compensation as part of their department compensation plans. Non-clinical departments may elect to incorporate incentive compensation into their compensation plans. Incentive compensation for any activity must have a funding source and be reflected in the department's operating budget.

Incentive compensation should be awarded for excellent performance, as defined in the compensation plan. In general, incentive compensation will not be paid until a pre-defined threshold level of performance is achieved. Incentive compensation may constitute a significant part of total compensation for clinical faculty members.

Incentive compensation may be based on either the attainment of individual goals or on the attainment of collective departmental, divisional, clinical unit or system goals. In those cases, where collective goals are used as a basis for incentive compensation, an individual must achieve a pre-defined threshold level of performance in order to receive the incentive. In either case, clear written guidelines must exist prior to the implementation of the incentive program. These guidelines will determine who is eligible to participate, when eligibility begins, how performance is measured, threshold levels to attain an incentive, funding for the program, and the payout schedules (e.g., quarterly, annually).

Compensation plans may provide for incentive compensation based upon a chair's division chief's or program leader's recognition of outstanding performance that is not measured by a priori defined goals. However, a strong rationale for such an incentive must be presented and approved by the Dean of the Medical School and/or CEO of the UMass Memorial Healthcare, Inc. as appropriate, prior to payment of such an incentive.

C. <u>COMPENSATION FOR LEADERSHIP APPOINTMENTS</u>

When faculty members take on formally designated leadership positions (e.g., Chief, Clinical Director, Residency Program Director, etc.), compensation for the position usually is given as a sum of money to pay for the effort allocated to the position, and is incorporated into the faculty member's base salary. In some cases a leadership position may result in an adjustment to base salary or the payment of a separate stipend. Stipends are not

intended to compensate faculty members for informal leadership roles such as performing committee assignments, participating on a task force, etc.

VII. ADMINISTRATION OF THE PLAN

Compensation plans of the clinical departments will be reviewed and approved by the CEO of UMass Memorial Healthcare, Inc. and the Dean of the Medical School. Basic Science departmental plans will be approved by the Dean and the Vice Chancellor, Administration & Finance of University of Massachusetts School of Medicine.

Each department is responsible for the administration of its own compensation plan. The UMass Memorial Medical Group will oversee the administration of the clinical departments' compensation plans. The Office of the Deputy Chancellor for Administration and Finance of the University of Massachusetts School Of Medicine will oversee the administration of the basic sciences departments' plans.

Each department's compensation plan is expected to be aligned with all the principles and guidelines outlined in this document and contain several elements. Compensation plans may be organized at the level of the department, division or program, as appropriate. Compensation plans will state the objectives and the desired outcomes of the plan. All plans will include the process for determining effort allocation and setting individual goals for each faculty member, and criteria used for salary reduction, as well as define the process for annual evaluation. Finally, plans will describe the methods of compensation and performance criteria for clinical care, education, research and leadership/service, as applicable. The submitted plan will be approved or returned to the department for modification and resubmission.

Annually, each department will be required to submit its compensation plan along with modeling of the plan based upon projected fiscal year data. Clinical departments will submit their plans to the Medical Group's Chief Financial Officer. These plans will be used as supporting documentation of physician expenses that have been reflected in the Medical Group's annual financial statements. No later than 90 days following the end of the fiscal year, when all final performance metrics are available, actual incentive calculations will be finalized by the department and submitted to the Chief Financial Officer of the Medical Group or designee along with the requests for payment reflecting incentive payments to participants for the clinical departments. Similarly, the basic sciences department will submit their plans to the Vice Chancellor of Administration and Finance of the Medical School.

On at least an annual basis, the department chair or the faculty member's direct supervisor is responsible for communicating with faculty members about the structure and function of the department's compensation plan.

As part of the compensation plan, each faculty member's effort assignment must be reported by the department in their annual report to the office of the Vice Provost for Faculty Affairs and to the UMass Memorial Medical Group's Chief Financial Officer. Also, the departments are responsible for reporting the assessment of each faculty member in each mission area, along with the faculty member's overall weighted, integrated rating of performance to the Vice Provost for Faculty Affairs and the Chief Financial Officer of the UMass Memorial Medical Group.

VIII. CRITERIA FOR EVALUATION OF PERFORMANCE

A. <u>USE OF PERFORMANCE CRITERIA</u>

This section of the document describes processes and criteria to be used in department plans for the evaluation of performance in clinical care, education, research, and leadership/service. All incentive compensation and annual increases in base compensation and stipends should be awarded by performance against goals. The final recommendations for annual changes in base salary and incentive compensation must proportionally reflect ratings in each of the mission areas. For example, an individual whose effort is equally split between mission areas would only receive a maximal increase if a maximal rating were earned in each area. In contrast, an individual who has a very high proportion of effort in one mission area could earn a near-maximal increase by virtue of a maximal rating in that one area. The specific methodology for creating a weighted, integrated rating should be explained within each department's plan.

B. <u>CLINICAL CARE</u>

Clinical care is a major source of revenue for the Health Sciences Center in addition to being one of its primary missions. The clinical faculty must be productive and provide high quality care. To facilitate achievement of these goals, all clinical departments will have an incentive compensation plan for clinical care.

In general, all clinical faculty members who have time allocated for clinical care will participate in the incentive compensation plan. Each department will define the equivalent of a full time clinical faculty member. Possible criteria include time spent in clinical care activities, numbers of clinical activities performed, and procedures completed. Recognizing that many faculty members have time allocated to educational, research and leadership/service roles outside of clinical activity, clinical targets (or

clinical full time equivalents) should be adjusted to reflect this non-clinical time. Effort allocation and targets should be reviewed annually.

Incentive compensation for clinical care should be awarded only when performance is above pre-determined threshold levels. The major criterion for incentive compensation for clinical care is productivity, which is most often measured by work Relative Value Units (wRVU). Other measures of productivity may include numbers of procedures or cases and numbers of new patients. Incentive compensation plans must be constructed in such a way as to encourage the care of all patients, regardless of their ability to pay for care.

Incentive plan targets should be based upon productivity benchmarks. Recommended sources are MGMA, AAMC and the University Health Consortium (UHC). Other specialty specific benchmarks may be used when they are more applicable. All benchmarks must be approved by the Chief Financial Officer of he Medical Group.

A portion of clinical incentive opportunities may be based on other criteria such as patient satisfaction, quality and patient safety and referring physician satisfaction. Appropriate weights should be assigned to each objective.

Departments must show the sources used for funding incentive compensation plans. Departments are strongly encouraged to create incentive compensation plans that reward overall financial performance of the clinical unit, division or department. Base salaries and incentive payments should be budgeted each year based upon the estimated clinical productivity and realistic assumptions related to other objectives of the plan.

As incentive programs grow and incentive payments become a more significant portion of the participant's total compensation, departments should transition from an annual incentive payment to a quarterly incentive payment. Annual incentive payments are payable within 90 days of the end of the fiscal year and quarterly incentive payments are payable within 45 days of the end of the quarter.

At a minimum, the compensation plan should be modeled mid-year, based upon actual six months of activity. Any variances from budget should be communicated to the Medical Group's Chief Financial Officer to ensure that physician compensation is being properly recorded and incentive payments are being accrued consistent with the actual revenues being recorded by the Medical Group.

In the event of authorized, extended leaves of absence due to illness, disability or family leave, consideration should be made in setting productivity targets so as to not negatively impact physician incentive compensation for a predetermined period of time. Compensation during these periods is governed under the Medical Group's Sick Time and Salary Continuation Policies as well as its policies regarding leaves of absence.

C. EDUCATION

A hallmark of the Health Sciences Center is its educational mission. Thus, it is the expectation that all faculty members contribute to educational activities of the Health Sciences Center. As such, each department will be responsible for defining the standards for "educational citizenship" whereby faculty members contribute to the educational mission of their respective department and/or the broader educational mission of the Health Sciences Center.

All departments will be responsible for defining educational activity as Direct Teaching or Educational Service. A department must designate its funding sources for educational effort. Examples of each are included in the table below.

Direct Teaching	Educational Service		
• Instructing medical students, residents, fellows, graduate and postgraduate students in classroom, laboratory, patient care or other environments	• Developing curricula, organizing new teaching programs, substantially improving established courses, or integrating teaching activities within or between departments		
• Advising, counseling and evaluating, students, residents, or fellows (e/g/ dissertation committees, thesis defense, qualifying exams, laboratory learning, etc)	• Developing or facilitating improvements in teaching techniques and methods of evaluation		
Presenting or leading continuing professional education programs	• Developing or substantially improving teaching resources including the preparation and evaluation of standardized patients (e.g. examinations, surveys, software and techniques)		
 Instructing learners of other Schools and institutions Presentations for grand rounds, teaching rounds or journal clubs 	• Supervising or coordinating teaching by others (e.g. course director, residency program director)		
	• Writing or editing textbooks		
	• Playing a major role in the organization, implementation and evaluation of a regional or national educational activity		
	• Acting as an education consultant to national bodies or a reviewer for national grants in education.		
	Service on education-related school committee		
	Recruitment of students		

For educational activities, the department will define the criteria for measuring and assessing both educational effort and educational quality. Each department is accountable for using these criteria to determine how to compensate educational activity conducted not only in the classroom, but also in the research and clinical care settings and to reward outstanding educational performance. Suggested criteria for evaluation are shown in Table 1.

As part of the annual performance review process, the department chair or the faculty member's direct supervisor will review the faculty member's assigned educational effort and activities, and as applicable to those activities, the criteria for assessing performance/quality and mechanisms for rewarding outstanding educational performance.

It is understood that there are certain "core" educational leadership activities deemed to be of critical importance to the Health Science Center's educational mission. For each of these core educational activities the department will specifically define the percentage effort that is expected to be supported for the faculty member filling the role. Examples of such core activities and positions include major teaching leadership roles such as course, clerkship and program director and major service roles, such as admissions committee membership or curriculum committee leadership. The Health Sciences Center will provide a list of core educational activities for the departments' information and will review the departmental support allocated to each core educational activity to assure consistency with institution-wide standards and expectations, as well as with accreditation standards (e.g., RRC), data and trends derived from the medical literature, specialty groups and oversight organizations (e.g., AAMC), as applicable.

As part of the review of a department compensation plan, the educational detail component for each department will be reviewed to assure compliance with institutional guidelines, general consistency across departments and fulfillment of the educational mission institution-wide.

Expectations are that each department will effectively execute its plan and establish mechanisms to periodically assess the effectiveness and outcomes of the education plans.

Compensation for accomplishments in education is usually reflected in a faculty member's base salary. Additionally, departments may use incentive compensation to reward educational accomplishment. The department has leeway and flexibility in determining compensation thresholds (e.g. minimum levels of percent effort required for compensation) and the percentage of time allocated to respective teaching activities. If a department chooses to use incentive compensation it must include specific criteria for awarding incentives and a method for funding the incentives in its compensation plan

D. <u>RESEARCH</u>

The research achievement of the Health Sciences Center is an important benchmark of its success and is a key component of its reputation. It is in the best interest of the institution to reward and encourage research achievement. Therefore, it is important to evaluate faculty using criteria based upon the goals and ideals of the Health Sciences Center. Table 2 contains recommended Performance Evaluation Criteria for Research that characterize faculty who perform at levels that meet, exceed, or are below expectations of research achievement. In considering these benchmarks it is important to realize that each individual should be compared against peers within the same field of biomedical research -- as judged by the department chair or designee. The criteria are based on reputation, publications and funding.

Compensation for accomplishments in research is usually reflected in a faculty member's base salary. Additionally, departments may use incentive compensation to reward research productivity. If a department chooses to use incentive compensation it must include specific criteria for awarding incentives and a method for funding the incentives in its compensation plan.

E. <u>LEADERSHIP/SERVICE</u>

When a faculty member takes on a formal leadership position in the form of designated appointment (e.g., Chair, Chief, Clinical Director, Residency Program Director, etc.) he/she should have specific goals and his/her performance as a leader should be measured in his/her annual performance review.

Leadership performance criteria will vary depending on the specific position but in general the criteria shall reflect the performance of the unit that the individual is leading. Recommended criteria are listed in table 3. For a specified subset of leadership positions, compensation may be awarded in part based on overall performance of the Health Sciences Center.

Compensation for leadership is usually incorporated as part of base salary or is paid as a stipend. Part of leadership compensation may be paid as incentive compensation. If incentive compensation is used to compensate leaders, objective goals will be established annually to measure performance and determine compensation.

Table 1 Recommended Performance Evaluation Criteria for Education						
Variable	Below Expectations	Meets Expectations	Exceeds Expectations			
Clinical teaching	-Relationship with trainees below average for availability (not available for help) Teaching skills – knowledge or enthusiasm below average No teaching activity Clinical competency as measured by trainee evaluations – rank consistently lower than satisfactory	-Relationship with trainees - available for help Teaching skills – good knowledge or enthusiasm Average amount of teaching activity for specialty Clinical competency – meets or exceeds student expectations	-Relationship with trainees –always available for help – goes beyond norm for specialty Teaching skills – knowledge or enthusiasm well above average Intensive amount of teaching activity for specialty Clinical competency – ranks in top for specialty or course. Receives teaching awards			
Classroom teaching/ advising and mentoring Activities as applicable to field	When requested does not lecture to trainees/students When requested does not serve as an advisor or mentor in a formal way	-Lectures in preclinical or post graduate medical school courses, or in courses of the GSBS or GSN Teaching evaluations average or above Regularly participates or leads large and small group sessions with students (medical, nursing, or doctoral), residents, or other trainees Serves as an advisor to trainees/students Mentoring of trainees or other faculty in career (clinical or bench science)	-Greater than average numbers of lecture contact hours for specialty or evaluations > 75% in "Agree or strongly agree " Serves as advisor to multiple students, residents, or trainees Mentoring of trainees in research (clinical or bench) – above average effort for specialty			
Core teaching When applicable	-Poor evaluations of course objectives, clarity of material, or unresponsive to students	Good to excellent evaluations of course objectives, material, and responsive to students	Outstanding evaluations of course objectives, material, and responsive to students			
Research teaching Serves as an advisor to trainees and students in the research setting	Relationship with trainees - below average for availability Teaching skills – knowledge or enthusiasm below average Trainees are unpublished	Relationship with trainees - available for help Teaching skills – good knowledge and technical support Trainees are published, develop good communications skills and secure professional advancement at good institutions	Relationship with trainees – almost always available for help – goes beyond norm Teaching skills – knowledge and technical support well above average Trainees publish multiple research articles, develop outstanding communications skills and secure professional advancement at renowned institutions			
Educational Citizenship	Demonstrates marginal or unsatisfactory participation in any one of the following: -Formal teaching -Institutional and/or departmental educational committees	Accepts and satisfactorily participates in: -Formal teaching duties -Institutional and/or departmental educational committees - participates in faculty development	Accepts and satisfactorily participates in: -Multiple courses and/or course coordination -Chair of Institutional and/or departmental educational committees or subcommittees -Establishes new institutional educational programs Serves on national educational committees or boards			
Publications			Regularly publishes papers on, or obtains funding for, educational policy/ methods Publishes abstracts with medical students or other trainees (for clinically based physicians).			

Table 2 Recommended Performance Evaluation Criteria for Research						
Variable	Below Expectations	Meets Expectations	Exceeds Expectations			
	-Known only locally or regionally	Nationally respected in his/her field by typical criteria such as:	Internationally respected in his/her field by typical criteria such as: -Invited lectures at International meetings			
		-Invited lectures at National meetings and/or US scientific venues	and/or International scientific venues -Invited participation in International panels related to his/her scientific field			
		-Invited participation in National panels related to his/her scientific field	-Invited contributions (reviews, editorials, perspectives, etc.) in top-tier journals of significance in his/her scientific field			
		-Invited contributions (reviews, editorials, perspectives, etc.) in journals of significance in his/her scientific field	-Organization of national and/or international meetings or panels			
Publications	-Fails to regularly publish in journals of significance in his/her field	-Regularly publishes in journals of significance in his/her field	-Regularly publishes in top-tier journals of significance in his/her field -Publishes in top-tier journals of broad significance			
Funding	-Fails to adequately support his/her research effort, including own salary minimum.	- Adequately supports his/her research program with external multi-year grants and/or contracts -Funding is typically peer- reviewed	-Supports his/her research program in a manner that affords programmatic growth and/or multiple avenues of investigation -Funding is typically peer-reviewed -Secures multi-disciplinary grants and/or contracts			
Research Citizenship	Demonstrates marginal or unsatisfactory participation in any one of the following: -Institutional and/or departmental committees -Journal peer-review -Peer-review for funding organizations	Accepts and satisfactorily participates in: -Institutional and/or departmental committees -Journal peer-review -Peer-review for funding organizations	Accepts and satisfactorily participates in: -Chair of institutional and/or departmental committees -Editorship of journals and/or significant and authoritative texts -Establishes new institutional research programs			

Table 3 Recommended Performance Evaluation Criteria for Leadership								
Reputation	Clinical Performance	Educational Performance	Research Performance	Human Resource Performance	Financial Performance			
National or regional awards	Growth Quality	Certification or Program Accreditation	Number and quality of publications	Recruitment and retention of faculty and employees	Profitability Performance to			
National or regional ranking	Safety Patient Satisfaction	Numbers of students or graduates	Number and quality of grant awards	Faculty and employee satisfaction	budget Clinical collections			
	Referring physician satisfaction	Quality of graduates Success of trainees Leaner ratings						