



# Performance Pay Policy Miller School of Medicine

Faculty Council 10-28-2013

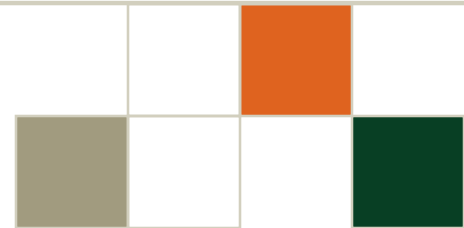
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# Performance Pay

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- Principle:
  - All people do what they are incented to do.
  - You will get more of what you incentivize; you will get less of what you don't.
- Need for written policy:
  - Clearly define expectations and processes required for leaders, administrators, and individuals
  - Articulate financial gates or triggers for payment
- Not a new paradigm



# The Policy

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- Purpose
  - Align faculty clinical, research, education, and leadership efforts with business, operational and strategic goals of the Medical School and the University;
  - Create systems and processes that link participants' pay with key predefined performance indicators; and
  - Clarify processes pertaining to the approval, accrual, and payment of faculty and staff incentives at the Medical Center.



# The Policy

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- Performance Pay Definition:
  - Lump sum payment for exceptional performance against pre-established, clearly defined goals which align with organizational and business unit objectives
- Payment set after the audited close of the fiscal year based on overall medical center and departmental financial performance
- Merit pay (recurring adjustment to base) administered separately



# Gates: Financial Performance

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- Principles:
  - Everyone contributes to overall fiscal and organizational success
  - You can't spend money you don't have
- Gates:
  - Departmental budget performance
  - Medical School budget performance
- Financial Performance sets available maximum
- Individual performance sets payout % of max



# Gates: Financial Performance

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- Achievement of triggers is determined following the audited close of fiscal year
  - Personal achievement of metrics accounts for 50% of incentive payment
  - Departmental performance accounts for 25% of incentive payment
  - Medical Center performance accounts for 25% of incentive payment



# Gates: Financial Performance

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- Medical center must operate at break even or surplus (i.e. overall year-end bottom line zero or better)
- If medical center in true deficit
  - No administrative or leadership bonuses paid
  - Faculty clinical, research, and education incentives may be earned up to 50% of overall bonus potential



# Gates: Financial Performance

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- Senior leadership shall review percentages (50% personal; 25% department; 25% medical center) and can change distribution at the start of each fiscal year.
- All incentive plans include same spread among personal, department and medical center goals.
- All payments are ultimately based on available funds at the discretion of the dean and senior leadership.





# Participant Eligibility

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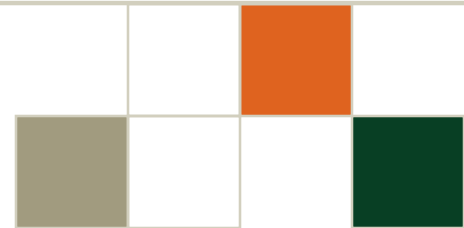
- Types of performance pay plans
  - Department plans (require approval)
  - Individual contracts
  - Dean and COO Direct Reports
- All metrics or milestones must be prospectively defined, measured and scored



# Participant Eligibility

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- Faculty and Staff
- Eligible role for  $\geq 6$  months
- In good standing and on payroll when goals are assessed and paid out



# Exclusion Criteria

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- Needs Improvement or Unsatisfactory Performance Evaluation
- Disciplinary actions
- Temporary and per diem staff
- If employment has been separated or terminated for any reason, eligibility will be lost.



# Process and Caveats

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- Prospective approval required
- Metrics defined and measured
- Must accrue dollars for payment
- No “guaranteed” performance pay
- Payment dependent upon behavioral compliance with SOM / University policies



# Policy versus Execution

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- Defining policy is not enough: we must execute
  - Set clearly defined expected behavior
  - Measure actual behavior
  - Feedback, coaching in real time
  - Optimize chances of success (personal + organizational)
- Effective Performance Measures
  - Relevant
  - Objective
  - Interpretable
  - Actionable (achievable with stretch)



# Data Types

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- Quantifiable systematic data
  - Relevant
  - Can respond to individual effort
  - Be accurate, timely, objective
  - Interpretable
- Behavioral / observational data
  - Focus on observable behaviors
  - Measureable milestones



# Metrics

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- Things that influence your domain and contribute to future success of enterprise
  1. Mission Related
  2. Function or Department Related
  3. Strategic Aim of the Organization
  4. Personal discretion / evaluation driven



# Mission Related

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- Clinical
  - Increasing market share
  - Enhanced referral networks
- Education
  - Improving efficiency of education
  - Increasing MD-MPH
- Research
  - Grants
  - Research-related media
- Service to our community





# Strategic Aim of the Enterprise

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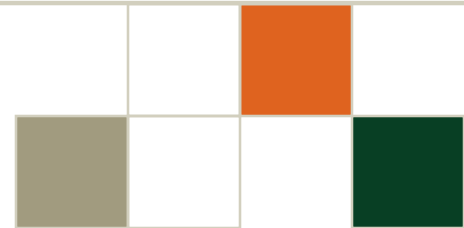
- Sharing Resources across departments e.g. Shared Service Implementation
- Developing next generation of leaders
- Redesigning ineffective old processes and implementing new



# Function or Department Related

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- Budgetary (at the department or unit level)
- Strategic Departmental Growth
- Development – Fund Raising targets
- Program Development
- Improving Employee Engagement



# Discretionary

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- Reflection of citizenship
- Economic incentive for behavior change
- Based on leadership evaluation including citizenship, demonstration of code of conduct, shared decision making, role modeling leadership behaviors
- At the discretion of the Dean and COO

