Performance Pay Policy
Miller School of Medicine

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Performance Pay

• 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

• 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

• 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

• 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

• 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

- 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

• 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

• 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

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

• 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

• 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

• 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

- Quantifiable systematic data
  - Relevant
  - Can respond to individual effort
  - Be accurate, timely, objective
  - Interpretable

- Behavioral / observational data
  - Focus on observable behaviors
  - Measureable milestones
Metrics

- 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

• 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

- 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

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

- 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