

UNC-Chapel Hill School of Medicine
CLINICAL FACULTY COMPENSATION PLAN

January 1996

Revised - January 2001, June 2006, July 2008, April, 2009, June 2012, June 2013,
June 2014, June 2015

I. Introduction

Because academic health centers and the US health care system continue to evolve in complex and often contradictory ways, more than ever a flexible clinician faculty compensation methodology is essential. An effective Clinical Faculty Compensation Plan (“the Plan”) requires flexible implementation of remuneration, allowing for timely alterations from year to year in the form of both increased and decreased compensation as changing financial conditions dictate or allow.

Since the prevailing salary levels of clinical faculty result from the unique clinical earning capacity of physicians and other clinicians, such salaries must be responsive in turn to the current revenues available to the clinical Departments of the School of Medicine (“SOM”). In order to cope with existing and anticipated changes in reimbursement and the prevailing academic and private practice market place, it is essential that alterations be made to the way in which clinical faculty salaries are paid within the SOM. A system must be instituted which allows the SOM to alter salaries from year to year sufficiently to respond to changing economic conditions. Since most of the income in the SOM is based on clinical receipts, and research grants and contract awards, rather than on appropriated state dollars, it is equally important that there is the ability within the faculty compensation system to reward adequately the most highly productive members of a department. Based on performance in academic, clinical and research activities, our goal is to reach or exceed the average of AAMC fiftieth (50th) percentile for total compensation in each department.

This Plan updates and refines the Clinical Faculty Compensation Plan originally approved by the Board of Governors in January 1996. The Plan’s goal is to maintain the long term financial solvency of the UNC SOM while encouraging excellence in teaching, research, clinical service and administration through incentive mechanisms. Recognizing that the Departments within the SOM may vary both in culture and in the type of health care services provided, the Plan allows an individual Department to choose from a menu of clinical compensation strategies the approach that works best for that Department as long as the plan conforms to the SOM Clinical Compensation Plan.

II. Plan Summary

Each clinical faculty member will have an annual salary set each fiscal year as described below. It will consist of (1) the academic base salary and (2) a variable component, which together comprise the total annual salary. The total annual salary may increase or decrease from year to year based on the individual's productivity and excellence in teaching, research, clinical care and service, and shall be consistent with Board of Governor's salary policies. The actual funding sources used to pay these components of a faculty member's total compensation in any given year may vary over time.

The faculty member will have total annual compensation that will consist of (1) the total annual salary and (2) an incentive component. The total annual salary may be increased or decreased from year to year based on either the individual's personal productivity and performance in teaching, research, clinical service and administration, and on the overall financial status of the Department, and shall be consistent with the Board of Governors salary policies. In unusual circumstances, total annual salary may be adjusted during the course of the fiscal year if significant and unforeseen long-term reductions occur in a faculty member's funding sources or serious breaches in professional behavior occur. Such adjustments shall be (i) well-documented; (ii) consistent with this plan; (iii) without regard to the volume or value of referrals the faculty member makes to UNC Hospitals or any UNC Health Care System ("UNC HCS") affiliate; and (iv) made with the approval of the Dean of the School of Medicine. The incentive component will be derived based as applicable on consideration of clinical productivity, appropriate professional behavior and compliance with institutional policies, and on productivity in non-clinical duties such as research, teaching, administration and service. Decisions regarding the issuance of incentive component calculated under departmental set-in-advance methodologies may be made in light of the current, overall financial condition of the relevant Department, Division or other operating unit, provided such decisions are applied equitably across members of such Department, Division or other operating unit and without regard to the volume or value of referrals or other business a particular faculty member or the Department/Division/operating unit generates for any entity within the UNC HCS.

III. Plan Participants

This Plan is designed to apply to all faculty members in SOM clinical Departments who are engaged in patient care, including fixed-term clinical faculty where consistent with the terms of their letters of appointment.¹ Compensation for non-clinical faculty appointed to clinical Departments who are not covered by this Plan shall be determined as provided by the SOM Basic Science Faculty Compensation Plan. However, for special categories of faculty employee, including but not limited to visiting faculty,

¹ Appointment letters for SOM faculty shall include a statement that their compensation shall be set as provided by the applicable SOM compensation plan.

part-time faculty, and faculty who are hired on the assumption that their employment will be temporary, a Chair may, with approval of the Dean, determine at appointment that the faculty member's compensation will be determined independent of the provisions of this Plan or of the SOM Basic Science Faculty Compensation Plan.

Where a faculty member's duties have changed sufficiently, he or she may with agreement of the Chair convert from this Plan to the SOM Basic Science Faculty Compensation Plan, or from that plan to this Plan (subject to the foregoing provision regarding employees such as part-time, visiting and temporary faculty members). In addition, any Department may provide that faculty members engaged in patient care at less than a minimum threshold over a specified period, as detailed in the departmental compensation plan, may be removed from clinical assignments and declared ineligible for coverage by this Plan. In such cases the faculty member's annual salary may be adjusted to reflect his or her assigned duties.. Reinstatement of the faculty member to clinical duties and to coverage by this Plan shall be within the discretion of the Chair.

Advanced Practice Providers (APPs) who are credentialed for billing purposes are eligible to participate in the incentive component of the compensation plan at the discretion of the Chair. Each Department may develop a specific plan for its APPs or use the departmental clinical compensation plan. APPs employed by the UNC Health Care System may be eligible to participate in the department plan, but this determination will be subject to the policies promulgated by their Human Resource Department.

IV. Plan Components

A. Overview of Components

Each faculty member subject to the Plan will have a total annual compensation for the fiscal year comprised of two components: the total annual salary and the incentive component.

The total annual salary will be determined during the annual budget process by Chairs (or their designees) with the agreement of the Dean, and will be established for the fiscal year subject to conformity with the University's Board of Governors salary policies.² The total annual salary for faculty appointed after the start of the academic year will be established at the time of appointment and will be effective for the balance of the academic year. The total annual salary will be composed of two components: the academic base salary and a variable component. The academic base (minimum) salary will be set uniformly by academic rank throughout the School of Medicine, and will be adjusted not more frequently than annually but at least every three years based in part on the 3-year average of the 25th Percentile AAMC Faculty Salary Statistics on Medical

² The Board of Governors annually approves salary caps for School of Medicine clinical faculty, by department. Faculty salaries cannot exceed the stated caps without permission of the General Administration.

School Faculty Compensation. The variable component of the annual salary will be based on the previous year's earnings and expenses of each Department and/or Division or other operating unit, and on the individual faculty members' productivity and excellence in teaching, clinical performance, research and administration. The total annual salary may consist of any appropriate combination of state appropriations, income from contracts and grants, AHEC salary support, endowment or other trust fund income (including funds allocated for approved academic leave), and funds from clinical income and shall be calculated in accordance with the parameters set forth in Section IV B, below.

The Department Chair will inform the faculty member in writing of his or her total annual salary for the upcoming fiscal year once that salary has been approved in writing by the Dean. Changes in the total annual salary will not be processed without documentation that the Dean has approved the salary and may only be made in connection with the fiscal year cycle.

In unusual circumstances, annual salary may be adjusted during the course of the fiscal year if significant and unforeseen long-term reductions occur in a faculty member's funding sources or serious breaches in professional behavior occur. Such adjustments shall be well-documented, consistent with this plan and may only be made with the approval of the Dean of the School of Medicine.

The incentive component will be based on the current year's earnings and expenses of each Department and/or Division or other operating unit, and on the individual faculty members' productivity and excellence in teaching, clinical performance, research and administration. The incentive component shall be calculated in accordance with the parameters set forth in Section IV.C, below. The funding for the incentive component may consist of any appropriate combination of income from contracts and grants, AHEC salary support, endowment or other trust fund income (including funds allocated for approved academic leave), mission support, other UNC Health System support, governmental pay for performance incentives, and funds from clinical income, but adjustments in the incentive component cannot be based solely upon receipt of or termination of a federally sponsored research grant. State appropriated funds generally will not be included in the incentive payment component.

In addition to the total annual salary and incentive components, where funds are available the SOM may award faculty members subject to this Plan an annual, non-recurring bonus. As determined by the Dean, such bonus compensation may be paid in equal amounts to all faculty members subject to this Plan, or it may be set by reference to merit criteria defined at the beginning of the fiscal year by the Dean upon approval by the Office of University Counsel.

Funds derived from medical legal reviews and expert testimony provided by faculty in the clinical departments of the School of Medicine may be allocated to support faculty

compensation to the extent those funds support a faculty member's base compensation or are included in a departmental pool to support the department's incentive compensation plan. Funds may not be paid directly to the faculty member as additional compensation that is not part of a faculty member's base or incentive compensation

Total compensation to any faculty member in any fiscal year, including any supplements, will not exceed the salary ceilings approved by the Board of Governors of the UNC System. In no event will any component of faculty compensation be set by taking into account the volume or value of referrals made by the individual faculty member to any entity within the UNC HCS

B. Total Annual Salary

The total annual salary can be increased or, with approval of the Dean, it can be adjusted downward from year to year, but it cannot be adjusted below the academic base (minimum) salary level. When it is anticipated that a faculty member's total annual salary will be reduced, the Chair will write the faculty member to inform him or her of the planned reduction and the basis for same, and the faculty member shall have a period of not more than twenty (20) calendar days from the date of the Chair's notice to submit a written response stating why the proposed reduction is unwarranted. The Chair and Dean will consider information provided by the faculty member in making final total annual salary determinations.

1. Academic Base (minimum) Salary

The academic base (minimum) salary level will be set uniformly by academic rank throughout the clinical Department faculty, and will be adjusted at least every three years based in part on the 3-year average of the 25th Percentile AAMC Faculty Salary Statistics on Medical School Faculty Compensation. For faculty in the Department of Allied Health Sciences the academic base (minimum) salary is set based on the median Instructional Salary Rate for Allied Health Disciplines as published by the Association of Schools of Allied Health Professions (ASAHP). The academic base salary level will be prorated where a faculty member is appointed for less than full-time effort.

2. Variable Component

a. Initial Variable Component

For faculty members hired following the start of the fiscal year, the Department Chair will determine an initial variable component based upon consideration of the faculty member's projected clinical productivity and of the availability of funds other than those allocated to paying the academic base salary for the faculty member, such as clinical income, sponsored research grants and contracts, start-up funds and endowed professorship funds.

b. Subsequent Calculation of Variable Component

Each departmental plan will provide for determination of the variable component of a clinical faculty member's annual salary by adjusting the faculty member's current variable component through:

(i) Calculation of a Non-Clinical Activities Productivity Component, that takes into account the faculty member's productivity in the period used by the Department or Division to evaluate productivity based on measureable criteria in research, teaching, administration and service, as applicable, as compared with past performance and in light of the standards of the Department; and

(ii) Calculation of a Clinical Productivity Component arrived at by consideration of the faculty member's clinical productivity based on measurable criteria. Such criteria may include increases in productivity compared with the last three years' average, or rank in productivity compared with peers or by surpassing targets defined for the faculty, (Appendix A to this Plan provides a sample methodology), or another methodology in an approved departmental compensation plan adopted pursuant to Article V below. The Clinical Productivity Component for a faculty member working at an offsite facility may be set under formulae defined in the contractual arrangements governing those offsite activities provided that such component is fair market value and is not based on the volume or value of referrals for patient care made by that faculty member to the offsite facility.

Faculty who serve as directors of centers or institutes internal to the SOM, as Department Chairs, or in other administrative roles within the SOM or UNC HCS will be eligible for an administrative supplement for such service, under separate criteria and procedures developed and administered by the Office of the Dean.

C. Incentive Component

The incentive component should reflect a metrics based assessment of the faculty member's clinical productivity, performance and outcomes, and as applicable his or her productivity in teaching, research, administration and service. Information describing the clinical performance (e.g. charges, receipts & RVUs) for each covered faculty member will be supplied at least quarterly by the UNC Faculty Physicians (FP) to the Chair of each Department to aid in the determination of clinical productivity. For purposes of clarity, any clinical productivity incentive that faculty physicians may earn will be based on personally performed services and will not include any wRVUs or other measurement of work performed by APPs.

UNC HCS Mission Support and other UNC Health System support or governmental pay for performance incentives may be used to supplement the incentive payment for specific faculty based on criteria specified in the departmental compensation plan. Such incentives shall not be split on a per capita basis within Departments or Divisions or be distributed in any way that reflects the volume or value of referrals to UNC HCS or

UNC Hospitals, but rather must be distributed to faculty (if at all) pursuant to the predefined incentive methodologies set forth in each departmental/divisional plan. Similarly, Telehealth contract revenue may be used to supplement the incentive payment for specific faculty based on criteria specified in the departmental compensation plan. Faculty who serve in certain administrative positions within the UNC Health Care System may, in the discretion of the Dean, be eligible for additional productivity component payments funded to the School of Medicine by UNC HCS, in recognition of their leadership roles within the UNC HCS or UNC Hospitals, provided that such payments are based upon predetermined criteria approved by the UNC Health Care System Board of Directors, are fair market value, and are not based on the volume or value of referrals for patient care made by that faculty member to the UNC HCS or UNC Hospitals.

Payment is dependent upon appropriate professional behavior and compliance with institutional policies including, but not limited to, (1) Time Trex and Effort Reporting, (2) Timely Medical Record Documentation required for patient care and billing activities, (3) Employee Health Requirements, (4) Compliance Office Training, (5) Institutional Quality and Performance Improvement programs, (6) Code of Conduct Policy, and (7) Patient Advocacy Reporting System (PARS) program.

This minimum salary is set based on the median Instructional Salary Rate for Allied Health Disciplines as published by the Association of Schools of Allied Health Professions (ASAHP). Only faculty members that are actively employed by SOM at the time such incentive component is payable will be eligible to receive the incentive component. In no event will incentive components be paid to faculty members post-separation or before the Department's regularly scheduled incentive payment in anticipation of separation before that next payment.

Each departmental plan will specify the measurable criteria for determination of a faculty member's clinical and non-clinical incentive payment. These criteria may be the same as those used to determine the variable component of the total annual salary. Such criteria may include increases in productivity compared with the last three years' average, on rank in productivity compared with peers or another methodology adopted in an approved departmental plan adopted pursuant to Article V below.

The incentive component will be paid not more frequently than quarterly, and may not be paid unless the individual faculty member has met or exceeded productivity goals defined in advance by the Chair consistent with the departmental compensation plan. In all cases, the formula whereby the incentive component will be calculated must be set out in advance of the fiscal year for which such payments are to be made. Department Chairs' (or their designees') recommendations to provide incentive payments must be approved in advance by the Dean, taking into consideration the current overall financial condition of the Department, Division, or other operating unit. Further, a Chair or Chief may elect to withhold incentive component otherwise earned under their plan's set in advance methodologies in light of the current overall financial condition of the

Department, Division or other operating unit; provided that such withholding is applied equitably to all members of the Department, Division of other operating unit.

3. Individual Reductions in Incentive Component

A faculty member's incentive component may be reduced where, under the methodologies adopted by his or her Department or Division, the faculty member's productivity in the period used by the Department or Division to evaluate productivity is determined to have decreased or if the faculty member has not met compliance, professionalism, or quality standards. A Chair may, in his or her discretion, recommend that the incentive component not be reduced in light of mitigating circumstances. This recommendation should be set forth in detail in a memorandum to the Dean. In such cases the Dean shall make the final decision regarding whether to reduce the faculty member's incentive component.

D. Department- or Division-Wide Salary Reductions

Because of departmental or divisional financial conditions, the Department Chair with approval of the Dean may lower the total annual salaries for all faculty members covered by the Plan in the Department or in a specific Division of the Department by not more than fifteen percent (15%) of their then-current total annual salaries. Such adjustments must be made at the same rate for all affected faculty members.

V. Departmental Compensation Plans

Each Department of the SOM having faculty subject to this Plan shall adopt a departmental compensation plan setting out the Department's specific approach to implementing the compensation arrangements authorized by this plan. As appropriate, Divisions within Departments may adopt their own plans, subject to approval by the Chair. Each departmental or divisional compensation plan should spell out in reasonable detail the criteria to be followed in establishing individual faculty members' total annual compensation. No departmental or divisional compensation plan, or any amendment of such a plan, may take effect unless first approved by the Office of University Counsel and the Dean. The Chair of each Department shall be responsible for implementing the departmental and divisional compensation plans and shall inform the Department's faculty in writing of these criteria and methodologies not less often than annually. Each departmental plan shall specify frequency of clinical and non-clinical incentive payments, expected clinical activity threshold and productivity metrics.

VI. Departmental Clinical Reserves

Departmental Clinical Reserves are essential to the financial viability of the SOM and it is the responsibility of the Dean of the SOM and his designees to monitor departmental finances and intercede if a Department appears at risk of financial insolvency.

As a general guideline, Departments should strive to maintain reserve balances equal to forty-five (45) days of UNC FP operating expenses, based on the current expense budget, and it is the goal of the institution that the average for all Departments will be at this level. It is expected that reserve balances will be higher in some Departments than others based on many factors, and that over time the relative levels of departmental balances may change.

There may also be circumstances in which a Department wishes to use its reserves to fund program development. Such use must be approved by the President of UNC Physicians, the CEO of UNC FP, the UNC FP Board, and the Dean. It shall be the responsibility of the Chair to report issues of financial concern to the Dean, when requested and as frequently as on a monthly basis. If a Department is deemed to be in financial exigency, the Dean, or a committee he appoints, together with the President of UNC Physicians, COO, and CEO of UNC FP, will develop a plan for financial recovery, together with the Chair of that Department.

Under certain circumstances a Chair may determine that it is in the best interest of a Department and the SOM to allow the Department to operate for a limited period of time with a trust fund balance which is below the minimal desired reserve without adding funds to the reserve, or further depleting the reserve, or to run a deficit budget when there are adequate funds to support the deficit. This can be accomplished after a detailed budgetary justification including specific measures aimed at extricating the Department from its deficit spending posture, has been presented to the President of UNC Physicians, COO, and CEO of UNC FP, and subsequently approved by the Dean.

VII. Special Situations

If there is disagreement between a faculty member and Chair regarding the total annual salary established for that faculty member, and all reasonable efforts have been made by the faculty member to reconcile the difference of opinion within the Department's, Division's or other operating unit's customary dispute resolution procedures, the faculty member can appeal to the Dean. At the Dean's discretion, appeals will be evaluated either personally by the Dean or by a committee established by, and advisory to, the Dean. However, disagreements between a faculty member and a Chair over across the board salary alterations within a Department or Division, which are based on overall departmental or divisional financial performance, cannot be appealed under these provisions. Nothing herein in any way deprives any faculty member of any grievance or appeal rights otherwise available to all faculty members under University faculty policies, including the Trustees Policies and Regulations Governing Academic Tenure at UNC-CH.

VIII. Salary Adjustment Procedures

Approval of this Plan by University authorities signifies explicit authorization for adjustment of individual faculty members' total annual compensation payments by

Department Chairs (or their designees) as described above, if and as warranted. No separate process shall be required for advance approval by the University or the Board of Governors of downward salary adjustments, either individually or on a departmental or divisional basis. Upward adjustments will be congruent with the Board of Governors salary policies, but otherwise shall not require advance approval. Any salary adjustments as may be implemented shall be reported annually to the Chancellor and the President of the UNC System following the close of the fiscal year. All aspects of clinician faculty salary administration in the SOM shall be fully in accordance with the Rules, Regulations, and Policies of the Division of Health Affairs of UNC-Chapel Hill (“Health Affairs Code”).

Each year during the budget planning process for the following fiscal year, each Chair will make a projection of the total funds expected to be required for faculty salary compensation in the coming fiscal year. The Chair will recommend to the Dean an academic base salary and a variable component.

SAMPLE METHOD FOR EVALUATING CLINICAL PRODUCTIVITY

GUIDELINES FOR PRODUCTIVITY EVALUATION FOR INCENTIVE COMPONENT PAYMENTS

Clinical (70% of funds available)

- Primarily distributed based on Clinical FTE. Clinical FTE is established for each faculty with the following formula: Faculty “X” clinics held/total clinics held by all faculty.

Also taken into consideration by the Chair are the following metrics:

- Hold 45 weeks of clinic [# of clinics * 45: if you hold 2 clinics per week, the expectation would be 90 weeks of clinic]. If you have a clinic scheduled during a holiday week, this will be calculated as a portion of a week and we will reduce the number of weeks by that amount.
- RVU Benchmark to be used is the UHC mean benchmark at the 50th percentile for a full-time clinician. Clinical FTE for this purpose is based on assigned clinic time of individual faculty will be utilized to adjust this figure.
- Ranking of 90 or above on the Press Ganey Patient Satisfaction Survey if sample size is sufficient.
- TimeTrex Reports are to be submitted in a timely fashion

Education (15%). The Chair will take the following metrics into consideration:

- Receive an average of *Very Good* for training to residents as provided on the annual resident evaluation.
- Clinical track faculty are expected to attend:
 - 65%: Hideaway Teaching Conference
 - 50%: Friday Morning Lectures
 - 50%: UNC Duke Conferences
- Tenure track faculty are expected to attend 65% of the following:
 - 65%: Hideaway Teaching Conference
 - Friday Morning Resident Lectures that are related to the faculty’s clinical and/or research expertise

Academic/Research (15%): assessed by the Chair using the following guidelines:

- Fifty percent of the funds will be distributed based on the following metric:
 - Each faculty member with externally funded research support will contribute to a total research pool. The faculty member's percentage contribution of external funding to that pool will be applied to the available funds for distribution.

- Fifty percent of the funds will be distributed based on individual faculty member's performance according to the following matrix:

SCORE	1	2	3	4	5
Publications	None	Few	Several	Multiple, low impact	Multiple, high impact
Presentations	None	Local	Regional	National and Regional	National & International
Research	None	Co-Invest Clinical Trials	PI, Clinical Trials	PI, Multiple clinical trials NIH support (non-PI)	PI, NIH Grants
Participation in academic bodies	Minimal	Member, Regional Org	Member, National Org	Committee member, Nat'l Academic Body	Officer, Major Academic Body/Journal Editorial Board