UNC-Chapel Hill School of Medicine

CLINICAL DEPARTMENT FACULTY COMPENSATION PLAN

January 1996


I. Introduction:

As academic health centers and the U.S. health care system continue to evolve in complex ways, it is essential to maintain a clinical faculty compensation methodology that balances flexibility with institutionally identified imperatives for the success of the School of Medicine (“SOM”) tripartite mission. Because the prevailing salary levels of clinical faculty result from the unique clinical earning capacity of physicians and other clinicians, such salaries must be responsive to the current revenues available to the clinical Departments of the SOM and reasonably aligned with national benchmarks in order to attract and retain top talent. Further, since most of the income in the SOM is based on clinical receipts, research grants and contract awards, rather than on appropriated state dollars, it is equally important that there is the ability within the clinical faculty compensation system to adequately reward SOM’s most highly productive members, while fostering accountability for those not meeting expectations, with the overall goal of assuring alignment between compensation and mission-based productivity.

This Clinical Department Faculty Compensation Plan (this “Plan”) sets forth the framework for reasonably flexible remuneration of clinical faculty, allowing for timely alterations from year to year in the form of both increased and decreased compensation as changing financial conditions dictate or allow. In addition to the above, the goals of this Plan include maintaining the long-term financial sustainability of each clinical Department and collectively of the SOM’s faculty practice plan, UNC Faculty Physicians (“UNCFP”). This Plan aims to reduce variability among different clinical Departments’ approach to clinical faculty compensation by further detailing a standardized set of common compensation principles, while maintaining reasonable Chair discretion to account for the idiosyncrasies of their respective specialties, subject to this Plan, institutional policy and applicable law. Further, this Plan is intended to develop flexibility toward present and anticipated national changes in healthcare reimbursement and availability of grant funding, as well as UNCFP and UNC Health Care System operating models.

This Plan updates and refines the Clinical Faculty Compensation Plan originally approved by the Board of Governors (“BOG”) in January 1996 and most recently approved by the Chancellor in 2017, pursuant to UNC Chapel Hill’s BOG-approved institutional plan for management flexibility to appoint and fix compensation. Each Department of the SOM having faculty subject to this Plan shall adopt a Departmental plan setting out in sufficient detail the Department’s specific approach to implementing the compensation arrangements.
authorized by this Plan. As appropriate, Divisions within Departments may adopt sub-plans, subject to approval by the Chair. No Departmental or Divisional compensation plan, or any amendment of such a plan, may take effect unless first approved by the UNCFP Compensation Committee, the Office of University Counsel and the Dean or Dean’s designee. 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 the plans not less often than annually.

II. Plan Summary:

Each Department, with the approval of the President of UNCFP in consultation with the Executive Dean of the SOM, will select a relevant national compensation survey as its general benchmark for establishing target Total Cash Compensation (“TCC”) for its faculty members, with the goal of gradually aligning clinical faculty TCC with market norms. Departments will use a three (3) year rolling average of their chosen and approved survey data, which shall be updated not more frequently than annually, as new survey data are available. Any change in the Department’s chosen national compensation survey or material change in its chosen benchmark(s) must be approved by the President of UNCFP in consultation with the Executive Dean of the SOM. Once approved by the President of UNCFP and Executive Dean of the SOM, for informational purposes Departments will communicate their chosen annual survey data and/or updates to the SOM Human Resources Office via the Associate Dean for Human Resources and to the SOM Finance and Business Office via the Chief Financial Officer for UNCFP and SOM.

TCC will be comprised of (i) Total Annual Salary; (b) Extra Duty Payments (defined below) in consideration of excess duties (e.g. excess call coverage); and (c) incentive payment; each of which are further defined and set forth below, and the sum total of which must conform with the UNC Board of Governors’ salary policies\(^1\). Faculty will be subject to base work expectations, which must be met in order to be eligible for incentive compensation and to justify maintaining or increasing their salary the following year. All compensation paid pursuant to this Plan and Departmental plans adopted hereunder will be (a) in accordance with methodologies that are defined and set in advance of the start of the fiscal year (i.e., July 1); (b) consistent with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations; (c) not vary with, or take into account, the volume or value of referrals a faculty member makes within the Department or the SOM, or to UNC Hospitals, to any UNC Health Care System affiliate, or to any unaffiliated health care entity with which the Department has a contractual or other financial arrangement; and (d) not vary based solely upon receipt or termination of an externally sponsored research grant.

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\(^{1}\) The UNC Board of Governors annually publishes approved salary ceilings for School of Medicine clinical faculty, by Department. Faculty salaries (inclusive of all components of salary compensation: annual base salary, supplemental pay, one-time payments and incentive) cannot exceed the stated ceilings without permission of the UNC System Office.
Faculty are expected to contribute to additional or unexpected coverage needs. When required activity significantly exceeds compensated effort, EDPs may be warranted due to an unexpected vacancy, new revenue, or other unexpected situation.

III. Eligibility for Participation:

Faculty members who are appointed to a clinical department are eligible to participate in this Plan, through their Department’s plan adopted hereunder. This Plan is intended to apply equally to tenured, tenure track and fixed-term faculty in clinical departments, unless otherwise specified in the terms of their letters of appointment. Special consideration may be given to new faculty such that a Department may grant a 1-3 year TCC guarantee to new recruits to allow for ramp-up. In the event a Chair grants a TCC guarantee period for a new faculty member, the offer letter or other documentation must set forth specific mission-based targets for the faculty member to meet during the ramp-up period. New faculty who exceed defined targets during the ramp up phase will be eligible to additionally receive incentive as determined by the methodology of their Department’s plan, provided total overall compensation remains within fair market value.

For other special categories of faculty employee, including but not limited to visiting faculty, 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, provided any alternate compensation methodology is clearly documented, communicated to the relevant faculty member, and is consistent with institutional policy and applicable law. Similarly, for faculty who are assigned full-time to community based practice settings, a Chair may, with the approval of the UNCFP Compensation Committee, President of UNCFP and Office of University Counsel, establish an alternative compensation plan that departs (only to the extent necessary and appropriate to tailor compensation for the community-based setting) from the provisions of this Plan; provided, however that all compensation remains subject to BOG salary caps and consistency with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations.

Compensation for non-clinical faculty appointed to clinical Departments may be determined as provided by the SOM Basic Science Faculty Compensation Plan, or otherwise by the Department, as applicable. Where a faculty member’s duties have changed sufficiently, the faculty member 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

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2 Appointment letters for SOM clinical faculty shall include a statement that their compensation shall be set as provided by this Plan and the relevant Department plan adopted thereunder, unless otherwise specified.

3 The SOM Basic Science Faculty Compensation Plan is available at: http://academicpersonnel.unc.edu/files/2013/02/ccm3_032042.pdf.
regarding employees such as part-time, visiting and temporary faculty members). In such cases the faculty member’s annual base salary may be adjusted to reflect assigned duties. Where a faculty member converts from this Plan to the SOM Basic Science Faculty Compensation Plan, reinstatement of the faculty member to coverage by this Plan shall be within the discretion of the Chair, in consultation with the President of UNCFP.

Advanced Practice Providers (“APPs”)⁴ who are credentialed for billing purposes are eligible, at the discretion of the Chair, to participate in the incentive component of their Departmental plan adopted hereunder. Each Department may develop a specific plan for its APPs or use its standard methodology. APPs employed by the UNC Health Care System may be eligible to participate in the relevant Department plan in lieu of participating in the UNC Health Care incentive program, provided that such UNC Health Care incentive participation and related determinations will be subject to the policies promulgated by the UNC Health Care Human Resource Department. In no circumstance may an APP be eligible to participate in a Departmental plan if the APP is simultaneously participating in a UNC Health Care incentive program. APPs employed by the UNC Health Care System who want to participate in a Departmental plan must make such written election prior to the start of the fiscal year. Newly employed APPs who begin employment during a fiscal year may make such election at the beginning of employment consistent with applicable law and policy. APPs are eligible to elect to participate in the Departmental plan in advance of each fiscal year.

IV. Definitions; Related Principles:

A. Annual Base Salary: Annual Base Salary is the amount set by the Chair as compensation for core duties as a faculty member. Annual Base Salary must be (i) rank based; (ii) subject to the academic minimum salaries established by the SOM; and (iii) consistent with the chosen and approved national benchmark, as modified by the financial capacity of the Department. It is the responsibility of the Chair to set Annual Base Salary, within the above parameters, in a way that appropriately values the faculty member’s contributions in any or all domains of the tripartite mission. Annual Base Salary may be adjusted annually in conformance with this Plan, with decreases no lower than SOM academic minimums and increases subject to the Department’s financial health, as well as to TCC remaining within Board of Governors salary ceilings. Annual Base Salary may be modified during a plan year in response to a promotion in faculty rank⁵ that is effective mid-year and which must occur in accordance with any Departmental salary schedule included in a Departmental plan adopted hereunder.⁶

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⁴ APPs include nurse practitioners, physician assistants, midwives, certified registered nurse anesthetists and clinical pharmacy practitioners.

⁵ “Promotion in faculty rank”, as described in the Trustee Policies and Regulations Governing Academic Tenure in the University of North Carolina at Chapel Hill, which includes promotions for fixed term faculty members.

⁶ For example, a Departmental plan may indicate that the promotion from Assistant Professor to Associate Professor includes a $10K increase in Annual Base Salary. If the Departmental plan includes such a structure, a faculty member promoted...
B. **Incentive Payment**: Incentive Payment is the payment that may be made to a faculty member in recognition of the faculty member’s mission-based productivity, pursuant to the methodology defined and set-in-advance in the relevant Departmental plan, subject to the limitations outlined in this Plan. Incentive Payment is not ranked-based.

C. **Extra Duty Payments** ("EDP" also referred to as “Non-Recurring Payments” (or “One Time Payments”)): EDPs are payments made to a faculty member in consideration of specific, non-recurring, variable duties (e.g. provision of additional call when coverage is needed, generally due to an unexpected vacancy, new revenue, or other unexpected situation).

EDPs could be documented through, for example, an Extended Clinical Care ("ECC") Agreement between the relevant Department and the SOM Office of Human Resources.

D. **Supplemental Pay**: Supplemental Pay is a fixed amount of compensation set by the Chair, the Dean, the Provost or other relevant leadership in consideration of a specific added administrative duty the faculty member performs beyond the core duties of a faculty member in the Department (e.g. Vice Chair, Division Chief, Medical Director, Program Director, etc.). These roles and the related Supplemental Pay are at-will and at the discretion of the Chair, Dean, Provost or other leadership making the supplemental administrative appointment, as applicable. Supplemental Pay must be discontinued when the specific duty that it recognizes ends. Supplemental Pay is separate and distinct from Annual Base Salary and Incentive Payment. Supplemental Pay is a component of Total Annual Salary. Supplemental Pay is for duties separate and distinct from FPWS or BWE (defined below).

E. **Total Annual Salary**: Total Annual Salary equals the sum of Annual Base Salary plus any Supplemental Pay, distributed 1/12th per month.

F. **Total Cash Compensation or (“TCC”)**: Total Cash Compensation equals the sum of Total Annual Salary, plus any EDPs, plus any Incentive Payment, and must conform with the UNC Board of Governors’ salary policies. TCC will be budgeted according to the financial capacity of the Department and should align with the faculty member’s actual contributions as well as with chosen and approved benchmarks. Each faculty member’s TCC is subject to being capped in accordance with fair market value and commercial reasonableness standards under applicable federal healthcare laws, regulations and guidance. Departments are permitted, but not during a plan year may begin to receive the increase in Annual Base Salary in the pay period immediately following the promotion; subject to payroll and human resources constraints regarding timing.

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7 The UNC Board of Governors annually approves salary caps for School of Medicine clinical faculty, by Department. Faculty salaries (inclusive of all components of salary compensation: annual base salary, supplemental pay, one-time payments and incentive) cannot exceed the stated caps without permission of UNC General Administration.
required, to place a specified percentage of TCC at risk, which would then be earned according to the Department’s set in advance compensation methodology adopted under this Plan.

**G. Base Work Expectations:** Base Work Expectations (“BWE”) for clinical, teaching, research, and administration (as applicable, depending on the faculty member’s approved activities) are metrics that a faculty member is expected to fulfill and maintain in consideration of the faculty member’s current year Annual Base Salary; and must meet (i) to be eligible for earning an Incentive Payment in a particular corresponding category in the current fiscal year under metrics defined in their Departmental plan; and (ii) to maintain their Annual Base Salary for the following year.

**H. FP Work Standards:** FP Work Standards (“FPWS”) are metrics that a faculty member must meet as a member of the FP, employee of the SOM, and citizen of the University.

**I. FTE:** A 100% Full Time Equivalent (1.0 “FTE”) is defined as 52 weeks per year and components of FTE, along with their corresponding base work expectations (“BWE”), will be determined by this standard; provided, however, that the specific BWE metrics set in advance in Departmental plans shall reflect reasonable expectations, including in light of the amount of leave faculty are granted under University policy.

**J. cFTE:** Clinical FTE (or “cFTE”) is determined by the following formula: 100% - x% of FTE funded by (i) internally and externally funded research; (ii) internally and externally funded education; and (iii) internally and external funded administration.\(^8\) Departments have the option to either (i) retain the patient-specific clinical effort a faculty member spends under clinical contracts as part of the cFTE by converting the dollar amount of the contract into an appropriate clinical productivity metric (e.g. wRVU equivalent, time-based unit, panel-size); or (ii) reduce cFTE and corresponding clinical productivity targets by the amount of effort the faculty member has assigned to clinical contracts. If the Department chooses the latter, it should allow in its Departmental plan for faculty members’ clinical productivity under a clinical contract to be recognized pursuant to formulae defined in the relevant agreement; provided that any resulting incentive 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 contractual third party.

**V. Additional Principles:**

**A. Total Annual Salary:** As noted above, Total Annual Salary is comprised of Annual Base Salary plus any Supplemental Pay, and will be distributed 1/12 per month over

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\(^8\) The amount of a faculty member’s FTE that a Chair or Division Chief allocates to internally funded research, education and/or administration must be generally justifiable and fiscally sound, and is subject to review.
the course of the fiscal year. Total Annual Salary will be determined at the conclusion of the annual budget process by Chairs (or their designees) pending the agreement of the Dean (or Executive or Vice Dean-level designee, collectively “Dean’s Designee”). The Total Annual Salary for faculty appointed after the start of the fiscal year will be established at the time of appointment and will be effective for the balance of the year. The Chair will inform the faculty member in writing of the faculty member’s Total Annual Salary upon hire and for the upcoming fiscal year once that salary has been approved in writing by the Dean or Dean’s Designee. Changes in Total Annual Salary will not be processed without documentation that the Dean or Dean’s Designee has approved, and unless otherwise provided for in this Plan, may only be made in connection with the fiscal year cycle.

Because of Departmental or Divisional financial conditions, the Chair with approval of the President of UNCFP, and the Dean or Dean’s Designee may lower the Total Annual Salaries for all faculty members in the Department or Division 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, and in extreme circumstances may be applied during the course of the fiscal year due to significant and unforeseen reductions in funding sources.

An individual faculty member’s Total Annual Salary may be increased or decreased from year to year in accordance with this Plan (subject to the financial health of the Department and market forces) based on the individual faculty member’s productivity and excellence in teaching, research, clinical care and administrative service, and will be reduced in the event a faculty member does not meet their FPWS, and may be reduced in the event a faculty member does not meet their BWE; provided however that:

i. Annual Base Salary may not be reduced below the academic minimum salary set by rank by the SOM; though academic minimum salary level will be prorated where a faculty member is appointed for less than full-time effort.

ii. Adjustments are made not more frequently than annually, with the following exceptions. In extreme circumstances, Total Annual Salary may be decreased during the course of the fiscal year if significant and unforeseen long-term reductions occur in a faculty member’s funding sources. Such adjustments shall be well-documented, without regard to the volume or value of the faculty member’s referrals, consistent with this Plan and may only be made with the approval of the President of UNCFP, and the Dean or Dean’s Designee.

iii. 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. Departments may consult the SOM Human Resources Office operational guidelines for implementing compensation plan changes for additional guidance regarding this process. The Chair (and Dean, as applicable) will consider information provided by the faculty member in making final Total Annual Salary determinations. If after all reasonable efforts have been made by the faculty member to reconcile disagreement regarding Total Annual Salary within the Department’s, Division’s or other operating unit’s customary dispute resolution processes, the faculty member can appeal to the Dean. At the Dean’s discretion, appeals will be evaluated either personally by the Dean or by the UNCFP Executive Committee or other 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 this provision. Nothing herein 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 Chapel Hill.

iv. Approval of this Plan by University authorities signifies explicit authorization for adjustment of individual faculty members’ Annual Base Salary and Total Annual Salary as described herein, 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”).

B. FP Work Standards:

i. **Overall**: Fulfillment of FPWS is a requirement for eligibility for discretionary compensation, including, but not limited to, Incentive. Failure to meet FPWS shall subject a faculty member to remedial measures, including, but not limited to, (i) Incentive Payment must be reduced or withheld; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and generally will be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of
University Counsel. Note that certain quality metrics may be a component of FPWS.

ii. Faculty members are expected to satisfy the following FPWS:

1. Maintains timely and appropriate credentialing, licensure and hospital appointment(s).
2. Speaks and acts towards patients, families and colleagues and staff in a respectful manner, and one that values diversity, equity, and inclusion. Engages in professional behavior consistent with UNC CH SOM & FP philosophy of teamwork as a basis of patient care.
3. Serves on regularly scheduled committees, as requested by Chair/Division Chief/Director.
4. Regularly attends unit meetings and departmental activities consistent with department policy.
6. Meets and adheres to compliance and financial standards for UNC CH research and sponsors.
7. Meets and adheres to compliance and financial standards for all UNC-CH funds.
8. Performs teaching responsibilities consistent with UNC CH SOM guidelines as set by and agreed upon with Chair/Division Chief/Director.
9. Attends scheduled patient care activities on time unless adequate advance notice is provided per departmental guidelines.
10. Close notes for patient encounters within a reasonable time consistent with applicable standards of medical practice.
11. Follow all applicable policies listed in Section V.D.iii herein.

C. Base Work Expectations:

i. Overall: Fulfillment of BWE means that a faculty member has satisfactorily performed their job for the year. BWE metrics must be clearly delineated and set by Departments prior to the beginning of the fiscal year and will be relative to each faculty member’s involvement in patient care, teaching, research and administration, recognizing that a faculty member’s effort
and thus work assignment may not be spread equally across all areas. Department Chairs (or designees) may meet with faculty members in determining specific obligations and work requirements for BWEs, and must communicate BWEs to each faculty member in advance of the fiscal year. Failure to meet BWEs may subject a faculty member to certain remedial measures. As noted above, if the established BWE are not met during the course of the year, (i) Incentive Payment must be reduced or withheld in the category for which the BWE was not met for the applicable fiscal year; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and may be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of University Counsel. In the event a faculty member takes formal protected leave (i.e. FMLA leave, ADA accommodation, or leave approved under the UNC Chapel Hill Policy for Faculty Serious Illness, Major Disability and Parental Leave) or receives any other formal accommodations, BWEs will be adjusted accordingly such that a faculty member is not penalized solely on the basis of having taken protected leave or receipt of formal accommodation. BWEs are separate and distinct expectations than those activities assigned to faculty for which Supplemental Pay is awarded.

ii. **Base Clinical Productivity Standards**: The base clinical productivity standard metric established by the Chair or Division Chief (as applicable) must correspond with cFTE. As described above, Departments have the option to either (i) retain the patient-specific clinical effort a faculty member spends under clinical contracts as part of the cFTE by converting the dollar amount of the contract into an appropriate clinical productivity metric (e.g. wRVU equivalent, time-based unit, panel-size, case load); or (ii) reduce cFTE and corresponding clinical productivity targets by the amount of effort the faculty member has assigned to clinical contracts. If the Department chooses the latter, it should allow in its compensation plan for faculty members’ clinical productivity under a clinical contract to be recognized pursuant to formulae defined in the relevant agreement; provided that any resulting incentive 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 contractual third party. Though the amounts vary by Department, some level of additional or unexpected coverage is generally a component of BWE. Additional or unexpected coverage duty

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9 With respect to a faculty member, department Chairs may forego remedial measures if, due to factors outside a faculty member’s control, a faculty member fails to fulfill all BWE at 100%, but achieves at least 95% completion of the clinical BWE category.
compensated by EDPs must be significantly above the normal faculty expectation accounted for in BWE.\footnote{For Departments where night and weekend call coverage has historically been excluded from BWEs, EDPs may be utilized regularly for call coverage needs in FY22.}

iii. **Base Research Standards**: The base research or academic standards established by Departments should coincide with the amount of time a faculty member is supported by extramural and intramural grants and other research support – i.e. the amount of time allocated for these efforts should be commensurate with the faculty member’s percent effort assigned to grant funding and other negotiated time with the Chair. Recognized scholarly activity should also include publishing, presenting or distributing scholarly work. Faculty members with a dedicated research component of their FTE are required to have a percentage of that time expected to be covered by extramural or intramural grant funding, as well as clear expectations in regards to standards for appropriate activity (such as, for example, an expectation of funded grants, manuscripts, grant applications, published papers, etc.). This percentage of their research time that must be covered will be determined by the Chair or Division Chief, who are responsible for setting definable metrics with regard to dedicated research time. Such physician investigators should be required to cover an expected portion of their Annual Base Salary (or of the NIH cap if their Annual Base Salary exceeds the NIH cap) that is related to their defined research effort. This metric is only one metric used. If the required funding level is not met or maintained during the course of the year, this will be considered together with other metrics of the faculty member’s research productivity (e.g. papers, presentations) when reviewing for compensation-related implications outlined at the start of this section.

iv. **Base Teaching Standards**: Chairs (or Division Chiefs, as applicable) are required to establish one or more base teaching standards for all faculty members, over and above the FPWS requirement. In limited circumstances (e.g. in the case of faculty deployed 100% time to staff an offsite clinical contract), the Chair or Chief may exclude a faculty member from base teaching standard requirements.

v. **Base Administration Standards**: Chairs or Division Chiefs, as applicable, are required to establish base administration expectations for faculty members that have administrative time designated as part of their FTE. These base work expectations will vary with, and should pertain to the administrative duties to which the faculty member is assigned.

D. **Incentive Payment**: 
Subject to affordability (described further below), it is the SOM’s goal to financially encourage faculty members’ excellence and high performance across its tripartite mission, and in activities that further the contributions of the SOM to the students, patients and society that it serves. Accordingly, Incentive Payment categories set in advance each fiscal year by Departments in their respective Departmental plans should recognize faculty members’ (i) mission productivity (clinical service\textsuperscript{11}, scholarship and education); (ii) quality/citizenship; (iii) administration; (iv) research activity; (v) program development; and (vi) quality metrics.\textsuperscript{12} Weighting among categories, provided the methodology is set in advance of the start of the fiscal year, is at the discretion of the Chair, though Incentive Payments should predominantly be based on mission productivity and Departmental methodologies must include an educational component. Incentive Payment is not ranked-based. Departments should set incentive weights among categories such that no less than 65\% of total incentives are in respect of clinical activity. For this purpose, clinical activity includes clinical contracts, clinical administration (e.g., medical directorships), clinical program direction, and clinical quality metrics.

Faculty Incentive Payment metrics must be meaningful, measurable and manageable, and should be equitable across all ranks, types of faculty and years of experience. Metrics and thresholds for eligibility for Incentive Payment should be re-evaluated annually. Incentive Payment should be made for duties performed above the expectations set by FPWS or a faculty member’s BWE. It is an aspirational goal of the SOM and UNCFP that each Department achieve a budgeted Incentive Payment of at least 15\% of faculty members’ compensation from clinical revenue (“Clinical Budget”). Beginning in FY 22, all Departments must budget for Incentive Payment to constitute at least 10\% of total clinical compensation, unless granted an exception by the President of UNCFP.\textsuperscript{13}

Incentive Payments may be supplemented, in part and as consistent with applicable law, by (i) UNC Health Care System gain share transfers to the SOM and (for relevant Departments) by shared savings distributed from the next generation accountable care organization, UNC Senior Alliance in accordance, respectively, with the funds flow methodologies and ACO participation agreement(s) terms that are set in advance of the fiscal year; and (ii) payments in respect of SOM, UNCFP, and/or UNC Medical Center organizational goals and metrics achieved related to quality improvement, patient satisfaction, or similar patient-centered, quality

\textsuperscript{11} Any clinical productivity incentive that faculty physicians may earn will be based on personally performed professional services and will not include, for example, any wRVUs or other measurement of work performed by APPs. Any exceptions to this rule must be specifically permitted by applicable law and regulation, as well as verified and documented by the Office of University Counsel.

\textsuperscript{12} FPWS include certain quality metrics which are obligatory, the failure to meet such will result in downside risk to the organization (e.g., billing, compliance, privacy, etc.). In addition, certain quality metrics will be rewarded with Incentive payments.

\textsuperscript{13} The 10\% may include EDP payments in FY22.
improvement, and risk reduction ends and provided for in a plan adopted by UNCFP in advance of the fiscal year; provided any such incentive supplement (i) 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 Health Care System or UNC Hospitals; and (ii) shall be distributed to faculty (if at all) pursuant to the set in advance methodologies that recognize individual faculty members’ personal effort contributing to the achievement of the organizational goal that are outlined in a UNCFP plan for such distribution (if adopted by UNCFP), or Departmental Plans (if no UNCFP plan for such distribution is adopted for a particular year). If monies received by SOM from HCS transfers are earmarked for specific quality goals, such funds will be paid to Departments if the quality goal is met.

Departmental Incentive allocation may include a departmental/divisional/unit quality goal and must be related to items that can be reasonably impacted by faculty’s efforts.

Departmental plans may include productivity enhancements\(^\text{14}\) to incentivize faculty to practice at new locations; provided that all of the following criteria are met: (i) the productivity incentive enhancement must be equally applied to all Department faculty practicing at the new location; (ii) all such productivity incentive enhancements must be based on personally performed services of the faculty member; (iii) Departments may not provide productivity incentive payments related to referrals to a new location or in any other way based on the volume or value of referrals or business generated; and (iv) all TCC remains within fair market value.

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 Incentive Payments funded to the SOM by UNC Health Care, in recognition of their leadership roles within the UNC Health Care System 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 UNC Hospitals or any UNC Health Care System affiliates.

i. **Research Incentive Standards.** Research incentive plans and metrics may vary between Departments, recognizing that some Departments currently maintain a more robust research infrastructure than others. Incentive metrics should reflect the Department’s priorities and goals for growing the research enterprise.

Important factors Chairs and Division Chiefs should consider when setting research incentive metrics: (i) metrics for faculty with funding and dedicated rFTE time as well as metrics for faculty without dedicated rFTE

\(^{14}\) Such as, for example, 10% increase in value for each wRVU performed at a particular location, for a specific time period.
time, (ii) weighting incentives for publications based on the journal impact factor, (iii) consider incentives for grant application submissions, not only successful awards\textsuperscript{15}, and (iv) capping incentive awards where incentive categories skew to benefit senior investigators. Departments may rate research performance on Likert-type scales to promote consistency and easy comparison.

Research incentive credit attributable to a faculty member must be proportional to the faculty member’s respective contribution to the underlying work performed on the research project.\textsuperscript{16}

Departments may not award Research incentive for performance expected as FPWS or BWE.

ii. **Education Incentive Standards.** Incentive payment for education activities is reserved for teaching activities that exceed FPWS and BWE expectations. For example, education incentive metrics might include receipt of a teaching award, mentoring an exceptional number of advisees, or exceptional performance in small group blocks.

Departments generally should rate educational performance on Likert-type scales to promote consistency and easy comparison. Departments might decide to reward the top performers with education incentives (i.e., the top 10%).

Departments may not award Education incentive for performance expected as FPWS or BWE.

iii. **Administration Incentive Standards.** Most administrative effort by faculty members is accounted for in FPWS, BWE, or specific administrative roles, and compensated by Base Salary or Supplemental Pay. Administrative incentives should be used on a limited basis for extraordinary efforts that materially exceed time allotted by Departments. Examples include: leading international research oversight committees or boards, appoint to certain leadership committees.

**Limitations on Incentive Payment:**

i. Departments’ recommendations to provide incentive payments must be approved in advance by the Dean or Dean’s Designee, in consultation with the President of UNCFP. Decisions regarding the issuance of Incentive Payment will be made in light of the current, overall financial condition of the applicable Department, UNCFP and the SOM. Qualifying factors for deciding whether a specific Department should make Incentive Payments may include consideration of such metrics as (i) Departmental operating

\textsuperscript{15} Particularly for NIH grants (e.g., K series, R series), and foundation grants.

\textsuperscript{16} Such as, for example, hours worked, research budget functions performed, or otherwise.
margin; (ii) financial performance trending of the Department (e.g. limited operating margin but moving in the right direction); (iii) the expense of Departmental strategic initiatives; and/or (iv) financial performance relative to Departmental budget. Such decisions must be applied equitably across members of the Department and without regard to the volume or value of referrals or other business a particular faculty member or the Department generates for any entity within SOM, the UNC Health Care System or any non-affiliated entity with which the Department has a contractual or other financial arrangement. Any exceptions to the foregoing must be legitimately justified and documented, and may only be made upon the approval of the President of UNCFP, in consultation with the Dean or Dean’s Designee and in consultation with the Office of University Counsel, as appropriate.

ii. Incentive Payments will be made not more frequently than quarterly and at consistent times once complete data is available to inform the potential Incentive Payment earned. These times will be as follows: (i) for Departmental plans that pay incentive annually, September of the following fiscal year; (ii) for Departmental plans with semi-annual incentive distribution, in March for Q1/Q2 and in September of the following fiscal year for Q3/Q4; and (iii) for Departmental plans that pay incentive quarterly, in December for Q1, March for Q2, June for Q3 and September of the following fiscal year for Q4. With the limited exception of faculty who are retiring, in no event will Incentive Payment be made to faculty members post-separation or before the Department’s regularly scheduled Incentive Payment in anticipation of separation before that next payment.

iii. The SOM strongly promotes an inclusive and respectful environment, and further that its faculty will perform activities necessary to support institutional compliance with applicable laws and regulations. It is therefore expected that all faculty will adhere to applicable UNC-Chapel Hill and UNC Heath Care policies, including, but not limited to the:

a. UNC Health Care Disruptive and Inappropriate Health Care Team Member Behavior Policy
b. UNC-Chapel Hill Policy on Prohibited Discrimination, Harassment and Related Misconduct including Sexual and Gender Based Harassment, Sexual Violence, Interpersonal Violence and Stalking
c. UNC-Chapel Hill Violence in the Workplace Policy
d. UNC Health Care Code of Conduct
e. UNC Faculty Physicians Health Affairs Code (UNC-CH Faculty Affairs Code, Appendix A)
f. UNC-Chapel Hill Policy on Individual Conflicts of Interest and Commitment

g. UNC-Chapel Hill Policy on External Professional Activities of Faculty and Other Professional Staff

h. Trustee Policies and Regulations Governing Academic Tenure in the University of North Carolina at Chapel Hill; and Guidelines for Appointment, Reappointment and Promotion of Faculty of the School of Medicine at the University of North Carolina at Chapel Hill

i. UNC Health Care Policy on Vendor Relations

j. UNC-Chapel Hill Policy SOM Policy on Medical-Legal Activities

k. UNC Health Care and UNC-Chapel Hill policies and institutional requirements that relate to:
   i. Documentation guidelines for timely documentation of clinical services (e.g., timely closing of encounters, dictation of operative reports, dictation of discharge summaries, etc.), including, without limitation, UNC Health Care System Policy, "Inclusion of Documentation Completion Criteria within Provider Compensation Plans" and any conforming, supplemental UNCFP policy regarding, “UNCFP Standards for Timely Documentation of Open Charts” that may be adopted or amended from time to time.
   
   ii. HIPAA Compliance
   
   iii. Time Trex and Effort Reporting
   
   iv. Employee Health Requirements
   
   v. Compliance Office Training
   
   vi. Finance (e.g. travel policies)
   
   vii. Institutional Quality and Performance Improvement Programs

If it is reasonably determined by the Chair, Division Chief or other applicable administrative unit (e.g. EEO; Professional Compliance) that a faculty member has committed a material violation of one or more of these policies or requirements, the Incentive Payment that the faculty might have otherwise earned under the relevant Departmental methodology will be reduced or withheld. For purposes of timing, Incentive Payment may be suspended during the pendency of an investigation into a policy violation, with the payment or final withhold/reduction of any Incentive Payment to be made following (and consistent with) the final determination resulting from such investigation.
With respect to ADMIN 0289, the calculations for determining whether a provider has met 90% of clinical encounters closed within 8 calendar days and whether overall charts are closed within 31 days will be consistent with the Physician Practice Management Committee’s guidelines, and the impact to clinical Incentive Payment (including reduction in wRVU credit) shall be consistent with that policy. A faculty member found to be in violation of the listed policies must receive a reduction or withhold of some amount of Incentive. When Incentive is reduced or withheld, such amounts are determined by the Professionalism Executive Committee in consultation with the Department Chair.

E. Non-Salary Compensation

Board of Governors policy permits the provision of specified non-salary compensation to a defined category of employees where the awarding of the non-salary compensation is considered relevant to attracting or retaining faculty of the highest possible quality, and UNC-Chapel Hill policy permits (among other things) non-salary compensation that is authorized by an approved faculty practice plan. In recognition of the unique needs of a clinical faculty practice to compete for top talent and further its delivery of the highest clinical service throughout the state, this Plan permits the awarding of the following types of non-salary compensation, subject to the following requirements:

Types of Permitted Non-Salary Compensation:

1. Housing stipends in connection with an in-state remote duty assignment, which may be of indefinite duration, but must be reviewed at least every 18 months for continuing necessity.

2. Signing bonuses capped at 10% of the incoming faculty’s Annual Base Salary.

3. Payment for an incoming clinical faculty member’s professional liability insurance tail coverage in the event they were covered under a claims-based policy prior to SOM employment, limited to the direct amount of the tail coverage expense.

Restrictions and Requirements:

1. No state funds may be used to pay non-salary compensation; the source of funds must be clinical revenue maintained as institutional trust funds.

2. Before proposing non-salary compensation as permitted above, the Department must document the imperative for such compensation in
order to recruit or retain a particular faculty member (i.e. the recruitment or retention would likely otherwise fail), along with the qualifications of the faculty member. In the case of a housing stipend, the Department must document the mission-based, community service and patient care imperative for the compensation (i.e. assigning a Chapel Hill-based faculty to a remote North Carolina location is the only way to deliver a certain specialty care in the local community and the nature of the assignment (e.g. overnight call coverage) precludes reasonable or safe commuting).

3. The proposal must be reviewed and approved by the Executive Dean of the SOM and the President of UNCFP, or their designees, including for purposes of assuring uniformity of non-salary compensation awards and that they are not based in whole or in part upon any protected status.

4. If approved, and before paying the non-salary compensation, the Office of University Counsel (“OUC”) must be involved to assure the implementation of appropriate institutional protections (e.g. a promissory note); and SOM Human Resources (“HR”) must be involved to assure appropriate payroll or other processing, as well as appropriate tax treatment of the funds. OUC and SOM HR will work with the relevant Department, as necessary.

5. Any signing bonuses approved hereunder shall be paid to the faculty no sooner than in their first payroll distribution as an SOM employee.

6. Total compensation to any faculty member, including any non-salary compensation approved hereunder, remains subject to being capped at fair market value for healthcare regulatory purposes.

7. Any non-salary compensation that is not permitted under this Plan is governed by the UNC Chapel Hill Policy on Non-Salary Compensation and Deferred Compensation for Faculty and EPA Non-Faculty Employees.