Maximizing Clinical Staff Productivity:
New Models of Performance-Based Compensation

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Outline

- An Executive Update on Productivity Measurement & Performance-Based Compensation
- Measuring Productivity: Steps in the Process & Models
- Using Productivity Measures in the Supervision Process
- The Question of Production-Based Compensation
An Executive Update on Productivity Measurement & Performance-Based Compensation
The Push for Enhanced Staff Productivity

- Declining reimbursement environment and lower margins; recession budgeting challenges
- Many providers assuming an increasing amount of financial risk through financial risk sharing reimbursement arrangements
- Rising human resource costs (salaries and benefits)
- Increased competition for consumers
- Increased pressure on organizations and their boards of directors to be responsible for public dollars
Enhanced Productivity: A Dominant Issue for Human Resource Departments

- Heavy emphasis on human resource departments across the nation to transition from being transaction-focused to being departments that help drive organizational productivity
- Developing processes to maximize employee productivity
- Determining how to calculate productivity
- Determining how to manage productivity and whether or not to establish productivity incentives
- Determining how to address low-productivity in some employees
Increasing Pressure from Boards of Directors to Enhance Productivity

- Are We a Good Steward of Public & Private Dollars?
- Do We Provide Better Value for These Funds Than Other Organizations?
- Do We Provide Better Value Than Other Organizations?
- What Services Should We Provide to Best Fulfill Our Mission?

All of these concerns create a stronger mandate for high productivity and demonstration of quality outcomes.
Adoption of Trends from Other Industries

- Productivity enhancement has been a major focus of the international manufacturing industry for several decades through process improvement initiatives such as lean manufacturing, six sigma, and Kaisen.

- In the past decade, due in large part to the emergence of managed care, health care systems started to integrate these principles into their operations.

- As global competition started to increase in other industries, corporate America began to utilize similar processes to become more efficient and maximize profits.
Defining Productivity & Productivity Models

Let’s make certain we all know what we mean when we say ‘productivity’
Wikipedia says:

_Labor productivity_ is typically measured as a ratio of output per labor-hour, an input.
How to Measure Productivity?

- When measuring productivity, it is important to consider what level of productivity is being measured: individual, departmental or organization-wide.

- A manufacturing organization may be rated on overall net income per full-time equivalent (FTE), specific departments may have different productivity ratings.

- For example, productivity for the product development department in a technology company may be evaluated in terms of the time it takes to bring the product to market.
How to Measure Productivity?

- The quantity of output is measured in units produced, dollars of sales, or any term that suits your need.
- The quality of output is measured by workmanship, adherence to standard, and absence of complaints.
- Input is measured by labor costs, hours worked, and number of employees.
- To be useful, measures must be as simple and as consistent as possible.
Examples of Productivity Measures by Position

- Outpatient clinicians often use billable hours.
- Case managers often use units billed.
- Prevention specialists often use the number of clients served through outreach.
- Inpatient clinicians often use clinician caseload.
Other Things We Sometimes Mean by “Productivity”

- Client-care time versus administrative or other time staff time
- Face-to-face client time versus other staff time

Productivity is a touchy word!
(“What do you mean my other time isn’t productive?”)
If we mean BILLABLE time, let’s say it!
Establishing Productivity Standards

- Many organizations struggle with two aspects of productivity measurement: what should be measured and how it should be measured.

- Productivity measures can be different for each industry, organization, department and position.
Establishing Productivity Standards

- Budget assumptions
- Research on comparable organizations
- Industry benchmarks
- Contractual requirements
- Raising the bar on historical performance
- Other?
Food for Thought . . . .

- It is conceivable for you to have more employees than the competition yet your company produces less and you have disgruntled, low-output employees even though you pay your employees more than the competition pays theirs.
Productivity surveys and case studies indicate that increased worker motivation and satisfaction can increase worker output—progressive, innovative managers now achieve productivity gains with human resource management techniques that go beyond pay incentives.
Measuring Productivity: Steps in the Process & Models
Some Common Productivity Models in Behavioral Health

- The “Eat what you kill” model
- Percentage of “all billable time”
- Percentage of “all billable time” adjusted for benefits
- The Team Model
The “Eat what you kill” model

- When you’re in private practice, you are paid only for the time when a client is in front of you in the office. You are fully at risk and must keep productivity extremely high in order to survive.

- Every hour counts, and billable time has to be maximized — by charging a fee for missed appointments; using no-show slots to complete paperwork; outsourcing administrative functions such as appointment reminders, insurance verification, and claims processing.

- Productivity is everything, and efficiency has to be closely monitored. Whatever an organization can do to get clinicians working in this model will raise productivity.
Percentage of “all billable time”

Many behavioral health organizations establish productivity standards through a percentage of available billable hours. This can be based on hours per year (e.g., 2080 for 52 forty-hour weeks) — such as 40% or 832 billable hours per year.

For clinic-based services, expectations may be for 70 -80% productivity!
A more common approach, particularly in organizations with many senior staff or staff with long service records and more accrued leave, is to set the productivity standard by subtracting vacation, sick time, holidays, and other leave time from available productive time. The remaining available billable time is the measure of productivity.

Joe hates this model! Why?
The Team Model

The team model involves a group of professionals providing services and measuring productivity as a team. Assertive Community Treatment is one example of this method, which measures productivity in the number of services provided in the community during a given time frame. In one week or one month, staff in one discipline might pick up more billable hours than another, but overall productivity is measured on a team basis.
Common Strategies for Increasing Clinical Staff Productivity
Common Strategies for Increasing Clinical Staff Productivity

- Offloading work onto other staff positions when possible
- Centralized appointment scheduling
- Reduced administrative meetings
- Reducing no-shows and cancellations (assorted strategies)
- Reducing paperwork time through process redesign and adoption of technology (such as electronic medical records)
- Adopting productivity incentives (more on this later)
- Other ???
Sample Models For Performance-Based Compensation Used To Increase Billable Productivity
Sample Individual Model For Clinical Staff

Percentage of Billable Hours

- Productivity expectation = 60% billable hours
- Available weeks = 46 (52 weeks less personal days/holidays/training)
- 2080 payroll hours X 46/52 = 1840 hours
- 1840 hours x 60% = 1104 hours annual requirement
- 24 hours per week
Sample Individual Model For Clinical Staff

Tiered Bonus Schedule

- Bonus = $20/unit for the first 100 units exceeding the annual expectation of 1104
- Bonus = $30/unit for the next 100 units
- Bonus = $40/unit for each unit thereafter

*Most Commonly Used In Quarterly Format With Much Higher Productivity Requirement!*
Madison Center & Hospital Model For Psychiatrists

- Madison Center and Hospital in South Bend, Indiana
- Individual psychiatrist performance-based compensation plan:
  - ✓ Base salary of $33,000
  - ✓ Variable pay of 80% of net service revenue
Madison Center & Hospital Model For Psychiatrists

- Impact of implementing the plan:
  - Billing increased from 50% - 200% per psychiatrist!
  - Average billing per psychiatrist is $475,000 annually
  - Annual compensation ranges from $186,000 - $270,000 per psychiatrist in a market where the average is $130,000
Dallas MetroCare Improves Physician Productivity

- In October of 2000, Dallas MetroCare had a medical staff of 24 full time employees, conducted 206 medication checks per full time employee per month, and posted a net loss (after direct costs) from medical services of $30,000 per month.
New Standards for Medical Services Operations

- Mean medical check appointment length of 19 minutes
- Mean psychiatry assessment time of 42 minutes
- Mean between appointment interval of 7 weeks
- A caseload of 7 assessments and 75 medication checks per full time psychiatrist per week
Operational Changes

- Dallas MetroCare established procedures to ensure that the performance measures reach benchmark goals by:
  ✓ booking medication check appointments at 15-minute intervals to regulate a 33% no-show rate
  ✓ double booking 45-minute psychiatric assessment appointments to adjust for the 50% no-show rate (first appointment assessments only)
Results

- Current reports indicate that the initiative has yielded positive effects on the productivity and quality of care at Dallas MetroCare.

- The medical staff is now running at 14.5 FTEs, with an average of 270 medication checks per each employee per month, and is posting a net income of $50,400 per month.
Safe Harbor Case Study

In FY 2006/2007 responded to the identified need to develop school based outpatient services:

1. High no show rate.
2. Need to improve coordination with school based staff.
3. Rural county with limited transportation options.
Safe Harbor Case Study

- The fundamental challenge was to operationalize the service and remain fiscally sustainable.

- Expanded the “Productivity Contract” for therapy staff to ensure a sound financial foundation.
Safe Harbor Productivity Contract

- Basic Mathematical equation
  - ✓ Base salary + benefit expense
  - ✓ Average hourly rate of reimbursement for therapy.
  - ✓ Number of billed hour per quarter has to equal salary and benefit cost.
  - ✓ No paid time off, staff schedule to maximize productivity.
Safe Harbor Productivity Contract

- **Bonus / Penalty Components:**
  - ✓ Revenue received is greater than required base agreement = Therapist receives a bonus of 50% of revenue received.
  - ✓ Billed hours are less than requirement = Salary reduced over the next three pay periods to balance the equation.
Safe Harbor Outcomes

- No-show rate significantly reduced.
- Superintendents pleased with service.
- Improved coordination with school based-personnel.
- Improved connect with high-need families.
- Therapy staff satisfaction with application of the productivity model.
- CEO happy with enhanced revenue.
- Potential opportunity to establish Tele-psychiatry in school based programs.
Washburn Center Case Study

- 2009 clinician incentive plan
- Annual bonus plan for various staff positions:
  - ✓ Outpatient school-based, home-based, crisis stabilization, and day treatment staff
  - ✓ Case management staff
  - ✓ Day treatment and family-focused classrooms
Washburn Center Case Study

- Begins with established productivity quota by position
- Bonus compensation
  - ✓ Outpatient staff above quota compensation
    - Unlicensed staff compensated at a rate of $30.00 per billable service.
    - Independently Licensed and Crisis Stabilization staff compensated at a rate of $43.00 per billable service.
Washburn Center Case Study

Bonus compensation

✓ Case management staff above quota compensation

- Case management billing is a monthly unit per client and caseloads have statutory limitations, so utilization should not exceed an average of 15 cases per month for the year. Case managers are eligible for a $500 incentive if their year-to-date utilization is 95-100% of the “maximum capacity” at year end.
- Family Focused Home-based clinicians are eligible for a $500 incentive if their utilization exceeds 100% of “maximum capacity” utilization for the year.
- Outreach clinicians are eligible for a $500 incentive if their utilization exceeds 100% of “maximum capacity” utilization for the year.
Washburn Center Case Study

- **Bonus compensation**
  - ✓ Day treatment and family-focused classrooms
    - Family Focused and Day Treatment Classroom clinicians are eligible for a $250 incentive if their classroom’s utilization exceeds 82% of the “maximum capacity” utilization for the year. Clinicians who work in two classrooms are eligible for the incentive for each classroom.
Washburn Center Case Study

**Other requirements:**

- ✓ At the end of the first quarter of the following calendar year any write-offs resulting from clinician error from the preceding year will be deducted from the established quota hours to determine whether that clinician would qualify for the incentive compensation.

- ✓ To qualify, a clinician would be required to be employed in their position for the full calendar year. Adjustments may be made during the year at the discretion of the program directors due to program changes. This will take effect for the 2009 calendar year.

- ✓ If staff is below 90% productivity, they will automatically be placed on the revenue-generated plan for one year.
Revenue Generating Plan

Compensation Formula:

✅ **Tier 1** – Staff with less than 2 years of independent licensure as a mental health professional:
  - Revenue-generated compensation will be 55% of number of face-to-face sessions x $79 per session. ($43.45 hourly rate per session)

✅ **Tier 2** – Staff with more than 2 years of independent licensure as a mental health professional:
  - Revenue-generated compensation will be 60% of number of face-to-face sessions x $79 per session. ($47.40 hourly rate per session)
Revenue Generating Plan

Other Requirements

✓ On this plan, staff will continue to receive full benefits as long as they work 30 hours or more a week (based on 18 billable hours per week) and partial benefits for regular part-time staff who work 20 hours a week. Vacation for staff on this plan will be based on a salary equivalent formula.

✓ A review committee will regularly review productivity and if productivity is an issue, determine an action plan with staff which may include being placed on the revenue-generated plan.

✓ By January 15 of each year, every Outpatient staff’s productivity for the prior year will be reviewed and a determination will be made if their compensation for the coming year will be based on revenue-generating or regular compensation.

✓ Supervisors reserve the right to monitor performance throughout the year.
Using Productivity Measures in the Supervision Process
How to Use Productivity Measures in the Supervision Process

- Productivity standards built into job description and performance review
- Productivity reports generated at least monthly and sent to managers
- Managers meet with individuals/teams to review results
  - Lower than standard—create a plan of correction
  - Higher than standard—provide some sort of positive reinforcement
How to Use Productivity Measures in the Supervision Process

- Use employee feedback to engage in process re-engineering
- If applicable, link to pay-for-performance initiatives
The Question of Production-Based Compensation
Goals Of Compensation System

- **Efficiency**
  - Improving performance, quality, and customer satisfaction
  - Controlling labor costs

- **Equity**
  - “Fair pay for a fair day’s work”
  - Equitable decisions regarding compensation

- **Compliance**
  - Follow the law regarding compensation
What Is Performance-Based Compensation?

- Shift in compensation from fixed to variable (salary plus incentive)
- Compensation based on quantity and quality of performance
- Match labor costs to service demands
- Emerging methodology in behavioral health and social services
- Fundamental change in hiring, paying, and managing employees
Issues To Consider When Evaluating Performance-Based Compensation

- Likely effects on recruitment, retention, and profitability
- Applicability to management and/or line staff
- Effect of team vs. individual strategies
Issues To Consider When Evaluating Performance-Based Compensation

- Balancing negative consequences with positive reinforcement
- Role of organized labor
- Technological requirements for managing performance-based compensation system
Forms Of Compensation:

- Merit pay
- Lump sum bonuses
- Pay for knowledge
- Individual incentive pay
  - Spot awards
- Group incentive pay
  - Gain sharing
  - Profit sharing
- Note: Incentives can be short or long-term
Key Point:

Merit Pay Is Designed To Reward Past Performance, While Incentive Pay Seeks To Influence Future Behavior
Steps For Building A Performance-Based Compensation Plan
Building The PBC Plan: The Three Key Questions

- **WHAT?** – What performance results are you seeking to achieve?
- **WHO?** – Who is needed to achieve those results?
- **HOW?** – How do you motivate staff to achieve the results?
WHAT Performance Results?

- Revisit your strategic plan:
  - ✓ What are the quantifiable objectives sought?
  - ✓ What is the timeline?
  - ✓ What key performance indicators have been put in place to monitor progress and success?
WHAT Performance Results?

- Also, consider using measures that focus on routine operational standards
  - ✓ Productivity or yield
  - ✓ A/R collection rates
WHO Is Needed To Achieve Those Results?

- Does your staffing pattern have the right people in it to achieve your objectives?
- Sometimes you can link specific objectives with individual job positions or departments; for others you may want to “weigh” the degree to which several staff members are critical to effecting intended results
  - E.g., You may deem the billing department team leaders as having greater influence an achieving collection goals and thus give them a bigger incentive
Human Resource Basics In Setting Up Your PBC Plan

- #1 Develop performance-based job descriptions
- #2 Completing a competitive compensation analysis
- #3 Developing an overall compensation strategy
#1 Develop Performance-Based Job Descriptions

- Accurate and up-to-date job descriptions and definitions
- Titles should reflect those used in the marketplace
- Clearly defined responsibilities and objectives
- Management systems for measuring and evaluating employee performance
#2 Completing A Competitive Compensation Analysis

- Do research about market pay rates
- Research:
  - ✓ Personnel records
  - ✓ Exit interviews
  - ✓ Bureau of labor statistics (http://stats.bls.gov)
  - ✓ State and local information
  - ✓ Employment ads
  - ✓ Professional association surveys
#2 Completing A Competitive Compensation Analysis

- Consider a competitive pay survey
- Meet with Compensation Committee and Board of Directors
- Identify goals, objectives and expectations of survey
- Determine format of survey
  - How many employers
  - Reporting techniques
#2 Completing A Competitive Compensation Analysis

Key components of pay survey:

- Types of bonuses/incentives offered
- Structure of performance review process
- Compensation data by position
- Offer incentive for response to Survey
#2 Completing A Competitive Compensation Analysis

- Conduct phone interviews with selected employers that are most competitive with the organization
- Distribute questionnaire to respondents
- Match jobs and analyze data of returned surveys
- Tabulate all data and report findings of survey
#3 Developing An Overall Compensation Strategy

- How does the average salary for various positions in the market compare with that of your organization?
- Where do the market averages fall in your pay ranges?
- How do benefits compare?
- What variable pay systems are in place?
- Which jobs seem more scarce and how are they compensated?
#3 Developing An Overall Compensation Strategy

- Determine how to configure your salary ranges in relation to the market:
  - ✅ Can you afford to start staff above or below the averages?
  - ✅ Do fiscal constraints require you to be selective in investing your HR dollars?
HOW Do You Motivate These Staff To Achieve Your Objectives?

- Plan Type: Team or individual based incentives?
- Plan Term: Time period for achieving objectives:
  - ✓ Should the incentives be short-term or long-term?
- Plan Method: Calculation method
- Plan Periodicity: frequency in which variable pay is paid out
HOW Do You Motivate Staff To Achieve Your Objectives?

- Lastly, predetermine the length of time the plan will be in place before modification.
Communicating Your PBC Plan

The Communication Plan Answers These Questions:

- Why was the compensation program designed?
- What business goal is the program designed to achieve?
- How does it link to overall organizational strategy?
- How competitive is the program?
- What behaviors will it motivate?
- How are individuals affected?
Benefits of Performance-Based Compensation

- Generally has a positive ROI (increased efficiency)
- Provides a clear standard and expectations for employee performance with incentives
- Can be a useful employee retentions tool
- Will change the culture of the organization
- Maximizes organizational financial performance
Pitfalls of Performance-Based Compensation

- Can lead to “cutting corners”
  - ✔ Compliance concerns
  - ✔ Quality concerns
- In the absence of a solid IT infrastructure—very time consuming to track data and generate reports
- Some employees will not “rise to the occasion” and meet the standards for issues unrelated to quality of their work
Questions & Discussion
Establishing Productivity Standards for Clinical Staff: Managing by the Numbers in Behavioral Health & Social Services


Managing Clinical Services in the Real World: Service Delivery Efficiency


Performance-Based Compensation: Who, What, How

Upcoming Educational Events and Resources

- **OPEN MINDS Executive Briefing Web Seminar**
  Performance-Based Compensation – Tying Employee Compensation to Organizational Performance, **Thursday February 18, 2010 3:00 PM – 4:30 PM E.S.T.**

- **OPEN MINDS Executive Briefing Web Seminar**
  Everything You Want to Know About What Is Happening In Washington, D.C., But Were Afraid to Ask – The Effects on the Field on the Stimulus Package”, **Thursday, March 4, 2010 3:00 PM – 4:30 PM E.S.T.**

- **OPEN MINDS Executive Education Institute**
  2010 Marketing & Innovation Institute: Preparing Executives for the Next Generation of Behavioral Health Services, **March 13 – 14, 2010, Orlando, Florida**

- **OPEN MINDS Executive Education Institute**
  The 2010 **OPEN MINDS** Strategic Planning Institute: Strategic Tools for Managing in a Rapidly Evolving Environment,  **May 20-21, San Antonio, Texas**
Bringing the Management of Behavioral Health & Social Services Into Focus