

ECU PHYSICIANS
Clinical Faculty Compensation Plan
Brody School of Medicine at East Carolina University

I. INTRODUCTION

Clinical medical education requires the maintenance of a strong and diverse clinical practice to support the educational objectives of the school. Clinical faculty must be skilled practitioners of the art and science of medicine as well as educators. The financial support for this requisite clinical activity is largely derived from income earned by the faculty in the provision of medical care and scholarly activity. In order to recruit and retain skilled clinicians and mentors, the institution must provide a system of faculty compensation that is competitive with physician incomes in the non-academic environment and, therefore, linked to the earning potential of the faculty. In this changing environment, the academic medical center must be fiscally nimble and responsive if it is to retain faculty and maintain its requisite clinical base. It is therefore essential that a system for clinical faculty compensation exists which permits earned income, in excess of that required to maintain and ensure growth of the essential infrastructure for clinical practice, as determined by the Dean in consultation with the Medical Faculty Practice Plan (MFPP) Board of Directors, to be directed to compensation of clinical faculty.

II. OVERVIEW

Through the annual process of establishing realistic budget targets for individual Units, the Dean and Chair (and Chief of Division if applicable) shall provide for maintenance and development of the Unit and establish and maintain Unit fiscal reserves. Budget targets shall take into account the individual Unit's needs and goals, as well as the

overall financial viability of the Department and the MFPP taken as a whole, as determined by the Dean and the Chair in consultation with the Medical Faculty Practice Plan (MFPP) Board of Directors. Inherent in this process is the preservation and growth of faculty salaries. Realistic budgeting should result in stable faculty compensation through out the fiscal year. Unit financial performance that falls short of realistic budget targets will initially prompt efforts to increase net income by expense reduction and increased revenue generation.

The practice plan is composed of mutually dependent Units, and the integrity of each must be maintained. It is the responsibility of the Dean, in consultation with the clinical chairs, to ensure the integrity of each Department. Similarly, if multiple Units exist within a Department, it is the Chair's and the Dean's responsibility to ensure the integrity of each Unit in keeping with the mission of the School.

The opportunity exists annually for individual faculty to negotiate increases or decreases in their individual annual compensation based upon financial, teaching, research, and administrative productivity. A base salary is provided to each faculty member that is intended to support the core missions of the medical school.

III. DEFINITIONS AND CONCEPTS

A. Faculty Compensation: Monies provided to faculty by virtue of their employment responsibilities within the institution are paid twice monthly. Compensation for faculty responsibilities is separate and distinct from the evaluation of faculty performance in consideration for reappointment, promotion, and conferral of permanent tenure. Faculty compensation is projected annually and is expected to remain relatively stable throughout the fiscal year with the possibility of adjustments based on meeting, or

failure to meet, performance criteria (see “III.D. Variable Incentive” below).

Compensation is composed of a fixed component (base salary), and a variable component (supplement). Total compensation may also include non-permanent stipends for administrative assignments or for temporary extraordinary clinical service assignments. These temporary stipends are paid only during that time that the administrative or extraordinary clinical service is provided, must be approved by the Dean of the Brody School of Medicine and the Vice Chancellor for Health Sciences and are governed by separate University policy.

- B. Base Salary: That salary paid to the faculty member that compensates the faculty member for the formal and informal teaching activities, and customary administrative and scholarly activity. It is the responsibility of the Chair, in consultation with the faculty member to define for individual faculty what constitutes customary teaching, scholarly, and administrative activity. The Chair may consult with Unit Budget Officers as appropriate. The base salary, by faculty rank or title, shall be equivalent to the respective base salary defined for clinical faculty at the School of Medicine at The University of North Carolina at Chapel Hill. See Appendix A for current year data. The base salary shall be determined by the Associate Vice Chancellor for Administration and Finance annually prior to determination of faculty compensation.
- C. Supplement: Monies provided to the faculty member as supplement shall compensate the efforts of the faculty member in all areas of activity. While the supplemental portion of salary is not necessarily determined by income generated, revenue-generating clinical activity and other measures of productivity must be considered. The amount of the supplement is negotiated annually between the Chair alone or in consultation with the Unit budget officers, and the individual faculty member and is recommended to the

Dean. Budget targets and individual productivity targets which dictate the supplement shall be established so that all of the supplement is expected to be provided throughout the fiscal year with the possibility of adjustment every six months (see “III. D. Variable Incentive” below). Consistent with University and school policies, the Chair, alone or in consultation with the Unit budget officers, and the faculty member negotiate the distribution of the faculty member’s efforts in the future year among clinical activities which may or may not be revenue generating, research and scholarly activity which may or may not be revenue generating, teaching which may or may not be revenue generating, and administrative activity which is unlikely to be revenue generating.

In negotiating the supplemental portion of salary, the Department Chair shall also consider the faculty member’s compliance with University, School and Practice Plan policies and procedures. Documented failure to comply with such policies, or failure to abide by reasonable expectations of professional behavior may result in a reduction in the supplemental component of salary. A portion of the income generated by Budget Units shall be dedicated to compensating faculty member’s activity in non-income generating areas.

D. Variable incentive: As a part of the annual negotiation of the supplemental component of salary, the Chair will negotiate a portion of the supplement that may be paid if the faculty member meets or exceeds a productivity target (a variable incentive payment) and a portion of the supplement that may be reduced for substantial failure to reach the productivity target. The guidelines for such supplement increases or decreases will be established by the Dean, by the end of the 2nd quarter of the previous year, in consultation with Department Chairs, the Medical Director of the Practice Plan and the Chief Financial Officer of the Medical School. The Chair will be responsible for

annually providing the Dean with the current departmental implementation plan for determining the variable incentive component of total salary. This plan will specify in reasonable detail the criteria (including targets and metrics for evaluating progress toward targets) that will be used for establishing an individual faculty member's total salary. Prior to the first quarter of each fiscal year (i.e. before July 1 annually), the Chair will also inform the faculty, in writing, of the criteria and methodologies to be used in this process. It is anticipated that such variable incentive supplements would be paid as a lump sum annually or every six months. Such payments would be in compliance with any applicable School, University and UNC system policies. It is anticipated that reductions in supplement for failure to reach targets would result in a reduction in the supplemental component of salary for the ensuing 6 month period with the opportunity for restoration as provided in section III. J. and III.K.

E. Department: A discrete group of faculty employed within a recognized academic Unit, e.g., Department of Surgery, Medicine, etc. Faculty members within a Department have a shared infrastructure and teaching responsibilities.

F. Budget Unit: A discrete group of faculty with a shared infrastructure and teaching responsibilities. A Budget Unit may be identical to a Department or may be one of several discrete groups that collectively constitute a Department.

G. Budget Targets: Expectations of financial performance that are to be achieved through expense management and income generation by Budget Units and Departments. Annual budget targets may reflect a positive, neutral, or in some cases, negative net income. (Budget targets that reflect negative net income (i.e. deficit) must be justified and reviewed with the Dean, the Chair and the Chief Financial Officer of the Medical School, and a plan for eliminating such a deficit within a reasonable timeframe must be submitted by the

Budget Unit officer). They are established by Unit budget officers. Failure to achieve budget targets in the first two quarters, (each three month period ending September 30 and December 31 annually), will prompt efforts to increase net income, and in the third and fourth quarters, (each three month period ending March 31 and June 30 annually), continued failure to achieve budget targets may result in faculty compensation supplement decrease(s).

- H. Unit Budget Officers: They include the Dean, the CFO of the Medical School, the Department Chair, and, if the Budget Unit is a sub Unit of a Department, the Chief of the Budget Unit. The Chair, and the CFO of the Medical School are advisory to the Dean.
- I. Productivity Increase: Performance by an individual faculty member in clinical practice, teaching, scholarly or administrative activities that exceed expectations and establish the basis for an increase in supplement and/or establish the basis for a variable incentive.
- J. Supplement Decrease: A reduction in the salary supplements of members of a Budget Unit which may occur in one or both of the third and fourth quarters in Budget Units that experience a productivity decrease over the preceding six (6) or nine (9) months respectively. All recommendations related to a supplement decrease are made by the Unit Budget Officers (i.e., Department Chair, CFO, Section Chief). Any proposed reduction must be reviewed and approved by the Dean. Under no circumstances can the reduction in the supplement during either of the third or fourth quarters exceed twenty-five percent (25%) of the prorated supplement for that quarter.
- K. Restoration: A return of a portion or all of the decrease in the supplement that may be returned to the individual faculty in the fourth quarter. The amount of the restoration is

limited by the requirement that the faculty member has increased productivity that meets or exceeds agreed-upon productivity targets.

- L. Salary Cap: A maximum annual faculty compensation level (including base salary and supplement) that cannot be exceeded. These are established on an annual basis by the University of North Carolina Board of Governors.
- M. Salary Dispute Resolution: If there is disagreement between a faculty member and Chair regarding the compensation package established for that faculty member at the beginning of the fiscal year, 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. Nothing herein in any way deprives any faculty member of any grievance or appeal rights otherwise available to all faculty members under the *East Carolina University Faculty Manual*.
- N. Institutional Commitment: The understanding that individual faculty member, Budget Units, and Departments shall commit a portion of their income to meet institutional needs. These needs are met by the various taxes and overhead cost allocations that may be imposed by the Dean, Practice Plan Administration, and Chairs and, on an annual basis, by the setting of budget targets.
- O. Method of Faculty Compensation: Faculty members in clinical Departments whose professional activities warrant the payment of supplement participate in this clinical faculty compensation plan. Other faculty members in clinical Departments who do not participate in this faculty compensation plan are compensated similarly to faculty in non-clinical Departments in the School of Medicine. Annually, with the approval of the Dean, the Chair may designate a faculty member as participating or non-participating in this faculty compensation plan. Persons holding administrative appointments

(exempt from the State Personnel Act) in the School of Medicine, who are not appointed to positions in clinical departments but whose professional activities warrant the payment of may participate in this compensation plan. Annually, the Dean may designate such individuals as participating or nonparticipating in this compensation plan.

- P. Compensation of Chairs: On an annual basis, the Dean shall negotiate the supplement for each Chair. The Chair is subject to supplemental reductions if the department, as a whole, experiences a productivity decrease. The Chair may be eligible for increases or decreases in the supplemental portion of salary based on meeting, or failure to meet performance expectations established by the Dean.

IV. OPERATIONS

- A. Upon approval of the annual MFPP budget in which every effort shall be made to accomplish by July 1 but no later than September 30 annually, the following shall be completed:
1. Faculty base salaries are determined.
 2. A supplement to each faculty member shall be negotiated (including any variable incentive component) and salary disputes resolved. The supplements for individual faculty members shall reflect the prior year's activity of the individual faculty member. If the determination is made after July 1 to reduce a faculty member's supplement as reflective of the prior fiscal year's activity, the effective date of such a decrease shall be the next pay period following the dean's approval of such a decision made by the department chair to decrease the supplement. The effective date of an increase shall be July 1 regardless of when such a determination is made. Faculty compensation is limited by salary caps established by the UNC Board of

Governors and must support the charge given to the Budget Unit to develop budget targets approved by the Dean.

3. Budget Unit and Department budget targets shall be developed.
4. Any proposed reduction in supplement must be reviewed and approved by the Dean.
5. The Department Chair will provide each faculty member, in writing, the criteria used for determining the variable incentive component of supplemental compensation and the criteria and methodology for any reductions in supplement that may occur as a result of decreases in productivity as provided in III.D.

B. During the First Quarter (i.e. prior to September 30 annually):

1. One-fourth of the base salary and supplement shall be paid.
2. Semi annual productivity, over the last six (6) months of the previous fiscal year will be analyzed.

C. During the Second Quarter (i.e. prior to December 31 annually):

1. One fourth of the base salary and supplement will be paid.
2. Analysis of each Budget Unit's first quarter (for the three month period ending September 30 annually) financial performance will occur.

D. Immediately before the Third Quarter (i.e. prior to December 31 annually):

1. Analysis of each Budget Unit's year-to-date financial performance will be made.
2. Analysis of individual faculty productivity will be reviewed with comparison to productivity benchmarks and, in the case of faculty with variable incentive components, determination of whether agreed-upon targets were met. Meeting the performance criteria will result in the payment of the variable incentive. First and second quarter (i.e. period ending December 31 annually) supplements will be paid by March 1 of each subsequent year as a lump sum payment. Failure to meet the

performance target may result in a decrease of the supplemental component of salary in the subsequent six months.

3. The Dean will establish guidelines for the use of variable incentives.

E. During the Third Quarter (i.e. prior to March 31 annually):

1. One-fourth (1/4) of the base salary and one-fourth (1/4) of the unadjusted or decreased supplement will be paid.

F. Immediately before the Fourth Quarter (i.e. prior to March 31 annually):

1. An analysis of each budget Unit's year-to-date financial performance will be made.

2. In Budget Units not projected to meet budget targets for the first three (3) quarters, the Unit Budget Officers shall determine the extent of supplement reduction (if any) to be implemented.

G. During the Fourth Quarter (i.e. prior to June 30 annually):

1. One-fourth (1/4) of the base salary and one-fourth (1/4) of the unadjusted, increased or decreased supplement will be paid.

2. Restoration of supplement decrease during the 3rd quarter may occur as provided in III.K.

3. Analysis of individual faculty productivity will be reviewed with comparison to productivity benchmarks and, in the case of faculty with variable incentive components, determination of whether agreed-upon targets were met. Meeting the performance criteria will result in the payment of the variable incentive. Third and fourth quarter (i.e. period ending June 30 annually) supplements will be paid by September 1 each year as a lump sum payment.

V. IMPLEMENTATION

Implementation is anticipated to occur July 1, 2005 provided that the administrative infrastructure to support this compensation plan are appropriately in place or at the earliest subsequent date. Implementation of the plan will be fully consistent with the UNC Board of Governors Salary Policy with the following provisions:

1. All salary recommendations for affected faculty members will be made through the normal salary-setting procedures. Each salary recommendation will be the combination of base salary and supplement. The sum of the base and supplement, will be subject to salary ceilings prescribed in the Board's Salary Policy.
2. Mid-Year increases in base salary or supplement will be treated as other recommended mid-year salary increases under the Board of Governors Salary Policy; however, decreases in base plus supplement salary will be reported to the President of the University in summary form annually.