

CPUP Faculty Compensation Plan **Department of [insert name]**

PURPOSE:

The Department of [insert name] Faculty Compensation Plan (“Compensation Plan”) is a performance-based plan that is designed to promote the success of individual faculty members, the Department, and Penn Medicine by rewarding achievement with respect to patient care, teaching, scholarship, and community service.

PRINCIPLES:

The Compensation Plan is designed to:

- Be financially sound and operate within the fiscal bounds of the Perelman School of Medicine (PSOM), UPHS, CPUP, and the Department.
- Incorporate objective measures of both individual and team productivity and performance.
- Incorporate metrics aligned with the goals and strategic priorities of the Department, PSOM, and Penn Medicine.
- Utilize commercially reasonable compensation methodologies that are standardized, transparent, easy to administer, and which produce fair market value compensation for services performed.
- Strive to maintain fairness and internal equity.
- Ensure gender equality for equivalent entry level positions.
- Be consistent with PSOM faculty compensation policies.

KEY CHARACTERISTICS:

- Recognizes the integrated missions of patient care, teaching, research, scholarship, and community service.
- Creates incentives that reward high quality clinical and academic productivity and success.
- Total Target Compensation (TTC) for faculty/staff comprises the following components:
 - Base salary: consists of the academic (University) base, set to minimum for rank as defined by the PSOM, and a CPUP base salary supplement.
 - Incentive pay: performance-based aligned with expected clinical productivity, clinical and academic goals.
 - Additional pay: for clinical work in excess of cFTE such as moonlighting, additional shifts, weekend or night coverage, etc.
 - Administrative stipend: in recognition of administrative roles beyond normal faculty responsibilities in lieu of administrative effort with salary support.
- Total target compensation (TTC) is the same and nonnegotiable for entry level positions on the same track for new faculty hires in the same discipline performing the same duties and responsibilities (e.g. cFTE within same subspecialty).
- Base Salary will be set annually by the Chair based on criteria such as compensation range, specialty, faculty track, rank, and/or years of service as defined in department’s compensation plan.
 - Base salary is guaranteed for the fiscal year and paid in 12 monthly installments.
 - Base salary within a given fiscal year cannot be withheld or placed “at risk” (but may be adjusted from year to year).

- Base salary typically ranges from 70% to 95% of total target compensation inclusive of incentive (but may be set lower for high-performing faculty, at the discretion of the chair). Faculty in more highly compensated specialties may have lower % base salary and higher % incentive (i.e., 80:20 or 70:30) compared to lower compensated faculty (i.e., 90:10).
- Base compensation for faculty practicing outside their primary department should be based on the benchmark for each specialty adjusted for cFTE and documented in a professional services agreement between the respective departments.
 - Compensation for Addiction Medicine consult service attending physicians is determined by their primary department.
- Target incentive pay should not be set below 5% of TTC and at least 20% of TTC for more highly compensated specialties.
 - Incentive may increase as a % of total compensation over time as compensation increases or with a change in track, rank, cFTE or based on achievement of high performance.
 - Incentive compensation should be paid within a reasonable time (i.e., quarterly or semi-annually) after goals are achieved.
- Establishes clear employment and eligibility requirements for receipt of incentive compensation, and/or adjustments to productivity or clinical effort (cFTE) during sabbatical, voluntary leave of absence, leave from clinical activity, or time to support lactation.

GOALS:

- Ensure compensation methodology is easily understood by all participants.
- Clarify expectations and enhance communication between leadership and faculty members to strengthen the link between compensation and faculty productivity.
- Provide faculty with compensation that is competitive and enables the department to recruit and retain excellent faculty yet is consistent with the department's financial performance and resources.
- Provide performance-based compensation which rewards faculty based on track and recognize and reward clinical productivity and funded research.
- Align compensation with each faculty member's academic plan to ensure that we reward productivity across all missions.
- Review faculty compensation against benchmarks annually to ensure gender equity based on track, rank, responsibilities, and productivity.

COMPONENTS OF TOTAL COMPENSATION

Under the Compensation Plan, a faculty member's Total Target Compensation (TTC) shall be the sum of the (1) Total Base Salary (which includes any Academic Base or Faculty or Staff Salary and Base Salary Supplement); (2) Incentive Pay; (3) any Additional Pay for clinical work in excess of clinical effort; (4) Administrative Stipend (if any)

In addition, a faculty member may be entitled to certain fringe benefits, such as professional expense allowance and any other special allowances. Each faculty member should understand that his/her total target and fringe benefits, as well as other practice and academic costs, are covered by operating revenue.

1. Base Salary

Total Base Salary: Total Base Salary is the sum of (i) any Academic Base (for Standing Faculty), Faculty Salary (for Academic Clinicians), or Staff Salary (for Penn Medicine Clinicians), plus (ii) the Base Salary Supplement.

- i. **Academic Base/Faculty Salary/Staff Salary:** For all CPUP members, Academic Base (in the case of standing faculty), Faculty Salary (in the case of Academic Clinicians), or Staff Salary (in the case of PMCs) is set as the minimum salary for the rank, as defined annually by the Perelman School of Medicine (PSOM). Once a Faculty member's Academic Base or Faculty Salary is established according to these guidelines, all future increases to that Faculty member's base salary (except adjustments to the minimum for rank, upon promotion) will be added to the Base Salary Supplement.

For all CPUP members, Departments will pay through University payroll (i.e. subject to the full EB rate set by the University) salary up to the FICA limit set by the IRS. This will determine the member's "benefits base" used for University salary-determined benefits (e.g. basic life insurance).

- ii. **Base Salary Supplement:** The Base Salary Supplement is recommended by the Chair of the Department, and is influenced by several factors, including academic track and rank, years in rank, specialty, relevant compensation surveys and other factors, including, but not limited to, duty assignments and individual performance. It is the intention that the Total Base Salary incorporate national and regional compensation and productivity data and shall position the Department to remain in a market competitive position.

Total Base Salary:

- Total Base Salary components are fixed for the year and paid in equal monthly installments as part of the University's regular monthly payroll cycle.
- Total Base Salary cannot be withheld.
- Total Base Salary as a percentage of TTC will be set annually by the Chair based on criteria such as compensation range, specialty, faculty track, rank and/or years of service as defined in department's compensation plan.

Example: Total Base Salary as a % of TTC will be based on TTC range.

TTC	Total Base salary (%)	Target Incentive (%)
<250,000	95	5
250-349,000	90	10
350-500,000	85	15
>500,000	80	20

Base salary will flow through the University and/or VA payrolls based on the sources of revenue and applicable policies.

Note Regarding VA Compensation: Total base salary and base salary supplement should be adjusted annually, effective July 1 of the next fiscal year, to take into consideration increases in VA physician compensation in accordance with the VA Salary Principles (see attached).

Note Regarding FMLA Leave and Short-term Disability: University policy covering faculty and Penn Medicine Clinicians provides for continuation for up to six months of salary at benefits base (typically, this covers the FICA limit set by the IRS). CPUP Faculty Paid Time Off and Leave Policy requires the Department to continue the remainder of Total Base Salary for the duration of an approved FMLA or short-term disability leave (see attached).

2. Incentive: The Incentive Component is performance based, as delineated in this Compensation Plan, and includes measures of both individual and team productivity and performance, as appropriate. (See Appendix for Incentive Metric Examples).

- Incentive metrics are established annually by the Chair/Chief in alignment with the Department/Division, UPHS and individual faculty goals.
- Incentive metrics should, with rare exception, be quantitative and tracked at least quarterly or semi-annually for faculty members.
- Individual metrics should predominate over group metrics in any productivity-based incentive, except where compensation plans pertain to group coverage or call arrangements (e.g. maternal/fetal medicine, emergency medicine) or other arrangements approved by Penn Medicine's Office of the General Counsel.
- Incentive at target may be guaranteed for new faculty members for no longer than the first 3 years of employment at the discretion of the Chair. Such guarantees should be reviewed with respect to fair market value prior to commitment and after one year.
- Incentive goals and amount for faculty practicing in two departments should be prorated commensurate with percent effort in each department.
- It is recommended that CE or tenure track faculty members with < 30% cFTE (on their academic plan) have an adjusted or "capped" clinical incentive to promote alignment with their overall academic plan.
- It is permissible to reduce the incentive amount as determined by the Chair for failure to comply with departmental and CPUP policies (i.e., closing EPIC encounters, complete operative notes, managing EPIC in-box messages).
- Department/division leaders' incentive component may include a percentage at risk linked to metrics aligned with Penn Medicine and department/division goals in addition to individual metrics.

Treatment of Advanced Practice Provider (APP) Support

- Departments should define whether they are including in incentive metrics for faculty members wRVU/Net Patient Revenue (NPR) productivity generated by APPs as a Service Provider, due to faculty supervision.
- If the productivity for the APP is included for the faculty achievement, then no incentive on this wRVU productivity should be paid to the APP for this work and vice versa. This is meant to avoid double paying an incentive for the same productivity.

Each year, every faculty member, in conjunction with his/her Division Chief or Department Chair, should review their Academic Plan, and the expected effort allocations across all the Department's missions, anticipated research funding, and specific clinical, quality, research, teaching and administrative goals. Any

adjustments in effort, productivity, and goals should be taken into consideration when setting incentive goals and targets.

3. Administrative Stipend: A faculty member may receive an administrative stipend when asked to serve in an administrative capacity that exceeds their normal faculty responsibilities in lieu of effort with salary support. Faculty members with administrative roles with effort should receive salary support commensurate with their effort.

- Administrative role, responsibilities and goals must be clearly delineated with a formal job description. The job description will define the percentage of total effort the faculty member will be required to devote to the defined duties.
- For faculty with administrative roles with salary support, the administrative stipend should be broken out separately in the annual salary letter as a component of Total Target Compensation. A source of funding for the Administrative Stipend will be identified (e.g., Department, Division, Hospitals, PSOM, UPHS, or outside entity).
- The stipend will end when the faculty member ceases to serve in that administrative capacity, or by the decision of the Department Chair.

4. Additional Pay: Faculty may receive additional compensation for clinical work in excess of cFTE such as moonlighting, additional shifts, weekend or night coverage, etc.

CALCULATION AND PAYMENT OF INCENTIVES

Eligibility and Requirement for Incentive Payout:

In order for the faculty members of the Department to be eligible and receive Incentive Compensation:

- The Department/Division must have a positive net operating margin or meet its budgeted net operating margin.
- Departments can pay out incentives at a full or pro-rated amount provided they do not fall into a deficit position (negative net operating margin).
- Exception requests will be considered if additional funding sources are available and with the approval of the CFO and SVP, CPUP.
- Physicians who fail to meet their annual clinical productivity goals will not be eligible for the clinical component of their incentive payout.
- The individual faculty member must be a member of good standing in the Department, such standing to be determined by the Chair. Factors to be considered include compliance with institutional and departmental policies, meeting expectations for professional behavior, and generally completing academic and clinical responsibilities at or above expected levels.
- See below for further information regarding faculty members not employed on the date incentive is to be paid.

Payout Schedules:

The payment of incentive compensation should occur at least semi-annually provided the department is projecting to meet its budgeted operating margin. The faculty member will receive a portion of his or her target incentive amount mid-year or quarterly provided they are meeting their mid-year productivity goals. The incentive payout may be adjusted based on productivity. At the end of the fiscal year, the individual faculty member incentive will be calculated based on actual performance and final incentive payment will be paid no later than September of the next fiscal year.

Reporting:

Departments should communicate monthly or quarterly, or provide dashboards to faculty members to track clinical incentive metrics throughout the year and delineating their progress towards meeting or exceeding their incentive targets. In addition, quarterly or semi-annual reports should be reviewed by the Chair (or their designate), COO and Division Chiefs or Program Directors. Division Chiefs or Program Directors are responsible for reviewing targets and performance with individual faculty members.

Absences:

For faculty members on an approved FMLA/disability leave, incentive opportunity and productivity metrics will be prorated according to the CPUP Faculty Paid Time Off and Leave Policy (attached). Faculty members are not eligible for an incentive during sabbatical, voluntary leave of absence, or leave from clinical activity. Compensation arrangements during approved personal leaves not otherwise covered by policy shall be subject to the Department Chair's reasonable discretion and CPUP approval and should be outlined in writing to the faculty at or before the time the leave begins.

Lactation Support:

The incentive opportunity for a faculty member requesting a reduction in clinical effort of up to 30 minutes per 4-hour clinical session or the equivalent of 0.00125 cFTE per session to support lactation after the birth of a child should not be reduced.

RVU expectations should be adjusted for the reduction in cFTE based on the number of sessions/week and duration of lactation not to exceed 12 months since the birth of a child.

Eligibility to Receive Incentive Compensation Pending Termination:

In the event that a Faculty member leaves prior to the end of the fiscal year or at the end of the fiscal year, he/she will receive a prorated portion of unpaid Incentive Compensation based on year to date productivity, provided the following requirements are met:

- Provides at least 3-months' notice of intent to leave though 6-months' notice is preferred.
- Continued clinical productivity to budgeted levels through end of employment.
- Continued completion of all clinical notes and responsibilities in a timely manner.
- Closure of all EPIC encounters prior to the departure date.
- Expectations for professional behavior are met in all matters, including assisting in the successful transition of the practice.

CPUP members not meeting all of the above requirements shall be deemed not to have earned any incentive compensation unpaid as of the date of termination. The determination of the faculty member's eligibility based on the above requirements will be at the sole discretion of the Chair. In certain circumstances, the notice period requirement may be shortened or waived at the discretion of the Chair.

COMPENSATION ADJUSTMENTS

Compensation is reviewed annually against benchmark data provided by the PSOM to ensure equity based on track, rank, responsibilities, and productivity. Base salary and/or the incentive component may be adjusted annually at the discretion of the Department Chair/Chief. The Department Chair may also choose to make an additional adjustment to reconcile any internal or gender equity, or market issues using the available pool as determined by the PSOM.

All faculty compensation is subject to the approval of the Dean.

No faculty member can be assured from one year to the next that his or her compensation (except the guaranteed Academic Base Salary, subject to rules for faculty as outlined in PSOM and University salary policies) will remain equal to or greater than the prior year.

Each year's compensation will be dependent on the Departmental evaluation of the assigned duties, productivity, performance history, and the Department's finances.

- If a physician fails to meet expected clinical productivity for the FY by greater than 5% then the base salary as a % of total target compensation may be reduced and the incentive increased to preserve total earning potential in the subsequent year.
- The faculty base salary % can be restored in the following year should the faculty achieve targeted performance.
- Alternatively, salary may be reduced commensurate with productivity and other factors as outlined below.

Promotion:

At time of promotion, full time faculty are eligible to receive an increase in Base Salary. The effective date of the salary increase should coincide with the approved date of the promotion by the Provost. The increase will generally be calculated as the amount equal to the difference between the minimum salary for the rank (as defined annually by the PSOM and the University) of the current and the newly promoted ranks. The Department Chair may also choose to make an additional adjustment to reconcile any internal equity or market issues.

Mid-year Compensation Adjustments: Mid-year compensation adjustments require a written request with justification and should be submitted to the SVP, CPUP and the PSOM Dean for approval.

REDUCTION IN TOTAL BASE SALARY:

Reduction in a CPUP member's Total Base Salary may occur in accordance with the following principles:

- Where a CPUP member has demonstrated a consistent pattern of failing to meet departmental expectations, including but not limited to failure to generate clinical practice income or external funding sufficient to justify total salary the department chair may recommend that the Base Salary Supplement be reduced to that which can be justified by clinical practice income or grant funding.
- If the negative variance is attributable to a significant illness, injury, leave of absence, or other extraordinary situation, the Chair may determine whether any reduction will occur.
- Reductions in Total Base Salary due to productivity or performance issues should only be made at the beginning of the fiscal year and cannot be made solely due to the loss of grant funding, but a pattern of insufficient funding may warrant reduction.
- Additional annual reductions of total base salary may be made at the beginning of each subsequent fiscal year, until the total base salary is reduced to the Academic Base salary (standing faculty) or Faculty base (associated faculty).
- Reductions implemented by a Department shall be limited to twenty percent (20%) of total base salary per year; further reductions justified by extraordinary circumstances may be made subject to the approval of the PSOM/CPUP SVP and PSOM Dean.

- If the faculty member achieves an adequate level of productivity, these reductions may be reversed in subsequent fiscal years, but may not be reversed solely due to the receipt of a grant award.

A CPUP member who is projected to fail to achieve his/her clinical productivity threshold based on two quarters may submit a corrective plan to the Department Chair within 30 days of notification.

- The action plan may include taking on additional clinical responsibilities (on-call, inpatient services, additional clinic sessions, etc.).
- Reasonable time will be allowed for the action plan to achieve its desired results.
- In the event that the action plan does not yield the expected results or is not sufficiently robust to address the projected negative variance by the end of the fiscal year, the Department Chair may reduce the faculty member's Base Salary Supplement until projected Total Base Salary is either consistent with the faculty member's productivity threshold, or reduced to the Academic Base (for Tenure and CE faculty only), whichever is higher. (Note: There is no minimum required salary for Penn Medicine Clinicians, and if necessary, Staff Salary in addition to Base Salary Supplement may be reduced to achieve parity with the clinician's productivity.)

If the chair determines that a faculty member's salary should be reduced, this recommendation should be reviewed with the Office of the Dean as part of the annual salary increase process.

The Total Base Salary may be reduced in the event that a faculty member goes part-time, or begins a reduction in duties in anticipation of retirement under University policy.

For faculty on leave for sabbatical, or other time limited reasons, or who move a significant portion of his/her time to the Veterans Administration (VA), their University pay may be reduced to be commensurate with their sabbatical terms or VA 8ths.

Notice of any reduction in salary must be communicated to the CPUP member consistent with University, Perelman School of Medicine and CPUP policies, but in no event later than June 30 for the following fiscal year.

A determination that a faculty member's salary shall be reduced, once communicated by the department chair to the faculty member, may be appealed by the faculty member to the Office of the Dean. The faculty member must initiate the appeal within 30 days of the communication by submitting a written statement explaining the basis for the faculty member's view that no reduction (or a smaller reduction) is warranted under the circumstances, with reference made to past, current, and/or expected clinical practice income or external funding relevant to the determination.

DUE PROCESS

If a faculty member has a grievance concerning his/her compensation, he/she will proceed with the following process:

- Review and discuss with the respective Division Chief, or COO, as appropriate.
- If not resolved then submit a written grievance, to the Chair whose decision will be final with in the PSOM.

OVERSIGHT

Departmental compensation plans including proposed criteria for setting base salary and incentive as a percentage of total target compensation and any proposed changes to the principles and guidelines described in this document must be presented to the Finance Committee’s Physician Compensation Sub-Committee for review and approval. In addition, departmental compensation plans will be reviewed at the time of departmental re-basing.

This plan is approved as of [insert date] and supersedes all previous Department policies or plans regarding compensation. The terms of this plan are subordinate to, and may be superseded by, the CPUP By Laws, or policies of the PSOM, UPHS and the University, in force at that time.

Approved by the CPUP Board of Directors on 3.4.26

Authorized by 
Deborah A. Driscoll, MD
SVP, CPUP and Vice Dean of Professional Services

EXAMPLES of INCENTIVE METRICS

Individual Metrics

- **Clinical Productivity** may be measured by one or more of the following metrics:
 - WRVU performance may be used to measure clinical productivity. For example, threshold will be measured to the 65th %tile, target to the 75th %tile and high performance to the 90th %tile of the Vizient benchmark. Adjustments may be made for faculty within first three years of practice (i.e. 50th %ile in year 1, 60th%ile in year 2, 65th%ile in year 3).
 - Net patient revenue may be used and is determined for each faculty member considering a number of factors, which may include member's historic (year over year or rolling three-year average) financial performance, payer rate changes, clinical effort allocation and the division/department budget.
 - In cases where it may be appropriate, a member's net operating margin may be substituted for revenue as the individual metric target.
 - Individual visits (i.e. total, new patients, etc.).
 - Individual case counts
 - Individual metric calculations with a cash basis will be net of patient/payor refunds.
 - Access metrics (i.e. total # NPV, % NPV seen within 10 days)

Group Metrics:

- Determination of group metric targets will be made by considering a number of factors, which might include, but are not limited to, historical (year over year) performance, comparison to internal and/or external benchmarks, and division/department budget.
- Group metric targets may also include key initiatives in the department or division that support highly efficient care and quality of care, such as access, quality and outcomes, patient satisfaction, etc. These metrics should be aligned with Penn Medicine and Department goals and determined annually by the Chair and Division Chief or Program Director.
- Examples of group metrics:
 - # of visits (overall volume)
 - # of new patient visits
 - Access metrics (i.e. %NPV seen within 10 days)
 - Group quality or outcome measures including value-based metrics
 - Patient satisfaction goals (i.e. likelihood to recommend)
 - Net operating margin

- Research goal (i.e. accrual to clinical trials, unfunded research effort, grant submissions, high impact publications (journals as defined by PSOM))
- Group metric targets should not be changed in the middle of a fiscal year except under extraordinary circumstances which require review and approval by CPUP Finance Committee.
- Volume-based group metrics should include all faculty including new faculty with lower targets to ensure practice alignment. Targets should take into consideration collaborating relationships with APPs.

Educational Metrics:

- Faculty members are compensated within their base salary for the teaching of students, residents, and fellows.
- Some teaching related activities require substantial extra effort (i.e. residency program director, medical student clerkship director, elective directors and fellowship director), and these are compensated incrementally or through a reduction of clinical service requirements, but not both.
- Leadership goals may reflect overall course evaluation metrics.
- Teaching performance may be measured by aggregate scores or individual faculty student/resident evaluations, available through the SOM or departmental evaluation system, or a composite of teaching activity by an individual faculty member

Research and Scholarship Productivity Metrics:

- Faculty members on the CE and tenure track with assigned research effort may be eligible for an incentive linked to scholarly productivity.
- Individual metrics may be identified to reward performance related to the research mission of the department. These goals will be consistent with the faculty member's academic plan. Criteria that may be used to measure academic and research performance include, but are not limited to:
 - Salary support on extramural grants
 - Grant proposal submissions
 - Peer-reviewed research publications (i.e. # 1st or senior author, # high impact publications)
 - Participation and patient accrual in clinical trials

Citizenship & Service:

- Some departments may choose to include citizenship and/or service to the department, PSOM or health system as part of their incentive program. To recognize overall service and collegiality in the department, incentive may be awarded to recognize activities and the manner in which the activities were completed. Such citizenship/service duties may include but are not limited to:
 - Attendance at grand rounds, faculty meetings, conferences, tumor board
 - Timely effort report completion
 - Annual billing compliance attendance
 - Closure of EPIC open charts
 - Risk Reduction Initiative participation
 - Timely operative note completion
 - Resident evaluation completion
 - Extramural reports filed
 - Mandatory educational requirements (including mandatory Knowledge Link)
 - Leadership of department, division, Penn Medicine committee or work group

ADDENDUM

Department of [insert]

Please describe criteria for setting base salary and incentive as a percentage of total target compensation and describe the incentive plan.