

Consider the Case for Basing ED Payment on Performance

BY PATRICIA L. KIRK
Elsevier Global Medical News

DALLAS — Productivity-based compensation of physicians improves emergency department efficiency, reimbursement, patient satisfaction, and documentation, said Frank L. Adams at the Emergency Department Directors Academy, a meeting sponsored by the American College of Emergency Physicians.

In the corporate world, 79% of executives are paid on the basis of performance, noted Mr. Adams, president and CEO of Dallas-based PSR-MEHG, a firm specializing in emergency practice management.

"This compensation system pays heroes and makes more money for the company. Even the U.S. Postal Service has gotten on board," he added.

While this form of compensation is widely accepted in the business sector as a best practice, emergency departments have been slow to adopt an incentive-based compensation program, he said, noting that most practices still pay doctors an hourly wage.

"Incentive-based compensation is the cornerstone of success in the practices we work with and the reason they are able to

achieve their goals," Mr. Adams said. It gives physicians a greater stake in the performance of the ED than do other forms of compensation, and increases physicians' responsibility for improving efficiency, acuity, and documentation.

In fact, PSR-MEHG believes so strongly in the merits of incentive-based compensation that the firm is unwilling to take on management of practices unless the practices adopt a productivity compensation system.

A compensation plan based on performance improves a company's "real" return on investment (ROI) by increasing relative value units (RVUs), the basis for reimbursement of all medical services. Such a plan also improves risk management, thus reducing incidents that may result in malpractice claims.

And an incentive-based compensation plan affects "soft" ROIs by improving patient satisfaction, which increases census, reduces complaints and lawsuits, and improves utilization, thus generating bonuses from managed care systems.

A traditional incentive-based compensation program is based on a percentage of collections and pays doctors on a per-practice basis, thus rewarding efficiency

and encouraging doctors to move patients through the emergency department more quickly. But compensation based on collection percentages is potentially counterproductive to quality documentation.

Compensation based on a percentage of charges rewards efficiency, acuity, and documentation and is easier for billing to process than are RVUs. This type of compensation could be very similar to compensation on a "dollars per RVU" basis, depending on the fee schedule conversion factor used.

Mr. Adams, however, favors a compensation plan based on a relative share of the RVU (a percentage of peer group performance multiplied by a compensation pool, which is a percentage of total collections from all sources); such a plan not only rewards hardworking doctors, but also increases the volume of the lower producers, so the compensation pool grows and everyone benefits.

This plan also improves documentation, thus benefiting risk management, and it has been shown to increase census by 15% without increasing staff coverage. "Providers have a greater equity stake in the [emergency department's] overall performance," he pointed out. "As revenue

goes up or down based on volume, payer mix, and acuity, the compensation pool tracks accordingly.

"This is the only method other than percentage of collections—which has other problems—that ensures the financial viability of the group," Mr. Adams added.

Because it takes at least 20-25 days to implement an incentive-based compensation program, he suggests phasing the program in over time by shadowing the current pay system for 3-6 months: Phase in 50% of the program at 3 months and the next 50% at 6 months. In this way, Mr. Adams said, "you demonstrate over 3 months how much employees would be making on a compensation plan, and high producers help lower producers get up to speed."

The bottom line, he emphasized, is that an incentive-based compensation plan using a relative share of the RVUs has a quantifiable impact on ROI and a positive effect on risk management, including malpractice insurance if the group has moved to an alternative malpractice solution. Such a plan also improves patient satisfaction—making malpractice suits less likely—and is important to contract retention and utilization, which may be rewarded with premium payments from payers. ■