

Strategy is all about stretching limited resources to fit ambitious aspirations.

— C.K. Prahalad,
Competing for the Future

Developing clear business goals and objectives is important for every medical practice because they define the practice and help map its desired future. Specific, measurable, action-oriented objectives identify priorities and provide clear performance targets that can be used to evaluate a practice's overall operation.

Aligning business goals and physician pay incentives can directly improve a practice's financial performance, operations, organizational structure, and strategic direction, in addition to promoting the overall goals and mission of the practice. Developing alternative compensation programs or adding components to your existing program can seem daunting and time-consuming, but may be a necessary step toward achieving clinical excellence.

To help ensure that compensation payout rewards physi-

A practical step toward clinical excellence

Aligning compensation practices with business goals and objectives

By Ann Bares and Teresa Daly

icians appropriately in addition to supporting the organization's overall business objectives, ask yourself these questions:

- Are you staying focused on the overall goals of your practice and continually communicating, setting priorities, and

Though many pay programs focus exclusively on individual contributions, consider whether you want your practice to reward teamwork and collaboration as well.

- Are you creating a clear, well-thought-out compensation policy that is manifested within a set of core values and principles?

- aligning the necessary resources to execute the strategies you have adopted to reach those goals?

A careful evaluation of current compensation policy, combined with a clear understanding of your practice's mission and values, can lay the foundation for developing a comprehensive compensation policy that aligns with your business goals.

Evaluating your current compensation policy

Every practice wants to maximize its return on investment with regard to physician pay. Compensation accounts for a significant share of the costs incurred by a medical practice. For this reason, it is important to ensure that the funds are spent wisely and that they are ultimately supporting, not hindering, the behaviors and outcomes required to successfully execute your overall strategies.

At present, the resource-based relative value scale (RBRVS) is the predominant model used to determine physician compensation policies in both private practices and major

the measurements used to evaluate how much a physician practice is generating.

The RVU scale has proved to be a useful tool for successfully managing health care services and physician reimbursement. Yet, while it has helped to alleviate disparities across disciplines, it still has limitations. The element that is missing from this compensation model is the alignment of pay policies with the overall business objectives of a practice.

Achieving the results required for a successful medical practice may require the practice to develop additional compensation arrangements that go above and beyond just RVU measures. Ask yourself if your compensation program is accomplishing everything it should. For example, while the RVU metric rewards work effort, it does not reflect cost-effective and clinically appropriate care considerations or patient satisfaction levels, which may be central to the organization's mission and values.

Developing a compensation policy

It has become a standard practice in corporate America to devote a significant amount of time and effort to developing a compensation philosophy, a statement that articulates the objectives and priorities for a company's compensation program. While physician practices typically use pay policies that differ from corporate pay structures, the same considerations are important when evaluating or restructuring a compensation program. Furthermore, compensation programs based on a well-articulated philosophy and designed to support mission and values can help establish a competitive advantage.

Developing a compensation philosophy starts with an important question: What do you want your compensation program to accomplish? Your overall business objectives should reflect what you want to accomplish with your compensation pro-

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