National Association for Home Care & Hospice
2014 Annual Meeting

Innovative Incentive Compensation Planning for
Home Health Clinicians

October 19, 2014

Agenda

• Introduction
• Compensation Planning Process
• Case Study
• Lessons Learned
Introduction

Sutter Care at Home

Sutter at Home (SCAH) is part of Sutter Health, a large California health system.

WHO WE ARE

- Leading provider of in-home care services throughout northern CA
- Operate 10 business lines in 18 counties within Sutter Health’s footprint
  - Home Health (skilled nursing, rehabilitation therapy, social work)
  - Hospice (nursing, bereavement & grief counseling, spiritual care)
  - Advanced Illness Management (CMS Innovation Grant)
  - Integrated Care Management
  - Private Care Services & Geriatric Care Management
  - Infusion Pharmacy
  - Respiratory Therapy & Home Medical Equipment
  - Flu & Wellness Clinics
  - Personal Emergency Response (Lifeline)
- 100+ year history
- Average daily census of over 18,000 patients
- Employ almost 2,000 caregivers and other employees

OUR LOCATIONS & SERVICE AREA

- 28 locations
  - 11 home health
  - 7 hospice
  - 2 infusion pharmacy
  - 2 HME & respiratory care
  - 1 private duty & geriatric care management
  - 5 thrift stores

BENEFIT TO THE COMMUNITY

- Over $1 million annually in charitable giving
- Care for almost 100,000 patients each year
- Complete over 550,000 home health & hospice visits in patients’ homes
- Personal medical alert devices installed in over 1,000 homes
- Over 700 volunteers who provide 30,000+ hours of service annually
- Administer over 41,000 flu shots and 1,000 flu clinics
- Provide over 284 wellness clinics

Situational Assessment

SCAH historically paid its home health clinicians hourly, without formal incentive pay.

- SCAH clinicians include nurses, therapists, home health aides, social workers, and registered dietitians who conduct home visits for critically ill or recently hospitalized patients.
- All SCAH field clinicians are nonexempt employees are paid an hourly wage and overtime pay for more than 8 hours per day.
- SCAH wanted to explore options outside of the traditional home health industry compensation plan design that would:
  - Include a balanced scorecard of measures, with performance incentives beyond productivity metrics.
  - Align with how reimbursement is provided.
  - Offer better incentives for managing the health of a population of patients.
Introduction

Visits Per Day

The overall average number of visits per 8-hour day was 3.03; however, this ranged across branches and disciplines. This lagged industry standards of 5 visits per day.

Visits Per Day by Branch

<table>
<thead>
<tr>
<th>Branch</th>
<th>Visits Per Day</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>SR</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>CO</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>MA</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>LA</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>SM</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>SF</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>SL</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>RS</td>
<td>3.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Visits Per Day by Discipline

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Visits Per Day</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>RN</td>
<td>2.36</td>
<td>2.36</td>
</tr>
<tr>
<td>SN</td>
<td>2.76</td>
<td>2.76</td>
</tr>
<tr>
<td>PT</td>
<td>3.51</td>
<td>3.51</td>
</tr>
<tr>
<td>PTA</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>OT</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>AIDE</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>ST</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>MSW</td>
<td>3.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Source: Productivity reports provided by Gregg Davis. Represents data for the pay period beginning March 20 and ending July 9, 2011.

- The visits per day average ranged from 2.70 to 3.32 across the regional branches.
- The RN category had the fewest visits per day at 2.36.
- SN visits per day were also below the overall average at 2.76.
- PT visits per day were above the average at 3.51.

Introduction

ECG

Since 1973, our mission has been to provide exceptional management consulting services to healthcare clients.

- ECG is a national consulting firm focused on offering strategic, management, and financial advice exclusively to healthcare providers.
- Our clients are the nation’s leading hospitals, health systems, academic medical centers, and group practices.
- We are particularly known as experts in compensation planning, strategic hospital/provider relationships, ambulatory operations improvement, and payor contracting/reimbursement strategy.
- We have been in existence for more than 40 years and have approximately 150 consultants operating out of offices in Boston, Dallas, San Diego, San Francisco, Seattle, St. Louis, and Washington, D.C.

ECG Offices

Boston | Dallas | San Diego | San Francisco | Seattle | St. Louis | Washington, D.C.
The organizational goals determine the foundation of an incentive compensation plan. Plan principles include the philosophical direction and clinical objectives specific to the compensation plan. Parameters and metrics selected should support the organizational goals and align with the plan principles.

The detailed compensation plan mechanics are the final result of the planning process.

Compensation Planning Process

Building Blocks

The building blocks of the compensation plan design process are outlined below.

- Conceptual Model
  - Magnitude of incentive/degree of risk
  - Participating clinicians

- Standards or Incentive Categories
  - Productivity
  - Quality
  - Patient satisfaction
  - Other

- Metrics
  - Visits per day
  - OASIS accuracy

- Measurement Levels
  - Individual
  - Care team/branch
  - Organization
  - Frequency – weekly/monthly/quarterly/annually

- Targets
  - Four visits per 8-hour day
  - 90% OASIS accuracy rate

Today’s discussion will focus on the conceptual model and incentive categories.
**Compensation Planning Process**

**Potential Components**

<table>
<thead>
<tr>
<th>Standard or Incentive Category</th>
<th>Potential Performance Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity/Efficiency</td>
<td>• Visits per defined period</td>
</tr>
<tr>
<td></td>
<td>• Points (i.e., relative evaluation of visit intensity)</td>
</tr>
<tr>
<td></td>
<td>• Managed caseload</td>
</tr>
<tr>
<td>Quality</td>
<td>CMS home health quality indicators</td>
</tr>
<tr>
<td>Access/Coordination of Care</td>
<td>• Time to initial visit</td>
</tr>
<tr>
<td></td>
<td>• Plan of care visit adherence</td>
</tr>
<tr>
<td></td>
<td>• Timely referring physician communication</td>
</tr>
<tr>
<td>Patient Satisfaction</td>
<td>• Patient satisfaction surveys (Press Ganey)</td>
</tr>
<tr>
<td></td>
<td>• Patient complaints and compliments per 1,000 visits</td>
</tr>
<tr>
<td>Financial Responsibility</td>
<td>• Hospital readmission rates</td>
</tr>
<tr>
<td></td>
<td>• Supply cost management</td>
</tr>
<tr>
<td></td>
<td>• Documentation accuracy</td>
</tr>
<tr>
<td>Intangible Contribution to Organization</td>
<td>• Citizenship/contribution to organization</td>
</tr>
<tr>
<td></td>
<td>• Collegiality (peer-to-peer rating)</td>
</tr>
<tr>
<td></td>
<td>• Leadership</td>
</tr>
</tbody>
</table>

Once the conceptual model is identified, the components for the incentive portion can then be selected and weighted.

The components should support the overarching compensation plan principles.

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**Compensation Planning Process**

**Key Questions**

- **Participating Clinicians** – Will the plan be designed for case managers or be developed to be applicable to all clinicians?
- **Degree of Variation Within the Plan** – How important is it to have consistent design and plan parameters for case managers as opposed to other clinicians?
- **Compensation Risk** – How willing is SCAH to put base pay rates at risk?
- **Time-Based Pay Element** – Given regulatory constraints, how will overtime pay factor into the performance-based plan design?
- **Funding** – What are the total dollars available to fund the plan, and what is the degree of acceptable financial risk?

As we began the development of the compensation plan, several key questions were posed to shape the plan.
Case Study
SCAH Points System and NVAT

An integral part of SCAH’s productivity improvement work includes standardized points expectations for all disciplines and the inclusion of non-visit activity time (NVAT)-associated points in productivity reporting.

- The points assigned to service codes were created to reflect the time requirements associated with various visit types.
- In addition, points were assigned to travel and other NVAT.
- The accurate capturing of all service codes, including NVAT, was critical because points would be a key component in the new incentive compensation plan.

<table>
<thead>
<tr>
<th>Visit Type</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start of Care</td>
<td>2.50</td>
</tr>
<tr>
<td>RN Revisit</td>
<td>1.00</td>
</tr>
<tr>
<td>PT Revisit</td>
<td>1.00</td>
</tr>
<tr>
<td>Non-Visit Activity Points – NVAT Lab Drop</td>
<td>0.25</td>
</tr>
<tr>
<td>NVAT Case Conference</td>
<td>0.75</td>
</tr>
<tr>
<td>NVAT In-Service</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Case Study
Eligible Providers

The initial plan was limited to select clinicians (RNs, PTs, and OTs) who could utilize the same targets.

- Eligible clinicians include RNs (excluding one location where many clinicians are part of a collective bargaining unit), PTs, and OTs who meet the following criteria:
  - Are a hired FTE of 0.6 or above
  - Have a minimum of six pay periods of performance data
- RNs include the following titles:
  - AIM program PCC RN, AIM RN, AIM team leader
  - HIT lead, HIT nurse
  - PCC RN, start-of-care clinician
  - Team RN, team nurse – maternity/infant
  - Wound care RN, wound/ostomy RN
- Therapists include the following titles:
  - PCC PT
  - PT
  - OT team lead
  - OT
In the new compensation plan, clinicians were eligible for bonus compensation if they achieved performance targets in several categories.

**Bonus Structure**
- An incentive program was developed to provide up to 25% in additional earning potential for eligible clinicians based on several performance categories:
  - Productivity
  - Quality
  - Patient satisfaction
- Clinicians maintained their current hourly pay rates, with incentive bonuses paid to high performers.

**Minimum Standard**
- Upon full implementation, those not reaching a minimum productivity threshold in a given quarter would be subject to a 10% decrease in their hourly pay rate in the subsequent quarter.
- However, if clinicians demonstrated three consecutive pay periods of performance above the minimum standard, they could request that their base rate be restored.

Details regarding productivity, quality, and patient satisfaction targets are provided on the upcoming slides.

In the new plan, clinicians received between 90% and 125% of current hourly pay rates, depending on performance.

**Performance Metrics**
- Patient satisfaction was based on the average percentile rank by branch.
- Quality performance was based on the average performance, by branch, for the: (1) timely initiation of care and (2) acute care hospitalization rate.
- Productivity performance was calculated as the average FTE-adjusted points per pay period for each clinician.
- After a shadow period, 10% of the base pay rate was at risk based on productivity performance.

**Sample Earning Potential**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Percentage</th>
<th>Sample Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Pay Rate</td>
<td>100%</td>
<td>$49.38</td>
</tr>
<tr>
<td>Base at Risk</td>
<td>10%</td>
<td>$4.94</td>
</tr>
<tr>
<td>Productivity Incentive</td>
<td>15%</td>
<td>$7.41</td>
</tr>
<tr>
<td>Patient Satisfaction Incentive</td>
<td>5%</td>
<td>$2.47</td>
</tr>
<tr>
<td>Quality Incentive</td>
<td>5%</td>
<td>$2.47</td>
</tr>
<tr>
<td>Total Bonus Potential</td>
<td>25%</td>
<td>$12.34</td>
</tr>
<tr>
<td>Minimum Rate</td>
<td>90%</td>
<td>$44.44</td>
</tr>
<tr>
<td>Maximum Rate</td>
<td>125%</td>
<td>$61.72</td>
</tr>
</tbody>
</table>

*NOTE: Figures may not be exact due to rounding.*
Case Study
Performance Targets: Productivity

A minimum of 45 points per pay period was required for clinicians to receive 100% of the current hourly rate. More productive clinicians had a larger bonus percentage potential.

Productivity Targets and Tiers

<table>
<thead>
<tr>
<th>Tier</th>
<th>Performance Target (FTE-Adjusted Points Per Pay Period)</th>
<th>Estimated Visits Per Day</th>
<th>Payment Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 6</td>
<td>75 and Above</td>
<td>5.00 and Above</td>
<td>15%</td>
</tr>
<tr>
<td>Tier 5</td>
<td>68</td>
<td>4.53</td>
<td>10%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>64</td>
<td>4.27</td>
<td>7.5%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>60</td>
<td>4.00</td>
<td>5%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>56</td>
<td>3.73</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>45</td>
<td>3.00</td>
<td>0%</td>
</tr>
<tr>
<td>Minimum Threshold</td>
<td>Below 45</td>
<td>Below 3.00</td>
<td>-10%</td>
</tr>
</tbody>
</table>

- Clinicians could earn significant bonus pay for productivity above 56 points per pay period.
- After the shadow period, clinicians needed to achieve 45 points per pay period to maintain their current pay rates.
- Points per pay period included select NVAT.
- Points were adjusted for hours worked, including overtime.

FTE Adjustments
A calculated FTE was used to adjust points for each pay period, based on actual hours worked over an 80-hour period.

FTE Calculation Example

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Pay Period Productive Hours</th>
<th>Calculated FTE</th>
<th>Pay Period Points</th>
<th>Adjusted Points Per Pay Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B = A + 80</td>
<td>C</td>
<td>D = C + B</td>
</tr>
<tr>
<td>Pay Period 1</td>
<td>16.00</td>
<td>0.20</td>
<td>9.00</td>
<td>45.00</td>
</tr>
<tr>
<td>Pay Period 2</td>
<td>41.50</td>
<td>0.52</td>
<td>24.75</td>
<td>47.71</td>
</tr>
<tr>
<td>Pay Period 3</td>
<td>66.25</td>
<td>0.83</td>
<td>41.00</td>
<td>49.51</td>
</tr>
<tr>
<td>Pay Period 4</td>
<td>73.50</td>
<td>0.92</td>
<td>48.83</td>
<td>53.15</td>
</tr>
<tr>
<td>Pay Period 5</td>
<td>79.00</td>
<td>0.99</td>
<td>43.33</td>
<td>43.88</td>
</tr>
<tr>
<td>Pay Period 6</td>
<td>79.00</td>
<td>0.99</td>
<td>47.50</td>
<td>48.10</td>
</tr>
</tbody>
</table>

NOTE: Figures may not be exact due to rounding.

Impact of Overtime
An adjustment was made to discount points for overtime hours in a given pay period.
- If overtime hours represent 10% of total hours worked, 10% of total points will be discounted by 33%.
- The purpose of this adjustment is to discourage rewarding high performance that may be attributed to overtime because that time is already paid at a premium.
Case Study
Overtime Adjustment Calculation Example

Impact of Overtime Example

<table>
<thead>
<tr>
<th>Total Productive Pay Period Hours</th>
<th>Overtime Hours</th>
<th>Overtime Hours as a Percentage of Total Productive Hours</th>
<th>Total Pay Period Points</th>
<th>Points Subject to Adjustment</th>
<th>Overtime Percentage Points Adjustment</th>
<th>Total Overtime-Adjusted Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C = B + A</td>
<td>D</td>
<td>E = D × C</td>
<td>F = E × 33%</td>
<td>G = D – F</td>
</tr>
<tr>
<td>Example Clinician</td>
<td>80</td>
<td>8</td>
<td>10%</td>
<td>50</td>
<td>5</td>
<td>1.65</td>
</tr>
</tbody>
</table>

Example Clinician: 80 total productive hours, 8 overtime hours, 10% of total productive hours, 50 total pay period points, 5 points subject to adjustment, 1.65 overtime percentage points adjustment, 48.35 total overtime-adjusted points.

Case Study
Performance Targets: Patient Satisfaction and Quality

Patient Satisfaction Targets and Tiers

<table>
<thead>
<tr>
<th>Tier</th>
<th>Performance Target (Percentile)</th>
<th>Bonus Percentage Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 3</td>
<td>55th</td>
<td>5.0% (Max.)</td>
</tr>
<tr>
<td>Tier 2</td>
<td>50th</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>Below 50th</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Quality Targets and Tiers

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timely Initiation of Care</td>
<td>Above 92.2%</td>
</tr>
<tr>
<td>Acute Care Hospitalization Rate</td>
<td>Below 18.3%</td>
</tr>
</tbody>
</table>

- Unlike the individual productivity incentive, patient satisfaction and quality targets were set based on the average performance by each branch.
- Performance for these measures was evaluated quarterly.
- Clinicians performing below 45 points per pay period on average (and thus subject to pay rate reductions) were not eligible for these branch bonus payments.
Case Study
Shadow Period and Plan Timing

The bonus timing included monthly productivity payments and quarterly patient satisfaction/quality payments.

- **Partial Plan Implementation**
  - Bonuses paid
  - Base pay protected

- **Full Plan Implementation**
  - Bonuses paid
  - Base pay at risk

- **Q3 Bonus – Paid**
  - November Q4
  - Quality bonus
  - Patient satisfaction bonus

### Shadow Period
- Informational statements only

### Partial Plan Implementation
- May performance statement
- June productivity bonus with first August paycheck
- July performance statement
- August productivity bonus with first September paycheck
- September performance statement
- October productivity bonus with first November paycheck
- November performance statement
- November productivity bonus with first December paycheck

### Full Plan Implementation
- June performance statement
- July productivity bonus with first August paycheck
- August performance statement
- September productivity bonus with first October paycheck
- October performance statement
- November productivity bonus with first December paycheck

### Lessons Learned
Plan Impact

**Plan Reviewed 12 Months After Implementation**
- Employees were surveyed.
- We analyzed the impact, productivity, quality, and patient satisfaction.
- The results were not trending as we had hoped.

**Overall Findings**
- The plan was too complicated. Non-visit activity points and overtime calculations were too complex to manage both administratively and from an employee’s perspective.
- Staff viewed the plan as a compensation plan instead of an incentive plan.
- The plan was not inclusive. While geared to a full-time employee and certain disciplines, if a part-time employee qualified for a productivity bonus during a specific pay period, he/she was not appropriately rewarded for his/her performance.

Once the plan was implemented, feedback from clinicians was gathered to inform potential plan adjustments.
Lessons Learned
Plan Modifications

We learned a lot over the course of the first year. Ultimately, we modified the original incentive plan to simplify the methodology and support our employees.

Simplified Plan to Support Our Goals and Employees
- Removed overtime calculation.
- Removed NVAT points.
- Removed FTE-equivalency calculation. All disciplines and all FTE statuses are eligible. We’ve found that by being fair and transparent in our incentive plan, we can improve our operational/cost efficiencies in the organization at the same time.

New Incentive Parameters
- Productivity – points acquired through completed visits.
- Quality and patient satisfaction:
  - Same metrics, but payments are not paid on a percentage of base hourly rate.
  - This portion of the incentive was made available to all employees who impact these measures, not just clinicians.
  - Employees can earn up to $400 annually for quality and patient satisfaction measures (for a total of $800) based on the performance of their assigned branch location.

Lessons Learned
Visits Per Day Post-Revision

Today, we are seeing improved productivity as a result of the plan and hope this trend will continue.

- Visits per day improvement from 3.66 to 3.78
- Goal of 4.20 visits per day by December 31, 2014

Quality performance has also improved since the incentive plan was implemented.
Questions & Discussion

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