# COMPENSATION AND OTHER EXPENSES

## Compensation

1. **Base and Quality Compensation**

1. Base Draw. As compensation for the Services provided under this Agreement, the Physician shall be paid an annual base draw during the Term (prior to deductions for taxes, etc.) of \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_), prorated for any partial calendar year, (the "**Annual Base Draw**"). The Physician's Annual Base Draw is predicated upon the Physician achieving total of 4,800 or more adjusted work relative value units (wRVU) per calendar year, or 1,200 or more adjusted wRVUs per quarter (the "**Target wRVU Amount**"), which shall be paid at the rate of \_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_) per wRVU (the "**Payout Rate**"). The Physician shall initially be paid a biweekly draw of \_\_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_) less applicable taxes and withholdings, (the 'Base Draw") paid in accordance with the Organization’s standard payroll practice. The Base Draw represents ninety-five percent (95%) of Physician's Target wRVU Amount for that period times the Payout Rate.

The Physician's Base Draw will be evaluated at the end of each quarter, and the Base Draw for the following quarter will be based upon the Physician's actual production in the ending quarter. If the Physician failed to achieve the Target wRVU Amount (taking into account any pro-rations), for the ending quarter, the Physician's Target wRVU Amount will be adjusted to the wRVU amount corresponding to the Physician's actual production in the ending quarter (the "Adjusted Target wRVU Amount") and the Physician's biweekly Base Draw amount for the following quarter shall be reduced to ninety-five percent (95%) of the Adjusted Target wRVU Amount times the Payout Rate. If the Physician exceeds the Adjusted Target Amount established for a given quarter, the Physician's Adjusted Target wRVU Amount for the following quarter will be increased to the wRVU amount corresponding to the Physician's actual production in the ending quarter and the Physician's biweekly Base Draw amount for the following quarter shall be increased to the new Adjusted Target wRVU Amount times the Payout Rate; provided, however, that in no event shall any Adjusted Target wRVU Amount ever exceed the initial Target wRVU Amount.

In the event the Physician's Base Draw payment in any quarter exceeds the Physician's productivity for that quarter, the amount of the overpayment shall be carried forward to the year-end reconciliation. The Physician's Base Draw also will be subject to an annual reconciliation and appropriate adjustments and/or payments to ensure that the Physician's Annual Base Draw is commensurate with the Physician's achievement of the annual Target wRVU Amount. Such reconciliation will be at one hundred percent (100%) of the Physician's Annual Base Draw.

The Physician's Base Draw will not be reduced if wRVUs decrease through no fault of the Physician, such as a temporary closing of the office, disasters and other such events, or any other cause which could not be reasonably foreseen in the exercise of ordinary care, and which is beyond the reasonable control of the Physician and which the Physician is unable to prevent, but shall not include the Physician's illness or disability. In such cases, the Physician shall be credited with the Physician's average daily wRVU for each day where the Physician is impacted by such an event, prorated for partial days. If the reconciliation shows that the Physician has been underpaid or overpaid based upon the wRVUs actually performed and billable in that year, the Organization will notify the Physician and (i) for underpayments the Organization will pay the amount owed to the Physician; and (ii) for overpayments the Organization will reduce draw(s) (deduction payments) to the Physician by an amount equal to the amounts owed by the Physician to the Organization until the overpayment is repaid. In the event the Physician's employment terminates and the Physician has been overpaid, the Physician shall reimburse the Organization the amount of overpayment within sixty (60) days or pursuant to a repayment schedule mutually agreed upon by the parties in writing (payment plans of which will include an interest obligation). In the event the Physician's employment terminates and the Physician has been underpaid, the Organization shall pay the Physician the amount of such underpayment with in sixty (60) days or pursuant to a repayment schedule mutually agreed by the parties in writing.

As used in Exhibit D, the term and value of the term "**wRVU**" is as defined by the Centers for Medicare and Medicaid Services ("**CMS**"). The wRVU rate will be evaluated annually and may change effective \_\_\_\_<date>\_\_\_. of each year commencing \_\_\_\_<date>\_\_\_. The Physician acknowledges and agrees that the wRVU rate set forth in this Exhibit B will be reviewed, and may be adjusted, by the Enterprise on an annual basis (starting on \_\_\_<date>\_\_, consistent with the Organization's polices and standards and further acknowledges and agrees that an adjustment to the wRVU rate may result in an adjustment to Base Draw wRVU threshold to equal such Base Draw. The Enterprise will use its reasonable efforts to ensure that any adjustment to Base Draw that is a result of an adjustment to the wRVU rate shall be determined based upon then-current amount of Base Draw. Additionally, in the event the Term of this Agreement expires during a calendar year, the wRVU rate and Base Draw for the time period from January 1st of such expiration year to the expiration date shall be prorated accordingly.

In the event the Organization determines that an adjustment to the wRVU rate is necessary, written notice of such adjustment to the w RVU rate (and any corresponding adjustment to Base Draw and the Target wRVU Amount equal to such Base Draw) will be provided in writing to the Physician within thirty (30) days prior to the calendar year for which such adjustments will become effective. In the event, the Organization determines that no adjustment to the wRVU rate is necessary, then the wRVU rate and Base Draw for the calendar year just-ended shall be the wRVU rate and Base Draw for the immediately succeeding calendar year.

The wRVUs are initially counted and based on the Organization's records with the wRVU credit appearing as a wRVU credit as of the claim posted dates of billing. The Physician may request that wRVU credit be given for certain personally performed CPT codes with no wRVU, which shall be determined by the Organization in consultation with a valuation expert. No wRVU credit will be given for charges that are reversed or deemed "non-billable" due to a failure by the Physician. For wRVU credit, the charges must satisfy physician documentation requirements for the primary payor of the episode of care and must successfully pass any coding audit of such charges. If charges have inadequate information, are denied and are not corrected sufficiently to resubmit for billing or that are otherwise non­billable to the primary payor based upon the payer's reimbursement guidelines as a result of the Physician's act or omission, those wRVUs will not be considered in compensation calculations hereunder. If wRVUs arc reduced (e.g. by a coding audit or by a payor in a resubmission) only the reduced/adjusted wRVUs will be counted as wRVU credit in compensation calculations hereunder. The Physician will receive wRVU credit for services personally performed that would otherwise be billable, regardless of patients' ability to pay and for services that are non-billable or unpaid because of a failure by the Organization. (Thus, the Physician will get equal wRVU credit whether the service is provided to a commercial pay patient, a Medicare patient or a charity care patient, so long as clinical documentation is sufficient and charges are timely entered.) The Physician shall be responsible for timely providing all clinical information necessary to ensure that charges may be captured and billed, including compliance with the relevant payor's reimbursement guidelines.

The Physician understands and acknowledges that the Organization conducts periodic coding audits of the Physician's billings and that withholding of individual professional productivity incentives may occur until the coding audit is complete and the results are analyzed.

2. Value and Quality Based Annual Incentive. Subject to the limitations noted in Total Compensation Cap section below, the Physician shall be eligible to receive additional incentive compensation (prior to deductions for taxes, etc.) per calendar year (prorated for partial calendar years) for assisting in achieving and maintaining certain value and quality based performance improvements in the Medical Practice (the "**Value and Quality Based Annual Incentive**"). The Value and Quality Based Annual Incentive is an annual incentive intended to encourage the Physician to achieve certain objectives in the areas of value based improvements and quality, outcomes, and quality improvements in the Medical Practice. Any earned Value and Quality Based Annual Incentive will be assessed at the end of each calendar year and paid as a separate and additional component of the Physician's compensation. The Value and Quality Based Annual Incentive goals may change from year to year as a part of the annual compensation plan review.

It is the Organization's goal to ensure continuous value based improvement and quality based improvement through this Value and Quality Based Annual Incentive. The Physician's scores for the goals chosen will be communicated to the Physician at the end of each calendar year. The Value and Quality Based Annual Incentive goals and the pay-out grid for calendar year \_\_\_\_\_\_ are attached hereto as Exhibit D. At the beginning of each new calendar year during the Term, the Organization will provide the Physician with new Value and Quality Based Annual Incentive goals and the pay-out grid for that calendar year, which shall be in essentially the form attached hereto as Exhibit D.

The Value and Quality Based Annual Incentive is comprised of three components: 1) Clinical Quality, 2) Patient Experience; and 3) Clinical Integration and Corporate Citizenship. The Value and Quality Based Annual Incentive earned is based on a weighted average of these three components in accord with established percentages. In addition, a maximum total composite score that can be achieved shall be established and a tiered payout rate per wRVU structure will be established based on certain total composite score levels. For example:

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **Expected Performance** | **Good Performance** | **Excellent Performance** |
| **Total Composite Score** | 0.0 to 2.0 | 2.0 to 2.5 | 2.5 to 3.0 |
| **wRVU tier earned****as incentive payout rate** | Tier I equal to or greater than Base $\_\_\_\_ | Tier II$\_\_ | Tier III$\_\_ |

The Physician's earned total composite score is applied to this chart to determine if the Physician earned the Base Tier, Tier II or the Tier III incentive payout rare. The wRVU tier earned as the incentive payout rate is then applied to the Physician's total adjusted wRVUs to determine the total compensation Physician will earn for the calendar year. The Value and Quality Based Annual Incentive will be the Physician's wRVU production for services personally performed by the Physician times the wRVU tier earned as the incentive payout in excess of the Base Draw paid to Physician. Any earned Value and Quality Based Incentive shall be paid to Physician within sixty (60) days of the end of each calendar year.

**EXAMPLE**: The following is an example for illustration purposes only.

* Physician's annual Base Draw for the calendar year is set at \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_), with the Target wRVUs to support that annual base salary being 5000.
* Physician's wRVUs for that calendar year equal 5000.
* Physician earned a Total Composite Score for his/her achievements on the three components of Value and Quality Based Annual Incentive resulting in a wRVU tier II incentive payout rate of \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_), per wRVU.
* Physician's Value and Quality Based Annual incentive would be calculated as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Total Composite Score** | **Total wRVU** | **Value & Quality Payout Tier** | **Total Payout** | **Less Annual Base Draw** | **Bonus Date** |
| **2.3** | **4800** | **$** | **$** | **$** | **$** |

1. **Midlevel Supervision**

Subject to the limitations noted in the Total Compensation Cap section below, provided that Physician has been serving as the Collaborating Physician for the Medical Practice's nurse practitioner(s) or Physicians Assistance, in accordance with applicable law, Physician shall be entitled to compensation in the amount of \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) annually (prior to deductions for taxes, etc.) to be paid in bi-weekly payments of \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) on the standard Employer paydays. In order to receive such payment Physician must, on an annual basis, submit an attestation that such supervision and direction has been provided. As applicable, Physician shall use all reasonable efforts to ensure that all rules and regulations related nurse practitioner supervisory coding and incident to coding are followed by Physician.

1. **Medical Director Compensation**

Subject to the limitations noted in Total Compensation Cap section below, when requested by <hospital>. Physician shall provide up to an average of twenty-five (25) hours per month of Medical Director Services up to annual contract cap of two hundred fifty (250) hours (prorated for partial calendar years). Subject to the limitations noted in Total Compensation Cap section below, Physician shall be compensated \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) per hour of service under this section. Physician's total compensation under this section shall not exceed \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) in any one calendar year of this Agreement. In order to receive compensation for these services Physician is required to complete a time sheet in the form attached hereto as Exhibit F at the end of each month indicating the number of hours spent fulfilling these responsibilities and describing the activities.

1. **Total Compensation Cap**

Physician shall not earn total compensation, inclusive of Sections 1.A, 1.B and 1.C of this Exhibit D, in excess of the then current Integrated Healthcare Strategies (lHS) Blended Survey (defined below) 75th percentile compensation per wRVU ratio for Physician's specialty for any calendar year, unless such compensation does not exceed the then current II-IS Blended Survey 75th percentile compensation for Physician's specialty (**prorated, if applicable, if the Physician provides less than full time services**) ("**Total Compensation Cap**"). The Physician's compensation that is in excess of the then current IHS Blended Survey 75th percentile compensation for the Physician's specialty for any calendar year of this Agreement (**prorated, if applicable, if the Physician provides less than full time services**), may be modified by the Organization as a result of review of the Physician's work activity and documentation consistent with the Organization's Policy and Procedure for Appropriateness of Compensation.

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The IHS Blended Survey is a survey based on a participant weighted average of these three surveys:

* MGMA Compensation and Production Survey, National Table for All Physicians
* AMGA Compensation and Production Survey, National Table for All Physicians
* Sullivan, Cotter and Associates, National Table for All Physicians

For purposes of this Section, all percentile calculations for a calendar year shall be based on IHS Blended Survey determined on the most recent March 1 of each year based on the then current (as of March 1) MGMA, AMGA and/or Sullivan, Cotter and Associates surveys.

## II. Business Expenses and Other Benefits

1. For each twelve (12) months of employment hereunder <hospital> shall pay for the Physician's professional dues to obtain and maintain a medical license in the Commonwealth of <state>, local, state and national medical society dues, the Physician's <hospital> staff dues where required, and such other dues and expenses as <hospital> deems appropriate upon receipt by <hospital> of appropriate documentation from Physician substantiating the expenses.
2. For each twelve (12) months of employment hereunder, the Physician shall be entitled to take, with the prior approval of <hospital>, five (5) paid working days for bona fide attendance and travel time for accredited Continuing Medical Education ("CME") and <hospital> shall pay up to \_\_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) for meetings or conferences of professional organizations and/or attendance at graduate level training or refresher courses for continuing medical education or other purposes. Any amount not claimed by the Physician during a twelve-month period may not be carried over to a succeeding period or paid upon termination of employment. The Physician agrees to arrange the Physician's CME time so that work is not interrupted.
3. <hospital> shall pay such other reasonable, ordinary, and necessary business expenses incurred by the Physician in the scope of his employment as are approved, from time to time prior to their expenditure, by <hospital> and upon the Physician furnishing in voices substantiating the expenses so incurred.
4. Participation in <hospital> medical, dental, vision, disability and life insurance plans made available to the employees of <hospital> on the same terms as such other employees participate.
5. For each twelve (12) months of employment hereunder, Physician shall accrue twenty-six (26) days of Accumulated Time Off (ATO) for scheduled working days. ATO shall be used for vacation days, personal days, sick days, and holidays. Vacation and personal days must be approved in advance by <hospital>. For purposes of this paragraph, a "**working day**" shall mean a day that the Physician would be scheduled to provide the Services except on-call coverage, except for the fact that the Physician is on vacation, using personal days, etc. Unused approved time off shall not be carried forward from one year to the next or paid upon termination of employment. The Physician agrees to arrange the Physician's ATO so that the work of <hospital> and the Medical Practice is not interrupted.
6. <Hospital> shall arrange and pay for the cost of professional liability insurance coverage for Services or the Physician, with such carriers or plans of self-insurance as <hospital> may elect, in such amounts and containing such terms and conditions as may be deemed necessary and advisable, from time to time, by <hospital> provided the minimum is at least \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) per incident and \_\_\_\_\_\_\_ dollars ($\_\_\_\_\_\_\_\_\_\_\_) per aggregate, or such other amounts as are established by <hospital> Board of Directors from time to time. Payment for such coverage shall only extend during the time of the Physician's employment hereunder and only for Services provided hereunder, and <hospital> shall have no obligation to pay for coverage for any period after the date the Physician's employment terminates. <Hospital> agrees to provide “tail" coverage (to cover claims incurred but not made during this period of employment), with such carriers or plans of self-insurance as <hospital> may elect, at <hospital>’s expense. This coverage shall insure both <hospital> and the Physician. The parties agree that this clause survives the termination of the Agreement.
7. The Physician may be provided with any other benefits as such benefits may be provided by <hospital> from time to time, and provided Physician is eligible for such benefits.

EXHIBIT D-1

VALUE AND QUALITY BASED ANNUAL INCENTIVE

Calendar year beginning \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Goals:

|  |
| --- |
| Quality PerformanceExpected Good Excellent 1 2 3 |
|  |  |  |
| =>66%,<73% | =>73%,<79% | =>79% |
| =>46%,<55% | =>55%,<63% | =>63% |
| =>53%,<66% | =>66%,<78% | =>78% |
| =>68%,<70% | =>70%,<72% | =>72% |
| =>26%,<28% | =>28%,<31% | =>31% |
|  |  |  |
|  |  |  |
| =>93%,<94% | =>94%,<95% | =>95% |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| =<14,>10 | =<10,>6 | =<6 |
| >70%,<80% | =>80%,<90% | =>90% |
| =>30%,<45% | =>45%,<60% | =>60% |

Quality Value/Metric

1. **Clinical Quality:**

**ACO Measure(s)**

Breast Cancer Screening (ACO 20)

Correctol Screening (ACO 19)

Pneumonia Vaccination (ACO 15)

Controlling High Blood Pressure (ACO 28)

*D5 Prime Composite Score*

1. **Patient Experience**

Physician Communication Quality
Domain – top box

1. **Clinical Integration and Corporate
Citizenship:**

Charge Lag Days

Number/Percent of Meeting Attended
(MMA quarterly, PLC)

% Active MyChart Patients

**Value and Quality Based Annual Incentive Components and Percentage allocation:**

Clinical Quality – 60%

Patient Experience – 15%

Clinical Integration and Corporate Citizenship – 25%

**Value and Quality Based Annual Incentive Components Composite Score Allocation (maximum total composite score is 3):**

Clinical Quality – 1.8

Patient Experience – 0.45

Clinical Integration and Corporate Citizenship – 0.75

**Tier incentive payout rate:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **Expected** **Performance** | **Good****Performance** | **Excellent****Performance** |
| Total Composite Score | 0.0 to 2.0 | 2 .0 to 2 .5 | 2.5 to 3.0 |
| wRVU Tier earned incentive payout rate | Tier I equal to or greater than Base $\_\_\_\_ | Tier II$\_\_ | Tier III$\_\_ |