A. GENERAL GUIDELINES

A Department Chair may propose an amount of additional compensation beyond the Health Sciences Salary Scale (HSSS) for Plan participants, for approval by the Dean. This additional compensation is not covered for retirement purposes. Two methods are available to pay additional non-covered compensation: the negotiated (“Y”) and incentive/bonus (“Z”) salary components. Department compensation plan procedures shall specify how additional compensation is calculated (using quantitative or qualitative measures) and when it will be paid. An example of how a faculty annual salary may be structured is attached. Projected amounts of additional compensation must be submitted for approval with the Department’s annual budget due in May to be effective July 1 of the subsequent fiscal year.

B. NEGOTIATED ADDITIONAL COMPENSATION (“Y”)

“Y” compensation is negotiated on an annual basis as described in department compensation plan procedures and approved by the Dean, and cannot be changed prior to the next fiscal year. The method for determining the “Y” component should be established in advance, adequately described and documented, and applied in a consistent manner. Criteria for establishing the “Y” component may include:

1. Purchased or Additional Services

Identifiable services considered to be in addition to regular base salary duties. Examples of purchased or additional services include, but are not limited to: additional inpatient or outpatient unit management and/or service; additional resident, medical student or graduate student supervision and teaching; additional program development; additional administrative duties.

2. Productivity

Productivity in the areas of research, teaching, administration and patient care service may be based upon a faculty member’s activity during the previous fiscal year, or may be measured by extramural funding awarded to a faculty member or the department. Extramural funds may be used to fund a “Y” component. Only secured funds can be used as the salary is set for the entire fiscal year.

Negotiated compensation must be considered variable from year to year and therefore the funding is not appropriate to be paid as part of the HSSS. Leave accrual costs will be applied to negotiated additional compensation.

During the first quarter of the fiscal year (July-Sept) a retroactive increase in the “Y” component may be permitted as the result of late receipt of grant award notice. This exception applies only to awards with a date effective of July 1. Notice of award must be received by the department no later than September 30. No other adjustments are permitted to accommodate awards either beginning or ending subsequent to July 1.
C. OPTIONAL INCENTIVE/BONUS COMPENSATION ("Z")

The "Z" plan was established to reward productive faculty. A faculty member may receive incentive/bonus compensation beyond the base and negotiated compensation as described in department compensation plan procedures, which must be reviewed and approved by the Dean prior to implementation. All department/division/APU operating expenses should be paid prior to the distribution of "Z" compensation.

Department compensation plan procedures must include a description of the methodology used to determine "Z" compensation. Total compensation paid to the faculty must be set in advance, must not exceed fair market value for the services provided, and must not be based on the volume or value of any referrals or other business generated by the faculty. In order to meet the "set in advance" standard, "Z" compensation must be based on either a formula, or on quantitative or qualitative measures.

The following are examples of acceptable types of bonus compensation. Contact the Faculty Compensation Office if a different method is proposed.

1. The faculty physician is paid a bonus based on a percentage of charges billed for the services personally performed by the physician.

2. The faculty physician is paid a bonus based on a percentage of collections for the services personally performed by the physician.

3. The faculty physician is paid a fixed amount per relative value unit or CPT code for services personally performed by the physician.

4. The faculty physician is paid a productivity bonus for personally-performed supervision of services rendered by physician extenders/residents/medical students. The bonus is based on the supervisory effort, not the revenue generated by the extender.

5. The faculty physician is paid a fixed amount based on other, non-clinical revenue related measures (e.g. quality and patient satisfaction measures, teaching, research or academic measures, administration and leadership service, community service, provision of indigent care, etc.).

6. Faculty are paid a pro-rata distribution of net department revenues, but only if the department tracks DHS* (designated health services) referrals and excludes all revenues relating to such DHS referrals from the bonus pool.

*DHS (designated health services) includes: clinical lab services; physical therapy, occupational therapy, and speech-language pathology services; radiology and certain other imaging services; radiation therapy services and supplies; durable medical equipment and supplies; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services, outpatient prescription drugs; and inpatient and outpatient hospital services.

In addition to the above types of bonus compensation which are generally used for the distribution of patient care professional fee income, bonus/incentive compensation may also be paid for non-patient care professional activities as listed below and described in department compensation plan procedures. (Reference Guidelines & Procedures 3.30, Incentive/Bonus ("Z") Compensation Procedures)

- To distribute non-patient care consulting income.
- To distribute expert witness or medical/legal income.
• To pay for service to the University outside the department, e.g. stipend for serving as chair of an Institutional Review Board (IRB) or Conflict of Interest Oversight Committee.
• To pay for CME activities or teaching not required or included as part of the total negotiated salary.
• To pay for additional administrative or clinical responsibilities, e.g. service chief or medical director.
• To pay for additional research responsibilities as allowed by the funding source.
• To pay awards or prizes, e.g. Golden Apple teaching award.

“Z” payments may be paid as frequently as monthly as described in department compensation plan procedures. The schedule for payment must be established annually to be effective July 1. The payment will be made via a separate appointment established in the on-line payroll/personnel system, with monthly variable reporting required. Payments will be made concurrently with other salary earnings. “Z” payments will be paid as W2 earnings. W2 payments are subject to appropriate withholding for federal and state taxes, Medicare and OASDI (FICA), if the faculty member has not reached the maximum.