

Physician Relations – Compensation Rationale

Background

Corporate Health Group, LLC (CHG) reviewed current Physician Relations positions for base pay and incentive compensation. The review was to validate the current range for incumbent staff and to provide market-based range for recruitment.

To begin this project, CHG reviewed the past program salaries and incentive ranges available from current clients. CHG also reviewed Watson-Wyatt Compensation surveys and Watson-Wyatt Sales and Marketing Report 1995-96, Child Health Corporation of America's (CHCA) Physician Relations Survey, Corporate Health Group, LLC (CHG's) Sales Benchmarking Study and CompData 2001 Surveys. Additionally, CHG did an independent survey to gather salary ranges, incentives and car allowances/expense programs for other national hospital/health system-based physician relations programs.

Overview

Physician Relations is a staff function that is experiencing growth within the non-profit healthcare environment. During the past five years, these positions have shifted from "customer service/problem-solving" to proactive relationship management generating trackable referral volumes into the organization.

Physician Relations is currently viewed as an extension of the hospital's Senior Leadership team in its relationships with physicians. The function is accountable for strategic, financial and referral volume value to the organization and key services. The optimum staff model in today's environment represents skills in the area of strategy, sales, relationship management, business development, and marketing and service line management. This is a very different model than the original version from the early 80's – with today's model requiring staff at the sales representative level to have a minimum of 2-4 years of healthcare, business development and sales experience – with clinical expertise/training as added value. The senior sales representative level requires staff to have 5-8 years of experience and proven accountable outcomes as they relate to referral volumes and service line revenues.

Healthcare organizations should consider titles such as sales representative or senior sales representative for positions such as these. The senior sales representative title should reflect increased sales experience, accountability for the generation of revenue and/or volumes and measurable results for their assigned customer population. CHG does have a list of suggested titles available upon request.

Clinical, technical or sales staff may fill these positions. The base salary ranges may need to be developed with a clinical/technical and/or experience add-on to accommodate recruitment and retention issues.

These positions are offered the following compensation components:

- Market based salary
- Variable compensation (Incentive)
- Car allowance and/or leased vehicle
- Expenses

Market Based Salary

Internal Equity

Healthcare organizations should evaluate these positions against other equitable internal healthcare positions. While there may not currently be physician relations/liaison positions, many organizations will review these positions against:

- Rehabilitation Sales
- Occupational Therapy Sales

- Reference Lab Sales
- Pharmacy Sales
- Home Health Sales
- Durable Medical Equipment Fund Development
- Senior Customer Service
- Occupational Health Sales
- Sales
- Managed Care Sales
- Manager/Director level positions – as the physician representatives will be in “peer to peer” relationships with Managers and Directors of service lines and/or departments.

Hospital-based (Industry) Equity

There are a variety of salary ranges for these or physician relations/sales positions. Nationally, the disparity is based on market, hospital/health system size, clinical and/or sales experience, measurable accountabilities, position value (internal equity) and the ability to provide variable (incentive) compensation. Currently, there is no national survey/database. However, anecdotally and with a review of the CHCA and CHG surveys, the following should be noted:

CHCA:

- Salary range for CHCA Hospital physician representative is \$30,000 – \$65,000 in 2000.
- One of the 15 programs offered salary and variable compensation
- Four of the 15 programs reported offering annual bonus pay (dollars above base salary)

CHG Sales Benchmarking Survey

- 1998 survey by Sales and Marketing Management magazine found average compensation for entry-level salespeople was \$40,700, while mid-level salespeople averaged \$60,250 and senior level sales people averaged \$98,450.
- 1999 Dartnell Annual Sales Force Survey indicated base salary/incentive split for senior sales representative in the health services industry was reported as 61.9% salary and 38.1% incentive.
- For a senior sales representative (average performer) in the healthcare services industry, the average total compensation (base + variable pay) is \$70-90,000 with \$90,000 being the average performer (third quartile – average performer.)

Healthcare

	Minimum	Midpoint	Maximum
Dayton Childrens	\$36,046	\$44,158	\$52,270
Akron Childrens	\$55,349	\$66,034	\$70,720
CHCA (low/high)*	\$30,000	\$47,500	\$65,000
Columbus Childrens	\$27,219	\$33,639	\$40,059
Children’s H/C Atlanta Class I	\$36,524	\$47,476	\$58,427
Children’s H/C Atlanta Class II	\$44,179	\$54,226	\$64,272
MD Anderson	\$36,600	\$45,750	\$54,900
Sentara	\$46,384	\$51,147	\$56,014
Avera McKennan (both classes)	\$35,006	\$64,563	\$94,120

See attached chart for details.

*Survey completed in 2000 – placed 3% salary increase assumption for today’s dollars.

External Survey Data

Job Title: Senior Sales Representative

See attached spreadsheet for detail

Watson Wyatt survey data was from 1999. Based upon their calculations of annual salary increases, Corporate Health Group projected salary ranges for 2002.

External Equity

In many cases, healthcare organizations do not have internal staff qualified or available for these positions. To that end and for retention purposes, healthcare organization’s should evaluate external market equity for these positions. Key industries to measure these positions against are:

- Pharmacy
- Retail
- Services
- Financial
- Insurance
- Other Healthcare and Non-profits

Base Salary Recommendations

Based upon the data provided, CHG has listed the averages and medians for the salary ranges.

Averages: Hospital Based Input

Senior and Physician Representative

<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
\$38,590	\$50,499	\$61,754

Median: Hospital Based Input

Senior and Physician Representative

<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
\$36,524	\$47,500	\$58,427

Averages: External Survey Data

Physician Representative

<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
\$37,868	\$52,100	\$65,833

Median: External Survey Data

Physician Representative

<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
\$40,868	\$52,560	\$69,825

Averages: External Survey Data

Senior Physician Representative

<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
\$53,721	\$68,979	\$84,785

Median: External Survey Data
Senior Physician Representative

Minimum	Midpoint	Maximum
\$55,183	\$76,709	\$91,352

Anecdotally, CHG’s client base nationally is operating within a broad range for these positions. Base salary ranges are:

Minimum	Midpoint	Maximum
\$48,000	\$63/65,000	\$78,000/82,000*

Market – coast, clinical and experience are driving the range.

Trends for Annual Salary Increases

- The healthcare industry exempt positions experienced a total increase annually of 4.5%.
- Merit pay increases for sales positions annually averaged 4.5% for exempt positions in healthcare. In non-profits and all industry sectors, the merit pay increases for exempt positions averaged 4.0% and 4.1% respectively.
- Within sales positions nationally, the salary increase annually has been slightly lower at an average of 2.4% (salary) and 2.9% (total compensation). Watson-Wyatt 1999 surveys.
- Still within Sales, but the subset of Retail and Wholesale Trade Sector, sales force salaries increased annually at a rate of 5.6% for total compensation.

Base salary should be representative of the core position accountabilities and reflect internal and external equity. Variable compensation is in addition to the base pay – and should be performance based pay tied to activities and results that are measurable and support the desired strategic initiatives of the organization in terms of revenues and volumes.

The table listed below represents CHG’s recommendation for the development of a base salary range for current incumbents and new candidates. The Base Salary is represented in terms of a salary range – with a minimum, midpoint and maximum to the range. Variable compensation recommendations are presented in a subsequent section and would be in addition to the base salary range listed below.

Physician Representative

Minimum	Midpoint	Maximum
\$45,000 annually	\$60,000 annually	\$75,000 annually
\$21.63/per hour	\$28.85/per hour	\$36.06/per hour

Senior Physician Representative

Minimum	Midpoint	Maximum
\$55,000 annually	\$70,000 annually	\$85,000 annually
\$26.44/per hour	\$33.65/per hour	\$40.87/per hour

Most survey respondents indicated that physician sales representatives were hired at or just below salary midpoint. Several indicated that within two years, staff was at or just above mid-point. All respondents indicated that salaries were reviewed every two years for market equity and alignment. Above mid-point hiring occurred due to in-house staff transfers of clinical and/or seasoned staff or highly competitive external markets for trained, knowledgeable healthcare sales staff.

Variable Pay Programs & Expenses

Background

Many of these positions receive base salary as their only compensation. Improvements over the past five years indicate variable pay additions such as annual bonus, revenue/volume blitz, and pay for performance programs. Annual bonus payments are usually tied to revenue, volumes, satisfaction or stretch goals for key services. Blitz programs are focused on key strategic initiatives or service lines launches and are for a time limited period.

Pay for Performance standards are established identifying key activities and results that would be measured and rewarded. Pay for Performance programs are built to reflect the organization's strategic initiatives and the desired outcomes as they relate to physician referrals, service line volumes and organizational objectives. These are updated each year with the budget and product line planning process. The Pay for Performance Model is built providing a budgeted pool of dollars to be paid out quarterly. The range of payout occurs for performance at "target to exceed expectations" – the range being 10-30% of base pay quarterly. Current payouts to physician sales representative staffs have been averaging 15% of base salary quarterly.

Research Information

- The salary surveys reviewed showed the highest target incentives, with senior sales representatives (32.1%) and sales representatives (30.4%) of total compensation.
- Those organizations that do not pay incentive pay – in some cases provided a higher base salary to accommodate the positions internal and external equity.
- Car allowances and/or leased cars are provided to positions such as these. Across all organizations reporting in the surveys, 58.4% provide company owned or leased cars, while 35.3% report the use of employee owned or leased cars. Sales representatives who used their own cars averaged an allowance of \$416/per month (not taxed up) in 1999. Based upon a 2.9% annual increase to total compensation this figure would now be reflected as \$453/per month (not taxed up) in 2002.
- Most organizations provide mileage according to federal guidelines for reimbursement.
- Examples of reimbursement are:
 - \$0.345 per mile for personal use of car
 - Rental car contingent upon length of trip
 - Fleet car owned by hospital
 - Car allowance approximating monthly car payment – can be either taxed up or flat dollar amount. Car allowances range from \$250 – 600/per month.
 - Provision of credit card for gas/maintenance
- Expenses are reimbursed for direct expenses related to the job, budgeted for and approved in such categories as meals, travel etc.



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