



Board Report

File #: 16-1105, **Version:** 1

Adopt Resolution to:

- a. Amend Personnel Policies and Practices Resolution No. 98-394 Appendix A and B to add the new non-represented Unit U classifications of: Colon & Rectal Surgeon, Neurosurgeon, Trauma Surgeon, and Vascular Surgeon with salary ranges as indicated in the attached resolution;
- b. Amend Personnel Policies and Practices Resolution No. 98-394 Appendix A to increase the negotiable salary range for the current non-represented classification of Contract Physician from a maximum \$192.306 per hour to a maximum \$240.385 per hour (increase maximum of salary range from \$399,996 to \$500,000 per year);
- c. Amend Personnel Policies and Practices Resolution No. 98-394 to add Section A.1.7: Physician Salary Rates, as indicated in the attached resolution; and
- d. Direct the Human Resources Department to implement the changes in the Advantage HRM System.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Adopt Resolution to:

- a. Amend Personnel Policies and Practices Resolution No. 98-394 Appendix A and B to add the new non-represented Unit U classifications of: Colon & Rectal Surgeon, Neurosurgeon, Trauma Surgeon, and Vascular Surgeon with salary ranges as indicated in the attached resolution;
- b. Amend Personnel Policies and Practices Resolution No. 98-394 Appendix A to increase the negotiable salary range for the current non-represented classification of Contract Physician from a maximum \$192.306 per hour to a maximum \$240.385 per hour (increase maximum of salary range from \$399,996 to \$500,000 per year);
- c. Amend Personnel Policies and Practices Resolution No. 98-394 to add Section A.1.7: Physician Salary Rates, as indicated in the attached resolution; and
- d. Direct the Human Resources Department to implement the changes in the Advantage HRM System.

SUMMARY:

Natividad Medical Center recommends creating four (4) new non-represented Unit U hospital specialty surgeon classifications to employ and compensate highly qualified physicians in the specialties of: Colon & Rectal Surgery, Neurosurgery, Trauma Surgery, and Vascular Surgery. NMC also recommends an increase to the salary range of the current Contract Physician classification, and changes to the Personnel Policies and Practices Resolution (PPPR) related to this action.

DISCUSSION:

Natividad Medical Center recommends the creation of four (4) new non-represented Unit U classifications to employ and compensate highly qualified surgeons in the hospital-specific specialties of: Colon & Rectal Surgery, Neurosurgery, Trauma Surgery, and Vascular Surgery. The current single classification of Contract Physician, utilized by both the Monterey County Health Department and Natividad Medical Center, does not

allow for market-based compensation for surgeons in the hospital-specific specialties that NMC needs to employ in order to provide these surgical services with employed physicians versus independent contractors and/or purchased services through outside agencies that provide these specialized surgeons at premium prices. Since the surgical specialties listed in this report have fairly significant differences in market-based salary ranges, NMC recommends single classifications for each, rather than a generic hospital specialty surgeon classification with a broad salary range.

The salary range recommendations, as indicated below, are within the reasonable fair market value compensation ranges for physicians in the respective surgical specialties, based on an independent analysis of data, which is compiled and analyzed by a reputable outside agency within the healthcare industry. This agency provides a proprietary analysis from multiple published survey sources containing local, regional, and national compensation data. The recommended salary ranges were established based on this analysis for the Western Region, from the following survey sources: Medical Group Management Association (MGMA) - 2015 Provider Compensation Survey, Sullivan Cotter & Associates - 2015 Physician Compensation and Productivity Survey Report, Hospital & Healthcare Compensation Service - 2015 Physician Salary Survey Report, American Medical Group Association (AMGA) - 2015 Compensation and Productivity Survey, and Hay Group - 2015 Physician Compensation Report. Natividad Medical Center contacted various public organizations to request compensation information from comparable County hospitals, and was unable to obtain the data needed in order to complete a comprehensive compensation analysis.

NMC reviews the fair market value compensation data for the specific physician specialty when establishing a new Employment Agreement/Contract. When selecting a new Unit U physician in one of the hospital specialty physician classifications, the NMC Chief Executive Officer may offer a base salary (salary before benefits) up to the 50th percentile of the current salary range for the classification. Should NMC recommend a new physician to receive a base salary amount that exceeds the 50th percentile of the range for a hospital specialty physician classification, the NMC CEO will seek approval from the Board of Supervisors prior to signing a new employment agreement, in accordance with the recommended amendment to the Personnel Policies and Practices Resolution No. 98-394, adding Section A.1.7: Physician Salary Rates, as indicated in the attached resolution.

In addition, NMC recommends increasing the maximum salary for the current non-represented U Unit classification of Contract Physician from the current maximum of \$399,996 per year to a maximum of \$500,000 per year. This recommendation is to increase the maximum of the salary range, which will allow NMC to compensate physicians in general medical and surgical specialties appropriately. The salary range for the Contract Physician classification has not been reviewed on a regular basis and the fair market value analysis indicates that the current salary range utilized by the hospital is not sufficient to compensate all general physician specialties utilized in an acute care hospital. This salary range recommendation is within the reasonable fair market value compensation range for physicians in these general specialties based on the same independent analysis mentioned above. This action does not result in a salary increase for current Contract Physicians, as NMC determines salary amounts for each physician based on fair market value analysis within the particular specialty, as described above.

This recommendation has no effect on other departments within the County that employ Contract Physicians, as all salaries are negotiated based on a fair market analysis for each individual physician's specialty and qualifications. In addition, the extension of the maximum salary for Contract Physician will allow NMC to compensate General Surgeons without the unnecessary creation of an additional classification.

OTHER AGENCY INVOLVEMENT:

The Monterey County Health Department, Monterey County Human Resources Department, and Monterey County Office of County Counsel have reviewed this recommendation.

FINANCING:

The annualized cost of this action is approximately \$950,000 in salary and benefits costs that will be offset by a decrease in purchased services costs to be saved by employing physicians in these hospital specialties rather than entering into agreements with independent contractors, locums tenens and/or physician services agencies. In addition, NMC anticipates additional revenue to be received as a result of NMC billing for the physicians' services, rather than the independent physicians or agencies billing directly. The NMC CEO will present a report to the Board of Supervisors, upon completion of the first year after moving to an employee model for these hospital specialty physicians, to determine whether an increase in revenue was realized.

This action has no impact on the General Fund.

Prepared by:

Approved by:

Janine Bouyea, NMC HR Administrator

Gary R. Gray, D.O., Chief Executive Officer

Attachments: Resolution