Sustainable remuneration systems

for management physicians and affiliated physicians
Healthcare

Against the backdrop of the rapid increase in healthcare costs, physician remuneration and the volume incentives it contains are facing increased criticism. In the midst of this demand for transparency, the growing struggle for specialists and the noticeable cost pressure, the service providers are confronted with the challenge of creating an effect-oriented and fair remuneration system for their medical service providers.

Principles of sustainable compensation systems

By adhering to the following principles in particular, an optimal incentive system can be achieved for physicians:

- **Goal-orientation:** Economic, professional, high-quality action geared to the company's success must be encouraged and rewarded. Pure economization, the exclusive creation of quantity incentives and other misguided incentives must be avoided.
- **Fairness:** Compensation systems must be perceived as fair. Both distributive and procedural fairness must be ensured. By ensuring that compensation is proportionate and in line with the market, reputational damage can be prevented.
- **Simplicity and transparency:** The system must be clear, understandable and simple to set up. The system will only be accepted if the rules are comprehensible and designed in the same way for different hospitals and clinics.

Management physicians

Initial situation: In addition to a fixed component, the current remuneration of senior physicians is mainly based on fees generated by the treatment of semi-private and private patients. This exclusive focus on volume means that neither the quality of service provision nor the criteria of operating theater utilization, length of stay and cost-effective service provision are relevant for the remuneration of physicians. The fact that the chief physician is often the only one to decide on the distribution of these hospitals also poses the risk of improper distribution.

Current trends: The following trends are evident in cadre physician reimbursement systems:

- Higher fixed components and a move away from the volume-based fee component. Design of a system that takes into account the economic requirements of the hospital.
- In the case of the performance component, a small number of measures are defined that take into account not only the income side but also the cost side of the hospital. Due to the greater individual influence, measurements at the hospital level are to be weighted higher than those at the hospital level.

Selection of measurands that can be influenced and are relevant for business management:

Measured variable

Finance	Quality and collaboration	Finance
• Clinic result: Contribution margin I/II • Hospital Out-come: EBITDA margin	• Patient satisfaction • Employee satisfaction/ Fluctuation	• Ø Dwell time/ ALOS left • OR utilization (slots)

Attending physicians

Initial situation: Collaboration with independently working affiliated physicians is of great importance for hospitals. The remuneration of affiliated physicians is often based on outdated reference tariffs, which the hospital maintains independently.

Current developments: In order to create market-compliant cooperative relationships with affiliated physicians, the following points in particular must be taken into account in reimbursement systems for affiliated physicians:

- Use of recognized medical reference tapes with annual maintenance
- Clarification of tasks and responsibilities between the attending physicians and the hospital physicians
- Flexible, modular contract structure for all affiliated physicians

Attending Physician Contract

Inpatient physician regulations	Inpatient physician Fee regulations	Additional contracts
Rights and obligations of the attending physician and the hospital	Mapping of the compensation model	E.g. • Standby Emergency • Operation of a private medical practice with a lease agreement

Methodology

Stocktaking: First, the current compensation system is reviewed - across all areas of your hospital. This is followed by benchmarking and an assessment of the strengths and weaknesses of the system. Relevant questions include:

- Are the incentives in line with the hospital's strategy? Are there any disincentives?
- Is there a fair and proportionate distribution?
- Is the model transparent, comprehensible and easy to use?

Model definition and simulation: The project management defines the guidelines for the future compensation system. The future compensation system and the incentive components are developed in project team workshops, including comparative calculations and sensitivity analyses. The legal framework is revised in accordance with the model developed.

Implementation: During implementation, the systemic and technical mapping of the compensation system, the adaptation of internal and external processes, and the rollout of the new legal framework are carried out.

Success factors

In the course of our project experience, the following factors have emerged as essential for the successful introduction or adaptation of compensation systems:

- Viable solutions can only be found together with the physicians.
- High level of transparency and willingness to communicate with the affected parties
- Time required for the introduction of a new remuneration systems is at least one year
- When defining the model, the technical feasibility must always be checked as well
- In the event that VVG fees are retained, these are To be linked to the VVG contracts as far as possible DRG-based salary systems should be based on recognized systems with continuous updating.

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