



Changing Bonus Plans to Incentive Plans

This is a better way to objectively reward performance.

BY NEIL BAUM, MD

Tips from the Trenches is our newest every-issue column featuring practice management issues, and is written exclusively for PM by members of the Institute for Podiatric Excellence and Development (IPED). IPED's mission is to motivate, inspire, and synergistically bridge the gap between students, residents, new practitioners, and seasoned veterans in the field of podiatric medicine. The organization is committed to the idea that mentors with passion to share and mentees eager to learn make a powerful combination that allows IPED to bring and renew a full life to podiatric physicians, their practices, and their well-being throughout the U.S. and beyond. Visit www.podiatricexcellence.org.

Tell the truth, does this sound familiar? Every year at Christmastime, you make a decision to provide a bonus to your employees. You check with your accountant or office manager to see what you gave last year and you increase the amount from 5-15% depending on the profitability of the practice. Employees learn to expect the bonus and employers cringe when they give out a bonus without any increase in productivity or profitability of the practice. This scenario is all too familiar to most of us. What is the solution? We can both keep the status quo and begrudgingly continue with the December bonus as we have in the past, we can stop the bonus program and hunker down because

the morale of the staff will certainly deteriorate, we can use non-monetary motivators (another article), or we can implement a bonus plan based on incentives and productivity. According to Polly Walgren, Practice Administrator of a busy surgical practice in the greater Chicago area, the incentive bonus plan is truly a win for the employees and a win for the employer. Also, this plan ultimate-

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employees in some fashion. If the objective of an employee bonus is recognition and motivation, nonmonetary plus monetary rewards can be very effective.

The best approach, according to Ms. Walgren, is to turn a bonus into an incentive. You will find that employees will work harder to achieve a bonus when they know that the bonus is tied into reaching goals and

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What to do?

There are three possible approaches to the bonus problem:

- 1) Continue the status quo
- 2) Eliminate bonuses altogether
- 3) Change the current method to combine monetary and non-monetary rewards

Continuing the status quo is, for most practices, not a reasonable solution. The problems continued and, in fact, will continue to escalate each year. Eliminating bonuses would be easy, but this would create more controversy than continuing the current system. Ultimately most physicians are committed to rewarding their em-

objectives than when the bonus is merely given to them for showing up day in and day out and doing only what is required in the job description or employee manual. Ms. Walgren suggests setting quarterly goals for the practice and giving quarterly monetary rewards for reaching the goals. This is best accomplished by notifying employees about changes in the bonus structure and asking for their involvement in setting goals.

Implementing a Solution

Ms. Walgren suggests sending a letter to the staff explaining the change in the bonus structure, describing the monetary parts of the plan and inviting input. Most of your staff can be expected to react to the communication positively and begin

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talking about goals and suggestions. The next step is to hold a staff meeting on the rewards topic to resolve any misunderstandings.

The Monetary Bonus

Using the information from Medical Group Management Association (MGMA) and the office managers' survey, doctors can establish a monetary incentive such as one week's pay distributed as a yearly amount, one-fourth distributed each quarter. With input from employees, you can develop your own quarterly performance goals such as:

Quarter 1: A dollar amount for collections.

Quarter 2: Collecting co-pays at the time of each visit, thus reducing your billing expenses.

Quarter 3: Number of surgeries performed or reimbursement for profitable office procedures, i.e., minimally invasive procedures.

Quarter 4: Combination of the first three goals.

At the end of each quarter, Ms. Walgren suggests that managers report the results to the staff. If the goals are achieved, the practice issues checks at the beginning of the next quarter for the previous quarter. You might give the last quarter bonus right after Thanksgiving so that your staff can use the money for their holiday spending.

Success of the New System

Ms. Walgren believes that this bonus/incentive structure will be successful in several ways. First you change the long-standing plan of automatic annual holiday bonuses with minimal dissension from the employees as the employees are involved from the very beginning. They have a "buy in" as it is their program and they have agreed to the goals and the objectives. You can expect your staff members to make excellent suggestions and discuss new goals among themselves in preparation for future quarters.

It is imperative to warn the employees of the inappropriateness of

discussing bonus amounts with fellow employees. You will find that you can eliminate much of the disgruntlement by standardizing the bonus amount and tying it to each person's compensation level.

Ms. Walgren reports that most physicians expressed satisfaction with the results of reaching new practice goals. Just setting goals fo-

communicate and reach resolution.

Setting objectives may be difficult. It is important to work hard to develop goals that involve every employee. You may consider separate goals for each department. Don't forget the need to objectively measure progress toward goals—in hard numbers. Choose objective goals which can be quantitated; subjective goals

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cuses employees' attention on critical areas of the practice and/or individual performance of job duties. Although goals change each quarter, employees continue to respond to previous quarters' goals.

Tips for Getting Started

A practice that decides to implement a bonus or incentive plan needs to:

- Plan carefully;
- Communicate it clearly;
- Ensure measurable objectives; and
- Involve staff in the planning process.

While these may seem easy and obvious, each one can be difficult to accomplish. The climate of the organization, the attitudes of the employees, and the commitment of the physicians to reward staff all play key roles.

Careful planning of the bonus program may prevent having to change it in the future. It's better to implement a plan in slow, carefully developed steps, considering future growth of the practice, than to try to change what has already been established.

Clear communication with employees is essential. They need to understand how the plan works, when it becomes effective, and what period of time it covers. E-mail is fine for brief, back-and-forth messages, but if significant concerns arise, a group meeting is the most effective way to

present measurement problems and can spark disagreements over whether or not they were accomplished.

You can anticipate great value in involving employees in the planning process for the bonus/incentive plan. This can be accomplished either informally or formally through committees and staff meetings. Any plan is more likely to succeed when employees have an input into the process.

For most practices, the greatest overhead expense is non-physician staff salaries. You certainly don't want to improve your own bottom line at the expense of your staff. However, if production increases and profitability is also increased, you will want to pass part of this windfall to your staff. An incentive/bonus plan is one of the best ways to accomplish both objectives. Satisfied staff members are much more likely to satisfy patients and speak well of your practice to outsiders. **PM**



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