

Establishing a Fair Wage Structure for the Healthcare Practice

It's a crucial element in attracting and retaining staff.

BY TIMOTHY W. BODEN, CMPE



Reprinted with Permission from The Journal of Medical Practice Management, May/June 2017, pgs 411-412, copyright 2017 Greenbranch Publishing, LLC, (800) 933-3711, www.greenbranch.com

Denise has been a medical assistant for Dr. Brooks, our group's "founding father," for 28 years! Patients love her, and she gets along with the rest of the staff reasonably well—most of the time. Dr. Brooks would be absolutely lost without her. There's no doubt that she's one of the practice's most valuable employees. Next week, she's due for her annual performance review and another raise. And that's where the potential trouble lies. Denise has been a Certified Medical Assistant for years—and a good one, too—but her hourly wage after all this time exceeds the going rate for RNs. And she will certainly expect an increase next week. If you manage a practice that has not been around for a couple of decades, you probably don't have to deal with this exact scenario, but you will risk developing such discrepancies and inequities in your payroll if you don't have a sensible pay structure in place. Top-per-

forming practices almost always have an effective handle on employee compensation.

Attract Them With Money, But Keep Them With...?

When you walk through the front door of a well-run practice, you can

successfully. But when it comes to managing people, you'll find one fundamental principle that absolutely must be part of the foundation on which you build. Your employees must believe that:

- Their work has significance and meaning;

When you walk through the front door of a well-run practice, you can almost feel success in the air.

almost feel success in the air. You can see it on the faces of the front-line employees, hear it in their voices, and even sense it from patients interacting with staff or waiting in the reception area. If you struggle with the typical sense of daily chaos and endure cantankerous employees (not to mention grumpy physicians and cranky patients), you would turn green with envy within minutes. If you do visit such a medical office utopia, bear in mind that an operation that runs like a well-oiled machine didn't "evolve" of its own accord. It requires extraordinary effort on multiple fronts to pull it off

- Their ideas, input, and contributions are valuable; and
- Their employer appreciates them and compensates them fairly.

The third concept—appreciation and compensation—raises some thorny issues in the context of a medical practice. Smaller businesses (like most physician offices) have a very different culture than large corporations have. The family-like atmosphere actually makes it harder to deal with pay structure, changes in benefits, and assurances that everyone is being treated fairly. It is diffi-

Continued on page 66

TABLE I:
Typical Relative Value Scale for Office Salaries

Position	National Median	RVUs (position rate ÷ receptionist rate)	Comparative Rate (based on your receptionist rate)
Receptionist	13.00	1.00	10.35
File clerk	11.00	0.85	8.80
Certified coder	16.25	1.25	12.94
RN	23.69	1.82	18.84

Note: This example is intended to give a general framework for setting salaries. For example, if receptionists in your area can command \$12 per hour or RNs in your area can command \$25 to \$30 per hour, the national median serves only to highlight the uniqueness of your market.

Fair Wage (from page 65)

cult to look a “family member” in the eye and say, “Sorry, you’ve maxed out your pay grade.”

Nevertheless, even if you can’t retain the best help with financial incentives alone, you won’t be able to keep them without a sense of fair pay for honest work. Let’s take a look at what it takes to create and maintain a fair and honest pay structure. According to Compensation Resources, Inc.,¹ the four basic objectives of compensation are as follows:

- **Attract:** Offered compensation must recognize an applicant’s skills and expertise, and be commensurate with other employers’ offerings. Make it competitive and sufficient to entice a prospective employee.
- **Retain:** Make sure your compensation package is sufficient to encourage workers to remain with you rather than look for greener grass elsewhere.
- **Focus:** Effective pay programs reward employees for achieving specific results important to your practice. Employees need to know exactly what you want and expect from them.
- **Motivate:** Create a compensation package that recognizes and rewards employees with incentives to make them aspire to turn in their best efforts. Try to balance organizational and personal success.

Setting Wages

In our free market economy, you simply must offer competitive wages to attract and keep the best staffers you can find. At the same time, you have to control costs to remain profitable. That means gathering useful data about going rates for healthcare employees in your market area. If you live in a remote, rural area, you can probably gather data through a few casual conversations with local

HCG’s report organizes compensation information for each job position by geographic region, division, practice gross revenue, the Metropolitan Statistical Area, practice specialty, and state. When using the data, be careful to note the number of responses represented in the data of your specific region. Some areas have very few responses, making the data less useful for comparisons. But even if your region seems under-represented, the

The Staff Salary Survey provides nationwide salary statistics for 59 office positions for medical, dental, and other specialty practices.

colleagues, physicians and managers with whom you have a relationship.

Beyond that, participate in salary surveys; some professional specialty associations produce surveys, and some provide a free report to participants. One of the most established and most comprehensive national surveys is published annually by the Health Care Group (HCG).² The Staff Salary Survey provides nationwide salary statistics for 59 office positions for medical, dental, and other specialty practices. The survey is organized by position, years of service, and locale, and also provides data on benefits, salary increases, reviews, and paid days off.

information in the report will help you create reasonable pay scales (not to mention the very useful additional information about fringe benefits, position descriptions, performance reviews, incentives, and more). The large amount of data can give you a starting point for structuring the relative pay rates among positions and between new hires and long-term employees.

Relative (Salary) Value Scale

Some years ago, California-based management consultant Jeffrey J. Denning came up with what he calls a “relative value scale” for office sala-

Continued on page 67

OFFICE MANAGEMENT

Fair Wage (from page 66)

ries. Denning assigns one relative value unit (RVU) to the receptionist's hourly wage (as the RBRVS assigns one RVU to an intermediate, established-patient office visit). He then expresses other office position wages as multiples or fractions of the receptionist rate. For example, if the receptionist earns \$10 per hour, an LPN earning \$16 per hour would earn 1.6 RVUs. An RN receiving \$22 per hour would earn 2.2 RVUs, and so on. Using Denning's scale, you could create a relative value scale from the data in HCG's survey and create your own pay structure reflecting those values.

Try to introduce a pay grade ceiling along with some good news such as improved benefits, flexible work schedules/job-sharing, or a new performance bonus.

Table 1 shows how RVU calculations will yield wages of similar relative value in your market area. Calculate each position's national relative value by dividing the average receptionist wage by each position's average wage. Using data from HCG, you can expand your calculations to cover three experience levels for each position:

- Less than two years on the job;
- Two to five years; and
- More than five years.

Again, this exercise provides only a starting point for creating a pay structure. You have to fine-tune the scale for your immediate job market.

Transitioning to Fairness

In a perfect world, you'd design a fair wage structure before you hired your first employee. But chances are you don't have that luxury. The longer you've been without a logical framework, the harder it will be to transition. How you handle it will depend on your leadership style and the specific cast of characters in your day-to-day drama. However you implement it, try to introduce a pay grade ceiling along with some good news such as improved benefits, flexible work schedules/job-sharing, or a new performance bonus. **PM**

References

¹ Dorf PR. Compensation in the context of total rewards. HG.org. www.hg.org/article.asp?id=6977.

² Staff Salary Survey: Year 2017. Plymouth Meeting, PA: The Health Care Group. www.healthcaregroup.com/staff-salary-survey.html.



Timothy Boden is a freelance journalist. He can be reached at tboden@aol.com.