Board Approves First System Incentive Payout

Employees across the University of Colorado Health campuses received welcome news this week when the UCHealth Board of Directors approved a performance incentive payout totaling around $17 million to slightly more than 12,000 employees.

The board approved the payout after reviewing each hospital’s and the system’s performance in fiscal year 2013, which began July 1, 2012 and ended June 30, 2013.

“An incentive plan encourages all our employees to focus on their performance,” Harney said, “and on how their actions impact the organization’s overall achievement and progress in meeting its goals.”

Gaylene Lemons, director of compensation for UCHealth, said that while other hospitals in Colorado offer incentive plans, they usually are offered only to employees who are directors and above.

“From a compensation perspective, the concept of including staff members in an incentive plan is market leading,” Lemons said. “From a compensation standpoint, this is huge. It’s a huge investment in employees, and it is a huge investment in our mission to improve lives.”

System win. Incentive payouts in 2013 were possible because the entire system – not an individual hospital – hit the financial threshold, triggering the plan. In addition, the Board must approve the payout, regardless of the performance of the system or any individual hospital.

The incentive payouts will be deposited directly to employees’ accounts Sept. 13.

University of Colorado Hospital has had a similar employee incentive plan – and made a payout every year from 2008 to 2012 – but this is the first year for the system plan.

University of Colorado Health designed the incentive plan with input from leaders from UCH, Poudre Valley Hospital, Medical Center of the Rockies and Memorial Hospital. The goal was to give all employees a chance to share in the success of the organization, said Chief Human Resources Officer Bonnie Shelor.

The system is one of the few health care organizations in the nation that has an incentive plan for all employees, added UCH President and CEO John Harney.

The amount of an employee’s bonus is calculated based on four factors:

» Financial performance (40 percent of the payout)
» Quality measures (20 percent)
» Patient satisfaction measures (20 percent)
» Employee’s individual performance (20 percent)

Employees who support or serve the system (Finance, Human Resources, Information Technology, Legal, Marketing/Communications/Public Relations, and UC Health administration) are paid on the system’s performance.
Those who drive the success of individual hospitals are paid primarily for their hospital’s performance. For those employees, 80 percent of the bonus is dependent upon the hospital’s performance in meeting financial, quality, patient satisfaction and individual performance goals. Twenty percent of the calculation is based on overall system performance.

**Successes and opportunities.** UCHealth far exceeded its maximum financial goal for earnings before interest, taxes, depreciation and amortization (EBITDA), thanks to the performances of UCH, Poudre Valley Hospital and Medical Center of the Rockies. Memorial Hospital posted impressive improvements in its quality scores (core measures and the rate of unassisted falls per 1,000 patient days). Poudre Valley and Medical Center of the Rockies also reached the maximum fall-rate goal.

In the service excellence category, UCH achieved the target score for the weighted average of all measures of the HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) survey of inpatients. The federal Centers for Medicare and Medicaid Services administers the HCAHPS survey. However, the hospital failed to reach the threshold score for core measures – the percentage of success in meeting a variety of clinical standards CMS deems essential to quality care.

Harney noted that UCH’s capacity challenges may have played a role in the core measures percentage slipping in 2013.

“One bad quarter can make a difference,” he said. “Capacity pressures may have caused us to take our eye off the ball occasionally, but I don’t believe there is any change in the quality of care that we provide.”

**Who Gets It?**

Not everyone in the UCHealth system is eligible to receive an incentive payout. The eligibility factors:

- All Regular and Per Diem employees (with 500 hours worked)
- Must be in good standing (no formal disciplinary action between July 1, 2012-June 30, 2013, or a below standard evaluation)
- Cutoff date for eligibility is March 30, 2013
- Bonus compensation for employees hired or promoted throughout the year will be prorated

**How Payout Is Calculated**

A staff employee can earn 1 to 3 percent of his or her annual salary, depending on the success of the hospital and the system in meeting the annual goals, which are designated as threshold (minimum), target and maximum. The employee’s individual performance also figures in the calculation. If the system, the hospital and the individual all hit the maximum goals, an individual with a base salary of $50,000 would earn a 3 percent payout, or $1,500.

The amount in 2013 will be an as yet unspecified fraction of the maximum. For example, UCH achieved hit its maximum financial goal – as did the system – but did not reach the threshold, or minimum, quality goal for core measures. UCH achieved its threshold score for the other quality measure, unassisted falls per 1,000 patient days. The hospital hit its target for HCAHPS scores.