

Compensation Management in Healthcare 2016

TEXAS SOCIETY FOR HEALTHCARE
HUMAN RESOURCES
ADMINISTRATION AND EDUCATION

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Compensation Issues

Issues

Equity

- Entitlement Pay - \$15.00
- Pay inequities – Race, Gender, Have's/Have Nots
- Executive Pay
- Pay compression/Inversion
- Favoritism

Labor market conditions

- Increases in minimum pay and starting pay
- Tightening overall labor market
- Shortage of skilled employees (esp. Clinical)
- Projected increase in turnover
- Poor quality of many applicants

More Issues

Regulatory changes

- Minimum salary to \$50,440
- May tighten the requirements for exemptions to require 50% of time on exempt level duties
- Expect initial announcement soon
- Two months to fix

Efficiency

- Cost of labor
- Limited labor budgets
- Replacement cost of turnover
- Cost of benefits

And

- No extra help
- Internal workings of business

Current Solutions?

Pay practices from 1940's

- Top down budgeting with standard allocation
- Standard budget increases (COLA + 1.5%)
- Step increases based on seniority
- Across the board increases
- Starting pay set subjectively
- New pay = current pay + %

Current Solutions?

Pay practices from 1970's

- Open pay grades
- Numerous differentials to attract skilled employees
- Reactionary adjustments due to turnover or complaints
- Constant re-evaluation and restructuring
- Pay grade adjustments with standard pay increase

NOT THE SOLUTIONS, BUT CAUSE MOST OF THE PROBLEMS.

Recommendations

Compensation Mindset

Compensation Management is a strategic issue that impacts patient care and organization success.

- Compensation Management is more than administration or payroll processing.
- Compensation Management is not customer service.

Financial Managers have to make some difficult decisions.

- Any money misspent on compensation is not available for other things.

Compensation Management is a management issue.

- Train managers in basics of compensation.
- Involve top management

Legal Issues (FLSA)

Raise salary above \$50,440.

Reclassify as non-exempt and maintain current cost.

- Compute regular rate using budgeted hours including 1 ½ for overtime.
- Manage work hours to budgeted hours.
 - Limit off duty work
 - Limit emails after fixed time
 - Train on duty employees
- Pay bonus if annual pay is less than desired salary.

Audit all jobs for proper FLSA status.

Efficiency



Implement improved budgetary controls.

- Use of multiple budget items (merit increases, market adjustments, and equity adjustments).

Review current pay practices

- Establish criteria for use
- List eligible jobs and employees

Audit current pay and fix problems

- Compute annual cost savings

Prepare quarterly Compensation Report

- Number of out of cycle increases, re-evaluations
- Cost of out of cycle increases by dept., type, etc.
- Compa ratio analysis by job, pay grade, dept., pay grade changes

Pay Equity and Efficiency

Improve individual pay determination process

- Implement structured pay model for all decisions
 - Fix inequities
 - Improve efficiency
 - Make your life easier

Improve annual increase process.

- Convert to a common review date.
- Fluctuate merit matrix to meet budget, not performance appraisal scores.
- Eliminate managerial discretion without quantitative rationale.
- Provide additional increases to jobs with higher wage inflation, lower increases for jobs without high wage inflation.

Questions

