

UNC-Chapel Hill School of Medicine
CLINICAL DEPARTMENT FACULTY COMPENSATION PLAN

January 1996

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I. Introduction:

As academic health centers and the U.S. health care system continue to evolve in complex ways, it is essential to maintain a clinical faculty compensation methodology that balances flexibility with institutionally identified imperatives for the success of the School of Medicine (“SOM”) tripartite mission. Because the prevailing salary levels of clinical faculty result from the unique clinical earning capacity of physicians and other clinicians, such salaries must be responsive to the current revenues available to the clinical Departments of the SOM and reasonably aligned with national benchmarks in order to attract and retain top talent. Further, since most of the income in the SOM is based on clinical receipts, research grants and contract awards, rather than on appropriated state dollars, it is equally important that there is the ability within the clinical faculty compensation system to adequately reward SOM’s most highly productive members, while fostering accountability for those not meeting expectations, with the overall goal of assuring alignment between compensation and mission-based productivity.

This Clinical Department Faculty Compensation Plan (this “Plan”) sets forth the framework for reasonably flexible remuneration of clinical faculty, allowing for timely alterations from year to year in the form of both increased and decreased compensation as changing financial conditions dictate or allow. In addition to the above, the goals of this Plan include maintaining the long-term financial sustainability of each clinical Department and collectively of the SOM’s faculty practice plan, UNC Faculty Physicians (“UNCFP”). This Plan aims to reduce variability among different approaches across the Clinical Departments regarding clinical faculty compensation by further detailing a standardized set of common compensation principles, while maintaining reasonable Chair discretion to account for the idiosyncrasies of their respective specialties, subject to this Plan, institutional policy and applicable law. Further, this Plan is intended to develop flexibility toward present and anticipated national changes in healthcare reimbursement and availability of grant funding, as well as UNCFP and UNC Health Care System operating models.

This Plan updates and refines the Clinical Faculty Compensation Plan originally approved by the Board of Governors in January 1996 and most recently approved by the Chancellor in 2017, pursuant to UNC Chapel Hill’s Board of Governors-approved institutional plan for management flexibility to appoint and adjust compensation. Each Department of the SOM that has faculty subject to this Plan shall adopt a Departmental plan setting out in sufficient detail the Department’s specific approach to implementing the compensation arrangements

authorized by this Plan. As appropriate, Departments may also adopt sub-plans regarding compensation related to the Department's Divisions and Community-Based Faculty within the same timeframe as the Departmental plan, subject to approval by the Chair. No Departmental, Community-Based Faculty or Divisional compensation plan, or any amendment of such a plan, may take effect unless first approved by the UNCFP Compensation Committee, the Office of University Counsel and the Dean or Dean's designee. The Chair of each Department shall be responsible for implementing the Departmental and Divisional compensation plans, including community plans, and shall inform the Department's faculty in writing of the plans no less often than annually.

II. Plan Summary:

Each Department, with the approval of the President of UNCFP in consultation with the Executive Dean of the SOM and Chief Clinical Officer of UNC Health will select a relevant national compensation survey as its general benchmark for establishing target Total Cash Compensation ("TCC") for its faculty members, with the goal of aligning clinical faculty TCC with market norms. Departments will use a three (3) year rolling average of their chosen and approved survey data, which shall be updated not more frequently than annually, as new survey data is available. Any change in the Department's chosen national compensation survey or material change in its chosen benchmark(s) must be approved by the President of UNCFP in consultation with the Executive Dean of the SOM and Chief Clinical Officer of UNC Health. Once approved by the President of UNCFP and Executive Dean of the SOM, for informational purposes Departments will communicate their chosen annual survey data and/or updates to the SOM Human Resources Office via the Associate Dean for Human Resources and to the SOM Finance and Business Office via the Chief Financial Officer for UNCFP and SOM.

TCC will be comprised of (i) Total Annual Salary; (b) Extra Duty Payments in consideration of excess duties (e.g. excess call coverage); and (c) Incentive Payments; each of which are further defined and set forth below, and the sum total of which must conform with the UNC Board of Governors' salary policies¹. Faculty will be subject to base work expectations, which must be met to be eligible for incentive compensation and to justify maintaining or increasing their salary the following year. All compensation paid pursuant to this Plan and Departmental plans adopted hereunder will be (a) in accordance with methodologies that are defined and set in advance of the start of the fiscal year (i.e., July 1); (b) consistent with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations; (c) not vary with, or take into account, the volume or value of referrals a faculty member makes within the Department or the SOM, or to UNC Hospitals, to any UNC Health Care System affiliate, or to any unaffiliated health care entity with which the Department has a contractual or other financial arrangement; and (d) not vary based solely upon receipt or termination of a federally sponsored research grant.

¹ The UNC Board of Governors annually publishes approved salary ceilings for School of Medicine clinical faculty, by Department. Faculty salaries (inclusive of all components of salary compensation: annual base salary, supplemental pay, one-time payments and incentive) cannot exceed the stated ceilings without permission of the UNC System Office.

Faculty are expected to contribute to additional or unexpected coverage needs. When required activity significantly exceeds compensated effort, EDPs may be warranted due to an unexpected vacancy, new revenue, or other unexpected situation.

III. Eligibility for Participation:

Faculty members who are appointed to a clinical department are eligible to participate in this Plan, through their Department's plan adopted hereunder. This Plan is intended to apply equally to tenured, tenure track and fixed-term faculty in clinical departments, unless otherwise specified in the terms of their letters of appointment.² Special consideration may be given to new faculty such that a Department may grant a 1-3 year TCC guarantee to new recruits to allow for ramp-up. In the event a Chair grants a TCC guarantee period for a new faculty member, the offer letter or other documentation must set forth specific mission-based targets for the faculty member to meet during the ramp-up period. New faculty who exceed defined targets during the ramp up phase will be eligible to additionally receive incentive as determined by the methodology of their Department's plan, provided total overall compensation remains within fair market value. If a faculty member does not meet defined targets during the ramp up phase, the incentive may be reduced at the Chair's discretion. Ramp up payments are treated and paid like incentive payments; absent retirement (and for ramp-up payments only when a faculty member's appointment is not renewed), the faculty member must be employed at the time when incentive payments are paid to other faculty members of the department in order to receive a ramp up payment.

Each Department may develop an alternative compensation plan for Community-Based Faculty (as defined herein), whether pursuant to a separate Department plan or embedded within the Department's plan for faculty members, which may depart (only to the extent necessary and appropriate to tailor compensation for the community-based setting) from the provisions of this Plan, but shall otherwise meet all requirements of this Plan.

For other special categories of faculty employees, including but not limited to visiting faculty, part-time faculty, and faculty who are hired on the assumption that their employment will be temporary, a Chair may, with approval of the Dean, determine at appointment that the faculty member's compensation will be determined independent of the provisions of this Plan, provided any alternate compensation methodology is clearly documented, communicated to the relevant faculty member, and is consistent with institutional policy and applicable law.

Compensation for non-clinical faculty appointed to clinical Departments may be determined as provided by the SOM Basic Science Faculty Compensation Plan, or otherwise by the Department, as applicable.³

² Appointment letters for SOM clinical faculty shall include a statement that their compensation shall be set as provided by this Plan and the relevant Department plan adopted thereunder, unless otherwise specified.

³ The SOM Basic Science Faculty Compensation Plan is available at: http://academicpersonnel.unc.edu/files/2013/02/ccm3_032042.pdf.

Where a faculty member's duties have changed sufficiently or if faculty members lose clinical privileges, the faculty member may, with agreement of the Chair, convert from this Plan to the SOM Basic Science Faculty Compensation Plan, or from that plan to this Plan (subject to the foregoing provision regarding employees such as part-time, visiting and temporary faculty members). In such cases the faculty member's annual base salary may be adjusted to reflect assigned duties. Where a faculty member converts from this Plan to the SOM Basic Science Faculty Compensation Plan, reinstatement of the faculty member to coverage by this Plan shall be within the discretion of the Chair, in consultation with the President of UNCFP.

Advanced Practice Providers ("APPs")⁴ who are credentialed for billing purposes are eligible, at the discretion of the Chair, to participate in the incentive component of their Departmental plan adopted hereunder. Each Department may develop a specific plan for its APPs or use its standard methodology; however, any APP incentive payment methodology must be set in advance of the applicable fiscal year, set forth in the Departmental plan, and otherwise consistent with this Plan.

IV. Definitions; Related Principles:

A. Annual Base Salary: Annual Base Salary is the amount set by the Chair as compensation for core duties as a faculty member. Annual Base Salary must be (i) rank based; (ii) subject to the academic minimum salaries established by the SOM⁵; and (iii) consistent with the chosen and approved national benchmark, as modified by the financial capacity of the Department. It is the responsibility of the Chair to set Annual Base Salary, within the above parameters, in a way that appropriately values the faculty member's contributions in any or all domains of the tripartite mission. Annual Base Salary may be adjusted annually in conformance with this Plan, with decreases no lower than SOM academic minimums and increases subject to the Department's financial health, as well as to TCC remaining within Board of Governors salary ceilings. Annual Base Salary may be modified during the year in response to a promotion in faculty rank⁶ that is effective mid-year and which must occur in accordance with any Departmental salary schedule included in a Departmental plan adopted hereunder.⁷

B. Base Work Expectations: Base Work Expectations ("BWE") for clinical, teaching, research, and administration (as applicable, depending on the faculty member's

⁴ APPs include nurse practitioners, physician assistants, certified nurse midwives, certified registered nurse anesthetists and clinical pharmacy practitioners.

⁵ For intermittent faculty that are less than .5FTE, the base salary may be less than the academic minimum salary based upon approval and consultation with Human Resources and Office of University Counsel as appropriate.

⁶ "Promotion in faculty rank", as described in the Trustee Policies and Regulations Governing Academic Tenure in the University of North Carolina at Chapel Hill, which includes promotions for fixed term faculty members.

⁷ For example, a Departmental plan may indicate that the promotion from Assistant Professor to Associate Professor includes a \$10K increase in Annual Base Salary. If the Departmental plan includes such a structure, a faculty member promoted during a plan year may begin to receive the increase in Annual Base Salary in the pay period immediately following the promotion; subject to payroll and human resources constraints regarding timing.

approved activities) are metrics that a faculty member is expected to fulfill and maintain in consideration of the faculty member's current year Annual Base Salary; and must meet (i) to be eligible for earning an Incentive Payment in a particular corresponding category in the current fiscal year under metrics defined in their Departmental plan; and (ii) to maintain their Annual Base Salary for the following year.

- C. **cFTE:** Clinical FTE ("cFTE") is determined by the following formula: 100% - x% of FTE funded by (i) internally and externally funded research; (ii) internally and externally funded education; and (iii) internally and externally funded administration.⁸ Departments have the option to either (i) retain the patient-specific clinical effort a faculty member spends under clinical contracts as part of the cFTE by converting the dollar amount of the contract into an appropriate clinical productivity metric (e.g. wRVU equivalent, time-based unit, panel-size); or (ii) reduce cFTE and corresponding clinical productivity targets by the amount of effort the faculty member is assigned to clinical contracts. If the Department chooses the latter, it should allow in its Departmental plan for faculty members' clinical productivity under a clinical contract to be recognized pursuant to formulae defined in the relevant agreement; provided that any resulting incentive is fair market value and is not based on the volume or value of referrals for patient care made by that faculty member to the contractual third party.
- D. **Extra Duty Payments ("EDPs"):** EDPs are payments made to a faculty member in consideration of specific, non-recurring, variable duties (e.g. provision of additional call when coverage is needed, generally due to an unexpected vacancy, new revenue, or other unexpected situation). EDPs could be documented through, for example, as an Extended Clinical Care ("ECC") Agreement, between the relevant Department and the SOM Office of Human Resources.
- E. **FP Work Standards:** FP Work Standards ("FPWS") are metrics that a faculty member must meet as a member of UNCFP, employee of the SOM, and citizen of UNC-Chapel Hill.
- F. **FTE:** A 100% Full Time Equivalent (1.0 "FTE") is defined as 52 weeks per year and components of FTE, along with their corresponding BWEs, will be determined by this standard; provided, however, that the specific BWE metrics set in advance in Departmental plans shall reflect reasonable expectations, including in light of the amount of leave faculty are granted under UNC-Chapel Hill policy.
- G. **Incentive Payment:** Incentive Payment is the payment that may be made to a faculty member in recognition of the faculty member's mission-based productivity, pursuant to the methodology defined and set-in-advance in the relevant Departmental plan, subject to the limitations outlined in this Plan. Incentive Payment is not ranked-based.

⁸ The amount of a faculty member's FTE that a Chair or Division Chief allocates to internally funded research, education and/or administration must be generally justifiable and fiscally sound, and is subject to review.

- H. Supplemental Pay:** Supplemental Pay is a fixed amount of compensation set by the Chair, the Dean, the Provost or other relevant leadership in consideration of a specific added administrative duty the faculty member performs beyond the core duties of a faculty member in the Department (e.g. Vice Chair, Division Chief, Medical Director, Program Director, etc.). These roles and the related Supplemental Pay are at-will and at the discretion of the Chair, Dean, Provost or other leadership providing the supplemental administrative appointment, as applicable. Supplemental Pay must be discontinued when the specific duty that it recognizes ends. Supplemental Pay is separate and distinct from Annual Base Salary, EDPs, and Incentive Payment. Supplemental Pay is a component of Total Annual Salary. Supplemental Pay is for duties separate and distinct from FP Work Standards (FPWS) or Base Work Expectations (BWE) (defined below).
- I. Total Annual Salary:** Total Annual Salary equals the sum of Annual Base Salary plus any Supplemental Pay, distributed 1/12th per month.
- J. Total Cash Compensation or (“TCC”):** Total Cash Compensation equals the sum of Total Annual Salary, plus any EDPs, plus any Incentive Payment, and must conform with the UNC Board of Governors’ salary policies.⁹ TCC will be budgeted according to the financial capacity of the Department and should align with the faculty member’s actual contributions as well as with chosen and approved benchmarks. Each faculty member’s TCC is subject to being capped in accordance with fair market value and commercial reasonableness standards under applicable federal healthcare laws, regulations and guidance. Departments are permitted, but not required, to place a specified percentage of TCC at risk, which would then be earned according to the Department’s set in advance compensation methodology adopted under this Plan.
- K. UNCFP Organizational Goals:** UNCFP Organizational Goals are groups of performance metric categories outlined within five goal classes (clinical, quality, finance, research and education, and culture and wellbeing) set forth by UNCFP leadership and approved by the UNCFP Executive Committee in advance of the applicable fiscal year and described in Appendix A of this Plan. In accordance with this Plan, SOM Departments must align a certain percentage of Incentive Payments with UNCFP Organizational Goals.

V. Additional Principles:

- A. Total Annual Salary:** As noted above, Total Annual Salary is comprised of Annual Base Salary plus any Supplemental Pay, and will be distributed 1/12 per month over the course of the fiscal year. Total Annual Salary will be determined at the conclusion of the annual budget process by Chairs (or their designees) pending the agreement of the Dean (or Executive or Vice Dean-level designee, collectively

⁹ The UNC Board of Governors annually approves salary caps for School of Medicine clinical faculty, by Department. Faculty salaries (inclusive of all components of salary compensation: annual base salary, supplemental pay, one-time payments and incentive) cannot exceed the stated caps without permission of UNC General Administration.

“Dean’s Designee”). The Total Annual Salary for faculty appointed after the start of the fiscal year will be established at the time of appointment and will be effective for the balance of the year. The Chair will inform the faculty member in writing of the faculty member’s Total annual Salary upon hire and for the upcoming fiscal year once that salary has been approved in writing by the Dean or Dean’s Designee. Changes in Total Annual Salary will not be processed without documentation that the Dean or Dean’s Designee has approved, and unless otherwise provided for in this Plan, may only be made in connection with the fiscal year cycle.

Because of Departmental or Divisional financial conditions, the Chair with approval of the President of UNCFP, and the Dean or Dean’s Designee may lower the Total Annual Salaries for all faculty members in the Department or Division by not more than fifteen percent (15%) of their then-current Total Annual Salaries. Such adjustments must be made at the same rate for all affected faculty members, and in extreme circumstances may be applied during the fiscal year due to significant and unforeseen reductions in funding sources.

An individual faculty member’s Total Annual Salary may be increased or decreased from year to year in accordance with this Plan (subject to the financial health of the Department and market forces) based on the individual faculty member’s productivity and excellence in teaching, research, clinical care and administrative service, and will be reduced in the event a faculty member does not meet their FPWS, and may be reduced in the event a faculty member does not meet their BWE; provided however that:

- i. Annual Base Salary may not be reduced below the academic minimum salary set by rank by the SOM; though academic minimum salary level will be prorated where a faculty member is appointed for less than full-time effort.
- ii. Adjustments are made not more frequently than annually; provided, that in extreme circumstances, Total Annual Salary may be decreased during the fiscal year, such as if significant and unforeseen long-term reductions occur in a faculty member’s funding sources, or if a faculty member loses clinical privileges or otherwise ceases to perform clinical duties. Such adjustments shall be well-documented, without regard to the volume or value of the faculty member’s referrals, consistent with this Plan and may only be made with the approval of the President of UNCFP, and the Dean or Dean’s Designee.
- iii. When it is anticipated that a faculty member’s Total Annual Salary will be reduced, the Chair will write the faculty member to inform him or her of the planned reduction and the basis for this reduction, and the faculty member shall have a period of not more than twenty (20) calendar days from the date of the Chair’s notice to submit a written response. Departments may consult the SOM Human Resources Office operational

guidelines for implementing compensation plan changes for additional guidance regarding this process. The Chair (and Dean, as applicable) will consider information provided by the faculty member in making final Total Annual Salary determinations. If all reasonable efforts have been made by the faculty member to reconcile disagreement regarding Total Annual Salary within the Department's, Division's or other operating unit's customary dispute resolution processes, the faculty member can then appeal to the Dean. At the Dean's discretion, appeals will be evaluated either personally by the Dean or by the UNCFP Executive Committee or other committee established by, and advisory to, the Dean. However, disagreements between a faculty member and a Chair over salary alterations within a Department or a Division, which are based on overall Departmental or Divisional financial performance, cannot be appealed under this provision. Nothing herein deprives any faculty member of any grievance or appeal rights otherwise available to all faculty members under UNC-Chapel Hill faculty policies, including the Trustees Policies and Regulations Governing Academic Tenure at UNC Chapel Hill.

- iv. Approval of this Plan by UNC-Chapel Hill authorities signify explicit authorization for adjustment of individual faculty members' Annual Base Salary and Total Annual Salary as described herein, if and as warranted. No separate process shall be required for advance approval by UNC-Chapel Hill or the Board of Governors regarding downward salary adjustments, either individually or on a Departmental or Divisional basis. Upward adjustments will be congruent with the Board of Governors salary policies, but otherwise shall not require advance approval. Any salary adjustments as may be implemented shall be reported annually to the Chancellor and the President of the UNC System following the close of the fiscal year. All aspects of clinician faculty salary administration in the SOM shall be fully in accordance with the Rules, Regulations, and Policies of the Division of Health Affairs of UNC-Chapel Hill ("Health Affairs Code").

B. Community-Based Faculty. Community-Based Faculty are differentiated from other SOM faculty members in the following ways: (i) the primary job function for Community-Based Faculty will be to provide direct patient care and therefore, Community-Based Faculty will be less involved with, or evaluated on, the Education and Research aspects of the SOM mission, and as such, may be held to different performance metrics; (ii) new employees hired as Community-Based Faculty will be non-tenure, fixed term track appointments and employment contract terms will range from 1 to 2 years; (iii) Community-Based Faculty may have limited expectations for call coverage duties at UNC Medical Center; and (iv) at least 60% of clinical assignments for Community-Based Faculty will be performed outside of UNC Medical Center (consisting of NC Memorial Hospital, NC Children's Hospital, NC Neurosciences Hospital, NC Women's Hospital, NC Cancer Hospital, UNC Hospitals – Hillsborough Campus, and UNC Hospitals at

Wakebrook). Compensation for Community-Based Faculty may be pursuant to alternate Departmental plans. Clinical productivity expectations may be greater (e.g. number of sessions, wRVU, production) for Community-Based Faculty as compared to other SOM faculty members in the same Department, and as such, compensation for Community-Based Faculty may reflect such higher clinical productivity expectations. Current tenured or tenure-track faculty who wish to transition to Community-Based Faculty duties will be required to relinquish their current appointments and request a change to the fixed-term track. Such a change requires approval by appropriate University offices. Chairs and faculty members may consult SOM HR for further information on required approvals.

C. FP Work Standards:

- i. **Overall:** Fulfillment of FPWS is a requirement for eligibility for discretionary compensation, including, but not limited to, Incentive. Failure to meet FPWS shall subject a faculty member to remedial measures, including, but not limited to, (i) Incentive Payment must be reduced or withheld; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and generally will be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of University Counsel. Note that certain quality metrics may be a component of FPWS.
- ii. Faculty members are expected to satisfy the following FPWS:
 1. Maintains timely and appropriate credentialing, licensure and hospital appointment(s).
 2. Speaks and acts towards patients, families and colleagues and staff in a respectful manner, and upholds our mission is to improve the health and wellbeing of North Carolinians and others whom we serve through excellence in patient care, education and research by:
 - a. Promoting health and providing superb clinical care while maintaining our strong tradition of reaching underserved populations and reducing health disparities across North Carolina and beyond.
 - b. Preparing tomorrow's health care professionals and biomedical researchers by facilitating learning within innovative and integrated curricula and team oriented interprofessional education. We will cultivate outstanding teaching and research faculty, and we will recruit outstanding students and trainees from highly diverse

backgrounds to create a socially responsible, highly skilled workforce.

- c. Developing and supporting a rich array of outstanding health sciences research programs, centers and resources. We will provide infrastructure and opportunities for collaboration amongst disciplines throughout and beyond UNC-CH to support outstanding research. We will foster programs in the areas of basic, translational, mechanistic and population research.
3. Engages in professional behavior consistent with UNC CH SOM & FP philosophy of teamwork as a basis of patient care.
 4. Serves on regularly scheduled committees, as requested by Chair/Division Chief/Director.
 5. Regularly attends unit meetings and departmental activities consistent with department policy.
 6. Meets finance and compliance standards, coding standards and complies with UNC Healthcare documentation standards.
 7. Meets and adheres to compliance and financial standards for UNC CH research and sponsors.
 8. Meets and adheres to compliance and financials standards for all UNC-CH funds.
 9. Performs teaching responsibilities consistent with UNC CH SOM guidelines as set by and agreed upon with Chair/Division Chief/Director.
 10. Attends scheduled patient care activities on time unless adequate advance notice is provided per departmental guidelines.
 11. Closes notes for patient encounters within a reasonable time consistent with applicable standards of medical practice.
 12. Follow all applicable policies listed in Section V.D.iii herein.

D. Base Work Expectations:

- i. **Overall:** Fulfillment of BWE means that a faculty member has satisfactorily performed their job for the year. BWE metrics must be clearly delineated and set by Departments prior to the beginning of the fiscal year and will be relative to each faculty member's involvement in patient care, teaching,

research and administration, recognizing that a faculty member's effort and thus work assignment may not be spread equally across all areas. Department Chairs (or designees) may meet with faculty members in determining specific obligations and work requirements for BWEs, and must communicate BWEs to each faculty member in advance of the fiscal year. Failure to meet BWEs may subject a faculty member to certain remedial measures. As noted above, if the established BWE are not met during the course of the year, (i) Incentive Payment must be reduced or withheld in the category for which the BWE was not met for the applicable fiscal year; and (ii) Annual Base Salary must be reviewed at the next annual cycle, and shall be reduced unless a well-documented and permissible exception is granted by the Chair, in consultation with the President of UNCFP and the Office of University Counsel.¹⁰ In the event a faculty member takes formal protected leave (i.e. FMLA leave, ADA accommodation, or leave approved under the UNC Chapel Hill Policy for Faculty Serious Illness, Major Disability and Parental Leave) or receives any other formal accommodations, BWEs will be adjusted accordingly such that a faculty member is not penalized solely on the basis of having taken protected leave or receipt of formal accommodation. BWEs are separate and distinct expectations than those activities assigned to faculty for which Supplemental Pay is awarded.

- ii. **Base Clinical Productivity Standards:** The base clinical productivity standard metric established by the Chair or Division Chief (as applicable) must correspond with cFTE, as described above. Though the amounts vary by Department, some level of additional or unexpected coverage is generally a component of BWE. Additional or unexpected coverage duty compensated by EDPs must be significantly above the normal faculty expectation accounted for in BWE.¹¹
- iii. **Base Research Standards:** The base research or academic standards established by Departments should coincide with the amount of time a faculty member is supported by extramural and intramural grants and other research support (i.e., the amount of time allocated for these efforts should be commensurate with the faculty member's percent effort assigned to grant funding and other negotiated time with the Chair). Recognized scholarly activity should also include publishing, presenting or distributing scholarly work. Faculty members with a dedicated research component of their FTE are required to have a percentage of that time expected to be covered by extramural or intramural grant funding, as well

¹⁰ With respect to a faculty member, department Chairs may forego remedial measures if, due to factors outside a faculty member's control, a faculty member fails to fulfill all BWE at 100%, but achieves at least 95% completion of the clinical BWE category.

¹¹ For Departments where night and weekend call coverage has historically been excluded from BWEs, EDPs may be utilized regularly for call coverage needs in FY22.

as clear expectations in regard to standards for appropriate activity (e.g. an expectation of funded grants, manuscripts, grant applications, published papers, etc.). This percentage of their research time that must be covered will be determined by the Chair or Division Chief, who are responsible for setting definable metrics about dedicated research time. Such physician investigators should be required to cover an expected portion of their Annual Base Salary (or of the NIH cap if their Annual Base Salary exceeds the NIH cap) that is related to their defined research effort. This metric is only one metric used. If the required funding level is not met or maintained during the course of the year, this will be considered together with other metrics of the faculty member's research productivity (e.g. papers, presentations) when reviewing for compensation-related implications.

- iv. **Base Teaching Standards:** Chairs (or Division Chiefs, as applicable) are required to establish one or more base teaching standards for all faculty members, over and above the FPWS requirement. In limited circumstances (e.g. in the case of faculty deployed 100% time to staff an offsite clinical contract, Community-based Faculty), the Chair or Chief may exclude a faculty member from base teaching standard requirements.
- v. **Base Administration Standards:** Chairs or Division Chiefs, as applicable, are required to establish base administration expectations for faculty members that have administrative time designated as part of their FTE. These base work expectations will vary with and should pertain to the administrative duties to which the faculty member is assigned.

E. Incentive Payment:

Subject to affordability (described further below), it is the SOM's goal to financially encourage faculty members' excellence and high performance across its tripartite mission, and in activities that further the contributions of the SOM to the students, patients and community that it serves. Accordingly, Incentive Payment categories set in advance each fiscal year by Departments in their respective Departmental plans should recognize faculty members' (i) mission productivity (clinical service¹², scholarship and education); (ii) citizenship; (iii) administration; (iv) research activity; (v) program development; (vi) quality metrics and (vii) achievement of UNCFP Organizational Goals.¹³ Weighting among categories, provided the methodology is set in advance of the start of the fiscal year, is at the discretion of the Chair; provided such methodology otherwise meets the requirements of this Section E, though Incentive Payments should predominantly be based on mission

¹² Any clinical productivity incentive that faculty physicians may earn will be based on personally performed professional services and will not include, for example, any wRVUs or other measurement of work performed by APPs. Any exceptions to this rule must be specifically permitted by applicable law and regulation, as well as verified and documented by the Office of University Counsel.

¹³ FPWS include certain quality metrics which are obligatory, the failure to meet such will result in downside risk to the organization (e.g., billing, compliance, privacy, etc.). In addition, certain quality metrics will be rewarded with Incentive payments.

productivity and Departmental methodologies must include an educational component and achievement of UNCFP Organizational Goals. Incentive Payment is not ranked-based. Departments should set incentive weights among categories such that no less than 65% of total incentives are in respect of clinical activity. For this purpose, clinical activity includes clinical contracts, clinical administration (e.g., medical directorships), clinical program direction, and clinical quality metrics.

In addition, all Departments must allocate at least 20% of Incentive Payment to align with UNCFP Organizational Goals, which are updated on an annual basis in advance of the beginning of each fiscal year and are outlined in **Appendix A**. Specifically, at least 10% of the Incentive Payment must be aligned to one or more UNCFP Organizational Goals related to quality or with UNC Hospitals' quality goals for the corresponding fiscal year, and the remainder of the 20% of the Incentive Payment must be aligned to one or more UNCFP Organizational Goals in the other categories.

Faculty Incentive Payment metrics must be meaningful, measurable, and manageable, and should be equitable across all ranks, types of faculty and years of experience. Metrics and thresholds for eligibility for Incentive Payment should be re-evaluated annually. Incentive Payment should be made for duties performed above the expectations set by FPWS or a faculty member's BWE. All Departments must budget for Incentive Payment to constitute at least 15% of total clinical compensation; however, if the Department is currently below 15%, the Department may budget according to the national subspecialty benchmark (if <15%). If Department is currently below 15% and the national subspecialty benchmark is $\geq 15\%$, the Department needs to develop a phased approach to meet 15% minimum.¹⁴ Exceptions for Incentive Payment percentage may be granted by the President of UNC FP.

Incentive Payments may be supplemented, in part and as consistent with applicable law, by (i) UNC Health Care System funds flow transfers ("UNCHCS Transfers") to the SOM with respect to the component specifically for Incentive Payments and (ii) for relevant Departments, by shared savings distributed from alternative payment models in accordance, respectively, with the funds flow methodologies and alternative payment model terms that are set in advance of the fiscal year; provided any such Incentive Payment supplement (a) shall not be split on a per capita basis within Departments or Divisions or be distributed in any way that reflects the volume or value of referrals to UNC Health Care System or UNC Hospitals; and (b) shall be distributed to faculty (if at all) pursuant to the set in advance methodologies that recognize individual faculty members' personal effort contributing to the achievement of the organizational goal that are outlined in a UNCFP plan for such distribution (if adopted by UNCFP), or Departmental plans (if no UNCFP plan for such distribution is adopted for a particular year). If

¹⁴ The incentive payment may include EDP.

UNCHCS Transfers are earmarked for specific fiscal years and/or quality goals, such funds will be paid to Departments if the quality goal is met.

For Incentive Payments funded by UNCHCS Transfers, such funds will be budgeted centrally due to the potential variation of actuals received compared to budgeted amounts. Each UNCHCS Transfer related to a specific fiscal year and specifically earmarked for Incentive Payments should be based on the same fiscal year's Departmental Incentive Payment methodology, which may include Departmental/Divisional/Unit quality and UNCFP Organizational Goals and must be related to items that can be reasonably impacted by faculty members' efforts.

Departmental plans may include productivity enhancements¹⁵ to incentivize faculty to practice at new locations; provided that all of the following criteria are met: (i) the productivity incentive enhancement must be equally applied to all Department faculty practicing at the new location; (ii) all such productivity incentive enhancements must be based on personally performed services of the faculty member; (iii) Departments may not provide productivity incentive payments related to referrals to a new location or in any other way based on the volume or value of referrals or business generated; and (iv) all TCC remains within fair market value.

Faculty who serve in certain administrative positions within the UNC Health Care System may, in the discretion of the Dean, be eligible for additional productivity Incentive Payments funded to the SOM by UNC Health Care, in recognition of their leadership roles within the UNC Health Care System or UNC Hospitals, provided that such payments are based upon predetermined criteria approved by the UNC Health Care System Board of Directors, are fair market value, and are not based on the volume or value of referrals for patient care made by that faculty member to UNC Hospitals or any UNC Health Care System affiliates.

- i. **Research Incentive Standards.** Research incentive plans and metrics may vary between Departments, recognizing that some Departments currently maintain a more robust research infrastructure than others. Incentive metrics should reflect the Department's priorities and goals for growing the research enterprise.

Important factors Chairs and Division Chiefs should consider when setting research incentive metrics include, but are not limited to: (i) metrics for faculty with funding and dedicated rFTE time as well as metrics for faculty without dedicated rFTE time, (ii) consider incentives for grant application submissions, not only successful awards¹⁶, and (iii) capping Incentive Payments where incentive categories skew to benefit senior investigators. Departments may rate research performance on Likert-type scales to promote consistency and easy comparison.

¹⁵ Such as, for example, 10% increase in value for each wRVU performed at a particular location, for a specific time period.

¹⁶ Particularly for NIH grants (e.g., K series, R series), and foundation grants.

Research incentive credit attributable to a faculty member must be proportional to the faculty member's respective contribution to the underlying work performed on the research project.¹⁷

Departments may not award Research Incentive Payments for performance expected as FPWS or BWE.

- ii. **Education Incentive Standards.** Incentive Payments for education activities are reserved for teaching activities that exceed FPWS and BWE expectations. For example, education incentive metrics might include receipt of a teaching award, mentoring an exceptional number of advisees, or exceptional performance in small group blocks.

Departments generally should rate educational performance on Likert-type scales to promote consistency and easy comparison. Departments might decide to reward the top performers with education incentives (e.g. the top 10%).

- iii. **Administration Incentive Standards.** Most administrative effort by faculty members is accounted for in FPWS, BWE, or specific administrative roles, and compensated by Base Salary or Supplemental Pay. Administrative Incentive Payments should be used on a limited basis for extraordinary efforts that materially exceed time allotted by Departments (e.g. leading international research oversight committees or boards, appointment to certain leadership committees).

Limitations on Incentive Payment:

- i. Departments' recommendations to provide Incentive Payments must be approved in advance by the Dean or Dean's Designee, in consultation with the President of UNCFP. Decisions regarding the issuance of Incentive Payment will be made in light of the current, overall financial condition of the applicable Department, UNCFP and the SOM. The basis for whether a specific Department should increase, issue a partial payment or provide no Incentive Payments include, in part, consideration of such metrics as (i) Departmental operating margin; (ii) the trending financial performance of the Department (e.g. limited operating margin but moving in the right direction); (iii) the expense of Departmental strategic initiatives; and/or (iv) financial performance relative to Departmental budget. Such decisions must be applied equitably across members of the Department and without regard to the volume or value of referrals or other business a particular faculty member or the Department generates for any unit within SOM, the UNC Health Care System or any non-affiliated entity with which the Department has a contractual or other financial arrangement. Any exceptions to the foregoing must be legitimately justified and documented and may only be made upon the approval of the President of UNCFP, in

¹⁷ Such as, for example, hours worked, research budget functions performed, or otherwise.

consultation with the Dean or Dean's Designee and in consultation with the Office of University Counsel, as appropriate.

- ii. Incentive Payments will be made not more frequently than quarterly and at consistent times once complete data is available to inform the potential Incentive Payment earned. These times will be as follows: (i) for Departmental plans that pay incentive annually, September of the following fiscal year; (ii) for Departmental plans with semi-annual incentive distribution, in March for Q1/Q2 and in September of the following fiscal year for Q3/Q4; and (iii) for Departmental plans that pay incentives quarterly, in December for Q1, March for Q2, June for Q3 and September of the following fiscal year for Q4. With the limited exception of faculty who are retiring, in no event will Incentive Payment be made to faculty members post-separation or before the Department's regularly scheduled Incentive Payment in anticipation that separation will occur before that next payment. For retiring faculty, any incentive payment will be determined (and prorated accordingly) by the Department as of their last day of employment and like all Incentive Payments must be approved in advance by the Dean or Dean's Designee, in consultation with the President of UNCFP. Any approved Incentive Payment will then be paid in accordance with their retirement date.
- iii. The SOM strongly promotes an inclusive and respectful environment, and further that its faculty will perform activities necessary to support institutional compliance with applicable laws and regulations. It is therefore expected that all faculty will adhere to applicable UNC-Chapel Hill and UNC Health Care policies, including, but not limited to the:
 - a. UNC Health Care Disruptive and Inappropriate Health Care Team Member Behavior Policy
 - b. UNC-Chapel Hill Policy on Prohibited Discrimination, Harassment and Related Misconduct including Sexual and Gender Based Harassment, Sexual Violence, Interpersonal Violence and Stalking
 - c. UNC-Chapel Hill Violence in the Workplace Policy
 - d. UNC Health Care Code of Conduct
 - e. UNC Faculty Physicians Health Affairs Code (UNC-CH Faculty Affairs Code, Appendix A)
 - f. UNC-Chapel Hill Policy on Individual Conflicts of Interest and Commitment
 - g. UNC-Chapel Hill Policy on External Professional Activities of Faculty and Other Professional Staff
 - h. Trustee Policies and Regulations Governing Academic Tenure in the University of North Carolina at Chapel Hill; and Guidelines for

Appointment, Reappointment and Promotion of Faculty of the School of Medicine at the University of North Carolina at Chapel Hill

- i. UNC Health Care Policy on Vendor Relations
- j. UNC-Chapel Hill Policy SOM Policy on Medical-Legal Activities
- k. UNC Health Care and UNC-Chapel Hill policies and institutional requirements that relate to:
 - i. Documentation guidelines for timely documentation of clinical services (e.g., timely closing of encounters, dictation of operative reports, dictation of discharge summaries, etc.), including, and without limitation, UNC Health Care System Policy, "Inclusion of Documentation Completion Criteria within Provider Compensation Plans" and any conforming, supplemental UNCFP policy regarding, "UNCFP Standards for Timely Documentation of Open Charts" (collectively, "Documentation Policies") that may be adopted or amended from time to time.
 - ii. HIPAA Compliance
 - iii. Time Trex and Effort Reporting
 - iv. Employee Health Requirements
 - v. Compliance Office Training
 - vi. Finance (e.g. travel policies)
 - vii. Institutional Quality and Performance Improvement Programs

If it is reasonably determined by the Chair, Division Chief or other applicable administrative unit (e.g. EEO; Professional Compliance) that a faculty member has committed a material violation of one or more of these policies or requirements, the Incentive Payment that the faculty might have otherwise earned under the relevant Departmental methodology will be reduced or withheld. For purposes of timing, Incentive Payment shall be suspended during the pendency of an investigation into a policy violation, with the payment or final withhold/reduction of any Incentive Payment to be made following (and consistent with) the final determination resulting from such investigation. A faculty member found to be in violation of the listed policies must receive a reduction or withhold of some amount of Incentive. When Incentive is reduced or withheld, such amounts are determined by the Department Chair after consultation with the Professionalism Executive Committee.

F. Non-Salary Compensation

Board of Governors policy permits the provision of specified non-salary compensation to a defined category of employees where the awarding of the non-salary compensation is considered relevant to attracting or retaining faculty of the highest possible quality, and UNC-Chapel Hill policy permits (among other things) non-salary compensation that is authorized by an approved faculty practice plan. In recognition of the unique needs of a clinical faculty practice to compete for top talent and further its delivery of the highest clinical service throughout the state, this Plan permits, under limited circumstances and with approval as described in this Section, the awarding of the following types of non-salary compensation, subject to the following requirements:

Types of Permitted Non-Salary Compensation under this Plan:

1. Housing stipends in connection with an in-state remote duty assignment, which may be of indefinite duration, but must be reviewed at least every 18 months to assess the need to continue.
2. Retention bonuses capped at the greater of \$25,000 or 20% of the current Annual Base Salary.
3. Payment for an incoming clinical faculty member's professional liability insurance tail coverage in the event they were covered under a claims-based policy prior to SOM employment, limited to the actual amount of the tail coverage expense, which shall be paid directly by the Department to the applicable insurer.
4. As approved in accordance with any UNCFP standard operating procedure.

Restrictions and Requirements:

1. No state funds may be used to pay non-salary compensation; the source of funds must be clinical revenue maintained as institutional trust funds.
2. Before proposing non-salary compensation as permitted above, the Department must document the imperative for such compensation in order to recruit or retain a particular faculty member (i.e. the recruitment or retention would likely otherwise fail), along with the qualifications of the faculty member. In the case of a housing stipend, the Department must document the mission-based, community service and patient care imperative for the compensation (i.e. assigning a Chapel Hill-based faculty to a remote North Carolina location is the only way to deliver a certain specialty care in the local community) and the

nature of the assignment (e.g. overnight call coverage or other types of coverage that precludes reasonable or safe commuting).

3. The proposal must be reviewed and approved by the SOM Dean or designee and the President of UNCFP, or their designee, including for purposes of assuring uniformity of non-salary compensation awards and that they are not based in whole or in part upon any protected status.
4. If approved, and before paying the non-salary compensation, the Office of University Counsel must be involved to assure the implementation of appropriate institutional protections (e.g. a promissory note) and SOM Human Resources must be involved to assure appropriate payroll or other processing, as well as appropriate tax treatment of the funds, and will work with the relevant Department, as necessary.
5. Total compensation to any faculty member, including any non-salary compensation approved hereunder, remains subject to being capped at fair market value for healthcare regulatory purposes.
6. Any non-salary compensation that is not permitted under this Plan is governed by the UNC Chapel Hill Policy on Non-Salary Compensation and Deferred Compensation.
7. Except for the amount of the cap for Retention Bonuses (which must comply with the caps indicated above), Retention Bonuses must comply with all of the applicable requirements outlined in the December 12, 2022 UNC Chapel Hill EHRA Bonus Program, as may be amended or revised from time to time.

APPENDIX A

UNCFP Organizational Goals

	Clinical	Quality	Finance	Research & Education	Culture & Well-Being
Potential Performance	Ambulatory Composite Score	% of faculty participating in LEAN training or involved in quality improvement project	Faculty compensation to benchmark	Maintain/increase total research funding (expenditures)	85% participation in well-being index
	Reduce LOS Index	Cost per discharge	Faculty productivity gap to compensation	Maintain/increase # of trainees that publish	Develop action plan consistent with SOM's mission (in conjunction with Dean's Office liaisons) at department level and present findings
	Increase value-based covered lives				
	Optimize turn-around times for procedures and studies	Risk coding and documentation improvement for specialty departments	% of compensation for non-clinical activities	Clinical trial enrollment registry (using OnCore)	Measure/track/develop action plan to address time after hours doing Epic documentation
	Maximize investigation and closure of SAFE reports	360 evaluation for faculty		Decrease # of citations (ACGME)	Reduce % of emails sent after hours or on weekends