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## Strategic Opportunity: Take Time to Create an Overall Practice Compensation Philosophy

By Maureen Waddle

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Declining reimbursement, increases in benefit expenses, changing regulation, and high levels of unemployment across the country are some of the many reasons practices cite for taking a "wait-and-see" approach to their staffing programs. Many practices have frozen salaries and some have even implemented layoffs. However, these environmental challenges should actually be viewed as an opportunity to take a strategic view of your staffing model and compensation philosophy.

**Developing a thoughtful compensation philosophy and diligently implementing a plan based on the identified underlying tenets is a proven way to build a high-functioning organization that will thrive in any environment.**

### Ideal Work Force

As practices evolve, they rarely take the time to define their ideal work force, the attributes of successful employees, and the culture of the practice. Employees are hired because of an immediate need and pay is usually based on the employee's prior salary. Though you must understand pay rates in your marketplace to remain competitive, it is more important to determine the environment you are trying to create and how a compensation program can help foster that environment. Compensation encompasses more than just the hourly wage; successful practices understand how to create a total compensation package that is based on a sustainable philosophy that staff members buy into.

### Philosophy Questions

Answering these interrelated questions will help you create a comprehensive compensation philosophy:

- What quality of personnel and levels of experience do we need in the various positions?
- What attributes or characteristics do we desire in our employees?
- What values do we adhere to as an organization?
- What experience level are we able to recruit in our market for the various positions?
- Should certification be required for certain positions? Will we require continuing education?
- Is continuous learning one of our practice's core values?
- Do we enjoy teaching and have the resources to provide quality on-the-job training?
- Do we want to recruit only entry-level personnel and invest in on-the-job training?
- What upcoming practice goals may require special consideration for compensation? (e.g., adding a marketing coordinator whose compensation would include an incentive component.)
- Do we want to pay at, below, or above the typical pay rate in our market?
- Do we want to pay lower than the local market rate but offer a great incentive program based on practice success?
- Do we want to pay above the local market rate and try to attract the most experienced employees?
- Do we fundamentally believe in incentive programs?
- How will raises be determined?
- Will we offer cost-of-living raises, merit increases, or both?
- If increases are performance-based, do we have a performance review process in place to support that standard?
- What is the maximum percentage of collected revenues this practice can or should dedicate to staff compensation?
- Do we want full-time or part-time staff members?
- Can part-timers participate in benefits programs?

### Compensation Plan

Together, the answers to these questions comprise your compensation philosophy, which in turn is the framework for a written compensation plan that can be implemented and adapted as necessary. As part of this plan, make sure to include communication strategies. For example, it is a good idea to show staff members their TOTAL compensation during their annual compensation review. This gives them perspective about the benefits and other investments (e.g., continuing education, etc.) the practice makes in their employees. Successful practices also survey staff members to evaluate compensation package options. Pay close attention to the benefits most valued by the types of employees you have identified as essential to creating and sustaining the practice culture you desire.



**About the author:** Maureen Waddle is a senior consultant with BSM Consulting, an internationally recognized health care consulting firm headquartered in Incline Village, Nevada and Scottsdale, Arizona. For more information about the author, BSM Consulting, or content/resources discussed in this article, please visit the **BSM Café** at [www.BSMCafe.com](http://www.BSMCafe.com).

