

Compensation Plan

McGovern Medical School

The University of Texas Health Science Center at Houston

I. INTRODUCTION

The McGovern Medical School (Medical School) Compensation Plan (Compensation Plan or Plan) is intended to promote the fair and effective compensation of its faculty and general administrative and professional staff (e.g., staff physicians) in order to maintain and enhance excellence towards the missions of education, research, and patient care of The University of Texas Health Science Center at Houston (UTHealth). The Medical School is committed to providing a competitive compensation package including salary, retirement, other benefits, and rewards for performance.

The Medical School encourages:

- Clinical performance that generates clinical income with quality improvement and/or cost efficiency;
- Excellent scholarly activity;
- Outstanding teaching performance;
- Excellent administrative performance; and
- Other activities that further the mission and goals of the department, Medical School, and university.

II. PLAN PARTICIPANTS

Collectively, all Medical School faculty and general administrative and professional staff shall be referred to as Plan Participants. These Plan Participants hold full-time or part-time salaried appointments.

III. PURPOSE

The Plan provides a basis for establishing an annual salary and, if applicable, incentive compensation for Plan Participants. The Plan allows for salary increases in recognition of an individual's increased duties, accomplishments, and notable performance, as well as for salary reductions when duties, accomplishments, or performance fall below expectations. This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. UTHealth and the Medical School reserve the right to modify or cancel this plan at any time with the approval of the President of UTHealth and of the Executive Vice Chancellor for Health Affairs of The University of Texas System (UT System).

IV. OBJECTIVES

The Compensation Plan is designed to:

- Be clear and understandable;
- Enable the Medical School to attract and retain outstanding Plan Participants;
- Allow the Medical School to be responsive to changes in the market;
- Establish a structure to set compensation in a fair and consistent manner; and
- Establish a structure to provide incentives to encourage and reward productivity.

V. PLAN YEAR

The Plan year shall be September 1 through August 31.

VI. FUNDING SOURCES

The Compensation Plan shall apply to all sources of funding used in support of Plan Participants and to all sources of collected revenue generated within a Plan Participant's scope of employment with the Medical School, pursuant to the MSRD Bylaws, as applicable.

VII. OVERVIEW OF COMPENSATION STRUCTURE

A. Introduction

Plan Participant compensation may include some or all of the following components:

- Institutional Annual Base Salary (In the case of faculty, institutional annual base salary comprises Medical School Core Compensation and Discipline Specific Compensation);
- Faculty Augmentation;
- Supplements; and
- Incentive Compensation.

Institutional annual base salary shall not decrease during the fiscal year. Augmentation, supplements and incentive compensation may vary during the year, based on duties and responsibilities, performance and/or productivity.

In accordance with UT System policy and the UT System Board of Regents' *Rules and Regulations* as they relate to highly compensated employees, any proposed compensation that meets or exceeds the thresholds specified in those policies must be approved as provided therein. No Plan Participant's budgeted compensation may exceed the UT System Council of Health Institutions' maximum budgeted compensation rate for that rank unless it receives approval from the President of UTHealth and the Executive Vice Chancellor for Health Affairs of UT System or as required by the UT System Board of Regents' *Rules and Regulations*.

B. Institutional Annual Base Salary

Institutional annual base salary shall be set forth in the Plan Participant's annual Memorandum of Appointment (MOA) approved by the President. The institutional annual base salary for faculty shall consist of Medical School core compensation and discipline specific compensation.

1. Faculty Core Compensation

The Medical School core compensation component is applicable to full-time and part-time faculty members who hold the rank of instructor, assistant professor, associate professor, or professor.

Core compensation recognizes a faculty member's performance in the following areas, as applicable:

- Professional contributions in education;
- Professional contributions in research;
- Participation in and rendering of quality patient care;
- Participation in the professional affairs of the Medical School such as basic administrative activities and committee membership; and
- General university citizenship.

The Medical School full-time faculty core compensation levels shall be determined by the Dean based on faculty rank with a pro-rata adjustment for part-time status. The core compensation is specified for the period of the MOA. The current Medical School core compensation levels for full-time status are:

Instructor	\$40,000
Assistant Professor	\$50,000
Associate Professor	\$60,000
Professor	\$75,000

2. Faculty Discipline Specific Compensation

The Medical School discipline specific component shall be based upon a faculty member's contributions to the department. Market value by subspecialty or discipline will provide a basis for determining this component. National standards, such as the AAMC Survey of Faculty Compensation (by rank and specialty), MGMA data (by rank and specialty), or other discipline specific national benchmarking data, may be used to benchmark compensation.

Discipline specific compensation shall be proposed annually by the chair of the department based upon the faculty member's specialty, subspecialty, experience, past performance, and the department's fiscal circumstances. Discipline specific compensation may increase, decrease, or remain unchanged in subsequent years. Discipline specific compensation for each faculty member shall be reviewed and approved by the Dean and is specified for the period of the MOA.

For department chairs, discipline specific compensation shall be set by the Dean annually and is specified for the period of the MOA.

3. Institutional Annual Base Salary for General Administrative and Professional Plan Participants

Institutional annual base salary for general administrative and professional Plan Participants shall be based on experience, past performance, and market data related to subspecialty or discipline.

C. Faculty Augmentation

Faculty augmentation is an at-risk component of faculty compensation and may fluctuate during the fiscal year. Augmentation is based on the department chair's assessment of the faculty member's performance and productivity in the areas of education, research, administration, and clinical activity. Augmentation is also based on the financial performance and productivity of the department. Any change to augmentation is subject to the approval of the Dean.

D. Supplements

Plan Participants may also be eligible for a supplement upon the assumption of substantial additional duties and responsibilities beyond those required for the institutional annual base salary. Such supplements are discontinued when the Plan Participant is no longer responsible for the additional duties.

Determination of the need for a supplement, the amount of the supplement and the individual to whom one is awarded shall be proposed by the designated budgetary official, subject to review and approval by the Dean. The amount of a supplement may change, based on personal and/or departmental performance parameters.

E. Incentive Compensation

Plan Participants may be eligible for additional compensation in the form of incentive payments. A Plan Participant must be employed at the Medical School at the time an incentive award is distributed.

Payment of all incentive awards is dependent upon the overall financial status of the department and the Medical School. The distribution of incentive awards as either direct payments to the Plan Participants or as allocation for operation of their academic programs will be at the discretion of individual Plan Participants, subject to the approval of the Dean. Any incentive payment made pursuant to this Plan is subject to all applicable salary deductions (e.g., FICA, federal taxes) and must be reported to the Internal Revenue Service as salary and wages.

1. Clinical Incentive Awards

Clinical incentive awards are variable, with a pro-rata adjustment for part-time Plan Participants. Performance criteria may include, but are not limited to, metrics such as:

- RVUs
- Clinical charges and/or collections;
- Other clinical productivity measures;
- Research funding;
- Educational time and effort;
- Institutional citizenship; and
- Quality improvement and/or cost efficiency efforts.

Clinical incentive awards for individual Plan Participants are subject to review and approval by the Dean. Departmental incentive plans may be proposed by the department chair for consideration and approval by the Dean.

2. Research Incentive Awards

Research incentive awards are variable and are based on salary savings resulting from research grants, contracts, or other approved externally sponsored programs that provide Plan Participant salary replacement support.

The Plan Participant must request funds for full cost recovery of equipment and appropriate services and facilities in all sponsored project proposals. Research incentive awards shall not be based on sponsored projects for which there are voluntary cost sharing and/or voluntary indirect cost waiver agreements in place. The Plan Participant must ensure compliance with all sponsored project accounting and reporting requirements.

Only full-time Plan Participants who generate at least 50% salary replacement support through research grants, contracts, or other approved externally sponsored programs are eligible for research incentive awards. The standard school-wide formula for the calculation of research incentive awards is the dollar value of the salary support generated multiplied by the percentage of salary support generated multiplied by a factor of 0.50. For the award calculation, salary is the lower of institutional annual base salary or the applicable grant salary cap. The distribution of the award as direct payments to Plan Participants may not exceed a maximum of 30% of institutional annual base salary plus augmentation, if any. See Attachment 1 for examples of research incentive award calculations.

F. Recognition of Education Efforts

The Medical School recognizes individual faculty members who provide exemplary education for medical students and other trainees. Such recognition may include:

- Special awards through the Medical School, UTHealth, and UT System;
- Compensation supplements; and
- Protected time funded by departments and/or the Medical School.

G. Plan Variations

Departmental variations from this Plan must be reviewed and approved by the Dean. This includes departmental incentive plans as well as documentation of any other variations in practice that deviate from this Plan. The department chair shall make these approved plans and variation documents available to departmental faculty. A copy of these approved documents shall be maintained by the Medical School.

H. Compensation Committee

As a standing committee of the Medical School, the Compensation Committee membership is recommended by the Medical School Committee on Committees, subject to final selection and appointment by the Dean. The co-chairs of the committee shall be the ranking dean for Clinical Affairs and the Chair of the Senate. The Compensation Committee shall meet at least annually to advise the Dean on matters related to compensation. The committee, in concert with the Dean, shall periodically review and recommend changes to the Compensation Plan. The committee shall serve as the Compensation Advisory Committee for the Medical School Research and Development Plan (MSRDP).

I. Dispute Resolution

Any Plan Participant who disputes the compensation received for a specified period may seek review by following the applicable grievance process provided in UTHealth's *Handbook of Operating Procedures*.

Attachment 1: Research Incentive Award Calculation Examples

Approved by the Dean: 8/15/2016

Approved by the President: 8/16/2016

Approved by The University of Texas System Executive Vice Chancellor for Health Affairs: 10/17/2016

Effective Date: 10/17/2016

ATTACHMENT 1
McGovern Medical School Compensation Plan

EXAMPLES OF RESEARCH INCENTIVE PAYMENT CALCULATIONS:

1. Plan Participant A has a salary of \$100,000.
She has 60% of her salary, or \$60,000, on externally sponsored projects.
The annual incentive amount would be calculated as:
$$(\$60,000) (.60) (.50) = \$18,000.$$

Of that \$18,000, she may utilize all or part for expenses related to her academic program, and/or she may utilize all or part of it as a direct payment (less an amount for employer paid fringe benefits).

2. Plan Participant B has a salary of \$100,000.
He has 95% of his salary, or \$95,000, on externally sponsored projects.
The annual incentive amount would be calculated as:
$$(\$95,000) (.95) (.50) = \$45,125.$$

However, only up to \$30,000 may be taken as a direct payment (less an amount for employer paid fringe benefits) since direct payments are limited to 30% of annual compensation. The balance would be for expenses related to his academic program.

3. Plan Participant C has a salary of \$200,000.
The applicable grant salary cap is \$183,300. His salary on externally sponsored projects is 50% or \$91,650.
The annual incentive amount would be calculated as:
$$(\$91,650) (.50) (.50) = \$22,912.50$$

Of that \$22,912.50, he may utilize all or part for expenses related to his academic program, and/or he may utilize all or part of it as a direct payment (less an amount for employer paid fringe benefits).