

Compensation & the Model

WORKBOOK 14:

22nd Edition



- *Designing the Perfect Hospice – Workbook 0*
- *CEO Preparation for the Model – Workbook 1*
- *Vision & Values – Workbook 2*
- *The Basics of Creating Your Model – Workbook 3*
- *Alignment of Systems – Workbook 4*
- *Proprietary Model Workshop – Workbook 5*
- *Model Curriculum – All Staff - Workbook 6*
- *Model Curriculum – The Extraordinary Clinical Manager - Workbook 7*
- *Model Curriculum – Board of Directors - Workbook 8*
- *People Development & the Model – Workbook 9*
- *The CEO Program – Workbook 10*
- *The CFO Program – Workbook 11*
- *Marketing & the Model Program – Workbook 12*
- *Inpatient Units & the Model – Workbook 13*
- *Compensation & the Model – Workbook 14*
- *The Attraction and Retention of Talent – Workbook 15*
- *The Deep Retreat– Workbook 16*
- *Revolutionizing the Volunteer Program – Workbook 17*



Multi-View Incorporated Systems
Sponsor Number: 108693
Recommended CPE Credits Hours: 8



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Program Objective

- Learn How to use Compensation as a Tool to Shape Behavior & Culture
- Understand the Mechanics of a top Compensation System
- Discover How to Present a Change in Compensation
- Implement a Compensation System
- Breakout: Working with Your Data

Recommended CPE Credit Hours: 8

In accordance with the Standards of the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

Prerequisites

Participants should have a basic understanding of accounting and Excel.

Course Level

Intermediate.

Field of Study

Management - Hospice Management

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Program Description

Compensation is the fastest way to out of financial troubles and to increase quality as well as one of the most effective structural means to create a healthy Hospice or Homecare culture. In this program, participants will learn to use compensation as a tool to foster the behaviors and results desired at a Hospice. Bring a laptop with Microsoft Excel, a clinical team's compensation information as well as compensation information for an Indirect area. This information will not be shared with the group but will be used by the participant to work out a system that can be emulated and utilized upon return to his or her respective organization. This is a 1½ day program.

Compensation is the fastest way to out of financial troubles and to move to World-Class quality as well as one of the most effective structural means to create a healthy Hospice culture. In this program, participants will be exposed to the use of compensation as a tool to foster the behaviors and results desired at a Hospice. 100% of the Hospices that operate at the 90th percentile employ creative compensation approaches. Use of it has enabled the removal of the duties of 1) monitoring documentation, 2) monitoring productivity and 3) performing annual reviews from Clinical Managers making management vastly EASIER by creating a work environment of mutual reliance.

Program Materials

Program materials include a comprehensive manual with an in-depth table of contents and index for quick reference. Exams are provided upon arrival. Program evaluation forms are contained in the back of the manual.



Legal MVI Disclaimer

Regarding this program and MVI Guidance:

MVI provides general guidance regarding methods of compensation to be considered which reward employees who meet organizational standards and create disincentives for employees who do not. MVI does not provide legal or tax advice regarding these compensation methods and is expressing no opinion regarding whether these compensation methods comply with applicable federal, state or local laws. Any changes that your organization makes to its compensation methods may have material legal and tax implications and you should consult with your attorneys and tax advisors prior to implementing any such changes. It is the responsibility of your organization to ensure that any compensation changes comply with all applicable federal, state or local laws, and MVI expressly waives any responsibility for determining the tax consequences of any such changes and whether such changes comply with applicable law. By agreeing to our terms of service, you are expressly waiving any claims that your organization may have against MVI for damages arising from any adverse tax consequences or violations of federal, state or local law which result from any compensation method changes that MVI has recommended.



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If You Find an Error in the Manual...

With MVI, the latest Best-Known Success Patterns are adopted as soon as they are 1) identified and can be 2) systematized. Our materials are constantly being updated to improve care and management as FAST as practical. Therefore, you may find spelling or grammar errors even with proofing happening! The point is to get the “meaning or essence” of the material. The least talented people are critical of small oversights and often miss the true significance of an idea or practice because of a “speck” on the windshield. If you find an error, let us know but understand that we value SPEED of implementation over perfection when developing people. This is the same Best-Known Success Pattern we recommend for your organization with internal materials when developing your people.



Testing

There is a reason that schools, universities, and other educational institutions test students. Testing works! It provides the individual and others an indication of our level of understanding. As we will learn from this program, if something is important, it should be measured. This applies to everyone participating in this program, the people coming to work at your Hospice, and the people that are already working at your Hospice. Here are a few points to keep in mind about the testing:

- Participants will have 4 opportunities to pass the exam. You have 2 exam periods each day. The following is the normal schedule. Occasionally this will be altered due to facility and other factors.

Test Period	Day	Begin Time	End Time
1	Day 1	4:00m	5:15pm
2	Day 2	8:30am	8:50am
3	Day 2	12:00pm	1:00pm

We will not endlessly grade till you pass. We will grade the multiple choice portion ONCE during each testing period so that you can get an idea of how well you are doing. It will be graded at the end of each testing period as well.

- The calculation portion of the exam will only be graded at the end of each testing period.
- Passing the exam does not necessarily mean that you have passed the program. Attitude, perceived understanding of the material and ethics (cheating) will play large roles in the determination of whether or not an individual passes the program.



O **Prelude to Reality***

All human beings and all forms of Life seek a payoff, benefit or satisfaction in all situations... We live in a world of incentives and motivations...

If we are honest with ourselves, in our honest moments...we recognize that we all do things for a payoff...a result...a satisfaction whether we are seeking spiritual enlightenment, the good feeling of volunteering or financial means to pay bills or get what you desire or need.

This is an apparent truth when Nature is observed. It is especially obvious with observations of protoplasm as all protoplasmic Life lacks an internal source of Energy and must therefore seek such externally. Even the single-celled ameba gravitates to the faintest glimmer of warmth, food or Life-sustaining element. Human beings behave no differently...

This may seem like a difficult idea to digest as we like to think of ourselves as separate from other Life-forms... Yet, we have similar parts that perform similar functions... The basic parts of a human being can be found in a horse, insect, dolphin or other protoplasm-based creature. There is no point in trying to demonize this or make it bad. It just is... In fact, it is the God/Nature-Design... It can be boiled down in this statement,

All Life seeks to live...

All human beings and all forms of Life seek a payoff in all situations...

The sooner we come to grips with this Reality, the more successful we will be. It is better to flow "with" Nature and the way things actually work on this planet than to go against it! This leads us to the topic of Compensation...



Nature is a Meritocracy...

What this means is that Nature is a merit or performance-based or Accountability-based system. It rewards the productive and penalizes the unproductive. It is not a system that isolates its creatures from competitive or life-sustaining pressures, but rather, it exposes them to these motivators. The creatures that figure out how to have shelter, how to acquire food and how to gain a sense of purpose do well. Those that can't or don't do these things, don't survive as long as others. The way of Nature is change...for all is temporal and transitorily. There is no point in demonizing this merit-based and ever-moving template of Life...

The Definition of Compensation

The definitions of compensation found in most dictionaries and reference materials are quite inadequate as money and the idea of recompense for loss is the central projection. To me, this is a limited view at best... Here is a better definition or at least the vantage point which I will use in this program.

The definition of compensation is something of value given in exchange for something else.

When you see it in these terms, it is really what is done in business all the time! It is an exchange of value. It is also what we all seek all the time. We seek a payoff or result. Ralph Waldo Emerson's essay, *Compensation*, took an expanded view as well.

All Life is Dual...Action/Reaction... All are but Halves with Both needed to produce a Whole...
"Tit for tat; an eye for an eye; measure for measure; love for love; Give, and it shall be given you; He that watereth shall be watered; Thou shalt be paid exactly for what thou has done, no more, no less; Who doth not work shall not eat."

There is a depth in this topic of Compensation that lies near the core of everything... Compensation is a form of "balancing" as all unequal relationships will not last...and all overbearing on one side will be brought back into balance... Which could be the loss of a valuable employee...or the gain or creation of a SUPER STAR!



Here is a typical definition of compensation for comparison:

com·pen·sa·tion

/ˌkæmpənˈsāSH(ə)n/ 

noun

noun: **compensation**

something, typically money, awarded to someone as a recompense for loss, injury, or suffering.
"seeking compensation for injuries suffered at work"

synonyms: **recompense, repayment, reimbursement, remuneration, requital, indemnification, indemnity, redress; More**

- the action or process of awarding someone money as a recompense for loss, injury, or suffering.
"the compensation of victims"
- **NORTH AMERICAN**
the money received by an employee from an employer as a salary or wages.
plural noun: **compensations**
- something that counterbalances or makes up for an undesirable or unwelcome state of affairs.
"the gray streets of London were small compensation for the loss of her beloved Africa"
- **PSYCHOLOGY**
the process of concealing or offsetting a psychological difficulty by developing in another direction.

We will use a much broader definition, seeing compensation as all forms of benefit, monetary as well as non-monetary, such as Feelings...



Compensation was the beginning of MVI...

Compensation is one of my favorite topics as I am so familiar with it. I am extremely comfortable with this subject largely because of my experience. I rarely speak about my background prior to Hospice other than my musical ventures (which constitute 40 hours of my 80-hour work week – the other 40+ hours are pure Hospice!). After I decided I didn't like the music business and I breached my 6-year contract, I knocked out my Accounting degree, taught myself how to program and worked for a company that specialized in Compensation Systems as well as the development of accounting systems on a national scale. We specialized in compensation. I saw firsthand how people behaved in a multitude of settings and toward various compensation approaches. I witnessed how different industries paid people as well as the results. I witnessed how it worked or didn't. How it often made the impossible possible. After my first "total" revamp of compensation at the first Hospice I worked for (Hospice of Winston-Salem)... and the 100% increase in productivity and documentation, I was asked to speak at NHO (pre-NHPCO). My very first presentation at NHO was greeted with "hecklers" and "disruptive" people. I was practically booed out of the room (Now you know where my "issues" began!). People hated it or loved it... I was naïve as I thought the topic was practical, even common sense and that people would go "Duh!..." It was the beginning of MVI...

In college, I loved cost accounting. Cost Accounting I and Cost Accounting II were my favorite classes next to Philosophy. When I came to work at Hospice of Winston-Salem as the Accounting Manager (not the Controller or even CFO), I thought about how much money was spent on payroll. My salary was \$27,000 a year, which I thought was an incredible sum. I worked more hours than any other of the 200+ employees. I worked hard long hours without regard to financial pay, because that is the way I am. A clock is something other people watch, not me when it comes to work. However, the truth is that the "container" of that job would not be big enough to keep my interest for very long. I was made Controller and then CFO after a fantastic crisis hit the Hospice and Home Health agency! Never let a good crisis go to waste!

I was well on my way to becoming a CPA as well and was also pursuing my CMA (Certified Management Accountant) designation. I loved the CMA program because it was about managing companies and costing products and services. Through the CMA program, I learned about Activity-Based Costing and it fascinated me. I took the basic concept and applied it to Hospice of Winston-Salem where we dubbed it "Activity-Based Compensation" since payroll was our major cost. Deborah Dailey, the CEO that taught me much of what I know about Hospice, told me to "go for it" regarding compensation. And I did...

I was not fearful of Accountability or Performance Pay systems since I had experience with them. I knew what they could do for a company... I knew that Hospice of Winston-Salem could be doing better. I also couldn't get my head around why so few visits were being done by



clinicians in relation to their time on the job and pay. How could nurses only be doing 2.5 to 3 visits a day given we had an 8-hour day? And even then, many needed more than a 40-hour week! The other disciplines were poor in performance as well according to my observations. I had always worked closely with the Clinical Managers as I recognized that I had to learn “their world” before they would ever have respect and listen to what I had to say. So I started routinely going on clinical visits to make sure I knew what I was talking about and to make sure I wasn’t missing anything. In my estimation, we had a lot of wasted time. It was Hospice Acres... a place to take it easy...

To make a long story short, I created a new Compensation System. It increased productivity by 100% for all disciplines except the Chaplains. It *only* increased by 50% with this group! After this success, I was asked to present the topic at NHO’s (the National Hospice Organization before it became NHPKO) Management and Management Conference. I did and was practically booed out of the hall. What I was advocating was “Hospice heresy” in many people’s minds. However, a few people were not booing... and thought it sounded like a good idea. These Hospices did very well when they imitated what was presented...

After speaking at NHO, I took the CFO job at Hospice of Palm Beach County where I was setting up to do the same thing. I had already ripped out all people and systems that weren’t giving us the results we wanted and next on my list was the Compensation System. But I was receiving so many calls from Hospices all over the country that wanted help.... Thus MVI was born... and it started with a Compensation System! Since then I have always used Compensation Systems liberally to get results and to reward great performance. After working with hundreds and hundreds of Hospices and tons of Compensation Systems, seeing what works and what doesn’t, I still not only highly recommend creative Compensation Systems, but also I believe that they are the only way for most Hospices to become Outliers... and join the ranks of the elite of our Hospice movement.



Outliers

Using a creative Compensation System will definitely make a Hospice or healthcare system an Outlier! Especially when you consider the following statement.

100% of the Outliers, those that operate in the 90th percentile statistically in the MVI database, use creative Compensation Systems. 100% of them!

There is no escaping the fact. In order for a Hospice to get a radically different result in terms of quality and profitability, compensation is done differently.

We live in a world of incentives...and the GAME is to provide “conditions” to motivate human beings in the “context” of what we do (the business we are in)...the common direction.

By being highly profitable, you will, by definition, be in the minority. Since money is highly emotional, it will cause you some degree of isolation. Traveling with the minority is a fairly lonely road. However, it is an exciting one as well! Your Compensation System is a huge part of the equation for becoming an Outlier.

I had to come to grips long ago with the reality that most of the practices that MVI identifies as well as all “best-known practices” will be ignored and will only be implemented by a few organizations. The vast majority of our recommended practices are “interesting reading” and are only seriously considered when a crisis looms.

Troubled times are usually ideal times to change a Compensation System.



A crisis is your chance to right the ship and do what needs to be done! Take advantage of it!

Personally, I don't believe that a Hospice can be extraordinary without extraordinary People Development, Accountability Systems and Compensation Systems. They all work together. However, if we want a different outcome, we can't keep doing the same things. We have to be different. Each of these areas should look different when you compare yourselves with 700 other Hospices. If you are not different, you are pretty much the same.

The Heck with the Herd! Become an OUTLIER!

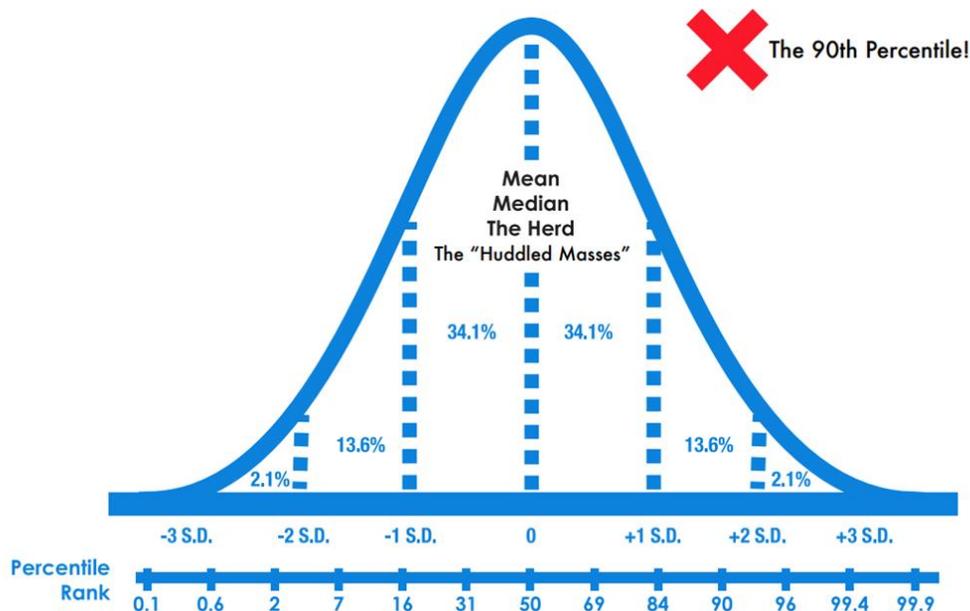
Are you an Outlier? Though this term can carry a negative connotation in the reimbursement and regulatory worlds, here we are viewing it positively. It is an interesting topic to contemplate. Secretly, most individuals seek differentiation and want to be recognized, at least according to Maslow and his Hierarchy of Needs. Or we could cite Viktor Frankl in that we all seek meaning and purpose in our lives and would like to accomplish something noble and good. If your organization is not actively becoming an Outlier, then I would venture to say that you have a somewhat unattractive organization and you have difficulty attracting and retaining highly talented people. Thus, the organization will never become World-Class as talented people are necessary. Becoming an Outlier is not about being different for the sake of being different, though this is a perfectly fine justification in my mind. Rather, it is about pushing past traditional paradigms to see how far you can advance. You can also become an Outlier by sitting around the bus stop when everyone else has left! Ha!

Most organizations that are doing the Model, Magic or have done a Model Workshop have a goal of becoming an Outlier. One subtle but important shift in thinking is that you must choose to be an Outlier as an individual before the organization can become an Outlier. The leader must Model the behaviors he or she desires and normally others will emulate similar behaviors. This especially applies to the CEO. Outlier organizations are usually led by obsessed and possessed people that are willing to focus uncommon levels of intention toward the fulfillment of a vision or result. They can be crass, tough-driving individuals or they can be highly evolved, soft-spoken spiritual people. However, they are always demanding and are relentless in their pursuits, even if they are completely calm and serene in the process. They usually have high Energy levels, great capacities for imagination and have a sense of urgency. To put the urgency characteristic bluntly, Outliers change the world... often at a pace that leaves the Huddled Masses in the dust...

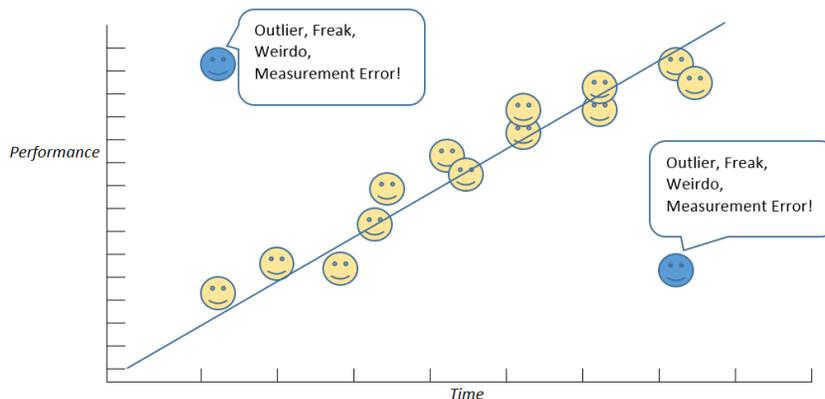
Are you an Outlier? It is fairly easy to tell if you're an Outlier or not. Look at your numbers. By virtue of your position on a normally distributed Bell Curve and by definition, an Outlier lives in the extremities. Are your numbers radically different from the majority? In the MVI Benchmarking Application (BA), are you around the 90th or 10th percentiles in the important categories of cost and quality? When you go to networking meetings, do you find that the



conversations tend to revolve around the same old topics that you have already refined to extraordinary levels? Do people scratch their heads when they see your operations and go “WOW!”? Do referral sources, ACOs and patients/families comment on the extreme quality and consistency of your meticulously designed care experience and comment that it is UNLIKE anything they have ever seen in healthcare? You can also tell if you’re an Outlier by your level of discomfort from pushing outside the norms and measures of central tendency. An Outlier organization subjects itself – willingly - to discomfort and stress by venturing into unfamiliar and uncharted territory.



Example of an Outlier...



What is worth studying?

If we focus on the average, all we get is average...



Where are your opportunities to become an Outlier? Most innovation opportunities lie in everyday tasks. They are hidden in mundane work. The innovations that make an organization an Outlier come from within as well as from the outside. The key is to be able to recognize an innovation when it is observed AND have a system of incorporating it into practice. This insight is not common or else everyone would be doing it. Benchmarking tells you if perhaps you have a true innovation. Can you specifically identify language or a practice that could be used during clinical visits that would decrease On-Call by 50%? Can you get great ideas from John Deere, Apple, Ritz Carlton and Disney or even from horridly run organizations so you know what to do as well as what NOT to do? Also, in the external innovation category, note that some Outlier Hospices are EXTREMELY CAREFUL in their selection of conferences and educational events for their staff. Why? It is because they do not want to contaminate their cultures. They are not hiding nor are they ignorant of the outside world. Rather, they pay close attention to the Movement and its trends while being protective of their productive cultures they have worked so hard to create and nurture.

In a competitive Hospice world, the Outlier has an enormous competitive advantage. Most Hospices are like slow-moving freighters that take 30 miles to make a turn. It often takes *years* for an innovation to become common place. A good example is charting at the point-of-care and documentation issues. How many Hospices still struggle with this common-as-dirt situation even though some Hospices have mastered it? If we don't know how to do this, we simply have not been paying attention to the Outliers. This overall glacial speed of the Herd makes for easier pickings in a competitive environment!

It takes guts to be an Outlier. It takes confidence to venture into deeper waters like using very different compensation practices and insisting on Perfect Visits with Perfect Documentation. Yes, there is a price for being an Outlier. The Outlier finds itself alone or with only a few others. Through the course of becoming an Outlier, the organization will find itself lost, confused and frustrated at times with occasional failed undertakings. The Outlier will be mocked and ridiculed by the Huddled Masses. However, the “wins” of the Outlier are often big and the Talent (people) of the organization are inspired. Everyone wants to work for a winner. The Outlier will look back one fine day and realize that it is now far removed from the pack. You will find the “industry’s” conversations bland and strangely bizarre. CEOs will speak of nursing shortages, employee retention issues, short LOS, poor financials and other common frustrations – issues that have been solved or greatly alleviated by the Outlier. The Outlier is on to other topics or is seeking to improve further. The Outlier is seeing how many days or weeks it can go without a single service failure, complaint or documentation error. The Outlier is focused on making the intangible tangible. The thrill of progress outweighs the pain and discomfort of being an Outlier... and you would not trade it for the comfort of conformity... and the divine FEELING of self-actualization as a distinct organization with its own distinct personality.



Do you walk in familiar, well-worn, comfortable paths? That's fine if you want to remain in the middle. However, know that you can choose where you want to be on the Bell Curve!

A Fat Bank Account is the Most Convincing Evidence of Profitability

The most revealing and convincing evidence of profitability is your bank account. It is objective feedback regarding the success of your Management to the external world. A fat bank account is convincing and tangible evidence of financial success. Many CEOs will puff up when current operations are profitable. This is certainly a “start,” but profitability is not proven over the long-term unless the cash or near-cash reserve levels are over 6-9 months. A currently-attainable, high margin may simply be the result of working short from a surge in census. It may be something your organization has deliberately or non-deliberately done. The question is “Can you keep doing this over the long-haul?” Cash in the bank from operations is based on past performance... a great indicator of future performance.

Right or Wrong, the World Measures Success in Financial Terms

The world understands the importance of money. It is symbolic of success. It is a measurable gauge that common-izes success to some degree. We apply this measure to individuals, families and organizations.

To be wasteful or to run a sloppy organization does not do anyone any favors. We may be liked as a CEO or leader if we have lax Standards and somehow manage to operate an organization for many years. However, what real legacy is left if the organization is not in great financial shape? The next CEO or leader, if they are astute, will quickly bring to light your true effectiveness. The leader that starts with a bankrupt organization and leaves it with \$40,000,000 has left a true legacy.

The world quickly shorts out those with ability from those that don't. In fact, if you find a Manager or leader that can make money, you have found a gem, a person that is well-armed for this Life of concrete reality.



What are Your Options if You Don't Use Creative Compensation Practices?

If an organization does not use creative compensation practices then it defaults to the use of something else. There are options. However, some are harder to pull off than others! There are at least 4 options:

1. The use of the same traditional methods will produce the same traditional results. This is mediocrity.
2. The use of the “Hard Ass” method of driving people and old school thinking that the Manager must lord over people and “make sure people are doing their jobs.” This takes a lot of energy and most people find it unattractive work. Of course, there is a need to review people’s work, but it can be much less if Self-Regulation/Self-Control is cultural.
3. You can become a highly, highly spiritually evolved organization where people naturally do all work according to Standard. They would never think of not doing so. In fact, they hardly need to be paid monetarily as the spiritual rewards are so immense by just having the privilege of soaking in the atmosphere. This is not the easiest thing to pull off for most Managers. Most human beings are not there.
4. Use creative compensation practices and get fantastic or at least better results than the average organization.

If an organization doesn't choose to do this type of approach, then one must ask, “*How will you do Accountability?*” Are you going to rely on Managers to *immediately* and directly address all deviations from Standards? They all must be addressed immediately if they are truly Standards. Deferred pain or deferred Accountability is not effective. We NEED the signals that there is an illness in the system...that health and good order are jeopardized just like in Nature.



1 Why Use Accountability/ Empowerment Pay?*

Why use Accountability or Empowerment Pay? (*Accountability or Empowerment Pay are better terms than Performance Pay.*) All Master Teachers answer the “why” question and recognize that no learning has taken place unless cause and effect are understood. Why use Empowerment Pay? Because it works!

People behave the way they are paid.



**People behave the way
they are paid.
And we ALL get paid...in all
situations...**

Even the Volunteer gets paid...

MVI Multi-View
Incorporated
SYSTEMS 

 The Model™
Balancing Purpose and Profit...

This is often a difficult idea to digest for most people... But if one is willing to truly commit to seeking the truth about such matters, this observation seems self-evident...



Perhaps the main reason compensation works is because it is EMOTIONAL... It is a FEELING... It is a projection of VALUE which is tied to the deepest parts of us... If human beings seek to “feel good” above most everything else, money is certainly a component of that! As we will discover that learning is based on emotions, money becomes a powerful Teacher! Compensation can take the form of financial or non-financial rewards such as emotional satisfaction or an increased inner sense of wellness. However, here the focus is financial. Before I came to Hospice, I worked for a company that specialized in Compensation Systems. In my first Hospice CFO experience, we implemented an Accountability (performance-based) Compensation System for clinical staff (the reason we didn’t do it for non-clinical and Management is because we didn’t know how to do it well at that time). The result was a 100% increase in productivity for all disciplines (except Spiritual Care – only a 50% increase) and a 100% increase in the timeliness and quality of documentation. I’ve seen similar results at ANY Hospice that has a well-thought-through, SIMPLE Accountability-based performance Compensation System. I have implemented Compensation Systems in different settings and have increased performance/results by as much as 400%. Complicated, stingy or infrequent systems don’t work well. Compensation is the fastest way out of financial trouble and the fastest way to create a healthy Hospice culture. Why not let every paycheck become an automatic report card?

Compensation is a tool that many organizations fear. Why? Because it works. It works in that people and organizations change behavior based on how they are paid. When Medicare changes how Hospices are paid, does everyone keep doing things the same way and not comply? Of course not. Hospices react almost immediately. Human behavior is greatly influenced by compensation in all of its forms. The statement, “*People behave the way they are paid*” is one of the most fundamental truths known to humankind. It takes us back to our survival instincts that have been created over a LONG period of time. We are automatically wired to “get paid” or benefit from our efforts. Almost every human activity is focused on the payoff (A key point when establishing habits).

Of course, compensation is not the most important reason or motivational force in our work, or at least should not be. However, it is a major consideration for all of us as money does impact so many aspects of how we live and how we spend our time. The phrase “incentive compensation” itself is a bit silly as ALL compensation is used to incentivize people. This is why we sometimes use the phrase “performance compensation.” However, Accountability or Empowerment Pay are much better terms as they are more Spiritual and “Empowerment” is what we are trying to accomplish! A system where people “own” their lives and work without blaming others or circumstances...We want a mature person! So, if this type of compensation works, it seems to make sense to get beyond our fear of it and learn to use it! Be positive about it! [There is an MVI audio CD devoted to this specific subject called Compensation & the Model which may be helpful.]



Also, let me add this comment. Tying compensation to Model performance will *supercharge* its implementation and impact. In fact, if I am working with a Hospice that is facing bankruptcy, performance compensation is one of my first moves because it is so *devastatingly* effective.

Compensation is one of the most fascinating subjects as it is directly correlated to an understanding of human behavior.

Here is a bit more...

If you are Having Trouble Attracting and Retaining Talented Clinicians? SOLVE IT!

Your Compensation Methods are one of your first steps in the right direction as evidenced by Hospices that don't have issues in these areas.

What price are you paying everyday for not embracing Great Compensation Methods and Standardization?



Why NOT pay for RESULTS! Instead of paying for mediocrity?

Pay for RESULTS! NOT Mediocrity!

In 25 years of Benchmarking thousands of Hospices, not a single entity in the 90th percentile regarding Quality and Economics, paid their people using traditional methods.... All had DIFFERENT methods! Methods you can use!

Compensation is one of the QUICKEST ways to create a HEALTHY & HAPPY organizational culture and ROCKET QUALITY and FINANCIALS!

USE your Compensation System to SOLVE your Business Problems!

List your Problems, THEN...

Imagine how you could structure your compensation methods to get the Results you want!



For Those That Say That Accountability or Empowerment Compensation Systems Do Not Work

An organization's Compensation Systems are the most POWERFUL tools to shape behavior and create healthy and happy Hospice cultures. However, most Managers can't get past the "fear barrier." Therefore, only the elite of our Movement use compensation insightfully to create fair and rewarding systems...systems that make management vastly easier because they are STRUCTURAL and do not rely on the personal inspection of work that ebbs with Energy levels and the constraints of time. Accountability can be "fine-tuned" with a great Compensation System. All Hospices that operate in the 90th percentile use creative compensation practices. **A Hospice's biggest quality and financial gains will come from the Attraction of Talent and the compensation of that Talent.** 60-65% of a Hospice's total costs are related to compensation. This is structural. This is the most significant area of operational costs that an organization can address. It is also linked to *People Development*, the most important area and topic of an organization, as all Compensation Systems inherently teach. Yet, there are many naysayers regarding the use of creative Compensation Systems...

Those that say that compensation (incentive) systems do not work are ignorant of human behavior as well as the behavior of all forms of protoplasm. We are constantly seeking our "food" and "means" of survival. We can't do anything else. All living creatures are designed to sustain their lives. With this said, there are often "academics" that propagate studies that show little, no and even negative results with "different" Compensation Systems. This is true. However, one has to look at the specific Compensation System in all cases. If it is a flawed system or is based on flawed ideas, then of course it will fail or be less effective than hoped. An example of this is a Compensation System without "an element of pain" (which we will discuss later) relating to the non-adherence to the *basic* Standards of an organization. Most people think that creative Compensation Systems are only about the upside, but in a great Compensation System, there is a downside (even if it is slight) if you don't do your job to Standard. However, most systems don't have this component! This is a component that can make a world of difference. A great Compensation System is a balance of upside and downside.

We all are biased regarding our ideas and tend to favor those viewpoints that conform to the beliefs we already hold. There are studies that attempt to persuade that incentive compensation doesn't work. These usually come from academics from extremely "left" institutions that would like everyone to be paid the same. On the other side, there are TONS of studies that show that Compensation Systems have a HUGE impact on human behavior. In fact, it takes little more than observing any aspect of Life for this fact to become evident. I mean, when Medicare changes how Hospices are paid, do we sit around and say "that's nice but I think we'll just keep doing our business the same old comfortable way." No... we are



forming committees, getting involved with discussion groups and seeking all the insight we can to address the Medicare payment changes. We are INTERESTED. Well, the same thing happens on an individual basis, only in this case, it is your organization that is the “change agent” of payments...and a change in compensation DOES get people’s attention!

Following the Herd will always get an organization to average. So why not be an Outlier, freak or what some call a “measurement error” when it comes to quality and financial performance? It is completely your choice! But you can’t continue to do it like everyone else and get into this club!



The Human Animal

All living organisms seek to feel good and avoid pain. Usually, we gravitate towards a FEELING. Ultimately, we want to feel good. Even single-celled organisms will gravitate towards the faintest glimmer of warmth, and so too will all creatures, including the human animal. Humans tend to be builders. We continually seek to improve our personal situations and advance.

We are human organizations serving and interacting with humans. Therefore, all activities and functions must be based on human behavior... that is, how humans *really* behave as opposed to the way we may *perceive* that they behave. Here are a few factors that I've assembled over time. These become overarching ideas that help guide us during our People Development pursuits.

Points regarding human activity...

1. All human activity is time-controlled.
2. All human activity is dependent upon Energy levels.
3. All human activity is constrained by the properties of protoplasm and must gain Energy from sources outside of themselves.
4. Human activity tends to follow an economic path.
5. The human brain is an efficiency-seeking machine.
6. All human activity is based on habits (Energy conservation mechanisms).
7. Most human activity is the result of thought-habits/beliefs.
8. Humans tend to be Herd creatures.
9. Humans avoid pain and seek pleasure.
10. The avoidance of pain seems to be more powerful than the drive for pleasure.
11. Humans seek gain or advancement.
12. Humans actively seek meaning and purpose.
13. Humans seek to FEEL good.

Of course, I believe that humans are MORE than this ultimately... that we are spiritual beings living in a fabulous “slowed down” world of dense matter which we push against to maximize our karmic potential. However, I also recognize that we must be absolutely pragmatic and contextualize this People Development topic into the world of the concrete. In addition, we are Herd or group people. We are social creatures. We tend to copy and take behavior direction from observations of others.

One major point is that human activity tends to follow an economic path. This is easily demonstrated in how cities and towns arise as well as immigration and the progression of work



activities people do (not many blacksmiths or stagecoach drivers these days). With a Compensation System, you are using this reality of human behavior.

Applying Logic

In most learning situations, it is best to start with gaining an intellectual understanding. In the case of making a major operational change, like a Compensation System, the same applies. It is only logical that if we are to address Hospice costs that we explore the relationship of revenue to labor costs since the majority of a Hospice's costs are labor. Our goal is to find the best ways to foster the behaviors and performance we want and to gain the ROI (Return on Investment) needed by the business/Hospice. This is logic or the intellectual understanding. Getting past the "Fear Barrier" is the bigger hurdle as it involves emotional understanding.

Let us apply logic to this –

- Labor is the #1 cost in Hospice. Labor costs are from 60-65% of total costs. If you master labor costs, you pretty much master Hospice management.
- People behave the way they are paid.
- Virtually all high-performing organizations use financial compensation to get the behaviors and performance it wants.

If you research the companies that have had extraordinary success, you will normally find well thought-out Compensation Systems.

Though the use of creative and Accountability or Empowerment-based Compensation Systems is logical if an organization wants to increase quality and financial performance, often the logic is trumped by the emotional aspect. The methods are usually not difficult to create and the best methods are quite straightforward. However, the real work is overcoming the EMOTIONS in the initial stages of implementation.

Most of the work of implementing an Accountability or Empowerment-based Compensation System is not working out the methods as they have already been done and merely need to be copied. Rather, it is EMOTIONAL work, especially in the implementation stage.



“Salary & Hourly” May Be the Most GREEDY Methods!

It is interesting to point out that traditional “Salary and Hourly” methods may be the most GREEDY pay methods as they LIMITE the income potential of employees.

This is something to think about...

The Realities of HospiceLand

Let us look at these observations of Hospiceland:

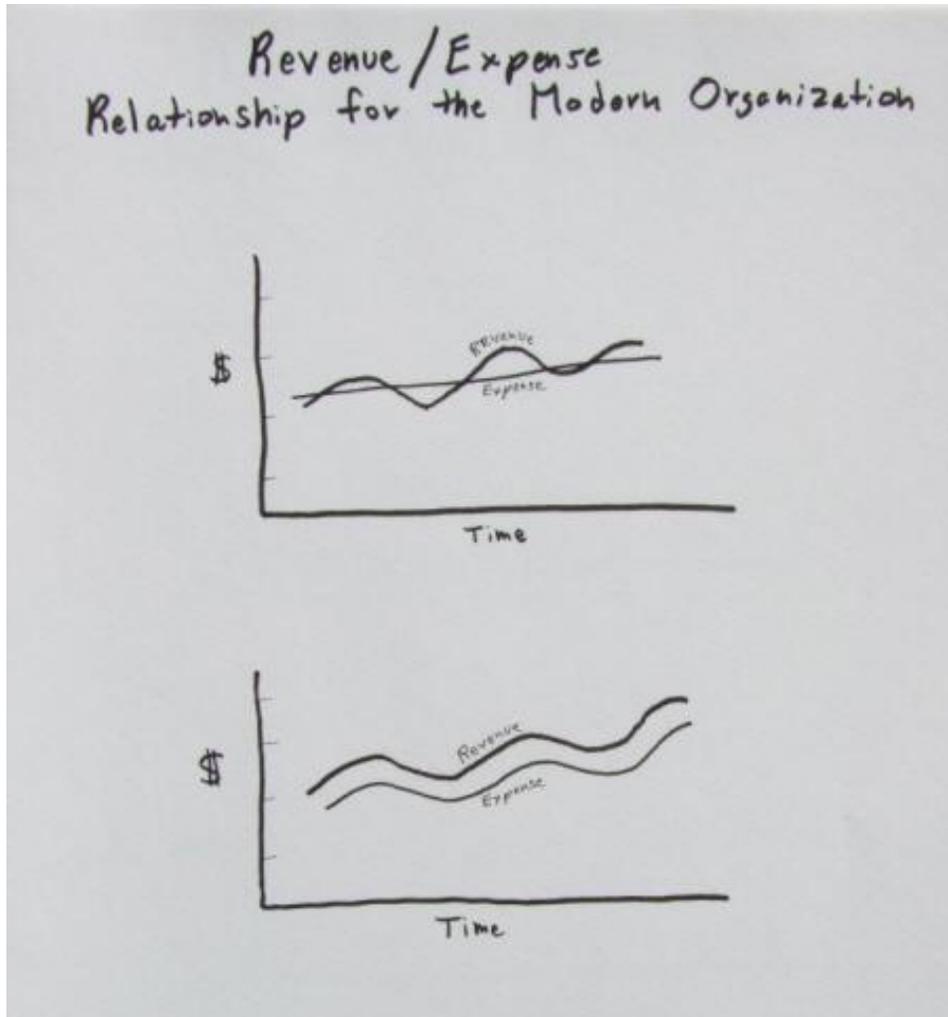
- Hospice management is People Management. We are only successful to the degree we can manage people.
- Hospice profits must be based on efficiencies. In our movement, we can't increase prices.
- Most Hospices grow and then impale themselves on their Indirect Costs when census falls.
- Hospices should have been building training centers to develop their people rather than Inpatient Units.
- Hospices are not good at cutting losses quickly, a discipline ALL wildly successful investors have developed. This especially applies to extracurricular programs.

All of these point to the need to address Labor, both from a cost and a quality standpoint. Compensation is part of the solution.



The Revenue/Expense Relationship for the Modern Organization

We must recognize that costs are structural in nature... and that these “structures” create the results we get. If we could create an ideal organization in terms of the relationship between revenues and expenses, it might look like the latter graph in this illustration.



In the upper illustration, revenue fluctuates with changes in patient volume and expenses do not move in relation to revenue because of the traditional “structuring” of costs. In the lower illustration, expenses fluctuate with the rise and fall of revenue with a “built-in” margin of profit regardless of fluctuations of patient volume. The question is “Is this doable in Hospice?”



Consider the following:

- Patient-Related costs are approximately 18% for a typical Hospice.
- Labor costs are around 64% at a typical Hospice.
- Labor and Patient-Related costs combined would be approximately 82% of a Hospice's total costs.
- PLUS, one will find many categories of cost that can be “structured” to flex with patient-volume.

Can labor costs be flexed? Yes! Therefore, this is very doable. However, the ONLY way to do this, is to change the compensation structures. When one examines the cost composition of a typical Hospice as a percentage of Net Patient Revenue, approximately 64% of Hospice costs are related to labor (Direct 42% and Indirect 22%) and Patient-Related accounts for 18%, for a total of 82% of total costs. So 82% of a Hospice's costs can be tied to census volume. Ideally, it would seem to be a good idea to engineer and structure costs that vary with fluctuations in patient census/revenue. This can only be accomplished through structuring labor costs as variable. This structure would serve a Hospice facing rapid changes in the future.

We may get this intellectually. Yet, most individuals are *afraid* of changing fundamental structures of business, the building blocks of an organization, to gain hugely more potential gains...



A Natural Self-Regulating System of Mutual Reliance

A traditional Compensation System is a “sick” system. Why do I say this? It can be illustrated easily during periods of low census. Everyone complains... month after month after month... about the low census. But no one is moving fast... the sense of urgency is not there so little is being done to address the census problem. Then, when census goes up... everyone is “bitching” that they are overworked because they got “used” to the low census. Why? Because no one is being “personally impacted” by the low census. No skin in the game = bad business.

We want our Compensation System to “alert” the organization to pain or problems, much like a natural body system. When you slam your hand in a door, your body reacts to remedy the problem... not later, but immediately. This is what our Compensation System should do as well. Our Compensation System is the nervous system of the organization. What we want is a healthy, natural system of mutual reliance. We depend upon each other’s performance. We are harmed when any part is underperforming. We need systems that will help us fix problems.

We want our Compensation Systems to be “sensitive” enough to auto-correct when something is wrong in the system. We want the system to tell us and make us conscious of problems as well as where we are doing well. We want a system that auto-corrects

- Low Census
- Poor Performers
- Any Performance not to Standard

as well as handles

- High Census
- Growth

Our Compensation Systems should support all of these.



Why Not Pay Your People Well?

Just think about it for a moment... Do talented and highly productive people like to be paid what they feel they are worth? What happens if the talented and productive clinicians notice the less productive are paid about the same as they are? Are talented people attracted to unproductive and unconfident people? If you pay well, doesn't it make it easier to take Talent away from competitors and leave them with the less talented?

And perhaps the BEST question... **Why not pay your people well when you CAN?** Why not structure your costs so your organization is always winning... with either low or high census? Why not provide a level of quality that leads to tremendous financial results... the results your organization desires virtually 100% of the time? In Hospice, you certainly can pay as well, if not more than hospitals or other health systems IF you manage well! If this is not your view, then perhaps your ideas about compensation could use some expanding. There is plenty of money in Hospice. You want to design your pay practices based on the very best methods known, those of the 90th percentile.

Compensation is the cost structure that Leaders should always be interested in and exploring. It will give you the biggest payoffs and make the job of management so much easier! However, the fact that most Hospice and other healthcare entities use average or even below average compensation methodologies and somehow expect to get great results is absurd. Compensation is STRUCTURAL. That is, once it is firmly established, your management system is put into autopilot to a large degree, making management vastly EASIER! But the ludicrous "fear barrier" that "everyone will quit" keeps the Hospice Herds in check, ensuring mediocrity for all but the bold, integrous and courageous.

As I look at Hospices' Compensation Systems, I see "anemic" Compensation Systems, overly complex Compensation Systems, systems with an enormous number of compensation codes instead of an elegant economy of codes and systems that look very much like each other. And LITTLE Accountability... Your Accountability is directly linked to your quality! In fact, how you "do" Accountability in your Hospice for financials is the SAME way you do Accountability for your quality. Compensation is one of your most powerful STRUCTURES to do Accountability for you. And it does it *automatically*! Why not use it!



If Your Company is Winning, Why Not Share the Gains?

If your Hospice is winning financially, is it right NOT to share the gains? Just as it is not right to waste resources and thus not be able to pay employees well, it is equally not right NOT to share the gains with those that did the work that gave rise to the advantage.

People Want a Piece of a Winning Organization

If an employee has made a significant contribution to the success of an organization, the employee will want some type of compensation for their efforts. If an organization is successful financially, most people want to share in its success. People want “a piece” of the action! This is healthy!

Your most Talented employees want to work for a well-managed, high-purpose, high-value organization. They want to believe that they are working for a winner. They want to be contributors and co-creators. They want to be involved...and they are doing it for a reward.

Most People Want to Make More Than They Currently Make

Talented people normally advance. They are great at what they do...and their abilities expand over time. These are bright and intelligent people. They can see if the organization is successful or not. And if it is a success, they would like to be part of it and share in its returns if possible! As their value increases through experience and training, they normally believe that they should be compensated accordingly. How much? As much as they can usually! It takes a pretty-well spiritually developed person to “pass” on raises and bonuses!

The point is, we all want to be paid what we FEEL we are worth. Everyone would like more!



Other HUGE Payoffs of an Accountability or Empowerment Compensation System

There are a few HUGE payoffs that an organization will gain from a great Accountability Compensation System. They are:

- Managers and staff should be stakeholders. We want owners and not renters.
- Great compensation should be part of your People Attraction and People Retention processes.
- Confidence in the organization and self-confidence needs to be high. You want people with enough confidence in the organization and their own abilities that they are willing to bet on themselves and the organization.
- **Confident people provide confident care. Unconfident people cause suffering.**

In our respective organizations, it is highly desirable for everyone working at the Hospice to view and FEEL that they are stakeholders and owners of the Hospice. There is a big difference in the care with which we conduct our activities when we FEEL that it's "our" company. People with pride of ownership notice stains on the carpeting and if something needs to be fixed. You want owners rather than renters.

In addition, you want confident people in all areas of the Hospice. It is perhaps the most important result of a successful Model implementation. Confidence will be transmitted through Managers via the principle of replication. Therefore, Managers need to be very confident.

These statements should be pondered:

**Confident people render confident service.
Unconfident people render unconfident service.**

The fact is, people can't give what they don't have. You can't get \$1,000,000 from a person that doesn't have it. A loveless person can't give much love. You get the idea. The same holds true with confidence. Unconfident people will NEVER provide confident service. This hits home in Hospiceland because unconfident clinicians will NEVER render a satisfactory or confident patient/family experience. People can't give what they don't have. The fact that we measure confidence in our FEHC scores (a very disliked measurement by unconfident Hospices) further demonstrates the importance of confidence. LACK OF CONFIDENCE induces PAIN and SUFFERING in patients and families. Therefore, our Hospices can't have unconfident people, period. This point has been stressed in most Model workbooks and media, but it is especially applicable in the context of Accountability or Empowerment compensation.



Use Compensation as a Tool to Find People with Confidence and to Smoke out People who Lack Confidence

The role of confidence has been discussed numerous times and is a major benefit of implementing and using a Model approach to Hospice management. However, most Hospices that “do the Model” don’t have the guts to address compensation. A Hospice should be highly confident in what it does if everyone understands the Model and if your Model is believed to be executed near-flawlessly. Since confidence is such an important attribute to Management, why not use Accountability compensation to determine if your Managers are confident?

By tying compensation to performance/results, you find out if people are willing to bet on themselves and the organization.

With this move, you immediately find out if Managers have confidence in their own abilities to meet their objectives as well as the organization’s objectives. This move will “smoke out” unconfident Managers.

Implementing an Accountability Compensation System is Revealing...

Implementing an Accountability or results-oriented Compensation System reveals much about employees. It reveals confidence in either or both, themselves and the organization. Those with confidence in both, or sometimes only themselves, don’t have much issue with changing to this type of system. Those that aren’t doing their jobs or do low-quality work don’t like it...they never like it... they will be the loudest complainers...and they tend to be remembered because the pain their complaints register in people is powerful...

Use Compensation to Attract/Retain Committed People that Believe in Creating an Extraordinary Experience

Completely committed people are what we desire at our Hospices. How do you get truly committed people? By casting a captivating vision, by leading with a powerful example and there are probably many other things. However, compensation commits people. It is why an employee shows up more consistently for work than perhaps volunteers (Sadly, this isn’t always the case!). This is why FP Hospices are more creative and astute in managing their Hospices. It is their livelihood. Their home was used as collateral for the business. Their money is on the table. Giving your team skin in the game commits them. Skin in the game is a nearly automatic financial and emotional stake in the organization. Since money is highly emotional, it does both.



Here is the big takeaway regarding confidence,

In moments... an organization discovers if a person has confidence or not... and a lack of confidence translates into PAIN and SUFFERING!

Compensation is your best and quickest way to determine if people have confidence.

Use this with your current employees. Use this on potential employees. Use this on yourself. Compensation will tell you where your confidence levels are!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

Use Your Compensation System to Get Rid of People

Often, we focus on the Attraction and Retention of Talent aspects of a super Compensation System. However, equally important is the use of the Compensation System to REMOVE poisonous personalities, low-performers and energy-sucking people from the organization. High Standards backed by strong and immediate Accountability will drive folks you don't want in the company out. You can also change the compensation of a person (position) where they look at the new requirements and pay and go, "I'm outta here!" This is EXACTLY what you want your Compensation System to do. I adjust the Compensation System often when I am not getting the results I need for the benefit of the organization.



Use Compensation to Knock Slack & Complacency Out of the Organization

I use compensation to knock the slack and complacency out of organizations. Compensation gets attention. If I identify a person that is not cutting it, rather than firing them outright, I will give them a chance. I will reduce their compensation to the value they are providing in my judgment and then set the performance goals I need. They can then decide if they want to stay or not.

I use compensation to get rid of poor performers. I will change an individual's pay to get the results I want... and they will leave... usually in a short period of time! When they realize that they can't or won't do it, they remove themselves from the organization. Usually, they are smart enough to figure this out...

When they leave this way, they essentially quit. We restructured their position. It wasn't eliminated or anything. We just changed the position structurally. This move has worked amazingly well over the years.

It is better to have fewer, highly skilled and talented associates rather than more mediocre employees. The more talented can simply do more, and need less management... plus you have less to manage.

People Want a “Fair” System

Ultimately, people want a fair system that rewards the hardworking, smart, innovative and productive – the folks that get things done! People do NOT want a system that pays the slack and unproductive the same. They want a system that favors those that perform to the organizational Standards.

What happens when you hire a person with a great attitude and great productivity when he or she looks around and notices that people are allowed to be slack? What does this do to the highly motivated person? Most of the time, they will decrease their productivity and then they will usually quit. High achievers do not want to associate or work with low achievers.

We want people to “FEEL” that they have control over their pay. We want them to know that they can increase or decrease it based on their performance.



Dynamic Feedback System

Via the use of MVI's recommendation to operate on a Percentage of Net Patient Revenue (NPR%) basis, a "dynamic feedback" system has been created for the monthly objective monitoring of operational economic performance. This "feedback" comes in, at least, 2 forms:

1. Immediate comparison of Actual Performance with the Economic Standards for every business segment and department of the organization relative to fluctuations of census volume (Reality).
2. That costs, especially Labor Costs, can be "structured/designed" to automatically adjust to fluctuations of census within certain volume ranges.
3. That the Financial and EMR can be "sensitized" to detect many deviations from the organizational Standards whereby the Compensation System administers the "rewards as well as pain" to motivate desired organization behavior and performance.

A budget will never give an organization a healthy or even realistic too for such feedback or even means for correcting non-Standards monthly results.

Great Compensation Systems Make Management EASIER!

When a reward system is in place, where the slightest deviation from Standard is recognized **without human observation** and is addressed, you have a great system! This is what can be accomplished to a large extent with a great Compensation System design! To the degree that is practical, all vital and certainly important functions needed by the organization can be monitored via reporting systems as well as by spreading Accountability to all levels of the entity. What we are doing with this is minimizing dependence upon the "personal inspection of work." Hiring supervisors to "make sure the wild people" are doing their jobs is problematic at best. Especially in a Hospice world where most of the work is done autonomously! What happens to Accountability/Management when the supervisor does not come to work? Or is occupied with other matters? Or has low energy due to illness or personal issues? Not much Accountability is going to get done! Why? Because Accountability based on the "personal inspection of work" requires Energy expenditure and physical presence. It is true that a physical presence on the front line inspires employees to do better (If the Manager is not an Energy-suck, that is), but it is weak. It is often not objective and the scope of supervision is limited. With a great Compensation System design, scope can be increased. Managers can become coaches rather than slave drivers. Managers can FOCUS on what is important because the compensation STRUCTURES are working for them to make sure that 100% of the Standards of the organization are being done on a day-to-day basis.



Less People Paid Well!

“Less people paid well” is the formula. Less is inherently easier to manage than more! If you have fewer but highly Talented people, you can pay them better! They are also more likely to stay long-term! Talented people are usually EASIER to manage! In this case, less is more!

Less People Paid Well is the Formula!

Remove the Need for Clinical Managers to Monitor Documentation, Productivity and do Annual Reviews!

This is covered in the section of this manual about *SuperPay!!* But there are 3 duties that can be removed from Clinical Managers with a Compensation System linked to Standards. They are the need to:

- Monitor Documentation
- Monitor Productivity
- Annual Evaluations
- Need to Fire People

All 4 of these things can be eliminated from a Clinical Manager’s job description (or Accountability Contract)! It is almost hard to believe! This is all possible because the Compensation System does the Accountability for the Clinical Manager! The Compensation System tells the employee whether or not he or she is doing their job to Standard.

The purpose of removing these duties is to free up time to do the *1st Duty* of a Manager, the duty to teach as all quality comes from the quality of our people. The *Extraordinary Manager* will devote most of his or her time to teaching. Therefore, we design *structures and systems* in the Model that remove common and often unpleasant tasks of management and work where possible.



Increased Quality Decreases Indirect Costs

There is a direct relationship between quality and Indirect Costs. The higher the quality of a Hospice, the lower the Indirect Costs. Why? Because you don't need as many people! Often an organization will hire Support staff to monitor, make sure, look behind and "fix" the work of others. You can trace this to a quality problem. Organizations with the highest quality have high Accountability. That is, routine work is expected to be done right (to Standard) in the first place. When employees FEEL Accountability, quality increases. Work is done to Standard. This leaves Indirect and Support staff with little to do...as there is not much going wrong! Thus, you need LESS Indirect and Support staff.

The converse of this is true as well... The lower the quality of an organization, the HIGHER the Indirect Costs will be...as you will need to hire people to "make sure" people are doing their jobs! Of course, an organization also could have very low Indirect Costs and low quality as well...but that organization won't be around very long!



Bring Your Folks as Close to Revenue as Possible

Use compensation as a learning and teaching tool. You want your folks to learn from what they do, linking action to result or cause and effect. This will translate into giving each a stake in the revenue where it is “personalized” as they see and FEEL the impact of their performance. It also means that financial and operational reports must be timely! If reports are late, you embarrass yourself as well as decrease the value of the reports. In addition, your folks will look at you with contempt...

If we pay the same way we have in the past, why should we expect a different result?

Deferred Compensation or Deferred Pain – A Bad Idea

Deferred compensation or deferred pain is less effective than more immediate. Let’s say it this way, your Compensation System will be more effective the more timely it is administered. That is, the more often you reward (or administer pain), the more effective your Compensation System will be! Timing makes a big difference! Deferred compensation has less power than immediate compensation.



Personalizing Profitability

The profit mindset must be present in a CEO if an organization is going to be profitable. A *highly* profitable mindset must be present in a CEO if an organization is going to be *highly* profitable. A mindset is a personal thing.

You must personalize profitability in your own thinking as well as in the thinking of the Managers you lead. Make it real for them! They have to want it nearly as badly as you (You have to want it more or you become a drag on those with higher aspirations).

How to “personalize” profitability in yourself? Tie your compensation to overall organizational performance. The greater the proportion or amount, the more you will personalize it. Make it such that if you don’t perform well, it HURTS. That is, *it hurts enough to alter your Lifestyle.* Ouch!

How do you “personalize” profitability in your Management team? Since this has to do with money, tie each leader’s compensation to performance/results. It is as simple and difficult as that! In addition, provide the structures to make them interested... truly interested in performance. You want owners and not renters. If you are interested, they will be interested. However, they will usually only be interested to the degree you are, unless I was working for you or some other highly profit-minded individual. If that were the case, you would have to up your game or the more motivated would become disinterested quickly and leave the organization.

All of the most profitable CEOs in Hospiceland are really interested in the numbers and how they translate into money. They get a kick or thrill out of large profits. They think about it a great deal and take a healthy (and sometimes unhealthy) degree of pride in their organization’s performance/results. They love it when they do well. They love it even more when their teams do well! They look forward with great anticipation to the financial statements. It is thrill-time!

This is one place where FP Hospices have a great advantage over NFP Hospices. The owners and shareholders care a great deal because it’s their money at risk! Therefore, FP Hospices are often more closely managed. However, an NFP can use many of the same methodologies and principles to motivate as well. But most won’t because they are afraid...



You Want Owners and Not Renters

Give Managers a stake in the business... the opportunity to be owners and operators. Treat Managers as if they were the CEOs of their areas. We want Managers and not just policy followers. You want Managers, as well as all staff, to behave like owners and not renters. This requires rewards and Accountability compensation.

The Importance of Speed when Addressing Non-Standard Performance

The greater the speed in addressing performance or behaviors that deviate from your Standards, the more profitable the organization will be. This relates directly to Accountability and your Compensation System. Your team needs to know that you review work and if there are issues, you address them almost immediately. You are building a reputation with your staff. If you create a reputation of being late or “conflict-adverse” then you AUTOMATICALLY cripple your profitability potential. The longer the issue exists, the more damage can be done as it spreads. The higher the position (with issues) in the organization, the more damage can be done overtime as the replication principle kicks in.

It is BAD Business Not to Have Skin in the Game

It is a BAD idea to roll the dice with other people’s money. This is a BAD business model. Skin in the game, YOUR SKIN and your Managers’ skins, makes for more prudent and careful decisions. The higher the stakes, the more prudent and considerate you will be. This is the human condition. Example: I often discover that Hospices will keep certain vendors due to personal favoritism over good business sense. This could be pharmacy, insurance, consultants, state organization, etc. And these are not small deals. Once I learned of a CFO that would not even consider working with a new insurance group. Finally, the CEO forced the CFO to review and then change to the new company. The result was a \$250,000 annual savings. The CFO never even acknowledge the savings. Perhaps he didn’t like missing those cushy golf outings...

Our government now is almost \$20,000,000,000 in debt. Why? Because people are not impacted directly! The debt, as well as so many organizational problems, is because of a lack of self-control. It is “one day this will catch up with us” – but until then, keep burning up the credit card! Bad business shields the stakeholders from the realities of the external world and performance. Good business brings everyone closer to revenue and performance. Your compensation work, if done well, will give you some of the biggest wins you will ever experience as a professional Manager. Therefore, it is best to expose yourself to the best ideas possible!



Accountability Compensation Acts like Autopilot!

Ideally, you want a system that auto-corrects. Autopilot does not mean perfect or that no adjustments are necessary. Autopilot means that “constant correction” is taking place. In fact, to use an airplane analogy, a jet on autopilot is off course 90% of the time! However, it is self-correcting constantly and therefore, reaches its destination very efficiently. A similar thing happens with people in an Accountability-based Compensation System. Each impacted person “self-corrects” constantly to “stay on course!”

Hospice Management is People Management

Hospice management is essentially people management. Since the majority of our costs (65%+) are labor or people costs, it is the most important thing we can focus on. In fact, if one masters people management, one has mastered Hospice management.

To manage our People Costs, we must pay careful attention to the relationship between people costs and revenue. The primary cost of people is the “amount” and “way” that they are paid in proportion to the net revenue of the organization. The use of NPR (Net Patient Revenue) percentages is a fantastic way for a person to organize their thinking about management. Nearly everyone gets the concept of a “pie,” and that there are only so many slices of a pie. If one area gets more, someone else is getting/must get less. It is that simple. Now the cool thing is that the pie can grow bigger via growth! And growth is evidence of Life... a good thing! And we all want to grow! Right? If we are not growing as an individual and as an organization (as all individuals are microcosms of the larger whole... the organization), then we are dying on a certain level. Growth is essential to Life. Therefore, we want the pie to grow... and flexible NPR percentages help us to conceptualize the proportionality when growing! It is a great management tool!

Management is really about the Allocation of Resources to create ROI (Return on Investment). Of course, this “return” can be in the form of a benefit or can be economic. Of the two primary functions of Management (with Casting a Captivating Vision/Uniting a Team being the first), the Allocation of Resources is what a leader or Manager is essentially hired to perfect. In fact, it is assumed that a leader/Manager knows how to effectively manage before they are hired for a position.



Compensation is Part of the People Attraction and People Retention Processes

In the *People Development & the Model* program, we discuss how to attract and retain talent/people. There are at least 4 processes involved in the overall People Development System. They are:

1. People Attraction Process
2. People Selection Process
3. People Development Process
4. People Retention Process

Compensation plays a role in all 4 processes. Compensation in the *People Selection Process* is used to “smoke out” individuals that lack confidence, and who are unwilling to “bet” on their own performance as well as the performance of the organization. This is done by making a significant portion of their compensation, based on results or performance. Compensation in the *People Development Process* is done with every paycheck becoming a “report card” where each employee knows their performance level and if Standards are being done every pay cycle, as immediacy and frequency are key. In both of these processes, it is less obvious how compensation impacts them, which is the point of most of this manual. However, the *People Attraction and People Retention Processes* are also impacted dramatically!

Why Such Focus on People and Retention?

In order to have a great organization, we need great people! We are human organizations serving other humans. So we want to have the most talented, creative, energetic, happy, loyal and productive people we can attract! Thus, the *People Attraction Process* merits significant intention! But that is not good enough! Once we have the Talent on board, we want to keep them! One of the BIGGEST destroyers of value in any organization is the loss of talented people! It does us little good to attract talented people, invest time, Energy and money into developing the Talent only to have them leave! Thus, the *People Retention Process* must be intentional as well!

People are attracted to organizations for really only 2 reasons:

- Financial Compensation
- Work Atmosphere Compensation



People stay at organizations for really only 2 reasons:

- Financial Compensation
- Work Atmosphere Compensation

All a company, all in Life, really involves compensation! And people would prefer to work at the place that does both of these things! People want to be paid what they think they are worth. They also want a work environment that is invigorating! Electric! Life-Changing! Full of Life, Happy and has growth opportunities! What makes people happy? It is the FEELING of progress! Of advancement! Of growth! Of having MEANINGFUL work! And the great thing is that both great pay and a great work atmosphere can be provided! The same principles for attracting people apply to retaining people. It is atmosphere and financial compensation. So... pay great and provide the atmosphere that people want!

The Importance of Meaningful Work and Retention

This can be illustrated with an example. During the Great Depression, the United States created a work program with the intention of getting people back to work. In this case, people were hired and paid a good wage to dig ditches. The workers worked very hard and dug and dug and dug until a great ditch was created after many days. Then they were told to fill in the ditch. They filled in the ditch. After that they were told to dig another ditch...and then fill it in. This repeated. One by one, the workers quit. Think about this. Despite being paid a good wage, the workers voluntarily quite. Why? There was no purpose or meaning in their effort! The point is that **we all want our lives and work to be significant and have meaning!** This example applies to other work as well. Therefore,

No matter how well you pay people, they will leave if they don't feel their work is important. People deeply want to believe their work has meaning and is significant.

If an organization has a turnover problem and pays adequately, most of the time, you need to look no further than the meaning that is attached to the work.



Reputation and Retention

Reputation and image play huge roles in our People Attraction Process. Our reputation and image should be:

- “They are a High-Quality and Integrous organization...”
- “I hear that they pay great!”
- “The word on the street is that it is an exciting place to work...everyone is happy, plus they are a Spiritual bunch doing really meaningful work...”
- “They say that your Life will never be the same after you work there...”

A reputation and image are built with great intention. They are constructed via how EACH person presents the organization as well as (and most importantly) how we conduct our work. “Our actions speak louder than words” is quite an accurate saying in this case. We are known ultimately by our actions.

In Hospice, why are people often willing to take a “pay cut” to do this type of work? Why do they use the word “called” or “led” to describe their journey to Hospice work? It should be obvious that Hospice work naturally attracts people that seek MEANING & PURPOSE... This is the *central demographic* in Hospice. Most Hospice people are spiritual as most of Life leads us to spiritual conclusions that are beyond our intellect. However, turnover rates of Clinicians in Hospice are very high! As high as 26% for Nurses and Social Workers...23% for Hospice Aides... An organization really can't have any claim to quality with turnover rates even close to these levels as turnover of Talent destroys value! So we have to ask ourselves, “How can we nurture meaning and purpose?”

What this means is that most Hospices do NOT do a good job of providing a FEELING of meaning and purpose. It also signals that our pay practices may not be great either! The Hospices that MVI works with the lowest turnover levels have designed cultures that provide the “meaning and purpose” that Hospice clinicians desire. In addition, every one of them has different and even “weird” pay practices.

Great organizations should pay great! Most people want a paycheck! Why not pay great in Hospice? I don't have a “poverty mindset” in Hospice as it has been proven with data over and over that there is MORE than enough reimbursement to pay people well! In fact,

TOP TALENT expects to be paid well!

Rather than pay “average,” or even worse “below average,” compensation at your Hospice, pay more... above market! Why not? In my mind, it is better to have fewer “talented” people than a bunch of “mediocres.” You will find that you can accomplish much more with fewer



talented people than a lot of average people. Plus, talented people normally are easier to manage!

It is sheer waste to train people well and then have them leave the organization. The ability to retain talent is a Management, training and structural issue. Managers need to know how to keep talented people.

Most people understand that compensation is a factor as few people will work for free or at a level that is less than they think they should earn. In fact, most people desire (whether secretly or openly) increased compensation in the form of money.

The Manager is Key to Retention

As it has been estimated that 70% of the 1) development (learning), 2) morale and 3) retention will come from the immediate supervisor. Therefore, the relationship between the employee and Manager is critical.

“People would rather have a crappy job working for a great Manager than a great job working for a crappy Manager...”

This is truly something to think about...

Offer People a Life-Style!

When you think about it, both the financial compensation and work atmosphere that are offered by an organization can be characterized as a “Life-Style!” And we all want a great Life-Style! What do I mean by this?

No more 8-5 Workhours for Clinical Staff

With strong Accountability in place via a structured Empowerment Pay system, normal 8-5 work hours can be eliminated! If people are “doing their jobs” to Standard, does it matter “when” visits are done? And what would be best for patients and families? Wouldn’t making visits when it is most convenient or “best” for them be more ideal? A Compensation System linked to Standards enables an organization to do this. Would clinicians like this flexibility? Of course! We all want the FEELING of control in our lives! This provides this! What other



employer can do this? This makes your organization vastly more attractive! For salaried staff, we have found that work that used to take 40-44 hours a week mysteriously shrinks to 36 or 37 hours! And do you care? No... You are interested in a RESULT! The fact that the clinicians have figured out how to be more productive in less time is a BENEFIT (more compensation) they have earned!

Set Your Own Pay

In the system of compensation we propose, each employee has more control over what he or she makes. Again, this is the FEELING of control that we all seek. Each individual can increase or decrease their pay according to their abilities and drive. This is one of the reasons we recommend paying on Individual, Team and Organizational levels. Each is its own communication. However, Individual Pay is the most powerful exactly because it is within the person's ability to control. Ultimately, all people set their own pay based on the VALUE they provide. It is about pleasing the customer... And customers will write every paycheck a person will ever receive... This is a good message for everyone to hear periodically as it points out that we all can create more value if we want to! And that the company will recognize this value and will reward you for it!

Personal Growth

This is an aspect of compensation most people miss. It is really about what all of us want most...to be happy...and not to have pain! The happiest people in the world are people that FEEL they are progressing, advancing and growing! They are making a difference! Human beings need a sense of purpose and meaning in order to live as Victor Frankl so powerfully pointed out in his book, *Man's Search for Meaning*. People die because of lack of purpose and meaning.

As part of *The Extraordinary Manager* program and our Manager Development Modules on the MVI website, we cover the "conditions for success" which is the work atmosphere or environment a Manager creates. As a Manager can't make any other person a success, the best he or she can do is create conditions that increase the likelihood of behavior and performance to the organizational Standard. Part of this environment is "inspiration!" People can be motivated! And an up-beat, can-do, positive Manager that walks the talk is a great inspiration! A Manager's Life must be inspiring to those he or she leads. The Manager is a "model" or an example as the Manger replicates or reproduces "what" they have become. There is a HUGE commitment to personal development here that extend far beyond work.



Perhaps the summation of this is...

Your job is to become what you are...

The ideas of “being the best you, you can be” and “growing as a person” are similar... But happiness will come from you settling in with yourself...finding yourself...a journey of self-discovery...and observing how you react to external situations. We are all trying to get free with ourselves while working our way through external conditions...

Anything that helps us do this, will help us be happier...

The Job of a Manager is to Provide “Conditions for Success”

As no person can control another person, the best a Manager can do is provide an environment, atmosphere or, what we call, “Conditions for Success” for employees. This includes clear Standards, a positive workplace, opportunities for personal/professional growth, etc. A Compensation System is a huge component of the “Conditions for Success.” Here are some points:

- My job is to provide supportive conditions for growth...Both rewards and pain. The Compensation System is part of it.
- No Gifts – Our work should be virtually free of complaints from customers, patients and families.
- The Compensation System helps to develop strong people that have enough Self-Confidence to be transformative...to really impact people’s lives.
- Credibility- Speak from a positive of authority “This is how I am paid, which is just like you.” “I know what I’m talking about from experience...” A Manager must Model the behaviors he or she wants.
- Unlimited Upside – If you look at how we have constructed it, there is no downside and unlimited upside based on your growth and performance. “If you blow it out of the park and come up with a great idea that proves effective, of course, we’ll design something to reward you!”
- We must “own” our results. “If we continue to “insulate” people from pain, we will not grow as we should.”
- “Without this personal experience, how are you going to help our clients implement their system?” This is an MVI thing. We pay our people similarly to what we recommend to clients so they truly understand intellectually and emotionally!



Your Compensation System Should Teach

I promote the idea that People Development is or should be an organization's #1 strategic direction as well as core competence as the mission is only accomplished through people. An organization can be no more or less than its system of developing people.

As part of this People Development System, compensation is yet another tool to use to teach. **For your Compensation System to “teach,” it must clearly link cause and effect.** That is, behavior must be linked to outcomes. As human beings, we quickly learn where we are rewarded... and thus do those things that benefit us. A Compensation System is an extension of your People Development System. It reinforces the performance and behaviors that we want.

If people are to learn from the Compensation System, it needs to be “enough” and be “frequent.” If people can't remember to “link” the behavior with the result, learning is compromised.

What are We Really Paying People to Do?

What are we really paying people to do at our Hospices? Most people think we are paying clinicians to provide the care. This is not correct, or is at best, a half-truth. The nearer-truth is that we are there to “teach” and guide patients and families through an experience that we are most familiar with... Therefore, we are not paying clinicians to “do the care” but rather to teach!

We are not paying you to do the care! We are paying you to

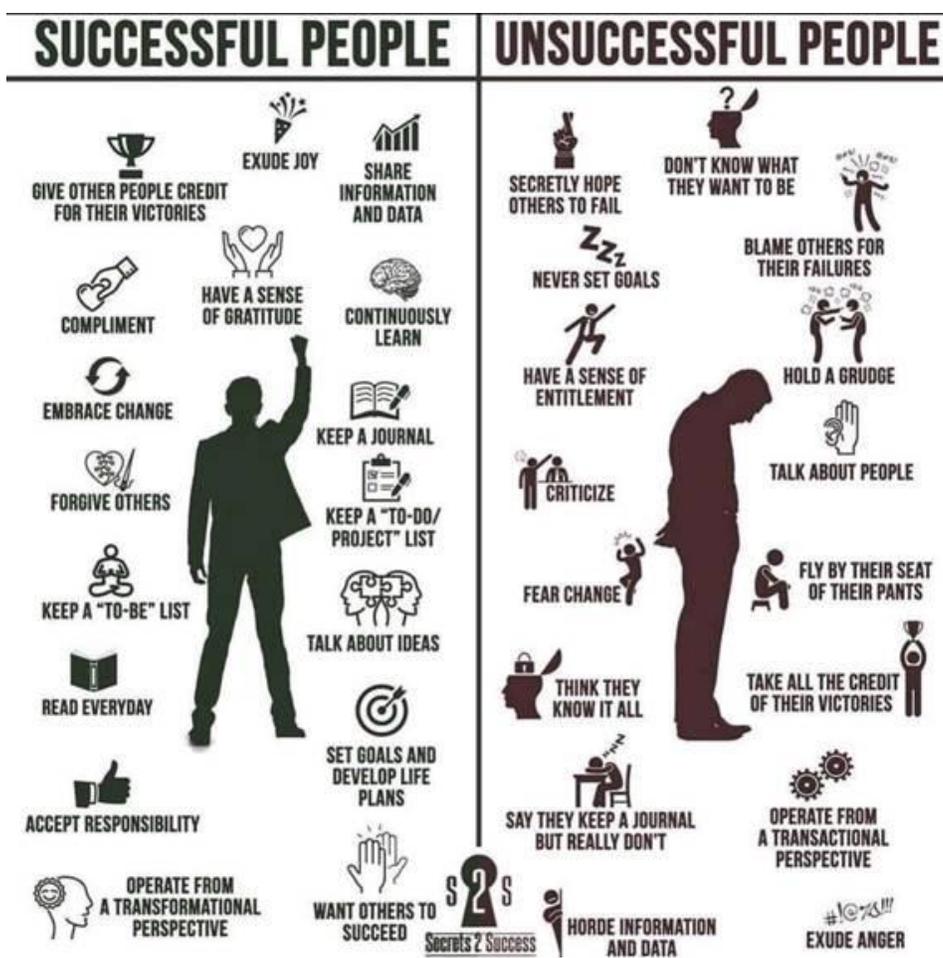
Teach

caregivers how to provide the care!



When Hospice was created, by volunteers that weren't paid a cent [an important thing to remember and consider in itself], on front porches and in church basements across this country, they KNEW that they could not be with the patient and family all the time. They KNEW that trouble may happen at 2:00am...and that it might take an hour or so for help to arrive. Therefore, they PREPARED the caregivers and families to provide the care. Somehow this concept is almost alien in the modern Hospice world.

The skillset that will allow a person to advance and do well in a Hospice that is "doing the Model" is the skill of teaching! This would mean "breaking through" caregivers that are resistant or that lack confidence. Most volunteers are "very capable" of taking care of their loved one! To do all the care robs caregivers of the opportunity to participate and GROW as a person! We have TONS on this topic in *People Development & the Model* beyond this program.



Great Pay Will NOT Make a Great Worker

I think that it is important to understand that compensation will not change a person fundamentally. Each person is a product of his or her thought-habits... and they will behave according to those habits. They will not change their basic natures because of pay. Here are a few thoughts to keep in mind regarding Accountability compensation:

No matter how much you pay a poor worker, it will NOT make a poor worker a good worker.

The lazy are lazy because they are lazy! Those that lack abilities can't do what people with abilities can do. People are what they are and this must be recognized.

Great pay will not make a great worker. The “greatness” must already be inside the person.

Great pay will not change a person. Again, they are what they are. Great pay will motive the motivated! It will work with those that have the capability to understand and do what is needed.

When you pay people too much or over-compensate, most often they will not even really appreciate it.

I have overpaid many people. I have been very disappointed. It seems that some people just don't have the confidence or the drive to be successful when they are “handed” extra pay. They just take it... and “thank you” only to go right back to their old routine. They interpret the “extra pay” as a reward. The reward must come “after” the accomplishment in all cases.

Undeserved compensation destroys a company in many ways, from wasted resources to de-motivating the motivated.



Integrus Management: You Have an Obligation to Manage Well So You Can Pay Well

Manage well out of a place of love for your staff...

What do you see when you look into the faces of the people that you work with? I see kind and caring people that are highly motivated and want to do a great job! I love these people! I know that they have families or others they care for that depend upon them. They have obligations, bills to pay and dreams of their own. And I understand that the mission is only accomplished through them. Therefore, I want to become the best Manager I can be so that I can serve them well! And that includes paying them as well as I can!

When I think about the people that work for me, my heart melts. I love these people and I want them to have as great a Life as possible. And part of this means I'm constantly looking for ways to put more money in their pockets. It is "I" that desires this... Understand I expect them to do extraordinary work first, as a person must always be already doing more than he or she is being currently paid to do to receive increased compensation. If they are not already doing more than they are paid for or are being paid more than the value the company is receiving, then I have an obligation as a Manager to decrease their pay or get rid of them. But part of my job as a Manager is to create the conditions for them to succeed or bloom. And money is a nice and appreciated way of doing this!

There is more than enough money in Hospice to fund a World-Class care experience AND pay staff, not just average, but extraordinarily well! A Hospice can pay even better than the hospital or other work options! Of course, if you reject the idea that "there is more than enough" then you automatically cut yourself off from the possibility of being able to pay your staff extraordinarily well with this limited mindset. The fact is that there are Hospices that manage well and thus can pay their staffs extraordinarily well... and the proof of this is in their numbers, their Benchmarking! It all begins with Humility and the desire to be a better Manager of resources. Most Hospices need *fewer* people than they currently have. Throwing bodies at problems is NOT the ideal way to fix problems or get routine work accomplished. The better way is to hire people with Intelligence, Energy and Integrity that culminate in astounding Self-Control. When you start to control yourself and then qualify to teach others about this important principle, you will discover that you need fewer people to operate your organization... and these "fewer, more talented" people will accomplish more than a bunch of average people! Plus, you have fewer people to manage which is inherently easier! But here's the kicker... You have to be a top Manager yourself so that you can attract and inspire these top-rung people! Your Hospice can't be a revolving door through which people come and go if you have any real claim to quality! You have to retain Talent... AND we are surrounded by talented people! I can



go into a Hospice with an ADC of 30 and find talent!!! You just have to develop the insight to see it in people!

Though everyone in an organization has an obligation to not waste resources and time, it is largely the CEO's and all Managers' jobs. This is management. The duty of management is the direction of energy and resources to fulfill the purpose of the organization. All eyes are on the Managers to guide the organization to success. So, when a Leader stands in front of staff and announces that "times are tough and there will be no pay bonuses or increases" of course everyone will be demoralized. Energy and enthusiasm dissipate. And what are they thinking? "I see these Managers make bad decisions, waste money on all kinds of things and they can't even control their spending enough to take care of the people that do the care!" This is truly what they think...

Of course, you can't pay well or give bonuses when you have little margin or are losing money (However, MVI advises to pay bonuses to successful Managers even if the overall organization is losing money. Because why should you penalize a competent Manager for the failure of others?). If you are NOT doing at least a 14% profit and your organization has not given bonuses or increases in years or you pay less than the market, you have to look at yourself! You have to ask yourself "What do I need to start doing, as well as stop doing, to get the profits so I can pay my people well?" This discomfort is good! We all need to hit bottom or at least the point at which "enough is enough" or simply a place of spiritual Humility that prods "I can do better!" At that point, I would listen to my heart, make some changes in my thinking and seek out the "best" Managers for others to emulate, probably found outside your organization. We all can greatly benefit from good teachers. I know I do. Of course, the real propose of MVI is to help create "Extraordinary Managers." That is what we do! Everything we do points to this fact! To be a professional Manager, you have to start with knowledge of the *norms of cost* as well as the 90th percentile so you have the professional perspective of how far the top players have taken the art of management.

All people would like to make what they think they are worth. They want to FEEL valued. They want to FEEL loved... The way you pay people says a lot about how much you value them. Are you genuinely concerned about the welfare of the people you work with? As a CEO or Manager, your job is to take care of the people that fulfill the mission. It is only through people that the mission is accomplished! This should provide the motivation and desire to become a better Manager so that you have the capacity to pay better, even extraordinarily well! Yes, learn to do at least a 14% profit from your Hospice operations and pay well in the process!!! Surround yourself with fewer but more talented people that are paid extremely well! You can SO do this!!!



Where Should CFOs Spend Most of Their Time?

This is a good question, not only for a CFO but for the CEO (Chief Teaching Officer) and all Managers and staff!

Here are our recommendations:

1. **People Development** – Why? Because all quality and profits will come from people. Your staff needs to be given the knowledge/skills as well as learn how to actually utilize this education to impact the world. Why would you expect from people any other result than what you have taught or not taught? People can't give what they don't have... So how well is your CFO teaching? How well is the CEO (the real CFO) teaching? The evidence is in your numbers!
2. **Compensation Systems** – What is the #1 cost of a Hospice? Payroll/People right! 60-65% of a Hospice's total costs are payroll, not including the practices associated with those people you pay, which constitutes the remaining 40-45%! So really, 100% of our costs link to people! Then why wouldn't you have your best financial brain working on this continually? This takes work. It takes an understanding of human behavior. It takes courage to face the fact that "people behave the way they are paid in all circumstances" and then to create compensation structures (financial as well as non-financial) to help inspire, motivate and retain Talented people so that turnover is 10% or less! Your Compensation System is a critical part of your teaching system as people learn from how they are paid. They must link cause and effect as frequently as practical (annually is a joke). Compensation is how you VASTLY increase Accountability structurally. **100% of the Hospices that operate in the 90th percentile employ creative and non-traditional Compensation Systems.** So with this in mind, I think this might be an indication of a good direction...
3. **Analysis & Contemplation Work** – This is a hard grind and takes some time... It often comes on your own leisure, but a great deal of the fuel you will need for the advancement of the organization will come from a CFO's contemplation of the allocation of resources. And I will share this... most of the insights will NOT come from the analysis of data! It will come from "intangible" things like "atmosphere" and understanding the "essence" of things. Furthermore, this "analysis work" is not just based on internal data and observation. An equal amount of your contemplation, if not more, should be focused on external sources. Why? Because you already know what you know! Your organization is doing what it knows to do based on the horsepower that is already in the stall! With Humility, one understands that there are teachers in the form of other World-Class organizations and individuals that have already solved or have *improved* upon the very practices that you are working on! Ego seeks to be "special" or unique. The truly Integrous will forgo the benefits of an ego payoff for higher ideals.



4. **Reporting** – This should take all of an hour, even for a 40-location Hospice, including the reports that go to the Board of Directors. The BOD should be using basically the same reports as Management, which would naturally include your Hospice benchmarked against all other Hospices. This is critical so that a BOD (as well as each Manager) has *professional perspective* and is not making decisions blindly.

This type of value-added thinking is what is needed for ALL positions in an organization. I write about the CFO (as well as the CEO role) simply because I have done both in multiple Hospices.



The Survival Instinct

Perhaps profitable people have more of a need for safety (control) than the need for being liked by others. If you think of it in Maslow's terms, profitability is a lower rung on his hierarchy. People that want to be liked as well as those that seek safety can be highly motivated. However, highly profitable people are usually always highly motivated by security, whereas those that have a greater need to be liked can be less inclined to save money for the sake of looking good. This is an important distinction because it means that people that have a stronger need for safety will more readily address issues of conflict and terminate those that they perceive as harmful or nonproductive than those that have greater recognition/social needs. Here is Maslow's hierarchy!



Profitability is having enough nuts stored away for hard times. It is about being prepared for dangerous and Life-threatening (organization-threatening as well) events that may or may not be within the immediate control of the person. Mishaps and misfortune happen. Many people think it is bad to have fear. However, fear serves a very practical purpose. Fear keeps us alive!

Profitable people tend to obsess about asset allocation or the Allocation of Resources. They despise waste. They tend to save their money rather than spend it. Or if they choose to spend



it, the expenditure offers a calculated return on investment (ROI). Profitable people have greater Self-Control or Self-Regulation. They can more easily delay gratification until a future time. However, they also have a more difficult time “turning off” when that “future time” comes. They are wired to think about security first. Security “FEELS” better than recognition from others.

You might be thinking “security” means risk-averse. Security to highly profitable people is that they FEEL they are smart enough to bet on themselves to a high degree and direct their energies towards activities with high probabilities of return. They minimize risk by assuming control to a high degree. They don’t want to be dependent upon others if possible. It is a risk versus reward mindset.

Obviously, there are many levels on Maslow’s Hierarchy which could be discussed, with Self-Actualization being the place of many very profitability people. However, many highly profitable people can appear to be fully Self-Actualized yet are not! In my experience, Self-Actualization is quite rare and money is not much of an indicator. It is more likely that the bottom rungs of the hierarchy are the primary motivators for many profitable people.



Money & the Significance of Money

Money... one of the most powerful forces in humankind. The survival instinct is probably the most powerful, with the search for meaning and purpose closely following it. Money is the fuel of modern Life for organizations, families and individuals. Money grounds us in concrete reality. It's a wonderfully objective measure.

I prefer to view money in spiritual terms and as a learning tool. We learn during lack as well as during times of surplus. With that said, most of us learn the most through pain. Therefore, the world is perfectly designed! This resistance gives us the maximum karmic exertion! So, if you agree with this, it is most likely during lack, and the subsequent rise into surplus, that we learn the most.

Money plays more of a role in our lives than most think. There are very few things where money does not come into the picture. To say that money is not important is to be naïve or just plain stupid. Money is very important to all of us whether we want to admit it or not. Money translates into capability or the capacity to do things at a minimum.

Consider the following:

- It dictates how we can live.
- It dictates where we live.
- There is an economic price for nearly all relationships.
- It dictates where our children go to school.
- It influences how we spend our time – our most precious commodity.
- How much time do we spend “working?”
- It can define us and tell us if we are “successful” or not in worldly terms.
- It keeps people from doing things or allows them to do things.
- It causes great unhappiness.
- It causes great (short-term) happiness.
- It divides families.
- It represents capability.
- It is highly emotional.
- People kill for it.

Money influences nearly everything.

Do you ever stress about money? This case is settled. Money matters...



The money issue consumes most of us from time to time and, for some, constantly. We literally spend a vast amount of our waking hours working, usually for money. The vast majority of people often work at jobs they don't particularly like. I mean, would you be doing your job if you were not getting paid? So considering how much of our lives are spent working, this is an important consideration. I think that it is good for people to work at jobs they hate for a season of their lives. Why? Because it provides perspective and contrast that helps a person appreciate working in a field they love or at their calling. With that said, most people never leave the season of working at jobs they don't particularly like. They become fearful of change and the possibility of loss of comfort or status. Money is highly emotional.

The Starting Point in Profitability is Seeking Reality and Truth

A great place to start when pursuing profitability is to seek truth with the hope of understanding **reality** more fully... that is, the way Life is and the way Life really works. It is not about how you hope Life will be or want Life to be or wish Life was, but as it really is. It is impossible to completely understand reality, as reality is a perception, at best, of the human experience. We can't do anything else. Every one of our views of the world is colored by our perceptions of reality. What holds people back from money is often faulty ideas about it. If you have inaccurate ideas about money floating around in your head, you will not have money until you have new or more accurate ideas. Most everything you do is based on your beliefs. The way you eat, the way you dress, the way you work, the way you spend your time, the things you value...come from your beliefs. The big changes in my Life have come when I have changed my mind or came to a deeper understanding of things... my beliefs changed. A difficult idea to contemplate for most of us is that "our lives flow out of us and don't just happen to" us. A prosperous Life comes out of you and so does a poor Life. Great relationships come out of a person, and so do poor relationships. People commonly have the idea that the situations and circumstances of our lives, especially in terms of money, dictate our lives. Not so true. To get a bit Biblical, Jesus said that it is not what goes into a person that defiles them, but what comes out of the mouth or out of the heart. Yes, things happen to you that you cannot control. Wars, social unrest, government actions, but our overriding perspective on Life colors our view of all things. A person without a dime, but with the right perspective about money, will do the things that will bring money into his or her Life. It comes from within a person first. It does not come strictly from the external environment. It is easy to see a person with money and material wealth and deceive yourself and think that "it is because they have all this money that they are what they are." No. They have what they have because of who they are and what they believe in their heart.

So Reality is the way things are rather than what we want or wish things would be. That is our foundation. With this understood, it is better to flow WITH reality than AGAINST it. If we go against reality, we will automatically fail. Reality is the default. When you toss a ball into the air, no matter how many times you throw the ball into the air, it is going to come back to earth.



That's what I mean by not flowing with reality; it will automatically work against you. This applies directly to profitability as well.

Here are a few ideas and observations (that could be realities) regarding money to ponder:

- People with more education, tend to make more money. Sure a smart person with some guts with no education can make it. But the majority of people with money have an education with degrees to show for it.
- People who were raised by successful people, tend to become successful themselves as they copy Mom and Dad.
- People who make money have courage and mix it with intelligence. That is, they don't take wild risks, but educated risks.
- People with money tend to be thinkers and tend to read a lot.
- They serve others. They realize that everything that they will have in Life will come from others, so they work on serving other people.
- People with money tend to work hard. They tend to work long hours and do not watch the clock to see if it is quitting time.
- They tend to operate their lives with the best information available, precise information when it is available.
- It normally takes a person 3 to 4 times longer to achieve success than expected.
- They develop people skills. They are good with people. This means being trustworthy, honest, and respectful of others. Their companies and organizations become good with people.
- They have extreme Self-Control and discipline. They have by-passed or forgone other opportunities and time for their profitability.
- They have done what most people are unwilling to do, sometimes with great suffering.
- They have qualified for success. They have paid the price of admission.
- It doesn't seem to matter their race, age or from what school they graduated.
- Though they graduated from schools, colleges or universities, they are still largely self-taught.
- There are opportunities all over and in every business or human need or want.
- Good business might be defined as: Communicating value, delivering the value promised, and charging enough to yield a motivating profit.
- Find your identity or niche. Don't try to be all things to all people.
- They "Say NO" to other distracting opportunities that are not their focus.
- The "Hang Out with Success." They get into relationship with successful people. They tie their wagon to the successful and then imitate the "Success Patterns."
- They develop a "Success Consciousness" by surrounding themselves with an environment of physical things that help support their "cultivated mindset" in high and low Energy states.



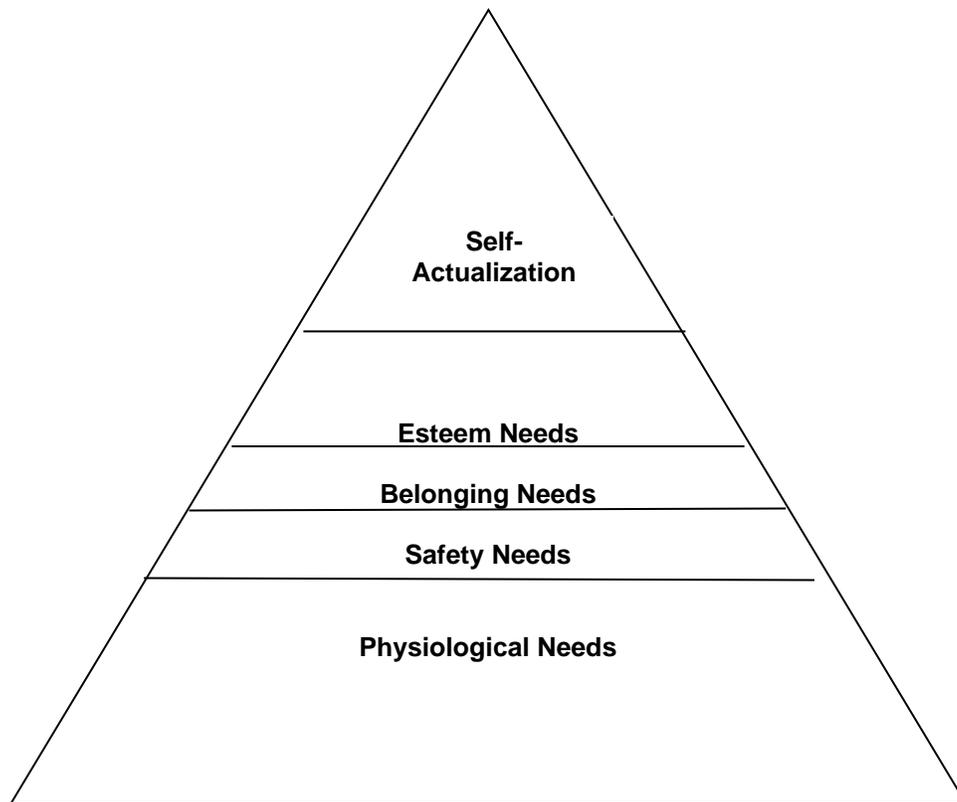
- They use their Intelligence to discern who is qualified to give them advice.
- RISK! Don't live your Life too safely. You can't win that game.
- CASH is king. Judge ideas by the willingness of people to invest in what they have. Test their resolve in their "idea." Cash input is the best indicator to determine if a person is committed.
- Don't give money to people that don't respect your donation of time.
- Ventures with other people? Many times, they fail. Not due to the ideas. The ideas are good. The problem is the people chosen to lead are not able to deliver because they lack leadership talent.
- Don't go into business with academics and Physicians as a "general" rule.
- People tend to overestimate their net worth.
- If people want to grow quickly and sell or "5 years and out," beware.
- Partner with "Bootstrappers" (frugal people).
- Beware of "I'm going to make you a wealthy man or woman." This equals, "You're going to do all of the work."
- Money can come through
 - Working – the "Paycheck"
 - Royalties or Passive Income from Prior Work
 - Stocks, Bonds, Cash, Commodities
 - Real Estate and Property
 - Business or Businesses – Equity Deals
- Investing can be largely mechanical. Keep emotions and personality out of it if at all possible. Investing like this is easier than running a business.
- Residual businesses such as royalties, patents and copyrights are nice businesses.
- Business is a great vehicle for personal development. It develops you as a person and a Leader. Plus, you get paid twice - earnings along the way as well as equity when you sell.
- Discover your niche, then focus on the niche.
- Provide VALUE, always.
- Writing, speaking, dressing and other forms of communication are all factors of success.
- Something must die before something can live.
- People that are great communicators in all forms, but especially at public speaking and personal interactions, tend to be Successful.
- Live a Life with no regrets. Everyone rents their money.
- If is often good to borrow double the money you need, as long as you can pay it back as soon as possible without penalty.
- Major Destroyers of courage... fearful wives and husbands.
- You rarely win when stating your worth. It will be a lot to some and too much or not enough for others.
- Farm less ground well.
- Profitable people have well-developed survival instincts.



- Fear helps keep you alive.
- Money buys breathing room... A lack of money severely limits options. If you have to keep working just to put bread on the table and keep the lights on, you probably don't have a lot of time for other things... like taking a break when you FEEL you need one.

The Hierarchy of Needs

According to Abraham Maslow, a noted expert on human behavior, there are levels of needs. Maslow proposed that humans need to fulfill lower needs before fulfilling higher needs. For example, a person needs to fulfill his or her need for air before they can be concerned about the need for belonging. Money is usually in the Safety and Physiological Need levels, but undoubtedly crosses all levels. A key to our effectiveness as a Leader depends upon our understanding and grasp of human behavior. Since people are 60-70% of a Hospice's costs, it seems wise to devote time to understand the subject matter better. Below is Maslow's Hierarchy of Needs.



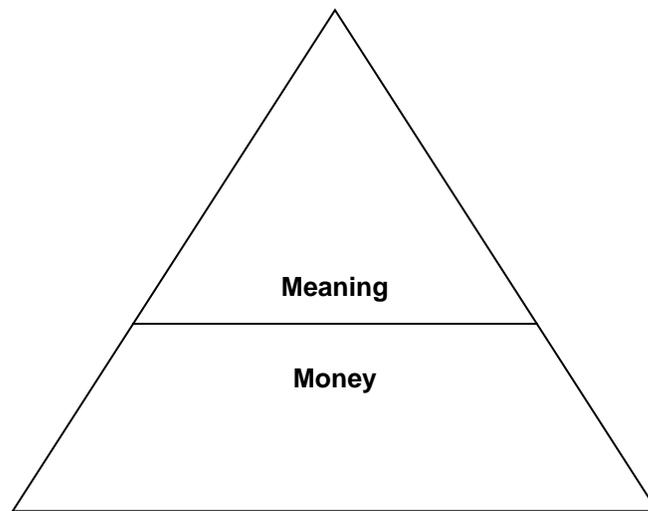
Maslow's Hierarchy of Needs



Here is my simplified version. People must have their basic economic needs met before they can bring their full focus to work. If a family's needs are not being met, a team member's mind will not be on work; it will be diverted to solving the economic problem at home. Thus, you will not get the best you can from the team member's efforts until this need is satisfied.

When basic economic needs are addressed, a person's mind is free to pursue work and tasks that create meaning. Everyone seeks to have meaning or a sense of purpose in their lives. This is a factor in what makes Hospice great. We attract "true believers" and "zealots" who are completely bought-in and sold-out to the mission. A demographic of Hospice people is the need for meaning and purpose.

Here is my alternative hierarchy of needs. Remember, I am a simple man!



Andrew's Hierarchy of Needs

I am not as deep as Maslow, but this works for me. We must keep in mind that our work lives are more than money... our lives are so much about meaning and the desire to feel good. So how do you help create an environment of money and meaning for your staff? (See *the People Retention Process* for more on this subject matter.)



How Much is Enough?

How much money is enough? I think that this is a very good question. For many people, there is never enough. This perhaps comes from fears and the need for control. For many, happiness is wrapped around the idea of money. At some point, it would be good to reconcile money and its place in our lives.

Many of our opinions about money have to do with our experience with money. Part of our money story, of course, is genetic – again linked to the natural survival instinct, but a large part has to do with our experience with money thus far in our lives.

Money has gone beyond its literal function as a way of providing our essential needs to become a need in itself. Money, in a professional sense, marks our place in the world. Why does this matter? It seems that people work harder and are earning more than ever. Yet, many people are not very happy and continue to be driven, restless and unsatisfied. In our “culture of success,” money is the marker of who we are and where we stand in it. Money has a powerful symbolic meaning. The fact is that nearly all of us are deeply impacted by social and cultural trends. It is easy to live comparative and derivative lives without realizing it.

When people work a great deal, FEELINGS of success and happiness are heavily dependent upon what happens in the workplace. Have you ever questioned why you may work 40, 50 or 80+ hours a week? Are we seeking happiness? We become what we do, in a very real sense. What a person spends their time “doing” is what they are in a certain sense. It is a very deep thing, given that we all, in a modern society, have a choice of what we do with our time. The difference between “doing” and “being” becomes very blurred. If you think about it, our lives radiate from us and don't just happen to us. I think it's hard sometimes to get our heads around this idea given that we think that it is the "doing" that makes things happen. But the "doing" wouldn't happen without us "being" first.

There are a lot of people that don't do much else but work. Work is their life. For all the buzz about “work/life balance.” there isn't much. People who work most of their waking hours, with extra time built into the day for exercise, eating, and travel (to and from) aren't doing much else. Most carefully calculate time for work, immediate family, exercise, keeping up with social technologies and perhaps monitoring the investment portfolio, while visiting extended family, being an active neighbor, volunteering time, and religious/spiritual activities recede in importance. Time and energy are your scarcest resources. Work is often the central organizing factor in our lives, which all things revolve around. Success can be a trap, and the bigger the success, the bigger the trap. The opportunity to earn big money often comes with severe life-choice limitations.



The Energy & Self-Control Relationship with Money and Decision-Making

There are many successful, but exhausted Leaders. An exhausted Leader can't exercise Self-Control, one of the key qualities of the most successful people in the world. If a Leader lacks the Energy needed for Self-Control, the organization will lack Self-Control, as the organization is a mirror of the Leader. When one is tired, one tends to make poor decisions, choosing the path of least resistance. This applies to money decisions too. Poor financial decisions often come when one is in low Energy states, when one doesn't have the capacity to think clearly. Relentless travel schedules, marathon meetings, faces to meet, personalities to manage - ALL take Energy.

Exploring Your Money Story...

If you follow a person's spending, or lack of spending, you get a good idea of what a person is truly like. There are many deep proclivities that we may or may not be aware of. Here are a few:

- You make the choice never to be economically vulnerable.
- You have difficulty charging enough for your products and services.
- You have a relaxed attitude towards money.
- You're not worth spending money on.
- You think only people of a certain income level can be trusted to be competent.
- You think people with money are more highly evolved.
- You think people with money are materialistic and selfish.
- You think people with money have cheated somewhere along the line.
- You can't be happy without money.
- You need to have at least as much as everyone else, more if possible.
- You want to be known as a person that made the best of what you had.

The choices we have made, and those we will make in the future about money, are deeply indicative of who we are, or perhaps more accurately stated, our self-perception. Our experience with money very much shapes us.

Building Modern Companies that Have Balance

As a CEO or Leader, can companies be built where profitability, spirituality and personal fulfillment can all live harmoniously? The answer is Yes. However, it must be deliberate or else a company will easily drift towards the behaviors of the majority, the Herd, the Huddled Masses.



How Much is Enough? A Story...

The American investment banker was at the pier of a small coastal Mexican village when a small boat with just one fisherman docked. Inside the small boat were several large fin tuna. The American complimented the Mexican on the quality of his fish and asked how long it took to catch them.

The Mexican replied, "Only a little while."

The American then asked why didn't he stay out longer and catch more fish?

The Mexican said he had enough to support his family's immediate needs.

The American then asked, "But what do you do with the rest of your time?"

The Mexican fisherman said, "I sleep late, fish a little, play with my children, take siesta with my wife, Maria, stroll into the village each evening where I sip wine and play guitar with my amigos. I have a full and busy life."

The American scoffed, "I am a Harvard MBA and could help you. You should spend more time fishing, and with the proceeds, buy a bigger boat, and with the proceeds from the bigger boat, you could buy several boats. Eventually, you would have a fleet of fishing boats. Instead of selling your catch to a middleman, you would sell directly to the processor, eventually opening your own cannery. You would control the product, processing and distribution. You would need to leave this small coastal fishing village and move to Mexico City, then LA and eventually NYC where you will run your expanding enterprise."

The Mexican fisherman asked, "But, how long will this take?"

To which the American MBA replied, "15-20 years."

"But what then?"

The American MBA laughed and said, "That's the best part! When the time is right, you would announce an IPO and sell your company stock to the public and become very rich. You would make millions."

"Millions?" asked the fisherman, "Then what?"

The American MBA said, "Then you would retire. Move to a small coastal fishing village where you would sleep late, fish a little, play with your children, take siesta with your wife, stroll into the village in the evening, sip wine and play your guitar with your amigos."

Author Unknown...



2 Overview*

In the Model approach to compensation, it is important to be absolutely CLEAR about WHAT you want it to do. What do you want to get from the system? This helps create FOCUS and CLEAR THINKING to produce better Compensation Systems! Here is a bullet list so we can keep these points of FOCUS in mind:

- **Self-Regulation** - You want a system that continually “teaches” employees how to “Self-Regulate” so they need very little supervision to do 100% of the Standards of the organization on a day-to-day basis - i.e. Perfect Visits with Perfect Documentation, with virtually zero complaints or service failures. This makes complete sense in Hospice and Homecare as our work is largely done autonomously, so people must learn to self-regulate.
- **Accountability** - You want a system that “does” Accountability and Rewards for you automatically, with little or no Manager involvement. The reality is that Managers don’t like to hold people Accountable and thus won’t or are reluctant or end up doing it too late after a great deal of waste.
- **FOCUS on Clinical Managers** - You want a system that makes the Clinical Manager position one of the most desirable positions in the company as 70% of the development, retention and morale of the employee will come from this relationship. This is the linchpin of all Hospices and Homecare organizations.
- **Creating OWNERS and not RENTERS** – An “Owner Mind” translates into smoother operations, fewer complaints, clean offices, mature Attitudes... The “Renter Mind” does not notice trash in the parking lot, will not clean a bathroom, says to themselves, “*It’s not my job...*” and leaves it at that... We want to cultivate the Attitude of an Owner!

These are the main points. I think most of us would agree that IF our compensation could give us such results, we would very happy and we would have an extraordinary organization!



Here is an overview of how *SuperPay* (our name – you would “brand” the Compensation System to your organization) would be developed and implemented.

1. Establish the Standards of the organization. We recommend starting with only 5 Standards, with primary FOCUS on Perfect Visits with Perfect Documentation. Default to MVI’s suggested Standards when in doubt and move quickly WITHOUT committees.
2. Copy and imitate the compensation methodologies that have already worked with other Hospices and Homecare entities.
3. Introduce *SuperPay* or your “branded” system to your Leaders and solicit comments. You want buy-in, but often it is best to simply go with what is already known to work incredibly well. **Be very careful not to remove the Standards Bonus or set Standards low. Avoid anything that WEAKENS Accountability or pain from non-Standard behavior or performance.**
4. Work with Key Influencers to get Buy-In from respected clinicians and Managers. Show key staff what they are currently making and what they would be making in the new system, making it easy to contrast the positive difference. Work to remove fears that Key Influencers might have.
5. Introduce the *SuperPay* system to all staff and solicit comments.
6. Immediately and without delay pilot the Compensation System with a WINNER! Pilot the system with a clinical team that would already be WINNING if SuperPay were in place.
7. Start training staff in the Standards using *System7*. Train all Clinical Managers first and then clinical staff starting with your best clinicians and working your way through your less talented.
8. All employees sign Accountability Contracts.
9. Work with individual staff as needed to increase their confidence. Show a comparison of current pay with *SuperPay*.
10. Modify as needed. Cultivate the cultural acceptance that pay can and will be changed from time to time based on the needs of the organization.



#	What	Who	How	Why	Time Est	Assign ed/ Compl ete
1	Establish the Standards of the organization. We recommend starting with only 5 Standards, with primary FOCUS on Perfect Visits with Perfect Documentation. Default to MVI's suggested Standards when in doubt and move quickly WITHOUT committees.	CEO with input from others	CEO sets Standards with input from others. However, the CEO is ultimately responsible. Here are the recommended Standards. 1. Dress in SD apparel according to our Standards of hygiene and grooming. 2. Perfect Phone Interactions. 3. Perfect Visits w/ Perfect Documentation. 4. Time to Meet, Ass in the Seat! – Eight58, Eleven17, Transformation Four29 Meetings 5. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets.	There can be no meaningful discussion of Accountability without clear Standards. Standards are the only thing an organization teaches.	1 Week	<input type="checkbox"/>
2	Copy and imitate the compensation methodologies that have already worked with other Hospices and Homecare entities.	CEO COO CFO	Explore legal possibilities of how people can be compensated. Wage and hour laws vary state-by-state, so verify what you can and can't do. Put together the compensation plan including spreadsheets, Standards, documentation, and presentation materials.	To increase quality and financial performance through a fair and generous compensation that rewards the talented and productive and drives out sub-performers and all that can't uphold the Standards of the organization.	2 Days to Plan	<input type="checkbox"/>



#	What	Who	How	Why	Time Est	Assigned/Complete
3	Introduce SuperPay or your “branded” system to your Leaders and solicit comments. You want buy-in, but often it is best to simply go with what is already known to work incredibly well. Be very careful not to remove the Standards Bonus or set Standards low. Avoid anything that WEAKENS Accountability or pain from non-Standard behavior or performance.	CEO COO CFO	<p>Rehearse the presentation anticipating all of the common questions and concerns. Make this an intellectual as well as an emotional exchange from an organizational excellence mindset.</p> <p>Identify the Key Influencers in the organization and explain what you are doing to get their buy-in.</p> <p>Encourage Managers to provide any feedback or input to improve the Compensation System but BEWARE of materially deviating from the proven methodologies in SuperPay!</p> <p>Provide the reports that will be used to compensate Managers. Show Managers what they would make in the new Compensation System.</p>	<p>The Management Team needs to believe in and be confident in the Compensation System to “sell” it to others. We also want to smoke out those that lack confidence. The extra time you spend preparing for this is well worth the effort as the change in compensation will be among your biggest organizational moves!</p> <p>All staff need to see that they can “win” in the new system if they do their jobs to Standard</p> <p>These individuals’ support will be important when you rollout the Compensation System. They will help others embrace it.</p> <p>This helps reduce the amount of fear of moving to the new Compensation System. It also helps to further drive out sub-performers or those that lack confidence.</p>	3 Days	<input type="checkbox"/>
4	Work with Key Influencers to get Buy-In from respected clinicians and Managers. Show key staff what they are currently making and what they would be in the new system, making it easy to contrast the positive difference. Work to remove fears that Key Influences might have.	CFO CEO COO All Managers	<p>Have one-on-one meetings with individuals, especially those that are productive and embody the qualities desired who may be nervous. Assure them and show them how well they would do in the new system. Explain that if there are flaws, they will be corrected ASAP!</p> <p>Show them what they currently make and contrast it with what they would be making in the new system!</p>	<p>You want to keep good, solid employees. These individual meetings will go a long way toward settling most fears.</p> <p>This gives them a great deal of confidence and greatly eases uncertainty. This helps reduce the amount of fear of moving to the new Compensation System.</p>	3 Days	<input type="checkbox"/>



#	What	Who	How	Why	Time Est	Assigned/Complete
5	Introduce the SuperPay system to all staff and solicit comments.	CEO COO CFO Respected Managers	Based on your rehearsal and experience with introducing the system to Management, introduce the Compensation System to all staff. You are selling a FAIR and RICHER pay system than you currently have. The organization wants to be the BEST PAYING EMPLOYER among all other employment options.	At this point, all of your Key Influencers are already on board. This positivity will go far!	1 Day	<input type="checkbox"/>
6	Immediately and without delay pilot the Compensation System with a WINNER! Pilot the system with a clinical team that would already be WINNING if SuperPay were in place.	CEO COO CFO Faculty	Implement this for 1 or 2 pay periods. Adjust as needed.	Start compensating based on the new system. This demonstrates follow-through and that you mean what you say.	1 Month	<input type="checkbox"/>
7	Start training staff in the Standards using System7. Train all Clinical Managers first and then clinical staff starting with your best clinicians and working your way through your less talented.	CEO CFO COO HR	All training is done via System7 so that 100% of staff are trained to 100% of the Standards. 1. Self-Study Module 2. Tell – The Why & How 3. Show (Visual) 4. Evaluate Learning (Test) 5. Demonstrate (Practice) 6. Evaluate Practice (Test) 7. Certify (On-Boarding, Annually)	The mission and purpose of the organization are only accomplished through people. An organization's quality can be no more or less than the quality of its people.	12 Clinicians can be by 1 FTE Trainer per week.	<input type="checkbox"/>
8	All employees sign Accountability Contracts.	CFO CEO COO All Managers	Hold an energetic meeting and distribute the contracts. They do not have to be signed immediately. Go through them line by line in the meeting. They should be returned within a week.	Have Employees sign Accountability Contracts to set the stage for the new Compensation System. This helps avoid legal issues and is a powerful communication of what is expected from all employees. This demonstrates follow-through and that you mean what you say.	3 Days	<input type="checkbox"/>



#	What	Who	How	Why	Time Est	Assigned/Complete
9	Work with individual staff as needed to help increase their confidence. Show a comparison of current pay with SuperPay.	All Staff	<p>Have one-on-one meetings with individuals, especially those that are productive and embody the qualities desired who may be nervous. Assure them and show them how well they would do in the new system. Explain that if there are flaws, they will be corrected ASAP!</p> <p>Show them what they currently make and contrast it with what they would be making in the new system!</p>	<p>You want to keep good, solid employees. These individual meetings will go a long way toward settling most fears.</p> <p>This gives them a great deal of confidence and greatly eases uncertainty. This helps reduce the amount of fear of moving to the new Compensation System.</p>	3 Days	<input type="checkbox"/>
10	Modify as needed. Cultivate the cultural acceptance that pay can and will be changed from time to time based on the needs of the organization.	CEO CFO COO All Managers	Any practical improvements should be made.	This is an ever-evolving system that WILL be changed over time to serve the needs of the organization.	On-Going	<input type="checkbox"/>



The Most Important Position to FOCUS on is the Clinical Leader

The position that you want to FOCUS most of your attention on is the Clinician Leader. Why? Because 70% of the development, morale and retention of an employee will come directly from the immediate Manager. Put it this way, most front-line clinicians won't be successful in your systems and Standards unless they have a Manager that can teach and coach them. They will value what the Manager values and devalue what the Manager doesn't value. Therefore because of this 70% replication principle, an organization must have top-rung Clinician Managers!

However, in most Hospices and Homecare organizations, most people don't want the job of Clinician Manager. Why? It looks like a lot of work and heartburn for not a lot of pay. What an organization needs to do is "sexy" up the job where anyone in the organization has a shot at becoming a "highly competent, highly paid" Clinical Manager. The position is largely a "teaching" position as ride-alongs and trainings are most of the job. You want to really take care of your Clinical Managers in the compensation department! Clinical Managers need to be paid extremely, extremely well...

70%

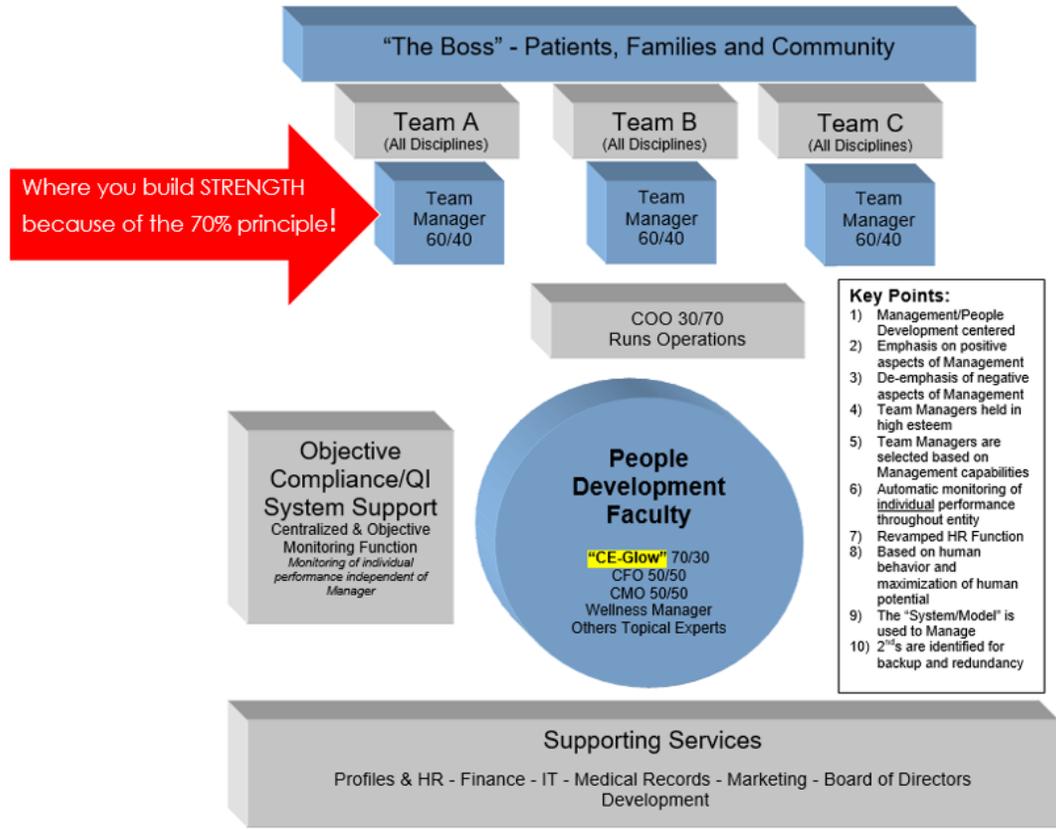
of an employee's development¹,
morale² & retention³ will come
from the immediate Manager!

Whoa!!!



70% of your quality, profits, productivity, compliance, turnover, etc. will come from the relationship between the employee and the Manager. No other position will give you the same return.

On the organization chart, here is where you FOCUS to get the biggest gains!



3 Getting Past the Fear Barrier & the Importance of the Rollout*

Most of the **work** when implementing a Compensation System does not come from creating the methodologies but rather **overcoming the emotions** associated with changing how people are paid.

There is a natural nervousness with something new, which directly impacts the operations of an organization. MVI staff have GREAT CONFIDENCE as they have witnessed first-hand the great RESULTS of SuperPay. Those without this personal experience must trust their own logic as well as the word of others. The work is really around building CONFIDENCE as it takes CONFIDENCE to venture into new things!

The CEO Needs Some Backbone – Implementation NEEDs the FULL Support of the CEO

Implementation of an Accountability-Driven Compensation System is a big structural move and needs the full support of the CEO! This single position can overcome almost any obstacle. With this said, a CEO can also impede or even destroy an implementation. MVI has experienced only a couple of Compensation System implementations which did not go well. Here are the main reasons or the “pitfalls” you want to avoid:

- CEO lacked the backbone to hold people Accountable. The CEO was a Weenie, squishy and fearful. A bit of fear is normal, but the Vision of what is to be accomplished is enough to get the person past the fear barrier.



- The CEO doesn't get key people "sold" and "bought-in" BEFORE the main Roll-Out of the Compensation System. You want to have your champions in place!

The CEO removes or decreases Accountability at various places in the system. The whole point of the system is to increase Accountability to get fantastic results and reward high-performers richly! These are specific places where CEOs and people try to "reinvent" the MVI Compensation System and unknowingly weaken it:

- When the CEO or CFO is not TRUSTED by the employees. Trust is KEY – that you will not harm them - that there is no malicious intent - that if things don't go as planned that it will be made right and that people who are doing their jobs well will be made whole.
- When each service failure or complaint is not communicated to the CEO *when* it happens, whenever there is a serious expression of dissatisfaction from an *external* source. The CEO must feel the "pain" of each service failure or complaint so that he or she will be motivated to make the structural and personnel moves to remedy the situation.
- When Clinical Managers are given the power to "override" Non-Standard performance or behavior. **THIS WILL KILL YOUR SYSTEM! IT WILL KILL YOUR ACCOUNTABILITY.** Non-Standard performance can only be overridden by the CEO or other designated person with great professional judgment and a sense of equity and fair play. Non-Standard performance results in the removal of an employee's Standards Bonus. Most Clinical Managers will attempt to override almost all Non-Standard performance or behavior...and DEFEAT your system.
- When Indirect Managers are not ranked every month, which includes the Clinical Managers with their and their departments impacted by these ratings. A true service culture must be created.
- This is a lessor one, but a good one! When the Manager's Base Pay is not "rebased" to a lower amount and the Standards Bonus is from 10-20% AND a compelling UPSIDE is provided to offset the risk. You want the system to richly reward top Managers and automatically drive out sub-performers. If the base is too high, then they won't leave, which defeats the system.
- When an organization radically departs from what is in this manual. This manual is not the "supreme" work on compensation...but it is a fantastic one based on EXPERIENCE with nearly every known way of paying people in Hospice and Homecare. If you find that you are altering or "outsmarting" many of the practices that MVI espouses, then there is a HIGH likelihood that you will not get the results. This does not mean that you won't find innovations that are good. But the tendency for most organizations is to remove or weaken anything with direct Accountability on the employee.



A CEO Needs Backbone...

A CEO needs to have some backbone and confidence in a Compensation System...and have some smarts about it... The CEO must have a clear Vision of what they are trying to do...and know that there will probably be resistance. With intelligence, the CEO knows the “Directional Correctness” is logical and sound. The CEO knows that the Compensation System will evolve overtime...and that some quick modifications can be made if there is any material oversight. The CEO can anticipate “who” will be the problem-children as well as “who” will be the system's champions.

A CEO needs to not look at a change in compensation as punitive...but as a way to richly reward people. The CEO needs to see that the Compensation System will give them extreme competitive advantage and make work and management easier for everyone! And that the Mission will be done at a quality level higher than ever before!

FP Hospices and Homecare organizations have less pushback on a high Accountability Compensation System as they have no other option than to manage well or face going out of business. For NFPs, they usually must breakthrough the NFP box of tradition...bureaucracy... They must reconcile that it is good, just and right to compensate people for their work based on the value they provide. AND that it is OK to get paid well!

Fear: Everyone Will Quit...

“Everyone will quit!” This is the fear that often holds the Huddled Masses in check when they contemplate a change in compensation approaches... AND creates opportunities for those with intelligence and courage, this combination of qualities, to do things differently.

Fear is a good and necessary thing if the fear is not immobilizing. It is good in that it helps keep us alive as it deters recklessness. Fear is necessary for survival. The T-Shirts and bumper stickers that say “No Fear” are a bit foolish in light of this view of fear. However, knowing “what” to fear is a factor of intelligence... and the behavior needed to actually move in a direction that others (the Herd) fear takes courage. Both intelligence and courage are needed when you embrace paying people in ways that are different than the majority.

Deliberately choosing to deviate from “the Herd” is a big move. Humans are Herd creatures. Human beings naturally tend to observe what others are doing... and not to “FEEL” out of place or socially deviant, they mimic and imitate the behaviors of others. Studies of humans demonstrate this fact over and over. We are social animals... and the Herd, and what the Herd thinks about us, matters. Our need to belong is strong.



Most Want to be Part of the Herd and Be Different at the Same Time

Most Managers and people like to think that they are “different” and “unique.” However, upon closer observation, this difference is usually largely in the individual’s mind. It is NOT in their overall behavior. True uniqueness usually is accompanied by or is evidenced by different behaviors, look, modes of operations and RESULTS. In an organizational context, a World-Class organization would have World-Class financial results. Right? (Squirm)...

Fearful Managers

Most people will embrace what the masses are doing, even if the “new” is unproven and risky... “Hey, if everyone is jumping off this cliff, I should jump too, right?” We follow the Herd’s direction. If a practice of an Outlier is different, of course, most organizations are not going to copy it as this would deviate from the Herd! The deviant’s space is never crowded...

People that have a hard time with the idea of different Compensation Systems are usually fearful people who don’t like change. They shouldn’t be Managers... as change is mandatory in most competitive businesses. Change is inevitable. Change is the only hope for a better tomorrow. Doing it differently is the ONLY way to World-Class and extraordinary! With that said, change is not always good business. Think of companies that are driven by old traditions and methods as the primary value proposition... where people want to “experience” old things from another era. Change would kill off their customer base. An example would be restaurants that have a “dated” décor and menu. People in this context want to experience the “FEELING” from another era. Another restaurant example would be the diner that had an incredible chowder recipe where people flocked to experience its extraordinary taste. The late Steven Covey conveyed such a place... and when the restaurant was sold to new owners, they watered down the recipe so they could make more money. In this case, there was such a violation of trust that people stopped coming after a single meal! The customers realized that there was a change. The restaurant went out of business...

Take Advantage of the Fear of the Herd

With this said, I take advantage of fear. I will do what others won’t if it is logical or makes sense to me. I’m looking for a payoff. I know I will make mistakes, but that’s not a big deal. If I blow it, I’ll just change it again!



The Fears of Changing/Different Compensation Approaches

- Everyone will quit... If it's done even half-way intelligently, they won't. And if some people do quit, are they really the players you want on your team anyway? If they don't have the confidence to bet on their own performance, do you really want them?
- We will lose good people...
- Staff will dislike me...
- It will change the organization's values into a corrupt and un-noble business.
- People will be motivated by money and not by the mission anymore.
- Once we change the Compensation System, we can't go back.

**With a great or even a good Compensation System, the impossible becomes possible.
With an average Compensation System, only the average is possible.**

Example: One organization had super productivity with a rewarding comp system. A new CEO changed the comp system back to salary and hourly. Suddenly, the productivity that they were achieving before "couldn't be done!" It became impossible.

“Our Compensation System was the most important thing we did.”

~ Sam Walton



Getting Past the Business Prevention Units – HR and Compliance

Unfortunately, in many organizations, we might as well rename HR and Compliance the “Business Prevention Units” or BPUs. It is almost as bad as a CF-NO! This attitude in the minds of many is rightly deserved as “NO” or “THIS CAN’T BE DONE” is a fairly typical response whenever anything remotely radical is proposed to these areas. This short-sightedness comes from ego, insecurity, empire-building and the FEELing of power when armed with the “rules.” I have found that NO must be challenged more often than not. Is there really a precedent for this situation? If a problem was experienced by another organization trying to do a similar thing, maybe it was due to poor execution? Maybe we can structure things differently? The point is, a good idea is a good idea. Force creativity here! “HR, find me a way that we can pay like this legally!” “Compliance, find me a way that we can do this!” Do not let good ideas get away. There is usually a way things can be structured that will get the results we want ethically and legally.

Don’t Get Bugged Down by any Specific Position, Area or Department

For the sake of **SPEED**, don’t delay the implementation of your Compensation System just because you are having trouble with a specific position, area or department. Just go around the problem areas and do what you can with those you have worked out! It is a fantasy to think you will ever have a perfect system. However, nearly any Compensation System or approach is better than ones that are salary and hourly-based!

Again, your biggest wins in terms of organizational performance, as well as financial strength, will come from changes in how you compensate your Talent.



The Compensation System needs to be “Sold”

A Compensation System, like any other core method of operations or idea, must be “sold” to the people that work in the organization. You want employees to embrace it and like it. As we proceed through the material, we will note that the comp system is being “rebranded” and NEW meaning is given to it. Rather than just a means to get money...it becomes “viewed” as a Teaching Tool or a “Condition for Success” that helps the spiritually-oriented to GROW in the most important areas of their lives! Learning the meaning of Accountability! Taking Ownership of their lives and work! Understanding their impact on others! All are GOOD/Important lessons that the Compensation System can teach well! Your organization can be viewed as a “School” or “Monastery” really...a place where people seeking to grow can come and willfully place themselves in an environment to aid their process...in this case, their Spiritual or Success progress.

This subtle or not-so-subtle shift or re-framing of the idea of compensation can make all the difference in our Attitude or Feeling towards Compensation Systems!

And the truth is that it WILL impact people and help transform their lives!

The Importance of Naming your Compensation System

Your Compensation System will be a “Brand” of your organization. A good name will create ENERGY around the idea of a unique compensation approach! A poor or average name will produce a poor or average amount of Energy and could harm the system being accepted by your employees.

We recommend that a Hospice look at itself as a “School” or “Monastery” or a place where people come to GROW and EVOLVE themselves. Where they “willfully” place themselves in “conditions” to help them grow and evolve. Through the Compensation System, we are providing a “condition” or “soil” to learn valuable skills and lessons in Accountability, Teamwork, Personal Empowerment, Liberation of Talent, the Skill of Happiness, etc. Therefore, the NAME of the Comp System can communicate this with names such as Empowerment Pay, Liberation Pay, SuperPay, Transformation Pay, etc. What is important is that the “intent” of the system is key! And you NEED a good name to help maintain FOCUS on what you are trying to achieve through the Compensation System. I would advise against names such as Productivity Pay or Performance pay as they can be FELT negatively.



In addition to these cool names, you would want to create “empowerment programs” to launch alongside your Compensation System. These would be Spiritual development-type programs as well as highly practical skill-development programs. They might include:

- Public Speaking
- Written Communication
- Ideas that Create a Better Experience of Life
- Organizational Skills
- Understanding Accountability

All of these are practical and can be taught! And they will help you create ENERGY around your Compensation System launch!

Leadership’s Ability and Willingness to Teach/Sell the System

Sometimes the CEO is ready to go! Realizing the utter need to have levers and tools to work with to incentivize and motivate the behaviors and results he or she is looking for! Only to have the other Executive Team Leaders embrace the direction “less enthusiastically” and, in some cases, become “blockers” and “resisters.” Compensation is an emotional thing...and if your Leaders can’t get behind the NEW direction and SELL IT TO THEIR PEOPLE, it will be a tougher go...but it still can be done! It will be just that the CEO will have to expend more Energy leading!

For the CEO, this is a great time to really assess the STRENGTH of your Leaders. Are they weak and fearful? Are they willing to bet on themselves? Do they have the communication skills to language the Compensation System effectively? IF you suggest that they START the Compensation System with their pay, will they resist? Better to try on the “lower people” first?



Can the Compensation System be Implemented In Pieces or Incrementally?

Yes. In fact, it can be daunting to try to eat the whole enchilada at once! Breaking your new Compensation System implementation into smaller units is a good idea as you can focus on each group when making improvements better. **However, in a Hospice setting, I would discourage doing Managers and Clinical Staff separately.** I would recommend doing both at the same time. This is because Managers NEED the Compensation System in order to make management easier. It is a structural tool they need so they don't have to constantly monitor individual performance. It is also perceived as "fairer" and as "leading by example" when Managers and Clinicians come onto the new Compensation System at the same time. IF I somehow could not do Clinicians, I would do Managers first to get them used to the system. Converting both at the same time is ideal.

However, there are specialty areas (*see the Special Groups section in this manual*) that can be moved to an innovative Compensation System before other areas. Marketing (Sales, Outreach) is a good place to start as well as Volunteer Coordinators. If there is one clinical discipline that might be moved to an Empowerment Pay system earlier, it would be Physicians. (*See the Special Groups section in this manual for more on these groups.*)



The Rollout of **SUPERPAY!**

The Rollout of Your Empowerment Pay System is Critical

The rollout of your Accountability/Empowerment Pay system is critical. You can have a great system and then blow the rollout when you don't get the necessary buy-in which causes indigestion. In fact, you will probably spend less time on the creation of your system and more time on the "selling" of the idea. You want people to "want" to do the system. "I can win in this system" is what you want when you show it to people.

The rollout of a new or altered Compensation System is critical to the success of its implementation. In fact, establishing the "mechanics" of the comp system will take about ¼ of the time. The remaining ¾ of the time will be spent "selling the idea" to gain support.

There are multiple important things to keep in mind when "selling" the change:

- We are a School or Monastery where Spiritually-Oriented people come to willfully up themselves in an atmosphere that fosters personal GROWTH. Where we learn Accountability on a DEEP level and understand how it will transform our lives.
- Point out that traditional "Salary and Hourly" pay methods may be the most GREEDY methods as they severely "limit" employee's income potentials.
- Simple City! Someone reviewing it should "get it" in moments. You do not want a complicated Compensation System.
- "I Can Win!" "I can win in this new system!" You want people to know that they will make more than they are currently making. It is a RICH system of rewards.
- We want to be the BEST paying employer in our area!
- If we make any mistakes or if it is unfair, we will correct the system in hours and not days or weeks! We are flexible in this!
- Managers need to buy-into it. If they don't, they will undermine the system.
- TRUST! People need to TRUST Management! They must know that you are doing this for the employee's best interest as well as the best interests of the organization.

ALWAYS start with Management in the discussion of a new compensation ideology. If Managers are confident and are comfortable with the "system" they will sell it to the people they lead as well as people in other areas. **You will implement this approach and time-lines with Management at the same time as front-line staff.** Sometimes you (the organization) will not have to go any further than Management to achieve the behaviors needed to create a healthy organization. However, to get "auto-pilot" going for Managers and make the job of management easy, it is HIGHLY recommended that the Accountability Compensation System



be implemented for EVERYONE in the organization. This will make management much, much, much, much easier.

Implement Immediately, Without Delay!

If word gets out that you are implementing a new Compensation System based on performance, people will start to worry. Worry consumes Energy. We have seen organizations take far too long and lose good people needlessly because their worries were not addressed.

Be aggressive! If you delay implementation once the word is out, you will dissipate Energy and cause your productive people to worry needlessly.

Pilot with a WINNER!

How do you implement immediately and without delay? By piloting the Compensation System with a Clinical Manager and team that already would be WINNING BIG if the system were in place. Run productivity reports. Look at the clinical team's NPR (Net Patient Revenue) Percentages. If it is a highly productive team and their Direct Labor and Patient-Related costs are well below the MVI or your Standard NPR% AND the Clinical Manager has a great "can do" attitude, then you will be assured that your pilot will be a success right out of the gate!

"Here is what you are making now... Here is what you would be making if SuperPay were in place...and each member of your team in Standard would be receiving about \$368 extra per month too!"

It takes a Clinical Manager about 1-minute to opt to pilot the new Compensation System. Then after the first paycheck, you will have all of the strong Clinical Managers wanting to "pilot" the Compensation System too!

Avoid piloting with teams because they are small, in a certain area or for any other factor. Pilot with your most capable Clinical Manager! If you pilot it with a poor Manager, he or she will almost certainly fail and thus poison or sabotage your Compensation System.



In terms of the amount of time that it will take to create and implement a new Compensation System, I estimate it will take from 2-3 months. **You want the time between the announcement and the cutover date to be as short as possible.** The longer you take, the more energy you will lose via the “stress of uncertainty” your people will experience. You may lose good people due to this uncertainty. Again, this is a primal reaction, that people can’t help.

Use Precise Language and Brand Your Comp System!!!

Label it! Make your Compensation System exciting! Like “Great Pay” or “The *SuperPay!*” or “Maximus” or “Pay Plus” or “Sunny Day Pay”

This is something special and unique about your company!

How to say it or sell the idea of compensation is critical.

NEVER LET ANYONE SAY IT IS A PAY CUT!!!! **We want to be the BEST paying employment option!**

You have to nip this language in the bud!!!! Most people are predisposed to think negatively about anything having to do with their pay because they have been or have heard about people being abused in the past... so they are suspicious. So you have to build their confidence and trust in the new comp system.

“I felt the way you might have when I first heard about the new Compensation System...”

This is a great statement. However, only use it if it is TRUE. Anything else is a lie. Let folks know that you had the same initial reaction, but now that you understand it, you are excited!

“We’re creating the best Compensation System in our area. A fair system... and one that pays even better than the hospital...”

This statement will get some attention from clinicians as most Hospices do not pay as well as other hospitals or health systems. The fact is, a Hospice can pay better IF it is managed well!



If a Hospice Hasn't Given Raises in a Few Years, It's the Perfect Time to Change the System!

If your Hospice has not given raises to employees for the last few years, and they expected it, then you are well-positioned to do an Accountability Compensation System. The staff of these Hospices know that all is not well financially. This is a de-motivator. The fact that your Hospice is actually trying to do something about it proactively will get you points!

Selling the Idea of Compensation

As a CEO/CFO, your role is that of influence. The CEO/CFO is influencing policy and practice. The CEO/CFO is selling ideas... all the time. In fact, ALL MANAGERS ARE IDEA SALES PEOPLE! If you are leading, you are selling the people you lead. The ideas need to be sold to be replicated. So selling ALWAYS has to be considered. Teaching is directly linked to selling. In fact,

Teaching is the Selling of Ideas.

How well are you selling? The evidence is in your results. How do you sell ideas? Most are essentially Management skills. However, by far, the most powerful selling skill is to *Lead by Example* or, as we like to say, *Lead from the Front!*

Always, Always, Always Communicate that the System Can and WILL be Changed Over Time

The truth is that you WILL change the system over time. This is part of any natural and evolving system. So it is very important that expectations be managed. Knowing that the Compensation System can be changed if needed helps people get past the fear barrier. If folks know that you are always willing to change the system, if the faults merit a change, they will fear the Compensation System less.

With this said, when a change in the system is needed, do it quickly... like the next pay period if possible! This sends a loud and clear message that you care about their welfare and that you are a person of action. I discovered this at my first Hospice. Folks knew I would change the system in a heartbeat if it was unfair or could be improved! Use speed!



The Accountability Contract has language about the need for compensation changes. This useful tool helps: 1) Manage employee expectations and 2) provides a legal basis for changes in compensation.

Mistakes WILL Happen

Most Compensation Systems will have errors and oversights in structural design. None are perfect. In fact, you WILL make mistakes. You may have “mis-directed compensation” or compensation that has some bad unintended consequences. The point here is “Don’t let fear keep you from scoring big just because it will not be perfect!” Use common sense, be considerate and fair (but not soft or weenie-ish) and do it!

Any and All Compensation Systems will be Gamed

You can anticipate that some folks will say to you “I can game this system.” It may be a true statement. However, **THEY ARE GAMING THE SYSTEM YOU ALREADY HAVE!!!!!!** If you have a traditional system, **they are gaming you like crazy** often with MILLIONS of dollars wasted due to inefficiency, lack of Accountability and sub-performance.



TRUST – A Key to a Smooth Transition

I have been successful with dozens of companies changing Compensation Systems. As I contemplate this, I think that it has a lot to do with Trust. People know that I would never do anything to hurt them intentionally. I just wouldn't. They also know I won't tolerate sub-performance either. So there is a balance. I also naturally solicit input from others on things, especially pay systems. I want to know how people FEEL...and I want them to FEEL good if possible. In addition, they know that I will change a Compensation System in a heartbeat if it is not fair or is materially flawed.

Therefore, I think that the CEO and CFO *especially* need to look at their track record. Do the people you manage trust you? Do they trust that you have their welfare as well as the welfare of the organization in mind? Do they perceive that you are swift to change things when something is off? Speed and action help give a Manager credibility, especially with a new Compensation System that will impact their lives significantly!

How Do You Gain Trust?

When I was first hired as the Accounting Manager at the Hospice of Winston-Salem, I was given some great advice: "Go on visits with clinicians!" "Hang out with the clinicians!" So I did this, and I learned a lot! I guess I was so interested in our work that I wanted to know every aspect of what Hospice and Home Health were about! Yes, Home Health as the first couple of organizations I worked at, had both. So I knew a great deal about the business before we implemented our new Compensation System. I believe that Clinical Managers and clinicians trusted me. This trust goes a long way towards changing a Compensation System!

You gain TRUST by knowing the Visit Structure as a CEO, COO and CFO!

This means that YOU can run a synthetic lab! Why should clinicians trust you to tell them about productivity and quality if you can't do it? You don't know their world... If you know this BASIC aspect of Hospice or Homecare, you have authority and credibility...and you will gain their trust!



4 Accountability & Standards*

Standards are the **basis** of People Development and Accountability Systems.

A huge aspect of the Model is Accountability. *Standards* are of incredible importance in the Model as they are the *basis* of all People Development and Accountability. Accountability is Spiritual. It gives meaning to work. We are Accountable to each other in an organization as we have a “system of mutual reliance.” A High Accountability organization will be a quality organization. It will attract the most talented people in a community. It will drive mediocre and low-performance people from the organization. Accountability is important.... And most **Health Systems do a horrible job of holding people Accountable**. Not at this Hospice!

What is Accountability? Our definition of Accountability is “Owning one’s Life without blaming others or circumstances.” It’s about one Owning their life! This means that we are not going to blame others or circumstances for what we are or what we are experiencing. We are going to own and take responsibility for our lives. We are going to “own” our thinking and how we choose to experience the world, including what we perceive as negative. If something is perceived as negative, we are going to embrace it and do what we can to move it to the positive. This definition is a very grownup and mature view as it gets people out of “victimhood,” which is so prevalent in humanity.

There has been a rash of “downsizing,” “rightsizing” and other RIF (Reduction in Force) activities as of late in the Hospice world. Certainly, there are times when it is the right move, maybe 5% of the time. The remaining 95% of these layoffs are unnecessary and point to larger and deeper problems within organizations. Layoffs usually occur because it is an “easy way” of not addressing Accountability problems – “Let people go as a group so we don’t have to face each one and confront them with their performance shortcomings.” The fact is, layoffs and RIFs, though widely accepted, only bring temporary financial relief as usually similar people with different names and faces will be rehired in the future, at more cost, unless the organization has changed operational STRUCTURES and has learned discipline. In my career, I have never implemented a layoff, even when faced with bloated overstaffing. I have gotten rid of as many as 100 Hospice FTEs in a six-month period without layoffs. I believe in establishing *Standards* and holding people accountable to those *Standards*.



RIFs, layoffs, rightsizing, downsizings or whatever buzzword you want to use, are the result of low, unclear *Standards* and a lack of Accountability structures. With the right structures, an organization will NEVER have to do a layoff because the structures automatically regulate operations and profit levels with changes in census volume. Sound crazy? Again, welcome to the world of the outlier...the world of non-exception.

Hospice employee evaluations are usually a joke. They often are “glowing” even though actual performance can be poor or substandard. I have found that usually, 30-50% are behind their completion date. A better direction would be for continual evaluation and feedback. A stronger system would enable each person to self-evaluate his or her performance and judge it according to the *Standards*. This leads us back to the absolute need for the creation of *Standards*.

What is a *Standard*?

A *Standard* is not a goal. A *Standard* is a norm, an everyday operational result or practice. 100% is the ONLY acceptable *Standard*. Compound a 10% knowledge deficit by 100 employees and your screw-up factor is exponentially multiplied. The documentation *Standard* of a Hospice should be 100%. 90% documentation will kill you. You may say “And I want world peace as well, Andrew.” Forgive me, but this is the very basis of our organization’s existence! Shouldn’t we be great at it? If 100% is not your *Standard*, then what is? A *Standard* is a *Standard*. Blood should be on the floor if *Standards* are not upheld. Not upholding *Standards* renders *Standards* meaningless. Is it doable? Well, do you have clinicians that are near-perfect in their documentation (within your definition of perfect or *Standard*)? Don’t call *Standards* a *Standard* if they aren’t. Call them *suggestions*...

The idea of performing 100% of the *Standards* on a day-to-day basis sometimes confuses people. Day-to-day is just that! From one day to another. 100% is perfect and nothing is perfect all the time, right? That is correct. Nothing is perfect (to *Standard*) over long periods of time as invariably someone or something will go wrong. However, can you maintain a *Standard* at 100% for an hour? For a day? For a week? Maybe even a month? If you can maintain a *Standard* of 100% for shorter periods of time, then you can increase the period of time with effort! Yes, there will be instances where someone deviates from *Standards* on a given day. But that is the exception in the short term. With corrective measures (Self-Control), you are immediately back within *Standard*, unless Accountability is sorry at the organization.



The establishment of ***Clear Behavior and Performance Standards*** cannot be overstated.

Standards are the foundation of Accountability. The reality is this...

**You really can't even
begin to have a
meaningful discussion
about Accountability
without establishing clear
*Standards.***



**A Standard is NOT
a goal! It is a norm. It
is an everyday
activity or result.**



MVI Multi-View
Incorporated
SYSTEMS 

The Model™
Balancing Purpose and Profit...

**100% is the only
acceptable
Standard! Why?**

If Standards are not Standards, call them suggestions...



Compound a 10% knowledge deficit by 100 employees
and your screw-up factor is exponentially multiplied.

MVI Multi-View
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SYSTEMS 

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Balancing Purpose and Profit...



Standards are a Vow or Promise

Standards are a vow or a promise. They carry spiritual weight with them which could be considered a form of spiritual merit or favor or karma. Each time a service failure occurs, it is a broken promise or vow. All human beings have perceived shortcomings or fall short from time to time. This is part of the natural cycle of learning. These perceived failures produce pain, which helps us learn! This is why any non-*Standards* behavior or performance must involve a degree of pain that is appropriate for the violation of trust. These “vows” help guide us!

Teaching *Standards* from this perspective helps to “spiritualize” them. It gives the idea of *Standards* greater meaning and significance. Again, the central demographic of the people that are attracted to Hospice is that of Spirituality/Meaning/Purpose. Teaching the importance of *Standards* feeds this desire for meaning. It gives VALUE to the work we do. It helps Hospice employees have healthy organizational pride. And high *Standards* require high Accountability, another high-spiritual topic.

Establish an Overarching Guiding Standard

This really has to do with accomplishing the ultimate goal of the organization, which is really to serve the customer! In the case of Hospice or Homecare, the customers are patients, families, referral sources and others! And we want HAPPY CUSTOMERS! Sometimes when trying to adhere to a multitude of *Standards*, the overarching purpose can be lost. Sometimes an organization will fall into the trap of creating so many *Standards* it actually *paralyzes* people and *inhibits* creativity! People can get “scared” of doing things that may get them in trouble! If this is the case, you have gone too far with your *Standards*! If customers are happy, then normally business is good!

Having a firmly established **Guiding Standard** or principle such as Complete Customer Satisfaction helps give employees professional perspective and helps them make “on the spot” decisions within the organizational goals! It simplifies *Standards* because all *Standards* should be designed to make happy customers. Happiness is a FEELING! Therefore, in an organization that is Doing the Model, the Guiding Standard might be as simple as this,

Do what will help the patients and families FEEL good!

This gets us into the realm of professional judgment, which we will explore, in a subsequent section. It is about expectation management! Knowing when to do things or when not to do



something. A mature person understands the “experience” from a complete interdisciplinary context and that they are creating expectations with every word or action. Anything that does not meet or exceed a client’s expectations results in disappointment. If a clinician needs to deviate from a Standard visit or phone interaction because he or she “intuits” a different need...then GO FOR IT as long as it is sustainable and you are not setting yourself or a team member up for failure! Also, recognize that this is an exception! The deviation from Standard was to make the client FEEL better which is EXTERNAL. INTERNALLY there would be little room for non-Standard behavior or performance, such as non-adherence to clinical documentation or not logging calls into your tracking systems so that you know if there are any outstanding client situations.

Structures and processes fall apart without “meaning and belief.” We are not building a “House of Rules” with Standards but rather a way of “Being.” Jesus was constantly in trouble and persecuted by pious people because of breaking rules. There were “tons” of rules about the Sabbath...what you could or couldn’t do, what you could or couldn’t eat, how many steps you could take in a day, etc. Jesus healed on the Sabbath. He spoke [paraphrased] “Who would not help his neighbor get his ox out of the mire if it happened on the Sabbath?” He applied the “spirit of the law” over the law itself. The same should be done by an organization regarding customer service. Serve the customer! And sometimes that means doing things that are not typical. It is about judgment! Professional judgment is a mature view of things... It is big-picture as well as detail-oriented. It takes into account all known factors including compassion, competence, time, resources and above all, the FEELING that is created with each client interaction....as the FEELING is the only thing that is going to be remembered!



Create a World of Non-Exception

Doing work to 100% of *Standard* is required to create a world of non-exception. A world of non-exception is where, on a day-to-day basis, work is done according to the Standards of the organization. When this happens, AMAZING things happen at an organization!

- There is less overall stress in the organization as “promises” are being kept.
- There is a need for fewer Managers as each person is self-regulating to Standard. The number of employees under a Manager’s care can be increased.
- There is a drastic decrease in the number of routine meetings. There simply is no need for many routine meetings as things are operating to Standard. There are not a lot of problems to discuss.
- Indirect Costs plummet as fewer Indirect Staff are needed to make sure people are doing their jobs.
- Money can be redirected to highly compensate Direct and Indirect staff as well as build healthy organizational bottom lines.

Basically, when everyone is doing their job, it makes work and management EASIER! Why? Because nothing is breaking! But here is the kicker!

The key to creating this “world of non-exception” is tying Accountability to your Standards without relying upon the personal inspection of work.

That is, without Managers having to make sure people are doing their jobs! If Managers are not making sure, who is? Your Systems! You would “sensitize your systems” to detect any deviation from your Standards with minimal expenditure of Energy. The easiest to do with clinicians which we will explore in the section on Compensation! Compensation is your most powerful Accountability tool!



**A world of non-exception
saves time, stress & money. There
simply is not a great need for many
meetings as things aren't breaking
and new issues are minimal.**



**If there is no “pain”
attached to non-standard
performance, your system is
weak... This includes, but is
not limited, to compensation.**



This is perhaps the most startling idea in the Model. It is a concept that must “soak in” over time. It took me a long time to reconcile this... In fact, it is still something I wrestle with occasionally because nobody likes pain...

Understanding the Great Value of Pain

Pain must be FELT whenever there is non-*Standard* behavior or performance. Pain is valuable! It is through pain that some of our deepest learning takes place. We remember pain.

Pain is valuable as it is a signal or message that something is wrong or there is a problem.

If we did not FEEL pain physically, we would bang around, drink too much, take lots of drugs and do all kinds of harmful things because there would be no signals that anything was wrong.

We are wired to avoid pain. When we experience pain, we seek to remove it as quickly as possible! Pain gets our attention whether it is a small pebble in our shoe, a mosquito bite or slamming our hand in the car door! Pain is not only physical, but it is Emotional. In fact, it has been estimated that 70-80% of our pain is non-physical. It is in the Emotional domain.

Pain is a Master Teacher.

Pain is a Master Teacher. And Emotional pain is perhaps the most powerful in terms of learning! Physical pain is usually drastically less powerful than Emotional pain. Example: Childbirth is extremely painful for the Mother. Yet, is this what she remembers about the experience? No. It is usually the love of the child. It is the Emotion linked to “meaning” – LOVE!

In Hospice, pain should be an easy topic to understand and teach about. But the fact is that we don't understand pain as well as we should or our organizations would operate much better by USING PAIN!

Pain is Spiritual and Its Value Must be Taught

Pain is Spiritual. It is through suffering that many of our shortcomings are addressed. Here is the question, “*Do you learn more from your accomplishments or your failures?*” Pain right! Therefore,



God designed a PERFECT world, PERFECTLY designed to help us grow!”

Wow! Think about that! We have been placed in an ideal learning environment to help us evolve into the best person we can be to fulfill our Spiritual potential! You can say this many ways, but you get the idea! It means that we can trust God and have faith that everything is taken care of! And that each situation or person we meet in our journey is a “lesson.” For some reason, we tend to learn deeper from pain. Sure, we need successes, especially to build confidence, but there is something about pain that truly motivates us!

Pain can be seen operationalized in an organizational setting in many ways outlined in this manual. To teach it well, it must be characterized as a benefit and as part of one’s Spiritual progress. Shouldn’t pain be experienced when a person lies, deceives or breaks a vow? Of course! All service failures are a lie, a deception or a broken promise or vow. To not administer some pain (pain equivalent to the offense) in such cases, makes a *Standard* meaningless. A meaningless, weak organization is not attractive. If you are a Manager, people need to know you stand for something and that you mean what you say.



The 3 Attributes of Standards

The Model is about creating *Standards*. When Doing the Model, *Standards* should be (1) Clear, (2) Impressive and (3) Sustainable.

CLEAR – Where everyone understands the *Standards* and can determine if they or others are “in” or “out” of *Standard*. Combine this self-awareness with empowerment and ANY employee can self-regulate and correct anything that is not to the *Standards*. We want to remove the excuse, “I didn’t know that!”

IMPRESSIVE – Impressive *Standards* are motivating. We want staff to take pride in the *Standards*. We want people to look at the *Standards* and say “I can win!” They should motivate and not demotivate. The only acceptable *Standard* is 100%. A *Standard* is not a goal. A *Standard* is a norm, an everyday operational result or practice.

SUSTAINABLE – All work should be designed to be completed in an 8-hour day according to the *Standards*. We can’t burn people out and expect quality. We can’t keep ratcheting up everything continually because we get greedy. This is one reason I don’t like incremental “goals” when implementing the Model. Set the *Standards* and don’t change them often! Yes, change as needed, but don’t confuse your staff with “annual budgets” and new *Standards* every year. When we set Model *Standards*, they are for a decade time-frame...a 10-year period. In addition, the workplace should be uplifting and “give life” back to us instead of sending us home as “juiceless” rinds. Work must be sustainable to retain talent. *Overtime is evil*. Overtime is evil in the Model world.

Overtime is EVIL!
You want
Sustainable *Standards*.



The 3 Steps to Implement *Standards*

Standards are the basis of all People Development. In order to get *Standards* into a culture, 3 things are needed for each:

1. Clearly define each *Standard*.
2. Teach each *Standard* to *System*.
3. Attach Uniform Accountability to each *Standard*.

1) Clearly Define Each *Standard*

Each *Standard* must be clearly defined. But first, they must be created. I advise you to “imagine” an ideal organization. Do not look at your current operations or behaviors to create your *Standards* as these just cloud thinking. Think in terms of “ideals” and make these your *Standards*.

When creating *Standards*, I also advise giving them some “pizazz.” You want people to remember the *Standards*. Try to avoid just giving “do this” and “don’t do that” directives. You want *Standards* that you can “teach” to. Here is an example of 5 *Standards*:

1. Perfect Phone Interactions.
2. Dress in SD apparel according to our *Standards* of hygiene and grooming.
3. Perfect Visits with Perfect Documentation
4. Time to Meet, Ass in the Seat! – *Eight*28, *Eleven*17, Transformation *Four*29 Meetings
5. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets.

We have found we can operate an award-winning Hospice with only 5 *Standards*. Each of these would probably not be understood without some teaching regarding their meaning. This is fine! The fact that your organization is creating its own language makes people feel like they are part of a unique and special group. There is power in this unity!



2) Teach Each *Standard* to *System7*

Each *Standard* has to be taught. Here we are removing the excuse: “I didn’t know that.” Think about how you would effectively teach *EACH Standard*. This is much more than handing out *Standards* cards. It is about teaching well...teaching, beyond an intellectual understanding to an emotional level. This should include testing and Student involvement where emotion is attached to the learning. To Teach Well, we recommend *System7*.

System7

1. Self-Study Module
2. Tell – The Why & How
3. Show (Visual)
4. Test (Evaluate Learning)
5. Practice (Demonstrate)
6. Evaluate Practice (Test)
7. Certify (On-Boarding, Annually)

3) Attach Uniform Accountability to Each *Standard*

For each *Standard*, specific Accountability or “pain” should be attached for any non-*Standard* behavior or performance. If there is no pain attached, your *Standards* aren’t *Standards* and don’t mean very much. Call them “suggestions” rather than *Standards*. Most organizations that get less than ideal results when implementing the Model, or really any important initiative, usually have weak Accountability.

This Accountability must be uniform throughout the organization. Each Manager must apply the same method of Accountability to individuals when behavior or performance is non-*Standard* or your system is weakened. This is critical. You don’t want Billy Bob’s team to operate differently than Mary Sunshine’s. Both need to have similar structures.



Understanding the Steps of *System7* and Why it Works

Let us break *System7* down.

1. Issue Self-Learning Modules

- a. This starts the intellectual process of becoming familiar with the material.
- b. On a deeper level, it is also where the linking of “meaning and purpose” begins.
- c. It is also empowering as the Student knows that he or she can access this information ANYTIME! This gives the Student a “FEELING of Control” over their development/growth/progress! This FEELS good!
- d. Emotionally, the Student learns that he or she will be held Accountable for their learning, especially in the Testing and Demonstration steps. During Tell and Show, a degree of tension is used by Master Teachers to establish Accountability.
- e. If this is part of Transformation (Orientation, On-Boarding), it is communicated that they are a “trainee” or a “cadet,” and therefore are really not officially part of the organization until they are certified to 100% of the *Standards* of the organization.

2. Tell – The Why and the How

- a. This is the formal classroom or One-on-One teaching setting.
- b. This is where the transfer of Energy from the Teacher to the Student is strongest.
- c. The “First Day of Class” phenomenon occurs and powerful impressions are received by the Student.
- d. It reinforces “meaning and purpose” even more powerfully than the Self-Learning Module.
- a. The material is reinforced as Students come to class already knowing 50-60% of the material.
- e. Each time the Student sees the Teacher, beliefs are reinforced positively if the Teacher models what was taught.

3. Show

- a. The Teacher must learn how to teach to visuals.
- b. This step recognizes that 85-93% of all communication is nonverbal.
- c. This “imprints” or “burns” a mental image into a Student’s memory. These are “specific still images.” Videos with movement are good! But “still images” tend to be more powerful. A combination is probably best!
- d. Still Images help the Students “visualize.” This is a technique you will use repeatedly in your organization’s People Development System. These are



“anchors” that can be used when needed by the Student to navigate through stress conditions.

- e. This also helps the Teacher conserve Energy as well as create a consistent experience for the Students.

4. Test

- a. Accountability is taught here.
- b. Emotion is high as there is an actual risk of failure.
- c. Testing is timed.
- d. All testing is done to Pass/Fail.
- e. If a Student can't demonstrate the material intellectually, they can't do it in actuality.
- f. The intellectual understanding (thought-patterns or habits) of the material is demonstrated under stress conditions.
- b. The FEELING of confidence is created when the Student is successful and passes the test.
- g. Self-doubt is replaced with confidence.
- c. NEVER waste lab time on a Student until they've passed 100% on the intellectual testing.

5. Practice

- a. Students practice what they have been taught and tested on. These are videoed.
- b. This is the PHYSICAL creation of Energy or state of Emotion. It is bio-physical, which releases the chemicals needed to support the Emotional/Energetic state.
- c. A degree of tension is created. Under stress conditions, people default to their lowest level of understanding or habits.
- d. The ability to apply the intellectual understanding of the material is demonstrated or not demonstrated (Pass/Fail).
- e. Habits are created as thought-patterns are linked to personal benefit and the FEELING of accomplishment/progress as well as the pain of missteps.
- f. The idea of the Visit and Phone Interactions are understood from a “performance” perspective and that all most all teaching in a Hospice or Homecare setting is a type of performance.

6. Evaluate Practice

- a. Practice videos are reviewed by the Student and peer group.
- b. Humility is learned from the objective observation of performance and behavior. The video makes it difficult for the Student to escape or deny objective reality.



- c. Self-Awareness is heightened as the Student sees themselves as they really are and not what they perceive themselves to be.
- d. Great Emotion is created as the Student is far more critical of themselves than the Teacher would ever be. A degree of tension is created.
- a. The FEELING of confidence soars as the Student's performances improve with each iteration!
- e. Confidence increases where a Perfect Visit with Perfect Documentation can be done on cue like a performance.

7. Certify/Annual Recertification

- a. The FEELING of accomplishment/progress is experienced based on the successful completion of a program with very high *Standards*. High *Standards* with Accountability provide employees with the FEELING of meaning and purpose.
- b. There is great joy as the Student moves from being a "Candidate or a cadet" to part of the organization. There is the FEELING of belonging and significance.
- c. The confidence of the Student further increases as they believe in their abilities.
- d. The confidence of the Student increases because they FEEL they were well-trained. In fact, extraordinarily well-trained! Ideally, you want people to believe that they have NEVER been trained as well as they have been at your organization. Healthy organizational pride is created.
- e. There is a degree of tension that this is not the end, but that they will be held Accountable every day and re-evaluated every year where they demonstrate their learning again.

Teaching-Well

Teaching-well is a phrase we use to describe the 2-step process of Teaching we prescribe.

1. You Teach on an Intellectual Level first,
2. Then MOVE the learning to the Emotional/FEELING Level.



Professional Judgment

An *Extraordinary Leader* MUST have great judgment. In fact, a Manager's judgment must be better than the people he or she leads. If the Manager does not have great judgment, he or she will not inspire others. What is meant by "judgment?"

The definition of judgment in this context is "the ability to make considered decisions or come to sensible conclusions." A person with Self-Control usually has good judgment. Judgment is used in decision-making... when selecting an option from a number of alternatives. Judgment involves all 3 of the Characteristics of Managers in an organization: Intelligence, Energy and Integrity.

Why would one person speed on the highway and another would not? Why would one person drink too much and another would not? Why would one person smoke dope and another would not? Why would one person organize their work into an efficient system and another would not? Judgment!

The word judgment has a negative connotation in contemporary society. However, the truth of the matter is that EVERYONE exercises judgment and makes thousands of judgments a day, choosing one direction after another from a vast array of alternatives! Now, most people don't discriminate based on race, religion, age, nationality or other demographic in a "right/wrong" sense, but we do assess people based on perceived abilities in the workplace... and we do this within seconds! Don't beat yourself up about this! We do this because we are not so far removed from millions of years of survival programming! A person's life often depends upon making quick judgments! And if not a *quick* judgment, it had to be a *good* judgment as eating the wrong thing could mean death and if you were the leader, the death of the tribe! The good news now is, though we like to make efficient decisions, we have more time and more tools to evaluate people! However, a Manager often has to make quick decisions. Your people sometimes expect it! And good judgment would tell you if a quick decision is necessary or if perhaps it would be best to think about it awhile. It does not take long for staff to recognize if their Manager has good, poor or mediocre judgment. Staff will make very quick judgments about the abilities of their leader... and they will not rally behind a Manager with poor judgment.

The authority on Judgment is Dr. Steve Byrum. Dr. Byrum created a special version of the Hartman Value Profile System which evaluates an individual's judgment within minutes just by completing a puzzle. This system is used by the Citadel, Mayo Clinic, MD Anderson and other elite organizations. These organizations use Byrum's version of the Hartman Value Profile instead of other personality categorization systems such as Predictive Index, Myers Briggs, Disc, Caliper, etc. We are not so interested in whether you are a Blue and the other Manager is a Red and if this or that is how a Blue and Red communicate. Though this may be



interesting and perhaps helpful, we are much more interested in a person's JUDGMENT! We want the person that thinks it is a bad idea to smoke dope, or text and drive!

In Hospice, most of our work is done autonomously. Therefore, we MUST have systems that evaluate judgment right from the start! An organization's reputation is at risk with every visit and interaction. WE MUST HAVE PEOPLE WITH EXCELLENT JUDGMENT!

Not everyone is equal in ability and judgment. This must be taken into account when we consider Predictability. Predictability is of HIGH value. It is what makes repeat customers. Predictability is why we have designed and used Visit Structures and why we devote time to every aspect of the care experience. We want to make people FEEL good. THEREFORE, we recognize that personal judgment varies and, to the extent practical,

we remove discretion at the operating level. This increases predictability.

Spending time on D or C players does not give you a great ROI. A Manager with good judgment, perhaps after some instruction, would see the cause-and-effect relationship. While you spend valuable time on a D or C player, your A and B players are not getting attention. Then your A or B players aren't receiving focus... Therefore, an A might become a B, or choose to be an A player for your competitor...

Professional Judgment is Needed with Standards

Standards are structures of an organization. They are needed to create predictability. Standards tell us what to do in our normal course of work. However, a Manager will face times when he or she will need to make professional judgments regarding the application of Standards in light of the welfare of the organization and ROI.

Example: A highly talented employee goes "haywire," openly breaking a Standard due to a personal gripe with Management. The Standard that has been violated would normally be a firing offense; however, it does not impact customers and clients, as it is internal. The department is also facing several other expected as well as unexpected departures of staff and is coming into a busy work period. What is the Manager to do?

In this case, the Manager's professional judgment comes into play. The Manager would contemplate the situation from many angles considering the result of each course. To cut through the possible alternatives, the Manager must look at the "overall" or best course for all involved and the ROI to the organization... and sometimes this means relaxing a Standard temporarily. In this case, the Manager makes a decision, takes full responsibility and also explains the rationale for why he or she is deviating from the normal Uniform Accountability defined for the Standard. This communication is critical as you don't want to confuse your team



with your unexplained actions. If this communication is not done, not only does it confuse staff, it makes Standards meaningless. *“After speaking with the boots on the ground (the front-line people that will be directly impacted by the decision), I have determined that it is best for the company if Mr. Haywire continues for now, at least until we get some a replacement in place. Our customers are happy with his services and if we terminate him right now, it would make things very difficult for the staff that will have to cover for his absence, thereby increasing the likelihood of a service failure as well as unnecessarily stressing out present staff. This gripe is a personal attack against me... He has been directly confronted and counseled on the matter... After we get through this, I want to revisit his employment status and we can make a final decision based on his behavior...”* This is an example of an explanation for a deviation from Standard so that everyone understands. Those impacted normally will be in agreement! If they are not, get rid of Mr. Haywire. And, if Mr. Haywire does not come back into Standard immediately, terminate Mr. Haywire’s employment

The military, a highly structured organization, has had to handle deviations from Standards forever. A deviation from Standard is NOT the norm... but on occasion, it does and should happen. Example: The soldier that disobeys a direct order to leave his post because he believes he would be most useful delaying the enemy and giving an opportunity for his buddies to retreat and survive.

In the case of a termination or confrontation, the adage “choose your time and place of battle if possible” applies. This means if you need to fire the Biller, it is better to do it after the billing has gone out! If a Manager needs to deliver a difficult message or do a difficult task, the Manager needs to prepare as best he or she can as expediently as possible (FEELING prepared gives the Manager more confidence) and then execute the decision. Sometimes during the delivery, new information will come to light and the Manager will again have to make a professional judgment. A good illustration of this is when emotions are running hot. If a person is very stressed and is predisposed to explode in a rage, a Manager with good judgment will wait until the person cools down.

Standards are guidelines...but there is a time to deviate from Standards like in the case of United Airlines flight 3411 where the paying passenger was “dragged” off the plane to accommodate United crew at the last minute traveling elsewhere. In this situation, were the United employees “bad people?” Were the police “bad police?” Or were both just trying to do their jobs and follow company/department policy? Were they all scared of losing their jobs if they didn’t force the man off the plane? **This is an example of where “professional judgment” was lacking.** Could this situation have been handled differently by those at the gate? Could someone in charge have said, *“This is not going to go well, I’m going to make a decision right now and I’LL take RESPONSIBILITY for the results...”* Offer \$1,000, \$2,000, \$3,000!” What is a negative PR disaster worth? This is what good judgment is about!



To make matters worse, the CEO was so “out of touch” with consumers that he issued a statement of support for the way the situation was handled! Then backed off...went before a congressional hearing...and told of all the ways United was changing policy...only to have more and more incidents happen! He was NOT being accountable... Again, poor judgment at the top in this case!



Accountability Structures and Practices

There are multiple ways to increase and maintain Accountability. Here are a few:

Accountability Tools/Methods

- **Self-Control** (where anyone has the power to correct anything that deviates from our Standards)
- Compensation
- Videos of all Employees and Candidates
- The Personal Inspection of Work - Lead from the Front
- No committees (It is hard to “fire” a committee)
- All Disciplines Report to a Single Team Manager
- Peer Reviews
- Focus Board at Meetings
- The “Jar” – Cash in the Can!
- Lock the Door
- Accountability Contracts
- Weekly Update from Managers
- Incident Reports/Essay
- Public Posting of Scores/Results
- Reports with Individual’s Names Denoted for All Areas

NOTE: Counseling is not an effective method of Accountability.
However, it is often necessary in conjunction with other Accountability Methods.



All Accountability contains some “pain” when a Standard is not maintained.

Self-Control – Self-Awareness

The concept of “Self-Control” or “Self-Awareness” relates back to Our Training Commitment where any individual that recognizes a deviation from our *Standards* is empowered to correct/regulate the situation. This could range from correcting the running of an IDT meeting (rebooting the meeting) to documentation of how a phone call was answered. This is an enormously powerful Accountability enhancement that is cultural in nature. However, for “Self-Control” to be implemented, CLEAR *Standards* need to be established. These *Standards*

would include operational *Standards* as well as behavioral *Standards*. This Accountability structure conserves Energy as Accountability is distributed among all staff members.

Peer Reviews

Peer Reviews are a popular trend. They can be used in different ways. The point is to use what works best. Several award-winning organizations do not include supervisors in the peer review process as it became a “bitch list” against the superiors. This could be argued or debated both ways. The point is that the concept is good and you have the liberty to tailor it to your organizational needs. I am not a huge peer review guy yet, but with the right influence, I could be swayed.

Public Posting of Performance

The public posting of performance works. This shows attention to work and clearly identifies what the organization values or desires. Regarding financial and operational reports, we highly recommend that reports show the name of the Manager of each area. *We do not recommend that Hospices issue separate financial/operational reports to area Managers.* A single report that shows every area accomplishes two things, - (1) it simplifies the reporting process and (2) it also creates Accountability as everyone knows how each department is performing and if *Standards* are being hit or missed. An element of peer pressure is introduced. In addition, best practices can more easily be identified if everyone is compared to each other. If performance compensation is established as well, motivated staff members will seek to “work for a winner” or a team that consistently hits or exceeds *Standards* and is therefore rewarded every pay period or month. We recommend a report for the overall organization as well as one specifically for all clinical teams (*See the examples at the end of this section*).

The public posting of scores and results for individual team members is also a powerful motivator. Again, an element of peer pressure is introduced. This public posting could range from clinical certifications to clinical productivity. An example would be clinicians that have completed their annual recertification in the Visit Structure as well as a list of those that are still incomplete. This is a great way to signal what the Hospice values and desires. Examples include the *Standard MVI Team/Location Report* and the *One-Page Model Report*. This Accountability structure conserves Energy so that Self-Control can be maintained.

The Personal Inspection of Work

This is where a typical Hospice’s Accountability system breaks down. IF our Accountability system is completely or near-completely reliant upon the supervisor, your system is not very robust. However, the personal inspection of work is still one of the essentials to a great Accountability system. The constraint of the human physical container is time and Energy. Therefore, when building a position, all work must be engineered to be completed within the constraints of time and Energy. For a sustainable job or position, it must be engineered so that all tasks can be completed to 100% of the *Standard*. This includes the personal inspection of work. A Manager should lead from the front. The Manager will get the behaviors they exhibit



and the reward. A constant Management presence on the front line motivates people to do well. Again, this must be “built” into the design of a position. More on this is in the following sections.

Cash in the Can

This is a GREAT Accountability method!!! It is immediate, visible and involves only a small bit of pain. This is a fantastic method to discourage the use of “outlawed” words and phrases as well as promptness for meetings! Dropping an F-bomb might cost someone \$100!

Incident Reports with Essays

This is a relatively easy method of Accountability to implement and it is effective. Using documentation as an example, an RN fails to document a visit to the Hospice’s *Standards*. Upon detection (by Compliance or other), the RN must come into the office that day, fill out an Incident Report, sign it and complete an essay explaining how his or her lack of documentation impacted the team. You will get pushback on this initially. You will also get REAL insight into the behaviors of your team members. Some essays will be filled with excuses as to why they didn’t document to *Standard*. These are the weenies. I think you have to question whether they are fit to represent your Hospice. Other clinicians will take responsibility, which is exactly what you want! “I did it, I fess up. It won’t happen again.” You want people to take responsibility for their actions and to be grownups. This method of Accountability can be applied to many, many things.

Use of Video

The use of video is an ultra-Accountability method!!! This method forces a Student or employee to demonstrate what they have learned. This is a form of public Accountability as the videos will be reviewed by their Teacher, their peer group, the Clinical Leader, sometimes Executive Management, the Clinical Team they will be assigned to, and, of course, themselves. Students understand that all Clinical Visits and interactions are a type of performance. They learn the difference between the “perceived self” and the “objective self” that others experience. This method is *extremely effective* and also conserves a Teacher’s Energy and time. In addition, Students will be far more critical of themselves than a Teacher would ever be...and thus, posture, verbal ticks, body language and such are all brought to the Student’s awareness where they will start to autocorrect or improve. This method offers PROOF that a person can do the Standards of the organization. This is Accountability.



Here is an example of what we expect when developing truly professional Clinical Leaders:

Developing Professional Managers

All Managers on Video Teach (1-7) :

1. Memorize **The Training Commitment**
2. Memorize **System7**
3. Learn to use **Master Teaching Methods**
4. Teach the **Standards**
 - What is a Standard! Why 100%? Two Categories, 3 Attributes, 3 Things to Implement
 - Why Pain? Accountability & Responsibility, Spirituality
5. Teach the **Visit**
6. Teach **Phone Skills**
7. Demonstrate command of the *norms of quality & cost* via **Benchmarking**

8. Provide a **Written Plan to the CEO** how the area will remain at or below the **Model NPR%** with **10% fluctuations of census.**
9. Sign an **Accountability Contract**


The Model

Testing

Testing is a form of Accountability. Students need to understand that they are Accountable for the investment an organization makes in their development and that they are Accountable for their learning. With strong testing, an organization will increase its quality by hundreds and sometimes thousands of percent.

No Committees

There are no “committees” in the Model. Why? Because it is difficult to hold a committee Accountable. Governments use committees all the time. How is that working? Rather, INDIVIDUALS are charged with tasks. This FOCUSES Accountability directly. With this said, an intelligent and humble person will seek out knowledge and input from others. But they also know that they are ultimately responsible and that there is no one to blame if things go badly. Assign tasks to people with Talent who can SEE the vision of the task and are inspired by it! If a person can't see it, they can't build it!



Accountability Contracts

These can replace Job or Position Descriptions. The use of an Accountability Contract further deepens the meaning of Accountability. It is recommended for a Management Position that Managers attach their plan of how they will keep their costs at or below the Model NPR% within 10% increases or decreases in patient-volume.

Compensation

Compensation is your most POWERFUL structural tool for addressing Accountability and creating healthy cultures/workplaces. People behave the way they are paid. This compensation can take the form of financial or non-financial rewards such as emotional satisfaction or an increased inner sense of wellness. However, here the focus is financial. Before I came to Hospice, I worked for a company that specialized in Compensation Systems. In my first Hospice experience, we implemented a performance-based Compensation System for clinical staff (quite awkwardly at that...and not for non-clinical because we didn't know how to do it at that time...now Indirects are a breeze). The result was a 100% increase in productivity, for all disciplines except one, and a 100% increase in the timeliness and quality of documentation. I've seen similar results at ANY Hospice that has a well-thought-through, SIMPLE performance comp system (Complicated, stingy or infrequent systems don't work well). Compensation is the fastest way out of financial trouble and the fastest way to create a healthy Hospice culture. Why not let every paycheck become an automatic report card?



Accountability Contracts

This is a quite revolutionary tool as it is a powerful communication of the importance of Standards and establishes Accountability as well as setting up legal protections for the organization. The Accountability Contract can replace or augment Job or Position Descriptions. The use of an Accountability Contract further deepens the meaning of Accountability. For all Management positions, it is also recommended that each Manager provide a written plan of how they will keep their costs at or below the Model NPR percentages within 10% increases or decreases in patient-volume. We recommend rolling out Accountability Contracts before or along with the performance pay system to help set the stage.

Here is an example of an Accountability Contract:

May 19, 2017

Yes! I _____ want to be part of Sunny Day!

As a Life-Changing organization, I want to be part of this movement towards the highest ideals of quality and performance! I realize that Sunny Day is a teaching organization first and foremost, therefore, my ability to advance (in most positions) will be determined by my ability to teach others.

I understand that all people ultimately set their own compensation via the VALUE they create. That, in fact, in order to earn more, one must do more than one is already being paid from a philosophical viewpoint. That is, it is earned.

I take personal responsibility for my life and my circumstances. I am an adult and not a child. Therefore, I want to be held Accountable for my performance, both behavioral and productivity. I am a true professional and should be treated as such. Therefore, as a true professional, I will not need to be supervised or managed to make sure I am doing my job. I understand the concept of Self-Control or Self-Regulation and how important this is to Sunny Day to build strong team members which others can totally rely upon as we are an organization of mutual reliance.

I understand the Standards of Sunny Day. They are 1) Clear, 2) Impressive and 3) Sustainable. I certify that I can do them 100% of the time on a day-to-day basis as there is nothing unreasonable in the Standards of Sunny Day. In fact, the Standards are just "doing my job." If I am a Manager, I must also manage costs at or below Standards within 10% increases or decreases of Average Daily Census. If I am a Manager, I have prepared a written plan of



how I will keep my NPR (Net Patient Revenue) percentages at or below the established NPR Standards and have given it to the CEO or COO. If I exceed the NPR Standard, my Standards Bonus or a portion of it, which I am expected to receive 100% of the time, will not be given. The Standards Bonus is a bonus that Sunny Day expects all team members to receive every pay period. Clinical Leaders manage to a Contribution Margin and NOT by line item in order to allow creativity and innovation.

I further acknowledge my understanding and complete agreement with the following:

- The Standards of Sunny Day can be changed at any time as needed.*
- I do not need an annual review regarding my performance as I know every day whether or not I am doing my job. If I do not know, I will immediately (within 1 day) inform my Manager.*
- At any time, I may be asked to do work that is outside my position or field on a permanent or temporary basis.*
- My compensation rates or methods can be changed at any time. In fact, I expect this to be done periodically as a normal part of the evolution of Sunny Day in its search for the best ways of operating.*
- If I am ever in a Supporting or Indirect position (Clinical Management, Faculty, HR, IT, Finance, Compliance, etc.), I will work at least two (2) non-concurrent months of the year in another (dissimilar) position. This is for internal control and cross-training purposes.*
- All passwords must be disclosed if requested by the immediate Manager, CEO or COO.*

I, _____, having read and fully acknowledge my understanding of this Accountability Contract, do certify that I WANT TO DO THIS! In fact, I am happy to be with this organization of my own free will!

Sincerely,

*Jill Nice, CEO & Chief Teaching Officer
Sunny Day*

APPROVED:

_____ _____
Date

(Person Approving Agreement)



(Print Name)

There are several important points that should be included in an Accountability Contract:

- A single agreement should be used to make it simple as well as to communicate the essence of what it means to be a Manager.
- It is a free and willing acknowledgment of Standards and what the employee or Candidate is committing to.
- It includes a provision for the modification of compensation at any time. This is needed as the organization evolves and different things are needed.
- It is a teaching document. The Accountability Contract itself teaches.
- It emphasizes that teaching is the core of the company and is the skill that will enable advancement.
- It incorporates protective measures such as job rotation and cross-training so that the organization is not dependent upon a single person for a key function.
- Incorporates *internal controls* as a result of job rotation as things such as embezzlement and fraud can be identified when another person performs a duty and can recognize irregularities.
- It provides a philosophical explanation of the organization's compensation practices with an emphasis on the creation of value.
- It teaches how Managers are "asset allocators" and are directing Energy and Resources...and that they have additional Accountability to manage the ups and downs of census.



Remove 4 HUGE Duties from Clinical Leaders!

There are 4 duties that can be removed from Clinical Leaders with a Compensation System linked to Standards. The only known way to remove these is via the Compensation System. They are the need to:

- Monitor Documentation
- Monitor Productivity
- Annual Evaluations
- Need to Fire Employees

All 4 of these things can be eliminated! It is almost hard to believe! The question that comes to most people's mind is "If the Manager isn't doing these things, who is?" The answer is, "Your systems!" Part of the design of a great Compensation System is that all supporting systems are "sensitized" to detect any deviation from Standard. You want your systems to do the work for you. This includes getting rid of negative aspects of Management.

The purpose of removing these duties is to free up time to do the *1st Duty* of a Manager, the duty to teach as all quality comes from the quality of our people. The *Extraordinary Clinical Leader* will devote most of his or her time to teaching. Therefore, we design *structures and systems* in the Model that remove common and often unpleasant tasks of management and work where possible.

Sensitize Your Systems

As part of the Compensation System, several Indirect and Supportive areas will change the way they operate. There are really only 3 things that will be monitored and applied to all clinical disciplines in all areas. They are 1) Documentation, 2) Productivity and 3) Quality. If you can't get the Quality component, you can do it with only the first two! However, normally there is something in the EMR that be pulled in report form that can easily indicate Quality.

Compliance/QA – Compliance samples charts on a weekly basis to a 90% statistical confidence interval. This is a surprisingly small number of charts. It randomly picks charts like an auditor would and reviews them. If ANY element of the chart is not to Standard:

1. A checkmark is placed on a simple manual employee list, denoting a deviation from a Standard. This will be turned into Payroll before the next payroll run.
2. A Standardized email is sent to the individual with a link to the Documentation Self-Learning Module and the Manager is copied on the email. The clinician has 1 day to



complete the self-learning module. The Manager at this point has awareness of an area to teach and coach providing an opportunity for “ride-a-longs” or other teachings.

- Standards Pay is not paid. This is structured as a bonus of 10%, a bonus that is paid for simply doing one’s job with no stretch or goals.

Compliance – Audit Sheet

Audit to an 90% Confidence Interval over a 3, 6, 9 or 12 Month Period (depending upon # of Employees)

	NAME	Email Date/ Error Type											
	Pay Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period
		1	2	3	4	5	6	7	8	9	10	11	12
1	Doe, Jane	3/19 A											
2	Smith, Sally												
3	Brown, Robert			4/16 B									
4	Dally, Dilley												
5	Nice, Jill												
7	Bob, Billy						5/21 C	6/2 C	6/18 A				

A = Use of non-organizational language
 B = Signatures not timely/not signed
 C = HHA Supervision 14 days
 D=Visit not adhering to the POC
 E= Other

For this sequence to happen, ideal charts must be created for the most prevalent diagnosis groups.

IT – Creates or modifies output reports from the EMR for 1) Productivity and 2) Quality, which could be Average Pain Scores, satisfaction scores or any other indication of satisfaction with services. They key is that it must be EASY to access in the EMR. An “exception report” is recommended that isolates only clinicians that are not at Standard in Productivity or Quality. These reports would be run by Payroll immediately before a payroll run. Any person that is below Standard:

- A checkmark would be put next to the employee’s name.
- A Standardized email is sent to the individual with a link to the Productivity or Standards Self-Learning Module and the Manager is copied on the email. The clinician has 1 day to complete the self-learning module. The Manager at this point has awareness of an area to teach and coach providing an opportunity for “ride-a-longs” or other teachings.
- Standards Pay is not paid. This is structured as a bonus of 10%, a bonus that is paid for simply doing one’s job with no stretch or goals.

Finance – Finance is involved with the calculation of payouts based on “Savings” from performance that is LESS than the Team or Department Standard of Net Patient Revenue (NPR). This calculation normally comes from the MVI Comprehensive and Team/Location Reports. Finance must denominate this “Savings” difference in dollars, where it is distributed in the established proportions to the Manager and on an FTE basis. This is why the NPR



Standards are not “ratcheted” down too tight. Many think that the 38% Direct Labor or 17% Patient-Related amounts are difficult. The truth is that the 38% is only 3% less than the median Hospice! And the 17% is only 1.5% less than the median! This means that with a little effort and the adoption of a few “best-known practices,” a Hospice Clinical Leader can MASSIVELY outperform the MVI Model! Direct Labor can be driven down to 32%! And by just using Wise Hospice Options (Grant F.) Patient-Relateds can drop to 14%! This opens up tremendous bonuses based on SAVINGS! There are no other words to describe it! These savings are calculated and bonuses are cut out on a monthly basis after the financial reports are run (which should be by the 3rd week of the month). It is literally that simple! The discipline that is involved is DON'T GET GREEDY! Even though you know that Clinical Leaders can beat the Model, don't change it! Settle for the CUMULATIVE 14%!

Payroll – Before a payroll run, the person (as it only takes ONE person for even thousands of employees) reviews the lists and reports. For anyone with a check, Standard Pay is not given. It is that simple...

This small disappointment in Self...does the work for the organization. The denial of Standards Pay (a bonus for just “doing your job”) is not enough to materially impact a person's Life...but it may be enough to rethink Starbucks the next week! The impact is normally an EMOTIONAL impact as we all want to FEEL we are doing our job! The slightest idea we are somehow “isolated” or “let down” the group, even for a brief period, is enough to motivate most people to do the Standards of the organization! Standards Bonus is a form of pain...and there is HIGH value in pain. It is a slight pinch that helps our organizations become WORLD-CLASS! It is Accountability! A trait of all top-rung organizations! And it requires little expenditure of Energy!



Self-Control – Self-Regulation – The Delay of Gratification

This quality is present in most highly successful people over extended periods of time and throughout human history. Studies show that this quality is present in most highly successful people, especially in the financial domain and it may be *the skill that matters most*.

The person that has the foresight not to gobble down all their food, when food is not plentiful, has a greater probability of surviving during hard times. All of human history is filled with cycles of abundance followed by periods of lack. This conservation of resources plays a key role in surviving dangerous situations as well as in the business world. Organizations and people that have a great deal of debt (especially low ROI debt) usually lack Self-Control. Self-Control is linked to Intelligence and discipline. Self-Control is the ability to delay gratification until a future time. Self-Control has a great deal to do with one's emotions. Self-Control is (paraphrased), the ability to say no in the face of temptation and to take sustained action, despite the difficulty of a given challenge. At its heart, Self-Control requires the ability to delay gratification. More commonly, it's called discipline or willpower. Without Self-Control, we can't accomplish really anything of enduring value. And we rarely pay much attention to this quality.

Here's a textbook definition:

Self-Control is the ability to control one's emotions, behavior, and desires in order to obtain some reward, or avoid some punishment. Presumably, some (smaller) reward or punishment is operating in the short term which precludes, or reduces, the later reward or punishment. In psychology, it is sometimes called self-regulation. Self-Control is essential in behavior to achieve goals and to avoid impulses and/or emotions that could prove to be negative.

Some say that Self-Control is the skill that matters most in business such as Nathan DeWall of the University of Kentucky. If this is the skill that matters the most, then shouldn't it be cultivated in our people?

Self-Control is greatly influenced by Energy levels. When one is tired or weary, one's willpower decreases and Self-Control decreases as well. This is a core concept regarding Self-Control. Therefore, diet, exercise and sleep all play a role on a physical level. However, a HUGE amount of Energy is utilized mentally, especially when solving problems. The demands of work often dictate solving problems. For a CEO, there is a constant demand for Energy...and it can deplete an executive's Energy reservoir quickly, leaving a CEO in a lax state or oblivious to the needs of the organization.



If you use your Energy at prudent times, in prudent ways, you spend less of it, which leaves more in your reservoir to exercise Self-Control. For example, it serves us best to do our most challenging work in the mornings, when our Energy reserves are highest and the number of potential distractions we face are fewer.

The most undervalued way to increase Self-Control (and effectiveness) is to renew our Energy reservoir more frequently. For example, the researcher Anders Ericsson has shown that great performers sleep as much as two hours a night more than the rest of us — at least eight hours a night on average, compared to just over six hours a night for the average American. Teaching and leading is a form of performance.

The irony is that the more conscious effort you expend to build new behaviors, the more you will use them. The quicker you burn your reservoir, the more likely you are to revert to your old behaviors (habits).

That's why the ultimate practice to increase and maintain Self-Control is to build “rituals” or habits. Rituals (habits), meaning highly precise behaviors, done at specific times, until they become automatic so they no longer drain your reservoir and undermine your capacity for Self-Control. This directly links to MVI's use of IRMs (Image Recall Mechanisms and the creation of habits). IRMs allow staff members to conserve Energy so they can direct it toward the highest consideration of patients and families.

It is good advice to build powerful habits around everything from when you do your most important work, to how you respond when you feel triggered, to how you do a clinical visit, to how you answer the phone, to when you work out, to what time you turn out the light at night.

“Civilization advances,” said the mathematician Alfred North Whitehead, “by extending the number of important operations which we can perform without thinking about them.” Thinking takes Energy. Thinking too much decreases Self-Control. This leads us directly into the development of habits, which is addressed in People Development, the most important topic for any organization, and “Our Training Commitment.”

**High profits & large financial reserves,
personally and organizationally, are
signs of Self-Control.**



Accountability is Spiritual

A Hospice needs to nurture spiritual values by teaching them. Since spirituality is something a Hospice wants to foster based on the demographics of people that are drawn to Hospice work, a Hospice may consider attaching a “spiritual principle” with each *Standard*. This takes some of the “punitive feel” out of Accountability. Accountability is spiritual! Most faith communities and traditions hold a position that we are all accountable for how we spend our lives.

Accountability is Spiritual!

**How does an organization
take the
“Punitive Feel”
out of Accountability?**

828-698-5885  

**By attaching
Spiritual
Principles/Values
to each Standard and then
teaching them well.**

But this is not so easy...as spirituality comes from the
CEO's and each Leader's personal enlightenment...

828-698-5885  



Here are the *Standards* of this Organization with the 3 Keys to Implementation

We use only **ONE** method of Accountability for each *Standard!* Limit discretion at the operating level!

	(1) Establish <i>Standard</i>	(2) How to Teach the <i>Standard?</i>	(3) Attach Accountability
1	Teach Well and use SD Language.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Internally, we use a 7 step teaching method for most topics. It is based on both intellectual and emotional learning. It is referred to as our Teaching Well system. 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate Learning 7. Certify and retest annually <p><u>Spiritual Principle</u> Teaching is one of the most important spiritual skills a person can develop. As we teach, we grow and advance and in turn, help others do so as well. This creates great karma!</p>	<p>Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.</p> <p>\$2.00 in the clear glass "RESPECT" jar in the meeting room.</p>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
2	Never pass work on that doesn't meet 100% of SD Standards!	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Use Documentation as an example. Show a chart with an error. What do you do? <ol style="list-style-type: none"> 1) Inform the person responsible. However, at this point the person that detects the problem owns it. 2) Inspect the problem the next day, if the problem has not been remedied, report the problem to the Manager. 3. Demonstrate 4. Written Test 5. Have CL and other Managers set up a room. 6. Practice: Give Students a few charts to review with one having an error. Have the Student address the issue. 7. Certify and retest annually <p><u>Spiritual Principle</u> We are all dependent upon each other. Each of us must exercise Self-Control to make sure that our work as well as the work of other team members is at <i>Standard</i> all the time.</p>	Complete Incident Report and Essay "How My Error" impacts the Team. Sign the Incident Report.



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
3	<p>Perfect Phone Interactions.</p> <p>All phone calls are answered within 3 rings by a real person in the SD Way!</p>	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Have Students field practice calls. 6. Record 3 test calls 7. Certify and retest annually <p>Mystery/Quality Call Program – Performed monthly.</p> <p><u>Spiritual Principle</u> We develop spiritually when we are in the service of others and help people feel better or inspire them.</p>	<p>Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.</p>
4	<p>Response to referrals: “Yes! We can help!”</p>	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Have Students field practice calls. Most of this can be done when training <i>Standard 3</i>. 6. Record 3 test calls 7. Certify and retest annually <p><u>Spiritual Principle</u> We can always help! No one calls Hospice without a reason. We exist to help and to be of service to others.</p>	<p>Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.</p>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
5	<p>Perfect Visits.</p> <p>This includes Perfect Documentation.</p>	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Practice in Synthetic Lab with various scenarios. 6. Evaluate lab practice. Have Students view their videos and critique their visits. 7. Certify and retest annually <p><u>Spiritual Principle</u> A visit or phone interaction contains many spiritual elements. We want patients/families to experience the feeling of comfort and compassion from a system of care that they can have faith in. We want our visits and phone work to have a similar look and feel so as to not confuse or cause anxiety or pain. This comes from a <i>Standardized</i> way of doing visits and answering the phone. The visit/phone structures are aids to help us not miss important things, to make work easier, to inspire and to help your personality come through.</p>	<p>Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.</p> <p><i>Standards Pay bonus is not given (normally 10%) in the next payroll run.</i></p>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
6	Dress in SD apparel according to our <i>Standards</i> of hygiene and grooming.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class. Dress the example. Teach how dress increases the confidence levels of patients/families and makes us “visible” in facilities instead of “invisible.” No uniforms are issued until a person completes onboarding. 3. Demonstrate 4. Written Test 5. Issue Uniform 6. Have Students come in uniform. Verbal scenarios. 7. Certify and retest annually <p><u>Spiritual Principle</u> Patients/Families/Referral Sources feel more confident when working with uniformed people. Groups that have uniforms are more powerful than ununiformed groups.</p>	Immediately send home any person that reports to work out of <i>Standard</i> . When the person returns in <i>Standard</i> dress, have the person complete an Incident Report and Essay explaining how it impacts the team.
7	Team rooms, workplace and teaching environments are maintained and set up to SD <i>Standards</i> . Everything has a place.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Provide room layout and setup plan. 3. Demonstrate 4. Written Test 5. Have GM and other Managers set up a room 6. Teacher observes and signs off 7. Certify and retest annually <p><u>Spiritual Principle</u> Teaching and meeting rooms are special and sacred spaces. Clean and organized environments help people feel better and help them focus on the topic at hand.</p>	Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
8	Time to Meet, Ass in the Seat!	<ol style="list-style-type: none"> 1. Explain Why & How in Class 2. Demonstrate 3. Written Test, annually <p>Managers model or “act” the Accountability attached to this <i>Standard</i> in front of each other.</p> <p>Lateness disrespects people’s time. If a person is late to meetings, they are probably late on visits as well. Timeliness matters.</p> <p><u>Spiritual Principle</u> We are “respecters of time.” We are considerate of this valuable and unredeemable constraint in our atmosphere of mutual respect.</p>	A “late” jar is placed on the meeting room table or in front of the class. All individuals that are late must put in \$5 when they arrive at the meeting.
9	Meetings run according to the TAMS System.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class. A Manager needs to think ahead, then delegate resources effectively and make sure that things get done. Thus the acronym <i>TAMS</i>. T - Think A - Assign MS – Make Sure 3. Demonstrate 4. Written Test 5. Have Managers run a meeting according to this system 6. Teacher observes and signs off 7. Certify and retest annually <p><u>Spiritual Principle</u> Meetings are to be effective. Every meeting has a Manager and that Manager is accountable for the time and resources used to further advance the mission.</p>	Complete Incident Report and Essay “Why the TAMS is used.” Sign the Incident Report.



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
10	A Task List is used for all ongoing maintenance.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class This document helps people make sure that our buildings and grounds are well maintained. 3. Written Test <p><u>Spiritual Principle</u> Our buildings and surroundings are reflective of our inner state. Therefore, we want our soundings to be neat and orderly.</p>	Complete Incident Report and Essay “Why our Buildings and Grounds need to reflect our Inner State of Being.” Sign the Incident Report.
11	All service failures are reported immediately to the CEO (Chief Teaching Officer/COO.) Remedy before the sun sets or at most, within 24 hours.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Practice: Use Standup Call-Outs “What would you do if XXX happened?” 6. Evaluate responses 7. Certify and retest annually <p><u>Spiritual Principle</u> When we fall short or miss the mark, it is our duty to seek reconciliation with those that are offended or harmed. The sooner this is done, the better.</p>	<p><i>Standards Pay bonus is not given (normally 10%) in the next payroll run.</i></p> <p><i>Failure to report material service failures or “gifts” can result in immediate termination of employment as this breaks our entire system.</i></p>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
12	Live the NPR percentages and productivity Standards.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Show the Management Reports used by the organization with NPR percentages and the Managers' names. Using Call-Outs, demonstrate that if a Manager is over by .1 or more of the NPR percentage the Manager's Standards Pay is not given in the next payroll run. All Managers must learn to manage within 10% swings of census volume. Managers are being paid to be PROFESSIONAL Managers! 3. Demonstrate 4. Written Test 5. Practice: Use Standup Call-Outs "What would you do if XXX happened?" Provide example report scenarios. 6. Evaluate responses 7. Certify and retest annually <p><u>Spiritual Principle</u> Money is a spiritual tool where we learn spiritual lessons. We learn in lack as well as abundance. It is spiritual not to be wasteful with what we have been entrusted with.</p>	<i>Manager's Standards Pay bonus is not given (normally 10%) in the next payroll run if the department's NPR% exceeds the NPR% Standard.</i>
13	Financial/Operational reports and Performance Compensation on time. Financials out by the end of the 3rd week after month-end.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Teach that financial and operational reports lose their value if people can't link cause and effect. 3. Demonstrate 4. Written Test 5. Practice: Standup Call-Outs "Why are timely reports important?" 6. Evaluate responses 7. Certify and retest annually <p><u>Spiritual Principle</u> Learning is facilitated with timely information where we understand the cause and effect of activities and methods.</p>	<i>The CFO's Standards Pay bonus is not given (normally 10%) in the next payroll run.</i>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
14	All procurements are processed via protocol with approved value-chain vendors.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Teach that we have a specific list of vendors and that all orders must be done a certain way. Provide multiple concrete examples of how to use the procurement system. 3. Demonstrate 4. Written Test 5. Practice: Use Standup Call-Outs “What do you do if you need XXX?” 6. Evaluate responses 7. Certify and retest annually <p><u>Spiritual Principle</u> In order to create a high-quality, predictable experience for everyone, we need to use <i>Standard</i> and established vendors. This also helps us be better stewards of resources.</p>	Complete Incident Report and Essay “How Use of Non-Approved Vendors Breaks our System.” Sign the Incident Report.
15	100% documentation to SD Standards. <i>This can be omitted when standard Visit Structures are in place and are used.</i>	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Teach how it is only via “the chart” that we can operate as a true interdisciplinary team or have any such claim. It is our basis of existence. Teach that 70% of the detail of the visit is lost after 6 hours. 3. Demonstrate 4. Written Test 5. Practice: Done in the Synthetic Lab during Visit practice as well as in Documentation practice. 6. Evaluate responses 7. Certify and retest annually <p><u>Spiritual Principle</u> To help patients/families feel confident that we are communicating as a team, we utilize our EMR. We don't put patients/families through the agony of asking the same questions over and over.</p>	Complete the Link to Self-Learning Module with the Test to be completed within 24 hours. <i>Standards Pay bonus is not given (normally 10%) in the next payroll run.</i>



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
16	Internal ADR requests (from QAPI Department) within 2 business days.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Show Managers how to process a request. 3. Demonstrate 4. Written Test 5. Practice: Provide synthetic ADR requests and have the Manager process them. 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> We are in the service of each other. As we are dependent upon each other economically, we must make sure that we comply with the rules of the land. This enables us to continue to serve.</p>	<i>Standards Pay bonus is not given (normally 10%) in the next payroll run.</i>
17	TJC/CHAP accreditation without deficiencies.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> Growing and becoming better are spiritual endeavors. This accreditation helps motivate us to be better as well as helps us correct things that may be overlooked.</p>	<i>The Managers' Standards Pay bonus is not given (normally 10%) in the next payroll run.</i>
18	Live the <i>Sunny Day Way</i> and the <i>Description of Culture</i> .	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Written Test <p><u>Spiritual Principle</u> We want a productive, peaceful and spiritual culture. This atmosphere helps to cultivate Talent within our organization.</p>	Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
19	All staff credentials – CME/CEU/CPE and annual certifications completed on time.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> We are interested in the personal evolution of each person. Growth is part of life, professionally and personally. We, therefore, recognize and use systems and methods to help individuals advance.</p>	<i>Standards Pay bonus is not given (normally 10%) in the next payroll run.</i>
20	No training is considered done unless testing has been done.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Managers are trained in testing and the evaluation of Student learning including: Call-Outs, Stand-Up/Call-Outs 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> We are Teachers. Master Teachers incorporate the evaluation of Student learning so that we know that learning has resulted. This is a principle that can be used in our professional as well as our personal life.</p>	Complete Incident Report and Essay “Why Is It Important to Evaluate Student Learning?” Sign the Incident Report.



	(1) Establish Standard	(2) How to Teach the Standard?	(3) Attach Accountability
21	All teaching is done according to <i>System7</i> based on the methods of Master Teachers.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class All training, if possible and practical should be done according to System7, which is used when training nearly all of our Standards. 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> We are Teachers. This system is proven to help Students learn intellectually and emotionally. To Teach Well means to teach on both an intellectual and emotional basis.</p>	Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.
22	Spiritual values, meaning & purpose are formally nourished bi-weekly via the <i>Letting Go/Surrender</i> and <i>Transformation Four29</i> Meetings.	<ol style="list-style-type: none"> 1. Issue Self-Study Module 2. Explain Why & How in Class Managers are shown the various programs that can be presented. Manager “models” a spiritual class. 3. Demonstrate 4. Written Test 5. Practice 6. Evaluate 7. Certify and retest annually <p><u>Spiritual Principle</u> We highly value spirituality and spiritual values as a company. They are part of our DNA. We recognize that people in our work seek meaning and purpose. Therefore, we create an atmosphere that nurtures this important dimension of life.</p>	Complete Self-Learning Module Link is emailed and is to be completed within 24 hours.



Examples of *Standards* (The Simplest)

Creating the Sunny Day Experience for Every Person, Every Time!

The 5 Sunny Day *Standards*! **100%** is the Sunny Day Way!

We are here simply to help people FEEL better!

Creating an Extraordinary Experience

1. Perfect Phone Interactions.
2. Dress in SD apparel.
3. Perfect Visits with Perfect Documentation.
4. Time to Meet, Ass in the Seat! – *Eight58, Eleven17, Transformation Four29*
5. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets.

Examples of *Standards* (Simple)

Creating the Sunny Day Experience for Every Person, Every Time!

The 12 Sunny Day *Standards*! **100%** is the Sunny Day Way!

We are here simply to help people FEEL better!

Creating an Extraordinary Experience

1. Teach Well and use SD Language!
2. Perfect Phone Interactions. All phone calls are answered within 3 rings by a competent, real person in the SD way.
3. Perfect Visits. This includes Perfect Documentation.
4. Dress in SD apparel according to our *Standards* of hygiene and grooming.
5. Team rooms, workplace and teaching environments are maintained and set up to SD *Standards*. Everything has a place.
6. Time to Meet, Ass in the Seat! – *Eight58, Eleven17, Transformation Four29*
Meetings
7. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets, or at most, within 24 hours.

Financial & Time Management Excellence

8. Live the NPR percentages and productivity *Standards*.
9. Financial/Operational reports and Performance Compensation on time. Financials out by the end of the 3rd week after month-end.



Compliance Excellence

10. TJC/CHAP accreditation without deficiencies.

Professional & Personal Development/Evolution

11. All teaching is done according to *System7* based on the methods of Master Teachers.
12. Spiritual values, meaning & purpose are formally nourished bi-weekly via the *Letting Go/Surrender* and *Transformation Four29* Meetings.

Examples of *Standards* (Expanded)

Creating the Sunny Day Experience for Every Person, Every Time!

The 22 Sunny Day *Standards!* **100%** is the Sunny Day Way!

Learning¹ & Teaching² are the primary drivers of Sunny Day. Learn¹ and Teach² Well!

Creating an Extraordinary Experience

1. Teach Well and use SD Language!
2. Never pass work on that doesn't meet 100% of SD *Standards*.
3. Perfect Phone Interactions. All phone calls are answered within 3 rings by a competent, real person in the SD way.
4. Response to referrals: "Yes! We can help!"
5. Perfect Visits. This includes Perfect Documentation.
6. Dress in SD apparel according to our *Standards* of hygiene and grooming.
7. Team rooms and workplace maintained and set up to SD *Standards*. Everything has a place.
8. Time to Meet, Ass in the Seat! – *Eight58*, *Eleven17*, *Transformation Four29* Meetings
9. Meetings run according to the TAMS System.
10. A Task List is used for all ongoing maintenance.
11. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets, or at most, within 24 hours.

Financial & Time Management Excellence



12. Live the NPR percentages and productivity *Standards*.
13. Financial/Operational reports and Performance Compensation on time. Financials out by the end of the 3rd week after month-end.
14. All procurements are processed via protocol with approved value-chain vendors/partners.

Compliance Excellence

15. 100% documentation to SD *Standards* - timely, complete & accurate.
16. Internal ADR requests (from QAPI Department) turned around within 2 business days.
17. TJC/CHAP accreditation without deficiencies.

Professional & Personal Development/Evolution

18. Live the *Sunny Day Way* and the *Description of Culture*.
19. All staff credentials/CME/CEU/CPE and annual certifications completed on time.
20. No teaching or people development has been done without testing.
21. All teaching is done according to *System7* based on the methods of Master Teachers.
22. Spiritual values, meaning & purpose are formally nourished bi-weekly via the *Letting Go/Surrender* and *Transformation Four29* Meetings.

Self-Control and Empowerment! Every ***Talent*** at Sunny Day should understand our way and has the power to address ANY activity or behavior that deviates from our Standards. It is everyone's duty to help others adhere to Sunny Day's Standards as well as to regulate one's own behavior within our incredibly positive, life-giving culture. If any person identifies a deviation from any Standard, immediately and tactfully address the deviation with the person responsible first. For recurring issues or for major breaks in protocol, such as breaching confidentiality, always notify the Manager. We all are essential and valuable contributors to the whole...dependent upon each other to create the Sunny Day Experience for every person, every time!

Description of Culture

Systematically delighting clients in a peaceful and productive atmosphere where each talent has the opportunity to explore their personal potentials.



Compensation & the Model

In the table below, you can record some of your own ideas about *Standards* and go through the 3-step process.

	(1) Establish <i>Standard</i>	(2) How to Teach the <i>Standard</i> ?	(3) Attach Accountability
1			
2			
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12			



How to Implement *Standards*

Preparation

1. CEO announces the *Standards* creation process and solicits input.
2. Create your *Standards* with the attributes of
 - a. Clear
 - b. Impressive
 - c. Sustainable
3. CEO finalizes *Standards*.
4. Print *Standards* Cards. These will be changed as needed as *Standards* are a tool to shape behavior and performance. There will probably be some changes that you'd like *immediately!* However, they are usually small changes. You will change these over time, ideally *decreasing* the number of *Standards* over time.
5. Attach uniform Accountability (involving pain) for all behavior or performance that is non-*Standard*. **THIS IS AN ABSOLUTELY CRITICAL STEP THAT CAN'T BE SKIPPED!** Use the template provided. Some Accountability practices may not be able to be implemented quickly (like a Performance Comp system). In this case, use low-tech approaches like Incident Reports with Essays.
6. Attach a Spiritual Principle to each *Standard*. This takes the punitive "feel" out of Accountability and provides meaning and purpose, something virtually all Hospice clinicians seek. The Spiritual Principle must be taught for each *Standard*.
7. Determine how you are going to teach each *Standards* according to *System7*, teaching on an intellectual basis first and then on an emotional basis where applicable.
 - a. **Self-Learning Modules** - Create Self-Learning Modules. We suggest the following:
 - i. Behavior *Standards* (General)
 - ii. Numeric *Standards* (Explanation of these *Standards* in general terms. Not too detailed.)
 - iii. Visit *Standards*
 - iv. Phone Interaction *Standards*
 - b. **Tell** - Create the Presentation – Verbal with complete emphasis on the *Why?*
 - c. **Show** - Create the Presentation – Visuals with complete emphasis on the *Why?*
This would include the creation of:
 - i. *Standards* Cards
 - ii. Manuals – Needed for any serious teaching
 - iii. PowerPoints – Simple but effective
 - iv. *Standards* Flash Cards
 - v. Videos – Where applicable and effective
 - vi. Props – Where applicable and effective
 - vii. Audio – Where applicable and effective



- d. **Test** - Create written tests for the *Standards* and grading method. Objective grading is best.
- e. **Practice** - Create Practice Scenarios where applicable.
- f. **Evaluate Practice** – Create *Standard* criteria for the evaluation of Student performance in scenario practice.
- g. **Certification/Annual Recertification** – Create a tracking system or log to track completion or non-completion. Create this so that it can be used during the initial onboarding of staff as well as annually.

Standards Implementation - Managers

8. Train your Managers using *System7* so they can teach/coach to the *Standards*.
 - a. **Self-Learning Modules** – Give Managers access to the Behavioral and Numeric *Standards* Self-Learning Modules to review on their own.
 - b. **Tell** – Have your top *Standards* Teacher teach the *Standards* in a formal class, teaching the *Why?*. The *Why?* links cause to effect and the personal benefit of adhering to each *Standard*.
 - a. **Show** – Teach to each *Standard* using a 1) PowerPoint, 2) *Standards* Cards and 3) the *Standards* Manual, teaching to the *Why?*. Use Call-Outs to keep some tension in the learning environment. Flashcards are a very good tool in this learning setting.
 - c. **Test** – Test using a ZipScan machine or other objective and speedy grading system. 100% is the only acceptable score. Give each person a limited number of attempts. Example: 3 or 4.
 - d. **Practice** – Have each Manager teach the *Standards* back to the Teacher with each *Teach Back* being videoed. Have each Manager review and critique their performance.
 - e. **Evaluate Practice** – Grade each Manager on each of the major points within the *Standards*, making sure none were missed and that each was taught well, ideally on an intellectual as well as an emotional basis.
 - f. **Certification/Annual Recertification** – Record the completion or non-completion of each Manager with a date.

Standards Implementation – All Staff

9. Train your All Staff using *System7*.
 - b. **Self-Learning Modules** – Give All Staff access to the Behavioral and Numeric *Standards* Self-Learning Modules to review on their own.
 - c. **Tell** – Have your top *Standards* Teacher, or each Manager, teach the *Standards* in a formal class, teaching to the *Why?*.



- d. **Show** – Teach to each *Standard* in a 1) PowerPoint, 2) *Standards* Cards and 3) in the *Standards* Manual, teaching to the *Why?*. Use Call-Outs to keep some tension in the learning environment. Flashcards are a very good tool in this learning setting.
- e. **Test** – Test using a ZipScan machine or other objective and speedy grading system. 100% is the only acceptable score. Give each person a limited number of attempts. Example: 3 or 4.
- f. **Practice** – Have each staff member demonstrate their learning in the following scenarios:
 - i. *Teach Back* the general purpose of *Standards* and why they are important.
 - ii. Identification of a Documentation Error of a Co-Worker. Have each staff member demonstrate *Self-Control* and the principle of “*Never pass work on that does not meet 100% of the Standard.*”
- g. **Evaluate Practice** – Grade each person on each of the major points of the *Standards*, making sure none were missed.
- h. **Certification/Annual Recertification** – Record the completion or non-completion of each team member with a date.

Uniform Accountability

10. Uniform Accountability must be maintained or the *Standards* mean nothing. Avoid “exceptions” as exceptions break the system. All Managers must hold each other accountable. This is part of “*Never pass work on that does not meet 100% of the Standards.*” If it is discovered that a Manager is not practicing uniform Accountability, the Manager should complete an Incident Report with an Essay on “How My Allowance of Non-*Standard* Impacted the Team and the Organization.” Additionally, the Manager’s *Standards* Pay will be deducted from the next payroll.



Accountability – Financial Operational Reports

A great Best Practice idea is the Comprehensive or One Page Financial Model Report. Basically, these reports show on a single page how every functional area of a Hospice is performing regarding the Model as well as who is accountable. It might look like this:

Sunny Day Hospice - Comprehensive Model Report (An F9 Report)									
Period: March YTD									
Area	Leader	Direct Labor	Model	Patient Related	Model	Contribution Margin	Model	Traceable Indirect	Model
Team 1	Sue Brown	30.2%	30.0%	23.5%	22.0%	46.3%	48.0%	4.6%	3.0%
Team 2	Jill Lental	33.9%	30.0%	28.3%	22.0%	37.8%	48.0%	2.4%	3.0%
Team 3	Sam Jones	28.7%	30.0%	19.6%	22.0%	51.7%	48.0%	2.8%	3.2%
Average		30.9%	30.0%	23.8%	22.0%	45.3%	48.0%	3.3%	3.1%
Centralized Direct		Labor	Model			Other	Model	Total	Model
Admissions	Chris Davis	4.2%	2.5%			2.5%	0.3%	6.7%	2.8%
On-Call	Jane Swift	2.2%	2.5%			2.5%	0.3%	4.7%	2.8%
Bereavement	Kim Black	0.7%	1.0%			1.0%	0.1%	1.7%	1.1%
Volunteer	Val Tiff	1.0%	1.0%			1.0%	0.1%	2.0%	1.1%
Total		8.1%	7.0%			7.0%	0.7%	15.1%	7.7%
Indirect Areas		Labor	Model			Other	Model	Total	Model
Administration	Linda White	4.6%	3.0%			0.1%	0.3%	4.7%	3.3%
Medical Admin	Cracker Jack	8.1%	5.0%			0.2%	0.5%	8.3%	5.5%
Medical Director	Larry Reid	2.0%	1.5%			0.4%	0.2%	2.4%	1.7%
Finance	Captain Crunch	2.3%	2.5%			0.1%	0.3%	2.4%	2.8%
HR	Nancy Harpo	0.8%	1.0%			0.1%	0.1%	0.9%	1.1%
IT	Sid Vicous	1.3%	1.0%			0.2%	0.1%	1.5%	1.1%
Medical Records	Cheryl Green	0.9%	1.2%			0.1%	0.1%	1.0%	1.3%
QI/QA	Lin Marko	1.0%	1.0%			0.2%	0.1%	1.2%	1.1%
Education	Alto Sand	1.1%	1.0%			0.2%	0.1%	1.3%	1.1%
Total		22.1%	17.2%			1.6%	1.7%	23.7%	18.9%
Other Operational	Linda White	4.1%	4.0%					4.1%	4.0%
Facility-Related	Linda White	4.3%	4.5%					4.3%	4.5%
Total		8.4%	8.5%					8.4%	8.5%
Total Indirect		30.5%	25.7%					32.1%	27.4%
Total Expenses							95.7%	86.2%	
Profit							4.3%	13.8%	



Comprehensive Model Report

Sunny Day Hospice

YTD December, 2008

Area/Program	Leader	Direct Labor	NPR% Model	Patient Related	NPR% Model	Contribution Margin	NPR% Model	Performance Pay
Hospice-Location 4	Johnny Rattler	34.7%	35.0%	4.5%	17.0%	60.9%	48.0%	0.0%
Hospice-Location 5	Jolly Roger	76.8%	35.0%	0.0%	17.0%	23.2%	48.0%	0.0%
Hospice-Location 6	Shivers Dunkin	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 7	Jonas White	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 8	Carrie Slasher	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 9	Betty Horn	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Inpatient Unit (Loc 3)	Harriet Mackie	53.7%	59.0%	0.0%	17.0%	46.3%	24.0%	0.0%
Palliative Care (Loc 2)	Jill Scallywag	0.0%	70.0%	0.0%	17.0%	0.0%	13.0%	0.0%
Total Organizational		39.8%	40.0%	3.6%	17.0%	56.6%	43.0%	0.0%
Centralized Direct	Leader	Labor		Other		Total %	Model %	Performance
On-Call	Chris Davis	3.2%	3.00%	0.0%	0.05%	3.2%	3.1%	0.0%
Admissions	Ella Blue Ramsay	1.2%	3.00%	0.0%	0.05%	1.2%	3.1%	0.0%
Bereavement	Lil Timbers	3.1%	1.00%	0.0%	0.05%	3.1%	1.1%	0.0%
Volunteer	Mabel Barrels	1.4%	1.00%	0.0%	0.05%	1.4%	1.1%	0.0%
Total Centralized		9.0%		0.0%		9.0%	8.2%	0.0%
Indirect Areas	Leader	Labor		Other		Total %	Model %	Performance
Administration	John Rugged	3.9%	3.50%	0.0%	0.05%	3.9%	3.6%	0.0%
Clinical Management	Sal Prisk	7.2%	5.50%	12.7%	0.05%	19.9%	5.6%	0.0%
Compliance/QAPI	Moll Biscuit	0.9%	1.50%	0.0%	0.05%	0.9%	1.6%	0.0%
Education	Vera Skewers	1.6%	1.00%	0.0%	0.05%	1.6%	1.1%	0.0%
Finance	Tobias Story	2.6%	2.25%	0.0%	0.05%	2.6%	2.3%	0.0%
HR	Nancy Harpo	1.1%	0.75%	0.0%	0.05%	1.1%	0.8%	0.0%
Marketing	Roger Sellick	0.6%	2.00%	0.0%	0.05%	0.6%	2.1%	0.0%
Medical Director	Jacob Haul	0.0%	1.25%	0.0%	0.05%	0.0%	1.3%	0.0%
Medical Records	Eli Goodwin	1.5%	1.00%	0.0%	0.05%	1.5%	1.1%	0.0%
MIS	Mack Sweet	1.0%	1.25%	0.0%	0.05%	1.0%	1.3%	0.0%
Other	Lin Marko	0.0%	0.00%	0.0%	0.05%	0.0%	0.1%	0.0%
Total Indirect		20.3%		12.7%		33.1%	20.6%	0.0%
Operating/Facility	Leader					Total %	Model %	
Operating	Sammy Quick					8.20%	8.0%	
Facility-Related	George Fry					1.73%	4.0%	
Total Operating/Facility						9.9%	12.0%	
Total Operating Indirects						43.0%	32.6%	
Total Operating Expenses						95.3%	97.8%	
						Total	Model	
Operating Income/(Loss)						4.7%	2.3%	
Non-Operating Income								
Support								
Fundraising								
Investment and Interest								
Other Programs								
Total Non-Operating Income (Loss)								
Net Income (Loss)								

Multi-View Incorporated Systems



PO Box 2327
Hendersonville, NC 28793
828-698-5885 or multivewinc.com



How to get Documentation to 100% of *Standard*

Some Hospices do not believe that clinical documentation can be done to a 100% *Standard*. Here is how it can be done.

Documentation Example

1. Documentation Standards are defined.
2. Self-Learning Modules with a short test are created.
3. Documentation is taught strictly to *System7*.
4. QI/Compliance audits charts to a 90-95% statistical confidence interval. The job of making sure documentation is REMOVED from their duties.
5. If any defect in a chart is identified (variance from Standards), QI/Compliance sends an email with a Self-Learning Module link to the person and notifies the Clinical Manager as well.
6. The clinician has fix the issue if possible and complete the Self-Learning Module within 1 day.
7. In addition, the Standards Bonus pay is revoked. Normally this is 5-10% for 1 pay cycle.



The Model™
Balancing Purpose and Profit...



Examples of Performance Standards.

Hospice HomeCare	Number of Patients Visited/FTE Staffing Model		Visit Duration	Weekly Visits		Visits Per Patient, Per Week	
	Minimum	Excellent		Average*	Minimum	Excellent	Min
RN	12	14	60	20	22	1.2	1.7
LPN	25	30	60	22	24	0.8	1.0
Aides	10	12	60	22	24	1.8	2.2
SW	28	32	60	20	22	0.45	0.75
Spiritual Care	80	100	60	22	24	0.2	0.4
Bereavement	100	120	x	x	x	X	x
Volunteer	100	120	x	x	x	X	x
Physicians/NPs	150	x	50	x	x	X	x
Admissions RN	50	x	90	10	12	X	x

* Travel Time is NOT included. Average Travel Time is 15 minutes.

Hospice NH/ALF	Number of Patients Visited/FTE Staffing Model		Visit Duration	Weekly Visits		Visits Per Patient, Per Week	
	Minimum	Excellent		Average*	Minimum	Excellent	Min
RN	16	18	45	26	28	1.2	1.7
LPN	30	35	45	28	30	0.8	1.0
Aides	12	14	55	25	27	1.8	2.2
SW	32	34	50	24	26	0.45	0.75
Spiritual Care	100	120	50	28	30	0.20	0.4



Compensation & the Model

Bereavement	100	120	x	x	x	X	x
Volunteer	100	120	x	x	x	X	x
Physicians/NPs	150	x	50	x	x	X	x
Admissions RN	50	x	90	10	12	X	x

* Travel Time is NOT included. Average Travel Time is 15 minutes.

Hospice IPU		
Hospice Unit	Caseloads	
Category	Minimum	Excellent
Nursing	5	6
Aides	5	6
SW	12	13

Cost Category	Homecare	Palliative Care	IP Units
Total Direct Labor	38%	100%	50.5%
Total Patient-Related	17%	11%	12%
Contribution Margin	45%	-11%	37.5%
Indirect: Salary Costs	20%		14%
Indirect: Operational Cost	7%		6.5%
Indirect: Facility Costs	4%		7%
Total Indirect	31%		27.5%
Surplus (For capacity and sustainability)	14%	Limited to -2% of Homecare NPR	10%
Direct Labor			
Nursing	14%		33%
Aides	7%		15%
SW	4%		2.5%
Spiritual Care	2%		
Physician/NP	2%	100%	(Net to Zero)
On-Call	3%		
Admissions	3%		



Compensation & the Model

Bereavement	1%		
Volunteer	2%		
Patient-Related Items			
Medical Supplies	1.5%		2%
Therapies & Outpatient	.5%		.5%
DME	4.25%		.2%
Pharmacy	4%		4%
Mileage	3%	3%	

Indirect Salaries (<i>Total Organization</i>)	Model
Administrative Salaries	3.5%
Clinical Management Salaries	5.5%
Compliance/QAPI	1.5%
Education	1%
Finance	2.25%
HR	.75%
Marketing	2%
Medical Director	1.25%
Medical Records	1%
IT/MIS	1.25%
Total	20%

Measurement	Minimum	Excellent
Admission/Inquiry %	75	85
Median LOS (Living)	120	<145
Days in Accounts Receivable	48	45
Facility Mix %	40%	
Patient Mix over 365 Days	10%	<25%
Death Service %	50%	
Same Day Visit %	65%	
Development Ratio	3:1	
Pain Reduced (within 24 hours)	90%	
Family Satisfaction (via App 10 Point Scale)	8.0	
Hospital Readmits	<5%	
Clinical Leader Satisfaction	>7.0	



Compensation & the Model

Overall Satisfaction w/ Supporting Areas – 10-Point Scale		
Turnover of Talent %	<6%	



5 The Business of Hospice*

The Profit Reality in Hospice

The profitability of a well-run Hospice can be astounding without sacrificing quality. In fact, both can be raised to World-Class Standards (the 90th percentile) with deliberate focus. The profit reality in Hospice is that there are Hospices that provide award-winning quality and have profits of 30% of NPR (Net Patient Revenue). I have personally helped create the proprietary Models for many such entities. Of course, this will translate into “doing” things that only Outliers and the minority of Hospices do and overcoming the fears with associated such actions.

A World-Class Hospice has World-Class financial results (14% margins and upward). An extraordinarily, well-managed enterprise is highly profitable as well as highly effective. Right or wrong, the world measures and recognizes success in financial terms. It is an undeniable FACT that money equates to capacity and sustainability for a business organization. Therefore, why not make your Hospice highly profitable when it is readily doable and the Hospice Herd is SO slow? Take advantage of the opportunity and the excellent business climate.

Why should an NFP Hospice be highly profitable?

- A typical NFP can make 14%+ from Hospice operations.
- An NFP receives Community Support in terms of cash inflows.
- An NFP usually receives large amounts of free labor in the form of volunteers.
- An NFP doesn't have to pay taxes. Normally a FP pays 40% of its profits in taxes!

How can we NOT make money with all these factors?



The Primary Factors of Profitability

The primary drivers of profitability (in order of priority) are:

- **The CEO** - The CEO is the Chief Financial Officer that establishes financial Standards and policy. The CEO must firmly set the *Profit Standard*. The CEO must lead financial initiatives by reviewing performance and immediately addressing performance that is not to Standard as well as rewarding those that meet the Standard (This establishes the cultural behavior that all other Managers will emulate). The CEO must be able to stand up to the Board of Directors, CFO or any other person that does not “get” the importance of being *highly* profitable. Any indigestion about making money and other outdated NFP mentalities should be dispensed with... Whether stated or not, everyone (Board of Directors, community and staff) expect the CEO to be able to guide the organization to financial success. Otherwise, they would not have hired the CEO in the first place.
- **Value** – The value proposition of the organization must be extraordinary. Every patient, every time. The value should be undeniable. If high-value is not created or it is perceived as only “marginally” better than alternatives, the organization will not be highly profitable over the long-term. In EOL care, the Hospice will be replaced by another Hospice entity that uses Model principles in the future. The Model creates value.
- **Monthly Financial Benchmarking** – This objective and frequent perspective is your #1 tool to influence others in a positive direction and tells you if your Hospice is an Outlier or is a follower of the mediocre majority. This monthly objective perspective is a must. This is one of your primary financial educational tools. Always benchmark against ALL other Hospices in the database regardless of size, tax status, region of the country, etc. You want a national perspective. To provide a “filtered” perspective is to dumb down your team. Compare yourself with every Hospice in the database as the most data-oriented and sophisticated Hospices gravitate toward benchmarking.
- **Your Model** – Your Model is your Standards, both clinical as well as financial. Regarding the topic of profitability, this is your numeric communication of Standards, including profit level. These Standards must be crystal clear and everyone should know them. A large profit should be *expected* (14%+) and should not be a *surprise*. A surprise is when performance exceeds or is less than your Model. Each business segment must have a Model. A Standard is not a goal. It is normal performance. This would include your Hospice’s *Profit Plan*.
- **Accountability** – This ties to your Model. There can be no meaningful conversation about Accountability without clear Standards. If a leader cannot meet the Standards, he or she must be removed from the organization, otherwise, Standards are meaningless. Standards must be met 100% of the time. No exceptions. This would include



Accountability time-frame Standards which are measured in weeks and not months following the CEO's Management example.

- **The CFO** – The CFO is the 2nd most powerful financial position as he or she holds influential financial data. *IF a CFO thinks that an 8% profit is good, you have a problem.* The extraordinary CFO is a teacher and helps staff create value and adhere to the Model for all the right reasons. He or she also forces out sub-performers efficiently.
- **Compensation** – Performance compensation is ***the most reliable and powerful structural tool for influencing healthy organizational behavior.*** Every paycheck becomes a report card for individual, team and perhaps even organizational performance. This is the quickest way out of financial problems. This can only be done if clear operational Standards have been created.

The Main Factors of Profitability

1. The CEO
2. Value
3. Monthly Benchmarking
4. Your Model
5. Accountability
6. The CFO
7. Compensation Systems



Notice what is NOT on the List

- Environment
- Region of the country
- ADC Size
- Competition



Destroying Silly NFP Mentalities Regarding Profitability

I am on a mission to keep as many NFP Hospices from tanking as possible. This directly relates to profitability. So at the risk of staying in trouble, let's destroy many of the NFP ideas that plague our movement (Again, it is not an industry unless we've surrendered to the idea of being a homogenized form of healthcare). Frankly, I think that many FP players have it right from a business standpoint... and NFPs need to take some lessons. With this said, there are bottom feeders in both the NFP and FP domains that need to be wiped from the Hospice slate. From an objective standpoint of seeing hundreds and hundreds of Hospices, I can say unequivocally that the majority of truly creative "management" innovations in the Hospice movement have come from FP Hospices. Now don't get me wrong, many FPs have plenty to learn from NFPs as well. However, the management practices of many FPs should be emulated. It is interesting to note how many of the really, really successful Hospice CEOs in the FP domain have come from NFPs. The fact that the ADC size of FP Hospices is growing, sometimes at phenomenal rates, tells us that they know something about managing Hospices. Many times, FPs are even among the most spiritual Hospices with healthy cultures that know how to balance purpose and profit. There is no monopoly on best practices by either FP or NFP Hospice organizations.

If I am helping to build a Hospice business platform, I construct the operational methodologies with basically the same components, tweaked for overarching philosophies of who is paying for the assistance. Community Support does not even come into the picture for me. Deborah Dailey trained me well in this regard as she refused to operate a Hospice on the kindness of others. My directive was that Community Support didn't exist... and that I MUST learn to operate a Hospice only on earned dollars from Medicare, Medicaid, Commercial Insurance and Private Pay.

Being an NFP organization is not an excuse for being wasteful. In fact, it is just the opposite. An NFP must be even more prudent regarding its allocation of resources.

Here are some common, confused and misplaced NFP Ideas:

- Hospices need Community Support to operate.
- NFPs shouldn't make a lot of money.
- NFPs care more about patients and families.
- FPs have some mystic "advantage" over NFPs.
- FPs skimp on care.
- NFPs provide higher-quality care.



- NFPs can't pay their staff well.
- Volunteers prefer to give their time to NFPs.
- "If we are highly profitable, Medicare is going to cut our rates."
- "If we are highly profitable, people won't give."
- NFP Boards of Directors are more committed than FP Boards.

All of these ideas are false. Yes, you can find specific instances for each of these statements that are contrary and "weenie-out" to escape the overall reality. However, if ONE organization deviates, it proves that the view does not necessarily apply to the whole. Again, we find ourselves in the world of the Outlier...

Some NFP CEOs may wonder why they don't get the big offers to run FP Hospices. Look at the quality and profits. Are they impressive enough to create interest?

FPs and NFPs are paid the same. So why can't an NFP pay like a FP?

Hit the Scales

Measurement is critical because it tells us where we are. Measurement is also objective in nature meaning that it is quantified within some Standard unit of reference. We know from observing highly profitable CEOs that they value measurement and measure often. Regarding our physical bodies, weight overages that many people face are most effectively "managed" with frequent, objective measurement. Trying to manage weight by FEELings is highly inaccurate and does not lend itself to good results. Hitting the scales on a frequent basis and at a consistent time of the day or week is important. The same holds true for financial and operational measurements. This also helps to personalize profit. It is also true that Hospices and Homecare organizations that are intensely compulsive in the "habit" of measuring, even with inferior measures, RADICALLY outperform those that don't! It is almost embarrassing how well these organizations do in comparison to the 50% percentile.



The Business of Hospice

Definitions & Terms

Here are some definitions that MUST be mastered to understand the business of Hospice:

- **Net Patient Revenue (NPR)** – Revenue earned for the provision of services to patients from sources such as Medicare, Medicaid, Commercial Insurance and Private Pay. It is less contractual allowances and bad debt. It does NOT include pass-through income such as: Nursing Home Room & Board, Contracted IP, Contracted Respite or Consulting Physician Services. It also DOES NOT include Community Support or Fundraising. It is very important that you have a clear understanding of this term because most comparison data is based on a percentage of Net Patient Revenue.
- **Direct Labor** - Labor expense that is directly involved with the provision of care such as RNs, LPNs, CNAs, SWs, Chaplains and visiting physicians. It does NOT include supervisors or Managers even if they perform occasional visits. Bereavement, Volunteer, Triage, Admissions and On-Call areas are also considered Direct Labor. The staff of these areas provides direct care. All other labor costs are considered Indirect Labor.
- **Patient-Related Costs** – Costs such as Medications, Medical Supplies, Therapies, DME, etc. Sometimes they are referred to as Ancillary Costs. Other Patient-Related costs are: Ambulance, Bio-Hazardous Waste, Clinical Mobile Phones, Clinical Pagers, Lab, Outpatient, Mileage, etc.
- **Indirect Costs** – These are all costs other than Direct Labor and Patient-Related costs. There are also 3 sub-categories of Indirect Costs:
 - **Indirect Labor** – All labor that is NOT Direct Labor: the CEO, CFO, Clinical Leaders, Medical Director, QI, Education, Medical Records, HR, Finance, IT, Housekeeping, Maintenance, etc.
 - **Facility-Related** – Costs related to your building or structure from which your organization coordinates or provides services. This includes: Rent, Utilities, Building Maintenance, Building Depreciation, Property Taxes, Building Loan Interest, etc.
 - **Operating Expense** – This category of Indirect Costs includes all costs that are not Facility-Related or Indirect Labor. These costs would include: Answering Service, Bank Service Charges, Audit Costs, Office Supplies, Printing, Postage, Telephone, Marketing Supplies, Continuing Education, Dues & Subscriptions, Computer Support, Computer Expense, etc.
- **Contribution Margin** – The amount a team or business unit is “contributing” to Indirect Costs and Profit. It is the segment’s Direct Revenue less Direct or Traceable expenses. A Hospice homecare team needs to be providing a 40% Contribution.



- **Development** – The area that is responsible for garnering Community Support. This would include: Fundraising, Contributions, Memorials, etc. A Development Department has both revenue and expense. Both revenue and expense for Development are segregated from all other segments in our analysis of Hospice business.

The Use of Net Patient Revenue (NPR)

MVI encourages the use of Percentages of Net Patient Revenue rather than Patient-Day costs for Hospice financial measurement. This deviates from traditional Hospice practice and the explanation will follow.

An Example of How to Compute Net Patient Revenue Measurement

Medication costs are \$25,000 for the month. Net Patient Revenue is \$300,000.

To compute Medication costs as a Percentage of Net Patient Revenue, you would divide \$25,000 by \$300,000.

$$\$25,000 \text{ divided by } \$300,000 = .083 \text{ (rounded)}$$

Convert .083 to a percentage (multiply by 100) and you get 8.3%.

Medication costs in this example are 8.3% of Net Patient Revenue.

Why should a Hospice use Percentages of Net Patient Revenue rather than Patient-Day costs for Hospice financial measurement?

- **Comparability** – Percentages are comparable with other Hospice programs to help us gain perspective (The difference between Professional versus Amateur Hospice Leader). Patient-Day amounts are OK for a few areas, like Patient-Related. They fall apart when comparing different areas of the country, especially anything that relates to salaries and wages. Salaries and wages can vary widely throughout the country. These differences, however, are often offset by reimbursement that takes these labor factors into account such as CBSA codes for Medicare. Thus, the Percentages of Net Patient Revenue would be more similar while Patient-Day amounts would vary greatly.
- **Creation of a Model** – Percentages are better suited for the creation of a Model. Percentages are “scalable,” meaning they can be used by any size of Hospice. In



addition, when rate changes occur, percentages easily translate to operational measures.

- **People Understand Percentages** – Most people can conceptualize percentages pretty well. If everyone knows that the pie is 90% (10% set aside for profit), they can understand that if something is increased something else has to decrease.

We are not saying that Patient-Day measurement is wrong or that it should not be used. It works very well with Patient-Related costs. However, recognize its shortcomings whenever there is a labor component.



Understanding Hospice Measurements, Key Concepts & Definitions

- **Patient Days = ADC multiplied by the number of days in the period. OR the aggregate number of days patients were on Hospice services for a period of time.** Patient-Days are the most common Hospice financial measurements. They are relatively easy to compute and are accepted in other forms of healthcare such as hospitals and nursing homes. Patient-Day measurements are inferior to Percentage of Net Patient Revenue.
- **ADC or Average Daily Census = Total patient days in a period/number of period days.** This is the Standard measurement of Hospice size.
- **FTE or Full-Time Equivalent = Working hours in a period/the number of FTE hours.** Normally, the number of annual hours used to compute an FTE is 2080. On a monthly basis, the average is 173 hours. On a weekly basis, it is normally 40 hours. If an employee worked 1040 hours, they would be considered half an FTE or 0.5. An FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 signals that the worker is only half-time.
- **Average Length of Stay (Terminated Patients) = Total patient-days for terminated patients/The number of terminated patients.** Average Length of Stay (ALOS), like most measurements, has its flaws. ALOS should be looked at suspiciously. First, does the measurement number include the Inpatient Unit? This will skew overall Hospice numbers downward. Also, low ALOS in the Inpatient Unit isn't a bad thing. You want EVERY patient - whether they live one minute or one hour for CAP purposes. However, you want Hospice Homecare ALOS as high as possible without exceeding CAP. Second, ALOS, as most Hospices compute it, only counts terminated patients via death or discharge. Therefore, some patients will NEVER be included in the calculation! It can be a dangerous measurement to rely on and it has misguided many Hospices into millions of dollars in CAP paybacks.
- **Median Length of Stay (Living Patients) -** This measurement has importance when CAP is a factor. It provides a truer picture of the overall mix of patients. It is NOT in the Standard reporting of most patient management systems. The best way to obtain this measurement is via an export of a list of your current patients on census with each patient's respective SOC (Start-of-Care) date into Excel. Subtract the current date (today) from the SOC date in a separate column. Then use Excel's =Median(cell range) formula to calculate your Median LOS.



- **Average Visits Per Patient, Per Week = $\text{Total number of visits during a week by clinician divided by the number of patients served by the clinician}$.** This computation combines visits and caseloads into a single management measure as it provides an objective basis to evaluate the number of personal contacts a clinician is providing. This measure should be used in conjunction with the Weekly Visit Report, which lists all visits for a week sorted by clinician. The Weekly Visit Report would indicate if unnecessary visits are being performed for the purpose of meeting visit Standards.
- **Number of Visits Per Week** – This is the count of the number of visits per clinician per week (see the chart for goals). This practice provides a sense of respect for the professionalism of each discipline and allows clinicians to “take as long as needed to do a World-Class visit.” However, it also should be stressed that the minimum expectation is the minimum. If the minimum is 20 visits a week for an RN, then 19 is not acceptable on a routine basis.
- **Number of Admissions Per Week** – This is the count of the number of admissions per Marketing FTE per week. Weekly measurement has become the Best Practice for monitoring effectiveness. All admissions (not referrals) from the assigned “paper routes,” accounts, or territories are credited to the Marketing person. A top Hospice marketer will produce 8-12 admissions per week from their assigned territories or accounts. 5 is considered a minimum.
- **Number of Visits by Discipline per 8-Hour Day = $\text{Total number of visits}/(\text{Total time worked}/8)$.** This is the best way to judge clinical productivity on a daily basis, in our opinion, as it converts all time worked into an 8-hour day. The focus should be on WEEKLY visits. However, to determine what is needed on a weekly basis, a daily amount is often needed. Avoid communicating productivity in daily terms.
- **Visit-Hours by Discipline per 8-Hour Day = $\text{Total number of visit-hours}/(\text{Total time worked}/8)$.** This measurement provides the best measurement of visit-hours of clinical staff. This measurement helps productivity and is critical if a Hospice wants to understand costs by patient, diagnosis, payer, referral source, physician, clinician, etc.
- **Computed Caseloads = $\text{ADC}/(\text{Salaries}/\text{Average Hourly Rate}/\text{FTE Hours})$** NOTE: Normally an FTE is 2080 hours annually or approximately 173 per month. Salaries would be for a specific discipline such as RNs, CNAs, SW, etc. This measurement cuts through “perceived” or reported caseloads which tend to be exaggerated by 2 to 3 on average. It provides a “real” caseload per FTE.
- **Days in Accounts Receivable = $\text{Accounts Receivable}/\text{Annual Revenue} \times 365$ or $\text{Period Days}/\text{AR Turnover Rate}$ which is $\text{Net Patient Revenue}/\text{Patient Accounts Receivable}$.** This is a measure that most Managers and Managers should be at least familiar with. It provides the average number of days it takes to collect a bill.



- **Facility Mix = $\frac{\text{Total number of patients in nursing homes and assisted living communities}}{\text{Total number of Hospice patients}}$.** This is a key measurement that can have a huge bearing on a Hospice's profitability. It measures the percentage of patients residing in nursing homes and assisted living communities.
- **Patient Mix over 365 Days = $\frac{\text{Number of patients that have been on Hospice service for more than a year}}{\text{Total number of patients}}$.** An often overlooked measure that is vital to financial success. An adequate number of patients must live for extended periods of time to offset short-living patients.
- **Revenue Per Payroll Dollar = $\frac{\text{Net Patient Revenue}}{\text{Total Payroll Dollars}}$.** Since payroll is the primary key to mastery of Hospice finance, then the relationship between revenue and payroll costs is significant.
- **Death Service Percentage = $\frac{\text{Total Program Deaths}}{\text{Total Deaths in Service Area}}$.** This is the true indicator of Hospice penetration.
- **Admission/Inquiry Percentage = $\frac{\text{Total Number of Admissions}}{\text{Total Number of Inquiries}}$.** Notice this is NOT Referral/Admissions. Many Hospices live in the world of excuse and "sanitize" their conversion numbers. All inquiries should be counted.
- **Same Day Visit Percentage = $\frac{\text{Total number of admission or informational visits in a day}}{\text{Total number of Inquiries in that same day}}$.** This is an important measurement that provides some indication of the ability to "sell" services. The goal of Intake is to get same day visits.
- **Pass-Through** - A Pass-Through is where the Hospice bills on behalf of another entity that cannot bill for itself, due to government regulations. The Hospice then reimburses the contracted entity (hospital, nursing home, consulting physician) based on the contract between them. There are 4 major types of Pass-Throughs. They are:
 - Nursing Home Room & Board
 - General Inpatient in Contracted Hospitals
 - Consulting Physician Services.
 - Respite Care in Contracted Facilities

What is the best practice discovered for treating Pass-Throughs and why?

Pass-Throughs are controlled by grouping them in the Patient-Related section of the Chart of Accounts. An account is created for each Pass-Through revenue and expense so they can be analyzed for specific problems. The "net" amount is displayed on the Statement of Income and should be mathematically explainable. If Pass-Through revenue is used in the calculation of



Net Patient Revenue, it has historically caused Hospices to falsely believe their financial performance is better than it actually is, as the offsetting expenses have not been properly accrued.

It can also materially diminish comparability with other Hospices based on Net Patient-Revenue, as the inclusion of Pass-Throughs inflates revenue. Grouping the revenue and expenses provide an easy and practical “**control**” for users of financial statements. The wording also creates questions from Board Members and others that allow an educational opportunity. Not using this type of control has resulted in numerous Hospices closing their doors as they operate with artificially inflated bottom lines.

- **Development Return Ratio = *Total revenue from Community Support and Fundraising/Total expense for the Development Function***. This measurement is basically an ROI (Return on Investment) calculation. It measures the number of dollars returned from each dollar invested in the attempt to garner community funds.

- **Contribution Margin - *Contribution Margin is computed by subtracting Direct Expenses from Direct Revenue***. It is used to measure the performance of revenue-producing Hospice segments like homecare teams and inpatient units. The “contribution” is the amount of excess from direct operational costs left to pay for Indirect Costs and provide for profit. 45-50% is a solid Contribution Margin for a Hospice team. It is Contribution Margin that a Clinical Leader manages to! A Clinician Manager does not manage to each specific line item, but rather to the sum of Direct Labor and Patient-Related to arrive at the Contribution Margin. Therefore, a Clinician Manager can use more or less of one category of cost based on the professional judgment of the Manager.

	Measurement	Median	Model	Excellent
a.	Average Length of Stay (Terminated)	69	90	??
b.	Median Length of Stay (Living)		140	<165
c.	Days in Accounts Receivable	45	45	42
d.	Facility Mix	23%	35%	50%
e.	Patient Mix over 365 Days		10%	<30%
f.	Death Service Percentage	36%	40%	50%
g.	Admission/Inquiry Percentage	65%	75%	85%
h.	Same-Day Visit Percentage			80%
i.	Development Ratio	3:1	4:1	6:1



Understanding Costs

Hospice Homecare

In the table below are costs expressed as Percentages of Net Patient Revenue (NPR). Median, Model and 90th percentile amounts are displayed for each measure.

	Cost Category	Median	Model	90th
a.	Total Direct Labor	41%	39%	30%
b.	Total Patient-Related	17%	15.5%	12%
c.	Contribution Margin	41%	45.5%	52%*
d.	Total Indirect Costs	36%	33%	27%*
e.	Indirect: Salary Costs	23%	22%	15%
f.	Indirect: Operational Costs	9%	7%	5%
g.	Indirect: Facility-Related	4%	4%	2%
h.	Net Operational Income	6%	12.5%	27%*
	Direct Labor <i>(Benefits included, 22%)</i>			
i.	Nursing	17.75%	14%	12.77%
j.	Aides	5.69%	7%	3.63%
k.	SW	4.16%	4%	2.40%
l.	Spiritual Care	2.05%	2%	1.08%
m.	Physician (Net)	2.01%	2%	1.37%
n.	On-Call	3.96%	3%	1.63%
o.	Admissions	3.45%	3%	1.89%
p.	Bereavement	1.27%	1%	.38%
q.	Volunteer	1.03%	2%	.54%
r.	Call Center/Triage	1.03%	1%	.54%
	<i>Direct Labor Subtotal</i>	41.03*	39.00%	30.06%*
	Primary Patient-Related Items			
s.	Medical Supplies	1.61%	1.5%	.89%
t.	Therapies & Outpatient	.46%	.5% to 3%	.08%
u.	DME	4.30%	4.25%	2.96%
v.	Imaging & Diagnostics	.06%	.07%	.02%
w.	Ambulance	.36%	.35%	.07%
x.	Pharmacy	5.43%	5%	3.55%
y.	Lab	.08%	.15%	.03%
z.	Mileage	2.55%	2.5%	1.43%
	Pass-Throughs & Other	.70%	1%	-1.37%
	<i>Patient-Related Subtotal</i>	17.28%*	15.5%	12.16%*

* - Each benchmark median is an independent data point as well as totals. Therefore, the total rarely equals the sum of the data points as it is difficult to be in the 90th percentile in all categories. Some numbers may be rounded for ease of memorization.



Indirect Costs

In the table below are costs expressed as Percentages of Net Patient Revenue (NPR). Median, Model and 90th percentile amounts are displayed for each measure. Salaries INCLUDE benefits.

	Indirect Salaries <i>(Total Organization)</i>	Median	Model	90th
a.	Administrative Salaries **	5.96%	3.5%	2.52%
b.	Clinical Management Salaries **	5.41%	5.0%	2.05%
c.	Compliance/QAPI	1.31%	1.25%	.57%
d.	Education	.91%	1.25%	.27%
e.	Finance Salaries	2.55%	2.25%	1.08%
f.	HR	1.17%	.75%	.51%
g.	Marketing Salaries	2.54%	3.75%	.76%
h.	Medical Director	1.89%	2%	.48%
i.	Medical Records Salaries	1.00%	1%	.36%
j.	IT Salaries	1.25%	1.25%	.39%
k.	Other	.83%	0%	.05%
	<i>Indirect Salaries Subtotal</i>	22.92*	22.00%	15.34%*
	Indirect Operational <i>(Total Organization)</i>			
l.	Computer Expenses	1.21%	1%	.18%
m.	Continuing Education+	.26%	.3%	.06%
n.	Dues, Licenses & Subscriptions	.75%	.3%	.14%
o.	Insurance	.60%	.60%	.21%
p.	Office Supplies	.31%	.35%	.03%
q.	Postage/Mailings/Printing	.28%	.38%	.06%
r.	Telephone	.52%	.50%	.18%
s.	Marketing	.72%	1%	.16%
	<i>Indirect Operational Subtotal</i>	8.65%*	7.0%	5.44%*

* - Each benchmark median is an independent data point as well as totals. Therefore, the total rarely equals the sum of the data points as it is difficult to be in the 90th percentile in all categories. Some numbers may be rounded for ease of memorization.

** - These areas are the most “messy” regarding benchmarking because accounting can lack sufficient breakout. Administration can also be impacted substantially by economies of scale. A Hospice’s Administrative Salaries DECREASE with size. Clinical Management Salaries can also decrease with increased census, although sometimes it is less impacted than Administrative Salaries.



Inpatient Units

In the table below are costs expressed as Percentages of Net Patient Revenue (NPR). Median, Model and 90th percentile amounts are displayed for each measure.

	Cost Category	Median	Model	90th
a.	Total Direct Labor <i>(includes all unit staff)</i>	74.25%	68%	52.64%
b.	Total Patient-Related	14.19%	11.5%	8.19%
c.	Contribution Margin	11.93%	20.5%	32.91%
d.	Indirect Costs <i>(includes some allocated costs)</i>	33.08%	12.5%	16.81%
	Segment Net Income	-23.68%*	8%	11.41%*
	Direct Labor <i>(Benefits included, 22%)</i>			
e.	Nursing	46.36%	35%	33.00%
f.	Aide	15.02%	15%	7.73%
g.	SW	3.03%	3.0%	1.69%
h.	Manager/Charge Nurse <i>(RN preferred w/ IPU 15 bed or <)</i>		6.5%	
i.	Ward Clerks		5%	
j.	Physician (NET) <i>(should pay for themselves through billings)</i>		1%	
k.	Grounds and Maintenance <i>(may be part of Indirect.)</i>		2.5%	
	<i>Total</i>		68%	
	Patient-Related			
l.	Ambulance	.99%	1%	.14
	Biohazardous	.17%	.15%	.03
m.	Dietary	.20%	.2%	.02
n.	DME	.37%	.3%	.14
o.	Food <i>(includes labor)</i>	2.49%	2.3%	.62
p.	Imaging	.07%	.01%	.01
q.	Lab	.05%	.05%	.01
r.	Linen	1.00%	.7%	.18
s.	Medical Supplies	2.07%	1.75%	1.16
t.	Mileage	.14%	.1%	.02
u.	Mobile Phone	.08%	.1%	.02
	Other	.19%		.01
v.	Outpatient	.12%	.1%	.01
w.	Oxygen	.63%	.65%	.18
x.	Pharmacy	4.17%	3.5%	1.83
y.	Therapies	.37%	.4%	.03
z.	Subtotal	14.19%*	11.50%*	8.19%*

* - Each benchmark median is an independent data point as well as totals. Therefore, the total rarely equals the sum of the data points as it is difficult to be in the 90th percentile in all categories. Some numbers may be rounded for ease of memorization.

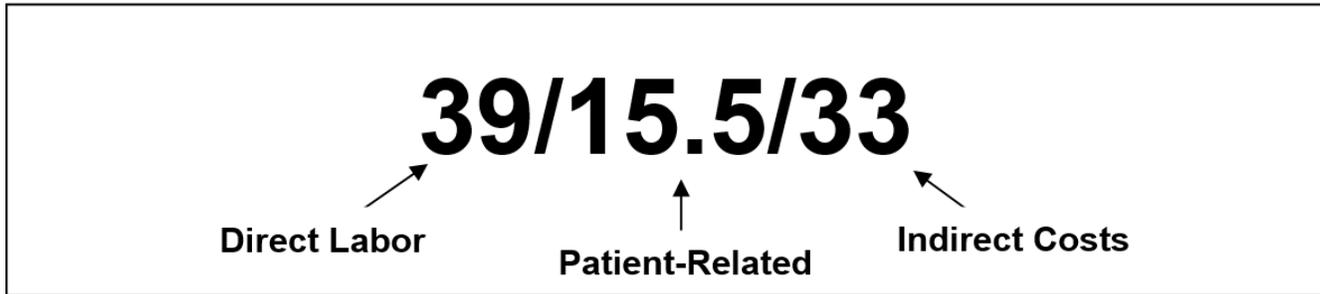
Note: VC and BC are NOT dedicated to the IPU but rather serve the IPU as though they are serving a Nursing Home or an ALF. These amounts differ from the MVI Benchmarking system due to classification and operational differences in VCs and BCs.



Benefits are usually 22% of Salaries and Wages.

Examples of NPR Model Designs

There are many examples of Hospice overall Models. For convenience, when discussing Models, we often use three consecutive numbers which represent the various major categories of cost. For example, 39/15.5/33 would mean:



The MVI Model – 38/17/31

This produces a profit of 14%. This profit level is achievable for a typical Hospice in America based on “very” doable practices.

Typical Hospice Model – 41/18/36

A typical Hospice will have a Model of 41/18/35. This is often an “organic” model of business that has evolved over time. This produces a profit of 5%.

A Tight Model – 35/14/28

Many people think that the MVI Model is Andrew’s Model. However, it is not. *The MVI Model is a model that is “achievable” for a typical Hospice.* Andrew’s Model would be 35/14/28 which would render a 23% profit. Key deviations would be:

- Increasing RN/Nursing/SW/PC Caseloads
- Doubling Hospice Aid Services
- Doubling Volunteer Services
- Adding Homemakers as a service component
- Patient-Related costs would be reduced to the 80% percentile simply by using select vendors
- Most Indirect Costs would be slightly less than the MVI Model producing a CUMULATIVE 4% savings
- 50% of the patients would come from Nursing Homes and ALFs.

Maximum Efficiency Hospice Model – 32/12/23

How efficient can a Hospice become? We don’t know. However, a Hospice can provide a high-quality service for far less cost than most Hospices can imagine.



Clinical Productivity

“Productivity is a Mindset.”

I am convinced that this is the case in Hospice. Consider the Hospices with great Management who set clear expectations about productivity. What happens? These Hospices have great productivity.

Consider the Hospices that used to get three 60-minute visits from their nurses a day before laptops. After laptops were introduced, the nurses were still doing three visits a day, only now they took 90 minutes. Hmmm...

The battle cries of the coddled clinicians are “We are overworked, we need more help, our caseloads are too high and we’re burning out.” Then the weenie clinical Manager succumbs to the cries because “he or she has been in their shoes” and they forget their management role.

“Staff that are ‘maxed out’ – probably need help in time management.” *Malene*

Consider the ACTUAL amount of time clinicians are with patients. If a clinician was averaging 60 minutes a visit and was doing 4 visits a day, that leaves 4 hours for what? Charting? Care Coordination? I am not belittling clinical Managers too much here, but I am pointing out that Hospice is a good place to work with flexibility of schedule and the demands are not unrealistic.

“Be ready to leave your desk and get out in the field – only then will you get the respect you need and only then will the whining end.” *Malene*

The following are general **GUIDELINES** regarding caseload, visit duration and weekly visit expectations. It should be understood that as a Leader of a BUSINESS area, you have a responsibility to evaluate and scrutinize performance. This requires measurement so that decisions are not merely subjective speculations.

It is necessary for all Hospices that are serious about the business of Hospice to establish a common point of reference for measurement and evaluation of performance. The use of EXPECTED AVERAGES or MINIMUMS provides such common measurements. Minimums are absolute. On the other hand, Averages provide clinicians with more latitude. **It should be understood that individual cases or situations will necessitate more or less time and effort. An average takes this into account. An average provides a GUIDELINE.**



Clinical Productivity Standards

EVERY HOSPICE SHOULD INTENTIONALLY DETERMINE THESE ELEMENTS ACCORDING TO ITS IDEALS OF CARE. This should become part of your Hospice's Model.

Hospice HomeCare Category	Number of Patients Visited/FTE Staffing Model		Visit Duration	Weekly Visits		Visits Per Patient, Per Week	
	Minimum	Excellent		Average*	Minimum	Excellent	Min
RN	12	14	60	20	22	1.2	1.7
LPN	25	30	60	22	24	0.8	1.0
Aides	10	12	60	22	24	1.8	2.2
SW	28	32	60	20	22	0.45	0.75
Spiritual Care	80	100	60	22	24	0.2	0.4
Bereavement	100	120	x	x	x	X	x
Volunteer	100	120	x	x	x	X	x
Physicians/NPs	150	x	50	x	x	X	x
Admissions RN	50	x	90	10	12	X	x

*** Travel Time is NOT included. Average Travel Time is 15 minutes.**



Hospice NH/ALF	Number of Patients Visited/FTE Staffing Model		Visit Duratio n	Weekly Visits		Visits Per Patient, Per Week	
	Minimum	Excellen t	Average*	Minimu m	Excellen t	Min	Max
RN	16	18	45	26	28	1.2	1.7
LPN	30	35	45	28	30	0.8	1.0
Aides	12	14	55	25	27	1.8	2.2
SW	32	34	50	24	26	0.45	0.75
Spiritual Care	100	120	50	28	30	0.20	0.4
Bereavement	100	120	x	x	x	X	x
Volunteer	100	120	x	x	x	X	x
Physicians/NPs	150	x	50	x	x	X	x
Admissions RN	50	x	90	10	12	X	x

*** Travel Time is NOT included. Average Travel Time is 15 minutes.**



6 Benchmarking & Compensation*

Benchmarking is the ONLY means by which a Hospice leader can move from the ranks of the amateur to the ranks of the professional. A true professional leader or Manager gets clinical operations as well as the financial domain... and can balance both. Without benchmarking, a leader is operating in a void regarding the trends and current reality of our Hospice movement. Benchmarking is the ONLY way to become an Outlier as one needs to be conscious of what the 90th percentile is to know what is possible.

In the context of Compensation Systems, benchmarking plays a huge role, not only in creating your Standards, but also in convincing others of the validity of your numbers. Benchmarking is a tool to INFLUENCE others.

Benchmarking is really just an external reference. We need external references. Though some say “we only compete with ourselves” and this may be true to a certain extent. However, the fact is that organizations that do not pay attention to the outside world ultimately get smashed. Inevitably, complacency and laxness creep into organizations that become insulated and isolated.

The MVI Benchmarking System provides the easy installation, uploading and comparison of a Hospice’s performance with the 50th, 10th and 90th percentiles denoted. A Hospice’s percentile ranking is displayed for every data point. If the CFO doesn’t “get benchmarking” - this MOST important measurement system - I would seriously question his or her judgment. The person probably suffers from insecurities and is not fit for the position. Remove them from your Hospice as soon as practical.



Your Financials are your Most Important Measurement

The brute reality for any business organization is the worn-out expression, “No Money, No Mission.” I avoid using the phrase, but it is true. One does not completely understand this until the day one watches a Hospice close its doors and become assimilated by the Borg Hospice. The dreams of compassionate care at one of the greatest transitional periods in Life are lost as the Hospice becomes another cog in the wheel with little-to-no voice in its future. This is why, when setting up a new Hospice platform, the first **system** we implement is the financial system. Note, however, that the financial system is not the most important system! Your People Development System should be #1!

There are two numbers/measurements I want to emphasize:

14% and 6-9 Months

Quick Refresher

[14% - the amount of Net Hospice Homecare Operational Income]

[6-9 Months – the amount of cash or near-cash your Hospice will need to withstand the intentional financial constipation of regulatory scrutiny... the remedy for thinning out the number of Hospices in our country.]

Benchmarking gives you powerful perspective... so you can always judge your Hospice’s performance in relation to the rest of the Hospice world. It also elevates amateur Hospice Managers to the ranks of professionals in the business dimension quickly, as they can easily point out areas of excellence as well as areas that need work.

NOTE: We highly recommend providing a copy of the **Executive Dashboard, Hospice%Rev** and the **Indirect Analysis** reports to your Management team on a monthly basis using an unfiltered selection criteria. **Measure yourself against ALL Hospices in the database first.** THEN use the filters such as ADC, region of the country, tax status, patient-management system and other filter criteria for secondary information and to answer specific questions. You want your Managers to be able to speak from a confident “national” perspective and understand your proprietary Model. If significant deviations exist in specific areas from the 50th percentile, Managers and ideally all staff should understand why and how your Hospice achieves these results. At this point, you truly know your Hospice is working within the Model approach. We have found that Hospices that provide their Managers with “filtered” data (like only NFP or Hospices of a certain size) “dumb down” their teams. You want your team to have a true national perspective so they can be professionals and not amateurs.



Benchmarking – External References

Benchmarks are absolutely necessary to move from the ranks of *amateur* leader to the ranks of the hospice *professional*. Our movement is overflowing with people masquerading as hospice professional leaders. This is evidenced by poor financial performance. **HOW** can a leader be a professional without quite precise financial knowledge of the industry (movement)? This continually evolving knowledge should be recitable from memory. If it isn't, it isn't deep enough...



There is a Practice behind Every Data-Point

There is a practice behind each data point. Associated with each line in the Benchmarking Application (BA) is a practice... and a practice of the Outliers. The difficult part of this is finding out what these Outliers are doing. We know who they are, but sometimes do not know what specifically is driving a data point. We investigate. Obviously, we can't post who is scoring because we have our confidentiality Standards. We also won't disclose highly guarded and proprietary practices IF they are indeed unique. However, most practices are founded in very sound ideological foundations based on cause and effect, applied for a specific result(s). They are not that "far out" or different. The MVI advantage is that we have the unique vantage point of having the data of hundreds of Hospices and are able to most often COMBINE the practices of multiple Hospices to form a best practice. The very basis of Multi-View is to "multi-view" things based on the proverb "there is safety in the counsel of many (perspectives)." Our perspectives come from our large network of clients combined with our own insights. Now you know the basis from which we approach nearly everything!



Gaining Confidence Through Knowing Your Numbers

Knowing your numbers gives you confidence. I get uneasy when I don't know the numbers. And when you know your numbers, it spills into everything you do.

The first thing we need is a DESIRE to know the numbers. The point is, it is in your Self-Interest to know the numbers as well as to help you be a better Leader. This is the starting place and with that desire, you will certainly achieve it!

Many people with clinician backgrounds have a fear of “the numbers.” Somehow they FEEL that “number land” isn't their thing. Let's blow that myth away. People with a clinical background can do it with the best of them!

Once you know your numbers, you can begin to operate within a model. You will take pride in achieving great numbers and it will become a tradition and mindset at your Hospice. You will always know if you are “in” or “out” of the model.

Getting Comfortable with Measurements and Quantification

Measurement helps a Hospice develop behaviors that support its direction. Here I'm talking about the behaviors of people that translate into the behavior of the organization. The better a Hospice aligns the measurement of meaningful indicators with accepted behavior, the quicker it will achieve its goals. The old saying, “what gets measured gets done,” is true. The more frequently we measure our performance, the better we can adjust our course toward improvement.

Many Hospice Managers FEEL the idea of “numbers” and measurements don't align with the goals and ideals of Hospice. Somewhere along the line, the idea of measurement was not explained well to these Managers. Measurement and quantification are simply indicators of the care that we provide. The next time you hear an ill-informed clinician or Hospice worker say, **“You're just focusing on the numbers,”** reply, **“That is not true. I am intensely passionate about the care that we are providing and am interested in the numbers because they tell me how we are doing.”**

MVI has been tracking Hospice performance for more than a decade. The one fact that is inescapable is this:



Hospices that seriously measure dramatically outperform those that don't.

For example, Hospices that are very quantified always have the highest productivity, the highest Net Income, the lowest costs, the least compliance problems, etc. Let me take it a bit further. We analyzed the Hospices that submit data to the MVI Benchmarking System the most often and found that those Hospices that submit data most frequently ARE THE BEST in terms of financial performance... no question. Why? They are interested in the numbers and measurement. Measurement means something to them.

Here are some things to keep in mind regarding measurement and quantification. The main idea is this:

**All
measurements
are flawed, so
MEASURE
ANYWAY!!!**



- **All measurement is flawed.** All accounting contains mistakes and misclassifications. All measures of time are different. The value of money changes by the second. Consider how you calculate your age! The temperature changes constantly. Most counting of large quantities is not 100% accurate. Accept that all measurement is flawed and do not reject measures and data just because you perceive a degree of inaccuracy or flaw. Measure the best you can with what you have NOW. In most situations, frequent measurement of flawed data will still yield meaningful and useful perspective of performance. Chances are that your frequent measurements will be “consistently” flawed which makes it comparable. By all means, seek to improve data collection and processing efforts to increase accuracy. But NEVER stop measuring important things just because the data has flaws.
- **Measure what is important.** It is not important that we measure everything. It is important that we measure the things that truly help us get to World-Class. Our computerized systems can give us so much information that we can be overwhelmed. Being overwhelmed distracts us and diminishes our FOCUS. Laser beam FOCUS is what we need regarding important things. We don’t need more distractions. We want to be able to put our limited Energy into the things that will really have impact. So what is really important? What should we measure?
- **Measurement tells us that “we” are important.** Believe it or not, people want to be measured. Individuals WANT to know on a frequent basis how well they are doing. They even want to be able to access their measures themselves if possible. To NOT be measured gives people a sense of insignificance and can create apathy. If a Hospice wants to create a more satisfying work environment, give everyone the chance to be measured.
- **Measurement communicates to the organization what is important.** This point is too often overlooked. If something is being monitored, especially with an expectation attached, people within the organization tend to make special efforts to conform or reach the measurement. Measurements provide very clear messages regarding what is important.
- **Give people their scores.** Don’t hide individual or group scores. Make them available so that everyone can see what is happening. You want EVERYBODY to be interested in what we are trying to do and how we are doing. This could be team productivity, compliance, the financial model, etc.
- **Post the scores.** This is about making the quantified performance public. There is no hidden agenda at our Hospice. Posting measurement puts everyone on the same page.
- **When clear goals are combined with consistent measurement and aligned behaviors, results will come.**
- **Give people measurements as often as possible.** Some people want to “shoot” the data saying that it is not “accurate” enough or “reliable” enough. This is a cop-out (a weenie-ism?). All measurement and quantification have flaws. Measurement is a tool to help us positively change behavior. If data is measured **frequently** it



becomes valid and reliable. If things are measured frequently, trends are created that are meaningful.

- **The more we measure significant elements of our Hospice, the more we'll know about our progress.**

All quantification and measurement are flawed in some way, but as long as we are measuring important elements, we have something that can tell us how we are doing. So measure with the best you have!

All numerical elements have measures of central tendency (average/mean, median or mode). These are usually quite beneficial when creating Model Standards.

NEVER expect perfection when creating the Model and delaying its implementation. Get the best numbers you can and start using them... remind people that all measurements are flawed.



7 Creating the System*

The Essential Attributes of an Effective Compensation System

There are essential foundational attributes of truly effective Compensation Systems. These foundational attributes cannot be overstated in terms of their importance and the ultimate success of your system.

1. **Start by making a List of the Results you Need!**

What do you want or need from your Compensation System? List these. This list will help you maintain FOCUS. Each of these will be assigned to SPECIFIC positions or people. Here is an example list:

- a. Growth, Sales, Admissions
- b. Increased LOS
- c. Visits without Complaints
- d. High CAHPS scores
- e. Zero Defects in Documentation
- f. 14% or Higher Profit Margins
- g. An IPU that doesn't Lose Money
- h. All Areas and Departments Operating in the Model

2. **Start SIMPLE and Keep it SIMPLE!** Complicated is difficult to administer. Complicated will frustrate people. Complicated requires a lot of Energy. Complicated will not last. Complicated breaks! The average human being has an impulsive propensity to complicate things, FEELING he or she can make something better. This must be resisted to the extent practical... Less is just easier to manage. *You can ALWAYS add components to your Compensation System later.* Use FEWER components rather than more! Get it down to the LEAST quantity you can, especially in the beginning.



3. **Make it as Immediate as Possible.** Deferred rewards or pain are NOT as effective as an immediate experience. The more time between the behavior and the reward or pain, the more inefficient the system. The Compensation System is a communication system telling the individual or group if what they are doing is working or not. It functions much like the human nervous system.

4. **Make it Where People Can Immediately See they can WIN!** People need to believe they can do it...that they can do the job and be successful at it. The “Need to Believe” is something that must be cultivated over the long-term, but it is *critical* in the short-term! You want immediate belief! Immediate belief through something that is tangible and practical! People will assess situations within seconds and have an emotional reaction based on how they perceive it will directly impact them. This is natural and is linked to self-preservation. People want to win! To achieve! To be successful in their own eyes as well as in the eyes of others. Therefore, the Compensation System must fuel this belief by making it easy to see they will win! For most people, if there is too much “stretch” or too many “goals” in a pay system they will demotivate. Where the “stretch” is perceived as excessive or unachievable, a “demotivator” will be created which will have the direct opposite effect of your intention. It is all about belief...self-belief and/or the belief in the team or group. Huge stretch goals and such are recognized by most individuals as being unsustainable over the long-term.

5. **Make it as Rich as Possible!** Virtually everyone wants to do well financially. Most everyone has things or experiences he or she wants or needs. To make highly rewarding pay possible within the constraints of revenue, work must be done as efficiently as practical. Hospice is a system based on efficiencies as we can't increase our rates. *We can only compete on the basis of management (which includes both cost and quality)*. Therefore, a well-managed Hospice should only employ very productive people. Hospice reimbursement is substantial... There is more than enough to fund a World-Class Hospice experience. When a Hospice has very productive people, a Hospice needs LESS people in both Direct and Indirect areas. This, along with great management of Patient-Relates and other operational costs, enables a Hospice to pay extremely well! Example: If a typical nurse makes \$60,000 a year and you have 4 of them. One decides to leave, and the other 3 say among themselves “You know, we could all have a slightly higher caseload and we wouldn't have to hire a replacement... and we can all make a bit more!” In this case, you could simply pay each nurse an additional \$12,000 - \$15,000 and still have money left over to put into your reserves! Plus, having fewer people (3 instead of 4) is just easier to manage! This is the principle that we should and must operate.



Here are some more specific attributes and features that related to the foundational principles listed above:

1. **It should “teach.”** That is, it must clearly link cause and effect, performance to results, behavior to outcomes or however you want to describe it. A Compensation System is an extension of your People Development System.
2. **It must be frequent enough to easily link behavior to results.** Semi-Monthly is best. Weekly is next best. Monthly is OK. Anything more than a quarter is suspect and is drastically less effective. Annual...you might as well not do it at all...
3. **There must be an element of “pain” in the pay system if performance or behavior is not to Standard. This is called *Standards Pay*.** Too many Compensation Systems lack this key feature and only focus on the upside. A system without such is a vastly weaker system. An element of pain is needed in ideal learning environments. We structure these like “bonuses” as you can’t jerk people’s *Base Pay* around nor can you remove or take pay away. This category of compensation is called *Standards Pay* or *Standards Bonus*, which is a bonus you expect all employees to receive every pay cycle. *Standards Pay* is earned by “just doing your job” with zero stretch or goals. Up to 75% of the benefit of a Compensation System comes from the use of *Standards Pay*.
4. **The system must be easy to understand.** This is a prerequisite. It must be simple. If a Compensation System is not understood, how can you expect people to do it?
5. **The system must be predictable and NOT random.** To retain Talented employees, the Compensation System must be understood and should be completely predictable. Many pay systems are somewhat “random” in that bonuses may or may not be paid depending upon the overall organizational performance or other events. Their bonuses or incentive pay is largely outside of their control. This is de-motivating! It is frustrating and creates needless worry/anxiety among employees.
6. **The system can never be late paying people.** An organization or CFO that is late with Accountability or Empowerment Pay will be viewed with “contempt...” and rightly so. It is utterly disrespectful.
7. **The system must be easy to administer.** If a Compensation System is difficult to compute, then it will probably be mired in problems and I doubt anyone will really understand it anyway. Make it easy as you can NEVER be late on your compensation... including all Accountability or Empowerment Pay. I have largely automated pay systems since 1994 with HMS+ BEFORE EMRs. Saying it “can’t be done” is a Weenie Town move. Make the system EASY to administer based on FEW but important things.
8. **It must be a “fair” system.** Simply stated, unfair systems demotivate. Unfair systems offer the same or similar rewards to the unproductive as well as the productive. In a short period of time, this draws down the productivity of the productive and, if they are truly talented and energetic, they will leave the organization for a fairer Compensation System.
9. **It should be based on mutual reliance.** A great Compensation System “unites” a group of people towards a common purpose. If one area of an organization is weak or is



hurting, then “the system” should powerfully communicate this hurt to the entire group so that it can contribute to the remedy or betterment... and to make the organization healthy and whole.

10. **It should be done on Position, Individual, Team and overall Organizational levels.** A great Compensation System has these 5 levels (maybe more or less depending on the position). Every paycheck becomes a report card. *Position Pay* is for the basic job and includes *Base Pay* and *Standards Pay*. The *Base Pay* is normally a salary or hourly rate, restructured to be 90% of traditional compensation. The rest is *Standards Pay*. If any work is not done at 100% of the organizational Standards, then 10% of the semi-monthly or weekly pay is not paid... which is structured like a bonus that is expected to be paid every pay period for simply doing the job, is not given. It is expected that EVERYONE will receive their *Standards Pay* portion of their *Position Pay* every pay period. *Individual Pay* is normally Performance Pay for productivity at an attainable level not too distant from a minimum. *Attitude/Team Accountability Pay* is your portion if your peer group is happy with your behavior and performance within the team. If an organization determines to distribute Organizational Pay, your quarterly *Organizational Pay* is your portion when the overall company is winning above the Standard. The absence of **ANY** of these items indicates an “unhealthy” condition that needs to be addressed. Of course, in all situations, it is understood that QUALITY is fused into Standards. So if the Standards are being done, quality is being done as well.
11. **The upside must be compelling.** Cheap and stingy bonus systems do not motivate. The “upside” must be substantial enough to cause people to “want to work” to achieve the goal or target. This is where so many Weenie Town Hospices have ineffective Compensation Systems that, practically speaking, DO NOT WORK.

3 Elements Needed in Accountability/Empowerment Compensation Systems

To me, there are 3 key elements that should be in great Compensation Systems:

1. A modest base (salary or hourly) that a person can count on each pay period.
2. A Standards component to do the Accountability systematically, freeing Managers to Teach and Coach as well as free them from this negative aspect of management.
3. A Unit-Based, Productivity-Unit or Performance-Based component that enables a person to increase or decrease their income by choice.



4 Classifications of Compensation

We can group compensation into at least 4 general categories:

- Salary – An established set amount for a position.
- Hourly – An hourly rate for each hour worked.
- Piecework – An amount for each “unit” of work done.
- Performance-Based – This encompasses all pay derived from a result.

The use of one or more of these categories is normally employed by organizations.

Avoid “Hourly” Where Possible

You want to avoid “hourly” pay systems in nearly every compensation situation. Hourly pay systems tend to encourage overtime, as a mindset/habit is created to “stretch” work out to be paid more. This is a natural human event done by well-meaning and honest people. So with most clinical disciplines, you want to move away from “hourly.” With Hospice Aides, try to move to Per-Visit pay structures. Find out what top rung Home Health organizations are doing in your state. Salaries are better than hourly.

This has to do with *Exempt* versus *Non-Exempt* employees. These classifications vary by state. Exempt employees do not require overtime or double-time pay as they are professionals and must meet certain IRS, state and local criteria. Therefore, they are easier to pay mechanically and normally have less of an “hourly mentality” regarding the time worked. Hourly or exempt employees tend to “stretch” work out to get overtime. That is, they tend to be less productive since their motive is to get more hours so they can get more pay. Exempt employees must meet federal, state and local criteria. Please research this for its specific application to your organization. I have listed information in the Appendix section of this book that may be helpful. However, it is ultimately your responsibility to understand what you can or can’t do regarding Exempt and Non-Exempt determination. You have to be very, very careful about your determination of Exempt versus Non-Exempt as there can be severe penalties applied, especially in some states like California!

Compensation Methodologies

1. **Per Unit** – This is basically the idea of Piecework and it can be employed in a variety of ways. This is perhaps the purest form of Performance or Empowerment Pay. It is usually very straightforward and is, therefore, a great way to pay! The more you can establish methodologies that directly correlate to units (number of visits, census, NPR percentages, admissions, dollars, etc.), the easier it will be to administer the



Compensation System and get the desired result(s). However, strictly Per-Unit systems can tend to become wearisome in some situations. People in our modern world tend to prefer at least a component of pay they can count upon every pay period. They also would like additional amounts if possible. Therefore, we normally advise some traditional approach such as salary or hourly and then add a “variable” component of pay beyond what would be considered Excellent be paid out on a Per Unit basis such as an amount for each additional Visit, Patient or Average Caseload. We have seen strictly Per Unit (Per Visit) systems work really, really well! If you can do it, more power to you! It is a simple and powerful methodology! It also can be applied to specific positions such as part-time or any place where there is a clear-cut desired result. Given all pay methods, this is one that functions most like the natural world. It should always be considered. Sustainability is a big question with Per Unit compensation.

- 2. Minimums** – These are often your Standards. They are helpful in that you can use a single factor to get an “overall” result. This simplifies a Compensation System. A good use of Minimums is with Managers. Rather than complicating a Manager’s job with a ton of rules or components of a Compensation System, use a simple overall result. Example: The use of percentages of Net Patient Revenue (NPR) eliminates the need for most other factors for Managers. The Managers job is to manage costs *at or below* the percentage established in your Model. This is the essence of Management. Quality is also the Manager’s job, but quality is experienced from interactions and performance of front-line, direct staff. A Manager’s duties are an Indirect/Supportive position. Therefore, quality is really done at the Individual level in the system we recommend. The Manager is to provide the “conditions for success” to influence quality.
- 3. Excellent Amounts** – These amounts are denoted numerically in MVI Model cards as well as Minimums. These serve as a demarcation of where “extra” individual pay kicks in. The extra pay is normally done on a Per Unit basis.
- 4. Levels or Ranges** – This method creates “levels” or “ranges” where if an employee “hits” pre-defined levels of performance, compensation is paid according to the terms of the deal. This is a type of Empowerment Pay that is not Per Unit based. The idea behind it is that it motivates people for larger increases in performance as incremental gains do not count until the “level” is reached. A Level approach is more difficult to Model than a Per Unit basis as the payouts tend to hit in large hunks if they hit at all. People “get” that there is more risk with a Level-type system. Per-Unit methods are simpler systems as they do not require “if-then” statements in the equations. A question with a Level approach is “Will the employee slack off with an incremental, Per Unit system?” Compensation Systems are about motivating people, so decisions of whether to use Per Unit, Level or other methods is the real question.



Structural Work in Priority Order

There are a number of structural things that must be done to move to an Accountability - Empowerment Pay Compensation System. I will list them in sequence as they build upon each other. Failure to do these will result in an unnecessary waste of time and frustration.

1) Set the Profit Standard

The Profit Standard of the organization must be set and it must be high enough so it does not have to be changed. After a Hospice benchmarks and gains *professional perspective*, then it must establish a firm and virtually unchanging *Profit Standard*. Again, our recommendation for a typical Hospice in the United States is 14% of Hospice Homecare operations. You would design your *cost structures* (Compensation Systems, contracts, operational practices, etc.) to create this margin or exceed it with low census and high census (usually within 10% swings in either direction). This *Profit Standard* is not meant to be changed. If you change your *Profit Standard* (like a traditional budget does), you confuse your staff as to what they are managing to. If the Profit Standard is set too low, changing your Compensation Systems subsequently by making them “tighter” will be dramatically more difficult as people get used to “winning” in a slack environment. If you don't set your *Profit Standard* high enough, you leave yourself with fewer options in the event of difficult times. The 14% NPR% margin that MVI recommends is the cumulative result of simply doing *slightly* better than average or the median in all areas...and everyone should be doing better or be striving for better than average right? A high profit provides funds for hard times and time to retool when there is a convergence of unforeseen challenges. The *Profit Standard* links mission to Accountability. Any system that disconnects financials from decisions is of the lowest grade of organization and management. The last I heard, the word on the street was that being wasteful was not held in high-esteem. Organizations use the SAME Accountability for both financial as well as quality functions. How an organization manages equates to how they manage both quality and finances. They are NOT managed differently! Therefore, to fulfill the mission integrously, you have to have Accountability that links to the financials and this naturally crosses over into the quality domain as Managers learn to manage better! The lessons learned in managing money have direct application to managing quality as the principles of Accountability do not change by topic.

2) Make Sure Methods are Legal!

Make sure that all the methods, including the Accountability Contract, you are intending to use comply with all local, county, state and federal laws. *See the MVI disclaimer in the forward of this manual.*



3) Get the Chart of Accounts in Good Shape

Get the Chart of Accounts/General Ledger in good shape, especially the payroll accounts. This involves having a proper General Ledger (GL) logic in the Chart of Accounts (COA) structure. All GL accounts should have the same natural account number and each department/discipline should have unique identifiers. You should not have payroll “allocation” accounts. IF you are using CYMA, then MVI can do a GL Restructure that saves your history. If you have “adulterated” your GL, then do a GL Restructure now. Example: Your natural GL accounts for Payroll in the MVI Chart of Accounts is 4000.

4) Add Performance Pay General Ledger Accounts

To cleanly separate *Performance Pay based on savings* from normal or *Base Pay*, you will need to add an additional General Ledger account for each compensation account you already have in your Accounting system. Therefore, for each payroll account, you will add an additional account labeled Accountability or Empowerment Pay. I would not use the term, Performance Pay. These normally have a natural account of 4005 for easy grouping. By having these accounts, you can then show the performance as well as an additional column or row that reflects the Empowerment Pay. If you don't do this, things can get messy...especially with YTD or other periods of time. You want to make it easy and not confusing. Adding the extra accounts will save you tons of headaches. You must make it easy and clear as EVERYONE will be paying attention!

5) Create F9 Financial Reports to Calculate NPR with Ease

With these new Empowerment Pay accounts, you want to make sure the financial reports you use to manage, as well as Board statements, are in place. These reports make it easy to determine each Manager's NPR performance on a monthly basis. MVI provides specifically designed *Snap-On Financials* which help a great deal in this area. These reports work with any F9 compatible Accounting system. They are available to Network clients. These reports include:

- a. The Comprehensive Model Report
- b. Team/Location Report
- c. Indirect Report

6) Design EMR Reports to Support the Pay System

You will need to develop reports to support the Empowerment Pay system. You will need to find or create reports in the EMR to identify clinicians or Clinical Managers that are out of *Standard* regarding Productivity as well as the incremental units at or above the Excellent threshold for Individual Pay. If the bonus amount for each unit (Visit or unit of Caseload) is



uniform, it can be built right into the report for easy Payroll runs! To identify clinicians or Clinical Managers that are below *Standard* regarding Quality, an EMR report(s) are created and measures such as pain scores are used. Exception reports are best in both Productivity and Quality *Standards* as they only report those that are above or below *Standards*.

7) Determine Who Will Process Your Payroll

The organization needs to determine who will do payroll. The choice is whether to do payroll in-house or contract with a payroll vendor such as ADP, Paychex or other. We recommend using ADP or other payroll vendor to decrease liability. General Ledger accounts will need to be configured in the payroll system so payroll transactions can be imported into the General Ledger.

8) Switch to Semi-Month Pay Periods

This is a structural change that will reduce the number of transactions and pay periods as well as smooth out financial statement reporting. Bi-Weekly pay is for hourly-oriented organizations. You should not favor hourly mindsets as they lead to overtime and stretching work out to fill time. It is a clock-puncher mentality.

In addition, since the financial statements need to be stable, you don't want a few months to reflect increased labor costs due to bi-weekly pay. **This will NOT make people very happy in this type of Compensation System.** As long as you are changing the Compensation System, as big as it is, go ahead and make this structural change.

9) Move People to an Exempt Classification If Possible

This is related to the move away from "hourly pay" if possible and legal. Wage and hour laws can vary by state and even locality! It is a "structural" move and should be done before you get your Compensation System going. I would advise that this be done at the time when you switch to the new Compensation System to reduce confusion with too many changes (*see the section on Hourly pay in this manual for more information as to why this is a better way to pay*).

10) 4 Pay Types Need to be Setup in the Payroll System that Correspond to the General Ledger Accounts

4 Pay Types will need to be set up in the Payroll System that corresponds to the 4000 or 4005 General Ledger Accounts.

1. *Base Pay* (4000)
2. *Standards Pay - Attitude/Team Accountability Pay* (4000)



3. *Individual Pay (4000) (Based on Productivity Unit)*
4. *Manager Pay – Clinical Leader Pay (4005) (Based on beating the Contribution Margin/Savings)*
5. *Organizational Pay (4005) (Based on Savings) **OPTIONAL – NOT RECOMMENDED as GROUP COMP is the LEAST Motivating***

Every paycheck will have 3 or 4 line items that relate to the different types of pay.

IMPORTANT POINT: Your 4005 accounts are based on Savings or Managers beating the Contribution Margin percentage! That is, performance that is better financially than your Model. The 4005 are then EXCLUDED from the ongoing financial reports. They are ideally displayed in a separate column in financial statements but are NOT included when calculating the NPR percentages of your Model. Why is this so? It is because if you included these payouts, as the year progressed, it would become harder and harder to “beat the Model.” Because these amounts are based on “savings” they have ZERO impact on your Model! It is gravy! The amounts in the 4000s still need to be within the Model NPR percentages!

11) Establish Compensation Methodologies

Establish the specifics of your compensation methodologies (*see the chapter on SuperPay!*).

Sequence for Establishing the Compensation System

When leading a group through the establishment of the Compensation System, here is our recommended sequence:

1. **Settle Clinician’s Pay First!** This will settle 70% of your employees! Compensation methodologies for almost all of the classic Hospice and Homecare disciplines are already done! It is good to get a big win early in the discussion!
2. **Settle Clinical Leader’s Pay.** 70% of the development, morale and retention of an employee will come from this position. Therefore, you want motivated and talented people in these positions. Again, this position has been worked out quite well making it another win! Perhaps the biggest decision will be the percentage “splits” between the Clinical Leader and the organization - 50/50, 30/70, 25/75, etc. There has to be “enough” to motivate and make the job of the Clinical Leader attractive as well as “enough” for the health/sustainability of the organization.
3. **Settle Indirect Standards Pay and Team Pay.** We tie the Standards Pay of Indirect areas to the “number of negative codes” registered by Clinical Leaders per pay period. Normally, if 2 of these “negative or helpful” codes are registered, it results in a 10% reduction of the Attitude/Team Accountability Pay. More than 2 result in loss of the full 20% for everyone on the Team. Individual Pay (which is based on beating the NPR% and job performance) is determined by the Manager of the Department with some



guidance from the CEO, CFO or another person with excellent professional and financial judgment.

4. **Executive Management is the last area you address.** We try to keep this simple. However, since there are not a lot of people in these positions, you can get pretty creative. Often this area is parked and is discussed among the Executive team. However, normally it involves “Percentage Splits” almost like ownership “shares of stock” in a company.

In these discussions, try not to get into too many details on a specific position. If a position is difficult, park it and move on to easier positions. This keeps the momentum up and everyone will feel progress is being made! There will always be positions where you are not quite satisfied with the end result of the Compensation System. That will lead to a better solution later and it reminds Managers that no Compensation System is static. They will be changed as better methods are discovered.

12) Model the Pay System Assuming 100% of Employees Will Receive Individual Pay

When “Modeling” or planning Individual Pay, assume that every clinician and person will receive the Individual Pay bonus every period. This is the most conservative way of estimating cost and protects an organization. Assume that 100% of your employees will receive *Individual Pay* and *Attitude/Team Accountability Pay* beyond their Base pay. Since this pay type is NOT based on savings, it is a cost. Individual Pay based on Productivity Unit is the strongest motivator as the person has the most control over it. Therefore, make it as rich as possible! On the MVI Model Cards, this would be most often based on productivity measures (assuming all Quality Standards are met as well).

13) Create Accountability Contracts Determine Your Method of Objective Monitoring

One of the things that must be addressed when Accountability is being strengthened is “Objective Monitoring” where employee behavior and performance are evaluated in light of the measurements and Standards of the organization. The Reality is that almost all humans will “go soft” if they have relationships with the people they are monitoring. This, of course, can compromise a Compensation System. This specific area needs to be carefully considered. See *the sections on Objective Monitoring in this manual for further explanation.*



14) Create Accountability Contracts

Accountability Contracts need to be created. All employees will sign these legal and communication documents. This has been covered in an earlier section of this manual on *Accountability & Standards*. This helps avoid legal issues and is a powerful communication of what is expected from all employees. It is best to use ONE version of the Accountability Contract for all employees to keep it uniform.

Recommendations and Important Points When Creating Your Compensation Methodologies

1) Bring People as Close to Revenue as Possible

This point was previously covered in the manual but it can't be overstated. The lifeblood of a modern organization is the economics. It all has to work, whether it is driving revenue or decreasing/maintaining costs. Money is a tool that can be used to tie everyone together and create a world of mutual reliance. Money is used to teach and to help people grow and mature because it is so emotional. All employees should be impacted when a company is growing or declining. It should be as immediate as practical. Bringing people close to revenue helps mature them. It helps employees grow and become more Self-Confident. If a person is unwilling to take a pay decrease when there is a loss of business, then they also should not participate when there is a gain of business... Strength is not built through insulating employees from resistance or struggle... It is exactly the opposite. When people have "skin in the game" you will be amazed at the ideas for improvements or elimination of bottlenecks in processes and how waste can be reduced or eliminated. Problem people will not be tolerated. People will work on the issues and problems!

2) Get Rid of Annual Bonuses! Frequent Helps People Learn!

Annual "bonus" systems are nice and are certainly appreciated when the checks are handed out, but they do little to actually motivate people to alter behavior or link actions with results. If an annual bonus is given in December (for a calendar year company), most people can't even remember what they were doing in January! Individual bonuses at year-end may work OK. Not great at motivating over the long-term, but good enough as long as it is perceived as fair. Giving corporate-wide bonuses at year-end doesn't do anything in my book except make people FEEL good at year-end and provide some discretionary money.



3) The Timeliness of Accountability Compensation

The compensation needs to be as close as possible to performance activity to help people link behavior to results. If compensation is delayed, it loses value and power. In fact, if the Accountability compensation is extremely late, it will be looked at with contempt. IF it is viewed as an “unexpected” surprise, our Compensation System has failed to do its job.

IF your Hospice has trouble getting the books closed and financial statements issued by the 3rd or, at most, the 4th week after the end of a month, DON'T think you can do an Accountability-based Compensation System. You are not ready.

If nothing else, change the Compensation System where marketing reps are making the “same” as they are now, but within a new structure. Yes, they will be costing you the same, but you will be locking in your downside as they will fight hard not to lose pay due to census loss. This move sets the stage for the future that allows greater flexibility regarding compensation. It is a low-risk move.

Example: A marketing representative has a base salary of \$80,000 (far too much) and produces 15 admissions a month from the person's accounts. In this case, reduce the base to a modest amount (not too comfortable) like \$50,000. Then set an admission level a bit higher than is currently being achieved. Something like 25. Tie the other \$30,000 to this performance. This challenges the person and makes the change in compensation easier to swallow. It also helps protect the Hospice against census “slides” in the future.

4) Objectivity is Needed

You want objectivity in your Compensation System whenever possible or practical. You want the “system” to do the work for you. This also makes the system impartial and fairer. “Fairness” is an important feature of your Accountability Compensation System.

5) What About Accounting Errors or Adjustments & YTD?

With Accounting, there will always be errors and adjustments that need to be made. There are probably a few ways to handle this. However, I don't think you need to do anything fancy. If at the time of a financial period closing, the Compensation System shows that a Manager's performance merits Empowerment Pay, then pay them. If in a subsequent month, a prior period adjustment needs to be made then make it.

I really don't like to do anything on a YTD basis as it complicates the Compensation System. One could see where their team is on a YTD basis, and see where performance is but this could be a bit messy. You could also have a YTD component to the Compensation System. This would complicate it, but it could be done. Maybe 50/50 – 50% of the Manager's bonus is based on the period and 50% is based on YTD. You could also have it where 50% of



the bonus is from the prior period and 50% is for the current period, but this seems a bit complicated for me.

The point is that every report will be incorrect to some degree. No report will be 100% accurate due to the arbitrariness of accruals, cutoffs and late invoices. We will report the best that we have.

The system that we are proposing favors the Manager of an area. Suppose a Manager gets a good Empowerment Pay bonus one month. Then a bunch of late invoices come in. The Manager will then get “dinged” 10% of his or her pay for the month. Now, the prior month's bonus might have been more than the “ding” right? Well, in this case, the Manager comes out ahead... but I would suspect that the company is still benefiting overall from the pay system. You will be winning more than you will be losing. This tension makes for better accounting. The Accounting area will be tighter in its work.

Notes for CFOs

Conditions:

1. Accounting must be timely and accurate.
2. No additional pay is distributed until accounting reports are issued.
3. The Financial Model must be beat first! Then, quality measures are applied. (You can't pay additional compensation if you don't have the money!)
4. Quality Measurements must be equaled or exceeded.
5. OPTION: Withhold 1/2 of Accountability compensation from the previous period for "accounting adjustments" or spikes. I'm not the biggest fan of this, but it does have some merit.

6) What Percentages Should the Savings “Splits” Be?

In the system of compensation that I am outlining, there is a clear split of savings derived from “beating the Model.” 50/50 is my favorite as it FEELS good and is easier to sell. However, it can be 70/30, 80/20, 60/40 or whatever percentages you want. They could even be different percentages for different areas! However, if you can create splits that are uniform across the organization, it keeps things simple. Simple is usually better.

I favor Compensation Systems where the employee is radically favored ONCE the Profit Standard is met.



That is, if your profit Standard is 14% for the organization, who cares if most of the excess (as much as 75% or 80% of the excess) is distributed to employees? The organization needs its efforts and could not do it without them. Don't get greedy...

7) What About Taxes on the Company and Employee Portions?

Both the company and employee portion of the saving "splits" will be subject to all normal taxes: federal, state and local. The taxes reduce the actual savings. For example, in a 50/50 split situation, the savings of the Hospice will be a little more than 40% after payroll taxes. There will also be an additional portion subtracted to compensate executive Management or others with broad Management responsibilities. This could be an additional 10%. With these subtractions, the company portion is shrinking... in this case, to 30%. But is that bad? In my mind, if you are getting your 14% profit, anything additional is great! However, I definitely would not bonus out 100% of the employee portion. It should be in the 25-30% range though... enough so that it impacts overall Net Income and increases financial reserves. I think it is fine that much of the savings are going to the people that created the savings!

8) Create Acid Tests When You Need Evidence of Inefficiency or Low ROI

When you need to rationally think through compensation decisions, I have found it particularly useful to divide current costs by the number of units for a function and see what the results are. These are NOT complex calculations.

Examples:

Volunteer Costs: Take the wages and benefits costs of the Volunteer area and simply divide them by the number of volunteer visits or hours. Most Hospices are SHOCKED at the amount. This knowledge will be of great value when you start to create the Compensation System for Volunteers Coordinators.

Clinical Discipline Costs: Take the costs for a clinical discipline, wages and benefits, and simply divide the costs by the number of visits for the discipline.

9) Create Systems without COLA Increases

COLA is Cost of Living Adjustment. This is an expectation for many people due to conditioning from other employers. It is best NOT to set this expectation in the minds of your staff as it is unhealthy. It is a "built-in" operational cost that over the LONG-TERM will become HUGE. The cumulative impact of built-in COLA adjustments can be devastating, especially in Hospice where revenue increases are less likely.



Some of the healthiest cultures I have ever witnessed do NOT have annual COLA increases. Yet, their employees make more year after year. You see, if you have huge upsides for everyone in your Compensation System, there is no need for COLA increases. One executive from a top-rung client said to me “Andrew, I haven’t had a salary increase in 10 years, yet I make more now than I ever have...” And their numbers PROVED it. Their retention of administrators was 20 times that of a typical organization and they have been either #1 or #2 regarding profitability for decades! The Managers took great pride in the fact they didn’t receive any increase in their base for so long! They were very aware they were freaks...but they liked it!

The expectation of a COLA increase is a STRUCTURAL cost that automatically creates cost problems over the long-term.

10) Change Mileage Reimbursement at the Same Time

If you are paying the Federal mileage rate, you are paying too much. The Federal rate normally does not change with changes in the price of fuel. A better way is to pay a rate that can be adjusted quarterly or semi-annually. It is a good idea to change your mileage reimbursement at the same time you implement the Compensation System. There is a high likelihood that you will be reducing the rate. This can negatively impact staff UNLESS there is a huge upside someplace else to offset the reduction. The huge upside will be your new Compensation System which FAR overshadows any reduction in the mileage rate.

11) Establish Principles Behind Raises & Promotions

This is another “expectation management” practice that will help an organization greatly. Why should someone get a raise or promotion? This is a teaching concept, and all Compensation Systems teach (even bad ones teach). I would make sure that this is included in your All Staff training manuals, orientation or in MVI language, “Transformation!” Here are some principles that you can adopt:

- To get a raise or pay increase at this organization, you must be doing MORE than you are already being paid to do.** If you haven’t been doing “extra,” why would you expect additional pay for doing the same quality or quantity of work? Longevity is not a good enough reason.
- Just because a person is “working hard” or “spending a lot of time” on something doesn’t mean that they are providing VALUE to the organization.** The person may simply not have the intelligence or capability of doing the job efficiently. If someone is struggling with “routine” tasks, then, as a Manager that is responsible for the allocation of assets to maximize ROI, you need to remove the person from the



position, re-purpose them or train them to do their job better. Giving time or “working hard” is not enough to merit a raise or extra pay.

- **Most of your professional advancement will come from your leisure, non-paid time.** Most of your professional advances will come from time for which you are NOT BEING PAID directly. When you are trying to get to the next position or place in your Life or career, you naturally learn all you can about it. You read, you pay attention to anything you hear about it, you think about it and you practice to develop the skills you perceive you will need in the future position. I have found that virtually all of my professional advancements came from my own time and on my own dime. I just wanted to advance.
- **Each person in the organization ultimately sets his or her own pay based on the value they provide.** Yes, each of us sets our own pay. We do this by creating value. If you are worth it, you will get an increase. Don't look at yourself as being “held back” by those you report to or “the man” (or the “woman!”). Realize that YOU are responsible for your Life. You are Accountable for your Life. You are in the driver's seat of how you experience Life. So if you want more, contribute more value!!! It really is as easy as that!
- **If you can directly link your contribution(s) to increased profitability, the easier it is to create a system to compensate you for your efforts.** The easier it is to show or illustrate the relationship between your performance and results, the easier it is to get people with the power to change the Compensation System to reward you. This is achieved by lowering costs, increasing revenue or both. Make it EASY for a Manager or Leader to promote you!
- **Not all people are paid the same. People that contribute more value get paid more.** It is all about VALUE when viewing an organization or business. We are creating value for our customers. That is why we are in business. Those most talented at providing value deserve more. They usually tend to work harder, give more time and apply themselves more. Even though it is not about “working harder” or “the amount of time” that a company should base its rewards, these factors usually accompany those that create the most value.
- **The client or customer will write every paycheck you will ever receive.** It is about serving the customer. Patients, families. Medicare and referral sources are the folks that write the paychecks. Yes, we serve each other as well and this is linked to how well we serve the customer ultimately, but it is our ability to IMPACT THE EXTERNAL WORLD that meets payroll and provides the means for the continuation of an organization. The customer writes the paycheck.

12) Sometimes you can give some positions “Options” to stay on the current pay method

I do NOT like this option as a general course of action as it complicates a Compensation System. Anytime there is an “exception” it breaks the system. It can also violate the principle of



“fairness.” However, as a Manager, you are managing for a RESULT. If a certain employee is getting great results and they are being paid in a traditional way that is financially advantageous... you might want to make an exception. This exception must be clearly communicated that it is based on sheer MERIT! And that when or if this position becomes open, this “exception” will end.

Example: You have an extraordinary biller that is insecure and just wants an hourly rate... and the hourly rate is LOW. You hate hourly rates, but she never works overtime, the billing is perfect, write-offs are near-zero and Days in AR are in the 90th percentile when ranked with all other Hospices in the MVI database. What to do? I would see if she is open to a new system, one-on-one in a private conversation. If she is OK with moving to the new system, assure her that if she is uncomfortable with it, she can move back. The point is, you are getting a great result! Ride that horse!!!! If performance ever diminishes, then use the new Compensation System for that employee!

13) Use an Economy of Pay or Activity Codes

Less is just easier to manage. The fewer codes you have for payroll or in your EMR, the more you improve quality. You want to minimize discretion at the operating level where possible. EMR activity codes are often linked to payroll. With an EMR, we try to get the number of activity codes a clinician uses (or has the ability to use) down to a minimum. There might only be 4 or 5 codes:

- Admission Visit
- Regular Visit
- Death Visit
- Care Coordination Time
- Meeting Time

A great Hospice or Homecare company can be run with a minimum of codes. You want as simple of a payroll system as you can. You don't want to design systems where you have to pay people for every little thing they do. Things like Beeper Pay, On-Call Pay, Attending IDT, etc. should be avoided if possible. Care Coordination Time is a highly useful code as it captures “all other time” and relieves an organization from having to have a lot of other codes. Sometimes detail-oriented accounts like a lot of codes to “analyze” work. It is best NOT to add such codes for these purposes. It is better to do time studies and model top clinicians with high productivity to see what they are doing rather than creating elaborate systems that will remain in place long after the desire to “study” has dissipated.



14) The Use of a Simple System Frees Time to Track Hours to Help You Keep Out of Legal Trouble

A simple payroll system improves the quality of the payroll function as it frees time to do a better job of tracking hours for compliance with Wage and Hour regulations. Wage and Hour regulations vary by state and Federal Wage and Hour regulations apply to all organizations within the United States. Sometimes, even if an employee is paid by the visit or in some method other than hourly, hours have to be tracked for Wage and Hourly purposes. This is an area each organization should know the legal requirements that apply to them.

15) Have as Few Standards as Practical

An award-winning Hospice or Homecare organization can have as few as 5 Standards. The fewer Standards you have, the easier they are to learn, teach and use for Accountability. The more direct they are, the better. Here are the 5 we recommend:

1. Perfect Phone Interactions.
2. Dress in SD apparel according to our *Standards* of hygiene and grooming.
3. Perfect Visits with Perfect Documentation.
4. Time to Meet, Ass in the Seat! – *Eight58, Eleven17, Transformation Four29* Meetings
5. Report all service failures (Gifts) to the CEO/Chief Teaching Officer. Remedy before the Sun sets.

Within Standards may be components of the Standards. But all are grouped under these overarching Standards. Individual departments can have slightly different Standards based on the function or functions of the department. For example, a Finance department might have a Standard that all financial statements are to be distributed to Managers by or during the 3rd week of the month following a month-end. The Departmental Standards that impact others need to be communicated to those impacted so they know what to expect from the department. This communication becomes a form of Accountability and provides a means for others to evaluate whether or not the Standard is being done.

16) Be Careful NOT to Overpay!

A BIG mistake is to pay people too much or over pay employees. Why? Because it is hard to reduce someone's pay later. Price, rate or amount is ALWAYS remembered... It is remembered emotionally...and it is difficult to change a person's compensation without them feeling hurt. You want to have a RICH Compensation System that pays more than other employment options. But, I would advise you to be a bit conservative and pay better than you do at present until you gain some experience with the new system. After this experience is gained, you can make adjustments...and you can always increase people's pay without much resistance from them! When you are unsure about a pay situation or metric, be sure to



MANAGE THE EMPLOYEE'S EXPECTATION. *"This is a new thing and we don't know if it is the best way to pay or if the metrics are too much or too little. Let's try this for a month and then re-evaluate."* Your Accountability Contracts are great for managing people's expectations regarding how the organization will from time-to-time change compensation methods. If you blow it by setting up a low Standard and are forced to reduce someone's pay, we recommend that you OWN IT and say something like this: *"Ultimately, I take full responsibility for this miscalculation..."* With this said, when a miscalculation happens, it is an excellent opportunity to see how mature the person being impacted is. If a person is over-paid, that is the Accountability-pay is excessive, the person probably realizes it or knows it intuitively. If they are OK with it, then it shows they have Self-Confidence and TRUST you! In this case, you have to be fair and make it right. Normally, you will not lose a mature person because of this.

17) Clarifying Ideas When Creating a Pay System

When I am implementing a Compensation System, I like to review a list like the one that follows to help me clarify my thinking. These might be helpful for you too! Here we go:

- All systems must be based on the realities of human behavior...
- The People Development/Compensation System, an evolving system, should emulate the natural world as it is better to "flow" with it rather than go against it based on unrealistic beliefs and wishful thinking it was otherwise...
- The Natural world penalizes (via pain/death) when the organism fails to acquire (as there is no internal Energy source) Life-sustaining things...



SuperPay! - Empowerment Pay - Liberation Pay!

We use a phrase or term like SuperPay to brand our Compensation System to your Hospice or Homecare organization and make it extremely positive! Everyone wants a “Life!” A great Life! How can we provide this? One of the primary objectives of *SuperPay* is “Self-Regulation” or “Self-Management” on an individual level.

- Recognizes compensation in all its forms...
- Allows us to Attract (1) and Retain (2) the most talented people in each service area
- Fewer people, HIGHLY compensated
- Upholds Accountability structurally/systematically with minimal expenditure of effort
- Conserves Energy for Teaching and the need to hire Managers to make sure people do their jobs. Eliminates the need for a Clinical Manager to:
 - Monitor documentation
 - Monitor productivity
 - Do Annual Reviews
 - Terminate Employees

Thus, it frees Managers to do the 1st Duty – to teach and coach “Life-Changing” skills

- De-emphasize the negative aspects of management (confrontation, firing, “Doing Accountability, etc.) and emphasizes the positive aspects of management such as teaching and coaching
- Employees/Volunteers become “self-regulated” and are provided “Conditions for Success”
- Creates a natural system of mutual reliance where the “system” automatically corrects non-Standard quality and financial deviations... Example: Low census is automatically corrected via each person’s Self-Interest
- Encourages Spirituality as money is viewed as a powerful teaching tool as well as a tool “smoke out” people lacking self-confidence and Integrity



How do We do the Vision? 100% Focus on People Development!

- The core competence of Sunny Day must be “we are Extraordinary at developing people”
- A “Life-Changing” experience/feeling is provided to all we touch...
- Standards are the only topic(s) taught
- We simplify at all levels, making work EASY to do and by removing employee/volunteer discretion wherever possible
- Define Behavioral and Performance Standards (numerically denominated)
 - Perfect Phone Interactions
 - Perfect Visits
 - Revolutionary Bereavement
- Systems are simplified and sensitized to detect any deviation from Standard
- The Compensation System (NuPay/SuperPay!) tells the employee/volunteer whether or not they are doing the Standards every pay cycle creating a culture of Self-Control
- The Compensation System is viewed as an Extension of the teaching system and is the ONLY known way to make phenomenal quality & profits Reality
- Culture is “Super Soaked” with Meaning & Purpose as this is the central demographic of people that are attracted to Hospice work



The Financial Reports Used in *SuperPay!*

You will need to develop reports to support the Empowerment Pay system. You will need to find or create reports in the EMR to identify clinicians or Clinical Managers that are out of *Standard* regarding Productivity as well as the incremental units at or above the Excellent threshold for Individual Pay. Sometimes if the bonus amount for each unit is uniform, it can be built right into the report for easy Payroll runs! To identify clinicians or Clinical Managers that are below *Standard* regarding Quality, an EMR report(s) are created and measures such as pain scores are used. Exception reports are best in both Productivity and Quality *Standards* as they only report those that are above or below *Standards*.

The General Ledger reports used for NPR performance will look something like this:



1) The Comprehensive Model Report

Comprehensive Model Report								
Sunny Day Hospice								
YTD December, 2008								
Area/Program	Leader	Direct Labor	NPR% Model	Patient Related	NPR% Model	Contribution Margin	NPR% Model	Performance Pay
Hospice-Location 4	Johnny Rattler	34.7%	35.0%	4.5%	17.0%	60.9%	48.0%	0.0%
Hospice-Location 5	Jolly Roger	76.8%	35.0%	0.0%	17.0%	23.2%	48.0%	0.0%
Hospice-Location 6	Shivers Dunkin	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 7	Jonas White	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 8	Carrie Slasher	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Hospice-Location 9	Betty Horn	0.0%	35.0%	0.0%	17.0%	0.0%	48.0%	0.0%
Inpatient Unit (Loc 3)	Harriet Mackie	53.7%	59.0%	0.0%	17.0%	46.3%	24.0%	0.0%
Palliative Care (Loc 2)	Jill Scallywag	0.0%	70.0%	0.0%	17.0%	0.0%	13.0%	0.0%
Total Organizational		39.8%	40.0%	3.6%	17.0%	56.6%	43.0%	0.0%
Centralized Direct	Leader	Labor		Other		Total %	Model %	Performance
On-Call	Chris Daves	3.2%	3.00%	0.0%	0.05%	3.2%	3.1%	0.0%
Admissions	Ella Blue Ramsay	1.2%	3.00%	0.0%	0.05%	1.2%	3.1%	0.0%
Bereavement	Lil Timbers	3.1%	1.00%	0.0%	0.05%	3.1%	1.1%	0.0%
Volunteer	Mabel Barrels	1.4%	1.00%	0.0%	0.05%	1.4%	1.1%	0.0%
Total Centralized		9.0%		0.0%		9.0%	8.2%	0.0%
Indirect Areas	Leader	Labor		Other		Total %	Model %	Performance
Administration	John Rugged	3.9%	3.50%	0.0%	0.05%	3.9%	3.6%	0.0%
Clinical Management	Sal Prisk	7.2%	5.50%	12.7%	0.05%	19.9%	5.6%	0.0%
Compliance/QAPI	Moll Biscuit	0.9%	1.50%	0.0%	0.05%	0.9%	1.6%	0.0%
Education	Vera Skewers	1.6%	1.00%	0.0%	0.05%	1.6%	1.1%	0.0%
Finance	Tobias Story	2.6%	2.25%	0.0%	0.05%	2.6%	2.3%	0.0%
HR	Nancy Harpo	1.1%	0.75%	0.0%	0.05%	1.1%	0.8%	0.0%
Marketing	Roger Sellick	0.6%	2.00%	0.0%	0.05%	0.6%	2.1%	0.0%
Medical Director	Jacob Haul	0.0%	1.25%	0.0%	0.05%	0.0%	1.3%	0.0%
Medical Records	Eli Goodwin	1.5%	1.00%	0.0%	0.05%	1.5%	1.1%	0.0%
MIS	Mack Sweet	1.0%	1.25%	0.0%	0.05%	1.0%	1.3%	0.0%
Other	Lin Marko	0.0%	0.00%	0.0%	0.05%	0.0%	0.1%	0.0%
Total Indirect		20.3%		12.7%		33.1%	20.6%	0.0%
Operating/Facility	Leader					Total %	Model %	
Operating	Sammy Quick					8.20%	8.0%	
Facility-Related	George Fry					1.73%	4.0%	
Total Operating/Facility						9.9%	12.0%	
Total Operating Indirects						43.0%	32.6%	
Total Operating Expenses						95.3%	97.8%	
						Total	Model	
Operating Income/(Loss)						4.7%	2.3%	
Non-Operating Income								
Support								
Fundraising								
Investment and Interest								
Other Programs								
Total Non-Operating Income (Loss)								
Net Income (Loss)								
Control Total								



A great Best-Known Success Pattern is the One Page (if possible) Comprehensive Model Report. Basically, this report shows on a single page how every functional area of a Hospice is performing regarding the Model.

The Comprehensive Model Report is useful to gain a “big picture”, “non-siloed” perspective of every business segment and supporting area based on its impact on the MAIN business using an NPR percentage measurement. What this means is that if the Mothership of the organization is the Hospice business (the Hospice is the primary business which all others exist for), then all other business segments and areas are measured as a percentage of Hospice Homecare’s percentages of Net Patient Revenue and NOT their own! All areas are commonized. This enables a user of this report to quickly and efficiently see the IMPACT of each area on the Mothership and the *Profit Standard*. Business segments that are consuming an inordinate amount of resources can be identified and resources re-directed to more valuable or profitable ends in light of the organization’s primary business segment.

In addition, each Manager is personally identified in the Comprehensive Model Report. This adds another layer of Accountability to your Model. This report is not only used by Executive team members, but is also distributed to ALL Managers! All Managers can see who is “winning” and who is “losing.” This peer pressure (a Method of Master Teachers) helps motivate Managers to adopt better practices and stop doing poor practices.

Without such a report, it is very easy for an Executive to lose sight of the financial impact of every area and business segment on the primary business. This is another way to gain perspective on the allocation of resources (Management).

The Comprehensive Model Report is issued by the 3rd or 4th week after the month-end.

Key Features of the Comprehensive Model Report:

- High-Level
- Quickly see the financial impact of each supporting area and business segment on the primary business
- A tool for precise decisions regarding resource allocation
- Used to increase Accountability via peer pressure
- The NPR percentages should be interpreted based on a professional perspective gained from MVI Benchmarking from a national (non-filtered) basis which should be distributed monthly or at minimum quarterly

NOTE: All Performance Pay that is based on savings is shown in a separate column so that it does not penalize Managers as a year progresses when measured against the Model. Empowerment Pay which is NOT based on savings is reflected in normal compensation.



Sunny Day Hospice - Comprehensive Model Report (An F9 Report)									
Period:		March YTD							
Area	Leader	Direct Labor	Model	Patient Related	Model	Contribution Margin	Model	Traceable Indirect	Model
Team 1	Sue Brown	30.2%	30.0%	23.5%	22.0%	46.3%	48.0%	4.6%	3.0%
Team 2	Jill Lental	33.9%	30.0%	28.3%	22.0%	37.8%	48.0%	2.4%	3.0%
Team 3	Sam Jones	28.7%	30.0%	19.6%	22.0%	51.7%	48.0%	2.8%	3.2%
Average		30.9%	30.0%	23.8%	22.0%	45.3%	48.0%	3.3%	3.1%
Centralized Direct		Labor	Model			Other	Model	Total	Model
Admissions	Chris Davis	4.2%	2.5%			2.5%	0.3%	6.7%	2.8%
On-Call	Jane Swift	2.2%	2.5%			2.5%	0.3%	4.7%	2.8%
Bereavement	Kim Black	0.7%	1.0%			1.0%	0.1%	1.7%	1.1%
Volunteer	Val Tiff	1.0%	1.0%			1.0%	0.1%	2.0%	1.1%
Total		8.1%	7.0%			7.0%	0.7%	15.1%	7.7%
Indirect Areas		Labor	Model			Other	Model	Total	Model
Administration	Linda White	4.6%	3.0%			0.1%	0.3%	4.7%	3.3%
Medical Admin	Cracker Jack	8.1%	5.0%			0.2%	0.5%	8.3%	5.5%
Medical Director	Larry Reid	2.0%	1.5%			0.4%	0.2%	2.4%	1.7%
Finance	Captain Crunch	2.3%	2.5%			0.1%	0.3%	2.4%	2.8%
HR	Nancy Harpo	0.8%	1.0%			0.1%	0.1%	0.9%	1.1%
IT	Sid Vicous	1.3%	1.0%			0.2%	0.1%	1.5%	1.1%
Medical Records	Cheryl Green	0.9%	1.2%			0.1%	0.1%	1.0%	1.3%
QI/QA	Lin Marko	1.0%	1.0%			0.2%	0.1%	1.2%	1.1%
Education	Alto Sand	1.1%	1.0%			0.2%	0.1%	1.3%	1.1%
Total		22.1%	17.2%			1.6%	1.7%	23.7%	18.9%
Other Operational	Linda White	4.1%	4.0%					4.1%	4.0%
Facility-Related	Linda White	4.3%	4.5%					4.3%	4.5%
Total		8.4%	8.5%					8.4%	8.5%
Total Indirect		30.5%	25.7%					32.1%	27.4%
Total Expenses							95.7%	86.2%	
Profit							4.3%	13.8%	

In this report, every part of the Hospice is represented. Everyone can see what they are contributing to the effort regarding their respective performance.



2) Model Report for Multi-Team/Location

Team/Location Report		Team Leaders				
		Terry	John	Ann		
Sunny Day Hospice						
For Periods Ending July 31, 2008						
	Model	North County	South County	East County	West County	County 5
Revenue						
Medicare	93.59%	126.98%	125.92%	-	-	-
Medicaid	3.64%	6.11%	8.09%	-	-	-
Commercial Benefit	2.98%	7.02%	5.06%	-	-	-
Commercial FFS	-	-	-	-	-	-
Medicaid RB (own unit)	-	2.77%	-	-	-	-
Other RB (own unit)	-	-	-	-	-	-
Physician Billing	-	1.08%	-	-	-	-
Self Pay	0.03%	0.94%	-	-	-	-
Other Charity Rev	0.00%	-	-	-	-	-
Adjustments	(0.26%)	(44.91%)	(39.06%)	-	-	-
Total	100.00%	100.00%	100.00%	-	-	-
Direct Labor						
Nurses	14.00%	8.05%	70.44%	-	-	-
CNA	7.00%	1.99%	53.94%	-	-	-
SW	4.00%	2.32%	4.74%	-	-	-
PC	2.00%	0.81%	-	-	-	-
Physician	2.00%	3.33%	-	-	-	-
On-Call	3.00%	3.03%	-	-	-	-
Admissions	3.00%	1.59%	-	-	-	-
Bereavement	1.00%	-	-	-	-	-
Volunteer	2.00%	-	-	-	-	-
Total	64.76%	21.12%	129.12%	-	-	-
Direct Patient-Related Expenses						
Ambulance	0.92%	0.43%	0.02%	-	-	-
Bio Hazardous	0.00%	-	-	-	-	-
Continuous Care	-	-	-	-	-	-
Dietary & Dietary Labor	1.14%	0.14%	11.52%	-	-	-
DME	0.97%	3.31%	5.30%	-	-	-
ER	0.02%	0.53%	-	-	-	-
Food & Kitchen Labor	1.45%	-	9.36%	-	-	-
Imaging	0.09%	0.38%	0.12%	-	-	-
Lab	0.04%	0.22%	0.17%	-	-	-
Linen	-	-	3.82%	-	-	-
Medical Supplies	1.94%	0.96%	2.29%	-	-	-
Mileage	1.12%	2.73%	-	-	-	-
Mobile Phone	0.15%	0.40%	-	-	-	-
Other	0.00%	0.00%	0.35%	-	-	-
Outpatient	0.06%	0.30%	-	-	-	-
Oxygen (for Unit Only)	0.45%	-	-	-	-	-
Pagers	0.06%	0.11%	-	-	-	-
Pharmacy	4.52%	8.27%	7.88%	-	-	-
Therapies	0.81%	0.84%	0.19%	-	-	-
Therapies Chemo	-	0.76%	-	-	-	-
Therapies IV/Biological	-	0.09%	0.03%	-	-	-
Therapies Labor	-	-	-	-	-	-
Pass-Through Residual	-	(0.95%)	0.01%	-	-	-
Total	13.74%	18.53%	41.07%	-	-	-
Total Direct Labor and Expense	78.50%	39.65%	170.19%	-	-	-
Contribution Margin	21.50%	60.35%	(70.19%)	-	-	-



This is an example of the lower section of the Team/Location Report. These are the same statistics that you'd use when benchmarking with MVI! They are the stats needed to run a clinical team.

	Locations	4	5	6	7
Team/Location Report		Team Leaders			
Sunny Day Hospice		<i>Terry</i>	<i>John</i>	<i>Ann</i>	
For Periods Ending July 31, 2008		North County	South County	East County	West County
Census		94	24	0	0
Census Goals		125	55	75	50
Computed Caseloads					
Nurses		9.0	6.4	-	-
CNA		36.2	8.3	-	-
SW		31.1	94.6	-	-
PC		88.8	-	-	-
Physician		21.7	-	-	-
On-Call		23.8	-	-	-
Admissions		45.4	-	-	-
Bereavement		-	-	-	-
Volunteer		-	-	-	-
Enter Total Number of Visits per Location and per Discipline					
Nurses		3,750			
CNA		5,000			
SW		1,500			
PC		750			
Physician		-			
On-Call		1,000			

As no area receives its own financial report, the Team/Location Report provides more detail for a Clinical Manager to clearly see the areas where he or she needs to go to work or where the Clinical Manager does not need to focus attention.

The Team/Location Report shows every team or location and each Clinical Manager's name appears in the column of their responsibility. This is an Accountability tool and introduces healthy peer pressure among Clinical Managers. All teams are measured against a SINGLE clinical NPR Model.

Not only are financial percentages of NPR (Net Patient Revenue) displayed, but the same vital clinical statistics used in the MVI Benchmarking Application such as the Median Number of Visits Per Patient Per Week, Total Number of Visits by Discipline, Number of Visit-Hours by Discipline, Median Visit Durations by Discipline and Computed Caseloads by Discipline. The inclusion of these vital business statistics enables Clinical Managers to more easily find relationships between the financials and the statistics.



The Team/Location Report is issued by the 3rd or 4th week after a month-end to all Clinical Managers.

Key Features of the Team/Location Report:

- Enough but not excessive detail
- Includes both financial as well as vital operational statistics
- A tool for precise decisions regarding resource allocation
- Used to increase Accountability via peer pressure
- The NPR percentages should be interpreted based on a professional perspective gained from MVI Benchmarking from a national (non-filtered) basis which should be distributed monthly or at minimum quarterly



3) Indirect Report

The key here is to report what you have available. A report like the one below works great if you have good detail of costs broken out by departments across the natural account segment. This type of perspective will give you itemization for administrative Accountability to answer questions like, “How much can IT spend on continuing education?”

1 Indirect Report		All Percentages are a percentage of Net Patient Revenue (NPR)												NPR =	\$ 805,881
2															
3 Year: 2008															
4 Period: July		Admin	Model	Actual %	Model %	Clinical Admin	Model	Actual %	Model %	Compliance QAPI	Model	Actual %	Model %	Education	
6															
7 Expense															
8	Salaries	22,873	18,121	2.84%	2.25%	17,022	16,824	2.11%	2.09%	9,283	5,264	1.16%	0.65%	8,508	
9	Contract Labor	-	-	0.00%	0.00%	-	1,469	0.00%	0.18%	-	-	0.00%	0.00%	-	
10	Mileage Admin	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
11	Vehicle Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
12	Computer Expense	3,126	4,180	0.39%	0.52%	-	135	0.00%	0.02%	-	-	0.00%	0.00%	-	
13	Computer Support	-	419	0.00%	0.05%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
14	Consulting Expense	2,710	1,454	0.34%	0.18%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
15	Cont. Education	2,975	802	0.37%	0.10%	-	27	0.00%	0.00%	-	-	0.00%	0.00%	-	
16	Dues, Licenses, & Subscriptions	3,060	905	0.38%	0.11%	-	26	0.00%	0.00%	-	-	0.00%	0.00%	-	
17	Books and Publications	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
18	Lease/Rent Equipment Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
19	General Meetings	-	38	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
20	Mileage-non patient related	965	74	0.12%	0.01%	-	2	0.00%	0.00%	-	-	0.00%	0.00%	-	
21	Minor Equipment	1,475	1,923	0.18%	0.24%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
22	Miscellaneous	75	75	0.01%	0.01%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
23	Office Supplies	2,350	1,617	0.29%	0.20%	-	-	0.00%	0.00%	-	29	0.00%	0.00%	-	
24	Pagers-Non Pt. Related	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
25	Postage/Mailings	1,643	654	0.20%	0.08%	-	3	0.00%	0.00%	-	-	0.00%	0.00%	-	
26	Service Contracts - Operating	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
27	Telephone	2,471	1,674	0.31%	0.21%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	
28	Marketing Materials	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	2,609	
29	Total	43,723	31,935	5.43%	3.96%	17,022	18,486	2.11%	2.29%	9,283	5,293	1.16%	0.66%	11,117	
30															
31															

Much like the Team/Location Report used by Clinical Managers, the Indirect Report is a management report that shows all supporting and Indirect areas in a single report. This report creates Accountability among all Indirect Managers as well as Clinical Managers as it is distributed to all Managers. The reason this report is also provided to Clinical Managers is because all Indirect Managers LIVE TO SERVE the Clinical Managers. Since the reason for an Indirect area to exist is to serve the clinical areas, Clinical Managers may be able to provide valuable information regarding how an Indirect area can serve better based on their perspective.

The Indirect Report also provides a CEO with an easy tool to see the effectiveness of his or her Indirect Managers and where they are spending their money. The Comprehensive Model Report provides the overall indication of the Indirect Manager’s performance. If the executive or CEO wants to understand more of the detail, he or she will use this report.

The Indirect Report is issued by the 3rd or 4th week after the month-end to both Indirect as well as Clinical Managers.



Key Features of the Indirect Report:

- Enough but not excessive detail
- Includes NPR percentages compared to the Model
- It is a tool for precise decision-making regarding resource allocation
- Used to increase Accountability via peer pressure
- The NPR percentages should be interpreted based on a professional perspective gained from MVI Benchmarking from a national (non-filtered) basis which should be distributed monthly or at minimum quarterly

A report like the Indirect Report works great if you have good detail of costs broken out by departments across the natural account segment. This type of perspective will give you itemization for administrative Accountability to answer questions like, “How much should IT spend on continuing education?”



Compensation & the Model

Indirect Report		All Percentages are a percentage of Net Patient Revenue (NPR)												NPR = \$ 805,881	
Year:	2008	Admin	Model	Actual %	Model %	Clinical Admin	Model	Actual %	Model %	Compliance QAPI	Model	Actual %	Model %	Education	Model
Period:	July														
Expense															
Salaries	22,873	18,121	2.84%	2.25%	17,022	16,824	2.11%	2.09%	9,283	5,264	1.5%	0.65%	8,508	1,206	
Contract Labor	-	-	0.00%	0.00%	-	1,469	0.00%	0.8%	-	-	0.00%	0.00%	-	445	
Mileage Admin	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Vehicle Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Computer Expense	3,126	4,180	0.39%	0.52%	-	135	0.00%	0.02%	-	-	0.00%	0.00%	-	-	
Computer Support	-	419	0.00%	0.05%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Consulting Expense	2,710	1,454	0.34%	0.8%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Cont. Education	2,975	802	0.37%	0.10%	-	27	0.00%	0.00%	-	-	0.00%	0.00%	-	20	
Dues, Licenses, & Subscriptions	3,060	905	0.38%	0.1%	-	26	0.00%	0.00%	-	-	0.00%	0.00%	-	7	
Books and Publications	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Lease/Rent Equipment Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
General Meetings	-	38	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Mileage-non patient related	965	74	0.12%	0.0%	-	2	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Minor Equipment	1,475	1,923	0.18%	0.24%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Miscellaneous	75	75	0.0%	0.0%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Office Supplies	2,350	1,617	0.29%	0.20%	-	-	0.00%	0.00%	-	29	0.00%	0.00%	-	-	
Pagers-Non Pt. Related	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Postage/Mailings	1,643	654	0.20%	0.08%	-	3	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Service Contracts - Operating	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Telephone	2,471	1,674	0.31%	0.2%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Marketing Materials	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	2,609	4,581	
Total	43,723	31,935	5.43%	3.96%	17,022	18,486	2.1%	2.29%	9,283	5,293	1.5%	0.66%	11,117	6,258	
Expense															
Salaries	38,878	49,500	4.82%	6.14%	3,577	11,876	0.44%	14.7%	-	-	0.00%	0.00%	-	-	
Contract Labor	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Mileage Admin	-	171	0.00%	0.02%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Vehicle Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Computer Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Computer Support	-	494	0.00%	0.06%	-	434	0.00%	0.05%	-	-	0.00%	0.00%	-	-	
Consulting Expense	-	102	0.00%	0.0%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Cont. Education	-	404	0.00%	0.05%	-	72	0.00%	0.0%	-	-	0.00%	0.00%	-	-	
Dues, Licenses, & Subscriptions	-	-	0.00%	0.00%	-	133	0.00%	0.02%	-	-	0.00%	0.00%	-	-	
Books and Publications	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Lease/Rent Equipment Expense	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
General Meetings	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Mileage-non patient related	-	89	0.00%	0.0%	-	11	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Minor Equipment	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Miscellaneous	-	-	0.00%	0.00%	-	34	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Office Supplies	-	2	0.00%	0.00%	-	26	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Pagers-Non Pt. Related	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Postage/Mailings	-	-	0.00%	0.00%	-	588	0.00%	0.07%	-	-	0.00%	0.00%	-	-	
Service Contracts - Operating	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Telephone	-	84	0.00%	0.0%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Marketing Materials	-	-	0.00%	0.00%	-	4	0.00%	0.00%	-	-	0.00%	0.00%	-	-	
Total	38,878	50,846	4.82%	6.3%	3,577	13,179	0.44%	16.4%	-	-	0.00%	0.00%	-	-	

Multi-View Incorporated Systems
PO Box 2327
Hendersonville, NC 28793
828-698-5885 or multiviewinc.com



Individual, Team and Organizational Compensation within the Model

The Model lends itself beautifully to Accountability compensation for **Individual**, **Team** as well as **Organizational** performance simultaneously... so three levels of compensation are combined in an ideal situation. This multi-dimensional approach is important as you don't want to foster silos nor do you want hard-working and high achievers to go unrewarded. You can have all three levels working for you.

We pay people for the performance of a function needed or desired by the organization. There are two essential questions that are linked to functional performance:

- 1. Is the cost of the fulfillment of the function acceptable? [Cost]**
- 2. Is the function being done well? [Quality]**

For Accountability compensation to be paid out, the financial performance Standard has to be met FIRST. If there is no gain, there is nothing to pay out. The first question is answered by the Model very effectively, especially for Managers. Your Hospice's monthly benchmarking shows the financial performance of each area of your Hospice, expressed as a percentage of NPR (Net Patient Revenue). These NPR%s would then be compared to your Model or the MVI Model. ANYTHING that exceeds the Standard is unacceptable. An Accountability compensation structure will be discussed in a subsequent section that is constructed around these ideas.

The second question involves a Hospice setting clear and well-defined performance/quality expectations for each functional area. Most Hospices *already* have "something" established in the area of quality. If not, I'd say there is a problem. *The quality measures that are already established can stay intact when the Model is implemented, unless they are too complicated or are weak.* The Model or Accountability compensation does not change these Quality Standards. However, if quality/performance measures need to be bolstered, then this needs to be done regardless of whether you're using the Model or not. The question of whether a function is being performed well can become quite involved and MVI has suggestions. If functions or the basis for functional evaluation is not established at your Hospice, we advise that you do so as soon as practical.



SuperPay! – To Reward & “Do Accountability”

In the SuperPay approach to compensation, a person gets paid on an Individual basis. Managers get paid on Team and/or Organization basis with various components. There are 5 basic ways:

1. *Base Pay* - Salary or Hourly Rate – It can be 100% or 90-95% of current pay unless it is excessive but is BEST if it is 50-60% of current and then “filled in” with other pay types that create stronger Accountability and incentive for performance. – Semi-Monthly
2. *Individual Pay* based on Productivity Unit with a *Standards Portion* – Semi-Monthly
3. *Attitude/Team Accountability Pay* – Per Pay Period
4. *Manager or Clinical Leader Pay* – Monthly (Based on Savings or Beating the Model/Standard)
5. *Organizational Pay* – Quarterly (Based on Savings or Beating the Model/Profit Standard) NOT RECOMMENDED.

SuperPay! (Brand your Comp System!)

1. Low Base Pay – Salary, Hourly or Per Visit
 - 30-60% is STRONGEST, but it can be 100% or 90-95% of current pay UNLESS comp is excessive
2. Individual Pay with Standards Portion -
Based on “Productivity Unit” – Result - “Just Doing Your Job” including a “Standards” Portion of “Productivity Unit” or %
3. Attitude/Team Accountability Pay- 20%
4. Clinical Leader/Manager Pay (Based on Savings/Beat the Cost Percentages) Monthly

Every paycheck essentially becomes a “report card” telling the person how well they are doing with little effort, especially from the Manager. This creates a culture of “self-regulation.”





This methodology can be applied to clinical teams as well as to Indirect areas such as Finance, HR and IT.



3 Important Categories of Pay

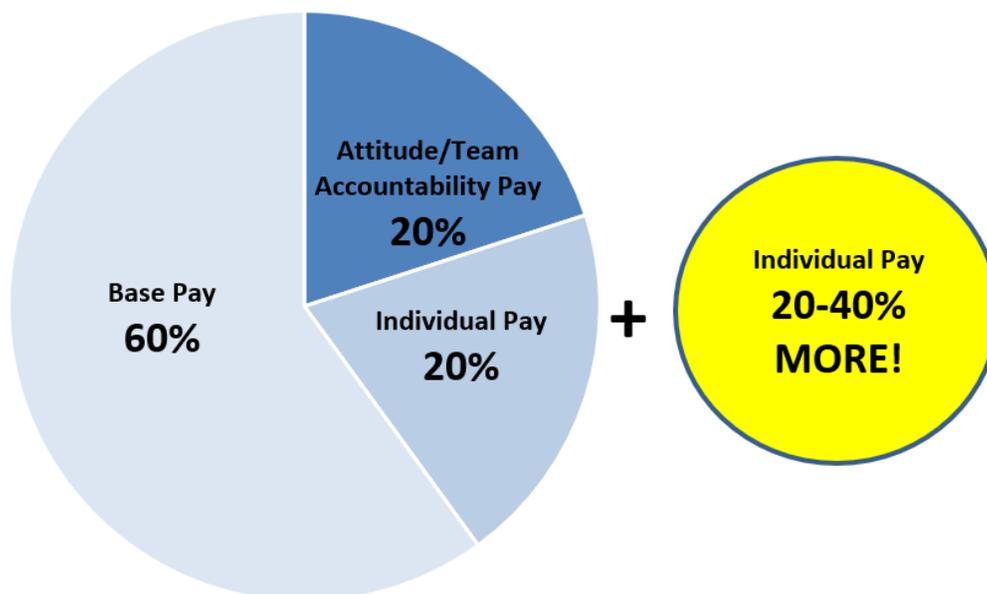
When designing a Compensation System, it is helpful to think about it in terms of a “pie” chart. A Pie Chart lends itself to Percentages. If you were to assign “values” to pay for each job or position in the organization, what percentages would you assign? Here is our recommendation for the “types of pay” and their relative percentages:

Base Pay – **60%**

Attitude/Team Accountability Pay – **20%**

Individual Pay – **20%** (but with the ability to ADD an additional **20-40%!**)

SuperPay! Empowerment Pay! Liberation Pay!



Base Pay is what they can count on every pay period. *Attitude/Team Accountability Pay* is based on how their peer group rates them regarding Attitude and team performance (absolutely critical for a Happy/Productivity work environment) and *Individual Pay* to reward productivity.

The “names” for each of these are important as names shape “meaning” or the FEELING associated with the pay type. *Base* is SOLID...and people tend to like that predictability. *Attitude/Team Accountability* is EXACTLY what we want to FOCUS on and develop to Attract



and Retain TALENTED people! And we will LOSE Talent if the work environment is lousy! *Individual* translates exactly that “it is on YOU!” This helps GROW a person into a mature employee. Words like “Productivity” or “Performance” tend to be off-putting or have the FEELING of “burden.” Accountability also can have a negative connotation. Yet, it works here because it has a bit of an “edge” to it...and there IS a sense of burden or professional obligation a “good worker” has to his or her team. Like Emerson wrote, “*Your goodness must have a bit of edge to it or it ceases to be good*” meaning that it must *mean* something or it is valueless or nothing!

Amazingly, these 3 “buckets” or categories allow for great creativity and tons of variations which give management and Leaders LOTS of levers and tools to use! Leaders can define the “rules of compensation” surrounding each of these categories...and they can vary from area to area...AND be used to link different business segments so that they work together for the overall health of the organization. The establishment of these categories provides both the positive and negative pools which are “at risk” if the job is not done, or is done in such a way that harms the work atmosphere.

Just the act of creating these “categories” starts to change behavior and performance, even if the “rules” are not yet established! Each of these category names *signals* the direction or intention of the organization. That we want productivity and performance. That we want people to have GRRREAT Attitudes, that communicate well and follow through on their work. People that are Accountable for their work and their relationships with their peer group! This is ALL good stuff!

THE MORE! The ADDITIONAL PAY!

Everyone likes more pay or the idea of more pay! Graphically here, it is represented by another circle as it is “extra” or an amount that is beyond the “normal pay” of the big circle. This is a big incentive from the category with the most power – *Individual Pay*. Pay that the employee can control and drive themselves! Having this “upside” is important. And, if you do the math, this additional pay is “lower-cost” payroll dollars than hiring additional FTEs as you are already paying their *Base Pay* and benefits. This will take the sting out of census growth and keep your employees loyal and not seek another job when they have needs and wants that the “normal” pay can’t provide. This is the category where people will GROW the most!

NAMING OPTIONS: Instead of *Individual Pay*, an organization might consider naming conventions such as *Mission Pay*, *Empowerment Pay* or *Liberation Pay* instead of Productivity or Performance Pay. These are POSITIVE and reveal the intention of the Pay System. These suggestions might also be the name for your entire Compensation System. Its “branding” is critical to your ability to “sell” the system to employees.



SAMPLE OFFER LETTER

Dear JoAnne!

We hope you are SUPER FANTASTIC and are experiencing the BEST DAY OF YOUR LIFE!

We are EXCITED about having you as part of the Sunny Day Team! And it is a Team! Where each person adds their special “flavor” or “spice” to our company!

As you have probably already summarized, our VISION is that of Self-Actualization and EMPOWERMENT...and the liberation of each person’s talent/potential(s). People that are attracted to Sunny Day recognize that they are on a “journey” to a fuller and more satisfying experience of Life and the Profound! Our surroundings, work environment, people and even compensation, are part of what we call “conditions for success” where we purposely create “conditions” to support and help us on this journey!

All starts with a GRRREAT Attitude! The one thing we can control, that we prefer to work around and that starts all the other good things! (*See the How to Change Your Life Chart in your packet*).

Our work is Profound, and we are Profound people. And we all have Profound questions... Sunny Day can guarantee one thing... That you will GROW as a person! You will become stronger and more confident in the Process of Life! And that Life will become much lighter if we make the effort to have “better perceptions” of the world...by starting “within” ourselves where the Kingdom of God really is!

Pay! You will be paid in at least 2 ways: 1) Through PERSONAL GROWTH & JOB SATISFACTION and 2) Financially. The “meaning & purpose” is first, as to work in a field or with a company that does not feed your soul doesn’t make sense at all if one truly understands Hospice and “What’s it all about?” Financial is 2nd, but is important as money is one of the greatest teachers of all and was used by the Nazarene in 1/3 of all the parables! Plus, we all have dreams and things we want and need! Our compensation system is called Empowerment Pay! It is different! But we think “different” is cool! AND we want to incentivize a work environment that is CHOK-FULL of Positivity! Your pay is designed to help YOU grow and we apply these same methods to ourselves! Your pay has 3 components 1) Base 2) Individual and 3) Attitude/Team Accountability. The AVERAGE person will make \$5-15,000 more in this type of system with no 8-5 set work hours! Base Pay is set at a modest level at about 50-60% when compared to traditional unenlightened companies. Individual can be 50-70% meaning you can make A LOT MORE if you want to! It is based on the Number of Patients Visited in a pay cycle, with a portion of each linked to doing the Standards of Sunny Day, like documentation for example. There is a Standards portion with Individual Pay that can be removed if the Standards are not done, with a RICH upside for excellent, beautiful work! This is a highly spiritual principle that we use to “teach” and reward us for doing our jobs well, knowing that there are no “redos” when people are facing “the great transition” to the next experience of Life. So we have to do it right! With an uncommon elegance in a broken healthcare world! The 3rd component is Attitude/Team Accountability Pay, which is normally 20% and it is about, of course, Attitude and working well with a team! Attitude is perhaps the one thing we can control! This money is ADDED to each pay run based on an anonymous feedback system from your peer group. If someone is not very cooperative, has a hostile demeanor, or doesn’t get their work done, this is a way this can be communicated! Teams must beautifully and harmoniously work together as we are all dependent upon each other in an interdisciplinary team! That is the essence of Hospice work!

We provide a LIFESTYLE! No 8-5 set hours. However, the rule is that “patients are visited when it is BEST for them!” So it is as simple as “delighting patients & families.” But to get this “Lifestyle” the Standards of Sunny Day must be adhered to... That’s it!

JoAnne this is going to be GRRREAT! And WELCOME TO THE CLUB! We will all GROW together and evolve Sunny Day into one of the most “Inspiring Organizations” ever!

Sincerely,

Jill Nice
Sunny Day Hospice



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The Most Effective Pay – Individual Pay!

The most effective compensation is always Individual pay methods. That is, those that directly IMPACT the employee which they can CONTROL the CAUSE and EFFECT relationship between pay and performance/results. Group compensation, though stylish and effective in some cases, is LESS effective to get the performance and behaviors you want. Productive and talented people also can be disheartening when co-workers are perceived to be not working as hard or smart as they do. So in this case, the group compensation is a DE-MOTIVATOR. Individual is best! It is based on Nature, as Nature is a Meritocracy. With this said, the more of your compensation design that rewards the Individual, the more powerful your Compensation System will be!

What is the Best Design for Compensating Clinicians Known to Date?

Here is our current recommendation for SuperPay for Clinicians!

In this example, we are using the RN Position.

Hospice RN										
	Multiple Factor	Base Rate	Standards Portion	Base + Standards	Number	Totals	Annualized		%	
Individual Pay -# of Patients Visited	1	\$ 40	+ \$ 60	= \$ 100	15	1,500	360	36,000	41%	
Attitude/Team Accountability Pay		\$ 20			15	300	360	7,200	8%	
Meetings	1	\$ 40	+ \$ 60	= \$ 100	1	100	24	2,400	3%	
On-Call - Weekday		\$ -	+ \$ -	= \$ -	-	-	-	-	0%	
On-Call - Weekend		\$ -	+ \$ -	= \$ -	-	-	-	-	0%	
Base Pay - Case MGMT Pay		\$ 20.00			87	1,733	2,080	41,600	48%	
Sub-Total						3,633		87,200	100%	
Optional: Standards Bonus as a %		0%				-		-	0%	
spare		\$ -			-	-		-	0%	Per Hour Equivalence
Total		# Pt. Visited	FTEs			3,633		87,200	100%	\$ 41.92
Number of FTEs		15	3.33			12,111		290,667		
Percentage of NPR						0.4%		8.9%		
Benefits						2,664		63,947		
Percentage of NPR with Benefits						0.5%		10.9%		



What are the Goals of this Compensation Design?

- We want the System to “Do the Accountability” for the Clinical Leaders. And it has to be “enough” to change behavior and administer some pain when Standards are not done.
- We want high and impressive, but sustainable productivity.
- With an RN, you don’t want to incentivize the Number of Visits, but the Number of Patients Visited/Served. (With most other disciplines, such as Aides, LPNs, SW, etc., we recommend Number of Visits.)
- We want a Happy work culture! And since Attitude is really about all one can completely control, we PAY FOR A GREAT ATTITUDE!

KEY: Any time an organization does not get the results it wants from operations or any serious initiative, usually it can be traced directly to Lack of Accountability.

Accountability, therefore, has to be at the CENTER of Compensation System Design. And it would be the FIRST thing that is considered. “How will the system “Do the Accountability?””

The FACT that most human beings don’t want to do Accountable must be understood. It is a miserable job and is an unappealing task, unless you’re a sadist. People don’t want to do it! And therefore, Accountability is NOT done immediately, but is deferred or not done at all! And employees “learn” that there are no real consequences of not doing Standards...and Standards become meaningless...

AND ALL QUALITY WILL COME FROM STANDARDS and STANDARDIZATION!

So this pretty much sums up the case for designing strong Accountability into your Compensation System, the most effective, practical way known to do this in an organizational context.

Base Pay (Case Management Pay – Case MGMT Pay)

This is a base amount that Clinicians can count on and may help legally in some states. This can be a small salary or a lower-than-usual hourly rate. People like this BUT it is inferior to pay based on a Productivity Unit. One could argue that even in Nature, air, sun and a nest are provided. Base Pay could be viewed similarly. However, the amount of this is best set as a relatively LOW amount. An amount that is insufficient for the needs and/or wants of a person. This understanding is key. More emphasis must be on the Individual Pay assigned to Productivity Units.



A Base Portion Combined with a Standards Portion of the Productivity Unit

In the example above, the Productivity Unit is the Number of Patients Visited. For each unit (Patient), it is divided into 2 parts. In this example, the RN would receive a \$50 Base Portion and a \$75 Standards Portion. The Base Portion is guaranteed. The Standards Portion (for doing the Standards/Job to 100%) can be removed if the Standards are not adhered to. What is very nice about this approach is that it is so FAIR. A “one-for-one” approach where the Standards Portion can be removed by the Productivity Unit. This allows for extreme flexibility in the Compensation System. This approach is also hard to argue against. If you don’t do the Standards of the organization with each encounter, you don’t get all of your pay.

The Standards Portion must be “enough” to change behavior or performance. It has to be felt. Therefore, we heavily weigh the Standards Portion making it larger than the Base Portion.

Attitude/Team Accountability Pay!

Ah! This is revolutionary! What do most organizations struggle with? Attracting and Retaining Clinicians! And what is the #1 thing that helps retain people? The culture or work environment! This is evident as you can pay people TONS of money only to have them leave the organization if they dislike the work atmosphere and especially their boss (the 70%er)! Whereas people will stay with organizations where they like the work environment, even if they are paid less! Ok! This reality must be harnessed!

AND what do most people want to work around? Other people with GRRREAT Attitudes and that get their work done! AND people with GRRREAT Attitudes that get their work done tend to be HAPPY people! People that are flexible, cooperative, helpful, non-hostile, “can do” people! That’s exactly what you want! It’s the positive “environment” you want to create! **THIS IS WHY ATTITUDE/TEAM ACCOUNTABILITY PAY MAY BE THE BIGGEST OR MOST REVOLUTIONARY PART OF YOUR COMPENSATION SYSTEM!**

Attitude/Team Accountability Pay is where everyone in a peer group has the opportunity to register feedback or rank each person in that group per pay period or monthly. It is important to stress that it is “an opportunity” as you don’t want people thinking about this a lot as it tends to be more negative than positive and could lead to over-criticalness. You want people to use the system really only when they are displeased in a work relationship or if someone has done a truly outstanding job. It is really done by an employee on an “exception basis.” Otherwise, Attitude/Team Accountability Pay should not even come into a person’s mind as everyone defaults to a perfect score as we presume that everyone is doing their job with a great Attitude!

This can be done via Survey Monkey, Email to HR, Excel spreadsheet or something low-cost. Each person has the opportunity to “voice” primarily negative feedback, anonymously as



possible, from a list of standardized/common codes each pay period. **If a person receives 2 or more Negative (Growth) Codes, all or a portion of the person's Attitude/Team Accountability Pay is removed (with the maximum being 20%) for the pay period.** Example: If 2 Negative Codes are received, 10% is removed – If more than 2, then the full 20%. Again, everyone “defaults” to a perfect score so no one has to think about it each Pay Period. So it is an exception-based approach. So when a person's Attitude is poor, or they are not doing their job well... all an employee has to do is register a Code/score in the Attitude/Team Accountability Pay System! And it is anonymous! HR or Payroll would do the calculation. If a person receives *any* Negative Codes (or whatever rules you set up), the “person” knows it as it is communicated via their paystub *without a Manager having to inform them...* so the employee can Self-Correct (Self-Regulation). And HR or Payroll should use a Standard Email to inform the Manager of the situation so they can help with a “coach-up” or address the situation. After each pay period, the system “resets” and clears all codes so that everyone is set back to “perfect.” Trust me, people know who is a pleasure to work around and who is getting their job done and who is not! This creates great “unit integrity” and “ownership” of the culture. It also forces people to have to “own” their Attitude and develop “pleasing personalities!” Which is perhaps a person's greatest asset in an organizational context where the cooperation of others is critical! It is also best to tie Attitude/Team Accountability Pay to a Productivity Unit. But it can also easily be a set amount or percentage. You just want it as fair as possible.

How anonymous should it be? You want people to register their true feelings, but people are reluctant to do this as it is uncomfortable, even stressful. There are a couple of outcomes you want. If we are teaching Accountability in the culture, people need to be Accountable for their reporting of negative things. A mature, strong person would do this and Own their thoughts and actions. In addition, you want to make the reporting “process” as comfortable and easy as you can. Therefore, the reporting of Attitude/Team Accountability Pay has to go to “someone” to tabulate, so it could be done in a simple Email to a trusted person. Probably someone in HR or Compliance. This person then could make any modification to Payroll as well as communicate to the immediate Manager (and employee through the paystub or other means) the Attitude/Team Accountability Pay codes for “Coach-Ups.” At this time, this is perhaps the easiest way to implement this system. But to do this, 1) a Standardized list of codes should be given and taught to staff and 2) People are designated how to handle/process these codes when received.



It is about BOTH Attitude and JOB PERFORMANCE!

When “ranking” coworkers, do you tie a person’s Attitude/Team Accountability Pay/Bonus to job performance? Yes! To me, they are linked. I mean, a person can have a great Attitude but suck at their job! Late on deadlines, full of excuses, sloppiness... I think all of these are fair game as NOT doing your job impacts culture and work atmosphere! A person that can’t be counted on or is unreliable wastes a lot of other people’s Energy and Emotions from worry!

Positive Codes can be used too! But NEGATIVE Codes are more Powerful!

What do you do when you want to “reward” a co-worker? A co-worker simply registers a Positive Code in the Attitude/Team Accountability Pay system. Then, whatever set of conditions are set up - money bonus, time-off, recognition or other “reward” - can be given! Perhaps it is if a person has more than 2 Positive Codes received from a peer group, the reward is given. However, note that the NEGATIVE is MORE POWERFUL and is really the goal of the Attitude/Team Accountability Pay method. You want a “self-correcting system” that maintains a specific level of HIGH Quality. You don’t want a system where a person gives everyone on the team a “Happy Sticker” every payroll! That would denigrate the system, make it meaningless and miss the point. Only truly “exceptional” work should be recognized with a Positive Code...and they should be RARE. You might even limit the number of Positive Codes so they are rationed...but have an unlimited number of times Negative Codes can be used. The Reality/science here that we have to understand and harness is this...

Negative registers 200% more power than Positive.



Here is an example of what Attitude/Team Accountability Pay might look like:

Attitude/Team Accountability Pay			
Pay Period: February 1-15 - 2023			
	Person #	Code	Growth Area
1	Andrew	A	
2	Jamie	-	
3	Chris	-	
4	Max	-	
5	Julie	-	
6	Shawna	C, P	
7	Debbie	-	
8	Nancy	-	
9	Jason	-	
10	Wendi	-	
11	LuAnne	-	

Helpful Feedback Codes to GROW!	
A	Poor Attitude
P	Non-Performance/Poor Follow-Through
C	Poor Communication
Q	Poor Quality of Work/Errors
M	Late to Meeting(s)
L	Late to Work
G	Customer Complaint/Gift
E	Excessive Time-Out - Abuse of Work Latitude
+	Outstanding Job Performance

The system "resets" NEW every Pay Period...a NEW/FRESH Start each time!

ENTER Negative (Growth) Codes if you are impacted negatively by a team member. Use as many codes as necessary, but only one of each category.

If you wish to assign a Postive Code, only assign them rarely to reward truly "out of the ordinary" - "extraordianry" work/job performance. A great Attitude should be expected.

Notice the standardized set of Codes as well as positive explanations of the rules and the intention to HELP a person GROW!

A Single Gift or Complaint can WIPE OUT one's Attitude/Team Accountability Pay

Another feature of Attitude/Team Accountability Pay is that it can be used with great effect to radically decrease Service Failures, Complaints or Gifts. You can have a rule that *"if there is a serious expression of dissatisfaction from an external source,"* then the entire 20% Attitude/Team Accountability Pay will be removed. This sends a STRONG message that we are devoted to QUALITY and Customer Delight! The Patient Chair is what the Manager arbitrating this Accountability will use to make the determination IF it was indeed, a Complaint or Service Failure.



CNA/Hospice Aide, LPN and SW Example

A Hospice Aide might look like this:

Hospice Aide											
	Multiple Factor	Base Rate		Standards Portion		Base + Standards	Number	Totals	Annualized	%	
Individual Pay - Number of Visits	1	\$ 10	+	\$ 10	=	\$ 20	20	400	480	9,600	29%
spare visit type											0%
spare visit type											0%
Attitude/Team Accountability Pay		\$ 4					20	80	480	1,920	6%
Meetings	1	\$ 10	+	\$ 10	=	\$ 20	1	10	24	240	1%
On-Call - Weekday		\$ -	+		=	\$ -	-	-	-	-	0%
On-Call - Weekend		\$ -	+		=	\$ -	-	-	-	-	0%
											0%
Base Pay - Case MGMT Pay		\$ 10.00					87	867	2,080	20,800	64%
Sub-Total								1,357		32,560	100%
Optional: Standards Bonus as a %		0%						-		-	0%
spare		\$ -					-	-		-	0%
Total		# Pt. Visited		FTEs				1,357		32,560	100%
Number of FTEs		20		0.00				-		-	
Percentage of NPR								0.0%		0.0%	
Benefits								-		-	
Percentage of NPR with Benefits								0.0%		0.0%	
											Per Hour Equivalence \$ 15.65

The Productivity Unit is Visits in this case. We have found that Number of Visits works well for Aides, LPNs, SW and for part of Spiritual Care (Spiritual Care just as a “Volunteer Compensation” component). The hourly rate is lower than normal, but is offset by the Productivity component.



A Hospice LPN might look like this with the Productivity Unit being Number of Visits:

Hospice LPN									
	Multiple Factor	Base Rate	Standards Portion	Base + Standards	Number	Totals	Annualized		%
Individual Pay - # of Visits	1	\$ 25	+ \$ 35	= \$ 60	20	1,200	480	28,800	50%
									0%
Attitude/Team Accountability Pay		\$ 15			20	300	480	7,200	13%
Meetings	1	\$ 25	+ \$ 35	= \$ 60	1	25	24	600	1%
									0%
Base Pay - Case MGMT Pay		\$ 10.00			87	867	2,080	20,800	36%
Sub-Total						2,392		57,400	100%
Optional: Standards Bonus as a %		0%				-		-	0%
spare		\$ -			-	-		-	0%
Total		# Pt. Visited	FTEs			2,392		57,400	100%
Number of FTEs		20	0.00			-		-	
Percentage of NPR						0.0%		0.0%	
Benefits						-		-	
Percentage of NPR with Benefits						0.0%		0.0%	
									Per Hour Equivalence \$ 27.60

A Hospice SW might look like this the Productivity Unit being Number of Visits by Visit Type:

Hospice SW									
	Multiple Factor	Base Rate	Standards Portion	Base + Standards	Number	Totals	Annualized		%
Individual Pay - # of Regular Visits	1	\$ 10	+ \$ 25	= \$ 35	36	1,260	864	30,240	43%
Admit Visits	3	\$ 30	+ \$ 75	= \$ 105	-	-	-	-	0%
Recert Visits	2.5	\$ 25	+ \$ 63	= \$ 88	-	-	-	-	0%
Attitude/Team Accountability Pay		\$ 10.00			36	360	864	8,640	12%
Meetings	1	\$ 10	+ \$ 25	= \$ 35	1	35	24	840	1%
On-Call - Weekday		\$ -	+ \$ -	= \$ -	-	-	-	-	0%
On-Call - Weekend		\$ -	+ \$ -	= \$ -	-	-	-	-	0%
									0%
Base Pay - Case MGMT Pay		\$ 15.00			87	1,300	2,080	31,200	44%
Sub-Total						2,955		70,920	100%
Optional: Standards Bonus as a %		0%				-		-	0%
spare		\$ -			-	-		-	0%
Total		# Pt. Visited	FTEs			2,955		70,920	100%
Number of FTEs		36	0.00			-		-	
Percentage of NPR						0.0%		0.0%	
Benefits						-		-	
Percentage of NPR with Benefits						0.0%		0.0%	
									Per Hour Equivalence \$ 34.10

Spiritual Care! We add pay methods like Volunteer Coordinators! See the section on Volunteer Coordinators in this manual.



This Helps Eliminate the Need for Lots of “Special Pay” Codes

You want as FEW pay codes or types as possible in order to keep things simple. We are finding that using this version of SuperPay eliminates so many “special pay” codes for On-Call, Admissions, Beeper Pay, Shift-Differentials, and such... It is all included in the Base Pay. By letting Clinicians “self-manage” (actually treating them like true Professionals), eliminating 8-5 work hours, giving them flexibility, but requiring that 100% of the Standards must be done to merit this “flexibility,” we don’t have to have special On-Call or Admissions pay types. RNs are incentivized to carry more patients. On-Call normally drops 50-70% when Perfect Visits with Perfect Documentation are done anyway, but when a Clinician does visits when it is best for the patient, which could be after 5pm, automatically fewer On-Call visits are needed. Even a weekend visit can be done by a Clinician if they choose to take a half-day or day off in the middle of the week! This is about flexibility and lifestyle! BUT...100% of the Standards must be done to have this lifestyle! And the rule is **“Do visits when it is BEST for Patients.”**

NOTE: When implementing this type of approach, it is BEST to start without ADDING a bunch of new codes. Start SIMPLE! You can always add codes later if needed IF you are not getting the results you want.

This is an EASIER System than Previous Versions

This pay method is EASIER to administer than many others. It does not involve the use of any “thresholds” – like Excellent Pay – where a certain number of visits or caseload has to be met before extra pay kicks in. It is “Unit to Unit” – “one for one” simple.

There are no “percentages” for non-Standards as that requires a calculation. And we also have learned that 5% is sometimes not enough to change behavior...but is better than nothing!



The Rules of Compensation – Key for Improving Palliative Care and Home Health Transfers Rates!

Rules of Compensation can be created to motivate employees to do what the organization needs. Often these “rules” involve intercompany or getting different business segments to work together, like Home Health or Palliative Care getting patients into Hospice early, at the appropriate time. These issues can be addressed best through compensation.

The Rules of Compensation might look like this:

Rules of Compensation

Operationalizing Based on Value-Based-Purchasing Rules						
	Multiple	Standard	Total	2nd - Subsequent Non-Standard	3rd Pay Cycle	Why?
Doing the Standard has to be more important than NOT doing the Standard.						
1 Documentation not to Standard for EACH incident	1	70	\$70	All Standards Pay is removed	Termination	Documentation is how to create a coherent, interdisciplinary experience.
2 Productivity not to Standard for EACH unit below the Standard	1	70	\$70	Standard for EACH unit below the Standard	Termination	Predictable, reliable productivity helps everyone plan the BEST care possible!
3 If not in the POC then ALL Standard Portion are removed.	14	70	\$980	All Standards Pay is removed	Termination	A single missed visit can cost the organization \$30,000.
4 Service Failure/Gift for EACH incident	1	70	\$70	All Standards Pay is removed	Termination	Our job is to create conditions of Happiness and NOT dissatisfaction.
5 If a patient dies on Home Health	4	70	\$280	All Standards Pay is removed	Termination	Unnecessary hospital experiences are bad and often traumatic for patients and families.
6 Patient goes to the Hospital with 30 days of admission	3	70	\$210	All Standards Pay is removed	Termination	GOAL: To Get Patients into Hospice
7 Hospice dies on Hospice within 10 days	2	70	\$140	All Standards Pay is removed	Termination	GOAL: To Get Patients into Hospice sooner
8 Patient goes to the Hospital with 60 days of admission	2	70	\$140	All Standards Pay is removed	Termination	Pool Case MGMT
9 Negatively “named” clinician in CAHPS	2	70	\$140	All Standards Pay is removed	Termination	Poor/dissatisfactory care

Here is a good list of “Rules of Compensation” you might want to consider!

1. Documentation not to Standard for EACH Incident
2. Productivity not to Standard for EACH Unit below Standard
3. If not in the POC, ALL Standards Portion are removed.
4. Service Failure, Gift or Complaint for EACH Incident
5. If a Patient dies on Home Health
6. If a Patient dies on Palliative Care
7. Patient goes to the Hospital within 30 days of Admission
8. Hospice Patient dies on Hospice within 10 days of transfer.
9. Patient goes to the Hospital within 60 days of Admission.
10. Negatively “named” clinician in CAHPS.
11. Ride Alongs with Clinical Leader completed
12. Team Meetings Attended
13. Relias (Learning Management System) Assignments completed



Rules of Compensation

Doing the Standard has to be more important than NOT doing the Standard.

Operationalizing Based on Value-Based-Purchasing Rules		Multiple Standard	Total	2nd - Subsequent Non-Standard	3rd Pay Cycle	Why?
1	Documentation not to Standard for EACH incident	1	\$70	All Standards Pay is removed	Termination	Documentation is how to create a coherent, interdisciplinary experience.
2	Productivity not to Standard for EACH unit below the Standard	1	\$70	Standard for EACH unit below the Standard	Termination	Predictable, reliable productivity helps everyone plan the BEST care possible!
3	If not in the POC then ALL Standard Portion are removed	14	\$980	All Standards Pay is removed	Termination	A single missed visit can cost the organization \$30,000.
4	Service Failure/Gift for EACH incident	1	\$70	All Standards Pay is removed	Termination	Our job is to create conditions of Happiness and NOT dissatisfaction.
5	If a patient dies on Home Health	4	\$280	All Standards Pay is removed	Termination	Unnecessary hospital experiences are bad and often traumatic for patients and families.
6	Patient goes to the Hospital with 30 days of admission	3	\$210	All Standards Pay is removed	Termination	GOAL: To Get Patients into Hospice
7	Hospice dies on Hospice within 10 days	2	\$140	All Standards Pay is removed	Termination	GOAL: To Get Patients into Hospice sooner
8	Patient goes to the Hospital with 60 days of admission	2	\$140	All Standards Pay is removed	Termination	Poor Case MGMT
9	Negatively "named" clinician in CAHPS	2	\$140	All Standards Pay is removed	Termination	Poor/dissatisfactory care



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Establish an “Avoidable Waste” Pay Type

It is interesting to note that by simply “adding” a Pay Type, without using it or rarely using it, WILL IMPACT human behavior! The establishment of an “Avoidable Waste” Pay Type is such a thing!

The Avoidable Waste Pay Type can be added to all positions on the Org Chart. It can and should be displayed on every pay stub to reinforce its message and meaning. **The Avoidable Waste Pay Type establishes a set portion or method of pay where an employee’s compensation can be reduced IF poor or foolish purchase decisions or resource use are unnecessarily and are “egregiously” wasted.**

We would recommend that this “extraction” from pay come from the *Attitude/Team Accountability Pay* type. This is a nice illustration of how flexible this pay type is to give Managers tools and levers to impact performance and results!

Example: An employee is directed to ship materials by a specific date to avoid large shipping charges. The employee delays and the shipping charges exceed normal shipping charges by \$500. In this case, \$250 of these charges are deducted from the employee’s next paycheck.

THIS type of code WILL create an Owner Mentality! People will question purchases IF they could or will impact them! It takes no special talent to spend other people’s money...or the money of the organization! And the bigger point is that this is PROACTIVE and is RARELY used! It sends a clear message that one must be careful about spending money! And an organization will benefit, almost immediately just from having the “ability” to deduct money from an employee for such lack of frugality or sloppiness. This will produce a quick economic result based on BETTER spending habits!

Monitoring Standards/Performance

The monitoring and enforcement of organizational Standards and Performance is one of the most difficult things to do. We are all humans with Feelings...and most of us don’t like to be perceived as the “bad person” or the one that “rats” on transgressors. We just don’t like it! People will avoid associating with us...won’t look you in the eye when you walk down the hall...it’s a drag! OK! This is a Human Reality we have to face with a meaningful Compensation System. There are a few ways of handling it:



Designate a Tough-Minded Person for Objective Monitoring

This person has a fairly non-emotional outlook on things, and has little regard for how they are perceived by others. They need to be data-oriented and be OK with isolation. It is not recommended that they are very social and thus “get to know” employees well as this will negatively impact the performance of their jobs. This person must almost look at every employee as a number. It is preferred that they do not interact with employees, even isolating themselves from the organization physically.

Objective Monitoring of Standards/Performance

This would be similar to what was stated above except that it could be something that is outsourced to another organization. The best systems are where the data is Objective and there are no personal relationships involved that would blur or compromise the objectivity. See *the example MVI Model Organization Chart for more on this topic.*

Rotating Monitoring of Standards/Performance

One additional option, especially in light of implementing Attitude/Team Accountability Pay, is rotating the monitoring of Standards and Performance within a peer group each pay period. This accomplishes several things.

- It is lower cost as you don't have to hire special FTEs to do the monitoring function.
- The burden/Task is spread over multiple people.
- It regularly communicates/reinforces the Standards to the person doing the monitoring function that pay period.
- The person gets to “experience” what Accountability FEELS like. This will help mature employees.
- The person understands the Standards of the Organization on a DEEPER level.

If our view, this is a very good system. Can it be gamed? Certainly. But ALL comp systems can be gamed by low-consciousness people! But the positives can be huge! Even Life-Changing!

Use Both Objective and Rotating?

This may sound redundant...but Accountability and Standards are such important things! But using both stands a better chance of success and keeps teams honest. Plus, you gain the benefits of multiple people being involved and GROWING from the experience!



Base Pay

Base Pay is similar to pay in a traditional Compensation System. It is usually either a salary or an hourly rate. It is used in this system to help get people past the “fear barrier” by providing them with something that is very familiar. Care should be given NOT to set *Base Pay* too high or at comfortable levels or you will rob the other pay categories of their power, especially Standards Pay and Individual pay based on Productivity Unit. For clinicians, the name “*Case MGMT Pay*” might be best.

Most organizations have Compensation Systems where salary or hourly rates are set for each employee. However, within a system such as *SuperPay*, a static amount can be set by position and not by employee. A Standard rate by position would be optimal. This simplifies payroll and eliminates the assumption of a raise or COLA increase every year. Since we do not encourage typical annual reviews, this relieves the burden of having the awkward conversation with an employee's expectation of additional pay. However, when implementing a Compensation System, adjusting everyone's pay to the same rate can be **emotionally jolting**. This is where having a “plan” of how to present it to your WINNERS or PILOT Team is key! The lower you can set the Base Pay, the better! A good “rule of thumb” would be 50% of their pay would come from their Base and most of the remainder from Individual Pay by Productivity Unit.

If you have a really tough situation, at least to get your Comp System going, I would recommend that you leave people at their present compensation (adding the 5% Standards Bonus to their present pay or adjusted to 90% Base and 10% Standards Bonus) and subsequently all new employees come in at a Standard rate by position. The point is that everyone will be making great money! And you want people to become highly dependent upon the “additions” to their Base and Standards compensation from Individual, Team and even perhaps Organizational Pay!

IT is BETTER to go STRONG than to do a weaker Compensation System. So the MORE you can incentivize Productivity/Result-Based compensation, the BETTER! It is BETTER to err on the side of “too much” than “too little” as it is MUCH, MUCH harder to increase the Standards later.



Standards Pay or Standards Portion

Standards Pay is one of the most revolutionary concepts in compensation practice. **The REALITY behind doing *Standards Pay* is that most all Managers don't like to do Accountability...and thus, don't do it or do it too late.** So an intelligent design would have this done by the "system" and less so by the Manager. And normally, this brings great relief! It is structured as a bonus. We expect you to receive 100% of your *Standards Bonus* or *Standards Portion* every pay period for just doing your job. We aren't asking anything unreasonable or outrageous. There are no goals or stretches with a *Standards Bonus*! The *Standards Bonus* or *Standard Portion* should be taxed as regular pay and not as bonus pay.

NOTE: Up to 75% of the value of an Empowerment Pay system will come, not from increased pay, but rather from *Standards Pay*!!!

This is one of your most EFFECTIVE pay components. It is rarely used, but is wildly powerful. The thought of not receiving from 5-20% of a regular paycheck for just "doing your job" will reasonably motivate people to action. But structuring it as a portion of every "Productivity Unit" or visit is WAY MORE POWERFUL! **It is not a reduction or taking away pay.** There are legal implications with "taking away" people's pay, so the wording and communication of *Standards Pay/Bonus* is important. It must not be presented or communicated as a dig, ding, reduction, take away, removal, deduction, etc. It is rather "a bonus or extra pay we expect you to receive every pay cycle for just doing your job!" The *Standards Portion* of each Productivity Unit or the 5-10% *Standards Bonus* is a big motivator! Most people can handle a little less in their paycheck for a week or two. This is not the main reason the *Standards Bonus* works. Rather, it is the thought of failure...a slight rejection from the group. The *Standards Bonus* impacts self-concept and how a person FEELS emotionally about him or herself. The *Standards Bonus* involves pain. And humans LEARN from pain, perhaps more so than from pleasure or gain. I know the idea of using pain is a difficult concept for most people as it flies in the face of



mainstream ideas about management and being a caring person. Yet, most of us can personally testify that we learn more from our painful life experiences than our positive ones. We want to avoid pain almost at all costs. We would often forsake the potential for tremendous gains if our present comfort is threatened. Pain is a motivator. People will do almost anything to avoid or relieve pain. The *Standards Bonus* is a method of recognizing how human beings behave in reality and structuring a system to flow with this reality.

We have discovered through Magic implementations of Compensation Systems that 5% usually works OK, as well as 10%, for the Standards Bonus if that method is used. **However, when you assign a “portion” of every visit or patient or unit of caseload a “Standards Portion” – Accountability is MUCH STRONGER! And stronger is BETTER!** The percentage method is good for some things, but when the money starts to be diminished, people automatically respond. There is an emotional aspect, but the dollar amount is important. It can't be too much or too little. And it must ALWAYS be fair and in proportion. With Managers, you will want to use a larger percentage using the “percentage method,” perhaps 10% or even 20% because they are the replicators of your Model and are responsible for 70% of the development of their team members. You also want your Compensation System to cause poor Managers to quit so you don't have to fire them. When we can, we recommend 20% for Managers. One of the most harmful things an organization can do is keep failing Managers who will replicate their poor performance and bad results in the employees they lead.

The “Productivity Unit” Standard Approach

The Productivity Unit Standard Approach is the one MVI recommends, especially for Clinicians. It is the most powerful, the fairest and the most FLEXIBLE. Using the Productivity Unit Approach. A set dollar amount is established for every visit or unit of caseload/patients visited. So a Nurse being paid for every Patient Visited in a pay period, might have \$50 or \$75 called the Standards Portion that can be removed if the Standards of 1) Documentation, 2) Productivity or 3) Quality are not met. A CNA might have \$10 or so dollars removed if the Standards of 1) Documentation, 2) Productivity or 3) Quality are not met. This is a VERY flexible approach and it is very fair. And it is “enough” to get a clinician's attention and change behavior.



Below is an illustration of what this type of approach looks like!

Hospice RN										
	Multiple Factor	Base Rate	Standards Portion	=	Base + Standards	Number	Totals	Annualized		%
Individual Pay -# of Patients Visited	1	\$ 40	+	\$ 60	= \$ 100	15	1,500	360	36,000	41%
Attitude/Team Accountability Pay		\$ 20				15	300	360	7,200	8%
Meetings	1	\$ 40	+	\$ 60	= \$ 100	1	100	24	2,400	3%
On-Call - Weekday		\$ -	+		= \$ -	-	-	-	-	0%
On-Call - Weekend		\$ -	+		= \$ -	-	-	-	-	0%
Base Pay - Case MGMT Pay		\$ 20.00				87	1,733	2,080	41,600	48%
Sub-Total							3,633		87,200	100%
Optional: Standards Bonus as a %		0%					-		-	0%
spare		\$ -				-	-		-	0%
Total		# Pt. Visited					3,633		87,200	100%
Number of FTEs		15					12,111		290,667	
Percentage of NPR							0.4%		8.9%	
Benefits							2,664		63,947	
Percentage of NPR with Benefits							0.5%		10.9%	
										Per Hour Equivalence
										\$ 41.92

You will notice several things in this approach.

- A low Base
- Incentive for Productivity by Unit. In this case, Number of Patients Visited
- A Standards Portion of each Productivity Unit.
- Attitude Pay

The Additive Approach to Implementation of the Standards Component

The “Additive Approach” is where the 5%-10% *Standards Bonus* is ADDED to present compensation. This is an easy approach, but it is LESS Powerful than the *Standards Portion* approach. There are different scenarios to consider when implementing the Standards Bonus if the Percentage method is being considered. However, it is NOT what MVI recommends at present as it is often too weak. However, it is better than nothing if what we recommend is too strong to implement given your circumstances and conditions.

- If wage levels are not excessive, an organization can simply ADD the 5%-10% Standard Bonus (again structured as a Bonus) and this will provide the organization with the Accountability tool it needs. You will not see your overall labor costs shoot up (except



for maybe the first month) as you will see an immediate impact on the QUALITY and quality will decrease your overall costs. This is called the Additive Approach.

- If wage levels are excessive (you are paying people a lot of money to do very little), then you have a real problem. It will be difficult to ask people to do more for less. You will lose people. But you still need to bite the bullet and do it... This is called the Subtractive Approach.

Once you have your Standards Bonus structure in place, you can start with easy Standards like meeting promptness, dress, professional development modules, etc. Then once clinicians get used to this, you can go do Perfect Visit and Perfect Documentation Standards. This is a nice progression that has moved Hospices to 100% compliance regarding all the important Standards!

Also, when implementing the Standards Bonus, we pilot it with a team that is already winning! We show the Clinical Manager what they are presently making as compared with what they will be making in the “new comp system” if they just do what they are already doing! The entire team wins and soon nearly all of the other Clinical Managers want to be on the system!

Eliminate the Need for Annual Evaluations

If *Standards Pay* is employed there is no real need for annual evaluations. The fact that a person is still employed at your organization means that they are doing their jobs to Standard. Their paychecks tell them if they are in Standard or not as your systems would detect any deviation from Standard in all important areas such as documentation, productivity and quality.

Remove 4 HUGE Duties from Clinical Managers!

There are 3 duties that can be removed from Clinical Managers with a Compensation System linked to Standards. They are the need to:

- Monitor Documentation
- Monitor Productivity
- Annual Evaluations
- Need to Fire People

All 4 of these things can be eliminated! It is almost hard to believe! The question that comes to most people’s mind is “If the Manager isn’t doing these things, who is?” The answer is, “Your systems!” Part of the design of a great Compensation System is that all supporting systems



are “sensitized” to detect any deviation from Standard. You want your systems to do the work for you. This includes getting rid of negative aspects of Management.

The purpose of removing these duties is to free up time to do the *1st Duty* of a Manager, the duty to teach as all quality comes from the quality of our people. The *Extraordinary Manager* will devote most of his or her time to teaching. Therefore, we design *structures and systems* in the Model that remove common and often unpleasant tasks of management and work where possible.

Sensitize Your Systems

As part of the Compensation System, several Indirect and Supportive areas will change the way they operate. There are really only 3 things that will be monitored and applied to all clinical disciplines in all areas. They are 1) Documentation, 2) Productivity and 3) Quality. If you can't get the Quality component, you can do it with only the first two! However, normally there is something in the EMR that be pulled in report form that can easily indicate Quality.

Compliance/QA – Compliance samples charts on a weekly basis to a 90% statistical confidence interval over a timeframe, perhaps of 4 or 6 months or a year. This is a surprisingly small number of charts. It randomly picks charts like an auditor would and reviews them. If ANY element of the chart is not to Standard:

1. A code with the date is placed on a simple manual employee list, denoting a deviation from a Standard. This will be turned into Payroll before the next payroll run.
2. A Standardized email is sent to the individual with a link to the Documentation Self-Learning Module and the Manager is copied on the email. The clinician has 1 day to complete the self-learning module. The Manager at this point has awareness of an area to teach and coach providing an opportunity for “ride-a-longs” or other teachings.
3. *Standards Pay* is not paid. This is structured as a bonus of 10%, a bonus that is paid for simply doing one's job with no stretch or goals.



Compliance – Audit Sheet

Audit to an 90% Confidence Interval over a 3, 6, 9 or 12 Month Period (depending upon # of Employees)

	NAME	Email Date/ Error Type											
	Pay Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period	Period
		1	2	3	4	5	6	7	8	9	10	11	12
1	Doe, Jane	3/19 A											
2	Smith, Sally												
3	Brown, Robert			4/16 B									
4	Dally, Dilley												
5	Nice, Jill												
7	Bob, Billy						5/21 C	6/2 C	6/18 A				

A = Use of non-organizational language
 B = Signatures not timely/not signed
 C = HHA Supervision 14 days
 D=Visit not adhering to the POC
 E= Other

For this sequence to happen, ideal charts must be created for the most prevalent diagnosis groups.

IT – Creates or modifies output reports from the EMR for 1) Productivity and 2) Quality, which could be Average Pain Scores, satisfaction scores or any other indication of satisfaction with services. The key is that it must be EASY to access in the EMR. An “exception report” is recommended that isolates only clinicians that are not at Standard in Productivity or Quality. These reports would be run by Payroll immediately before a payroll run. Any person that is below Standard:

1. A checkmark would be put next to the employee’s name.
2. A Standardized email is sent to the individual with a link to the Productivity or Standards Self-Learning Module and the Manager is copied on the email. The clinician has 1 day to complete the self-learning module. The Manager at this point has awareness of an area to teach and coach providing an opportunity for “ride-a-longs” or other teachings.
3. *Standards Bonus* is not paid. This is structured as a bonus of 10%, a bonus that is paid for simply doing one’s job with no stretch or goals.

Finance – Finance is involved with the calculation of payouts based on “Savings” from performance that is LESS than Team or Department Standard of Net Patient Revenue (NPR). This calculation normally comes from the MVI Comprehensive and Team/Location Reports. Finance must denominate this “Savings” difference in dollars, where it is distributed in the established proportions to the Manager and on an FTE basis. This is why the NPR Standards are not “ratcheted” down too tight. Many think that the 38% Direct Labor or 17% Patient-Related amounts are difficult. The truth is that the 38% is only 3% less than the median Hospice! And the 17% is only 1.5% less than the median! This means that with a little effort and the adoption of a few “best-known practices,” a Hospice Clinical Manager can



Multi-View Incorporated Systems
 PO Box 2327
 Hendersonville, NC 28793
 828-698-5885 or multiviewinc.com



MASSIVELY outperform the MVI Model! Direct Labor can be driven down to 32%! And by just using Wise Hospice Options (Grant F.) Patient-Relateds can drop to 14%! This opens up tremendous bonuses based on SAVINGS! There are no other words to describe it! These savings are calculated and bonuses are cut out on a monthly basis after the financial reports are run (which should be by the 3rd week of the month). It is literally that simple! The discipline that is involved is DON'T GET GREEDY! Even though you know that Clinical Managers can beat the Model, don't change it! Settle for the CUMULATIVE 14%!

Payroll – Before a payroll run, the person (as it only takes ONE person for even thousands of employees) reviews the lists and reports. Anyone with a check, Standard Pay is not given. It is that simple...

This small disappointment in Self...does the work for the organization. The denial of *Standards Pay* (a bonus for just “doing your job”) is not enough to materially impact a person's Life...but it may be enough to rethink Starbucks the next week! The impact is normally an EMOTIONAL impact as we all want to FEEL we are doing our job! The slightest idea we are somehow “isolated” or “let down” the group, even for a brief period, is enough to motivate most people to do the Standards of the organization! *Standards Bonus* is a form of pain...and there is HIGH value in pain. It is a slight pinch that helps our organizations become WORLD-CLASS! It is Accountability! A trait of all top-rung organizations! And it requires little expenditure of Energy!

The Reduction of Indirect Costs

Many Indirect costs are the result of “hiring people to make sure clinicians do their jobs.” This is a waste of resources. If *Standards Pay* is in place, an organization simply does not need a lot of FTEs as everyone is doing their jobs! Thus, Indirect Salaries plummet. They can shrink as low as 15% instead of the typical 22-23% for median Hospice! This is HUGE! Then imagine that 7-8% of NPR being distributed to the Indirect staff as well as front-line clinical staff! All of this is enabled by the use of *Standards Bonus* and people actually just doing the basics of their jobs!

Why Such Emphasis on Documentation?

Documentation is the basis for any Hospice to have a claim of being an interdisciplinary team. It is the ONLY practical way to orchestrate a coherent, integrated care experience. We would document even if we didn't receive a dime from Medicare as we are not telepathic (Although this may be debatable on some level!).

1. The first reason we document the way we do is BECAUSE WE CARE enough for patients and families as well as our co-workers, as each clinician is dependent upon



each other. Each clinician needs to be able to depend upon the other as a true interdisciplinary team. A team based upon mutual reliance.

2. The second reason we document is because it is the way we are paid! However, the former reason is the most significant as it is based on LOVE and COMPASSION, but the latter is important as the mission and capacity to LOVE in this way are compromised if funding is compromised...

The Standards Pay/Portion is the KEY to This Entire System!

Sometimes an organization will spend tons of time and Energy creating Standards...only to waste it or get a diminished result by going weak when it comes to implementing the Standards Bonus component. Why? There is FEAR people will quit or that they won't be able to attract clinicians. We understand this human phenomenon. However, the truth is that the people you want to keep WON'T quit if it is explained (Taught) well and people see the personal benefit for them from such as system! Your weak people NEED to go as they will destroy your reputation as an organization as well as a CEO if they are allowed to remain. Even if your staff have to work short for a short period of time or even if you have to pull back in census temporarily, you will be positioning your organization for GROWTH through a radical increase in quality! **You can't get the quality we are shooting for without strong Accountability structures** that required little Energy on the part of Managers, especially Clinical Managers whom 70% of your strength will come from! It is easy to miss the utter importance of Accountability after the creation of Standards. Often when this failure to pull the trigger on Standards Bonus happens right at the point of implementation and most of the time the CEO doesn't understand the enormous benefits they are giving up by NOT implementing Standards Bonus.

What is an organization giving up by NOT doing a Standards Bonus?

- **You can't offer a "Life-Style" to clinicians where you remove 8-5 work hours and treat them as a true professional.** You can't provide front-lines this flexibility because your systems won't be doing the Accountability. This needless burden will fall on the Clinical Managers. Hospices have been doing this for decades. How well do most Clinical Managers hold their people Accountable? Point settled...
- **You can't remove the duty to monitor documentation, productivity or quality from Clinical Managers.** It can't be done! Therefore, they will NOT have the time to teach and coach.
- **Decreased Attraction of Talented People.** You will have a difficult time recruiting TOP RUNG Clinicians and Talent as the quality of the organization will not be attractive to these people.



- **Your quality will NOT be what it could be...** And your organization will pay an ENORMOUS price everyday with service failures, broken Standards and average to poor documentation.

There is perhaps ONE thing that all World-Class organizations have...and that is strong Accountability! Anytime an organization does not get the results it wants from the Model or any serious initiative, it almost always comes down to weak Accountability.

If you don't do the Standards Bonus where your "systems" do the work and monitoring for you, how then are you planning to do Accountability?

The hard truth is that most Managers don't want, and are thus reluctant, to truly hold their people Accountable. It is flat-out unpleasant. Your Compensation System can do this job for them and thus remove some of the most negative aspects of being a Manager.

If your organization does not do Standards Pay or a Standard Bonus, what are your options? It means that you will have to rely upon the same Accountability methods which most organizations use...which are NOT effective.



Compensation & the Model

- You can't offer "No 8-5 Lifestyle" flexible work routine to employees
- You have to do hard-ass, management.
- Your Clinician Managers have a much tougher job.
- Your quality will never be as high as it could be.
- Your economics will never be as good as they could be.

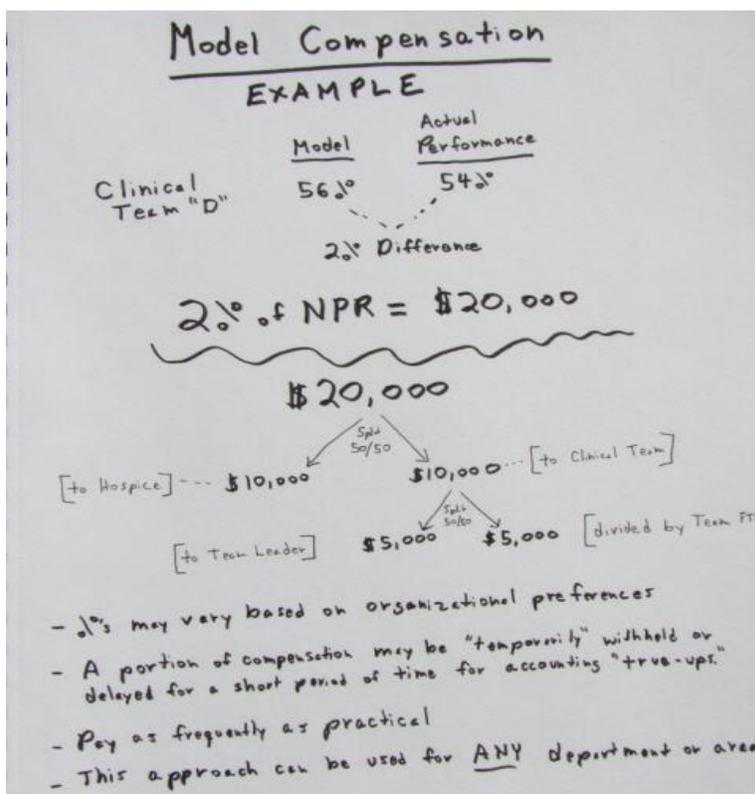
The pragmatist recognizes that doing the same things will get one the same results.



Clinical Leader/Manager Pay

Clinical Leader Pay or *Manager Pay* is one of the most powerful aspects of this approach to compensation. It gets all Managers in the game with “skin in the game!” This move alone can change a Hospice culture without doing anything else! So it is a good place to start the discussion since the methodology employed is the primary driver of the system. Here is how it can work for any team or area of the Hospice from clinical teams to HR and IT. **The most important position that needs incentive is the Manager** as 70% of the development, retention and morale will come from the immediate supervisor. The Manager has to be incentivized to MANAGE. Therefore, the incentive has to be “enough” to motivate! In fact, the entire Manager Compensation Package has to be substantially BASED ON RESULTS. In the example below, a “split” of the savings from beating the Contribution Margin is shown going to clinicians as well as the Manager. But we have found a more direct way of doing this through Individual Pay. This frees up more money to put into the pockets of the Clinical Manager, thus making the position more desirable. We will call the two options the 1) Split and the 2) No-Split methods. One or both can be used. For example: Clinical Teams can use a No-Split Method and Indirect departments can use the Split Method. The point is you have options!

Here is a clinical team example that includes the Splits method between the Clinical Manager and clinicians:



In this example we have Clinical Team D. The Model for a clinical team is a contribution margin of 56% of NPR. The team was able to beat the Model by 2%, which results in a savings of \$20,000 for the month. In this case, 50% (\$10,000) of the savings would be kept by the Hospice. The remaining 50% (\$10,000) would be distributed to the team with 50% (\$5,000) going to the Clinical Manager and 50% (\$5,000) being distributed by FTE to the members of the team. So if there were 5 FTEs, then each would receive a check for \$1,000 for the month in addition to their regular pay. However, if the Quality Standards were not met, then ANY Accountability performance compensation would be revoked.

A Better Way of Doing Clinical Leader or Manager Pay? – Tie Individual Pay to the Contribution Margin of the Team

There is an option an organization can use to incentivize employees to help or be mindful of Contribution Margin or beating an Indirect area's NPR% Standard. In order to INCREASE the percentage of the savings "split" between the organization and the Manager, the portion that goes to clinicians is eliminated. However, to provide incentive for clinicians to "care enough" about the financial performance of the overall team to perform at high levels, the amount of Individual Pay can be REDUCED IF the Contribution Margin Standard is not achieved for the team. This method is superior as it is more DIRECT. Normally, the more direct the relationship between pay and performance is, the stronger the compensation method. For example, if a clinician merits Individual Pay due to beating the Productivity Standard, but the team's Contribution Margin is less than Standard, then the amount of Individual Pay is 50% of what it normally would be. This provides STRONG and DIRECT incentives for the entire team to be winning! It also helps to eliminate clinicians from "gaming" the system by switching patients unnecessarily in order to get more Individual Pay.

FOCUS on Contribution Margin or Percentage of Cost

Clinical Leader Pay or Manager Pay is where the driver of the compensation of Managers, especially Clinical Managers, takes place. **Managing by NPR (Net Patient Revenue) percentages is the "governor" of your entire organization's costs and guards against losses or mismanagement.**

Contribution Margin or a Percentage of Cost is a RESULT. Elegant organizational systems use simple and direct measurements and standards that impact many others. Contribution Margin or a specific/set Percentage of Cost is a great example of a single measurement, which would naturally and automatically drive a multitude of other metrics to the levels desired by the organization. Managers learn to manage to a result. This result creates increased FOCUS and eliminates directional confusion.



Determining the Contribution Margin - Market Adjusted Contribution Margin

In some CBSAs there can be a mismatch of average wage levels and Medicare reimbursement, especially in areas that cross state lines. Hospice per diem rates can vary by 30% with the average wages being about the same in both. This brings up the question of what the Contribution Margins should be as you want the fairest system you can use at those sites with lower reimbursement and a similar wage base will have a more difficult time meeting the Contribution Margin Standard. The preferred way to do this is to use one Standard Contribution margin across the entire country and at all sites. This is the easiest to teach and does not confuse people. A single Standard Contribution Margin is possible if there is “enough” tolerance in your Standards. MVI often uses the 17% Patient-Related NPR% even though most Hospices can achieve this as it provides some cushion for specific areas that are more expensive in a market. However, perhaps a better system would be what we will call the Market Adjusted Contribution Margin.

To me it is a bit too complex, and though it is helpful when you start to develop different Contribution Margin Standards. After a while, you just start to adjust by 2 or 3 percent only for sites where there is a “known disparity” between the Tier I rate and local clinical wages.

Here is how it might be calculated:

This is where we take the base CMS Tier 1 Per Diem Rate for the nation and compute the percentage difference for each site and then decrease this percentage by 75% and apply the calculated percentage to the Contribution Margin percentage.

Market Adjusted Contribution Margin						
	Tier 1 Per Diem	Difference in Dollars	Converted to %	Proportionalize 25% of %	Market Adjusted Contribution Margin	Rounding
CMS Base	195.65				50%	
Site 1 - TX	169.28	26.37	13.5%	1.7%	48.3%	48%
Site 2 - OR	222.05	(26.40)	-13.5%	-1.7%	51.7%	52%
Site 3 - San Fran	280.00	(84.35)	-43.1%	-5.4%	55.4%	55%
Site 4 - IA	140.00	55.65	28.4%	3.6%	46.4%	46%
Example:						
1) Determine the Difference from Base			195.65 - 169.28 = 26.37			
2) Convert into a % of Base			26.37 divided by 195.65 = 13.5%			
3) Proportionalize Using a %			13.5% x 25% = 1.7%			
4) Add or Subtract from Standard CM			1.7% - 50% Contribution Margin = 48.3% Market Adjusted Contribution Margin			



This provides some relief for sites with lower reimbursement and causes those with more favorable reimbursement to contribute more. The Proportional-ized Factor is arbitrary based on your professional judgment.

An Indirect Example – A Finance Team using the Splits Approach

Let's say the Finance Team Model percentage is 2.25% of NPR (Net Patient Revenue) at your Hospice. Suppose that the Finance Team actually performed at 2% of NPR for a month resulting in a savings to the Hospice of \$10,000. In this case, we would recommend that 50% of the savings (\$5,000) be kept by the Hospice. The remaining 50% of the savings (\$5,000) would be given to the CFO and the Finance team with \$2,500 going to the CFO and the remaining \$2,500 being distributed (evenly or according to some methodology) to the other four FTEs in the Finance area. This compensation is IN ADDITION to their regular pay! Let's look at another example and take it further:

SUPERPAY!
Version 23.0

Total NPR = 10,220,000
1 % of NPR = \$ 3,931

Example Area	Actual Performance	NPR% Model	Difference	Frequency
Clinical Team A				
1) Position Pay (Base plus Standards Pay)				Per Pay Period
2) Individual Manager Pay Based on "beating" Contribution Margin				Per Pay Period
Controllable Costs	42%	45%	-3%	
Contribution Margin	58%	55%		Per Moth

3% = \$ 11,792

Managers need to be rewarded if we believe that Management is key



In this example, Clinical Team A beat the Model by 2% of NPR. The Model contribution margin was set at 50% and the team performed at 48% of NPR. 2% converted to dollars is \$3,856. Thus, \$3,856 is divided between the Hospice and the team, each receiving 50%. Both the team and the Hospice receive \$1,923 (50%). In this case, the Clinical Leader would receive a check (in addition to regular pay) for \$962. The remaining \$962 would be distributed by FTE to the team members.

In the prior examples, the team portion is split 50/50 between the Clinical Manager (or area leader) and the team members. This is an example of Team compensation, though it is also the Manager's individual Performance Pay as the leader's performance is based on the team's performance. The 50/50 split is an arbitrary determination. It could be 70/30, 60/40 or whatever your Hospice wants. However, it must be perceived as fair, it must be sustainable over the long-term, work must be done that meets or exceeds the Quality Standards and it has to be "enough" to motivate.



Individual Pay Based on “Productivity Unit”

Individual compensation can be the most complicated of all the pay types, but it is also the most powerful. And we know that complicated doesn't work well, if at all. SIMPLE is BEST! Clinical disciplines are the easiest to apply performance compensation to since they perform similar tasks. Supporting areas are more difficult because you have many people doing different tasks. However, if you think enough of a function to pay money for a position, then certainly Standards of productivity for the position should be created.

Individual Clinical Pay

Clinicians are normally paid a salary or an hourly rate. Assigning a large portion of pay to a Productivity Unit or result for an INDIVIDUAL is the strongest method of compensation.

The basic measurements of productivity for clinicians per pay period are:

(1) **Number of Patients Visited** and (2) **Visits**. A Hospice can use either or both (we will discuss the quality measures later). This is especially important in SuperPay as productivity is where Individual Pay is earned.

The point is to incentivize the behaviors you want. When it comes to Individual Pay, the point is not just to give clinicians more money, but to get a result.

For example, Visits, as a way of paying Hospice Aides and sometimes LPNs, work as this is the type of productivity you want to encourage. It is a more task-oriented type of work. Visits also encourage more efficient visits as “work expands to fill the time allotted” when there is an hourly emphasis. Visits, however, are NOT a good idea for RNs mainly because the idea of a managed care organization is to “professionally manage the care experience” and you want RNs to carry more patients rather than doing visits. Visits are certainly part of this, but phone interactions, POC coordination and other professional assessments/interventions are part of this job. So visits are NOT the emphasis for RNs.

Here is why you don't make Visits the primary productivity measure for Individual Pay RNs. I will mainly focus on the RN. However, it could be argued that this could apply to SWs and PCs as well!

- The best RNs do fewer visits, as they are effective Teachers. People aren't freaking out when changes happen. Encouraging or incentivizing more visits defeats this. It will defeat your best RNs.



- We want to encourage more telecommunicative interactions and skills as these can be BETTER from a patient/family perspective than a visit. Sometimes a visit from a clinician is inconvenient!
- Historically, an RN paid by the visit can blow out your financials, if the amount is set too high. I have implemented these before and got killed when clinicians started doing 7-9 visits a day! Plus if Nursing Homes and ALFs are in play, then HUGE numbers of visits can be done! This is NOT what you want! A Hospice Aide visit is much less “elastic” than an RN visit. This is a physical limiter of how many Hospice Aide visits can be done in a day. A unit of Average Caseload or Number of Patients would be a higher Individual Pay amount than a Visit in most cases.
- Hospice is a Managed Care Organization. It is not about “doing visits.” We are paid by Medicare to “professionally manage” the care.
- If Visits are used, more Energy will be used by Clinical Managers to monitor “who is being visited” as clinicians can fall into “favorite patient” syndromes and start making unnecessary visits.
- Cranking out visits FEELS very production-oriented, whereas Average Caseload or Number of Patients FEELS more appropriate for a “professional.” We want to respect the position.

Number of Patients Visited Per Pay Period for RN Productivity

Average Caseload can be a difficult thing to get in some EMRs. A simpler alternative can be **Number of Patients Visited Per Pay Period**. This is simply running reports that contain the clinician and the patients that they have visited in a pay period. **This number will be a bit larger than Average Caseload, but will work EVEN BETTER because it takes some acuity into account as a clinician with a lot of new patients and deaths would have a higher patient count!** If an RN or other clinician helps out another clinician by doing a visit, this would also be counted in the person’s Number of Patients Visited. Normally, the dollar amounts for Number of Patients will be slightly lower than Average Caseload because there are more! You can “stress” or test your Individual Pay amounts easily using the Model Teaching Tool Version 18.2 or 18.3 as you want to assume that 100% of your employees are receiving additional Individual Pay. Average Caseload is inherently difficult to calculate as it involves knowing the number of patients each day and doing an average calculation. Number of Patients Per Pay Period is vastly easier as it only requires knowing what patients have been assigned to clinicians over the period of the pay cycle.



Number of Patients Visited Per Pay Period as the Productivity Unit for Individual Pay also solves a couple of other issues.

- It easily allows both the IPU as well as a clinician to be paid for patients they share. You don't want to penalize Homecare clinicians that refer their patients to the IPU. In fact, you want to incentivize it! This solves that with ease!
- It is easier to communicate than Average Caseload. The number of patients is the Number of Patients served in a pay period! Number of Patients is a type of Caseload for a pay period.
- Though we sometimes suggest an Average Visits Per Patient Per Week or minimum number of visits as secondary productivity measures when Average Caseload is used, this is NOT necessary when Number of Patients is used as you can simply run reports of most EMRs that show ANY patient, which the visits are not conforming to the POC (Plan of Care). Failure to adhere to the POC is what will really harm an organization. Wouldn't it be fantastic just to know that 100% of your clinicians are adhering to the POC!
- IF the number of visits is unacceptable or low at your organization, then add a Minimum Number of Visits as a secondary productivity measure. Number of Patients and Minimum Visits are quite easy to get from most EMRs!

Average Visits Per Patient Per Week within a range as a secondary productivity/quality measure is still a very, very good practice. I think it is a high-quality measure. However, if it is hard to produce, this can be replaced with your EMR reports that show if visit frequency complies with the POC. Minimum Visits per pay period is another alternative secondary measure.

“What if a clinician visits a patient assigned to another clinician or on another team?”

We pay the clinician just as they would if the patient were assigned to them.

- This makes it easy to determine the number of patients made as visit reports are common in EMRs.
- It encourages visits, but not excessive visits.
- It encourages clinicians to help out fellow clinicians.
- It encourages clinicians to refer to the IPU as visiting the IPU by Homecare clinicians is a great practice, unless the IPU is a great distance away.



Individual Pay is Decreased if the Contribution Margin of the Team is NOT to Standard

This links back to the concept of Team Pay or a way of paying team members. As stated earlier, there are two options for administering what we might call, Team Pay - the 1) Split and the 2) No-Split methods. One or both can be used. However, MVI is now recommending that the clinician portion of Team Pay is eliminated and that Individual Clinician Pay is linked to Team Contribution. If a Clinical Team is not meeting the Contribution Margin Standard, then the rate of Individual Pay is DECREASED by 50%. This is more powerful as it is a more direct communication that the Team is not healthy. This also discourages “gaming” Individual Pay by seeing other clinicians’ patients when it is not necessary in order to jack up their pay.

This direct impact on Individual Pay provides incentive for clinicians to “care enough” about the performance of the overall team to perform at high levels. This method is superior as it is more DIRECT. Normally, the more direct the relationship between pay and performance is, the stronger the compensation method. For example, if a clinician merits Individual Pay due to beating the Productivity Standard, but the team’s Contribution Margin is less than Standard, then the amount of Individual Pay is 50% of what it normally would be. This provides STRONG and DIRECT incentives for the entire team to be winning!

This also helps INCREASE the percentage of the savings “split” between the organization and the Manager, the portion that goes to clinicians is eliminated.

A Clinical Manager needs to try to prevent clinicians from “swapping patients” to game the Compensation System. This would negatively impact Contribution Margin, which directly impacts the compensation of the Clinical Manager.



Here is an example of Individual Pay based on the *Number of Patients Visited in a Pay Period*:

Example of Individual Pay For RNs, SW, Spiritual Care			
<i>Semi-Monthly Pay Period: 9/1/18 to 9/15/18</i>			
Clinician #1			
Caseload/Number of Patients			
Patient 1			
Patient 2	Transitioned		
Patient 3			
Patient 4			
Patient 5	Transitioned		
Patient 6			
Patient 7			
Patient 8			
Patient 9			
Patient 10	Transitioned		
Patient 11			
Patient 12		Minium	
Patient 13	Added		
Patient 14	Added	Excellent = \$75.00 per Patient	
Patient 15	Added		
Patient 16	Added	Total \$225.00 Individual Pay Bonus	



There are many ways of doing Individual Pay

Clinician compensation can be done a number of ways. Going into many of these methods is beyond the scope of this program and is better addressed in the Compensation & the Model Program. But here are a few general methods. These titles aren't fancy, but you can get an idea of the variety that can be used!

1. Salary or Hourly – Business as usual in Hospice. This will produce the SAME results we are now achieving.
2. *Base Pay* (with a Flex component) – This adds a great deal of muscle to Accountability as 100% of the Standards must be met to receive the Flex component.
3. *Base Pay* (with a Flex component) and a set amount if the Excellent threshold is met. Example: \$150 if the Excellent threshold is equaled or exceeded. This takes a bit of the sting out of working harder, especially when census is down.
4. *Base Pay* (with a Flex component) and an amount for each patient served while maintaining the Standard average number of visits per patient. This flexes well with upward shifts in census.
5. Average Visits Per Patient Per Week/Number of Patients – This method is simple and holds a great deal of promise as compensation is directly related to performance and quality. This ideally fluctuates with patient volume.
6. ABC: Activity-Based Compensation – In this system, every activity has a compensation rate from routine visits to meetings. It is the first one I used at my first Hospice.
7. Pay per Visit – This incentivizes visits and not caseloads.
8. Average Caseload – This incentivizes larger caseloads, but are patients being seen? Average can be hard to get.
9. Number of Patients is an excellent measure! Or just run a POC visit report for visits outside of the POC!

Overtime

Overtime is a no-no and should be discouraged. If the employee is owed overtime, the organization by law must pay it. However, the Manager needs to have a conversation and train the clinician on time management as all work is designed to be sustainable and done in an 8-hour day.

If overtime is paid, then for each hour of overtime 1 unit of Individual Pay is removed. Examples: If 2 hours of overtime is paid to an RN, then 2 patients are subtracted from the Number of Patients Visited above the Excellent Standard. If 3 hours of overtime is paid to a Hospice Aide, then 3 visits are subtracted from the Number of Visits above the Excellent Standard. The point is, you can't be working overtime and expect to get additional bonuses as well.



Clinical Performance Pay

<i>Per-Visit System/Base Plus</i>							
Semi Monthly				40	44	48	52
Rate		20.00					
Base	Semi Monthly	Pay Period		Compensation			
40,000.00	24	1,666.67	Visits	800	880	960	1040
Individual Pay				19,200.00	21,120.00	23,040.00	24,960.00
Position Pay				40,000.00	40,000.00	40,000.00	40,000.00
Total Compensation				59,200.00	61,120.00	63,040.00	64,960.00
* Note: If performance or behavior is non-standard, a 10% Dig is deducted from the pay period.							
** Note: IDT and other care coordination activities are included.							
Direct Cost Per Visit				61.67	57.88	54.72	52.05



Clinical Performance Pay

<i>Per-Visit System/Base Plus</i>							
Semi Monthly				40	44	48	52
Rate		20.00					
Base	Semi Monthly	Pay Period		Compensation			
40,000.00	24	1,666.67	Visits	800	880	960	1040
Individual Pay				19,200.00	21,120.00	23,040.00	24,960.00
Position Pay				40,000.00	40,000.00	40,000.00	40,000.00
Total Compensation				59,200.00	61,120.00	63,040.00	64,960.00
* Note: If performance or behavior is non-standard, a 10% Dig is deducted from the pay period.							
** Note: IDT and other care coordination activities are included.							
Direct Cost Per Visit				61.67	57.88	54.72	52.05



<u>Average Visits Per Patient Per Week/Base Plus</u>							
Average Caseload				10	12	14	16
Rate	50.00						
Base	Semi Monthly	Pay Period		Compensation			
40,000.00	24	1,666.67	Patients	240	288	336	384
Individual Pay				12,000.00	14,400.00	16,800.00	19,200.00
Position Pay				40,000.00	40,000.00	40,000.00	40,000.00
Total Compensation				52,000.00	54,400.00	56,800.00	59,200.00
* Note: If performance or behavior is non-standard, a 10% Dig is deducted from the pay period.							
** Note: IDT and other care coordination activities are included.							
Min				1.2	1.2	1.2	1.2
Max				1.8	1.8	1.8	1.8
Direct Cost Per Visit Min				180.56	157.41	140.87	128.47
Direct Cost Per Visit Max				120.37	104.94	93.92	85.65



<u>Salary with a Per-Visit above a Minimum</u>							
Additional Semi-Monthly Weekly Visits				0	2	4	8
Rate	200.00						
Base	Semi Monthly	Pay Period	Min. Visits	Compensation			
40,000.00	24	1,666.67	40				
			Annual Visits	960	1008	1056	1152
Individual Pay				-	9,600.00	19,200.00	38,400.00
Position Pay				40,000.00	40,000.00	40,000.00	40,000.00
Total Compensation				40,000.00	49,600.00	59,200.00	78,400.00
* Note: If performance or behavior is non-standard, a 10% Dig is deducted from the pay period.							
** Note: IDT and other care coordination activities are included.							
Direct Cost Per Visit				41.67	49.21	56.06	68.06



Holiday and PTO

In any Compensation System, Holiday and PTO (Paid Time Off) must be considered. Time off is key to sustainability as people need time to renew, find meaning, de-stress and do other things other than work. As a company, we should not demand every ounce of Life people. In fact, the work atmosphere should “give” Life. In *SuperPay!* or even with any pure productivity-based compensation approach like Per-Visit or Average Visits Per Patient Per Week, Holiday and PTO should be factored in. It might be paying employees their “average weekly” pay for the last 6 or 12 months. I don’t know if I would do this if a person is only taking a day or two off. But for longer periods of time, it should be done. Holiday and PTO pay is charged to the team they are on. That is, it is a cost of running a team.

PTO should be banked in DOLLARS and NOT HOURS. If you bank PTO in hours, any pay increases will increase your PTO liability in dollars with zero benefit to the organization.

Regarding covering Holidays... no one wants to work them... unless they need or want the money. If you can put a holiday factor in, it would be good. A factor of 1.5 or 2 – something to motivate the “few” that will work it. Vacations and time away need to be encouraged for multiple reasons, not the least of which is the need for people to recharge and take some time off to gain perspective. They also are needed so that an employee’s position can be objectively performed and reviewed by another person. This is a form of internal control. I have personally witnessed people that you would have never suspected of foul play or dishonest activities do some really bad things. The Fraud Triangle includes NEED. If a person has a need... a personal problem that is causing them great pain... and the OPPORTUNITY to relieve that pain (even short-term) exists, the likelihood of fraud is created. One time an AP clerk refused to take vacations. This went on for several years. She just wouldn’t take a break! Finally, a vacation was forced and it was discovered she had embezzled over \$500,000 from the organization! She was probably viewed by others as a “very dedicated and hard worker.” Force vacations!

The Danger of Payroll Accruals and Not Forcing Vacation/PTO Use

The danger when accruing payroll liabilities lies in that they can increase substantially with little notice if employees are not forced to use their PTO and vacation time. This increase happens when you give a raise to an employee. Every time you do this, whatever time they have accumulated in the form of PTO or vacation must be paid at their current pay level! If the employee has A LOT of PTO or vacation, the raise that you just gave isn’t just costing you \$200 more a week, it just cost you \$8,000! If you force vacations and use of PTO, you lessen this to a great degree.

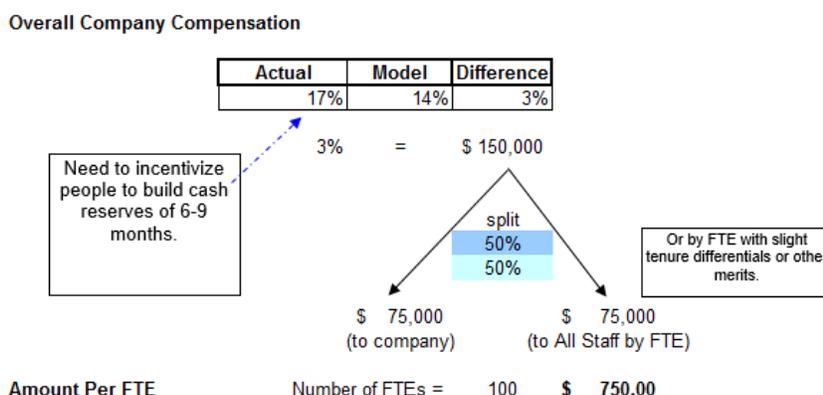


Organizational Pay – NOT RECOMMENDED

Organizational Pay is the WEAKEST of all pay types as the “performance” or results are beyond the Individual’s immediate control. It also does not “teach” well as the individual can’t easily link “cause and effect” as the person can’t see or be knowledgeable of all others that contribute to the result. We recommend that if this method is used, that it should be small.

I would only recommend this method IF you have TONS of money in the bank if an NFP organization. I would not usually recommend it for a For-Profit.

Organizational Pay uses the same principles used to compensate Managers and Clinical Leaders. It is done by sharing a portion of the “savings” from beating the Model percentages.



Let’s add an element for overall Organizational performance. Let’s say the Hospice as a whole beats the Model by 3% and it represents a savings of \$150,000 for the quarter (Usually Organizational Pay would be distributed every quarter – annually is too long!) Using the same methodology, 50% of the savings would remain with the Hospice (\$75,000). The remaining 50% (\$75,000) would be distributed among the staff according to the number of FTEs. In this case, if there were 100 employees, simply divide the \$75,000 by the number of employees. Each FTE would receive a check for \$750 (less taxes and other deductions of course). So every full-time Nurse, Hospice Aide, SW, IT person, Finance person as well as the CEO and other Managers would receive a check for the quarter for \$750.00. For some people, this might mean more to them than others. For many Hospice Aides and others, it would be a much-welcomed addition. Heck, it would be nice for anyone!

In most cases, we consciously omit *Organizational Pay* as stated previously. In the case of some For-Profit situations where some shareholders or owners have different ideas or commitments or need “room” for significant shareholder changes, it is perhaps best to leave this pay category out. If an organization (NFP or FP) faces circumstances that are quite



uncertain (extraordinary and non-reoccurring items) where the company will have large or material payouts, a company might not choose to have *Organizational Pay*. We think *Organizational Pay* is an OK idea, even with such events as pay is a communication tool of the overall health of the company. **If an organization does not have 6-9 months of financial reserves, we usually don't recommend the use of Organizational Pay.**

What about when Census goes Down?

You may be thinking, "This all sounds good when census is high as it makes hitting the NPR percentages easier, but what about when census decreases?" Is the Accountability or Empowerment Pay system going to penalize me in the same proportion? Here's our advice (this is where the Base and Flex components of *Individual Pay* come into play for Managers):

If an area is less than the Model NPR percentage (even .01%), the Manager (and only the Manager of the area) would not receive his or her *Standards Pay* (normally 10% of *Position Pay*). **Others in the department would not be impacted.** This slight pinch automatically sensitizes the Manager that there is a financial problem. In this case, the "system" is working for you, sending the message that the Manager is "out of the Model."

This approach can be used for a clinical team as well as for any Indirect area. If the Blue Team beats the Model and the Red Team doesn't, then only the Blue Team Leader gets its *Clinical Leader Pay*. If both teams beat the Model, both receive their *Clinical Leader or Manager Pay*. In fact, when using this type of approach, EVERY area could hit their marks and it would still result in overall savings for the Hospice! Many bonus plans almost bankrupt companies if everyone hits their marks (In fact, they count on everyone NOT hitting their targets). Because this is based on savings, we want every department to be within the Model. Also, if the 50/50 split is too rich for you or is not enough, adjust it. Remember that you are always dealing with savings or beating the Model. I would advise that you not go beyond a 30/70 split with 30% of the savings remaining with the Hospice.

You may argue with this example methodology and say that Marketing and Admissions have more to do with achieving NPR percentages than a Manager of a Team or area. The truth is that BOTH impact NPR percentages! A Manager is responsible for the costs that he or she can control within his or her respective department. This is internal and is the responsibility of the leader of the area. They are paid to manage, right? An area is also impacted by external forces and the Manager has to adjust for that reality as well. So it is both internal and external. ALL Managers should be acutely concerned with census and have a mindset of improving it. EVERYONE IS RESPONSIBLE FOR CENSUS. In this system, perhaps we will be more motivated to give marketing and outreach a hand?



Too many times in a Hospice, census decreases and people sit around and complain. This can go on for months. The low census can even be welcomed by staff members. In fact, they get used to low caseloads and after a few months of low census Managers begin to say, “I think I’ll knock off at 3:30 today... not much happening here.” This is dangerous thinking! Then when census finally starts to climb, people will complain that they are “overworked” even if the census is just increasing back to normal levels. Why does this happen? **Because the Managers are not personally and immediately impacted by the decreased census. Managers need to FEEL the sting of low census... they also need to be rewarded when they are working hard during times of growth.** Everyone needs to FEEL the sting of low census and the more immediate the sting is, the more rapidly the organization will respond. You might say that all staff members should FEEL the pain of low census and not just the Managers. Perhaps. But I see low census as a Management problem.

This heightened sensitivity to census or cost problems can be analogized to the human body, a highly integrated system. When pain is felt, it immediately causes a reaction and sends signals that there is a problem along with the compulsion to alleviate the problem/pain... as soon as possible. This methodology does a similar thing organizationally. When there is an injury or problem, the rest of the body is alerted via the nervous system. *Money is the nervous system of your Hospice.* As a CEO, you don’t have to spend Energy putting out a memo or holding a meeting about the low census. Everyone knows it! The structure saves you the effort... and the structure will rescue you as well! By directly linking compensation in this way, the collective consciousness of growth and profitability is automatically increased on an individual and team level and an overall organizational level. The organization really becomes a much healthier, unified system. Again, just as the human body works as a unified whole and is impacted by what happens to each part of the body, a similar thing happens to each part of the Hospice as well.

Is Marketing in the “Hot Seat?”

The “hot seat” in this type of Compensation System would normally be perceived as the Manager of Marketing. However, this is too narrow of a view. There are many players including the Manager of Admissions, Education (especially Documentation Education), the head of the UR committee, Team Managers, etc. Marketing is everyone’s job, but the Manager of Marketing is supposed to be the expert.

What if Marketing needs more resources which would likely increase Net Patient Revenue? Whenever the Model needs to be changed, it is a decision that needs to be pondered. The CEO is always the Gatekeeper of the Model and must make the final decision regarding Resource Allocation. If one area is increased, another has to be decreased or the profit level will be reduced. If overall NPR would increase as a result, most Managers are going to say “yes” to the request for more resources for Marketing!



Getting Management Onboard

You want your Management team to embrace and have confidence in your Accountability/Empowerment Compensation System. Why? Your Managers need to be able to “sell” their folks on the system! Therefore, they need to believe in the Compensation System and have confidence in it themselves before they can effectively convince others to embrace it. Always start a new Compensation System with your Management team involved. This is why the Management team is involved in the planning phase.

Many times, you have to go no further than this group with your Accountability/Empowerment Compensation System to get a *good* result. However, only doing this with your Managers will normally result in them having to do a lot of unnecessary work that could be taken care of by the “system.” It is better for everyone, Management as well as all staff, to get in on it at the same time! If everyone is in on the Compensation System, then the organization will behave more cohesively and as a natural system. Quite simply, management becomes easier when everyone is on the program.

How to Pay Executive Management?

MVI Recommendation: Have Executive Management re-base their present salaries to much lower amounts. Then “fill in” this lower base with a percentage of the surplus or profits just like shareholders would receive in a corporation. How much? I recommend re-based as much as 50% of present salaries. It really depends on how much current salaries are.

Reducing Executive Management salaries and making the rest result-based, does several things simultaneously:

- It **POWERFULLY** communicates that Managers “believe” in themselves and the organization. They are willing to bet on themselves and the company. This is a form of extreme confidence. The lower the base and higher the portion of results-based pay, the stronger the message is communicated. Example: I (Andrew Reed) take a salary of \$65,000 a year. However, I may make 20 or more times this based on my performance at MVI.
- This move allows an Executive Manager to more powerfully “sell” or “convince” others, who are not used to this type of Compensation System, to “believe” and “buy in” to it! There is an energetic aspect of this that can only come from experience. It is **AUTHORITY**.
- Managers must have Integrity. How can any integrous person, especially a Leader, have people work under a system in which he or she is not participating in themselves?



- This helps to motivate Executive Managers to perform at high levels...as well as forces out and not put up with low performers.
- It lowers Indirect Labor costs (and even Direct Labor Costs). By treating Executive Compensation as profit or surplus sharing...these costs fall below the Net Operational Income line. Of course, these “surpluses” are distributed! That is unless reserves are low... Then much of the surplus must be put into reserves and the distribution percentages are smaller. It is really just a question of “what” you are going to do with the surpluses?

If a company uses this approach, then I advise that an Executive Management Distributions line be established to track it in the Income Statement. With FP entities, if it is a true Shareholder situation, this is often done in the equity section of the Balance Sheet.

These “percentages of surplus” can be viewed as Phantom Stock or Phantom Shares. That is, not legal shares of owners, but merely a way to distribute a portion of the surplus to Executive Management.

If a Manager is Responsible for Multiple Areas – Executive Management

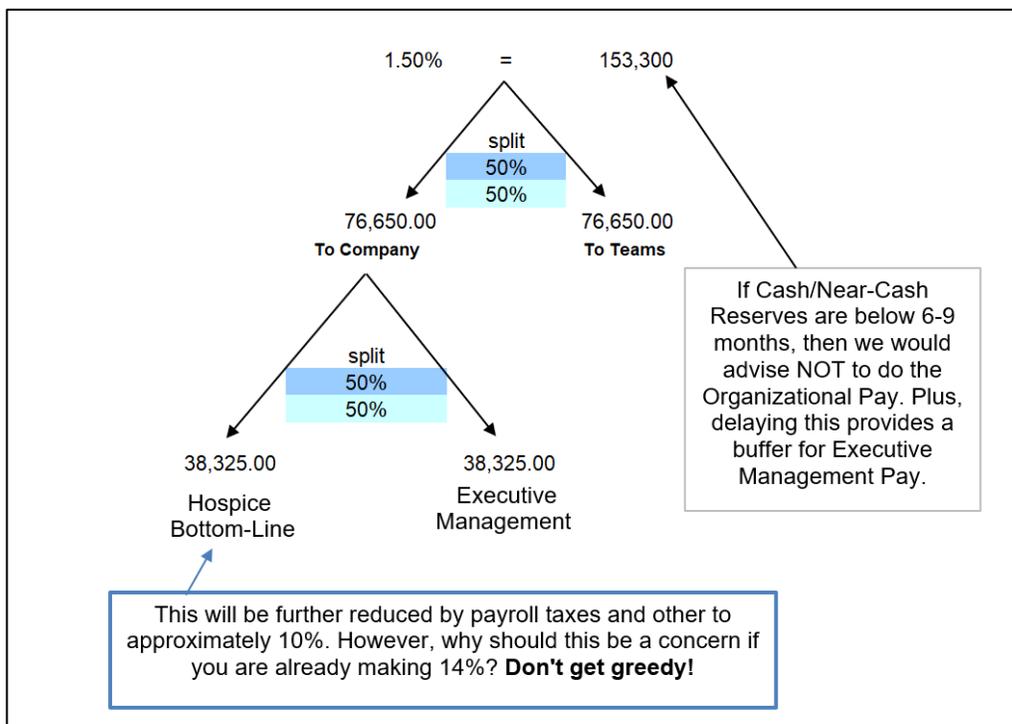
Managers of specific areas are quite easily tracked when it comes to performance and measurement. If a leader is responsible for multiple areas, it is a matter of rolling up the performance of all of the areas and the results become the basis of the Accountability/Empowerment Compensation System. If a leader is responsible for multiple areas, then the leader gets his or her rewards from each area based on the results of each area. It is not based on the performance of all business segments combined for all Managers (except the CEO who is responsible for every area). If a leader is over Hospice Homecare, IPU and Palliative Care (-2%) the Managers comp either has (1) a line for each area in his or her paycheck or (2) it is rolled up into one. How much? I think this has to be some type of formula or percentage.

Example: If there are 3 Executive Managers, the CEO, VP of Operations, VP of Quality and Access – or whatever your titles are, it might look like this:

Base Salary plus a percentage of gain or surplus, say 10%. If this is a 50/50 model with 50% coming to the company, 10% would be an OK amount. The company’s 50% portion is already being reduced by about 10% for taxes, this 10% takes it down to 30%... which is OK in my book! We are still getting a 14% profit PLUS 30% of the savings!

An example of Executive Management compensation might look like this:





Why Does a Leader/Manager Need to Earn More?

Managers have a huge responsibility for the direction of Energy and resources. A Manager is a “multiplier” and should be rewarded for the stress of this responsibility. Consider what a Manager is Accountable for!

- A Manager is responsible for operations, both quality and financial results
- A Manager is responsible for upholding Standards and culture
- A Manager is responsible for retaining Talent
- A Manager is responsible for terminating the non-productive people or Culture Destroyers

A Manager needs to be compensated for this. A Manager is a special person who should have better personal and professional judgment than the people he or she leads. Top Managers are absolutely critical! When MVI is hired to build or become part of the management of an organization, we build it around the immediate supervisors/Managers. We must have Rock Stars and strength because of the 70% Principle! Therefore, we “sexy up” the position of the Clinical Leader with great pay, a great work atmosphere, and great support from Indirect areas! In fact, we want every clinician to “want” to become a Clinical Manager as a goal!



What Happens when a Manager does not Meet the NPR% Standard?

What if a Manager's
**NPR% exceeds the
Standard?**

**The Manager's Standards Pay is removed. The
Team Pay is also not given as there is nothing to
bonus to the team.**



It is as simple as this...



Establishing Clear Standards

When creating your Model, you are creating “Standards” which include financial as well as clinical Standards. The Model advises the use of Model Cards that are issued to every employee to remove any excuse that a person in the organization has for not knowing the Standards. Normally, the section of the Model Cards for clinical Standards looks like this:

THE 5 MULTI-VIEW STANDARDS!

1. Perfect Phone Interactions.
2. Dress to the Look Book.
3. Perfect Visits with Perfect Documentation.
4. Time to Meet, Ass in the Seat Eight38, Eleven17, Transformation Four29
5. Report all service failures to the CEO/Chief Teaching Officer. Remedy before the Sun sets.



HOW TO TRANSFORM YOURSELF!

1. Just Change Your Attitude
2. It Produces Better Thoughts
3. Dominant Thoughts Change Beliefs
4. Better Beliefs Create Better Actions
5. Better Actions = Better Results

You Become What You Think About!



The SKILL of Happiness!

1. Recognize that your EXPERIENCE of LIFE is a View or Mindset.
2. Surround Yourself with carefully constructed Visual images to remind yourself of the Choice to have a GOOD Attitude towards all things! *Wowie!*
3. Learn to Improve your Attitude towards things you dislike!
4. Zen/Judo! Learn the Zen not to postpone Happiness until a future time or point! Learn the Judo to elegantly respond to the interaction with the perceived external world with an “unfazed” coolness!
5. Experience the FEELING of progress!
6. Notice the Satisfaction in the “Gaps” of the Oscillation of Life!
7. Know *in your Bones* that there is no Loss or Waste...and that you always have the Perfect Energy and Exactly the Resources you Need!

The normal rules of grammar, punctuation & capitalization do not apply to MVI.



Hospice Homecare/NH/ALF CATEGORY	Caseloads/FTE Staffing Model		Visit Duration AVG.*	Weekly Visits		Visits per patient per week	
	MIN.	EXCELLENT		MIN.	EXCELLENT	MINIMUM	MAXIMUM
RN	12	14	60	20	22	1.2	1.7
LPN	25	30	60	22	24	0.8	1.0
Aides	10	12	60	24	26	1.8	2.2
SW	28	32	60	20	22	0.45	0.75
Spiritual Care	75	90	60	X	X	0.2	0.4
Bereavement	100	120	X	X	X	X	X
Volunteers	100	120	X	X	X	X	X
Physicians/NPs	150	X	50	X	X	X	X
Admissions RN	50	X	90	10	12	X	X

*Travel Time is NOT included. Average Travel Time is 15 minutes.

Hospice NH/ALF CATEGORY	Caseloads/FTE Staffing Model		Visit Duration AVG.*	Weekly Visits		Visits per patient per week	
	MIN.	EXCELLENT		MIN.	EXCELLENT	MINIMUM	MAXIMUM
RN	16	18	45	26	28	1.2	1.7
LPN	30	35	45	28	30	0.8	1.0
Aides	12	14	55	25	27	1.8	2.2
SW	32	34	50	24	26	0.45	0.75
Spiritual Care	100	120	50	28	30	0.2	0.4
Bereavement	100	120	X	X	X	X	X
Volunteers	100	120	X	X	X	X	X
Physicians/NPs	150	X	50	X	X	X	X
Admissions RN	50	X	90	10	12	X	X

*Travel Time is NOT included. Average Travel Time is 15 minutes.

Cost Category	Homecare	Palliative Care	IP Units
Total Direct Labor	38%	100%	50.5%
Total Patient-Related	15%	13%	12%
Contribution Margin	47%	-13%	37.5%
Indirect: Salary Costs	21%		14%
Indirect: Operational Cost	7%		6.5%
Indirect: Facility Costs	4%		7%
Total Indirect	32%		27.5%
Surplus (for capacity and sustainability)	15%	Loss Limited to -2% of Homecare NPR	10%
Direct Labor			
Nursing	14%		33%
Aides	7%		15%
SW	4%		2.5%
Spiritual Care	2%		
Physician/NP	2%	100%	Net to Zero
On-Call	3%		
Admissions	3%		
Bereavement	1%		
Volunteer	2%		
Patient-Related Items			
Medical Supplies	1.5%		2%
Therapies & Outpatient	.5%		.5%
DME	4.25%		.2%
Pharmacy	4.5%		4%
Mileage	2.5%	2.5%	

Indirect Salaries (Total Organization)	Model
Administrative Salaries	3.5%
Clinical Management Salaries	4.75%
Compliance/QAPI	1.25%
Education	1.25%
Finance	2.25%
HR	.75%
Marketing	3%
Medical Director	2%
Medical Records	1%
IT/MIS	1.25%
Total	21%

Measurement	Minimum	Excellent
Admission/Inquiry %	75	85
Median LOS (Living)	120	<145
Days in Accounts Receivable	48	45
Facility Mix %	40%	
Patient Mix over 365 Days	10%	<25%
Death Service %	50%	
Same Day Visit %	70%	
Development Ratio	3:1	
Pain Reduced (within 24 hours)	90%	
Family Satisfaction (via App 10 Point Scale)	8.0%	
Hospital Readmit	<5%	
Clinical Manager Satisfaction (Overall Satisfaction w/ Supporting Areas - 10 Point Scale)	>7%	
Turnover of Talent %	<9%	

Hospice IPU		
Hospice Unit Category	MIN.	EXCELLENT
Nursing	5	6
Aides	5	6
SW	12	13

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Is Accounting Exciting or What? WHOA!



IF an organization uses “thresholds” (Minimums or Excellent percentages or amounts) where an employee has to meet or pass a specific Productivity Unit(s), then it might look like this. MVI does not prefer this type of system, but sometimes it is useful.

Hospice HomeCare	Caseloads		Visit Duration	Weekly Visits	
	Minimum	Excellent	Average*	Minimum	Excellent
Nursing					
Aides					
SW					
Spiritual Care					
Physicians					
Admissions					

Gap must be perceived as “achievable” with modestly increased effort

Hospice Nursing Home/ALF	Caseloads		Visit Duration	Weekly Visits	
	Minimum	Excellent	Average*	Minimum	Excellent
Nursing					
Aides					
SW					
Spiritual Care					
Physicians					
Admissions					

Note that there is a Minimum and an Excellent for each category. The Minimum is what needs to be done to keep your job. A minimum is a minimum for an FTE. The Excellent is where the Individual Pay comes into play. If a person meets or exceeds the Excellent measure, he or she receives additional pay. It may be \$50, \$100 or \$200. It does not have to be a huge amount but it must be enough that it motivates. When establishing the Minimum and Excellent amounts it is extremely important to keep the gap between them minimal. Example: If you want Nurses to perform 22 visits a week as your Minimum, set the Excellent at 24... which is only modestly more. Why? You want this to be a motivator and not a de-motivator. If the gap between the Minimum and Excellent is too large, it will become a de-motivator. You want your staff to say “I can do that! I can meet the excellent with a bit of work!” The Standards have to be sustainable over the long-term, like a decade! You don’t want to be changing the Standards and jerking people around by ratcheting up the Standards annually. This type of system helps reward clinicians when they are working hard, especially when census is high or is growing rapidly.

I would advise a Hospice to select a Standard or Standards that incorporates both caseloads and visits for all disciplines except for perhaps Hospice Aides. However, even this position could be done the same way!



Quality Measures

All of this is good for the financial Standards, but what about the Quality Standards? Here is what we would advise:

Quality Measures for Clinical Positions

Version 22.0

Position	Quality Measures		
		Use as few as possible!	Choose only one if possible!
Clinical - Direct Labor	(1) Documentation	(2) Productivity	(3) Quality
RN	1) Documentation to Standard	2) # of Patients Visited and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
LPN	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Aide	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
SW	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Spiritual Care	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Admissions RN	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Advanced Practice Nurse	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
On-Call RN	1) Documentation to Standard	2) # of Visits or Chart Audits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Occupational Therapist	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Physical Therapist	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Speech Therapist	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Physician/NP	1) Documentation to Standard	2) # of Patients Visited or Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Homemaker	1) Documentation to Standard	2) # of Visits and 100% to POC	3) No Complaints/Gifts , Avg Pain Scores
Inpatient Unit			
RN	1) Documentation to Standard	2) Unit GIP Census	3) No Complaints/Gifts , Avg Pain Scores
LPN	1) Documentation to Standard	2) Unit GIP Census	3) No Complaints/Gifts , Avg Pain Scores
Aide	1) Documentation to Standard	2) Unit GIP Census	3) No Complaints/Gifts , Avg Pain Scores
Charge Nurse	1) Documentation to Standard	2) Unit GIP Census	3) No Complaints/Gifts , Avg Pain Scores

MVI Suggestion in RED

IF YOU CAN ONLY MONITOR DOCUMENTATION AND PRODUCTIVITY EASILY, THEN JUST USE THOSE!

MVI suggests RNs use Number of Patients Visited Per Pay Period and to 100% of the POC.

Simply running a Plan of Care (POC) report for compliance is really sufficient when the Number of Patient Visited is being used too!

There are 3 Standards of great concern for a Hospice, (1) Documentation, (2) Productivity and (3) Quality. All three would be part of an ideal Compensation System. However, if you can just get Documentation and Productivity you are still in a better place than any traditional pay system!!!

Rather than having tons of quality measures for disciplines, use the SAME or SIMILAR ones for all clinicians. Yes, for the Productivity Standard, you may use Caseloads for Nurses and Social Work and Visits for Hospice Aides and LPNs, but the Quality Standards may be the same. You want to make it EASY! Easy for clinicians to remember and easy for you to administer!

1. **Documentation** is the very basis of our existence. It is the only practical way to orchestrate a coordinated, coherent interdisciplinary experience. We would use a written chart to common-ize this communication even if we weren't paid a dime for it! So this is the first and most important reason. The second reason for documentation is it IS how we get paid! Documentation needs to be perfect and at 100% of the Standards on a day-to-day basis. Anything less than 100% is not acceptable. And this is doable. If you



set your Standard at 90% your Hospice is going to be in trouble as even a 10% knowledge deficit results in an exponentially high screw-up rate when multiplied by the number of employees at your organization!

2. **Productivity** is an objective measurement in the concrete world. It is needed to gain perspective. What is being done that we can perceptively see impacting the world? Normally this is denominated in Number of Patients Visited in a Pay Period, Caseloads, Visits, Time, etc. Our recommended method is *Number of Patients Visited Per Pay Period* for RNs and *Visits* for most other disciplines as these are relatively easy to get from most EMRs and takes acuity into account to a fair degree. We also recommend that all visits are 100% to the POC. If that is done, normally is good! And EMRs are normally configured to show any deviation from the Plan of Care in terms of visits! Just run your EMR reports before every payroll! If any are outside the POC, BAM! No Standards Bonus!

3. **Quality can be No Complaints/Gifts or Average Pain Scores or Patient/Family Satisfaction/Confidence Scores.** We recommend No Complaints or Gifts. We want people to be happy with our services and products. Happiness is a FEELING. The only thing a person will remember ultimately is how he or she FELT! The measurement of all things relating to FEELINGS and emotional Energy is subjective. But we should not be troubled by this as if we consistently measure the subjective it becomes increasingly objective! CAHPS gives a Hospice some insight, but it is a bit dated when it gets back to a Hospice. The measurement of pain is in nearly every EMR! Therefore, could be one that is used. There are also newer technologies and apps where patients and families can give almost immediate feedback for things such as pain and their happiness with the experience they are receiving. Many Hospices have or are developing these apps. Why not use these Quality Measures before every payroll run to evaluate clinicians' performance?

If ANY clinician does not meet the Standards, the *Standards Bonus* is not given. If in a 4-week period a clinician is again, out of Standard, then *Individual Pay* will be removed as well. People have to FEEL the sting of not meeting Standards. This helps to ensure Accountability.



What about Quality Measures for Managers of Clinical Teams?

Quality measures need to be in place for Clinical Managers. Why? Because a Team's NPR percentages can be great and yet, there can be large numbers of clinicians whose documentation or productivity or quality is not to the Standards of the organization. Here is how we handle this for each payroll run:

1 Grace Clinician - A Clinical Manager can have 1 clinician out of Standard without any impact. This "grace" clinician helps because it is impossible for a Team to operate indefinitely without an issue. Sometimes a problem clinician can be out of Standard in 2 or more areas simultaneously! If the Clinical Manager is "pinched" for a single clinician, it can negatively impact Energy and motivation.

2% of the Clinical Manager's Team or Standards Pay is removed for each additional clinician that is out of Standard up to 10% - This means that a Clinical Manager will feel a 2% reduction of either their Clinical Leader Pay or Attitude/Team Accountability Pay for each clinician that is out of Standard beyond 1. In addition, if the Clinician Manager has 5 clinicians (the Grace Clinician plus 4) out of Standard in a pay period, the Clinical Manager's Pay is removed for the month. That is, the Clinical Manager can't hit 10%. Thus, they can only have a total of 5 and still get their Clinical Leader or Attitude/Team Accountability Pay (whichever Pay type you choose). It is a good idea to keep the same methodology in place regardless of team size. If a Clinical Manager can effectively manage more clinicians, then they have the opportunity to earn more. It can be illustrated like this:

Clinical Manager's Standards Bonus

Based on the Number of Clinicians Out of Standard

FTE Number	% Decrease	Standards Bonus
1	Free	10%
2	-2%	8%
3	-4%	6%
4	-6%	4%
5	-8%	2%
6	-10%	No Bonus

- 1) Documentation to Standard, All to the Plan of Care
- 2) Productivity to Standard
- 3) Quality to Standard - No Gifts/High CAHPS Scores

RESULT/OUTCOME

You want large teams, and you want it to be fair...so it needs to be proportional.

FTE % Based on ADC	% Decrease	Standards Bonus	Standards Bonus
10% or 1	Free	10%	20%
11-14%	-2%	8%	16%
15-18%	-4%	6%	12%
19-22%	-6%	4%	8%
23%-29%	-8%	2%	4%
30% >	-10%	No Bonus	No Bonus

- Can I win as a Clinical Manager? Is this achievable?
Is it reasonable? Is it fair?
Is it easy to do?



Your Clinical Leaders will Struggle at First as they Grow in Capability

Many Clinical Leaders will struggle at first with the Compensation System as they are used to being told what to do and if they are used to excessive staffing or the use of a particular high-cost medication practice. In SuperPay! Clinical Managers have great latitude and are given lots of room for creativity within the Standards. They are managing to a Contribution Margin and not *specific* cost line items. It is up to them to figure out how to get there. They just can't cross that NPR% line. They also will struggle with perhaps the #1 topic, Accountability and Professional Judgment. The Compensation System will administer the Accountability and report non-standard performance to the clinician and the Clinical Manager. Then the Clinical Manager's job is to work with the clinician to understand the true meaning of Accountability.

Clinicians new to the Compensation System may initially complain and be a bit hurt if their Standards Bonus of 5% is not given in a pay period. They will say it is unfair... It is the Clinical Manager's job to intervene and "teach" Accountability so that the clinician is OK with it and that he or she should use this "pain" or "hurt" to learn rather than feeling like a "victim" of the system.

Standards are not unreasonable. They are not difficult. There are not goals in the Standards. If a Standard is unfair or unreasonable, it should be called out and corrected. But most Standards are completely sustainable and are able to be done in an 8-hour day with no overtime. The Standards are "just doing your basic job" with no stretch. When a clinician, especially initially, feels hurt that he or she did not receive their Standards Bonus it is the Clinical Manager's job to help them interpret and learn from the event. Sometimes clinicians still view not receiving their Standards Bonus as a "takeaway" and not an additional amount. They feel entitled to it. This is an immature view and it is a signal to the Clinical Manager that you have a Student that needs help.

"Karen, why do we have Standards?"

"What happens to patients and families when the Visit Structure is not consistent or when documentation is not to Standard?"

"What does it mean to be Accountable?"

"When we start a meeting with: "What day is it?" What is the meaning behind this statement?"

Questions asked in a calm and benign spirit will help the clinician learn. They will start to answer their own questions and integrate their negative emotions about Standards into something positive.



Quality/Service Scores for Indirect Areas

There needs to be a methodology in a Compensation System for Indirect and Supporting areas. Who do Indirects live to Serve? The Clinical Leader! If we are to recognize the reality that 70% of the morale, development and retention of Clinicians come from the relationship with the Clinical Leaders. So Clinical Leaders need to be HAPPY! This leads us to methodologies to reward and “Do the Accountability” for Indirect areas! However, the REALITY of Indirect and Supportive areas is that they can be all BUT supportive! Often, they even build their own “empires” and treat clinicians and Clinical Leaders poorly or as subservient. We find that Indirect areas often do not face the same level of Accountability as the front lines as their departments are somewhat “off the radar” and people, in general, are not aware of the details of what they do and their specific function. Therefore, there is often little scrutiny or supervision in the Indirect areas.

To remedy this and to get ALL parts of the organization to operate as a coherent, integrated whole, the Compensation System becomes the nervous system or bloodstream that links everyone together pulling in the same direction!

Indirect areas live to serve the Clinical Leader.

Why is this? Isn't our purpose to serve patients and families? Yes. However, all clinicians at the front lines of care take their behavioral cues from their immediate leader. Clinical Managers REPLICATE what they are and influence clinical practice more than anything or anyone else. If Clinical Managers are not served well, it harms what they are able to do with their teams. The job of Indirect areas is to serve the Clinical Leaders by making it easier to do their demanding jobs, including the *1st Duty* which is to develop or teach the people they lead. If they are given untimely, difficult-to-use and inaccurate reports from Finance, a disservice is being done.

What we want is a service culture!

If IT is not responsive, Clinical Managers have a voice. If HR is not providing great candidates that fit the culture, Clinical Managers have a voice. If new staff are not being trained well during the onboarding process, Clinical Managers have a voice.

An exception might be Compliance as this is a critical watchdog function. You want this area to be as objective as it can be. So Compliance might be excluded from this system. There may be a way to do this area, but we have not seen it... yet!

OPTION: Due to the nature of Compliance, sometimes the rating of this department is done by the CEO and Executive Management. This is a professional judgment. I personally do not favor this.



Team members within Indirect areas of course will receive the Team component of Team or Individual Pay. This is probably sufficient. However, if needed, other measures can be created to foster the behaviors you want. But if it is complicated, it will probably fail.

So with this simple approach, Managers, as well as individuals, are incentivized. Of course, if quality factors or other performance measures are not met, you could have Accountability compensation withheld or reduced as needed. Using a Finance example, if AR (Accounts Receivable) is beyond 48 days or if financial reports are not accurately completed by the 24th of the month for the prior period, no bonus!

Use the Attitude/Team Accountability Pay Method to Turn Indirects into Service Cultures!

At this point, MVI recommends that Clinical Leaders register any material dissatisfaction with any Indirect area with whoever is doing the Objective Monitoring (HR, Compliance or Payroll) using similar or the same codes as used in Attitude/Team Accountability Pay. If a department in this case receives 2 or more Negative Codes, then a portion of the entire Indirect team's Attitude/Team Accountability Pay is removed. This fosters team unity and cohesion. The amounts deducted could be as follows:

Indirect Labor - A simple and effective system that fosters a "Culture of Service".	
Administration	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Clinical Management	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Finance	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
HR	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
IT	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Marketing	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Education	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Compliance/PI	If 2 Negative Codes are received, 5% of Attitude/Performance Pay removed. If more than 2, 10%.
Each Pay Period, Clinical Leaders can register a Standard Growth/Negative Code if they experience serious dissatisfaction with an Indirect/Supporting area. Do the same monthly for each Indirect area.	
<i>If a Indirect or Support area gets less than a 7 average score, the entire department's 10% Standards Pay is removed for one pay cycle.</i>	
Growth Codes	
Helpful Feedback to GROW!	
A	Poor Attitude
P	Non- Performance /Poor Follow-Through
C	Poor Communication
Q	Poor Quality of Work/Errors
M	Late to Meeting(s)
L	Late to Work
G	Customer Complaint/ Gift
E	Excessive Time-Out - Abuse of Work Latitude
+	Outstanding Job Performance
The system "resets" NEW every Pay Period...a NEW/FRESH Start each time!	

When registering a Growth/Negative Code, a "reason" must be given. This is part of "owning" your communication and to help the Indirect department grow. It is NOT anonymous.



Numerical Ranking Method of Evaluating Indirect Areas.

Indirect Teams could be done as follows. However, this “Numerical Ranking” system is too complex as Clinical Leaders have to “think” and thus “weigh” their ranking. Whereas the “Attitude/Team Accountability Pay” methodology is simpler and easier to administer.

Indirect Labor - A simple and effective system that fosters a culture of service.

Administration	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
Clinical Management	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
Finance	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
HR	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
IT	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
Marketing	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
Education	Overall Satisfaction Score Rating (1-10) from Clinical Leaders
Compliance/PI	Overall Satisfaction Score Rating (1-10) from Clinical Leaders

On a scale from 1-10 (using a tool like Survey Monkey), all Clinical Managers score Indirect areas on their overall satisfaction with the area. Any average score less than a 7 would constitute a revocation of the Team’s and Manager’s Standard Bonus. Does this sound harsh? In the MVI playbook,

Cross-Training Should be Included as Part of an Indirect Manager’s Compensation

MVI advises that all Indirect personnel work for 2 noncontiguous months per year in another Indirect area. This practice helps an organization in many ways including:

- Cross-Training each Indirect position so that if something happens where a person with specialized knowledge or skills can’t do their job another person can step in.
- It develops teaching skills in Indirect staff just like clinicians doing the Model. The paradigm of the Model is that we are a Teaching Organization rather than a Provider of Care.
- If forces the documentation of process in most cases. A written document common-izes knowledge and makes it more transferable.
- It helps an organization detect fraud. This makes fraud and irregularities much more difficult.
- Innovations are more likely when “fresh eyes” look at a work situation.



In the case where an organization uses this method of cross-training, there should be no allocation of the person's cost to the department or position they are temporarily working in. Why? Because it is not material and it is difficult. It is just a cost of doing business this way.

Likewise, if a person helps another area or department, the cost should not be allocated because it is not material. Many accountants just get way too anal-retentive about this type of thing. If the amount of time is extreme or material, then go ahead and allocate. But only do this if it is indeed enough to skew management decisions. It is a matter of professional judgment. **Compliance may monitor cross-training and maintain a log of each person's area of cross-training as well as make sure that those employees work the position at least 2 non-consecutive months a year. The Standards Bonus of the Indirect Manager should be removed if cross-training is not done or not to Standard.**

This Creates a **Service Culture** at all Levels of the Organization

Indirect Labor - A simple and effective system that fosters a culture of service.

Administration	Overall Satisfaction Score Rating (1-10) from Clinical Managers
Clinical Management	Overall Satisfaction Score Rating (1-10) from Clinical Managers
Finance	Overall Satisfaction Score Rating (1-10) from Clinical Managers
HR	Overall Satisfaction Score Rating (1-10) from Clinical Managers
IT	Overall Satisfaction Score Rating (1-10) from Clinical Managers
Marketing	Overall Satisfaction Score Rating (1-10) from Clinical Managers
Education	Overall Satisfaction Score Rating (1-10) from Clinical Managers
Compliance/PI	Overall Satisfaction Score Rating (1-10) from Clinical Managers

The question is "Overall, as a Clinical Manager, rate your satisfaction with IT on a scale of 1-10, 10 being Excellent!"

Do the same monthly for each Indirect area.

If a Indirect or Support area gets less than a 7 average score, the entire department's 10% Standards Pay is removed for one pay cycle

All Indirect functions also must have at least one person crossed trained in each function and allow the person to work in that capacity for 2 non-concurrent months of the year. Costs are not allocated from their normal position.

If a position or function is outsourced, that cost still remains with the Indirect Area and is including in the NPR% calculation.



The Model™
Balancing Purpose and Profit



Examples of Performance Standards for Indirect Positions

Indirects are always the most difficult due to few people doing many different tasks, unlike the classical Hospice clinical disciplines like nurses, SW and Aides.

Indirect Positions - These should already be in job descriptions.

CEO/Executive Director	Chief Education Officer! A walking billboard of Vision and Confidence. Scored by Quality, Profitability and Growth.
Executive Assistant	Based on the assessment of the CEO (1) ability to anticipate (2) communication skills (3) Scores from leadership team.
Chief Clinical Officer/Primary	Based on Overall Quality, Profitability and Scores from Clinical Leaders and Leadership Team
COO	Based on Overall Quality, Profitability and Scores from Clinical Leaders and Leadership Team
CFO	Overall Satisfaction Scores of Clinical Leaders and Management Team
Staff Accountant	Satisfaction Level of Clinical Leaders & CFO
Billing Supervisor	Days in AR-Quality of Billing Function
Biller	Days in AR - Adjusted for ADRs
Accounts Payable	Days in Payables
Payroll Clerk	Accuracy of Payroll-# of Reported Errors
Data Entry Position	# of Errors
Chief Medical Officer	(1) Documentation, including 180 Recerts, (2) Education & Outreach contacts, (3) Calls to Patients and (4) Visits
Medical Director	(1) Documentation, including 180 Recerts, (2) Education & Outreach contacts, (3) Calls to Patients and (4) Visits
Clinical Team Leader/PCC	Based on Documentation, Live Patient Scores and Confidence Scores
Quality Improvement Leader	Same as Education or People Development
Quality Improvement Staff	Scores from Audits
Compliance Officer	# of Deficiencies, Independent Review of Compliance
Director of Education (VP, Le	Level of Confidence of Staff via Mental and Synthetic Testing
Staff Educator	Level of Confidence of Staff via Mental and Synthetic Testing
Bereavement Leader (VP, Di	Overall Level of Confidence of Staff - Appreciation Scores 1-10
Bereavement Staff	Appreciation Scores 1-10, Contact with All Bereaved on a predictable and e With our innovative methods, often grief is vastly minimized
Volunteer Coordinator Lead	Overall Number of Patient-Care Volunteer Hours and All Volunteer Hours
Volunteer Coordinator	Number of Patient-Care Volunteer Hours and All Volunteer Hours
Marketing Leader (VP, Direc	Overall Number of Admissions
Marketers	Number of Admissions
HR Leader (VP, Director)	Satisfaction Level of Clinical Leaders and ALL other areas
HR Staff	Satisfaction Level of Clinical Leaders and ALL other areas
IT Leader (VP, Director)	Satisfaction Level of Clinical Leaders and ALL other areas
IT Staff Position	Satisfaction Level of Clinical Leaders and ALL other areas
Development Leader (VP, Su	Development Return Ratio
Development Staff	Development Return Ratio
Medical Records Leader (Su	Satisfaction Level of Clinical Leaders
Medical Records Staff	Satisfaction Level of Clinical Leaders
Staff Physician	(1) Documentation, including 180 Recerts, (2) Education & Outreach contacts, (3) Calls to Patients and (4) Visits
Receptionist	Scores from Audit Calls

Many of these may already be tracked in your system. The fact that people are being paid to do a job normally means that “some” level of work or performance is expected. To me, it is important NOT to overcomplicate Compensation Systems. Determine the primary function of a job and try to make it as objective (and automated) as possible.



This seems like a lot of work!

It really isn't that much more work as much of this can be automated. But it involves more than just cutting salary checks. If you deem that you are getting greater productivity and financial results, but it creates more work, why not hire 1 additional FTE in the Finance, HR or Compliance area to administer the Accountability/Empowerment Pay system? It would seem like a good ROI. Compliance makes good sense since it is supposed to be an objective area.

The bigger question is...

What price is your organization paying EVERY DAY for not doing this?

Accounting/Monitoring

Compliance – Documentation

1. Sample charts to a 90th confidence interval
2. With ANY deficiencies, an email is sent directing the person to a Documentation Self-Learning Module. (Within 5 days, check to see if Self-Learning Module has been completed)
3. No bonus if documentation is not at 100%.

Calculation of Accountability/Empowerment Pay

1. Run (get) quality measures (Revenue & Expense Report/Custom Reports) and update Accountability/Empowerment Report
2. Run Accountability/Empowerment Pay Report (make sure the report and compensation template match)
3. If the financial measure is met, then determine if quality measure is met
4. Import to the Payroll system



8 Special Groups & Situations*

The great thing is that you can be creative with your Accountability/Empowerment Compensation System and tailor it to specific or specialized groups to encourage the behaviors and performance you want.

Volunteer Coordinators (& Spiritual Care)

I suggest a modest base salary plus an amount for each volunteer hour above 7-8% of clinical hours. Medicare requires that volunteers provide at least 5% of clinical care hours. If you set this at 5%, you run the risk of falling out of compliance. You really want plus 10%! I don't like the idea of a maximum or "lid" for the Volunteer Coordinator's compensation. So what if they are paid \$250,000 but provide you hundreds of thousands of hours of really low-cost labor and tons of marketing/ patients? You want TALENT, major league talent, in this position because the ROI can be so great! As the Model recognizes "meaning & purpose" as an Attraction & Retention factor, **this same compensation methodology can be applied to the Spiritual Care positions!** Yes, they continue to make regular visits, but they also are charged with creating "disciples" and advocates that can replace them or can "reach across the pews" in the ministry of Hospice.

Hospices usually have the average or even untalented in this key position. The most profitable Hospices in Hospice history have abnormal levels of volunteerism. But it takes talent to do this. They must be high-firepower people with brains, Energy and the ability to organize and motivate THOUSANDS of people.

If you simply divide what you are currently paying your Volunteer Coordinators by the number of Volunteer Hours, I think most people would be shocked at the number! We really are NOT getting good value from this position that holds so much potential.

If a Volunteer Coordinator can simply recruit a few really committed people (like a couple of FTEs) it would make a big difference! A single full-time volunteer might add \$10,000 to a Volunteer Coordinators' salary if it involves patient care!



Alas, most Volunteer Coordinators do not have the “attraction” or personal power to draw in big numbers. Volunteers need to believe that they are working with someone that is “exceptional” in terms of intelligence, Energy and Integrity.

The Volunteer Coordinator's compensation might look like this:

Volunteer Coordinator Performance Pay							
				Average Care-Hours Per Patient	30		
				Number of Annual Patients	600		
				Total Annual Care-Hours	18,000		
<u>Base Plus Activity</u>				MCR	Minimum	Performance Percentages	
				5%	8%	12%	19%
						31%	119%
Volunteer Patient-Care Hours		900	1,440	500	1,000	2,080	10,000
Rate	5.00						
Volunteer Non-Patient Hours			All	200	1,000	2,080	10,000
Rate	3.00						
Phone Calls			0	-	-	-	-
Rate	-						
				Compensation			
Base	Semi Monthly	Pay Period					
25,000.00	24	1,041.67		3,100.00	8,000.00	16,640.00	80,000.00
Individual Pay				3,100.00	8,000.00	16,640.00	80,000.00
Position Pay				25,000.00	25,000.00	25,000.00	25,000.00
Total Compensation				28,100.00	33,000.00	41,640.00	105,000.00
Labor Cost Per Volunteer Hour				13.13	9.59	7.44	4.90



You will note that I have included Phone Calls as a potential area for compensation. Why? Because you get more volunteers by calling them than by sending emails! It takes a personal connection!

What about Volunteer Coordinators on a 100% Flexible system based on Volunteer-Hours? This would be my ideal...



Compensation & the Model

				Average Care-Hours Per Patient	30
				Number of Annual Patients	600
				Total Annual Care-Hours	18,000
100% Performance		MCR	Minimum	Performance Percentages	
		5%	8%	3%	6% 12% 56%
Volunteer Patient-Care Hours		900	1,440	500	1,000 2,080 10,000
Rate	5.00				
Volunteer Non-Patient Hours			All	-	- - -
Rate	3.00				
Phone Calls			0	-	- - -
Rate	-				
				Compensation	
Base	Semi Monthly	Pay Period		2,500.00	5,000.00 10,400.00 50,000.00
	-	24	-		
Individual Pay				2,500.00	5,000.00 10,400.00 50,000.00
Position Pay				-	- - -
Total Compensation				2,500.00	5,000.00 10,400.00 50,000.00
Labor Cost Per Volunteer Hour				5.00	5.00 5.00 5.00



Hospice Spiritual Care staff's pay can have similar features as Volunteer Coordinator pay:

Hospice Spiritual Care									
	Multiple Factor	Base Rate	Standards Portion	Base + Standards	Number	Totals	Annualized		%
Individual Pay - # of Vists	1	\$ 25	+ \$ 50	= \$ 75	20	1,500	480	36,000	49%
spare visit type									0%
spare visit type									0%
Attitude/Team Accountability Pay		\$ 10			20	200	480	4,800	7%
Meetings	1	\$ 25	+ \$ 50	= \$ 75	1	25	24	600	1%
# of Patient-Care Volunteer Hours	1	\$ 5	+ \$ 5	= \$ 10	50	250	1,200	6,000	8%
# of Non-Patient-Care Volunteer Hours	1	\$ 3	+ \$ 3	= \$ 6	70	210	1,680	5,040	7%
									0%
Base Pay Case - MGMT Pay		\$ 10.00			87	867	2,080	20,800	28%
Sub-Total						3,052		73,240	100%
Optional: Standards Bonus as a %		0%				-		-	0%
spare		\$ -				-		-	0%
Total		# Pt. Visited	FTEs			3,052		73,240	100%
Number of FTEs		20	0.00			-		-	
Percentage of NPR						0.0%		0.0%	
Benefits						-		-	
Percentage of NPR with Benefits						0.0%		0.0%	

Per Hour Equivalence \$ 35.21



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Physicians and NPs

Trying to manage Physicians is nearly impossible due to many factors... with strong ego occasionally being involved. The one structure that seems to work is MONEY. *Most Physicians will work to understand every detail of how they are paid.* They get this and will employ their brains to drive the great car and live in the big house... the images that drive so many Docs' behavior. Yes, they are smart and will learn how to maximize their financial situation. I don't know another more effective way to get Physicians productive.

I favor a Compensation System for Physicians based on VALUE. Physicians and NPs should be impacted by ADC, LOS, creating new business and Pharmacy & Therapy costs. They should also be impacted by *Standards Pay* to ensure Accountability in documentation, productivity and quality. **NEVER use pure salary for Physicians or NPs.** I have seen systems where Performance Pay was used and then after the Docs complained, they yielded to a salary-based system only to see performance dramatically drop. The use of contract or hourly Community Physicians is still a good way of doing Hospice, but not nearly as good as a system based on VALUE. Right now it is en vogue to hire full-time Physicians. There are certainly benefits from this! However, using community Docs still works! Perhaps the full-time Physician is the quarterback of community Docs is the winning formula! Anyway, it is something to consider.

NOTE: When I address Physicians, this includes Nurse Practitioners or Advanced Practice Nurses (NPs) as this discipline is an "extension" of the Physician function.

Retainer/Hourly Rate Physician Approaches

Before getting into more complex methods of paying Physicians and NPs, let us explore the simplest approach, which is the Retainer/Hourly Rate Physician Approach. This practice is controversial in some people's minds. Yet, it is practical and has grown Hospices from 0 to many THOUSANDS of patients.

Due to OIG and CMS rules, Physicians can't be paid based on admissions, census or LOS. This creates difficulties in paying Physicians as a Hospice would desire favorable results in all of these areas...and a Physician as a great deal of influence over each! Thus, elaborate Compensation Systems are devised to get a "similar" result, but not directly.

Here is what has been done. Physicians can be paid either a retainer or an hourly rate or visit rate for Medical Director and other services, including visits. The amount of the retainer or hourly rate can be established based on the Hospice's ideas of value. I have seen Hospices



base such rates for community physicians on an “estimate of the number of patients” that the physician is likely to refer. The rule of thumb for these rates on a monthly basis ranges between \$200 to \$500 per patient. It is anticipated that the Physician would refer each month and perhaps a few other “factors” included so it is not just referrals. This formula or method of determining the retainer or hourly rate is not written down nor is it communicated to the Physician. It is merely a way to come up with a value for that Physician. It is “a rule of thumb.” It is also a range that allows a Hospice to negotiate its compensation with the Physician. It would be communicated at the beginning of the relationship that, *“If you truly believe in our quality of service, you would demonstrate it with those patients that would benefit from it completely within the criteria established by CMS.”*

This is not a direct relationship between admissions, census or LOS. The number of patients referred by the Physician of course varies from month to month. It is an “average” estimation. The hard work of this method is when a Physician’s referrals are less than anticipated or are needed for the amount the Physician is being compensated. Thus the rate would need to be decreased or the relationship terminated. This results in an uncomfortable conversation and communication. As the Physician is unaware of how his or her compensation was “estimated” – it must be communicated that “if he really believed in the quality of Hospice, he would use the services of the Hospice more with his or her patients.” So the hard work is having to monitor the number of referrals from the Physician and DO the Accountability yourself rather than the luxury of having the Compensation System automatically hold the Physician Accountable for you. It is highly recommended that at the beginning of the Community Physician relationship, you let the Physician know that his or her rate will be evaluated yearly in light of “value” and that compensation can be increased or decreased and he or she can be terminated.

The key to this is that there is no direct relationship between admissions, census or LOS. Physicians that “support” the Hospice more, are compensated more, and those that “support” less, are paid less...in retainer or hourly rate.

And MVI addition to this...

If a Hospice uses this approach (and most Hospices do except that they don’t use the “rule of thumb” method of estimating the amount of the retainer or hourly rate), we like to add a component of Savings of Medication & Therapy costs. Since Physicians can influence clinical practice substantially, we recommend tying a portion of their compensation based on savings from Medication & Therapy costs managed UNDER the Model NPR%. That is, Physicians receive a percentage of the difference between the Hospice’s Model NPR% for Medications & Therapies AND the actual costs. The percentage is determined by the Hospice, but is usually around 25%. This can be a HUGE amount per month! If this is part of your overall Physician compensation, you can offer a much lower retainer or hourly rate as the Medication &



Therapies part would offset it! This would greatly lessen OIG or CMS scrutiny. There is no method with zero scrutiny.

Billing for 180-Day Recertifications

I have seen Hospices bill for 80% of recertifications. This is what I recommend. My understanding is that CMS presumed that Hospices would bill for these visits when the mandate was given. The fact that Hospices serve the “sickest” patients in the world and that the average healthy person in the US visits a Physician 3 times a year would provide pretty solid ground that there would be “some” medical reason for a visit besides the 180-Day Recertification.

Physician Value and Paying Docs!!!

Regarding Physicians and NPs... I don't believe in a lot of visits. I look at Physicians' VALUE differently than many and it is not about doing visits, except in a Hospice IPU where visits are critical to substantiate the GIP level of care. (In a 16-bed IPU, rounding should take about 4 hours.).

The VALUE of MDs/NPs (NPs are an extension of the Physician function just like all support staff) is not in visits except for the 180-day F2F recert visit and when an actual visit is needed. A phone call from an MD works better in many situations and is a surprise to patients and families in itself! But Docs don't like that idea normally.

Value of MDs (Prioritized)

1. Documentation, Recertifications and LOS - The job is to help the Hospice keep patients. And 80% of these F2F visits should be billable! Yes, we are dealing with the sickest people and if we can't come up with a reason to visit other than the recert, something is wrong!
2. Education (Don't call it Marketing) - Docs like to talk to Docs. Opening up referral sources translates into big money! This is how you get ROI way beyond their compensation! This takes personality, Integrity and technical competence.
3. Positive Cost-Effective Influence – This is the influence of clinical practice (getting patients off expensive treatments coming from hospitals and other settings).
4. **Routine Clinical Visits are the least valuable component.** Hospice did just fine without such extended use of MDs before. I would rather have a Doc make 25 phone calls a day than do 4 or 5 visits! Spread the value over more patients!



Paying Your Docs and NPs

Obviously, we want to link our Compensation System to these prioritized value points for Physicians and NPs. You want to make Compensation Systems simple and therefore EASY to do. Physician and NP compensation actually poses more complexity than others due to the “marketing/educational” component. Here are some thoughts:

The “overall” net effect of the costs of Physicians, NPs and direct staff supporting this function as well as the costs of pharmacy and therapies can be the responsibility of the person that is leading the Physicians and NPs which we will call the Physician Manager. Much of this has to do with how a Hospice has set up the Accountability structure of a clinical team. Sometimes the Physician and NP costs are the responsibility of the team Clinical Manager. Either way, the line of Accountability must be DIRECT, meaning “You have one boss!” with no ambiguity. This monthly evaluation of performance is done just like any Manager using Model compensation methods. The Team/Location or Comprehensive Model Report is run and performance is EASILY compared to your proprietary Direct Labor Standards (Model) which is normally 2% of NPR (net of Physician billings) and 1.25% for the Medical Director portion. Physician/NP Labor Costs are either “in or out” of your Standards. If these costs are “out”, the Physician Manager’s *Standards Pay* is not given, which is normally 10% of Base Pay for a 2-week period. If the Physician costs are lower than the Standards (Model), the Physician Manager gets 25% of the savings which can be substantial! In addition, each Physician and NP that is 100% in Standard gets a portion of an additional 25% share as well! Because this “opportunity for savings” can be tremendous, I do NOT recommend a large salary or *Base Pay* component.

The cost of Pharmacy and Therapies (combined) is really the responsibility of each Physician/NP or Clinical Manager. **We highly recommend that these are linked to the Standards Pay of the Physician rather than Clinical Managers.** This is where the Accountably really resides. The Accountability must lie with only ONE person, clearly defined, and unambiguous (*see below, Point #3, for more on this*).

1. Documentation, Recertifications and LOS - This is accomplished through *Standards Pay*. This universal compensation structure works with all clinical disciplines. *Standards Pay* is normally 10% of *Base Pay* (or some increment of it) and is set up as a bonus structurally as you can’t be jerking base salaries around. All clinicians are expected to receive 100% of their *Standards Pay*. Performing F2F recertification visits is part of *Standards Pay* (just doing your job!). It is not a basis for “extra” pay. 80% of F2F recertification visits should be billable. If a Physician can’t come up with a reason to bill on a F2F for the sickest people in the world, you have a problem!
2. Education/Marketing – This would be set up much like a Marketer’s pay and be based on the volume of admissions from each account or the number of new accounts. Not all Physicians are effective Marketers. Those that are not suited to expanding the business



can be compensated easily via productivity (visits, documentation and Medical Director function to 100% of Standard).

3. Positive Cost-Effective Influence of Clinical Practice – This is the “management” part of being a Physician or NP. This is compensated via *Standards Pay* as well (the 10% portion a person receives just for doing the job to the basic Standards of the organization). Reports can easily be run for the Docs assigned to clinical teams that tell whether pharmacy and therapy costs are “in or out” of the Model. If these costs are “out,” the Doc’s *Standards Pay* is not given. If the cost of pharmacy and therapies (combined) are below the Model, the Doc gets a proportion of the savings! These savings could also be distributed to others such as the Clinical Manager and Clinicians as well depending upon how you structure it. Note: Most patients are overmedicated in the USA so there is a lot of room in this area!
4. Routine Clinical Visits – This is easily determined by a Hospice and is best measured via collections rather than visit counts or billing for the Physician function. If the *Base Pay* is substantial, then the minimum number of visits must be done to stay in Standard. If performance is not up to Standard, *Standards Pay* is removed. **YOU DO NOT WANT TO INCENTIVIZE ROUTINE PHYSICIAN VISITS!** Virtually 100% of these visits should be billable.



Here is the way I would structure Physician Pay:

Physician Performance Pay							
<u>Physician VALUE Pay</u>							
			Rate				
Per Pay Period F2F Visits			75.00	10	10	20	25
Education/New Accounts tied to %s below				0	1	2	3
Base	Semi Monthly	Pay Period	Percentages of Position Pay				
130,000.00	24	5,416.67	5%	5%	5%	5%	
Individual Pay (Based on New Accounts)			-	6,500.00	13,000.00	19,500.00	
F2F Visits			18,000.00	18,000.00	36,000.00	45,000.00	
Pharmacy & Therapies - Based on Savings			27,375.00	54,750.00	-	41,062.50	
Position Pay			130,000.00	130,000.00	130,000.00	130,000.00	
Total Compensation			175,375.00	209,250.00	179,000.00	235,562.50	
Pharmacy & Therapies Calculations							
ADC			200	200	200	200	
Standard			5.0%				
Actual Performance			4.0%	3.0%	5.0%	3.5%	
MCR Rate			150.00				
Percentage of Savings to Physician			25%				
* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.							
** Note: IDT and other care coordination activities are included.							
*** Note: Pharmacy & Therapies is dependent upon ADC.							

ADC becomes a major factor in the Pharmacy & Therapies component as a higher ADC (which includes LOS) is desirable. This also encourages F2Fs. Education/New Accounts is a HUGE value that an MD can influence with “Doc to Doc” talk. And of course, the Physician/NP Standards Pay means that they have Perfect Documentation as the auditing of charts by Compliance will detect deviations from Standard.



Here are other ways it could be done:

<u>Base Plus Per-Activity</u>							
			Minimum				
Weekly Visits			20	5	8	10	12
Rate	100.00						
Weekly Cert Visits			All	0	0	0	0
Rate	-						
Phone Calls			40	5	7	10	20
	25.00						

Base	Semi Monthly	Pay Period	Minimum	Compensation			
130,000.00	24	5,416.67		625.00	975.00	1,250.00	1,700.00
Individual Pay				15,000.00	23,400.00	30,000.00	40,800.00
Position Pay				130,000.00	130,000.00	130,000.00	130,000.00
Total Compensation				145,000.00	153,400.00	160,000.00	170,800.00

* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.
 ** Note: IDT and other care coordination activities are included.

I really don't like a Physician paid with Visits. Yet, many Hospices do. Therefore, it might look like this:

<u>As a Percentage of Salary</u>							
Weekly Visits			24	28	32	36	

Base	Semi Monthly	Pay Period	Percentages of Position Pay			
			10%	20%	30%	40%
130,000.00	24	5,416.67	541.67	1,083.33	1,625.00	2,166.67
Individual Pay			13,000.00	26,000.00	39,000.00	52,000.00
Position Pay			130,000.00	130,000.00	130,000.00	130,000.00
Total Compensation			143,000.00	156,000.00	169,000.00	182,000.00

* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.
 ** Note: IDT and other care coordination activities are included.



Link Physician Compensation to Collections and NOT Visits

If you decide that visits are what you value, the better thing to do with Physicians is to link their compensation to Physician collections and not visits. Why? Because if they can do a visit with crappy documentation and still get paid, they will. If getting paid is DIRECTLY tied to collections, they get this... Post public graphs on this if you need to!

Marketing and Sales

Marketing is an area that seems I am updating by looking at Best-Known Success Patterns continually. We used to “think” we had it figured out, and maybe the old method is OK. But, we are trying to be 100% bulletproof from the OIG.

Here are the premises where we are for Marketing:

- Small base salary (not a comfortable amount)
- An incremental amount for every contact, which can be stratified by contact type.
- Number of New Accounts opened up. (fairly large amounts for each account)
- A “blended” or “composite” formula and NOT a “one-to-one” relationship like the number of Admissions/Info visits from assigned accounts, new accounts, number of contacts, etc. all tied to a percentage of Base Pay. This would make it less of a “one-to-one” relationship.

After speaking with top lawyers on this topic, we are somewhat in limbo... With the OIG and its crackdown on Marketing, it seems we can't do what has traditionally been done. In fact, according to my experience, most Hospices with any sort of “incentive” pay are in violation of the law as it seems that you can't pay according to admissions, referrals, census, ADC, LOS or revenue. This doesn't leave a lot to work this...at least at first glance... So how do we do it?

Here are more ideas!

Productivity! Contacts! Sphere of Influence! Beauty Shop Marketing! Numbers of Sales Calls! Opening up Referral Sources! Number of New Accounts!

The compensation of Marketing or Sales representatives in Hospiceland plays a huge role in growth as well as the ability to sustain census over extended periods of time. People behave the way they are paid. Therefore, the following statement sums up the situation for Marketing.



When a sales team is not paid like a sales team, why should anyone expect it to act like a sales team?

Just like when hiring for Management positions, I would not hire a Marketer that is not willing to bet on themselves and the organization with a sizable portion of their compensation staked on performance. I would never hire anyone in marketing if they were uneasy about working for Accountability/Empowerment compensation. It speaks to their belief in their abilities and level of self-confidence. Compensation is a tool that can be used to increase Accountability structurally. In fact, with marketing positions, I will even make the compensation a bit “disproportional!”

This next section ties Marketing compensation to weekly admissions, not a direct “one-to-one” relationship, but at least separated by “levels” as a percentage of salary. So it is a bit indirect. This may not be ok with the OIG... I do not know as there seems to be a wide number of opinions on the topic. Nevertheless, here are methods along those lines. Again, the compensation of Marketers needs to be rethought.

Sales and Marketing are measured and compensated based on the number of WEEKLY admissions (not referrals) and their *Position Pay* and their *Individual Pay* according to their performance. Territories, accounts and routes are assigned. These accounts could be medical groups, hospitals, nursing homes, civic clubs, beauty shops, churches, etc. Representatives are expected to bring in at least 5 admissions a week to keep their position. The admissions must come from their territories/accounts. Marketing Reps are credited with ALL admissions from their accounts/territories regardless of whether or not they are directly involved. I also give the best reps the best accounts. Rookies get the “dog” accounts until they prove their abilities. Pay is not based on a per-referral, admission, LOS or ADC basis as this has gotten Hospices into trouble. It is based on a percentage of salary. Of course, all admissions must be done ethically and patients must meet eligibility criteria for Hospice services.

The best programs keep it as simple as possible, paying a **modest salary**. It might be \$30,000 or \$40,000. It may be half of what they are currently paid.

If you want to kill the motivation of salespeople, provide a comfortable salary. NEVER pay a comfortable salary to marketing people!



I don't recommend capitating salespeople. So what if they are being paid \$250,000 but are loading you up with patients? Pay them! If you FEEL you absolutely need to cap their pay, the least I would advise is 30% of base salary. Here is a nice and simple structure:

Annual Basis - Percentages of Salary based on Hitting Sales Levels											
Average Weekly Admissions/Info Visits	5	8	10	12	14	16	18	20	22		
Number of New Accounts	0	1	2	3	4	5	6	7	8		
	Percentages of Position Pay										
Base	20%	40%	60%	80%	100%	120%	140%	160%	180%		
40,000.00	24	1,666.67	333.33	666.67	1,000.00	1,333.33	1,666.67	2,000.00	2,333.33	2,666.67	3,000.00
New Accounts Pay	-	40,000.00	80,000.00	120,000.00	160,000.00	200,000.00	240,000.00	280,000.00	320,000.00		
Individual Pay	8,000.00	16,000.00	24,000.00	32,000.00	40,000.00	48,000.00	56,000.00	64,000.00	72,000.00		
Position Pay	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00		
Total Compensation	48,000.00	56,000.00	64,000.00	72,000.00	80,000.00	88,000.00	96,000.00	104,000.00	112,000.00		

* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.
** Note: IDT and other care coordination activities are included.

Number of Weekly Admissions

5-NO Performance Pay

8-20%

10-40%

12-60%

14-80%

16-100% (and continue in increments of 20% for each 2 additional admissions)

Of course, you can change the incremental levels or percentages as needed.

Again, it is the structure that is important and that it is based on a percentage of salary. If your reps are already achieving these targets, you might consider increasing them. If you are satisfied with the results you are already getting, then lock in compensation at levels that they are making now, which includes the Accountability/Empowerment Pay. This way they will be less inclined to slide backward over time. Again, **give your best routes/territories/accounts to your best reps.**

The more difficult thing is setting the levels of Admissions. Regarding the Admissions levels, it all depends upon what census you want. If we are already getting XX Admissions a month, then the number would have to be increased. I would LOCK IN what you are achieving currently and anything below this, the Marketer would receive 10% less (*Standards Pay*)! The Standard should be at least equal to what you are achieving now.

Below is a more complicated pay structure based on multiple factors. In the case of Marketers, I think this is a good practice so you avoid 1-to-1 pay relationships for Admissions. Both Admission and Informational Visits are counted the same and related to a percentage of the Marketer's salary. Opening New Accounts is an important function for Marketers as each account can be huge! I am not a big fan of the Number of Contacts, but it does get 'Feet on the Street' and out of the office.



On-Call

On-Call staff must be among the most talented clinicians in the organization when doing the Model. Your organization SHOULD NOT have a lot of On-Call activity. If it does, you do not have very high quality. Patients and families should not be freaking out, panicking or running out of any medications or supplies. These are NOT justified reasons to visit. If patients and families are taught well, they do not panic or have high anxiety. Justified reasons for On-Call Visits would be falls and non-routine or truly unseen events or circumstances.

They must be:

1. **Experts at Admissions** - This is their primary task as there will be little need for On-Call for emergencies due to the increased quality of routine visits)
2. **Experts at Documentation** – If quality is ultra-high and there are not many On-Call visits being done. During the time that the On-Call clinician is not making visits, the clinician is helping Compliance audit charts. This is a valuable benefit for the organization.
3. **Exercise Incredible Professional Judgment** – They will have to determine IF an On-Call visit was truly needed or if it could have been avoided with better care from the assigned Nurse. Unnecessary visits must be reported to QI/People Development/Compliance.
4. **Make On-Call Visits** – This is the last value point. Events and circumstances that warrant such visits WILL happen even if quality visits and interactions are being done.

For On-Call, we pay salaries or flat-rate compensation approaches. We do not pay Per-Visit. Why? Because you don't want to incentivize On-Call visit activity! You don't want On-Call folks dreaming up reasons to visit patients! It is one of the only positions like this... With great visit design, On-Call activity decreases radically. So less activity is required. With decreased visit activity, I would have On-Call reviewing charts for Compliance or some other work when not doing visits to get value. With this said, you still want your regular nurses doing On-Call occasionally, just to keep them from getting sloppy. Never tell clinicians "You never have to do Call."

Also, **unscheduled, unnecessary On-Call visits are subtracted** from a nurse's total visit counts, providing additional incentive to do better visits. You don't want to incentivize On-Call visits. We don't like "8:00 to 5:00" Hospices. We want clinicians to "own" their patients. Therefore, we give clinicians the freedom to make visits when they are best for the patient, whether it is 6:30pm when the caregiver gets off work or on a weekend. We pay the clinician for meeting our Standards with the patients they have been assigned, not for the hours



worked. Therefore, doing visits after-hours or occasionally on weekends is part of doing their normal job.

We recommend a combination of professional salaried On-Call staff supplemented with regular staff as you don't want clinicians to develop a "shift mentality" where they start thinking, "It's 4:30 and I'm out of here!" This leads to low quality. Clinicians must OWN their patient's and family's outcomes. The compensation for the regular clinician (Nurse as we don't recommend On-Call with other disciplines) can be "beeper pay" of a few dollars, regular pay (if they are receiving something similar to their normal pay then they should be auditing charts to provide value), or a type of "composite pay" where they are already being paid above market and the On-Call component is already "built-in." Again, I would not pay a lot for regular Nurses to do On-Call as they will do VERY LITTLE of it if Quality is high!

On-Call Performance Pay								
<u>Base Plus Per-Activity</u>								
			Minimum					
Weekly Admission/Info Visits			10	2	4	6	8	
	Rate	100.00						
Chart Audits			All	20	30	40	45	
	Rate	20.00						
Phone Calls			0	0	0	0	0	
		-						
	Base	Semi Monthly	Pay Period	Minimum 10 Admits	Compensation			
	50,000.00	24	2,083.33		600.00	1,000.00	1,400.00	1,700.00
Individual Pay					14,400.00	24,000.00	33,600.00	40,800.00
Position Pay					50,000.00	50,000.00	50,000.00	50,000.00
Total Compensation					64,400.00	74,000.00	83,600.00	90,800.00
* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.								
** Note: IDT and other care coordination activities are included.								
<u>As a Percentage of Salary</u>								
Weekly Admission/Info Visits			12	13	14	15		
	Base	Semi Monthly	Pay Period	Percentages of Position Pay				
	50,000.00	24	2,083.33	10%	20%	30%	40%	
				208.33	416.67	625.00	833.33	
Individual Pay				5,000.00	10,000.00	15,000.00	20,000.00	
Position Pay				50,000.00	50,000.00	50,000.00	50,000.00	
Total Compensation				55,000.00	60,000.00	65,000.00	70,000.00	
* Note: If performance or behavior is non-standard, the Standards Pay Bonus (10%) is not given.								
** Note: IDT and other care coordination activities are included.								



On-Call and After-Hours

What is the best way to do On-Call? I'll share what some of the best do. But first, let me share this. I think no one should be excluded from On-Call duties. If the message "you don't have to do Call" is communicated, it sends a VERY unhealthy signal through the organization. I believe in a mix of dedicated as well as regular staff. I do not believe in several "shifts" of On-Call. Shift mentalities lead to poor customer experiences as the likelihood of screw-ups and information "mis-exchanges" is increased. **If several shifts of On-Call staff are needed, I question the quality of the visits. If On-Call costs are above 3% of NPR (Net Patient Revenue), this normally indicates an overall quality problem in the Hospice.** Things are being missed...

Below are the Best-Known Success Patterns at this time:

1. **The "On-Call or "After-Hours" RN must be the most competent and advanced nurses in your organization.** This means that they are your BEST at:
 - a. Documentation
 - b. Admissions
 - c. Professional Judgment

There are many reasons for this heightened level of competence, not the least is that this is an area where so many Hospices and Homecare entities score low on satisfaction surveys. They have to be great at documentation as it is the only practical way to orchestrate an interdisciplinary, coherent patient/caregiver experience, let alone get paid. They must be great at documentation because when they are not doing Admissions or legitimate On-Call visits, they are auditing the documentation of other clinicians as an extension of the Compliance function. **Therefore, rather than On-Call falling under a Team or Clinical Manager, you might consider putting On-Call under the direction of Compliance.** One of the most valuable functions they can do is Admissions. This takes skill. They must be liberal enough to take the "grays" and know how to do a speedy Admission. They must have extremely good professional judgment so they can determine if the On-Call visit was justified. Was it a fall, death or some other situation that merited a visit? Or was it a caregiver panicking or running out of a medication or supply? If it is the latter, a "panic or running out of something" visit, that visit is reported to Compliance, and the clinician is out of Standard and Accountability, which must be enforced. Usually, the clinician's Standards Bonus is not received. This takes extremely good professional judgment. This position must be objective.

2. Eliminate the terms "On-Call" and "Afterhours." We are a 24/7 Hospice. "Just-in-Case Nurse" is one of the best we've come across.
3. Get rid of 8:00-5:00 work schedules and encourage clinicians to "make visits when it is best for the caregiver and patients." Give clinicians a flexible "lifestyle" where they have



more control of their time. This will help with the retention of top clinicians as well. Now, in order for a clinician to get this freedom, they must do the *Standards* at 100%, behavioral as well as performance *Standards*. This is the price for this luxury. Accountability must be structurally wired, without the personal inspection of work or supervision. Accountability would result after productivity and quality reports are reviewed and these *Standards* are tied directly to payroll. Clinicians will quickly learn to stagger their work into the evenings if needed and even do occasional weekend visits. A Hospice will also find that clinicians will suddenly be able to get all their work done in 35 hours a week instead of 40 or 42! Thus, overtime is addressed as well if this is a problem area. **We need to visit when it is most convenient for patients and families.** Using this mindset, a Case Manager OWNS her or his caseload and is expected to do most of the On-Call.

4. MVI recommends that On-Call nurses are salaried. With this said, when visits are being done well via a Hospice moving to a teaching paradigm, the volume of On-Call visits will decrease leaving On-Call with less to do. A Hospice will need fewer people in this area (less than 3% of NPR) and in order to get “value” from On-Call when they are not busy is to assign them other tasks, such as documentation review or doing Admissions! A small flat rate may be the best method for staff that only do On-Call occasionally as you don’t want to incentivize On-Call activity because of sloppy visits. Regular On-Call staff should be paid a salary!!! You don’t want to incentivize visits. You want the Maytag repairman model where you have On-Call staff available, but they are not doing many visits because the visits from the regular staff are high-quality.
5. Start deducting “anxiety” or “unnecessary” On-Call visits from an RN’s visit counts if you really want to force ownership of patients. To illustrate this point, if an RN did 21 visits during a week, but there were 2 On-Call visits performed by others due to running out of a medication and another from caregiver anxiety, then the RN’s productivity would be reduced to 19 (21-2=19). This will definitely encourage higher quality visits and RN “owning” their patients!!!
6. Visit Design: A Hospice can reduce 50-70% of the On-Call activity simply by doing excellent visits – especially addressing anxiety issues by empowering caregivers to be participants in the experience rather than disabled observers. The key is that education and empowerment must be given extraordinary intention in the Visit Structure. This translates into using master teaching methods, teaching rather than doing, great product design to increase predictability and facilitate learning as well as expectation management. This is where the mindset shift from “Provider of Care” to “A Teaching Organization” pays gargantuan dividends.
7. I would use a mix of dedicated On-Call staff with regular staff. You don’t want regular staff to never have to do call; otherwise, they get sloppy.

Why are we restructuring On-Call and Afterhours? Answers from a Manager:

- “We are doing this to serve patients better.”



- “We give you an incredibly flexible workplace in terms of time. This structure will provide you with more control of your life.”

Your visit design is your biggest factor that impacts On-Call and Afterhours. This leads us to IRMs, which are covered in the *People Development* section of this manual. All policies and procedures have to be able to be memorized or recalled easily or they cannot be consistently done.

Inpatient Unit (IPU) Staff

Historically, IPU compensation has been more difficult to define and measure. However, good headway has been made in this area. Accountability/Empowerment compensation of Hospice Inpatient Unit (IPU) staff should be done on meeting the Standards of the IPU and census of the IPU. The Standards component would involve 100% adherence to quality, no complaints, documentation to Standard, etc. The GIP census really becomes their productivity if Standards are being done.

Why Use the Overall GIP Census Level as a Component of IPU Pay? We specifically link this to GIP as you DON'T want residential patients or patients at a Routine level of care. Routine level should NEVER exceed 10% of a unit's census (*See the Inpatient Unit & the Model manual for specifics regarding this.*).

The reason behind this is because the census of an IPU is everyone's job. You WANT everyone at the IPU to be CONCERNED. You want to foster a sense of urgency to fill up the unit, to get new patients admitted. CENSUS IS THE BIG DEAL IN AN IPU!

In addition, you don't want IPU staff bitching when the unit is full. By tying census to pay, you pretty much wipe out this “bitch factor.”

This also creates a healthy flexing of the costs of an IPU. When the IPU census is down, you aren't paying out as much. This is a structural tool to keep an IPU full.

This also puts a bit of pressure on an IPU leader to fill a unit. So, not only are they being paid on the performance of an IPU (Just like any Clinical Team Leader in the 4-Ways-To-Get Paid System) as a Manager, but they know that their team will suffer if they don't fill the unit. YOU WANT THIS PRESSURE.

So what would the structure look like?



Clinical Pay - Hospice Inpatient Unit (IPU)												
RN Example - This can be applied to most all clinical disciplines.												
Weekly Average Census		5	6	7	8	9	10	11	12	13	14	
Base	Semi Monthly	Pay Period	Percentages of Position Pay									
			0%	10%	20%	30%	40%	50%	60%	70%	80%	90%
40,000.00	24	1,666.67	-	166.67	333.33	500.00	666.67	833.33	1,000.00	1,166.67	1,333.33	1,500.00
Individual Pay			-	4,000.00	8,000.00	12,000.00	16,000.00	20,000.00	24,000.00	28,000.00	32,000.00	36,000.00
Position Pay			40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Total Compensation			40,000.00	44,000.00	48,000.00	52,000.00	56,000.00	60,000.00	64,000.00	68,000.00	72,000.00	76,000.00

* Note: If performance or behavior is non-standard, a 10% Dig is deducted from the pay period.

This is a slightly lower amount than is currently being paid.

This is the "magic" number which is 1 above breakeven.

As you can see from this template, nothing extra is given for any census level below the “magic” number (one above breakeven). However, once that number is reached, the incentives increase dramatically. Of course, the “magic” number is different for every IPU and it must be calculated independently. Here is a section from the *Hospice Inpatient Units & the Model Workbook* regarding the Magic number.

- The Magic Number.** Many clients know that I refer to the “magic number” regarding units. This is the one additional bed average that is expected to be filled annually ABOVE breakeven. The magic number has to be discovered... and discovered in the planning stages. Some Hospices have built units that were one bed short and as a result, they lose money all the time or struggle at best. Let’s face it, once a unit is built you just can’t snap your fingers and add a room. This is a “structural” problem. The magic number has to be found. The difference that one additional ongoing occupied bed can make is tremendous. I did a pro forma the other day and the magic bed moved the model from a loss of \$35,000 per year to a gain of \$150,000. Now, which would you rather have? I suggest that MVI clients look hard at the IPU and Continuous Care Management and Costing Model [mentioned in the last section] and discover the magic number. Within a few minutes or hours, you can know your “magic” number. This number is burned into the brain of the unit leader.

Provide Incentives for Homecare Clinicians to Refer Patients

An excellent way to provide an incentive for Homecare clinicians to refer patients to the IPU is to allow referred patients to continue to be “counted” in the clinician’s *Number of Patients* as well as in the IPU census. That is, the patient is counted on both censuses at the same time.



We have constructed RN, SW and PC compensation around the *Number of Patients* as a performance metric. If clinicians are able to count referred patients to the IPU as part of their “census” it causes clinicians to refer more as most of the care at that point will be performed by IPU staff. This translates to less work and expenditure of Energy by the clinician and the ability to have a higher *Number of Patients*. If Homecare clinicians are receiving an extra \$50, \$75 or \$100 for each additional patient above or equal to the Excellent level, having 1 or 2 patients in the IPU is a great deal financially! In addition, the IPU staff is paid more when the IPU census is high.

Continuous Care

Continuous Care (Crisis Care) is a function of time. It lends itself to hourly rates, which you want to avoid if possible. This is a more difficult area than others. Since a Crisis Care program is much like a “floating” IPU, it can be done much like a Hospice Inpatient Unit, with a *Base Pay* component and a component that is tied to census.

Part-Time Employees

A True Professional Hospice Manager would never staff with full-time people! In a business where census naturally rises and falls within very short periods of time, would a True Professional Manager ever staff 100% with full-time people? The answer is of course no.

An *Extraordinary Manager* is a true Manager of resources. He or she has the Integrity to reduce costs when the revenue is not there. The *Extraordinary Manager* also does not build profits on the backs of overworked staff when the census surges! To “manage well” means to adjust costs according to revenues as expediently as practical.

An *Extraordinary Manager* can manage costs at less than or equal to the organization’s NPR percentages within an acceptable range of census fluctuation. The MVI recommendation is 10% plus or minus. This means that ALL Managers (Direct as well as Indirect) need to be able to manage the costs of their area(s) at or below this organization’s Model percentages of NPR (Net Patient Revenue).

To illustrate this, we will refer to a Clinician Manager we will refer to as Alan. For over 10 years, Alan set most MVI benchmarks including high profits, high quality and low low low turnover. Alan grew any clinical team he was given (I watched Alan in multiple settings over those years). He was a “star of stars” Clinical Manager. I sat with him one day and he explained how he operated. Regarding his phenomenal financial performance, he said,



“I always maintain 20% of my staff as flex or part-time so I can ramp up or cut back as needed when census goes up or down. That 20% is the toughest part of the job as they have to be trained and held to the same *standards* as everyone else, but you have to do it in this business.”

NOTE: Alan also had virtually a ZERO turnover rate! And his teams worked hard and were the most productive in the company! The only turnover Alan experienced was when a spouse's situation dictated it, illness or retirement. Why was Alan so successful? It is because Alan changed your Life! It was a privilege to work for such a fine human being! This highly Spiritual man (he was a Chaplain by trade) created a tangible atmosphere of Love, Compassion and Accountability. He had some of the highest *Standards* I have ever seen... and his staff responded to this!

Some Managers are hampered greatly in managing fluctuations of patient-volume due to “structural” issues such as completely “fixed” Compensation Systems. It is not even logical to pay people an entirely “fixed” or set amount in a business where there can be significant fluctuations in patient volume. Compensation systems need to work for us based on the realities of human behavior and not against us by promoting unwanted behavior. Paying PRN staff MORE than your regular staff is a poor practice as it incentivizes PRN employees!

Example: H&R Block

H&R Block’s business model intentionally relies on seasonal labor during tax season (Jan – April). Seasonal employees are then laid off and rehired during the next tax season, rather than retaining employees the entire year, in which case they would be paying them salary and benefits during unproductive months. They offer no guarantees that laid-off employees will be re-hired the next tax season, but as an example from 2008 to 2012, H&R Block rehired 268,804 of its tax preparers. Of former employees reapplying for their positions, it only chose not to rehire approximately 20,357 or about 7%. H&R Block employs around 10,000 full-time year-round employees, and while that number climbs to 137,000 during the tax season, they only employ about 7% of their employees year-round while turnover of seasonal employees runs about 50%.

The secret to their success: employees are eligible to collect unemployment or work other jobs during the off-season. Thus, employees (some not all) value the freedom to work only four months of the year. Thus, H&R Block has high rates of employees returning to work for H&R Block the next tax season. For some people’s Lifestyles, it just works.

2014 Operating Margin = **26.64%**
2014 S&P500 Operating Margin = **13.65%**

Takeaway points:



- H&R Block manages expectations and spells this out upfront in their employment agreement.
- They build their high unemployment insurance cost into their economic model.
- Done correctly, this “model” works! The benefit of working only part of the year and not the rest of the year work, or they wouldn’t have so many employees return to work each year.
- Bottom Line:** Without a flexible staffing *model*, there is no **Model**. How can you commit to a Standard, i.e. 38% of NPR for Direct Labor, if you don’t have a plan for the changes in census that are virtually guaranteed in Hospice?

Call Center Pay

Call Centers are a part of Hospice’s future... An ever-increasing amount of the care Hospices provide will come via telecommunicative means. Therefore, Call Centers will become part of elite Hospice platforms. Why would any Hospice actually pay another entity to “butcher” your hard-earned reputation with incompetent staff that are NOT part of the organization? I REFUSE such... Create your own Call Center! This can be done with paid staff as well as the incorporation of Volunteers (perhaps those that suffer from insomnia or just have too much Energy!). How would you pay these people? Volunteers are paid via “Spiritual merit or favor,” good FEELINGS, etc. Your paid staff might be compensated on a Salary basis (*Base Pay*) along with their *Individual Pay*, *Attitude/Team Accountability Pay* and *Organizational Pay*. Standards Pay (whether it is in the Individual Pay and/or Attitude/Team Accountability Pay) can be based on the following:

- All calls are answered and handled according to your Standards.** This can be done by simply “overhearing” interactions with Callers. We don’t recommend recording calls as everyone dislikes this practice. This is done on a sample basis.
- All calls are logged into your tracking system.** This is for follow-through and to help others in the organization know what is going on!
- No complaints!** You want “happy customers!”
- Meeting a minimum call volume or number of client contacts.**

It is the *Individual Pay* component that has to be worked out and is the most difficult. Here are some suggestions:

- The number of calls at or that exceeds the Excellent level.
- The amount of productive time (perhaps time spent on calls within the parameters that have been established).
- Other work (perhaps auditing charts or other quality work when not on the phone!).



Ownership Agreements

As part of overall compensation, ownership structures must be taken into consideration. Ownership or the “feeling of ownership” is one of the most powerful motivators for many people. It is part of having “skin in the game” and as we have already stated, it is **BAD BUSINESS** not to have skin in the game. We want owners and not renters in our companies...

If you are part of a For-Profit organization, it is a **WISE** idea to have a written agreement regarding your ownership interest. In fact, it is critical in my opinion! Without such, you might as well stamp a skull and crossbones on the long-term viability of the company. These agreements are often called Shareholder or Buy-Sell Agreements. I have been part of many such agreements, witnessing the ups and downs! And the down experiences can be devastating! I’ll put it bluntly,

Most ownership agreements WILL BE CHALLENGED...

They often will be challenged when a person leaves the organization or when the organization is sold. At this time, every syllable of the agreement will be scrutinized when there is real money at stake. The seller of the ownership interest wants as much as he or she can get in most cases. Even your most trusted, bright and normally good person can turn quite nasty when the chips are on the table. You will be surprised...at least I have been... Now I am not putting people down here as this is a normal reaction based on fear of loss... It is understandable and therefore, I choose to be as compassionate as possible, considering the person’s contribution to the organization. Good agreements should be fair and considerate of all, but that should **ALREADY** be incorporated into the agreement! Fair and considerate start to get fuzzy and subjective in a hurry when someone is cashing out! I’ve even seen where a person “changes for the worst” when they become a shareholder! In one case, we gave a person a small equity position and she acted like she ran the place! It was not good!

I put tremendous thought into Shareholder/Buy-Sell Agreements. I do this because I care... I care about our clients. I care about all employees and their families. I care about my family and myself. The agreement is a protection from harm...and a ton of heartache! I use the very, very, very best attorney to draw up an agreement with the ideals you want! I think that just taking a boilerplate Buy-Sell will dramatically limit you. The agreement is a tool, a tool to motivate, to provide confidence and to help shape the culture of an organization. I want all of the best ideas about the company incorporated formally with lots of “what ifs” that address the unforeseeable future.



Here are some of the things I include:

- If you are the founder of the company and have a clear vision for it, incorporate a “Guardian Function” where you can bring the company back into line if it goes off track through your shares. You don’t have to hold 51% of the stock either, you can make your shares worth 2 or more votes rather than 1! This allows you to reduce your shares to a much lower percentage thus allowing more equity to be distributed to others! I love it when people have shares! I want it to be as rich as it can be for folks!
- With the Guardian Function, you must be trustworthy... To have this, you must have a track record of treating people fair...in fact, generously! You can’t be a greedy person! I have left tons of money on the table in cases where I could have duked it out legally! To me, it is not worth it. With this said, I am in a good place with enough money to last me and my heirs the rest of their lives... I think this is ideal because if you NEED the money, you could become greedy...
- Try to set it up so that you can change shares easily. I know that the IRS has Red Flag triggers and all, but ideally, you want to be able to be flexible with shares, both giving and taking away shares. The point of shares is to motivate and reward people. If a person is not pulling their weight or doing a good job, have a mechanism to remove shares. Most people don’t like to have their share percentages decreased or removed. However, I try to manage a new shareholder’s expectations. *“From time to time we will need and identify someone who would be beneficial to the company as a shareholder. I will, in this case, ask that shares be issued to the person. This may decrease your percentage of equity. However, the overall result should be beneficial to all if they do what we expect, meaning that your smaller percentage will be worth MORE even though it is smaller.”* If a person bocks at this, he or she should not be a shareholder. You need this flexibility.
- Look out for “traps” where the company can “take your Life” from you with such incredible obligations that if you leave, even what you already have can be at risk! Yikes!
- Be prepared to improve the agreement over time. Agreements should be improved if better ideas are discovered that make them fairer, simpler and more flexible!
- Death – Who will lead the company if the Guardian dies?

Shares can also be “phantom” or “internal.” This would mean that they are not regular common or preferred shares, but are another way of providing a mechanism for the distribution of profits.



Cross-Training and Working Outside of Your Normal Area

MVI advises that all Indirect personnel work for 2 noncontiguous months per year in another Indirect area. This practice helps an organization in many ways including:

- Cross-Training each Indirect position so that if something happens where a person with specialized knowledge or skills can't do their job another person can step in.
- It develops teaching skills in Indirect staff just like clinicians doing the Model. The paradigm of the Model is that we are a Teaching Organization rather than a Provider of Care.
- It forces the documentation of process in most cases. A written document common-izes knowledge and makes it more transferable.
- It helps an organization detect fraud. This makes fraud and irregularities much more difficult.
- Innovations are more likely when “fresh eyes” look at a work situation.

In the case where an organization uses this method of cross-training, there should be no allocation of the person's cost to the department or position they are temporarily working in. Why? Because it is not material and it is difficult. It is just a cost of doing business this way.

Likewise, if a person helps another area or department, the cost should not be allocated because it is not material. Many accountants just get way too anal-retentive about this type of thing. If the amount of time is extreme or material, then go ahead and allocate. But only do this if it is indeed enough to skew management decisions. It is a matter of professional judgment.



Fundraising & Community Support

Incentive Compensation Methods for Fundraising From the Association of Fundraising Professionals

1. Percentage of Salary

For example, if a fundraising professional exceeds budget or fundraising goals you would give them 10% of their salary.

10% X \$60,000 (salary) = \$6,000 incentive compensation.

This model is the simplest and most straightforward.

2. Incentive Compensation based on non-financial indicators such as:

Number of new donors acquired
Number of gifts upgraded
Number of "asks" made
Etc.

In this model, these non-financial indicators are determined and agreed to at the beginning of the year. For example, If the indicators are achieved the fundraising professional would receive a \$5,000 bonus. If the indicators are exceeded the professional would receive a \$10,000 bonus.

3. Weight and Rate System

This system is more complicated and it must be determined in advance by the CEO and the fundraising professional.

Assume that the organization does annual fund, special events and major gifts as their overall fundraising program. In conjunction with the Executive Director or CEO determine how much time should be spent in these areas. For example annual fund is considered most important because of cash flow issues so you should spend 60% of your time in AF, 10% in special events and so on. A rating system of 1 to 4 (4 being the highest) is used to evaluate performance and at the end of the year, you are rated in each of the fundraising areas. It works like this:

Annual Fund 60%. X Rate 3=180
Special Events 10% X Rate 3= 30



Major Gifts 20% X Rate 3=60
Planned Giving 10% x 3 = 30
Total Points (Maximum of 400) 300

Predetermine the numerical spread:
100 - 150 = 5% incentive
150 - 250 = 7%
250 - 350 = 8%
350 and over = 12%

The incentive can be based on a percentage of salary or a pooled approach. The incentive pool can be populated based on a 3-year rolling average of funds raised, funds in excess of the goal, or based on a rolling average of the 3 fundraising goals. This system is based on achievement of goals, value to the organization, time of the development professional and pre-determined financial goals. It is more complicated but in the more sophisticated development departments, this type of system works well.

CEO Compensation

Because the CEO is the chief driver of all results of an organization, the CEO should be incentivized to achieve such fantastic results. We are in an era where many CEOs are compensated excessively. But there is also a problem with CEOs, especially with NFP organizations, being compensated too little. In all compensation areas, the key is that it is FAIR and based on performance.

All organizations need to attract and hire the BEST, MOST TALENTED CEOs they can get!!!
The CEO is the primary driver of everything!!!

Remedying perceived CEO compensation “excess” or “inadequacy” can be achieved by re-basing salaries to drastically lower amounts and giving the CEO “skin in the game” on a percentage basis. For example, often we will recommend to a Board and/or CEO that the current CEO salary be reduced by 50% and that the CEO be compensated a percentage of Net Patient Revenue. Thus if the Hospice or organization makes more money, the CEO is compensated more. IF the organization loses money, then the CEO loses money or receives very little. Minimum thresholds (say above 5%) of surplus or profit can be established before the percentage of Net Patient Revenue is given. This move would help to deflect public scrutiny if CEO compensation is questioned.



9 Other Ways to Pay*

In this manual, we have explored different ways to compensate people. However, there are certainly other ways as well. Some of these follow the same ideas/logic, but use different language. Hey, the language is important!!!

- Per-Visit
- Per-Call
- Activity-Based Compensation
- Average Visits Per Patient Per Week
- Variable Pay based on Caseload within accepted Average Visits Per Patient parameters
- Census (IPUs)
- Employee Units
- Member Unit Purchase Plan – Employee Ownership - This is where folks “buy-in” or are awarded “shares” (either actual or a token used internally).
- Discretionary “Pots” of Rewards that Managers can dish out

Per-Visit

I have seen Per-Visit Compensation Systems work really, really well. I have seen entire systems based on this. This method of compensation is based on a flat rate paid to employees for each visit or type of visit that is performed. It is commonplace in the Home Health world. This is basically a “piecemeal” type approach. Not all states allow this and there can be limitations, so you must comply with the laws of your state. However, Per-Visit cultures are highly productive... so much so that organizations need to “cap” or place “upper thresholds” in place as clinicians can be very aggressive and creative! However, we have also found that Per-Visit only systems can lead to “non-committed” employees that will end up working for other agencies and organizations. Therefore, the “non-committed” employee can limit the organization’s ability to GROW.

Activity-Based Compensation



This is very much like Per-Visit compensation. The difference with Activity-Based approaches is that you will pay a flat amount not only for visits, but for all major activities or things that employees do. Below is a table that I used at my first Hospice when we went to Activity-Based compensation.

Activity	Rate	Quantity		Pay	Standard
		Visits	Hours		
Regular Visit	30	94.5		2,835.00	4.5 visits a day
Mileage				-	21 active days
Assessment Visit	45			-	
Meetings	30	8		240.00	
Vacation	125	1		125.00	
Sick	100	1		100.00	
High Acuity Visit				-	
Hourly	20		5	100.00	
Extended Visit				-	
Memorial Service	30	1		30.00	
Death Visit	50	0		-	
Hourly	20		5	100.00	
Supervisory Visit	20	1		20.00	
Total		106.5		\$ 3,550.00	

When we put the Activity-Based system in place, productivity increased by 100% or all disciplines except Spiritual Care. Spiritual Care ONLY increased by 50%.

This approach requires a “target” mindset. Basically, you start with the amount that you want to pay a person or discipline, determine the types of activities that will be done and how many. Then a dollar amount is assigned to each activity.

Just to recap:

- Set an Annual Target Cost for Each Position
- Determine the Activities
- Determine the Number of Activities Expected to be Performed Annually
- Assign Payroll Dollars for Each Activity

The Assignment of Dollars can be a bit tricky mathematically. I used an Excel Add-In called Solver which would run “iterations” to optimize the calculations automatically. However, optimal is not necessary. “Close” numbers are good enough!

The spreadsheets following show some of the analyses and other steps I used at that time.



Compensation & the Model

Activity Based Compensation System - Payroll Conversion				
(incorporates use of Excel Solver)				
Program	Employee	Discipline	Current Salary	
Hospice	Cadmus	SW	26,650.00	
Standard Rate Multiplier				
1	1.75	1	Hourly	0.5
Regular Visit P303	Assessment Visit P302	Meetings A101	Flex Visit/Time P320, A320	Nonbillable Visit P312
Hospital Visit P306	Death Visit P313	Meetings A103	Vacation A109	Supervisory Visit P307
Berv. Visit B202			Sick A108	Telephone Contact P308
Berv. Assessment B205			Conference/Workshop A106	Berv. Telephone Contact B203
			Holiday A110	
			Snow Day A134	
			Funeral Visit P204	
(Your Standard Rate)			Employee Berv. Leave A128	
22.21	38.87	22.21	12.81	11.11
Please refer to the attached form for specific information regarding the use of codes.				



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Calculation of Per Visit Standard Rates			Active Days Per Year				230.26				
	Hospice					Home Health					
Standard Visits	4.5	4.5	4.5	4	4.5			5.5	4.5	4	
Annual Activities	RN	LPN	CNA	SW	PC	BC	VO	RN	CNA	SW	
Regular Visits	994.17	1036.17	1036.17	921.04	1036.17			1266.43	1036.17	921.04	
Death/Assessment	42	42						18			
Mileage	1036.17	1036.17	1036.17	921.04	1036.17			1266.43	1036.17	921.04	
Meetings	75	75	75	75	75			75	75	75	
Vacation	13	13	13	13	13			13	13	13	
Sick	8.5	8.5	8.5	8.5	8.5			8.5	8.5	8.5	
Memorial	12	12	12	12	12			12	12	12	
Bereavement Call				10							
								22			
Rates	RN	LPN	CNA	SW	PC	BC	VO	RN	CNA	SW	
Regular Visits	26.00	19.75	13.50	24.50	21.90			25.00	13.50	24.50	
Death/Assessment	45.50	34.56						43.75			
Mileage	3.00	3.00	3.00	3.00	3.00			3.00	3.00	3.00	
Meetings	26.00	19.75	13.50	24.50	21.90			25.00	13.50	24.50	
Vacation	117.00	88.88	60.75	98.00	98.55			137.50	60.75	98.00	
Sick	91.00	69.13	47.25	73.50	76.65			112.50	47.25	73.50	
Memorial	26.00	19.75	13.50	24.50	21.90			25.00	13.50	24.50	
Bereavement Call				12.25							
Calculated Pay	RN	LPN	CNA	SW	PC	BC	VO	RN	CNA	SW	
Regular Visits	25,848.42	20,464.36	13,988.30	22,565.48	22,692.12			31,660.75	13,988.30	22,565.48	
Death/Assessment	1,911.00	1,451.63						787.50			
Mileage	3,108.51	3,108.51	3,108.51	2,763.12	3,108.51			3,799.29	3,108.51	2,763.12	
Meetings	1,950.00	1,481.25	1,012.50	1,837.50	1,642.50			1,875.00	1,012.50	1,837.50	
Vacation	1,521.00	1,155.38	789.75	1,274.00	1,281.15			1,787.50	789.75	1,274.00	
Sick	773.50	587.56	401.63	624.75	651.53			956.25	401.63	624.75	
Memorial	312.00	237.00	162.00	294.00	262.80			300.00	162.00	294.00	
Bereavement Call				122.50							
Total	35,424.43	28,485.68	19,462.68	29,358.85	29,638.61	-	-	41,166.29	19,462.68	29,358.85	
Total less Mileage	32,315.92	25,377.17	16,354.17	26,595.73	26,530.10	-	-	37,367.00	16,354.17	26,595.73	
Target Pay	32,005.00	25,157.00	16,231.00	26,577.00	26,447.00			32,005.00	16,231.00	26,557.00	
Annual Visits	1036.17	1036.17	1036.17	921.04	1036.17			1266.43	1036.17	921.04	
Budget Driver	34.19	27.49	18.78	31.88	28.60			32.51	18.78	31.88	



Mileage Analysis									
Total Miles Per Discipline									
	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94
LPN	3232	3186	2901	3765	3632	3252	3965	3992	0
RN	9684	10119	14035	13214	18256	18300	16075	16377	0
SW	5948	5099	6422	5977	6499	6733	6108	6620	0
PC	2555	2238	3448	3013	2830	2886	2866	2023	0
CNA	14316	14339	17338	14805	15818	15097	13171	16644	0
HM	1724	1479	1941	1547	1565	1654	1471	1500	0
Visits									
	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94
RN/LPN	0	0	0	2138	2180	1924	1603	1569	1450
SW	0	0	0	682	729	714	627	583	538
PC	0	0	0	316	338	365	280	235	250
CNA/HM	0	0	0	1292	1362	1261	1049	1468	1380
Average Mileage Per Visit									
	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94
RN/LPN	#DIV/0!	#DIV/0!	#DIV/0!	7.9415341	10.040367	11.201663	12.50156	12.982154	0
SW	#DIV/0!	#DIV/0!	#DIV/0!	8.7639296	8.914952	9.429972	9.7416268	11.35506	0
PC	#DIV/0!	#DIV/0!	#DIV/0!	9.5348101	8.3727811	7.9068493	10.235714	8.6085106	0
CNA/HM	#DIV/0!	#DIV/0!	#DIV/0!	12.656347	12.762849	13.283902	13.958055	12.359673	0
Average	#DIV/0!	#DIV/0!	#DIV/0!	9.7241552	10.022737	10.455597	11.609239	11.326349	0
Mileage Cost Per Visit									
	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94
RN/LPN	#DIV/0!	#DIV/0!	#DIV/0!	2.30	2.91	3.25	3.63	3.76	0.00
SW	#DIV/0!	#DIV/0!	#DIV/0!	2.54	2.59	2.73	2.83	3.29	0.00
PC	#DIV/0!	#DIV/0!	#DIV/0!	2.77	2.43	2.29	2.97	2.50	0.00
CNA/HM	#DIV/0!	#DIV/0!	#DIV/0!	3.67	3.70	3.85	4.05	3.58	0.00
Average	#DIV/0!	#DIV/0!	#DIV/0!	2.82	2.91	3.03	3.37	3.28	0.00



Compensation & the Model

		20%			Visits Per Day	Expected Annual Visits	Direct Labor Cost Per Visit	Composite Mileage				
Salary Averages		Salary	Benefits	Total								
	RN	32,000.00	6,400.00	38,400.00	4.50	1021.5	37.59					
	LPN	24,000.00	4,800.00	28,800.00	4.50	1021.5	28.19					
	CNA	15,500.00	3,100.00	18,600.00	4.00	908	20.48					
	SW	27,000.00	5,400.00	32,400.00	3.50	794.5	40.78					
	PC	26,000.00	5,200.00	31,200.00	4.50	1021.5	30.54					
	Berv.	27,000.00	5,400.00	32,400.00	4.50	1021.5	31.72					
	Vol.	28,000.00	5,600.00	33,600.00	-							
Number of Working Days in a Year												
	Total Days	365.00										
	Weekends	(104.00)										
	Holidays	(9.00)										
	Vacation	(15.00)	Average Vacation Days									
	Sick	(10.00)	Average Sick Days									
	Total	227.00										
		RN	LPN	CNA	SW	PC	Bereav.	VC				
Salary		32,005.00	25,157.00	16,231.00	26,577.00	26,447.00	-	-				
Mileage		2,676.00	3,024.00	3,468.00	1,860.00	2,376.00	800.00	800.00				
Meetings	30	104	3120									
Vacation	125	15	1875									
Sick	125	10	1250									
Memorial	30	12	360									
Expected Visits Per Day		4.5	4.5	4	3.5	4	4.5	5				
Annual Visits		1021.5	1021.5	908	794.5	908	1021.5	1135				
Pay Per Visit												
Salary		31.33	24.63	15.89	26.02	25.89	-	-				
Mileage		2.62	2.96	3.40	1.82	2.33	0.78	0.78				
Other		6.47										
Total		40.42	27.59	19.28	27.84	28.22	0.78	0.78				
Mileage Per Employee									0.29	12		
		Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Average	Cost	
LPN		808	797	725	941	901	813	985	998	871	252.59	3,031.08
RN		692	723	877	661	830	832	765	780	770	223.30	2,679.60
SW		496	425	535	498	540	561	555	662	534	154.86	1,858.32
PC		639	560	862	753	708	722	717	506	683.375	198.18	2,378.15
GCC		97	125	195	150	132	105	116	62	122.75	35.60	427.17
CNA		1023	1024	1156	987	989	944	823	1040	998.25	289.49	3,473.91
HM		862	740	971	774	783	827	736	750	805.375	233.56	2,802.71
Patient Days												
Comfort Care		2035	1782	2065	2071	2181	2004	1612	1075			
Hospice		6011	5608	5978	6034	5983	5073	4118	3443			
Coming Home		1317	1194	1309	1261	1240	1526	1927	2461			
Supportive		1049	1156	1375	1450	1428	1462	1704	1553			
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Compensation & the Model

Revenue and Expense Analysis							
Patient Class: PA							
1/1/94 to 8/31/94							
		1394					
Type of Service	Vis	Dir	Ind	Trv	Tot	Cost	
Staff Services							
Contract CNA	28	0.020	40.6	0	11.5	52.1	515.71
Contract Bereavement	186	0.133	63.4	0	3.1	66.5	1197
contract LPN	1089	0.781	1075.3	0	387.4	1462.8	21956.15
contract RN	8	0.006	7.4	0	3.5	10.9	203.72
contract pastoral couns	104	0.075	91.9	0	45.6	137.5	2281.67
grief therapist	263	0.189	279.2	0	18.3	297.5	5355
Certified Nursing Asst.	6610	4.741	6569	0	2894.6	9463.6	93914.53
Homemaker	1037	0.744	1462.5	0	546.1	2008.6	16346.11
Inpatient Coordinator	625	0.448	104.2	0	0	104.2	1944.75
licensed practical nurs	2022	1.450	1893.1	0	828.8	2721.9	40914.55
pastoral counselor	1194	0.856	1086	0	574.8	1660.8	27604.62
registered nurse	7204	5.167	10327.8	0	2733.9	13061.7	243829.27
social worker	3452	2.476	2849.6	0	1151.2	4000.8	61250.63
mileage	0	0.000	0	0	0	0	84276.54
Contracted Services							
Contract Nursing	1		1			1	77
Physical Therapy	144		144	0	0	144	13253.62
HH Aide Contract	65		476.6	0	0	476.6	4392.85
Pharmacy	0		0	0	0	0	249109.98
Durable Medical Equip	0		0	0	0	0	22857.25
Medical Supplies	0		0	0	0	0	27134.92
Physician Services	730		0	0	0	0	46267.08
Inpatient Services	0		0	0	0	0	247026.77
Outpatient Services	0		0	0	0	0	92431.97
Nursing Home Room/Board	0		0	0	0	0	9496.61
Continuous Care-contrac	629		4660.7	0	0	4660.7	127897.15
IV Therapy	0		0	0	0	0	78616.42
Radiation Therapy	0		0	0	0	0	4509.8
Emergency Room Visit						0	78
Hospice of Winston-Salem				1	3:14:05	30 SEP 199	4 Page 3
Revenue and Expense Analy	sis for		the period	from	1/1/1994	to 08-31-9	4
Patient Class: Hospice P	atient						
Total Expenses	25391		31132.2	0	9198.8	40331.1	1524739.7



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Average Visits Per Patient Per Week

Average Visits Per Patient Per Week (AVPW) is a productivity measurement method and is a breakthrough because it effectively combines caseloads and visits into a single measurement. It is effective in the fact that it can conceptually be the basis for compensation, similar to Per-Visit systems. Like the Per-Visit approach, clinicians' compensation can be 100% variable using this method.

Average Visits Per Patient Per Week is computed by totaling a clinician's visits for a week and then dividing it by the clinician's caseload.

When using AVPW, control exception reports should be developed that help to identify "favorite patient" situations where unnecessary visits are performed to increase visit counts. Here is an example of a control report.

Exception Report - > 7 Visits

Strong Day Hospice Period: 7/1/2015 to 7/7/2015 Run Date: 7/16/2015
Exception Report - List All Patients That Have Received More Than 5 Visits In The Last 7 Days

Header	Patient #	Patient Name	Visit Type	Visit Date	Date Input	Direct Time	Indirect Time	Travel Time	Total Time	Count	Time Model	Variance
Carlton, Ruth RN	27889	Bladkroon, Betsy	P80	7/1/2015	7/16/2015	35	4	26	65	1	60	5
Smith, Mary RN	27889	Bladkroon, Betsy	P80	7/2/2015	7/16/2015	41	10	8	60	1	60	0
White, Lily RN	27889	Bladkroon, Betsy	P80	7/3/2015	7/16/2015	67	12	10	89	1	60	29
White, Lily RN	27889	Bladkroon, Betsy	P80	7/4/2015	7/16/2015	45	12	7	64	1	60	4
White, Lily RN	27889	Bladkroon, Betsy	P80	7/5/2015	7/16/2015	21	15	15	51	1	60	-8
White, Lily RN	27889	Bladkroon, Betsy	P80	7/6/2015	7/16/2015	23	23	28	74	1	60	14
White, Lily RN	27889	Bladkroon, Betsy	P80	7/7/2015	7/16/2015	37	12	12	61	1	60	1
Average/Total						268	10	15	306	7		6
Carlton, Ruth RN	34576	Smith, Emma	P80	7/1/2015	7/16/2015	38	7	19	64	1	60	4
Carlton, Ruth RN	34576	Smith, Emma	P80	7/2/2015	7/16/2015	39	5	10	54	1	60	-6
Carlton, Ruth RN	34576	Smith, Emma	P80	7/3/2015	7/16/2015	42	7	11	60	1	60	0
Smith, Mary RN	34576	Smith, Emma	P80	7/4/2015	7/16/2015	40	5	16	61	1	60	1
Smith, Mary RN	34576	Smith, Emma	P80	7/5/2015	7/16/2015	42	7	11	60	1	60	0
White, Lily RN	34576	Smith, Emma	P80	7/6/2015	7/16/2015	35	15	26	76	1	60	16
Average/Total						236	41	75	352	6		17
Carlton, Ruth RN	33587	Jones, John	P80	7/1/2015	7/16/2015	30	5	23	58	1	60	-2
White, Lily RN	33587	Jones, John	P80	7/2/2015	7/16/2015	45	9	21	75	1	60	15
White, Lily RN	33587	Jones, John	P80	7/3/2015	7/16/2015	48	10	14	72	1	60	12
White, Lily RN	33587	Jones, John	P80	7/4/2015	7/16/2015	35	9	22	66	1	60	6
White, Lily RN	33587	Jones, John	P80	7/5/2015	7/16/2015	56	8	22	86	1	60	26
White, Lily RN	33587	Jones, John	P80	7/6/2015	7/16/2015	45	9	19	73	1	60	13
White, Lily RN	33587	Jones, John	P80	7/7/2015	7/16/2015	67	9	21	97	1	60	37
White, Lily RN	33587	Jones, John	P80	7/7/2015	7/16/2015	46	10	26	82	1	60	22
Average/Total						417	61	122	602	8		117




This report is a daily exception report that shows all patients receiving more than 7 visits on a "rolling 7-day" period. Using this report, a Clinical Leader can easily identify patients that are in

rapid decline or other high acuity situation. The Clinical Leader would also be able to identify patients that are probably receiving unwarranted and unnecessary visits.

Employee Units

These are “internal creations” of an organization that allows for incremental increases in “ownership” or “shares” to be distributed to reward or further compensation to employees. These are usually not real shares as you would have in the stock market and would not be normally used to trade on the street, but are simply a tool to use internally. However, sometimes they are, in fact, real shares. Real shares can be given when employees are buying the company.

This topic is beyond the material I am covering in this manual. However, it is an interesting concept. Maybe someday we will have “MVI Bucks” as a reward system!

Discretionary “Pots” of Rewards

Some organizations have “pots” of money that a Manager can dip into and give gifts or rewards to employees at their discretion to individuals or the group for merit. I think this is a good option for Managers to have to use as a tool for motivation! It might be a gift, a night on the town, tickets to a rock concert, whatever “feels” good! When these are done in public, it is a double win as people see that the Manager is actually seeing what is happening and recognizes outstanding work or contributions.



10 “Andrew, What Changes Can I Make NOW to Get Results from a Comp System?”*

“What can our organization implement right now to get better results?” This is a great question! The windup for implementing a new Compensation System can be long...as well as intimidating! Getting past the “fear barrier” is also a big thing.

To me, you start all Compensation Systems with the RESULTS you want in mind...

- **Self-Regulation** - You want a system that continually “teaches” employees how to “Self-Regulate” so they need very little supervision to do 100% of the Standards of the organization on a day-to-day basis - i.e. Perfect Visits with Perfect Documentation, with virtually zero complaints or service failures. This makes complete sense in Hospice and Homecare as our work is largely done autonomously, so people must learn to self-regulate.
- **Accountability** - You want a system that “does” Accountability and Rewards for you automatically, with little or no Manager involvement. The reality is that Managers don’t like to hold people Accountable and thus won’t or are reluctant or end up doing it too late after a great deal of waste.
- **FOCUS on Clinical Managers** - You want a system that makes the Clinical Manager position one of the most desirable positions in the company as 70% of the development, retention and morale of the employee will come from this relationship. This is the linchpin of all Hospices and Homecare organizations.
- **Creating OWNERS and not RENTERS** – An “Owner Mind” translates into smoother operations, fewer complaints, clean offices, mature Attitudes... The “Renter Mind” does not notice trash in the parking lot, will not clean a bathroom, says to themselves, “*It’s not my job...*” and leaves it at that... We want to cultivate the Attitude of an Owner!

These are the main points. I think most of us would agree that IF our compensation could give us such results, we would be very happy and we would have an extraordinary organization!



Here are my “Quick Moves” to get results from a Compensation System!

1. **Start “Spiritualizing” Compensation as you do with Accountability.** Start teaching the DEEP meaning of Compensation, what it is, why we are looking at it differently how all of Nature works by its principles...and how it will help employees mature and have better lives!
2. **Setup Standards Pay** (either the Additive or Subtractive Approach). This gets the ideas of Standards and Standardization into the minds of employees. If you haven’t given rises or COLA increases in a long time, just add the 5%, structured as a BONUS that can be removed if Standards are not done. Even if you don’t have all your details on how your Comp System will work, just the “establishment” of this starts to change behavior! This needs to be a “separate” line in your system and on each employee’s paystub.
3. **Put Clear Glass Meeting Jars in Meeting Rooms with the word “RESPECT” on them.** This sends an immediate message that “time is to be honored” and people’s time/lives need to be respected. \$5.00 for anyone late to a meeting.
4. **Breakup Salaries and Hourly amounts into “Categories:”**
 - a. Base Pay
 - b. Standards Pay
 - c. Attitude/Team Accountability Pay

This creates “room” for the ability to impact pay, even if you don’t have all your methodologies worked out yet!

5. **Institute Attitude/Team Accountability Pay by establishing a Set of Codes that can be sent to HR, Compliance or Payroll.** This move will perhaps do more than any other thing to create a HEALTHY, HAPPY work culture and greatly reduce the loss of Talented people, whether they be Clinicians or Support staff.
6. **Add the Unnecessary Waste Pay Option.** As described in this manual, the “awareness” that a portion of the cost of unnecessary waste could be deducted from one’s paycheck will immediately start to decrease expenses. The main point is that people will “think” more about their spending decisions. A good thing! Again, *“It takes no special talent to spend other people’s money...or the money of an organization!”*

There we go! 6 relatively quick things an organization can do with its Compensation System to get results!



11 1994 – My Notes*

I include this because it is interesting to see the thinking behind this when I was a “green banana to Hospice and Home Health. The methods have changed, but not the concepts!

For Hospice programs to be competitive in the near future with other healthcare providers competing for a limited population of patients, services are going to have to be provided at lower costs. Most homecare entities are primarily service oriented which results in 50-70% of total costs attributable to the compensation of employees. Therefore, attacking compensation is the most significant area in which substantial cost reduction can be achieved.

Presentation Convention:

Much of this presentation focuses on visit activities. Visits were used because they are the easiest to illustrate and are the essence of the homecare industry. However, realize that this system has application to all employees/departments.

I. Why do Hospices need to become competitive with other healthcare providers?

The inevitable effect of competition is lower prices. Prices succumb to competitive pressures and margins tighten. Basic economic principles of supply and demand apply. An increased number of providers leads to price competition.

- A. Penetration of Managed Care Organizations (MCOs) into markets (Low-Cost Wins) – Since managed care is a price or payor-driven system, low-cost/high-quality providers prevail.
- B. Lumping of Hospice and home health by some payer systems – Another effect of managed care is the distinct possibility of Hospice being perceived as home health with “a few extra services.” If this happens, be prepared to go head-to-head with home health agencies.
- C. Society expects donations to nonprofits to be used for the mission and only the absolute minimum spent on operations. Therefore, costs should be competitive with other similar providers. Ethical Question: How much should the community [through support] be bailing out Hospices due to inefficient operations? ZERO!
- D. It is just GOOD BUSINESS sense!!! Good business means preparing for competition. If you wait until the competition starts to erode your market share then it may be very difficult to regain your position, let alone stay in business.



II. Understanding of productivity and its relationship to cost

To best understand productivity's relationship to cost, let's look at an example using a salaried position.

Exhibit A

Facts on Jane Nurse

- Fixed salary of \$32,000 per year
- She averages 3 visits per active day
- Benefits are 20% of salary

It does not take a rocket scientist to determine that her *direct cost per visit* would be roughly \$53.33 per visit, **excluding indirect costs!**

(\$32,000 x 1.2 = \$38,400/12 months/(3 visits X 20 working days = 60 monthly visits).

Contrast this with Jane Nurse making 4 visits per active day. Using the same methodology, the direct cost per visit comes to \$40.00. This is a reduction in the direct cost per visit of 33% accomplished by simply making 1 additional visit per day!

.....

Needless to say, by the time you add indirect costs per visit to the direct cost per visit for a 3 visit per day nurse, you could be looking at some truly scary costs. Especially in terms of competing with home health agencies that operate from leased two-room offices with only a couple of administrative and support staff.

- A. Higher productivity does not mean a compromise in quality. A common clinical defense is the "patient will suffer" shield. Does more time spent with each patient constitute better quality? Does a 1-hour visit produce a better outcome than a 30-minute visit? If a 1-hour visit is good, does a 1.5-hour visit produce better results? There are studies that indicate that longer visits do not produce better outcomes. In fact, with home health, hinder the patient's progress.
- B. Why not determine what a normal visit should be in terms of visit duration and quality, and then work to reduce the nondirect patient activities to free up clinical staff to do what they want to do – be with patients! We have to be willing to "step out of the box" and really look at our mind-set. When I first became involved with Hospices, I used to



say that most were operated on “folklore and tradition.” I can’t say I’ve completely changed my mind.

III. Understanding compensatory incentives and how to use them to achieve organizational objectives

- A. The problem with a fixed salary compensation approach is that it does not provide the incentive to increase productivity. Ideally, a salaried Compensation System could be effective, but in real Life, it rarely happens. This is due to fundamental characteristics of human nature and behavior:
1. Management’s inclination to avoid confrontation – Many clinical Managers who have come up through the nursing ranks often act as a nurse first and a Manager second. Challenging a subordinate’s productivity can be uncomfortable for the Manager. Usually, the nurse, with a few rapid-fire salvos that are laced with arbitrary or subjective nursing jargon, walks out of the Manager’s office unscathed. Mankind’s capacity for self-justification is incredible.
 2. The norm is more easily accepted when there is no clear advantage to the individual for additional effort. We often fall back on the easiest or most convenient way of performing tasks when we see others behaving in a similar fashion. If 3 visits a day is the norm, how many staff will be inclined to do 4 or 5?
- B. Link compensation to organizational objectives – *“People Behave the Way They Get Paid”* – An activity-based system works because it appeals to our instinct of “self-preservation.” When tasks and activities which the organization deems valuable and non-valuable are tied to compensation, which tasks do you believe are going to be performed? We are all first and foremost individuals. Group identification is secondary. Though we associate ourselves with groups, like patient care teams, visits are usually *solo* efforts. Therefore, empower the individual because I seriously doubt that you will be able to change the realities of human nature.
- C. Promote higher skills in staff – Maintaining a highly trained and competent staff is important to any organization. To do this, incentives help. Through the use of ABC, staff who have earned special certifications and professional designations should receive an increase in their Standard rate.
- D. Career ladder – A noble concept, however, rarely implemented and executed properly. ABC can render valuable information in this area since a “well-defined program of activity” is usually required to serve as ladder rungs of advancement.



- E. Shared reward systems (Team Unification) – Since ABC produces a much clearer understanding of work processes and functions, financial incentives can be incorporated to foster cooperation in collective efforts. Example: If Team A has an inpatient admission rate of .5% for the quarter, each member receives a \$25.00 bonus.

IV. What is Activity-Based Compensation?

- A. In a nutshell, at Hospice of Winston-Salem/Forsyth County (HWSFC), we wanted to increase productivity. So we decided to bypass a “pay-per-visit” type system and put our Energy into something more comprehensive which could eventually be incorporated into all departments. The emphasis was on tasks or activities. By looking at the agency from this perspective, we began to tear down departmental walls, and focus on those tasks which HWSFC needs to operate. Non-value-added tasks are reduced or eliminated and value-added tasks are examined for efficiency.

Background:

Activity-Based Compensation is not an entirely new concept. In fact, in my view, its foundation lies in the factory labor compensation method known as “piecework.” With piecework, workers are paid a fixed rate for each acceptable “piece” or unit they produce. The obvious incentive for the worker is to produce as many acceptable units as possible.

Application of this concept to Hospice and Home Health is simply a matter of determining what “units” are and calculation of a rate for each. I have long been an advocate of Activity-Based Costing & Management concepts. However, few books really face up to the challenge of compensation. Therefore, I began my quest. Many home health agencies had developed “per visit” type systems and had experienced good results. However, a strictly “pay per visit” system did not address motivation in indirect and administrative areas. Since there is more to healthcare organizations than just “making visits,” I was interested in motivation and cost reduction in all departments and divisions of the agency.

By contacting a multitude of healthcare providers across the nation, I started to assemble the system.

V. What does Activity-Based Compensation do?

- A. Empowers the individual.



- B. Is a fairer system overall. Highly productive staff are rewarded for their good work.
- C. Fits Hospice philosophy better, because clinical staff are not bound to seeing patients between 8:00am and 5:00pm.
- D. Allows increased flexibility for clinical staff regarding their personal schedule.
- E. Helps the agency in times of labor shortage because staff are more willing to take up the slack on a short-term basis.
- F. Promotes time consciousness. Example: Meetings tend to be more to the point.
- G. Uncovers problems that otherwise would tend to go undetected under other systems. Once identified, problems and inefficiencies can be solved.
 - 1. Operational problems
 - i. Redundant or marginally useful paperwork. Eliminate, combine, or simplify paperwork.
 - ii. Volunteer department suddenly had few clinical staff for pickup and delivery of supplies and medications and *errands*. It was discovered that highly compensated staff were performing activities that could be accomplished by volunteers or lower-cost staff.
 - 2. Individual short-comings – Examples: Over-documentation, poor planning. Work with staff or terminate.

VI. How to implement an Activity-Based Compensation System

- A. First Steps
 - i. Determination of goals and objectives. At HWSFC, our goals were to:
 - a. Lower agency costs by increasing productivity.
 - b. Create a Compensation System that was perceived as fair by employees.
 - c. Reduce financial risk to the agency from fluctuations in census.
 - d. Provide Managers a tool to shape the behavior of employees to perform tasks that are deemed beneficial to the agency.
 - e. Enhance Standard costing system and move more costs to a true **variable** classification for improved break-even analysis, direct costing, flexible budgeting, and forecasting.
 - f. Aid in the progression towards more advanced costing systems such as Activity-Based Costing and Target Costing.
 - ii. A facilitator, who clearly understands ABC, must be chosen. As with professional athletes, it takes a combination of (1) talent and



- (2) coaching/training. Without the right staff or facilitator, you will not be successful.
 - iii. The framework and structure must be determined. Without a solid ideological structure, the system can be weakened by short-sighted suggestions.
 - iv. Hold meetings with top management and **sell** the idea with quantification of current productivity and financial position and theoretical positions after implementation. This is high-level buy-in. Lay out the basic structure and incorporate the use of simple examples.
- B. Buy-In process by staff
1. Meet with line staff and outline basic objectives and structure. It is a good idea to have much of the plan already complete. However, it is best to hold back from revealing too many details because you need the line staff to have some relatively “easy” visible input. Give them the credit for the idea. However, understand this – You absolutely need line staff input! Once you start piloting, many subtle kinks and unforeseen dilemmas will confront you, and you will need line staff’s help for the solutions. Encourage input. “My door is always open” and “Let’s try something new and creative” are good themes to ease the stress associated with potential “tampering” with people’s livelihoods!
- C. Identification of activities
1. Start by listing all the activities which are required by the agency to function. Think in terms of ideal or in a perfect data collection system, not within the current system or organizational limitations. **See Exhibit B.**
 2. Once all activities are on the table, group them by discipline and major activity. An example of a major activity is a visit, which at HWSFC is not only the actual visit, but also all associated travel time and documentation activities related to the care of the patient. You want to have an economy of activities. If you get too anal-retentive and construct a million activities, you will end up with an unmanageable system with a high inherent risk of errors and distortions. Also, you want to increase productivity, not bog staff down with documenting every time they pick up a pencil and then document that they’re documenting! *Visits are the easiest and the most important activity to quantify and therefore are a good activity to start with.* Hopefully, your agency is already gathering this information. If not, you’re in trouble.
 3. Set the Standards. How many visits can a nurse perform in a day? You must ask yourself capacity questions all along the way. Obviously, you



have physical limitations to consider. Mechanical limitations also should be considered. However, mechanical limitations are usually easier to overcome through process re-engineering and creative work habits and methods. You must stay in the real world as best as you can during your planning or you will fail. This is the area where you depart from historical data and move into the area of theory. This is where you lose your “safety net of facts” and move to where you will demonstrate how well you understand what you are doing!

D. Projected number of activities

1. You must project the expected number of each activity for a period of time. We used an annual basis (annualization). A shorter period of time can be used; however, this can be dangerous due to factors such as seasonal fluctuations, short months, holidays, and freak trends. When annualizing activities, you must determine the number of working or active days. **See Exhibit C.** Take all activities and determine the number of expected occurrences. This will give you the total number of activities. Example: Take the daily visit Standard for each discipline and multiply it by the number of working days in the year. If you will be paying different rates for different types of visits, divide the total number of visits among the different categories. Historical data and your pilot program should help in making these estimates. See Exhibit D. Errors in this area can be the most critical. If you underestimate the volume of an activity, you will be compensating more than you planned. This will result in increased pay for staff and high labor costs. If you overestimate the volume of an activity, you will be compensating less than you planned. This may be good for aggregate payroll costs but devastating for employees.

E. Computation of activity rates

Assignment of a rate to each activity involves a process that takes an employee’s salary and breaks it down by the various activities to be performed by the employee. **See Exhibit E.** Another approach is to determine what you are willing to pay for an activity with little regard to salaries. Example: You determine to pay Billing Coordinators \$.50 per correct invoice. You may be paying \$2.00 now, but FEEL that the \$2.00 amount is excessive and you’re not willing to pay it anymore.

The use of a spreadsheet, database (with calculation functions), or other specific purpose program is required. I used Microsoft’s Excel with its built-in Solver feature. Solver substitutes values into designated cells through an iteration process until the



criteria you establish are satisfied. Using a tool like Solver saves time. Other quantitative methods may be employed to produce the same results. **See Exhibit E.**

We will use the translation of the current salary approach (it's politically safer and, needless to say, easier to sell to affected staff). Here are the steps for converting an annual salary:

1. Take all activities and expected number of occurrences.
 2. Develop a mathematical equation that will take the value for salary and produce the same total value when all annualized activities are multiplied by the computed rates and are summed.
 3. Create a Standard rate for patient-care staff. This is ideal because you can weight each activity by a factor in relationship to the Standard rate. Examples: An Assessment Visit is compensated at 1.75 of a Standard visit rate. A Supervisory Visit at .5 of Standard, etc. You want to substitute values in the Standard rate field until you arrive at a rate that, when all activities are summed, equals the former salary.
- F. Developing the mechanical process
1. Develop Activity Logs or Day Sheets which incorporate all necessary codes that are easy to complete and easy to input. Try to lay out bulk items in the order they are put into your computer system.
 2. Incorporate a smooth-flowing, expedient system that handles the pick-up, review, and input of activities. I highly recommend inputting data as soon as possible so that management can use current information for decision-making purposes. **See Exhibit F.**
 3. Develop payroll reports which gather all compensated activities. These reports should provide totals of occurrences of activities. If you've "farmed-out" your payroll, you may look into developing an output file that could be uploaded into your payroll vendor's system. This would mean that only the routine changes would need to be handled such as new employees, changes in rates, changes in benefits, etc.
- G. Monitoring the system
1. Use control reports and other devices to aid in the monitoring of the quality and abuse of the system. With reports, it is also a good idea to have an independent person run the reports who can render an objective view and circle in red all items which are unusual or for some reason raise questions.



Reports are then routed to management. This saves the Manager's time and puts additional checks and balances in the system. Here are some types of controls:

- i. Visit Duration Report – Provides information about the length of each visit. Visits that are of short durations will be identified. Criteria of the report might be like this: List all visits for which direct time is less than 20 minutes sorted by (1) staff and (2) patient. Here, the real question is, “Can high-quality care be provided in an ‘unusually short’ period of time?”
- ii. Visit Frequency Report – Provides information regarding the number of visits each patient is receiving. Here you are looking for “unnecessary” visits, especially with Hospice. Criteria of the report might be like this: List all patients who receive more than 2 visits a week sorted by (1) staff and then by (2) patient.
- iii. Random Visit Audit – A small sample of visits can be examined in detail for completeness, confirmation of occurrence, and substantiation of facts.
- iv. Scheduling Report – If you can schedule your staff's visits, then you can effectively prevent abuse. However, this tends to strip the professionalism from some positions. Perhaps the best use of this type of report would be in aiding the scheduling process for the line staff and the supervisor – a collective effort.
- v. Maximum/Minimum Visit Report – Indicates if the maximum or minimum number of visits are being performed within a working day. At HWSFC, visit ceilings were established. The ceiling for Hospice is 6 visits per day and 7 visits for home health. Visits exceeding the ceiling require authorization from a Manager.
- vi. Average Visit Per Patient Report – Indicates if there is an increase in the number of visits a particular patient is receiving from period to period. This report will help indicate possible abuse of the system by staff members making unnecessary visits.
- vii. Average Number of Visits Per Employee – Indicates the number of visits performed within a period of time (Productivity Report).
- viii. Patient/Caregiver Survey – Provides information from patient/caregiver about the quality of services provided.
- ix. Physician Survey – Provides information from the Physician's viewpoint.

H. Pilot program



1. We piloted the new system with the home health division. It was explained that they were “Guinea pigs” and that they were to report problems, concerns, successes, likes, and dislikes immediately. They also were told not to get too used to their newly computed rates because they probably would change. We assured them that the agency would see to it that they would not be hurt financially by the project. The results were incredible (presentation slides demonstrate).

I. Full implementation

1. After the pilot program was off and running and had stabilized, we implemented the system with the Hospice teams. Realize that the financial incentives are completely opposite between Hospice and Home Health. With Home Health, your financial goal is to make the maximum number of visits that can be made ethically. With Hospice, you want to make as few visits as possible since you are capitated by the per diem.

VII. What to expect? Pros and Cons

A. Pros:

- o Nursing, CNA, Admissions, and SW discipline's productivity increased by 100%. PC only increased 50%.
- o You will gain tremendous insight into your operations since you will be forced to analyze almost every aspect of the organization.
- o You will begin to breakdown departments and divisions and take a more global view of the entire entity because interrelationships of tasks are automatic. Remember, if someone else's performance affects your pay, you're going to react.
- o We couldn't “end” the system without a war. Most staff like the system and would “revolt” if we attempted to revert back to a salary system.
- o Staff FEEL more “in control.”
- o Managers receive fewer phone calls from patients. Could this be an indication of better care?
- o Meeting time decreased.
- o Staff are more willing to see patients.
- o Staff are more willing to help out during labor shortages.
- o Staff FEEL that the new system theoretically “fits” the Hospice philosophy better, due to the high degree of flexibility as to when visits can be made. It's not just 8 to 5 anymore. Visits can be scheduled when it is convenient for the patient rather than the staff.
- o System “forces” process re-engineering. Pressure being placed to earn a living provides an automatic desire to perform tasks in less time and therefore free up more time for other activities. Process short-comings are quickly pointed out by staff.



Complaints drive Managerial decisions. Automation, computerization, and simplification are keys to the re-engineering of processes.

- o Easier to determine the cost of activities. Example: How much did that impromptu full-staff meeting cost?
- o Staff become more “time conscience.” Staff are unwilling to waste time with frivolous issues.
- o Management has a strong tool to shape the behavior of subordinates.
- o Patient care staff enjoy the flexibility of controlling their schedules. Patient care staff can do “personal” things from 8-5 as long as beepers are on and they respond to the needs of their patients.
- o Would it pass a Cost/Benefit Analysis? Absolutely!

B. Cons:

- o Initially, the system will take much maintenance. This will decrease with time; however, it will never completely go away since the system changes as the organization changes.
- o Don't expect staff to want to work holidays. Sure they are going to get paid, but time for holidays is a special time for families.
- o When census declines, staff will become nervous (concerned) (which is good). One short-term solution is to use the uneasiness as a motivator to have the staff perform marketing calls. It uses up some of that nervous Energy and they could be compensated for it. And of course, marketing is just what is needed by the agency!
- o The tradeoff for improved productivity is additional administrative effort. This is a more demanding system to administer.
- o Some Managers will have a problem with line staff making more money than they do. Personally, I do not have a problem with this. Consider this example: It is not unusual for top sales personnel to make more than their Manager, because, without sales, they are out of business. The same is true for Hospice.
- o Initially, staff will have many questions for Managers as to what they are willing to approve. Time will be consumed.
- o During the first few payroll runs, staff will attempt to overcompensate regarding the number of visits due to fear of earning less. A short-term increase in payroll may result.
- o Some Managers will be reluctant to say “no” to the approval of questionable activities.
- o There will always be staff who FEEL there are inequities in the system. Of course, you will never have everyone reach complete agreement as to what is fair.
- o Perception by some staff that every single activity should be compensated for separately (picking up the pencil example).
- o PCs have a spiritual conflict with being paid for services. PCs FEEL a personal dilemma with seeing a patient “for the money” rather than for the patient's sake.
- o Staff and Managers must learn to deal with the new environment. Total payroll will fluctuate with census. Line positions will sometimes have substantial pay increases,



especially with additional ON-Call work or temporarily increased patient loads. Also, during periods of decreased census, pay will decrease in relation to the number of patients.

- o There are several minor miscalculations in the annualization process. Some activities were paid too much, others too little. Adjustments had to be made. It is difficult to back down a person's rate once they become accustomed to it. So, try to get it right the first time.

Where are you now?

Recognize that competition is inevitable. Low-cost/high-quality providers will survive.

Understand that your largest percentage of costs is in payroll and that you will have to continue to find ways to motivate your employees to become more productive.

Activity-Based Compensation is not the only answer, but it is a system that has considerable flexibility and application for an **entire** organization.



12 Concerns/Problems with Accountability/Empowerment Compensation*

There should be some concern with Compensation Systems. Why? Because they are so powerful! Care should always be given to what is incentivized. And in every situation, you will have unintended consequences and results! That is one of the things that makes this work exciting! With this said, the benefits far outweigh the downside of a well-thought-out system. So don't let fear hold you back.

Concerns with Accountability/Empowerment Compensation

What if everyone hits the Model Standards? Everyone will get additional pay! In many bonus systems, a calculated risk is taken that not everyone will hit their targets and therefore not everyone will get a bonus. However, there are cases where everyone hits their targets and the company is in trouble because it can't afford to pay the bonuses. With this approach, the cost of the additional pay is covered by the savings that result.

As the Hospice grows, some departments may have an easier time reaching their goals due to economies of scale and automation. This is a true statement and when the Model is established, it should be expected to be changed. To mitigate this problem or perceived inequality, a best practice doctrine should be adopted whereby "if a functional area is able to achieve a level of savings over a period of time, the Model is adjusted to reflect this "best practice" as Standard practice for the Hospice." This would free resources for other needs or create more profit. Personally, I like to keep the amounts the same unless it is unfair.



The Comp System Can and Will Be Changed Over Time

Compensation, like any other area, needs to be established with the idea that **it can and will be changed over time**. It will become better and fairer over time. Manage this expectation. No one implements a perfect Compensation System. You will screw up for sure, but it won't be as bad as you think and people will not head for the doors in droves!

Does Accountability/Empowerment - Performance Compensation Work? In my opinion, based on personal experience and the insight gained from the analysis of hundreds of Hospices... the answer is unquestionably YES. Our most effective and efficient Hospices, with the highest levels of quality, use Accountability/Empowerment - performance compensation. With this said, great care should be given to "what" we incentivize because that behavior will occur. There can also be unintended results/consequences, both positive and negative. You don't want staff to work like squirrels on speed but you might not mind if Case Managers are lined up outside of Admissions because they can serve more patients. For sure, Accountability/Empowerment compensation is one of the quickest ways to alter behavior. Don't fear it, use it!



13 Conclusion*

Why did we do this? Here is a quick list to remind us of why we are implementing an Accountability/Empowerment Compensation System.

1. The current system will only give us average to poor results.
2. We want owners and not renters.
3. We only want confident people.
4. We want talented people.
5. We want not only to attract talented people, but we want to retain them.
6. We want a system designed around Standards. High Standards...
7. We want Accountability structurally and not based on the Personal Inspection of Work.
8. We want a healthy culture of fairness, action, self-regulation and mutual reliance.
9. Accountability Compensation is the **ONLY** way to the 90th percentile.

Compensation is a tool... It is one of your most powerful tools to foster the performance and behaviors you want in your culture. Your organizational culture is what you want to craft. The vision is clear. You are surrounded by talented, confident people. Things are not breaking. There are few service failures... People have **EXTREME** pride. They are proud of their work and the company they represent.

THIS is the payoff... your compensation for moving in this direction that so many fear...

Welcome to the land of the Outlier!



Appendix 1 – Exempt vs Non-Exempt

Most jobs are governed by the FLSA. Some are not. Some jobs are excluded from FLSA coverage by statute. Other jobs, while governed by the FLSA, are considered "exempt" from the FLSA overtime rules.

Exclusions from FLSA coverage.

Particular jobs may be completely excluded from coverage under the FLSA overtime rules. There are two general types of complete exclusion. Some jobs are specifically excluded in the statute itself. For example, employees of movie theaters and many agricultural workers are not governed by the FLSA overtime rules. Another type of exclusion is for jobs that are governed by some other specific federal labor law. As a general rule, if a job is governed by some other federal labor law, the FLSA does not apply. For example, most railroad workers are governed by the Railway Labor Act, and many truck drivers are governed by the Motor Carriers Act, and not the FLSA. Many of FLSA exclusions are found in §213 of the FLSA.

Exempt or Nonexempt.

Employees whose jobs are governed by the FLSA are either "exempt" or "nonexempt." Nonexempt employees are entitled to overtime pay. Exempt employees are not. Most employees covered by the FLSA are nonexempt. Some are not.

Some jobs are classified as exempt by definition. For example, "outside sales" employees are exempt ("inside sales" employees are nonexempt). For most employees, however, whether they are exempt or nonexempt depends on (a) how much they are paid, (b) how they are paid, and (c) what kind of work they do.

With few exceptions, to be exempt an employee must (a) be paid at least \$23,600 per year (\$455 per week), and (b) be paid on a salary basis, and also (c) perform exempt job duties. These requirements are outlined in the FLSA Regulations (promulgated by the U.S. Department of Labor). Most employees must meet all three "tests" to be exempt.

Salary level test.

Employees who are paid less than \$23,600 per year (\$455 per week) are nonexempt. (Employees who earn more than \$100,000 per year are almost certainly exempt.)



Salary basis test.

Generally, an employee is paid on a salary basis if s/he has a "guaranteed minimum" amount of money s/he can count on receiving for any work week in which s/he performs "any" work. This amount need not be the entire compensation received, but there must be some amount of pay the employee can count on receiving in any work week in which s/he performs any work. Some "rules of thumb" indicating that an employee is paid on a salary basis include whether an employee's base pay is computed from an annual figure divided by the number of paydays in a year, or whether an employee's actual pay is lower in work periods when s/he works fewer than the normal number of hours. However, whether an employee is paid on a salary basis is a "fact," and thus specific evaluation of particular circumstances is necessary. Whether an employee is paid on a salary basis is not affected by whether pay is expressed in hourly terms (as this is a fairly common requirement of many payroll computer programs), but whether the employee in fact has a "guaranteed minimum" amount of pay s/he can count on.

The FLSA salary basis test applies only to reductions in monetary amounts. Requiring an employee to charge absences from work to leave accruals is not a reduction in "pay," because the monetary amount of the employee's paycheck remains the same. Similarly, paying an employee more than the guaranteed salary amount is not normally inconsistent with salary basis status, because this does not result in any reduction in the base pay.

With some exceptions, the base pay of a salary basis employee may not be reduced based on the "quality or quantity" of work performed (provided that the employee does "some" work in the work period). This usually means that the base pay of a salary basis employee may not be reduced if s/he performs less work than normal, if the reason for that is determined by the employer. For example, a salary basis pay employee's base pay may not be reduced if there is "no work" to be performed (such as for a plant closing or slow period), and a salary basis employee's base pay may not be reduced for partial day absences. However, employers may "dock" the base pay of salary basis employees in full day increments, for disciplinary suspensions, or for personal leave, or for sickness under a bona fide sick leave plan (as for example if the employee has run out of accrued sick leave).

Thus, there can be "permissible" and "impermissible" reductions in salary basis pay. Permissible reductions have no effect on the employee's exempt status. Impermissible reductions may, in that the general rule is that an employee who is subjected to impermissible reductions in salary is no longer paid on a salary basis, and is therefore nonexempt. However, employers have several avenues by which they can "cure" impermissible reductions in salary basis pay, and as a practical matter these make it unlikely that an otherwise exempt employee would become nonexempt because of salary basis pay problems. The salary basis pay requirement for exempt status does not apply to some jobs



(for example, doctors, lawyers and schoolteachers are exempt even if the employees are paid hourly).

The duties tests.

An employee who meets the salary level tests and also the salary basis tests is exempt only if s/he also performs exempt job duties. These FLSA exemptions are limited to employees who perform relatively high-level work. Whether the duties of a particular job qualify as exempt depends on what they are. Job titles or position descriptions are of limited usefulness in this determination. (A secretary is still a secretary even if s/he is called an "administrative assistant," and the chief executive officer is still the CEO even if s/he is called a janitor.) It is the actual job tasks that must be evaluated, along with how the particular job tasks "fit" into the employer's overall operations.

There are three typical categories of exempt job duties, called "executive," "professional," and "administrative."

Exempt executive job duties.

Job duties are exempt executive job duties if the employee

1. regularly supervises two or more other employees, and also
2. has management as the primary duty of the position, and also,
3. has some genuine input into the job status of other employees (such as hiring, firing, promotions, or assignments).

Supervision means what it implies. The supervision must be a regular part of the employee's job, and must be of other employees. Supervision of non-employees does not meet the standard. The "two employees" requirement may be met by supervising two full-time employees or the equivalent number of part-time employees. (Two half-time employees equal one full-time employee.)

"Mere supervision" is not sufficient. In addition, the supervisory employee must have "management" as the "primary duty" of the job. The FLSA Regulations contain a list of typical management duties. These include (in addition to supervision):

- interviewing, selecting, and training employees;
- setting rates of pay and hours of work;
- maintaining production or sales records (beyond the merely clerical);
- appraising productivity; handling employee grievances or complaints, or disciplining employees;
- determining work techniques;



- planning the work;
- apportioning work among employees;
- determining the types of equipment to be used in performing work, or materials needed;
- planning budgets for work;
- monitoring work for legal or regulatory compliance;
- providing for safety and security of the workplace.

Determining whether an employee has management as the primary duty of the position requires case-by-case evaluation. A "rule of thumb" is to determine if the employee is "in charge" of a department or subdivision of the enterprise (such as a shift). One handy clue might be to ask who a telephone inquiry would be directed to if the called asked for "the boss." Typically, only one employee is "in charge" at any particular time. Thus, for example, if a "sergeant" and a "lieutenant" are each at work at the same time (in the same unit or subunit of the organization), only the lieutenant is "in charge" during that time.

An employee may qualify as performing executive job duties even if s/he performs a variety of "regular" job duties as well. For example, the night Manager at a fast food restaurant may in reality spend most of the shift preparing food and serving customers. S/he is, however, still "the boss" even when not actually engaged in "active" bossing duties. In the event that some "executive" decisions are required, s/he is there to make them, and this is sufficient.

The final requirement for the executive exemption is that the employee have genuine input into personnel matters. This does not require that the employee be the final decision maker on such matters, but rather that the employee's input is given "particular weight." Usually, it will mean that making personnel recommendations is part of the employee's normal job duties, that the employee makes these kinds of recommendations frequently enough to be a "real" part of the job, and that higher management takes the employee's personnel suggestions or recommendations seriously.

Exempt professional job duties.

The job duties of the traditional "learned professions" are exempt. These include lawyers, doctors, dentists, teachers, architects, clergy. Also included are registered nurses (but not LPNs), accountants (but not bookkeepers), engineers (who have engineering degrees or the equivalent and perform work of the sort usually performed by licensed professional engineers), actuaries, scientists (but not technicians), pharmacists, and other employees who perform work requiring "advanced knowledge" similar to that historically associated with the traditional learned professions.



Professionally exempt work means work which is predominantly intellectual, requires specialized education, and involves the exercise of discretion and judgment. Professionally exempt workers must have education beyond high school, and usually beyond college, in fields that are distinguished from (more "academic" than) the mechanical arts or skilled trades. Advanced degrees are the most common measure of this, but are not absolutely necessary if an employee has attained a similar level of advanced education through other means (and perform essentially the same kind of work as similar employees who do have advanced degrees).

Some employees may also perform "creative professional" job duties which are exempt. This classification applies to jobs such as actors, musicians, composers, writers, cartoonists, and some journalists. It is meant to cover employees in these kinds of jobs whose work requires invention, imagination, originality or talent; who contribute a unique interpretation or analysis.

Identifying most professionally exempt employees is usually pretty straightforward and uncontroversial, but this is not always the case. Whether a journalist is professionally exempt, for example, or a commercial artist, will likely require careful analysis of just what the employee actually does.

Exempt Administrative job duties.

The most elusive and imprecise of the definitions of exempt job duties is for exempt "administrative" job duties.

The Regulatory definition provides that exempt administrative job duties are

- (a) office or nonmanual work, which is
- (b) directly related to management or general business operations of the employer or the employer's customers, and
- (c) a primary component of which involves the exercise of independent judgment and discretion about
- (d) matters of significance.

The administrative exemption is designed for relatively high-level employees whose main job is to "keep the business running." A useful rule of thumb is to distinguish administrative employees from "operational" or "production" employees. Employees who make what the business sells are not administrative employees. Administrative employees provide "support" to the operational or production employees. They are "staff" rather than "line" employees. Examples of administrative functions include labor relations and personnel (human resources employees), payroll and finance (including budgeting and benefits management), records maintenance, accounting and tax, marketing and advertising (as differentiated from direct sales), quality control, public relations (including shareholder or investment relations, and



government relations), legal and regulatory compliance, and some computer-related jobs (such as network, internet and database administration). (See [Computer employees.](#))

To be exempt under the administrative exemption, the "staff" or "support" work must be office or nonmanual, and must be for matters of significance. Clerical employees perform office or nonmanual support work but are not administratively exempt. Nor is administrative work exempt just because it is financially important, in the sense that the employer would experience financial losses if the employee fails to perform competently. Administratively exempt work typically involves the exercise of discretion and judgment, with the authority to make independent decisions on matters which affect the business as a whole or a significant part of it.

Questions to ask might include whether the employee has the authority to formulate or interpret company policies; how major the employee's assignments are in relation to the overall business operations of the enterprise (buying paper clips versus buying a fleet of delivery vehicles, for example); whether the employee has the authority to commit the employer in matters which have significant financial impact; whether the employee has the authority to deviate from company policy without prior approval.

An example of administratively exempt work could be the buyer for a department store. S/he performs office or nonmanual work and is not engaged in production or sales. The job involves work which is necessary to the overall operation of the store -- selecting merchandize to be ordered as inventory. It is important work, since having the right inventory (and the right amount of inventory) is crucial to the overall well-being of the store's business. It involves the exercise of a good deal of important judgment and discretion, since it is up to the buyer to select items which will sell in sufficient quantity and at sufficient margins to be profitable. Other examples of administratively exempt employees might be planners and true administrative assistants (as differentiated from secretaries with fancy titles). Bookkeepers, "gal Fridays," and most employees who operate machines are not administratively exempt.

Merely clerical work may be administrative, but it is not exempt. Most secretaries, for example, may accurately be said to be performing administrative work, but their jobs are not usually exempt. Similarly, filing, filling out forms and preparing routine reports, answering telephones, making travel arrangements, working on customer "help desks," and similar jobs are not likely to be high-level enough to be administratively exempt. Many clerical workers do in fact exercise some discretion and judgment in their jobs. However, to "count" the exercise of judgment and discretion must be about matters of considerable importance to the operation of the enterprise as a whole.

Routinely ordering supplies (and even selecting which vendor to buy supplies from) is not likely to be considered high- enough to qualify the employee for administratively exempt status. There is no "bright line." Some secretaries may indeed be high-level, administratively



exempt employees (for example, the secretary to the CEO who really does "run his Life"), while some employees with fancy titles (e.g., "administrative assistant") may really be performing nonexempt clerical duties.

Rights of exempt employees.

An exempt employee has virtually "no rights at all" under the FLSA overtime rules. About all an exempt employee is entitled to under the FLSA is to receive the full amount of the base salary in any work period during which s/he performs any work (less any permissible deductions). Nothing in the FLSA prohibits an employer from requiring exempt employees to "punch a clock," or work a particular schedule, or "make up" time lost due to absences. Nor does the FLSA limit the amount of work time an employer may require or expect from any employee, on any schedule. ("Mandatory overtime" is not restricted by the FLSA.)

Keep in mind that this discussion is limited to rights under the FLSA. Exempt employees may have rights under other laws or by way of employment policies or contracts.

Rights of nonexempt employees.

Nonexempt employees are entitled under the FLSA to time and one-half their "regular rate" of pay for each hour they actually work over the applicable FLSA overtime threshold in the applicable FLSA work period.



Appendix 2 – The Short-List

We often get requests from Hospices for names of experts in areas outside the scope of MVI, including patient-management vendors, service organizations, consultants, utility software and other Hospice-focused entities. We can provide lots of names, but all are not equal in our eyes. Here is our “short” list of experts who we recommend to our clients. Our reputation is at stake when we endorse individuals and organizations, therefore, we do not do this lightly. An individual or organization does not get on the **Short List** unless they have demonstrated excellence in customer service and quality of services. A track record is needed as we believe that past performance is indicative of future performance. Here is our list of the most trusted individuals and companies that truly can help a Hospice in their respective areas of expertise:

Wise Hospice Options Contact: Grant Faubion

Pharmacy: A boutique pharmacy benefit Manager (PBM Network) designed specifically for Hospice to improve drug utilization and reduce costs. Median clients have pharmacy costs of 4% of NPR. Fantastic customer experience! One of MVI’s most trusted vendors.

Durable Medical Equipment: a web-based medical equipment software for ordering, tracking and billing WHO will also help negotiate contracts

Phone: 405-590-5280

Email: gfaubion@wiseop.com

Blackmore CPA Contact: Aaron Blackmore. CPA

Accounting Services for Hospices: This accounting service was formerly MVI Partners and became its own entity when MVI decided it wanted to FOCUS on Best Practices and Benchmarking only! Blackmore CPA uses MVI practices and they work in the same building as MVI! This service is a well-oiled machine and they know the Hospice business. They work on an interim basis as well as form long-term relationships, many for more than a decade. They are also some of the finest people you could ever work with.

Phone: 828-233-1180

Email: aaron@blackmorcpa.com

Web: <http://blackmorcpa.com>

Donor Express Contact: Bob Holder

Donor Tracking Software. Great value, initiative and does virtually everything a Hospice needs. It is also great for cash receipts as well! Super service!

Phone: 828-264-2577

Email: bob@donorexpress.com

Website: d.JarredZuccari@HamiltonInsurance.com donorexpress.com

Hamilton Insurance Contact: Jarred Zuccari

Brief summary- Hamilton Insurance Agency (HIA) is a full-service, nationally licensed brokerage and risk management firm that specializes in insuring healthcare companies. Independently owned and operated since 1982, HIA is small enough to deliver personalized service but large enough to influence carriers and secure preferential treatment for its clients. Dynamic and innovative, HIA strives to be much more than a vendor but rather a partner that wants our client’s businesses and industries to succeed. There are NOT people that will be taking you to play golf! But you’ll get VALUE! These folks and doing for Hospice what they have done especially in the Nursing Home space!

Phone: (571-239-7149)

Email: JarredZuccari@HamiltonInsurance.com



Multi-View Incorporated Systems
PO Box 2327
Hendersonville, NC 28793
828-698-5885 or multiviewinc.com



Hartman Value Profile – Steve Byrum Method Contact:

This system zeroes in on people's judgment rather than providing a personality categorization system. In Hospice, we must have people with extraordinary personal judgment as so much of our work is done independently and is decentralized operationally. This is the system we recommend for determining cultural fit. This is a specifically adapted version of Hartman unlike any other. Used by the Mayo Clinic, the Citadel and many other prestigious organizations. This system provides an immediate payoff!

Email: byrum4@aol.com

ZipScan Contact: Alan Jones

When people attend our Tough Training events, they often ask about our grading scanner and system because we process exams so quickly. Our secret vendor is ZipScan! The ZipScan unit is tough as a tank, easy to use and is incredibly accurate. We can grade 80 CLP attendees, each with 4 answer forms (with 200 questions each), in less than an hour! If education is a big deal at your Hospice, this is the system. Objective, tough, easy-to-use and fast!

Phone: 801.947.0490

Email: allen@zip-scan.com

Weatherbee Resources, Inc. Contact: Heather Wilson

These folks have done a great job in the compliance and documentation areas. They are great people, high Integrity and have never disappointed in our book.

Phone: 866.969.7124

Web: www.weatherbeeresources.com

These people/organizations come without big egos. They are salt of the earth types who actually produce results and above all, do what they say they're going to do. There are a lot of people who would like to be on this list and there are probably some who we should add. But these are our most trusted ones.



The Presenter



Andrew Reed, CPA/System Analyst

CEO & Chief Teaching Officer

Andrew is perhaps best known for his songs, *If All the World Were Right*, *Twisted World* and *Strangers*. He is a Universal Music Group (UMG), Virgin Music Group recording artist, but he is also one of the most influential people in the United States regarding the operations of Hospice and Homecare organizations. He is an organizational expert in 1) Systems and 2) Human Development. He has worked with over 1,300 companies in the United States and abroad over the past 30 years. Andrew is perhaps best known for “the Model” - a modern approach to Hospice and Homecare management that creates a high-quality, predictable experience that is financially phenomenal. Through humility and openness, he has helped organizations *quantify*, become *aware of*, and **implement** innovations in management that have created some of the most successful platforms in the history of the movement, resulting in some of the highest valuations and quality scores accompanied by phenomenal economic performance. To prove the point, he and his good friend formed a Hospice in the parking lot of a Holiday Inn, growing that Hospice from zero to 1,200 ADC and WINNING the *Malcolm Baldrige Award*, the only Hospice to ever receive the nation’s highest recognition of quality. These results have been achieved by bringing meticulous FOCUS to virtually every aspect of the care experience, including Perfect Phone Interactions, Perfect Visit Structures and, if a Hospice, Revolutionary Bereavement. All are designed to create a high-quality, predictable experience for every patient, every time. This FOCUS on front-line quality enables an organization to flatten like a pancake, only needing a handful of FTEs to support thousands of patients. This vast insight into of the “Best-Known Success Patterns” comes from the *monthly* extraction of *898 data-elements with 922 cross-calculations from over 800 Hospice and Homecare entities*. This depth and type of benchmarking exists in no other sector of healthcare. The 90th percentile – “outliers” - are investigated and the practices are documented/systematized.

Andrew has been the interim CEO during multiple turnarounds as well as the CFO for many Hospices and Homecare entities in his earlier days. He has served on the Boards of Directors of many Hospices. He has bought, sold and dealt with virtually all types of Hospice business combinations and Hospice-types such as Private Equity, Publicly Traded, NFPs, etc.

Andrew formed Multi-View Incorporated (MVI) in 1996 to help organizations become “transformative” for all touched through dedication to the highest quality and ideals in the human experience. Since then, MVI has multiplied into several different companies including MVI, MVI Systems, MVI Benchmarking, and MVI Media. Andrew has personally visited hundreds and hundreds of Hospices and Homecare organizations.

He also has produced top 5 Billboard records and worked with Grammy-winning artists and nominees. *If All the World Were Right* was #15 Global Top 50 Adult Contemporary Airplay & Cashbox Charts, #31 Billboard Mainstream Top 40. *Cure My Mind* reached #35 on the Billboard and *Strangers* reached #15 on the Billboard Adult Contemporary and



peaked at #4 the NMW Hot 100. Coincidentally, all 3 songs were #1 for 10 weeks on the Indie US Radio Chart. His first Universal release, *Twisted World* reached #3 on both the Cashbox & Global Digital Radio Airplay Rock charts.

What is MVI in 126 Words...

Perhaps no other organization has meticulously considered and cared enough about the Hospice and Homecare experience to break down and systematize everything from phone interactions to clinical visits to revolutionary bereavement to enormous utilization of volunteers to the economic welfare of the mission. After working with over 1,300 Hospices and Homecare entities, MVI starts with Benchmarking for professional perspective and guides an organization all the way through the Model with its establishment of 1) Clear, 2) Impressive and 3) Sustainable Standards. Then via extraordinary People Development, an organization with near-flawless quality is created, where it can go days, sometimes weeks, and even “thousands of visits” between complaints, service failures or documentation errors. Economic results are often 200%-400% above the median (50th percentile) - a natural byproduct of *radically increased quality*.



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Evaluation – Thank You!

Thank you for participating in this program! We would like to know your thoughts. FEEL free to comment on any aspect. Write on the back of this form or attach additional sheets if more space is required for you to fully express yourself.

May we use this evaluation form to help spread the word about this program? YES NO

Name _____ Dates _____

Hospice _____

Place _____



Multi-View Incorporated Systems
PO Box 2327
Hendersonville, NC 28793
828-698-5885 or multiviewinc.com



Evaluation

Please rank the following aspects of the program. Place an “X” or check in the box that corresponds to your answers.

	Excellent 5	Good 4	Average 3	Below Average 2	Poor 1
Were the stated learning objectives met? Objectives:					
(1) Learn How to use Compensation as a Tool to Shape Behavior & Culture.					
(2) Understand the Mechanics of a Compensation System.					
(3) Discover How to Present a Change in Compensation.					
If applicable, were the prerequisite requirements appropriate and sufficient?					
Were the program materials accurate?					
Were the program materials relevant and contributed to the achievement of the learning objectives?					
Was the time allotted to the learning activity appropriate?					
If applicable, were the individual instructor(s) effective?					
Were the facilities and technical equipment appropriate?					
Were the handouts or advance preparation materials satisfactory?					
If applicable, were the audio and video materials effective?					
<u>Are you more confident in your role than when you arrived?</u>					
Please evaluate the teaching of each presenter individually. Were the individual instructors effective?					
Andrew Reed, CPA					

Thank you!





Disclaimer – Release of Liability

Regarding this program and MVI Guidance:

MVI provides general guidance regarding methods of compensation to be considered which reward employees who meet organizational standards and create disincentives for employees who do not. MVI does not provide legal or tax advice regarding these compensation methods and is expressing no opinion regarding whether these compensation methods comply with applicable federal, state or local laws. Any changes that your organization makes to its compensation methods may have material legal and tax implications and you should consult with your attorneys and tax advisors prior to implementing any such changes. It is the responsibility of your organization to ensure that any compensation changes comply with all applicable federal, state or local laws, and MVI expressly waives any responsibility for determining the tax consequences of any such changes and whether such changes comply with applicable law. By agreeing to our terms of service, you are expressly waiving any claims that your organization may have against MVI for damages arising from any adverse tax consequences or violations of federal, state or local law which result from any compensation method changes that MVI has recommended.

Organization

Signed

Printed Name

Date

