

**School of Medicine Compensation Principles and Policy**  
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**Principles of Compensation**

The University requires each Department/Center for Medical Education to articulate compensation guidelines as specifically described in the Faculty Handbook. To ensure equity within rank and missions, there needs to be a consistent compensation policy within the School of Medicine (as opposed to multiple departmental policies). This document defines the principles and policy that drive compensation decisions throughout the School. Department chairs and center directors determine whether a faculty member has met expectations and with the faculty member sets goals and expectations for the coming year(s). This latitude being said, oversight still remains with the School to assure consistency of application across IUSM.

The School of Medicine comprises substantial heterogeneity across Departments and Centers for Medical Education in terms of size, composition and responsibilities. For example, the clinical departments differ from the basic science departments in having practice plans that contribute to the overall compensation of faculty. Faculty should be productive and demonstrate quality in areas of the academic mission according to their faculty track. Expectations are defined through dialogue with their chair or center director. Linking compensation to expectations of productivity and quality implies compensation can vary in both directions; namely, there can be both increases and decreases in overall compensation (more detail to follow). Therein a **first principle** is *that our compensation policy refers to all components of a faculty member's salary—IU, practice plan, VA, etc.* A **second principle** is *that a faculty member's total compensation should be aligned with productivity and quality.* This principle mandates a **third principle** *that faculty are accountable for their time, which will be allocated among different academic missions.* A **fourth principle** is *that each department must define the expectations of individual faculty members.* A **fifth principle** is *that overall compensation should be determined by three factors: 1. External equity, 2. Internal equity, and 3. Merit.*

1. *External equity:* Faculty at the IU School of Medicine should be paid comparably to their peers at other academic institutions in the Midwest and the nation. Department specific data therein are readily available through surveys such as those from AAMC and MGMA. Centers for Medical Education will use as a frame of reference their “market”, which will usually be the institution of higher education with which they are affiliated; for example, the external market for a biochemist at the Muncie campus would be compensation data from Ball State as opposed to AAMC. The external marketplace is dynamic and can move this frame of reference upwards or downwards. This means that an increase in the external marketplace may require substantial increase in compensation to remain competitive for top faculty. It also means that decreases in the external marketplace may result in decreases in compensation. External equity also means that compensation

levels will differ among specialties; for example, the current marketplace and reimbursement system result in differential levels of compensation for a cardiovascular surgeon as compared to a primary care physician. We do not control these external forces, but we must be responsive to them.

2. *Internal equity*: Faculty of similar rank, seniority and productivity should be compensated similarly. This does not mean that a surgeon and a biochemist of similar rank and seniority have the same compensation; such is precluded by the external equity frame of reference noted above. This also does not mean a biochemist at one campus is paid the same as at another.
3. *Merit*: Merit links productivity and quality to compensation. Faculty who are productive and demonstrate quality in their work should be rewarded appropriately. A goal of this policy is to assure faculty there is opportunity to advance and be rewarded for being productive. As noted above, productivity needs to be evaluated in multiple academic missions. This means that productivity in one area can be amplified by productivity and quality in another; the converse is that productivity in one area can be neutralized by lack of productivity in another. This also means that poor productivity and quality can result in decreases in compensation. It also means that highly productive faculty will have greater increases in compensation than less productive faculty. Over time the cumulative effect of differences in productivity can result in substantial differences in pay among faculty of the same rank in the same department. The vital importance of merit in determining compensation also mandates that each department abides by the fourth principle, above, which is that each Department and Center for Medical Education must define expectations of individual faculty members. These expectations will then become components of faculty annual reviews that translate to compensation. Determinants of merit may and probably will differ among departments and centers. This fact emphasizes the importance of each department articulating expectations so that faculty members know what is expected of them.

In defining merit/productivity/quality expectations, the following are elements (not inclusive) that should be considered for each academic mission:

1. Education:
  - a. Quantity
    - i. Lectures/didactics/small group learning
    - ii. Clinical Attending
    - iii. Student, resident and postdoctoral trainee advising
    - iv. Graduate student dissertation committees
  - b. Quality/awards
  - c. Mentoring
  - d. Program development
  - e. Leadership
2. Research
  - a. Extramural support (success but also attempts)

- b. Publications
  - c. Program development
  - d. Mentoring
  - e. Collaboration and team play
  - f. Leadership-local, national, and international
3. Service
- a. Clinical
    - i. Patient satisfaction
    - ii. Referring physician satisfaction
    - iii. Co-worker/staff satisfaction
    - iv. Team play
    - v. Program development
    - vi. Leadership
    - vii. Mentoring
    - viii. Resource utilization
    - ix. Clinical productivity at all sites of practice
  - b. Institutional
    - i. Committees
    - ii. Administrative responsibilities
    - iii. Leadership
  - c. Professional organizations
  - d. Community: local, national and international

Another issue that is particularly germane to clinical departments is the distribution of overall compensation among different salary sources. The focus of a compensation policy should be on overall compensation, not just one component. Importantly, distribution among multiple compensation sources may vary over time.

## **Compensation Policy**

This policy applies to tenure and clinical track faculty members at IUSM.

With regard to the policy description that follows, for faculty members with both academic effort and clinical effort, this Salary Policy applies to the percentage of academic effort of the faculty member. For example, if a professor in Medicine has 40% academic effort and 60% clinical effort, this Salary Policy applies to the 40% academic effort and to the compensation received for that 40% effort. Compensation for clinical effort should adhere to the same principles articulated here; the specific policy will be according to IUHP or departmental practice plans until entering IUHP.

Independent of salary source and distribution (one check, two checks, etc.), compensation for tenure and clinical track faculty members at IUSM will have four components (note some departments may not have a bonus component):

- 1 - Core
- 2 - Adjustable

## **Core plus Adjustable = Base**

3 – Administrative supplement

4 - Bonus

## **IUSM Institutional Base Salary**

The IUSM institutional base salary consists of components 1 and 2. The base salary is determined by the principles discussed previously and in particular external and internal equity. For example, if AAMC data indicate the 50<sup>th</sup> percentile compensation for an assistant professor in biochemistry is \$80K and there are no other factors that might influence setting of compensation, an individual's yearly salary may be set at this amount. This compensation would be guaranteed for at least 1 year (longer if in the startup phase of faculty membership). This guarantee enables the sum of these two components to be used as the value for salary in applications to the National Institutes of Health (NIH) and other granting agencies. The base salary level for the academic effort will be set by taking into account available funds within the department or center, the qualifications of the individual faculty member, internal equity within the department or center and external equity as described previously. Towards the end of the academic year, the chair or center director and faculty member will discuss whether expectations were met and hopefully exceeded. If exceeded, for the next year, the base salary may increase, the increase being in the adjustable component of salary as discussed below. If expectations were met but not exceeded, compensation would be adjusted according to university guidelines for faculty for the coming year (assuming sufficient resources in the department or center). If expectations were not met, the adjustable portion of the individual's compensation may decrease with limits to be described subsequently.

At the time of hire of a faculty member with clinical effort, a clinical contract will be provided to the faculty member from IUHP or the individual's department practice plan (until such practice plan is merged into IUHP). The contract will describe the expectations of the % of the individual's effort in clinical responsibilities and the compensation methodology therein. Note, for such faculty members, there will be two compensation plans: one for education, research and non-clinical service and one for clinical service.

## **Component 1 - Core**

The School of Medicine core salary component is dependent on academic rank: \$50K, \$65K and \$80K for full time assistant, associate and full professorial ranks, respectively. This amount may be altered over time according to a number of factors such as the overall financial environment that can be influenced by funding for research, State support, university policy, etc. The intent is these values represent a core commitment below which compensation would not fall. Whether that intent can be met will be greatly influenced by external forces over which IUSM has little if any control. These values are also meant to be such that they provide academic freedom for teaching and research and reasonable economic security.

## **Component 2 – Adjustable**

This component is the difference between the base salary and the core component. In the example above of an assistant professor of biochemistry, the adjustable component is \$30K (\$80K less the defined core component of \$50K).

### **Adjustments to the Base Salary**

At the end of an academic year the base salary can be adjusted based on productivity and quality and also according to university compensation guidelines. A downward change in the base salary will be no greater than 10% per year (\$8K in the current example). The intent is the base salary will not be less than the core described above. Upward adjustments may exceed 10%.

### **Application of Base Salary**

At the time of hire, a letter of employment in the form of a Memorandum of Understanding (MOU) will be provided to the faculty member. The letter/MOU will provide this Compensation Principles and Policy document and the IUSM faculty effort document (as appendices), the latter of which describes expectations of a faculty member. The MOU will also include the specific effort assignment for the new faculty member (for example, 80% research effort, 15% educational effort and 5% non-clinical services). The effort assigned for research will not necessarily reconcile with funded research effort because it could include funded effort and unfunded effort. A period of time (startup period) will be defined as determined by the Chair or Center Director and the new faculty member as appropriate for the assigned effort. At the end of the start-up period or for current faculty beyond their startup, the adjustable component of compensation shall be set annually by the Chair of the Department or the Director of the Center for Medical Education and will be based upon the faculty member's attainment of expectations. As noted above, the adjustable component may increase, decrease, or remain the same in subsequent years depending on the faculty member's productivity regarding assigned duties and responsibilities as defined by the fourth principle, above, which refers to specific departmental expectations determined for each faculty member. The adjustable component for each faculty member will be reviewed and approved annually by the Chair or Center Director and Dean, and is set for the fiscal year.

### **Component 3 - Administrative Supplement**

For those faculty members with assigned administrative responsibilities that come with an administrative supplement, the associated compensation is discretionary and can change according to the availability of resources, need for the administrative task, and reassignment of the administrative function elsewhere. Administrative supplements are not allocated full fringe benefits (health insurance and retirement are not usually included) and are not counted as base salary for the purposes of federal granting agencies.

### **Component 4 - Bonus**

Faculty members may be eligible for additional compensation in the form of bonus payments. These payments are non-recurring one time supplemental payments. Bonus payments do not

have fringe benefits and are not counted as base salary for the purposes of federal granting agencies. In addition, bonuses cannot be charged to sponsored accounts. Each Department or Center will define in writing its own plan, if any, for calculating and distributing bonus payments. Bonus plans should be performance-based and have defined criteria and metrics that allow compensation for outstanding activity in all missions of the IUSM: research, teaching, and service. Funding of bonus payments shall be made from department or center margins or earnings from reserves. Bonus payments that subtract from the corpus of reserves may be appropriate in unusual circumstances, but require approval by the Dean.

### **Examples**

Base assumptions: Assistant Professor in Biochemistry – base salary set at AAMC 50<sup>th</sup> percentile of \$80,000

Component 1 - Core: \$50,000

Component 2 – Adjustable: \$30,000 (Base minus Core)

End of Year –Excellent Performance: Assistant Professor is evaluated by Chair to have been highly productive and producing quality work and as such to have exceeded expectations for the year. Chair approves a 15% increase in base. New base is \$92,000.

Component 1- Core: \$50,000

Component 2 –Adjustable: \$42,000

End of Year- Average Performance: Assistant Professor is evaluated by Chair to have been average in production and quality of work and as such to have met expectations for the year. Chair approves base salary at current rate of \$80,000 plus the University salary recommendation of up to a 2% increase in compensation for faculty for a new base salary of \$81,600.

Component1 – Core: \$50,000

Component 2 – Adjustable: \$31,600

End of Year-Unproductive Performance: Assistant Professor is evaluated by Chair to have been unproductive and not producing quality work and not to have met expectations to a substantial degree. Chair requests 10% decrease in base salary. New base is \$72,000.

Component 1 – Core: \$50,000

Component 2 – Adjustable: \$22,000