



A Compensation Strategy for IT That Makes Sense

By: Ward Keever, CTG HealthCare Solutions Executive Director of Executive Services

As some of you know, I spent 19 years in industry directing IT within the pharmaceutical division of a major multinational company prior to becoming senior vice president and CIO for a major healthcare system on the east coast. The transformation from industry to healthcare was very interesting—aspects of the job that I had previously taken for granted were no longer true in healthcare. Four of the most important changes were:

- The process for selecting systems within healthcare took significantly longer than in industry
- The healthcare database model was orders of magnitude more complex
- The available budget assigned to IT as a percentage of the total corporate operating budget was significantly less than other industries, including the pharmaceutical industry
- The compensation model for IT professionals was dramatically different

With the national push for healthcare reform, finding and retaining good IT personnel is more important than ever. Your ability to succeed over the next few years may come down to having the right team to carry out your plan. In this edition of *Insights*, I want to discuss differences in compensation models and offer a few suggestions for improving the compensation program of your IT department.

Union vs. nonunion: not applicable

Within a healthcare organization, the large majority of employees are nurses and other clinicians within the various ancillary departments. In many organizations, these groups are unionized; for other organizations, it is important to keep the employees from deciding to unionize. In either situation, the nursing/clinician compensation models are built around the thinking and concepts that reflect union practices. I am not suggesting that unions are good or bad. I am simply expressing a view that within healthcare, the compensation model is largely influenced by what is most appropriate for nurses and other clinicians, and because of that this model tends to incorporate a union perspective.

In my view, the compensation model for a well managed IT department, comprised largely of salaried employees, has different criteria that should be considered. In the two healthcare organizations that I worked for, I was fortunate to report to enlightened CEOs who understood these differences and permitted me to work with the HR department to adapt the corporate compensation models to be more appropriate for an IT department and staff.

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Developing your IT compensation model

A meaningful IT compensation model typically derives from a process that looks like this:

- 1) Develop IT strategies that support the corporate strategies
- 2) Define the roles, responsibilities, and staffing model
- 3) Define the desired behaviors and performance expectations
- 4) Design a compensation plan to reinforce desired behaviors and retain competent employees
- 5) Hire the right people

To have a successful IT compensation model that everyone can accept, it's important to articulate a compensation philosophy that describes the departmental and corporate values that are important to future success. From there you can identify a few guiding principles that will serve as a filter for components of the initial model and future changes. Changes that substantially deviate from the guiding principles should either be rejected or cause the principles to be revisited.

Characteristics of a good IT compensation model

An IT compensation model that would help you to provide exceptional support and service to your constituents should be externally competitive and internally equitable. It should also promote the following characteristics:

- 1) Team performance over individual performance
- 2) A team approach and team environment
- 3) Alignment with the IT and corporate strategies and strategic initiatives
- 4) Fairness in the eyes of the participants
- 5) Simplicity
- 6) Affordability
- 7) Individuals' unique skills
- 8) A high level of service to constituents
- 9) Camaraderie over internal competition
- 10) Group harmony over individual efforts

Not only is it important that your compensation model reinforce *good* behavior, it is also important that it not reinforce *bad* behavior, encourage self-interest, or create rancor within the department. Thus the variation, i.e. range, of permissible merit increases will most likely be significantly greater than what is defined for nursing staff.



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Break it down

A compensation plan for IT differs from one for nursing in each component: base pay, incentives, and benefits. A well designed IT compensation model should consider the following:

- 1) **Base pay:** A fixed portion of compensation based on the job classification and grade of an individual.

Historically, healthcare organizations have been low cost payers in a community. And while nurses and other clinicians may not be able to work in other industries, many IT professionals can. Thus, it is very important that base pay for jobs requiring critical IT technical skills be competitively benchmarked not to other hospitals but to other industries within the geographic area. Network managers, software programmers, and database administrators can find work outside of healthcare, so pay scales must be competitive to attract and retain top-notch individuals. In my case, I had a conversation with the VP of HR and earned his approval to conduct a salary survey that included other industries. His first reaction was “Wow” and—thankfully—his second reaction was “Okay.”

- 2) **Incentives:** A variable portion of pay that is based on a combination of team and individual performance and results.

It may surprise you to learn that incentives should not be considered a bonus (such as a holiday bonus). Incentive pay is tied to certain behaviors and/or results; it will, by its very nature, be more successful in motivating defined behavior. The basis for the incentive portion of a person’s pay must be clearly defined and agreed upon as part of each annual performance review so there is minimal chance of disagreement when it comes time to determine how much incentive pay will be given. A lack of specificity and soft agreements will only lead to future disagreement and unhappiness.

Frequently, the total amount available for this component will be influenced by the profitability of the entire organization. Using the above characteristics of an IT compensation model, the incentive portion of IT salaries should be based more on team performance than individual contributions. While I am not suggesting what percentage should be base pay and what should be incentive pay, I do believe that the incentive portion needs to be large enough to influence behavior and make a difference to the performance of your teams and the department as a whole.

- 3) **Benefits:** I’m not suggesting country club memberships, but rather opportunities for professional development, attendance at annual conferences (e.g. HIMSS), and vendor conferences. These forms of additional recognition should be considered rewards for a job well done—not rights to be expected as a normal, recurring part of the job.



Ward Keever serves as Executive Director for CTG HealthCare Solutions' Executive Services. As a former CIO, he has over 35 years of experience in the healthcare IT industry, with a strong background in strategy development and implementing strategic and tactical IT systems in large health system settings and specific solutions for applications within the healthcare industry.

Ward is a Founding Trustee of CHIME and co-founder of HISEA.

For more information, contact:

Ward Keever

ward.keever@ctghs.com

Totally aside from the compensation model, there were times when an individual had spent long hours away from his/her family to meet a committed schedule. Special compensation for overtime was not part of our model (as it often is for nurses). However, it always seemed appropriate in such instances to tell the individual(s) to take their spouse (or significant other) out to a nice dinner and give me the bill. It was a simple and much appreciated way of saying “thanks” to the staff member as well as their spouse.

Compensation is part of a larger focus

A well conceived compensation program will require more specificity than what I have provided here. It includes job descriptions, performance review process and metrics, etc. But, I hope I have given you enough “meat” to consider the idea and decide to pursue it with your CEO and VP of HR. It can make a big difference in terms of your staff behavior and commitment to excellence.

IT is front and center on the national healthcare stage and will be so within your organization because financial incentives and penalties for your organization are now attached to the positive or negative outcome of your strategic IT initiatives—all within mandated timeframes. A well functioning, stable IT team will be a critical success factor in the achievement of your strategic initiatives. Good luck.

Tally Ho!

Ward