

**BRODY SCHOOL OF MEDICINE
ECU HEALTH PHYSICIANS ACADEMIC PRACTICE CLINICAL FACULTY
COMPENSATION PLAN**

I. Introduction:

As academic health centers and the U.S. health care system continue to evolve in complex ways, it is essential to maintain a clinical faculty compensation methodology that balances flexibility with institutionally identified imperatives for the success of the Brody School of Medicine (“SOM”) tripartite mission. Because the prevailing salary levels of clinical faculty result from the unique clinical earning capacity of physicians and other clinicians, such salaries must be responsive to the current revenues available to the clinical Departments of the SOM and reasonably aligned with national benchmarks in order to attract and retain top talent. Further, since most of the income in the SOM is based on clinical receipts, research grants and contract awards, rather than on appropriated state dollars, it is equally important that there is the ability within the clinical faculty compensation system to adequately reward SOM’s most highly productive members, while fostering accountability for those not meeting expectations, with the overall goal of assuring alignment between compensation and mission-based productivity.

This ECU Health Physicians Academic Practice Clinical Faculty Compensation Plan (this “Plan”) sets forth the framework for reasonably flexible remuneration of clinical faculty, allowing for timely alterations from year to year in the form of both increased and decreased compensation as changing financial conditions dictate or allow. In addition to the above, the goals of this Plan include maintaining the long-term financial sustainability of each clinical Department and collectively of the SOM’s medical faculty practice plan, ECU Health Physicians Academic Practice (formerly referred to as legacy ECUP) (“ECUH PA”). This Plan aims to reduce variability among different clinical Departments’ approach to clinical faculty compensation by further detailing a standardized set of common compensation principles, while maintaining reasonable Chair discretion to account for the idiosyncrasies of their respective specialties, subject to this Plan, institutional policy and applicable law. Further, this Plan is intended to develop flexibility toward present and anticipated national changes in health care reimbursement and availability of grant funding, as well as ECUH PA and ECU Health operating models.

This Plan updates and refines the ECU Physicians Clinical Faculty Compensation Plan originally approved by the UNC Board of Governors (“BOG”) in May 1996 and most recently amended and approved by the BOG in 2014, and as amended. Each Department of the SOM having faculty subject to this Plan shall adopt a Departmental plan setting out in sufficient detail the Department’s specific approach to implementing the compensation arrangements authorized by this Plan. As appropriate, Divisions within Departments may adopt sub-plans, subject to approval by the Dean or the Dean’s designee. No Departmental or Divisional compensation plan, or any amendment of such a plan, may take effect unless first approved by the Office of University Counsel and the Dean or Dean’s designee. The Chair of each Department shall be

responsible for implementing the Departmental and Divisional compensation plans and shall inform the Department's faculty in writing of the plans not less often than annually.

II. Plan Summary:

The Dean, in consultation with the Executive Dean of the SOM, will select relevant national compensation survey(s) as its general benchmark for establishing compensation for its faculty members, with the goal of gradually aligning clinical faculty compensation with market norms. It is intended that Departments will use a three (3) year rolling average of approved survey data in order to stabilize fluctuations from year to year; provided, however, the Dean, in consultation with the Executive Dean of the SOM, has the ultimate authority to determine which survey data to use, whether certain years of the survey data need to be excluded due to variations or anomalies, and how frequently the survey data will be updated.

Total Cash Compensation ("TCC") will be comprised of (a) a Clinical Base and an Academic Base; (b) any Incentive Payments; (c) any Extra Duty Payments; and (d) any Stipends; each of which are further defined and set forth below and in the Departmental plans. The Clinical Base and Academic Base must conform with the BOG's salary policies¹. Faculty will be subject to Base Work Expectations, which must be met in order to be eligible for certain compensation and to justify maintaining or increasing their Clinical Base and Academic Base the following year. All compensation paid pursuant to this Plan and Departmental plans adopted hereunder will be (a) in accordance with methodologies that are defined and set-in-advance of the start of the fiscal year (i.e., July 1); (b) consistent with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations; (c) not vary with, or take into account, the volume or value of referrals a faculty member makes within the Department or the SOM, or to ECU Health, or to any unaffiliated health care entity with which the Department has a contractual or other financial arrangement; and (d) not vary based solely upon receipt or termination of an externally sponsored research grant.

Faculty are expected to contribute to additional or unexpected coverage needs. When required activity significantly exceeds compensated effort, Extra Duty Payments ("EDP"s) may be warranted due to an unexpected vacancy, new revenue, or other unexpected situation.

III. Eligibility for Participation:

Faculty members who are appointed to a clinical department and perform patient care are eligible to participate in this Plan, through their Department's plan adopted hereunder. This Plan is intended to apply equally to tenured, tenure track and fixed-term faculty in clinical departments, unless otherwise specified in the terms of their letters of appointment.² Special consideration may be given to new faculty such that a Department may grant a 1-3 year

¹ The BOG has the authority to set salary caps or salary ranges applicable to faculty. The faculty salaries set in accordance with this Plan shall comply with any such BOG requirements in place at the time this Plan is approved and as may be amended from time to time.

² Appointment letters for SOM clinical faculty shall include a statement that their compensation shall be set as provided by this Plan and the relevant Department plan adopted thereunder, unless otherwise specified.

guarantee compensation rate to new recruits to allow for ramp-up (subject to the requirement to meet Base Work Expectations). In the event a Chair grants a guarantee period for a new faculty member, the offer letter or other documentation signed or approved by the Dean or his designee may set forth specific mission-based targets and Base Work Expectations for the faculty member to meet during the ramp-up period. New faculty who exceed defined targets during the ramp-up phase will be eligible to additionally receive incentive as determined by the methodology of their Department's plan, provided total overall compensation remains within fair market value.

For other special categories of faculty employee, including but not limited to visiting faculty, part-time faculty, and faculty who are hired on the assumption that their employment will be temporary, a Chair may, with approval of the Dean, determine at appointment that the faculty member's compensation will be determined independent of the provisions of this Plan, provided any alternate compensation methodology is clearly documented, communicated to the relevant faculty member, and is consistent with institutional policy and applicable law. Similarly, for faculty who are assigned full-time to community based practice settings, the Dean or the Dean's designee may establish an alternative compensation plan that departs (only to the extent necessary and appropriate to tailor compensation for the community-based setting) from the provisions of this Plan; provided, however that all compensation remains subject to BOG salary caps and consistent with fair market value and commercial reasonableness standards, as defined under applicable federal healthcare laws and regulations.

Faculty who permanently cease providing patient care are no longer eligible to participate in this Plan and shall have their FTE and/or salary adjusted commensurate with similarly situated faculty in the Department and/or SOM. Compensation for non-clinical faculty appointed to clinical Departments may be eligible to participate in the SOM Basic Science Faculty Compensation Plan, as applicable.³

Where a faculty member's duties have changed sufficiently, the faculty member may, with agreement of the Dean, convert from this Plan to the SOM Basic Science Faculty Compensation Plan³, or from that plan to this Plan (subject to the foregoing provision regarding employees such as part-time, visiting and temporary faculty members). In such cases the faculty member's annual base salary may be adjusted to reflect assigned duties. Where a faculty member converts from this Plan to the SOM Basic Science Faculty Compensation Plan, reinstatement of the faculty member to coverage by this Plan shall be within the discretion of the Dean or the Dean's designee.

Advanced Practice Providers ("APPs")⁴ who are credentialed for billing purposes are eligible, at the discretion of the Dean, to participate in the incentive component of their Departmental plan adopted hereunder. Subject to the approval of the Dean or the Dean's designee, each Department may develop a specific plan for its APPs or use its standard methodology. In no

³ The SOM Basic Science Faculty Compensation Plan is available in Human Resources.

⁴ APPs include nurse practitioners, physician assistants, midwives, certified registered nurse anesthetists and clinical pharmacy practitioners regardless of whether they are hired as faculty or other category of employment.

circumstance may an APP be eligible to participate in a Departmental plan if the APP is simultaneously participating in a Clinical Support Services incentive program.

The Chief Medical Officer (CMO) of ECUH PA will participate in the Plan. The CMO's Annual Base Salary will be equal to a percentile determined by the Dean based on the chosen and approved survey data from the AAMC for the Dean's Office Staff at the rank that most closely associates with the CMO's responsibilities (Senior Associate Vice Dean of Clinical Affairs) with the appropriate credentials (DO/MD, PhD or other). The CMO's Annual Base Salary will be set at the 40th percentile, but may be changed year to year by the Dean based on market conditions and financial feasibility. The CMO's Annual Base Salary will be updated at the time when the applicable survey data is updated, unless otherwise determined by the Dean. The Dean may develop a plan for the CMO that provides for incentives based on specific metrics and may include withholds for failure to meet certain metrics.

The Chair of each Department will participate in the Plan. Each Chair's Annual Base Salary will be equal to a percentile determined by the Dean based on the chosen and approved survey data at the Chair rank based upon their clinical specialty. Each Chair's Annual Base Salary will be set at the 40th percentile of the 3 year rolling average of the AAMC survey, but may be changed year to year by the Dean based on market conditions and financial feasibility. The Chair role will be excluded from meeting productivity targets (and earning productivity incentives), unless a Chair elects the standard productivity model using their current academic rank (Assistant Professor, Associate Professor or Professor) for the Academic Base (rather than the Chair rank). A Chair may only make such election if the standard productivity model is less than the pre-determined percentile for the Chair's Annual Base Salary. The Dean may develop a plan for the Chairs that provides for incentives based on specific metrics and may include withholds for failure to meet certain metrics.

Chairs will be allowed to request consideration for EDP when duties exceed that of the faculty member's total FTE including clinical obligation.

Faculty members with partially reassigned time as a Dean, Associate Dean or Assistant Dean, may participate in the Plan and receive an Annual Base Salary at an appropriate percentile based on a 3 year rolling average of the Dean's Office Staff AAMC survey at the appropriate title and rank proportional to the amount of FTE associated with this role. The Dean will determine the appropriate percentile for these roles, but the percentile may be changed year to year by the Dean based on market conditions and financial feasibility. Any other time will be calculated per the faculty member's Departmental plan.

A faculty member must be employed by ECU in order to receive any Incentive Payments. In addition, in the event that a faculty member's employment terminates, and the faculty member had received more compensation than the faculty member is entitled to based on actual productivity and performance with quality metrics, the faculty member must repay ECU within thirty (30) days of ECU's calculation of the overpayment and notice to the faculty member of the calculations.

IV. Definitions; Related Principles:

- A. **Base Compensation:** Base Compensation is the sum of a Clinical Base and an Academic Base. Base Compensation will be (i) based upon the satisfactory completion of Base Work Expectations; (ii) based upon clinical specialty; and (iii) consistent with the chosen and approved national benchmarks, as modified by the financial capacity of the Department. It is the responsibility of the Dean or the Dean's designee, in consultation with the Chair, to set Base Compensation, within the above parameters, in a way that appropriately values the faculty member's contributions in any or all domains of the tripartite mission. Each Departmental plan uses the CARTs model (C= Clinical; A = Administrative, R = Research and T= Teaching) to allocate a faculty member's contributions and determine how the Clinical Base and Academic Base will be calculated. Base Compensation may be adjusted quarterly and annually in conformance with this Plan, based on the faculty member's (i) productivity and performance in the prior twelve (12) months and (ii) changes in CARTs allocation. In addition, Base Compensation may be reduced at any point during the year in the event a faculty member violates any Base Work Expectations, University policy or law. Base Compensation may also be modified during an academic year in response to a promotion in faculty rank⁵ that is effective mid-year and which impacts the faculty member's Academic Base.⁶
- B. **Incentive Payment:** Incentive Payment is the payment that may be made to a faculty member in recognition of the faculty member's mission-based productivity or quality, pursuant to the methodology defined and set-in-advance in the relevant Departmental plan. Incentive Payment is not ranked-based. Department's recommendations to provide Incentive Payments must be approved in advance by the Dean or Dean's designee. Decisions regarding the issuance of Incentive Payment will be made in light of the current, overall financial condition of the applicable Department and the SOM. Qualifying factors for deciding whether a specific Department should make Incentive Payments may include consideration of such metrics as (i) Departmental operating margin; (ii) financial performance trending of the Department (e.g. limited operating margin but moving in the right direction); (iii) the expense of Departmental strategic initiatives; and/or (iv) financial performance relative to Departmental budget. Such decisions must be applied equitably across members of the Department and without regard to the volume or value of referrals or other business a particular faculty member or the Department generates for any entity within SOM, ECU Health or any non-affiliated entity with which the Department has a contractual or other financial arrangement. Any exceptions to the foregoing must be legitimately justified and documented and may

⁵"Promotion in faculty rank", as described in the ECU Faculty Manual, which includes promotions for fixed-term faculty members.

⁶ For example, a Departmental plan may indicate that the promotion from Assistant Professor to Associate Professor includes an increase in Academic Base due to changes in rank. If the Departmental plan includes such a structure, a faculty member promoted during a plan year may begin to receive the increase in Academic Base in the pay period immediately following the promotion; subject to payroll and human resources constraints regarding timing.⁷ The amount of a faculty member's FTE that a Chair or Division Chief allocates to research, education

only be made upon the approval of the Dean or Dean's designee and in consultation with the Office of University Counsel, as appropriate.

- C. Extra Duty Payments ("EDP" also referred to as "Non-Recurring Payments" (or "One Time Payments")):** EDPs are payments made to a faculty member in consideration of specific, non-recurring, variable duties (e.g. provision of additional call when coverage is needed, generally due to an unexpected vacancy, new revenue, or other unexpected situation).

EDPs could be documented through, for example, an Extended Clinical Care ("ECC") Agreement between the relevant Department and the Brody School of Medicine Faculty Employment Office.

- D. Stipend:** Stipend is a fixed amount of compensation set by the Chair, the Dean, the Provost or other relevant leadership in consideration of a specific added administrative duty the faculty member performs beyond the core duties of a faculty member in the Department. These roles and the related Stipends are at-will and at the discretion of the Chair, Dean, Provost or other leadership making the administrative appointment, as applicable. Stipends must be discontinued when the specific duty that they recognize ends. Stipends are separate and distinct from Base Compensation and Incentive Payment. Stipends are for duties separate and distinct from BWE.
- E. Total Cash Compensation ("TCC"):** Total Cash Compensation equals the sum of Clinical Base, Academic Base, any Incentive Payment, any Extra Duty Payments, and any Stipends. TCC will be budgeted according to the financial capacity of the Department and should align with the faculty member's actual contributions as well as with chosen and approved benchmarks. Each faculty member's TCC is subject to being capped in accordance with fair market value and commercial reasonableness standards under applicable federal healthcare laws, regulations and guidance. Departments are permitted, but not required, to place a specified percentage of TCC at risk, which would then be earned according to the Department's set-in-advance compensation methodology adopted under this Plan.
- F. Base Work Expectations:** Base Work Expectations ("BWE") for clinical, teaching, research, and administrative duties (as applicable, depending on the faculty member's approved activities) are metrics that a faculty member is expected to fulfill and maintain in consideration of the faculty member's current year Annual Base Salary; and must meet (i) to be eligible for earning an Incentive Payment in a particular corresponding category in the current fiscal year under metrics defined in their Departmental plan; and (ii) to maintain their Annual Base Salary for the following year.
- G. FTE:** A 100% Full Time Equivalent (1.0 "FTE") is defined as 52 weeks per year and components of FTE, along with their corresponding BWE, will be determined by this standard; provided, however, that the specific BWE metrics in Departmental plans shall reflect reasonable expectations, including in light of the amount of leave faculty are granted under University policy.

H. **cFTE:** Clinical FTE (or “cFTE”) is determined by the following formula: 100% - x% of FTE funded by (i) externally funded research (any unfunded research requires approved by the Dean or his designee); (ii) GME, UME or contract funded didactic time; and (iii) clinically (internally or externally), GME or UME funded administrative time.⁷ For non-wRVU generating clinical time and inpatient shift-based time, the faculty member’s cFTE will be referred to as Contract Clinical FTE and will not have productivity expectations nor productivity incentives and will be paid per the Departmental plans. cFTE will be part of the CARTS allocation for each faculty member.

V. Additional Principles:

A. Annual Base Salary: As noted above, Base Compensation is comprised of Clinical Base and Academic Base and will be distributed in 24 semi-monthly installments over the course of the fiscal year. In addition to Base Compensation, the faculty member’s Annual Base Salary will be projected to include estimated Productivity and Quality payments (subject to reconciliation based on the faculty member’s actual productivity and achievement of quality metrics through the relevant time frame (quarterly and annually) set forth in the Departmental plans). The Chair will inform the faculty member in writing of the faculty member’s projected Annual Base Salary upon hire and for the upcoming fiscal year once the compensation has been approved by the Dean or Dean’s designee. Changes to Annual Base Salary will be made consistent with the Departmental plans, which have been approved by the Dean or Dean’s designee, and unless otherwise provided for in this Plan, may only be made in connection with the fiscal quarter cycle.

Because of Departmental or Divisional financial conditions, the Chair with approval of the Dean or Dean’s designee may lower the Annual Base Salary for all faculty members in the Department or Division by not more than fifteen percent (15%) of their then-current Annual Base Salary. Such adjustments must be made at the same rate for all affected faculty members, and in extreme circumstances may be applied at any time during the course of the fiscal year due to significant and unforeseen reductions in funding sources.

An individual faculty member’s compensation may be increased or decreased from year to year in accordance with this Plan (subject to the financial health of the Department and market forces) based on the individual faculty member’s productivity and excellence in teaching, research, clinical care and administrative service, and may be reduced at any time in the event a faculty member does not meet their BWE; provided however that:

- i. Annual Base Salary may not be reduced below the academic minimum salary set by rank by the SOM; though academic minimum salary level will be prorated where a faculty member is appointed for less than full-time effort.

⁷ The amount of a faculty member’s FTE that a Chair or Division Chief allocates to research, education and/or administration must be generally justifiable, fiscally sound and is subject to review by the Dean and Provost.

The academic minimum salaries will be \$27,000 for an assistant faculty member, \$36,000 for an associate faculty member, and \$45,000 for a full faculty member.

- ii. Adjustments are made not more frequently than quarterly, with the following exceptions. In extreme circumstances, Annual Base Salary may be decreased during the course of the fiscal year or quarter if significant and unforeseen long-term reductions occur in a faculty member's funding sources. Such adjustments shall be well-documented, without regard to the volume or value of the faculty member's referrals, consistent with this Plan and may only be made with the approval of the Dean or Dean's designee.
- iii. When it is anticipated that a faculty member's Annual Base Salary will be reduced, the Chair will write the faculty member to inform him or her of the planned reduction and the basis for same, and the faculty member shall have a period of not more than fourteen (14) calendar days from the date of the Chair's notice to submit a written response. Departments may consult the Brody School of Medicine Faculty Employment Office operational guidelines for implementing compensation plan changes for additional guidance regarding this process. The Dean will consider information provided by the faculty member in making final Annual Base Salary determinations. Across the board salary alterations within a Department or Division, which are based on overall Departmental or Divisional financial performance, are not subject to this notice and response process.
- iv. Approval of this Plan by University authorities signifies explicit authorization for adjustment of individual faculty members' compensation as described herein, if and as warranted. No separate process shall be required for advance approval by the University or the BOG of downward salary adjustments, either individually or on a Departmental or Divisional basis. Upward adjustments will be congruent with the BOG salary policies, but otherwise shall not require advance approval. Any salary adjustments as may be implemented shall be reported annually to the Chancellor and the President of the UNC System following the close of the fiscal year. All aspects of clinician faculty salary administration in the SOM shall be fully in accordance with the Rules, Regulations, and Policies of ECU.

B. Non-Salary Compensation

BOG policy permits the provision of specified non-salary compensation to a defined category of employees where the awarding of the non-salary compensation is considered relevant to attracting or retaining faculty of the highest possible quality, and ECU policy permits (among other things) non-salary compensation that is authorized by an approved Departmental plan. In recognition of the unique needs of a clinical faculty practice to compete for top

talent and further its delivery of the highest clinical service throughout the state, this Plan permits the awarding of the following types of non-salary compensation, subject to the following requirements:

Types of Permitted Non-Salary Compensation:

1. Housing stipends in connection with an in-state remote duty assignment, which may be of indefinite duration, but must be reviewed at least every 18 months for continuing necessity.
2. Relocation/moving expense reimbursements for a faculty member to relocate to work for SOM, capped at the lesser of (i) 10% of the faculty member's Annual Base Salary or (ii) \$15,000, and consistent with applicable ECU policies or procedures related to such reimbursements.
3. Signing bonuses capped at 10% of the incoming faculty's Annual Base Salary.
4. Student Loan Repayment Assistance in the form of one or more lump sums made annually. Any single payment may not to exceed 10% of the incoming faculty's Annual Base Salary at the time of payment.
5. Retention Bonus in the form of one or more lump sums made at certain service milestones, typically for no less than one year of service. Any single payment may not exceed 10% of the incoming faculty's Annual Base Salary.

Restrictions and Requirements:

1. No state funds may be used to pay non-salary compensation; the source of funds must be clinical revenue maintained as institutional trust funds.
2. Before proposing non-salary compensation as permitted above, the Department must document the imperative for such compensation in order to recruit or retain a particular faculty member (i.e. the recruitment or retention would likely otherwise fail), along with the qualifications of the faculty member. In the case of a housing stipend, the Department must document the mission-based, community service and patient care imperative for the compensation (i.e. assigning an ECU-based faculty to a remote North Carolina location is the only way to deliver a certain specialty care in the local community and the nature of the assignment (e.g. overnight call coverage) precludes reasonable or safe commuting).
3. The proposal must be reviewed and approved by the Executive Dean of the SOM and the Dean of SOM, or their designees, including for purposes of assuring uniformity of non-salary compensation awards and that they are not based in whole or in part upon any protected status.

4. If approved, and before paying the non-salary compensation, the Office of University Counsel (“OUC”) must be involved to assure the implementation of appropriate institutional protections (e.g. a promissory note); and Brody School of Medicine Faculty Employment Office (“HR”) must be involved to assure appropriate payroll or other processing, as well as appropriate tax treatment of the funds. OUC and HR will work with the relevant Department, as necessary.
5. Any non-salary compensation approved hereunder shall be paid to the faculty no sooner than in their first payroll distribution as an SOM employee.
6. Total compensation to any faculty member, including any non-salary compensation approved hereunder, remains subject to being capped at fair market value for healthcare regulatory purposes.
7. The total amount of non-salary compensation as defined in this Section provided to any single faculty member shall not exceed \$100,000 per year.
8. Any non-salary compensation that is not permitted under this Plan is governed by the ECU Policy on Non-Salary Compensation and Deferred Compensation for Employees Exempt from the Human Resources Act.
9. Faculty members who participate in this Plan are ineligible for state employee legislative increases unless the enacting legislation expressly requires applicability to clinical faculty.

C. Authority for Revision

In order to provide the SOM the flexibility necessary to respond to complex changes in the U.S. healthcare market, academic medicine and applicable regulations, approval of this Plan by the BOG and ECU Board of Trustees serves as a delegation of authority to the Chancellor to make revisions consistent with the overall principles defined herein. In exercising this authority, the Chancellor shall consult with President of the UNC System in advance of making substantive changes.