

GUIDELINES FOR A MEDICAL PRACTICE PLAN FOR SOUTH CAROLINA

Procedures for Supplementation of Base Salaries of Full-Time
Clinical Faculty Members Engaged in Private Practice
of Health Professions as an Adjunct to University Teaching

- A. The Concept of Salary Supplementation for Clinical Faculty
- B. Guidelines for Salary Supplementation

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A. The Concept of Salary Supplementation for Clinical Faculty

The assurance of high quality education and training in the preparation of physicians, dentists, and other health practitioners at academic health and medical centers throughout the nation requires the appointment and retention of leaders in their respective health professions to serve as teaching members of the clinical component of the faculty. The recruitment of practitioners of this caliber for faculty positions requires that provisions be made to assure financial returns that are somewhat comparable to the earnings of non-academic full-time practitioners within the same community.

This concept, based upon the system of free enterprise, competition, and freedom of choice, is accepted universally in health centers in every state. Implementation is accomplished by one or more of the following measures, with variations that reflect local traditions or respond to institutional need:

- (a) the base salary of each full-time clinical professor is paid by the institution, and salary supplementation from private medical practice is prohibited.

The exclusive use of this pattern of remuneration as a requisite for all full-time clinical faculty occurs at only a few private and one or two public medical schools (e.g. State University of New York (SUNY) at Stony Brook). Clinical Professors who work under this arrangement are known as strict full-time faculty. The inherent rationale is to encourage the clinical faculty to engage in teaching and research to a degree comparable with that of the basic non-clinical scientists on the faculty, in lieu of practicing medicine for personal gain. Although idealistic in purpose, this approach per se is too simplistic and has been challenged with respect to validity of the conceptualization as well as effectiveness of the procedure. Furthermore, clinical faculty members need to see patients in order to keep up-to-date, and a financial incentive may be effective.

- (b) the base salary of each full-time clinical professor is constituted by a portion that is guaranteed by the institution plus a portion that must be earned by the faculty member in the private practice of medicine.

Collectively these two portions constitute the base salary. This pattern of remuneration provides for the privilege of supplementation beyond the base salary established by the institutional administration. Some institutions impose a ceiling on the amount of supplementation while others allow the practice to be self-limiting from factors such as time, availability of beds, and institutional demands. Institutional fees may be charged for use of the facilities, but the clinical faculty have low overhead expenses in comparison with colleagues outside the faculty. In addition

to overhead fees, a percentage of the supplementary earnings is frequently withheld (tax) and reported as income by the institution. Such funds are used for enrichment of academic programs, either by a Department, the Office of the Dean, or the Office of the President. Expenditures are accounted for and audited in accordance with institutional practices. Clinical professors who work under this arrangement are known as geographic full-time faculty. The exclusive use of pattern (b) for remuneration is more frequent than that for pattern (a), but the most frequent pattern is a combination of (a) and (b) as in (c).

- (c) the clinical professors and/or their respective departments have the option of selecting either (a) or (b) and both procedures are operative in the same institution and often in the same department.

This optional arrangement is practiced in a large number of institutions where the clinical professors have the choice of receiving a guaranteed fixed salary as strict full-time faculty or being required to raise a considerable portion of their base salary as geographic full-time faculty, for the privilege of supplementation beyond the base salary.

Assuming an understanding of the concept and the need of the opportunity for clinical health professionals to supplement their institutional salaries by earnings derived from private practice, the lay public, health consumers, and legislative leaders may be expected to respond sympathetically and to accept the various plans that are operative in the public and private academic health centers and medical schools within their states. Without these procedures for supplementation, all but a few of the highly endowed private institutions would be forced to close their medical schools to avoid bankruptcy, and the public institutions would have to impose such huge financial increments on their state budgets that taxes would escalate to unacceptable and unrealistic levels.

Nevertheless, the implementation of a specific plan for salary supplementation like any other program, is subject to the possibility for excess, whether inadvertent or otherwise, and therefore general guidelines for institutions in South Carolina with state-aided medical and health education programs should be useful in fostering accountability.

B. Guidelines for Salary Supplementation

A number of characteristics are common to most plans for supplementation of salaries for clinical faculty, irrespective of the institution or state. Such elements have been identified as follows and have been accepted by medical teaching institutions in South Carolina.

- (1) The Board of Trustees of each institution shall retain the autonomous responsibility for approval and periodic review of the procedures in use for salary supplementation.
- (2) The South Carolina Commission on Higher Education, through the advisory vehicle of its Health Education Authority, will review periodically the procedures of salary supplementation for clinical faculty in use within the State. Modifications in procedures, after approval by the board of trustees of an institution, shall be reported, with justification, to the Commission on Higher Education, and by the Commission to the State Budget and Control Board. The privacy of the individual will be respected in all reporting procedures.
- (3) Verification or auditing of the accounting practices shall be initiated annually by the institution, undertaken by an independent accounting firm, and authenticated copies of the reports will be provided to the Commission on Higher Education and by the Commission to the State Budget and Control Board.
- (4) Each educational institution will evolve specific and detailed procedures that will constitute its own plan, within the framework of these Guidelines for Salary Supplementation.
- (5) The procedures developed by each institution will contain provisions designed to clarify and establish the relative responsibilities of the institution and the individual and to regulate such matters as:
 - (a) responsibility of the individual participant to contribute an agreed upon sum from his earnings to the institution as reimbursement for the use of the physical facilities, services, and other assistance that may be provided by the parent institution. These funds are reported by the institution as income and are accounted for and audited in accordance with institutional practices.
 - (b) agreement by the participant that all his fees for private practice will be administered (billed, collected by, and accounted for) through an organizational structure prescribed by the Board of Trustees for such purposes.
 - (c) responsibility for reporting of earnings and expenses to the Internal Revenue Service. In this respect, the responsibility of the individual participant will be defined and approved by the institution to assure coverage of his personal expense account from his own earnings and to establish individual accountability. This does not preclude the individual's personal responsibility for reporting income to the Internal Revenue Service.

- (d) agreement by individual participants to abide by the provisions of the plan.
 - (e) agreement by the institution to publish the detailed provisions of its plan and any subsequent revisions, the procedures for making revisions, the rights, privileges, and responsibilities of participants, and an annual report.
- (6) The procedures developed by each institution will conform to certain standards such as:
- (a) formulation of a base salary by the institution for each participant in the plan, as determined by his Department Chairman, Dean and others as may be appropriate, reflecting the salary range, experience, and merit of the individual participant. The base salary will consist of the component provided by the institution (from state funds, federal sources, and/or other sources available to the institution) plus the component provided by the participating faculty member from his own private practice. Supplementary earnings that may be authorized beyond the base salary are not eligible for institutional retirement plans or fringe benefits. However, the total base salary will be used for determination of fringe benefits and participation in institutional retirement plans. The cost of fringe benefits associated with the portion of the base salary derived from State funds may be paid from State resources, but the portion associated with funds derived from private practice must be taken from the private practice earnings, unless the faculty member elects to waive full fringe benefits.
 - (b) reporting of supplementary income for each participant with reference to the percentage increment above the base salary.
 - (c) administering a fair and equitable charge by the institution for overhead, consisting of reimbursement for the facilities and services provided by the institution to the participant.
 - (d) in proportion to the amount of time, effort, and earnings derived by each participant from private practice, the institution may reserve the right to retain a portion of the supplemental earnings for enhancement and enrichment of academic programs. This should provide incentive for individuals and for Departments to participate. Such unrestricted funds could be used to seed new research projects. The funds would be reported as income and accounted for in accordance with institutional practices.
 - (e) determination and publication of the specific characteristics of the plan, including the detailed procedures with respect to ceilings, sums that may be withheld from supplementary earnings to provide enrichment for academic programs or to seed new research projects, and other aspects as appropriate.