

**CSF**

REMUNERATION OF  
STAFF PATHOLOGISTS

#411 - 68

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COMMUNITY SYSTEMS FOUNDATION

ANN ARBOR • BALTIMORE • INDIANAPOLIS

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March 4, 1968

Mr. Bryan Rogers, Administrator  
Methodist Hospital  
1604 N. Capitol Ave.  
Indianapolis, Ind. 46202

Dear Mr. Rogers:

At the request of Methodist Hospital, Community Systems Foundation was asked to perform a study of the hospital laboratory. The Study was to be comprised of multiple objectives. Among those objectives was the determination of the "Professional Component" as a means of compensation for the staff pathologists.

As per your request, the above mentioned method was to be written under separate cover and apart from the remainder of the study report. The following text and report is submitted in response to your request.

We wish to acknowledge the cooperation of all parties at Methodist Hospital who have helped in the development of this report.

Very truly yours,

C. Bruce Thumm

CBT/ds

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## I. Introduction

Community Systems Foundation (CSF), as part of the more encompassing Laboratory Study, was asked by Methodist Hospital, Indianapolis to undertake the determination of a new means for reimbursing the staff pathologists. This change in the method of remuneration was originally proposed by the staff pathologists to administration. CSF's function was then to develop such a workable, equitable and realistic method.

At the initiation of the work, CSF had several interviews and discussions with the parties involved. The result was the establishment of certain criteria that were to be used as a basis in arriving at the recommended method for determining the pathologist's compensation. These criteria are enumerated as follows:

- 1.) The total compensation to the pathologists was to be divided into two distinct parts.
  - A. Part to be a fixed salary component for non-professional and fixed activities. ( e. g. teaching)
  - B. Part to be related to the pathologists' professional involvement in the lab activities. Such compensation was to be made by attaching a pure dollar figure to each test performed by the lab.
- 2.) The basis for compensation was to be as nearly representative of the pathologists' actual distribution of time to their various activities within the lab as possible.
- 3.) No effort was to be made in considering the pathologists singly for reimbursement.
- 4.) The total remuneration to the pathologists would be completely consistent with their present levels - only a restructuring would be occurring.
- 5.) The final plan to be presented to administration for restructuring would be made with the complete assent of the pathologists.



## II. Method of Determination

### Category Break-Down

It was felt that in order to best meet the above criteria that the activities of the five existing pathologists be broken down into four distinct areas as shown in figure 1. Included under the main headings are the several activities or sub-listings which go together to comprise the total. The list is not considered complete but is rather used as a guide to help define what is meant by the main headings.

### Explanation of Reimbursement by Categories

1.) "Teaching and other Educational Activities":

This activity is not directly related to the volume of work in the lab or to the lab as a revenue producing area of the hospital. It is instead a function of Methodist Hospitals' status as a teaching institution. Since the teaching activities of the pathologists can be considered on a yearly basis, it is felt that it be a salaried component of their income.

2.) "Administrative, General":

This set of activities is not a function of the test volume in the laboratory. They arise because of the lab's relationship to the rest of the hospital. It is therefore recommended that these activities be compensated for by a yearly salary component.

3.) "Administrative, Professional":

From the sub-listings it can be seen that this activity is directly related to the work performed in the lab and to the pathologists' professional ability in supervising such. While there is no routine direct involvement with an individually requested test, the amount of the pathologists' time spent in this activity area will still be proportional to the volume of lab work. Therefore compensation should be on a per test basis, to be spread evenly over all tests.

4.) "Direct Professional":

This is the time a pathologist will routinely spend on a particular type of test every time such a test is ordered. Since there is a direct and measureable involvement with a specific test, it is felt that reimbursement should be on a per test basis and in direct proportion to the time involved.

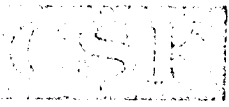


Figure 1.  
Activity Schedule

Teaching and other educational activities

- autopsy service
- teaching seminars for residents and interns
- teaching, others

Administrative, General

- maintaining records
- planning
- administrative meetings
- personnel management, non-professional
- hospital services

Administrative, professional

- plan, observe and regulate quality control
- direct in-lab supervision of procedures
- attendance of professional meetings
- personnel management, professional
- responsibility for results and performance
- clinical consultation, informal

Direct Professional

- pathologist's time that is directly assignable to an individual test  
(see Appendix "C" for a complete listing of these tests and their  
"Professional Component")

### III. Numerical Determinations

They will be based on the recommended methods of compensation outlined above and the following considerations. The actual determination of salary and professional components are to be performed in this section.

#### Considerations in Making Numerical Determinations

- 1.) The actual breakdown of the pathologists' time into the four categories is outlined in Appendix "A".
  - The grid was constructed by the pathologists individually developing their own break-down on a time reference which they felt best represented them. Later agreement was made on the compiled results.
  - A sixth pathologist was used in the grid in an effort to get a truer picture of what the break-down would be like in the future.
- 2.) The figures for making a number of the calculations are based on statistics and information in 1966. The reasons for using them are as follows:
  - A complete set of data was necessary from a particular time period so that the final numerical determination would be as representative and realistic as possible. The year 1966 provided the only complete set available.
  - A representative and realistic numerical determination would be the most desirable since the parties involved will be making various alterations.

Determination of Professional and Salary Components

Total Yearly Pathologist Payment (1966)                      \$ 301,800

A. Payment Break-Down by Activity

<u>Activity</u>	<u>Activity (1)</u> <u>Distribution</u>	<u>Payment</u> <u>Distribution</u>
Teaching and Education	30.3%	\$ 91,500
Administrative, general	5.9%	17,800
Administrative, professional	26.2%	79,000
Direct Professional	37.6%	113,500
	<u>100.0%</u>	<u>\$ 301,800</u>

B. Departmental Breakdown of "Administrative, Professional" Component

<u>Dept</u>	<u>Time (2)</u> <u>Distribution %</u>	<u>Dollar Value</u>
General Lab	23.6%	\$ 18,650
Bacteriology	8.3	6,560
Serology	5.1	4,030
Chemistry	45.9	36,240
Histology	7.6	6,010
Chromosome Studies	3.2	2,530
Blood Bank	6.3	4,980
	<u>100.0%</u>	<u>\$ 79,000</u>

C. "Administrative, Professional" Component on a per Test Basis

<u>Dept</u>	<u>Dollar Value</u>	<u>Total Number of</u> <u>Tests Charged (1966)</u>	<u>"Administrative, Prof."</u> <u>Component per test</u>
General Lab	\$ 18,650	153,024	\$ .122
Bacteriology	6,560	42,653	.154
Serology	4,030	42,786	.094
Chemistry	36,240	185,939	.195
Histology	6,010	25,676	.234
Chromosome Studies	2,530	60	42.200
Blood Bank	4,980	85,515	.058
	<u>\$ 79,000</u>		

(1) See Appendix A & B

(2) See Appendix B



D. "Administrative, Professional" Component to Blood Bank

Pathologist payment from Blood Bank	\$ 14,400
Total Number of Test Performed (1966)	85,515
Professional Component per Test ( 14,400 ÷ 85,515 )	\$.169



IV. Application of Administrative and Direct Professional Components

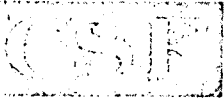
Application to Tests

The total "professional component" for an individual test will be the charge made up from the sum of the following:

- a.) "Administrative, Professional" component which is the charge developed in the last column of Section III, C., applied equally to all tests given a revenue charge in the laboratory, broken down by separate departments in the lab.
- b.) "Direct Professional" component which is the charge shown in Appendix "C" for specific tests. Such charges apply to only those tests which are listed.

Application of "Professional Component"

The total "professional component" for an individual test will be charged every time that particular test is performed in the lab over a given period. These totals will then be summed over all tests charged in the lab over the same period to give the total "professional component" compensation to the pathologists.



APPENDIX

## ACTIVITY DISTRIBUTION SHEET

PATHOLOGIST	EDUCATION AND TEACHING	ADMINISTRATION GENERAL	DIRECT PROFESSIONAL	ADMIN.: PROFESSIONAL						HISTO CYTO	CHROME
				CHEM	GEN	BACTL.	SEROL.	BL.BK.			
Dr. Hoyt	4	16	10	21	13	13	8	10		5	
Dr. Evans	32	4	40		24						
Dr. Hurteau	15	3	72	5					5		
Dr. Pontius	28	6	54	6					6		
Dr. Schulz	78	1	20							1	
(Dr. Palmer)	25	5	30	40							
Total	182	35	226	72	37	13	8	10	12	5	



APPENDIX "B"

Summary of Activity Distribution Sheet

<u>Activity</u>	<u>Totals</u>	<u>% of Total*</u>
Education and Teaching	182	30.3%
Administrative, General	35	5.9
Administrative, Professional	157	26.2
Direct Professional	226	37.6
	<u>600</u>	<u>100.0%</u>

<u>Dept</u>	<u>Totals</u>	<u>% of Total</u>
Chemistry	72	45.9%
General Lab	37	23.6
Bacteriology	13	8.3
Serology	8	5.1
Histo/Cyto	12	7.6
Chromosomes	5	3.2
Blood Bank	10	6.3
		<u>100.0%</u>



APPENDIX "C"

"Direct Professional" Components to Tests

<u>Tests</u>	<u>Direct Professional Component *</u>
Surgical Tissue	
a. Routine	\$ 3.30
b. Biopsy	5.00
c. Additional Specimen	1.00
d. Gross Exam	.67
e. O.R. consultation	10.00
f. O.R. after hours	30.00
EKG interpretation **	1.00
Electrophoreses	1.00
Tyrosine tolerance	1.67
Coagulation factors (panel)	1.67
Bone marrow	20.00
a. Peroxidase stain	3.33
b. Iron stain	1.67
LE cells	2.00
Leukocyte alk. phosphatase	10.00
Morphology by pathologist	3.33
Chromatography (Amino acids)	10.00
Amniotic fluid for RH	10.00
Protein Fractionation	1.67
Orinase, tolbutamide tolerance	1.67
Adrenalin tolerance	1.67
Gonadotrophins, pituitary	3.33
Toxicology, review	1.67
Animal Inoculation	1.67
Chromosome culture	6.67
Cytology, PAP	2.00
Darkfield, leptospira	5.00
Darkfield, treponema	10.00
Sperm count and morphology	5.00
Chem 12 review	.67
Phosphatase, acid (other)	10.00
Thorne test	1.67
Respirometry	1.00
Cytology, fluids	5.00

\* "Direct Professional" components are based on the pathologists' estimates of their involvement with an individual test. This has then been converted to the above dollar value for each test on the following basis.

Assumptions

- average number of hours worked per pathologist is 47 hours per week
- the number of pathologist working will be six

Total Payment to Pathologists (1966)	\$ 301,800
Total hours worked per year (1 pathologist) (47 hours/week x 52 weeks/year)	2,444
Total hours worked per year (all pathologists) (2,444 hrs/year x 6)	14,664
Average hourly rate (\$ 301,800 ÷ 14,664 hrs.)	\$ 20.00/hr. (1)

(1) To the nearest dollar

\*\* The EKG interpretations are presently handled under special agreements between various parties within the hospital. As a result of these agreements, the actual "Professional Component" does not reflect the charge developed in this report.