

# **Sheridan Memorial Hospital Employee Gainsharing Plan FYE 6/30/2009**

## ***PURPOSE***

This employee gainsharing plan has been designed to allow all employees to have a more direct stake in SMH's success, by rewarding employee efforts that result in achieving quantifiable improvement in our patient satisfaction scores and contribute to our achieving a positive Net Operating Income.

We anticipate that this gainsharing plan will help all of us –

- Focus on achieving improved patient satisfaction through service excellence.
- Prioritize efforts regarding cost reduction and revenue capture.
- Align our priorities so we are all acting as though we were “owners of the business”.

To help assure that we are all working towards the same goal, there will be no separate gainsharing plan for managers or leadership members. All employees including management will participate under the same terms; meaning if there is gainsharing pay earned under this plan everyone eligible participates by receiving the same payment (the only adjustment to any payment per employee will be to prorate payments for employees who worked less than full-time during the plan period).

## ***ELIGIBILITY***

To receive a payout, an employee must meet the following eligibility requirements:

1. Must have been employed with SMH or SR and worked during the plan fiscal year.
2. Must be employed on the date of payout.
3. Applies to all staff including part-time, PRN, employed physicians, managers, and members of leadership – staff working less than full-time during any plan year for which there is a payout will receive a prorated payout amount based on hours worked.

## ***FUNDING***

For there to be any Employee Gainsharing Plan payout, SMH must achieve and then exceed a positive annual Net Operating Income. If this occurs, one half of any Net Operating Income will be eligible for the Employee Gainsharing Plan. It is important to note that Net Operating Income does not include County tax money or other non-operating funds such as donations, rental income, and investment income. County tax revenues and other non-operating revenues are not to be used to determine if a payout is due, or to fund any payout under this plan.

If there is a positive Net Operating Income at the end of the plan year, the actual gainsharing payout will then be determined by:

1. One half of SMH Net Operating Income equals the gross gainsharing amount.
2. Multiply this gross gainsharing amount by the following Patient Satisfaction Factor:

100%	- if SMH Overall Avatar Score is	93.3 or better
90%	- if SMH Overall Avatar is Score is	92.5 to 93.2

80% - if SMH Overall Avatar is Score is	91.7 to 92.4
70% - if SMH Overall Avatar is Score is	90.9 to 91.6
60% - if SMH Overall Avatar is Score is	90.0 to 90.8
50% - if Overall Avatar Score is below	90.0

Although it is anticipated that this Employee Gain Sharing Plan will continue in effect for subsequent years, the bonus threshold and other elements of the plan are subject to adjustment each year as budget conditions change. This is a discretionary plan that may be ended or modified by SMH at anytime.

**PROCEDURE**

1. The Net Operating Income for SMH per fiscal year-end financial statements (after audit) is the starting point for gainsharing determination. If SMH earned a positive Net Operating Income for the plan year, then one half of this amount becomes the gross gainsharing amount for use in computing the net gainsharing payout.
2. Avatar Patient satisfaction scores for the most recent quarter are obtained and the overall score is used to find the Patient Satisfaction Modifier from the table above. This modifier is multiplied times the gross gainsharing amount to determine the net gainsharing amount to be divided among eligible employees.
3. Once all criteria have been determined, the Finance dept prepares a gainsharing worksheet that determines the gainsharing amount per full-time employee. Finance calculates the payout amount for each employee based on a calculation of the total full-time equivalent (FTE) employees who qualify for payment. The payout per FTE will equal the gainsharing amount available as determined above, divided by the sum of all eligible FTE's to arrive at the amount due per full-time employee. All part-time and PRN employees will receive a proportional amount based on their hours paid in the plan year divided by 2,080 fulltime hours.
4. Payout amounts will be taxed based on the supplemental wage guidelines recommended by the IRS.
5. All employees who meet the guidelines outlined above will receive their employee gainsharing payout via direct deposit or check on payout date. Payout date will be no later than 30 days after the date the hospital annual financial audit is presented to the Board.

**EXAMPLE:**

1. Assume SMH ends the fiscal year with a Net Operating Income of \$500,000, an Avatar overall patient satisfaction score of 92.0, and 333 eligible full time equivalent employees. Per the gainsharing plan outlined above, the gainsharing payout for a full-time employee would be \$600!

This is calculated by taking one half of the Net Operating Income (\$250,000) and multiplying this by the patient satisfaction factor from the table above. An overall Avatar patient satisfaction score of 92.0 corresponds to an 80% factor, so \$250,000 times 80% gives us a net gainsharing payout amount of \$200,000 to be divided among eligible employees. \$200,000 divided by 333 full-time equivalent employees equals \$600 per full-time employee.

2. Assuming the same fiscal year-end Net Operating Income of \$500,000, but with an Avatar Score for SMH of less than 90, the minimum payout per full-time employee would still be \$375.