

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 1 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
REVIEWED BY: Senior Management Team			APPROVED BY: C.H. Wilkinson Board of Directors Compensation Committee	

Purpose

The purpose of this policy is to delineate the plan and methodologies for compensation of physicians employed by CHRISTUS Physician Group (CPG).

Policy

Physicians employed by CPG will generally receive compensation according to one of four compensation methods outlined below. The CPG Compensation Committee must prospectively review any exception to this plan.

If any change in local, state or federal law invalidates any part of this plan, the Compensation Committee will take action to amend this plan to be consistent with the requirements of those laws while using their best efforts to accommodate the terms and intent of this plan.

Plan Goals

1. **Appropriate Physician Incentives** – The plan seeks to maintain the entrepreneurial nature of physician practice providing incentives for physicians to closely monitor all aspects of practice operations and clinical outcomes. These incentives promote physician behavior that supports high-quality patient care and other organizational success factors within existing and future market conditions. These incentives include:
 - 1.1. Full support of the charitable mission of CPG. The physician compensation plan must apply fairly both in practice settings that are financially self-supporting and those requiring support.
 - 1.2. Continuous improvement in clinical quality and utilization, patient and family satisfaction, regulatory compliance, and physician participation in CPG decision-making structure.
 - 1.3. Collection of reasonable, market-based revenue.
 - 1.4. Control of operating expenses while protecting high quality patient care.
2. **Physician Recruitment and Retention** – The plan seeks to ensure sufficient compensation at fair market value levels to recruit and retain the highly qualified physicians necessary to (1) maintain and enhance CPG's excellent reputation for high-quality service to patients, families and referral

REVIEW PERIOD:	REVIEW DATES:					
<input checked="" type="checkbox"/> Annual	12/16/2013	10/01/2014	05/13/2015	07/23/2015	05/04/2016	08/03/2017
<input type="checkbox"/> Biennial (2 years)						
<input type="checkbox"/> Other:						

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 2 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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sources, (2) to support CPG clinical programs, and (3) to maintain sufficient market size and strength of CPG to effectively compete for managed care contracts.

The plan also allows for a reasonable diversity of practice style among physicians in the same specialty.

3. **Ease of Administration** – The compensation plan will be tied to well-defined work measures. Physicians will be able to continually monitor their performance against the plan during the year. Reconciliations will minimize the need for subjective judgment by the physician or CPG administration.
4. **Fair Market Value Compensation** – The plan seeks to provide physician income at fair market value rates considering the services provided by the physician, practice setting, specialty, productivity, payer mix, and historical and future national or regional compensation trends.

Procedures

1. **Key Definitions**

- 1.1. **Practice Budgets** – In consultation with CPG administrative staff, physicians will develop a proposed annual practice budget for each practice. The practice may be one physician or multiple providers, but will be considered one economic cost center within CPG. CPG will have final authority to approve all annual practice budgets in its sole discretion.

The practice budget for a new fiscal year will be adjusted to reflect the actual practice performance for the most recent twelve consecutive months, which usually will be the first six months of the current fiscal year, plus six months from the end of the previous fiscal year.

- 1.2. **Physician Compensation** – Physician compensation may include gross salary, sign-on bonuses and student loans, but does not include physician benefits. Physician bonuses other than sign-on bonuses are addressed in a separate policy.

- 1.3. **Physician Benefits**

- 1.3.1. Physician benefits normally funded by CPG include health, dental, disability and life insurance plans.

- 1.3.2. Benefits provided to physicians in addition to gross salary and physician benefits listed in 1.3.1. include professional liability insurance, which also provides tail coverage, a contractually specified allowance for professional licensure, professional society dues, and continuing education, and the employer's portion of a retirement contribution under the CHRISTUS Health 403(b) retirement plan, as amended from time-to-time. These items are included in budgeted expenses.

- 1.4. **Budgeted Collections** – Budgeted collections will be defined as cash flow from any source. Professional fee collections, capitation payments, interpretation fees and support reflecting charitable care, practice start-up assistance (salary guarantees), risk

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 3 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	-------------------------	-------------------------------------	------------------------------------

arrangement bonuses, and contracted fees from other organizations will represent the bulk of budgeted collections.

Physicians may receive stipends for administrative services performed on behalf of CPG or any CHRISTUS related entity. These stipends will only be paid pursuant to written contracts which have been previously approved and budgeted by CPG Boards in the normal budget process and will not be available for time spent fulfilling CHRISTUS Health or CPG elected office or committee work unless prospectively approved in writing by the Compensation Committee. These stipends will be paid to the physicians as direct pass-throughs unless otherwise agreed to in writing. In other words, they will be treated as physician compensation in addition to any compensation arrangement described below.

- 1.5. Budgeted Expenses – Budgeted expenses will be defined as practice operating expenses, including a management fee, described in further detail below, and all CPG approved physician benefits, employment taxes and continuing medical education. Operating expenses also generally include non-physician salaries, employment taxes and benefits, office, medical and pharmaceutical supplies, minor equipment, non-physician continuing education budgets, telephone triage, answering service expenses, depreciation expenses, and other expenses that may arise during the course of daily operations.
- 1.6. Historical Practice Collections – Historical practice collections will be defined as cash flow from any source over the most recent 12 month period prior to a practice acquisition or a reconciliation period.
- 1.7. Historical Practice Expenses – Historical practice expenses will be defined as practice operating expenses incurred over the most recent 12 month period prior to a practice acquisition or a reconciliation period. Operating expenses generally include: non-physician salaries, employment taxes and benefits, office, medical and pharmaceutical supplies, billing costs, information systems costs, minor equipment, non-physician continuing education budgets, and other expenses such as telephone triage, answering service expenses, and depreciation expenses. With the exception of practice acquisitions, historical practice expenses will include the CPG Management Fee.
- 1.8. CPG Management Fee – The CPG management fee, included in budgeted and historical practice expenses (for existing physicians), will include each physician’s pro rata share of budgeted CPG administrative department expenses. These expenses include the administrative department salaries, employment taxes and benefits, office supplies, practice management system, a collection expense (for either an internal or external billing/collection agent or a combination of the two), and an allocation of CHRISTUS Health Care System expenses for shared services such as human resources, accounting, legal, marketing, information services, internal audit, security, and other services deemed appropriate by CPG and CHRISTUS Health. The CPG Board will review the management fee annually as part of its budget process.
- 1.9. Reconciliation Period – For purposes of this policy, the reconciliation period will be defined as the six most recently completed months of operation of the practice. The reconciliation process outlined below will occur on a bi-annual basis (every six calendar

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 4 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	-------------------------	-------------------------------------	------------------------------------

months). Reconciliation periods may be more frequent, if deemed prudent by the CPG Finance Department, for purposes of accommodating significant practice changes, such as integrating new physicians to the established 6 month reconciliation cycle, or for office relocations.

- 1.10. Start-up Period – A start-up period is a pre-determined period of time, usually either one or two calendar years, over which a physician is paid under a fixed salary program outlined below.
- 1.11. New Physician – A new physician is a physician who is employed by CPG and is recently graduated from a recognized post graduate residency program or is a board certified or board eligible physician who is relocating to one of the CPG service areas. In either case, no practice assets are acquired.
- 1.12. Practice Acquisition – A physician or physicians who currently maintain an active practice in a market served by CPG and who decide, as of a specified date, to enter into an Employment Agreement with CPG and sell all or a portion of their practice assets to CPG/CHRISTUS Health Care System.
- 1.13. Medical Group Management Association – Where indicated, “MGMA” will refer to the most recently published MGMA physician compensation and production survey. In unique cases where MGMA does not provide representative data for purposes of this plan, a physician or the CPG CEO may request that the Compensation Committee consider another comparable salary survey tool such as those provided by the American Medical Group Association (AMGA) or the Association of American Medical Colleges (AAMC).
- 1.14. RVU’s – Defined as Relative Value Units. As determined by the Centers for Medicare and Medicaid Services, RVU’s measure the amount of work and overhead associated with one procedure relative to another. Total RVU’s are composed of three parts, work, practice expense (overhead) and malpractice insurance. For purposes of physician compensation, adjusted work RVU’s (wRVUs) will be the unit by which salary calculations will be made.
- 1.15. Contract Review Committee – The Contract Review Committee will be comprised of the following members of CPG staff: Director of Physician Compensation, Chief Financial Officer, Director of Finance, Contract Coordinator and Senior Financial Analyst.
- 1.16. Physician Work Schedule – As used in the Employment Agreement, full-time means a physician working 36 or more hours per week or 9 four-hour sessions per week in a clinical or teaching setting.

2. Administrative Policies

- 2.1. All Compensation negotiations and offers must be approved by the Director of Physician Compensation and/or the Chief Financial Officer of CPG. Physician compensation negotiations or discussions can be communicated by the Chief Development Officer and his/her assignees. All other CPG, CHRISTUS Health or CHRISTUS regional executives

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 5 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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or their designees are strictly forbidden from engaging in physician compensation negotiations or discussions and have no authority to make employment offers on behalf of CPG.

- 2.2. Total Compensation between the MGMA 74th and 89th percentiles requires approval by the CEO of CPG and CHRISTUS Legal Counsel, and may require an external Fair Market Value (FMV) opinion at the discretion of CPG's CEO.
- 2.3. Total Compensation at or above the MGMA 90th percentile requires the approval of the CEO of CPG and CHRISTUS Legal Counsel, and must be supported by an external FMV.
- 2.4. All employment contracts require presentation to and approval by the CPG Compensation Committee after approval by the appropriate parties as referenced in sections 2.2 and 2.3. Compensation offers at or above the MGMA 74th percentile require pre-approval by the CPG Compensation Committee before an employment contract can be presented to a physician by the Director of Physician Compensation or Chief Financial Officer of CPG. If due to physician negotiations, the combination of base compensation and commencement bonus increases more than 10% above the offer approved by the Compensation Committee, the increased negotiated offer will need to be reapproved by the Compensation Committee.
- 2.5. CPG's Contract Review Committee will review all physician contracts on at least an annual basis. Each physician's compensation will be reviewed to assess whether it is in-line with his/her productivity and the clinic's overall operating performance. If physician compensation, productivity, and clinic operating performance are not in alignment, the Committee may determine that there needs to be an amendment to the physician's contract or adjustment to physician's compensation as determined by this policy.
- 2.6. Physician compensation may be decreased if the physician is not meeting the minimum wRVU and/or productivity thresholds as outlined in his/her Employment Agreement. Physician compensation is expected to be in-line with his/her productivity by the end of the initial term of the Employment Agreement). Due to the nature of some specialties, compensation and productivity may not necessarily be in alignment, but Fair Market Value compensation is always required.
 - 2.6.1. A physician who has not met his/her threshold at the last reconciliation period and has a deficit) will require some degree of salary reduction, unless extraordinary circumstances justify a different outcome, in the sole discretion of the Director of Physician Compensation and the Chief Financial Officer of CPG.
 - 2.6.2. Deficits generated due to missing productivity targets will generally be recouped by CPG over the next reconciliation period in equal amounts, unless extraordinary circumstances justify a longer recoupment period, as determined by the Director of Physician Compensation and the Chief Financial Officer of CPG at his/her sole discretion. For example, if a physician has a deficit of \$6,000, the \$6,000 will be divided by the remaining number of pay periods in the current reconciliation period and the physician's salary will be reduced accordingly.

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 6 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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2.6.3. Deficits generated during a physician's start-up period may be waived at the discretion of the CEO of CPG.

2.6.4. Upon the first year anniversary of the Commencement Date of the Employment Agreement (if the Agreement has more than a one-year term), and every anniversary thereafter during the guarantee period, Base Salary is subject to some degree of salary reduction, unless extraordinary circumstances justify a different outcome, in the sole discretion of the Director of Physician Compensation and the Chief Financial Officer of CPG, based on a comprehensive, annual review of multiple factors which include, but are not limited to:

- 2.6.4.1. wRVU volumes,
- 2.6.4.2. Citizenship (participation in CPG initiatives, meeting attendance, etc.),
- 2.6.4.3. Appointment availability,
- 2.6.4.4. Input from Regional Physician Leader, and
- 2.6.4.5. Reviews by Compliance and Risk Management.

3. **Proforma**

- 3.1. A proforma will be completed for all physicians being considered for employment by CPG. Any exceptions to this rule will need to be approved by the CPG CEO.
- 3.2. The proforma will be reviewed and approved by the CPG CFO.
- 3.3. The proforma should be completed prior to presenting the physician with an employment contract.

4. **Compensation Model 1 - Percent of Collections Compensation Plan**

- 4.1. General – It is expected that this plan will be used for the majority of physicians.
- 4.2. Salary Calculation

4.2.1. A percent of collections will be established for each applicable physician either before: (a) the physician commences employment (for newly acquired practices) and before a draw amount is established for an upcoming reconciliation period; or (b) before a fixed-salary physician transitions to the percent of collections plan.

4.2.2. The salary will be based on the percentage of actual net collections over the previous 12 months that results in an annual salary that is consistent with the physician's level of productivity (as measured by wRVUs). For example, if the productivity of a physician approximates the MGMA 50th percentile for productivity, then the appropriate percentage of collections should result in total compensation (including bonuses of all types, productivity, quality, patient satisfaction, etc.) that approximates the same MGMA 50th percentile of compensation. If the physician did not generate collections during a portion of the previous 12 months due to Family Medical Leave Act leave, an approved leave of absence, or another compelling reason (as determined solely by CPG), then the actual net collections

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 7 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	-------------------------	-------------------------------------	------------------------------------

for the time period available during the 12 month period will be normalized and annualized to determine a best estimate of net collections.

- 4.2.3. A draw (bi-weekly rate of pay based on estimated annual salary, or salary defined in the physician Employment Agreement, divided by 26 pay periods) will be established at the beginning of each reconciliation period and will remain in effect at least until the next reconciliation period.
- 4.2.4. Under no circumstances will the annualized draw be allowed to exceed the estimated annual total compensation as determined above.
- 4.2.5. Reconciliations of draw against earned salary (based on the percentage of collections) will occur every 6 months.
- 4.3. Renewal Term Compensation Provisions - The initial Renewal Draw Amount will be calculated by Employer, by multiplying the actual net collections generated by the Physician in the last 6 months of the Initial Term, and multiplying those collections by the applicable percentage to determine a total draw amount for the succeeding 6-month period which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period.
 - 4.3.1. If physician did not generate collections during the previous 6-month period, or portion thereof, due to Family Medical Leave Act leave, an approved leave of absence, or another compelling reason (as determined solely by CPG), then the actual net collections for the time period available during the 6-month period will be normalized and annualized to determine a best estimate of collections.
 - 4.3.2. A draw will be established at the beginning of each subsequent 6-month reconciliation period during the term of the Agreement by multiplying the actual net collections generated by the physician during the prior 6 months by the applicable percentage to determine a total draw amount for the succeeding 6-month period which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period.
 - 4.3.3. The Employer, in its sole discretion, will adjust all subsequent 6-month reconciliation periods (after the initial Renewal Draw Amount) to correspond with the beginning of the Fiscal Year (July 1st) or Calendar Year (January 1st). These subsequent Draw calculations will generally be based on the period November 1st through April 30th (for the July calculation) and May 1st through October 31st (for the January calculation). These adjustments will be effective with the first day of the first full pay period in July and January of each year. Employer will deliver a written calculation to physician of each calculation of a Renewal Term Draw Amount within 30 days of calculation.
- 4.4. Claims Denial Reconciliation - Following each calendar year, Employer will review (i) whether any refunds were made to third party payers or patients related to services performed by physician and (ii) whether any claims for services were denied by third party payers. If, in Employer's sole discretion, a refund was made or a claim was denied that was the result of physician's error, and the actual net collections credited to physician

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 8 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	-------------------------	-------------------------------------	------------------------------------

were higher than would have been the case but for the claims denial or refund, Employer may subtract the collections reduced by the claim denial or refund from future calculation of collections for purpose of Bi-Annual or Annual Collection Based Compensation during the Initial Term or calculating the Renewal Term Draw Amount.

5. **Compensation Model 2 – Fixed Salary Compensation Plan**

- 5.1. **General** – This plan may be used in two different situations. First, when a new physician is being added to any existing practice, whether in primary or specialty care and CPG Administration expects the physician will require either one or two years for the physician to build an economically viable practice using the Percentage of Collections Compensation Plan. The model also may be used for certain specialties/practices that, due to various factors (such as community need for the specialty/practice and physician availability) require a fixed, Fair Market Value salary.
- 5.2. **New Physicians** – New physicians in the start-up period of their practice may initially receive a guaranteed fixed salary. The total compensation package for new physicians in a start-up will be established based on the most recently available market data at the time of hire and will generally not exceed a range between the MGMA 25th and 50th percentile. New physicians may convert to the percent of collections salary method after their start-up period.

A new physician on fixed salary will be eligible for a salary increase only after completing the defined start-up period, unless specifically addressed in the Physician Employment Agreement.

The salary for a new physician will be subject to reduction, however, after two bi-annual reconciliations and after every July bi-annual reconciliation thereafter, if the physician does not meet contractually established practice goals for the start-up period, such as attaining appropriate hospital privileging, being available for patient care for specified periods of time, and taking initiative to develop and grow the physician's practice through visits to potential referral sources and attendance at appropriate medical meetings. Additionally, see item 2.6 above.

For new physicians on a fixed salary, CPG anticipates that the practice net income generated by a new physician after the second July bi-annual reconciliation will be sufficient to maintain an economically viable practice while providing the physician Fair Market Value compensation. New physicians unable to generate sufficient practice net income within this time frame will be reviewed and acted upon on a case-by-case basis by CPG administration.

- 5.3. **Existing Physicians** - There are certain specialties/practices that due to their unique nature will require physician compensation to be a fixed, Fair Market Value amount. These practices will be reviewed at least every other year to determine if compensation should be increased or decreased based on existing market conditions and group productivity levels. National and local databases, such as MGMA, will be used in reviewing compensation. If one of these services becomes financially self-sustaining,

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 9 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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then this service will be expected to function on the Percent of Collections Compensation Plan.

6. **Compensation Model 3 – Work RVU (wRVU) Compensation Plans**

6.1. General – This plan may be used when the Percentage of Collections Plan is not viable, but physician productivity needs to be appropriately incented and rewarded to provide reasonable compensation for the work performed. CPG Administration may determine that a work Relative Value Units (wRVUs) plan is necessary to establish reasonable Fair Market Value compensation and to incent physicians to provide appropriate productivity for such compensation, while also providing the opportunity for highly productive physicians to increase their total compensation in line with their productivity. Productivity will be tracked using wRVUs.

6.2. Definitions

6.2.1. Base Salary - The Base Salary is the annual salary amount established by the Employment Agreement for the Initial Term of the Employment Agreement.

6.2.2. Bi-Annual Base Salary RVU Threshold - The Bi-Annual Base Salary RVU Threshold is a 6-month RVU Threshold amount established by the Employment Agreement against which the physician's actual annual RVU's for each 6-month period during the Initial Term will be measured by Employer to determine whether any bi-annual RVU productivity bonus amount is due to physician under paragraphs 6.3.2. below.

6.2.3. Renewal Term Draw Amount - Is the salary amount per pay period that will be paid to physician during the Renewal Term of the Agreement, and calculated in the manner described below in paragraph 6.4.

6.2.4. Productivity RVU Dollar Factor - The Productivity RVU Dollar Factor means the dollar amount used to determine a physician's: (a) Bi-Annual Reconciliation of Production-Based Compensation during the Initial Term under Paragraph 6.3.2. below, and (b) 6-month draw amount during the Renewal Term under Paragraph 6.4., below. Annually, the CPG finance department will establish reimbursement values for each specialty for the following payer categories: Commercial, Medicare, Medicaid, Self-pay and Tri-Care. The values established will approximate the payments received by CPG for services billed to those payers. It is expected that Commercial wRVUs will be reimbursed at a higher amount than Medicare wRVUs, which will be reimbursed at a higher amount than Medicaid, Self-pay and Tri-Care wRVUs, but this may change as payer reimbursement to CPG changes and/or to ensure that CPG continues to carry out its charitable mission. Additionally, CPG, at its discretion, may choose to pay a higher rate for new commercial patient visits for an established period of time. Employer will have the sole discretion as to whether to revise the Productivity RVU Dollar Factor but will provide to physician a written explanation of the basis for the Employer's decision.

6.2.5. RVU's - means the Relative Value Units factors used by Medicare for professional medical services personally provided by a physician as an employee of Employer

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 10 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	--------------------------	-------------------------------------	------------------------------------

under the Agreement, as defined in accordance with the physician's Current Procedural Terminology Codes using solely the "**Work RVU**" factors published by the Centers for Medicare and Medicaid Services ("CMS") in its most recent Resource Based Relative Value Scale. RVUs do not include any Relative Value Units associated with ancillary services (defined as any services other than personally provided physician services), including the interpretation of ancillary services. Work RVU values will be determined and fixed for each fiscal year based on the Physician Fee Schedule (PFS) published by the Centers for Medicare and Medicaid Services (CMS) in effect as of the first day of each fiscal year. For example, if July 1st is the beginning of the fiscal year, the CMS PFS in effect on July 1st will be used for all salary calculations for the period between July 1st and June 30th of the next calendar year.

Work RVU values will be adjusted consistent with CMS logic in reimbursing providers for services rendered. For example, wRVU's will be adjusted to account for CPT code modifiers, the effective of billing multiple procedures, and any other methodologies used by CMS when reimbursing providers for services rendered. Additionally, work RVUs for CPT/HCPCS codes that are billed with \$0.00 charges will be reduced to 0. The CMS logic will be used on all wRVUs generated regardless of the payer type.

6.2.6. Quality and Patient Satisfaction Incentive Bonus Cap Amount - Means the percentage of the physician's Base Salary and Bi-Annual RVU Production-Based Compensation, if any, paid to physician for any measured year of the Initial Term; and the percentage of the Renewal Term draw amounts paid to physician for any measured year of the Renewal Term, specified in the Employment Agreement as the maximum amount Employer may pay physician as an annual quality and patient satisfaction incentive bonus if certain criteria established by Employer for clinical quality and patient satisfaction metrics are achieved. The measurement period for the bonus will be determined by the Quality Incentive Policy in effect at that time. The goals for each measurement period will be established within 30 days after the beginning of each fiscal year, by Employer. Employer will provide physician with a written calculation of any bonus earned within 90 days. If earned, the Quality Incentive Bonus may be paid in accordance with the Quality Incentive Policy in effect at that time. The Quality Incentive Bonus is subject to the Compensation Cap. The Quality and Patient Satisfaction Incentive Bonus target percentage and target metrics for all physicians are determined annually by the QRSC Committee and the CPG Board of Directors and The Employer may amend in its discretion upon written notice to physician.

6.3. Initial Term Compensation Provisions: Base Salary Calculation; Bi-Annual RVU Production-Based Compensation

6.3.1. Base Salary - A Base Salary (bi-weekly rate of pay based on annual Base Salary amount, as, defined in the Physician Employment Agreement, divided by 26 pay periods) will be paid to physician during the Initial Term.

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 11 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	--------------------------	-------------------------------------	------------------------------------

- 6.3.2. Bi-Annual Reconciliation of RVU Production-Based Compensation – Beginning six months after the Commencement Date of the Agreement, and each 6 months thereafter during the Initial Term, Employer will calculate the RVUs generated in the prior 6 month period (“**Bi-Annual RVUs**”) and compare these to the Bi-Annual Base Salary RVU Threshold. If the Bi-Annual RVUs generated for the previous 6 month period exceed the Bi-Annual RVU Threshold, Employer will multiply the Bi-Annual RVUs in excess of the Bi-Annual RVU Threshold by the applicable Productivity RVU Dollar Factor to determine the “**Bi-Annual RVU Compensation Amount.**” Within 60 days of the end of the subject 6 month period, Employer will pay and deliver to physician 100% of the Bi-Annual RVU Compensation Amount, along with a written accounting of the determination of the amount. *By way of hypothetical example only, if physician’s Actual Bi-Annual RVUs were 2,750 and physician’s Bi-Annual RVU Threshold were 2,250, and 70% of the applicable Productivity RVU Dollar Factor were \$46; 20% of the applicable Productivity RVU Dollar Factor were \$38 and 10% of the applicable Productivity RVU Dollar Factor were \$25, Employer would pay to physician a Bi-Annual Compensation Amount of \$20,092.50 [500 X 70% X (.95 X 46)] = \$15,295; [500 X 20% X (.95 X 38)] = \$3,610; [500 X 10% X (.95 X 25)] = \$1,187.5; \$15,295 + \$3,610 + \$1,187.50 = \$20,092.500.*
- 6.3.3. Annual Reconciliation of RVU Production - Following the conclusion of each year of the Initial Term of the Agreement, Employer will calculate the actual annual RVUs generated by the physician during the prior year (“Actual Annual RVU’s”) and will multiply the Actual Annual RVU’s by the applicable Productivity RVU Dollar Factors to calculate the total compensation payable to physician for the prior year (“**Total Annual RVU Compensation Amount**”). Employer will compare the total Base Salary and total Bi-Annual RVU Compensation Amounts paid to physician during the prior year (“**Total Annual Actual Compensation Amount**”) and if the Total Annual RVU Compensation Amount exceeds the Total Annual Actual Compensation Amount, Employer will pay the excess amount, as additional compensation to physician. Employer will pay and deliver to the physician such excess amount (less tax and withholding) along with a written accounting of the determination of such amount, within 60 days of the year's end.
- 6.4. Renewal Term Compensation Provisions - The initial Renewal Draw Amount will be calculated by Employer, by multiplying the RVUs generated by the physician in the last 6 months of the Initial Term, and multiplying those RVUs by the applicable Productivity RVU Dollar Factors to determine a total draw amount for the succeeding 6-month period which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period.
- 6.4.1. If physician did not generate RVUs during the previous 6-month period, or portion thereof, due to Family Medical Leave Act leave, an approved leave of absence, or another compelling reason (as determined solely by CPG), then the actual RVUs for the time period available during the 6-month period will be normalized and annualized to determine a best estimate of RVUs.
- 6.4.2. A draw will be established at the beginning of each subsequent 6-month reconciliation period during the term of the Agreement by multiplying the RVUs generated

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 12 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
--	---------------------------------	--------------------------	-------------------------------------	------------------------------------

by the physician during the prior 6 months by the applicable Productivity RVU Dollar Factor to determine a total draw amount for the succeeding 6-month period which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period.

6.4.3. The Employer, in its sole discretion, will adjust all subsequent 6-month reconciliation periods (after the initial Renewal Draw Amount) to correspond with the beginning of the Fiscal Year (July 1st) or Calendar Year (January 1st). These subsequent Draw calculations will generally be based on the period November 1st through April 30th (for the July calculation) and May 1st through October 31st (for the January calculation). These adjustments will be effective with the first day of the first full pay period in July and January of each year. Employer will deliver a written calculation to physician of each calculation of a Renewal Term Draw Amount within 30 days of calculation.

- 6.5. Claims Denial Reconciliation - Following each calendar year, Employer will review (i) whether any refunds were made to third party payers or patients related to services performed by physician and (ii) whether any claims for services were denied by third party payers. If, in Employer's sole discretion, a refund was made or a claim was denied that was the result of physician's error, and the Actual Annual RVUs credited to physician were higher than would have been the case but for the claims denial or refund, Employer may subtract the RVUs reduced by the claim denial or refund from future calculation of RVUs for purpose of Bi-Annual or Annual RVU Production-Based Compensation during the Initial Term or calculating the Renewal Term Draw Amount.

7. Compensation Model 4 – Faculty Compensation Plans

- 7.1. General – This plan will be used for all Faculty positions where physicians provide services related to Accredited Council of Graduate Medical Education (ACGME) standards, but physician productivity needs to be appropriately incented and rewarded to provide reasonable compensation for the work performed. CPG Administration may determine that a wRVU plan is necessary to establish reasonable Fair Market Value compensation and to incent physicians to provide appropriate productivity for such compensation, while also providing the opportunity for highly productive physicians to increase their total compensation in line with their productivity. Productivity will be tracked using wRVUs.
- 7.2. Base Salary - A Base Salary (bi-weekly rate of pay based on annual Base Salary amount, as defined in the physician Employment agreement, divided by 26 pay periods) will be paid to physician during the Initial Term.
- 7.3. Renewal Term Compensation Provisions - The first Renewal Term Draw Amount will be calculated by Employer, by multiplying the RVUs generated by the physician in the last 6 months of the Initial Term and multiplying those RVUs by the applicable Productivity RVU Dollar Factors to determine a total draw amount for the succeeding 6-month period, which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period. If physician did not generate RVUs during the previous 6-month period, or portion thereof, due to Family Medical Leave Act leave, an approved leave of absence, or another compelling reason (as determined solely by CPG), then the

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 13 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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actual RVUs for the time period available during the 6-month period will be normalized and annualized to determine a best estimate of RVUs. A draw will be established at the beginning of each subsequent 6-month reconciliation period during the term of the Agreement by multiplying the RVUs generated by the physician during the prior 6 months by the applicable Productivity RVU Dollar Factor to determine a total draw amount for the succeeding 6-month period which will be divided by the 13 pay periods for the succeeding 6-month period to determine the draw amount per pay period. Employer will deliver a written calculation to physician of each calculation of a Renewal Term Draw Amount within 30 days of calculation.

- 7.4 **Supplemental Private Practice Compensation** – CPG will provide supplemental compensation to the physician when the Faculty Program Director and Regional Chief Medical Officer determine there is a deficit of physicians to provide Resident Supervision and Faculty responsibilities according to ACGME standards. Upon review and approval of the above request, CPG will allow physicians to step away from their private practice clinic to provide requested faculty responsibilities and avoid deficit. The physician should return to their clinic duties as soon as possible. CPG will compensate the physician for each half-day session, up to 3 half-day sessions per week, in which they are unable to attend their clinic.

Clinical Faculty Services		70%	\$140,000	
Professional Medical Services		30%	Base Draw – wRVU	
Supplement	1/2 Day Session	FTE %tile	Weekly Rate	Quarterly (13 wks x rate)
	1	10%	\$292.31	\$3,800
	2	20%	\$584.62	\$7,600
	3	30%	\$876.92	\$11,400

- 7.5 **Faculty Rank and Academic Experience** – Physician will receive additional compensation for each tiered level of Rank or Experience within an Academic Program. Years of experience prior to employment with CPG can be considered towards each tiered level based on the approval of the Program Director and CPG. An example of the tiered levels are:

Faculty Rank or Academic Experience	Assistant Professor or 2-5 yrs	Associate Professor or 5-10 yrs	Associate Professor or 10-15 yrs	Professor or 15+ yrs
	\$ 3,000	\$ 6,000	\$ 9,000	\$ 12,000

- 7.6 Faculty Directorship Positions – CPG will provide compensation for Directorship positions that align with ACGME, Program Director and CPG needs.

8. **CPG Compensation Committee Review** - Annually, as part of the normal budget process, the CPG Compensation Committee will review this policy.

P/P TITLE: Physician Compensation Model	P/P #: 200.616	PAGE: 14 of 14	ORIGINAL DATE: 09/01/2010	REVISED DATE: 08/03/2017
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9. **Miscellaneous Information**

- 9.1. Commencement Bonus – All commencement bonuses are to be paid within 30 days after the first day of employment. Under no circumstances will a commencement bonus be paid prior to the commencement of employment. Should a physician leave during his/her first two years of employment, the commencement bonus is subject to recoupment by CPG. If the physician leaves in the first year of employment, 100% of the commencement bonus is due back to CPG. If the physician leaves at any point during the second year of employment, 50% of the commencement bonus is due back to CPG.
- 9.2. Moving Expenses – Actual moving expenses will be reimbursed up to \$10,000. Any amount above \$10,000 requires approval of the CEO of CPG. If the physician leaves in the first year of employment, 100% of the moving expenses reimbursement is due back to CPG. If the physician leaves at any point during the second year of employment, 50% of the moving expenses reimbursement is due back to CPG.