Title: Exempt or Non-Exempt.. that is the question.

I. Statement of the Problem:

The administrator, who joined an academic Anesthesiology and Pain Medicine practice, recognized that there were issues related to the salary structure for the non-physician provider group of anesthetists, especially as it related to overtime pay. The anesthetists in the group consisted of both Certified Registered Nurse Anesthetists (CRNA), and Certified Anesthesiologist Assistants (AA-C). The salary structure for this group was also questioned by the physician practice plan that employed the anesthetists. The salary structure was a mixture of both salary and hourly components, essentially allowing the best features of both pay structures to the anesthetists. At the time the administrator joined the department the anesthetists were salaried employees, making a set amount per year. They were not required to work additional time to accommodate for a lunch hour, and were charging for overtime for every minute after their regular shift ended (eight hour shift, ten hour shift or thirteen hour shift). It was not easy to verify the overtime hours worked, as the anesthetists simply wrote their overtime hours on a piece of paper and submitted it to the administrator. In addition, if the Operating Room was slow, they could be released early for the day, while still being paid for their full shift.

As an academic practice, the anesthetist’s presence in the Operating Room not only assists in coverage of rooms, but also allows coverage for resident training and outside rotations. The current salary structure for the anesthetist group forced a high amount of overtime with the
need to support the academic mission of the department. Allowing the overtime was putting a strain on the budget. On the financial end, listing the anesthetists as salaried employees, overtime was not calculated during the yearly budget computations, and as such, all overtime was considered a budget overage. Unfortunately, limiting the anesthetists overtime would hinder the educational mission of the institution, and the ability to cover rooms could result in a negative impact on the hospital and practice revenue. In looking for a way to reduce overtime, and still allow for both clinical and academic support, it was time to reevaluate the pay structure for the anesthetist’s to bring them more in line with the other members of the institution, while meeting the market standards for this group of providers.

With agreement from the Chairman, the administrator began to look at various alternatives in regards to this issue.

I. Alternative Decisions Considered:

The first alternative considered was to leave things the way they were. (Anesthetists listed as salaried employees with OT paid beginning at the end of their normal shift).

There were very few positives in allowing things to remain the same. Of course, the anesthetists would be happy to keep the current system in place. Coverage for both the clinical cases in the OR and coverage for the academic mission of the institution would remain high, as the anesthetists were more than willing to stay over to cover should they be needed; knowing that all additional time would be compensated as overtime.
Unfortunately, the lack of a clearly defined salary structure was a definite issue for the other department members, as well as they physician provider group. Since the university reimbursed the practice group for the anesthetist’s services, the excessive overtime costs for these salaried individuals became a lead topic of conversation during the budget process. Should no anesthetists wish to stay over, there was the possibility of inadequate staffing of OR rooms.

The second alternative considered was to change the anesthetists to hourly employees. There were distinct benefits in changing the anesthetists over to straight hourly employees. There would be increased coverage each day, as the anesthetists would now be required to work an additional half hour to accommodate for a lunch. There would be ease of tracking their hours, and the overtime. The anesthetists would be paid for all extra time as straight overtime. Changing them over to hourly employees, would also put them in line with other providers within the institution.

Despite the benefits of this alternative, there were several drawbacks. First and foremost there would be a decreased level of satisfaction for this group as their daily schedule would increase by a half hour to accommodate for a lunch, with no additional pay for this extra time worked. There was also a decrease level of satisfaction in that should they be released early, they would now be obligated to use their own time (Vacation or PTO) to cover the hours. The anesthetists were unhappy with the idea of having to punch a clock, feeling that their position as non-physician providers was more of a professional rank, and that set them at a higher level than the regular hourly employees. There could be an increase in
overtime pay should the anesthetists request to stay. The market standard for this group was as salaried employees, so being listed as hourly staff and punching a clock could decrease the ability to not only retain staff, but also to recruit staff. If there was a decrease in morale, it could affect the anesthetist’s willingness to cover for the academic missions of the department.

A. The administrator could change the anesthetists to salary non-exempt status

The anesthetist’s current salary structure closely matched the salary non-exempt status. To officially label the group as salary non-exempt providers would certainly be a benefit to the anesthetists. It would allow for continued overtime. The anesthetists would be happy with not having to punch a time clock. With allowed overtime there was a greater possibility and willingness to cover to meet the educational mission of the department. The salary non-exempt status was more in line with the current market standards for this group of providers.

Unfortunately, this alternative had several disadvantages. For one, a tracking model would need to be developed to adequately track the overtime. Currently nothing was in place, except the anesthetists listing overtime on pieces of paper, without faculty verification. If a system was put in place, it could result in the physician providers having to track and justify the need for overtime, and resulting in a decreased level of satisfaction by the physicians. There was also a possible decrease level of satisfaction for this group if the hourly schedule increased to accommodate overtime parameters (increase normal work hours by one half hour to accommodate for lunch). Currently the anesthetist’s were
required to only work eight, ten or thirteen hours without an extra half hour added for lunch, even though a 30 minute lunch was taken each day. There could be an increase in overtime pay, as the anesthetists could stay longer resulting in increased costs for the practice.

The final alternative considered was to change the anesthetist group over to a salary exempt status, with a defined plan for extra session pay. This would decrease daily overtime reducing the reimbursement costs for the university. It would allow for increased coverage in the OR, as the physician providers would be more willing to keep the anesthetists over to finish cases, and would allow for OR coverage to accommodate the academic mission of the department. Knowing that some extra coverage would be needed, a new plan for extra session pay would need to be put in place. The benefit to this would be that normal expected extra coverage could be calculated and added to the budget, greatly reducing the overages due to unknown or unplanned overtime costs.

There would be an increased level of satisfaction for the anesthetists as they would retain their salary status and professional standing, while still being afforded the possibility to make extra money. Having the anesthetists listed as salaried employees more closely matched the market standards.

There would be some drawbacks to this alternative. Obviously the anesthetists would be unhappy about a possible reduction in pay if there was no daily overtime. There could also be abuse by the physician providers in keeping staff over arbitrarily. There was also a possibility of not matching market
standards as it related to overtime for this group of providers. There would be a financial consideration allowing for extra session pay for anesthetists coverage.

II. Procedures Used to Select Solution:

The Administrator met with Chairman to discuss the various scenarios. It was determined that additional input from the various parties involved would be essential to assure the best outcome in formally designating a pay structure to this group of providers.

The first group the Administrator met with was the administrative members of the physician practice plan. This included the head of human resources, the controller, and the Chief of Financial Services, as well as the Senior Accountant for the Department of Anesthesiology specifically. There would definitely be an impact to the bottom line with the change in pay structure. It was agreed that eliminating the random overtime would be a benefit financially for the group and institution as a whole. The need for some extra session to fill in for staff coverage and coverage for the residents meant that there would need to be some process to allow for this extra session, and the various processes and procedures were discussed.

The Administrator next met with the physician providers. It was imperative to have the support of the faculty members of the department. Knowing that the department administration was looking to change the pay structure, most of the anesthetists had discussed the issues with various faculty members. By having this meeting, it allowed for an open discussion of concerns and issues, and offered
better insight of what the issues were, and how to better align a pay structure that would garner the most support by the anesthetists as a group.

The Administrator next did a review of current market trends for this group of providers, as well as a review of the current laws in regards to salary options and FLSA guidelines. The current market trends seemed to allow this group of providers some overtime. Unfortunately, this unknown variable was a source of increased costs for the department. The current market also showed that this group of providers took call. This was not the case in our institution and was a point of consideration to be included in the presentation to the anesthetist group. The FLSA (Fair Labor Standards Act) was an important guide in making the decision. For most employees, determining whether they are exempt or nonexempt depends on three factors; how much they are paid; how they are paid, and what kind of work they do. The first factor, how much they are paid, put this group directly into the exempt status, as employees earning over $100,000 a year. The second factor, how they are paid, was also taken into consideration. Receiving a salary based on a set amount per week that is a guaranteed minimum was also a determining point to list them as exempt. The third factor, what kind of work they do, was the final point to be considered under the FLSA guidelines. The FSLA has three categories of job duties that could determine if an employee is exempt. The FSLA categories are executive, professional, and administrative. This group of non-physician providers fell under the professional category in scope of duties and skills, and certainly met the exempt status.
The next step in the decision process was to meet with the Anesthetist group for their input and suggestions. First, the group expressed that they wanted to retain a professional standard so they did not like the option of punching a clock, as they felt that this reduced their professional status. They wanted to remain as salaried employees. Having the market trends for the area, and the FSLA guidelines was helpful in countering their comments that everyone else did something different than what we were proposing. The biggest problem was in regards to overtime and hours worked.

After reviewing all the documentation, and notes from the various meetings, it was determined that classifying the anesthetists formally into the salary exempt status was the best alternative.

III. Decision

In conjunction with the Chairman, and with support of the administrative members of the practice plan and physician providers of the department, and with input from the anesthetist group, we more clearly defined the scope of employment for the anesthetists.

IV. Implementation

The Administrator and Chairman met with the departmental physician providers to present changes to be made and gain input. Unified provider support was imperative.

The Administrator drafted a new process and policy for extra session pay. It was determined not to add the extra half hour to the daily schedule for this group of
providers to account for a lunch break. The Administrator met with the anesthetist group to present the proposal. By leaving their daily hours alone, they were more receptive, as they felt that they still retained something. They also liked that they could still earn more with the extra session process. No additional demands or suggestions were made to the plan. The final meeting was with the administrative group of the physician practice plan to go over the proposal. They agreed to the terms, and a timeline was put in place for implementation.

V. Significance of Outcomes and Lessons Learned

A. Anesthetist staff was extremely resistant to change, but support from departmental physicians, and practice plan administration helped to ease the resistance.

B. Getting buy-in at each step from anesthetists was essential, as they felt that they were contributing to the process.

C. Having market comparisons, and FSLA documentation was helpful to reduce push back by the anesthetist group

D. By defining the category of the anesthetists as salary exempt, the practice was able to more clearly align them as clinical associates within the institution, and more closely follow the FLSA guidelines for this group of providers.

E. There was a clear savings to the practice by removing overtime pay, while still allowing a defined scenario for extra session pay when additional staffing coverage was needed.

F. There was an increased measure to assure coverage for the academic mission related to resident education
VI. Recommendations for Other Managers:

A. If using non-physician providers, doing market comparisons for practices in your area will assure that you are within the correct parameters in regards to pay.

B. Staff morale is important, so if significant changes need to be made, getting input from the group to be affected is critical in moving forward.

C. Having unified physician support is important in relieving staff resistance.

   Having buy-in from the physicians eliminated non-physician providers gaining support for push back of changes being made.

D. Move slowly through the process, keeping communications open. Remember it is a give and take process. It is worth giving on a few smaller items and gaining more substantial issues that will better align the group, and offer a cost savings.

E. Recommend the importance of evaluating employee status and policy regarding overtime to determine if changes can and should be made to save the practice money and solve staffing problems.