

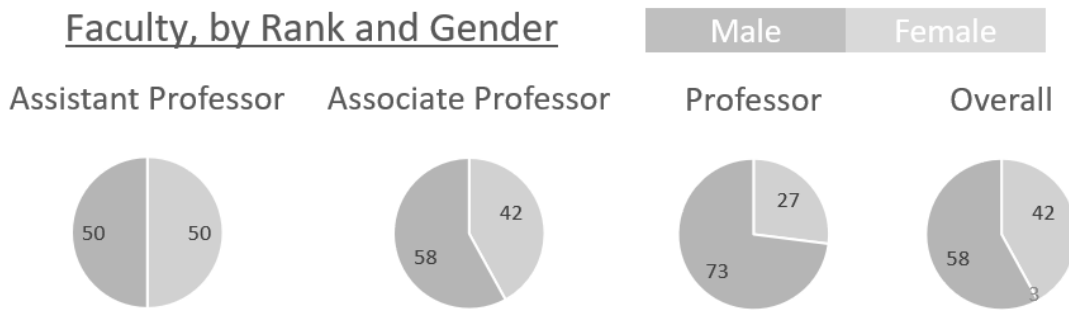
## **Chapter 07: Exemplar – Closing the Gender Pay Gap at the Medical College of Wisconsin**

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The Medical College of Wisconsin (MCW) is a private health sciences university located in southeast Wisconsin. MCW is home to approximately 1,400 students across its Medical, Pharmacy and Graduate Schools, 700 physicians in residency, 200 physicians in fellowship training, and almost 2,000 faculty. **(Figure 7.1)** Additionally, MCW has more than 1,650 physicians and employs the largest physician practice group in the state. The institution has over a decade of experience narrowing the gender pay gap among its physicians, faculty, and staff and during that time has carefully developed processes, methods of communication, and cross-disciplinary collaborations necessary to achieve salary equity, positioned leaders to support the mission, and adopted measures and practices to ensure accountability for success.

Figure 7.1 Medical College of Wisconsin, 2019 Workforce and Learner Overview

<b>Faculty</b>	
Teaching/Research/Clinical	1,715
Lecturer/Instructor	103
Visiting, Emeritus, Voluntary Adjunct	105
<b>Total Faculty</b>	<b>1,923</b>
Students	1,300
Postgraduates, Associates and Fellows	1,000
Staff	4,364
<b>Total Community</b>	<b>8,587</b>



MCW’s effort to incorporate principles of gender pay equity into compensation decisions began in 2007 when the Women’s Faculty Council (now Council for Women’s Advocacy) requested information about the institution’s pay practices and how it ensured equitable compensation for women. With consistent leadership support and an overt organizational commitment, MCW created infrastructure and processes over the subsequent two years that have since allowed the institution to prioritize equitable pay outcomes for MCW faculty and staff. In this chapter we will review the stages involved in building that essential foundation and share the faculty pay practices, business rules, and governance structures that sustain the work to this day. As has been stated in preceding chapters, closing the gender pay gap in medicine is an on-going process and takes constant vigilance. However, it is our hope that MCW’s journey will help other institutions lay the groundwork necessary to achieve equitable compensation among its valued faculty and physicians.

We will describe MCW's journey based on following segments:

- I. Laying the foundation: philosophy and governance
- II. Communication: clarity and transparency
- III. Business process: benchmarking and definitions
- IV. Accountability: annual review and reporting
- V. Next steps: sharpening the saw

### **I. Laying the Foundation**

It has been said that culture, a system of shared beliefs, eats strategy for breakfast. Therefore, MCW began its journey by articulating salary equity as a core principle of the organization's compensation philosophy such that examining salaries with an eye toward fairness and paying individuals based on experience, performance, responsibility, and market-competitive benchmarks became identified as the "right thing to do." Furthermore, it was explicitly acknowledged that these principles, and not gender, were to drive how compensation decisions were made, negotiated, evaluated, and reviewed going forward. From this baseline, key elements of an equitable compensation system could then be developed, maintained, and assessed. While there was immediate support from the top leadership to adopt the new compensation philosophy, MCW proactively sought buy-in from Chairs and other department leaders who would be making the lion's share of pay decisions.

MCW established an Institutional Compensation Committee (ICC) which reported directly to the President and CEO. The institution's primary business officer, the Executive Vice President and

Chief Operating Officer, chaired the committee and members included leaders from each mission - education, research, patient care, and community engagement.. The institution's compensation team staffed the committee to ensure that members had ongoing and direct access to internal pay data, market benchmarks, and professionals who could provide analysis, address questions, and field ad hoc requests.

The preamble to the ICC's charter defined its responsibilities as:

- Assisting the President in matters related to the compensation of MCW faculty and staff and ensuring compliance with all applicable rules and regulations.
- Developing or revising MCW compensation policies or guidelines, reviewing and approving department compensation plans.
- Reviewing and approving benchmark methodology and reviewing and approving individual compensation levels beyond thresholds established in policy.

With a governance body comprised of key leaders representing different missions and functions across the organization and reporting to the President convened, institutional support for the initiative gained momentum. The ICC gathered and reviewed compensation data and developed policies to reflect the new compensation philosophy. Pay decisions heretofore were based on the four elements of experience, performance, responsibility, and alignment with market-competitive benchmarks.

## **II. Communication**

Communicating and engaging department leaders while laying the foundation described above was as a time-consuming and, at times, difficult undertaking. Historically, MCW had relied on a decentralized faculty compensation process across a federated array of departments. While there was no debate about the importance of pay equity, there was tremendous concern expressed about potential consequences of centralizing a process critical to the success of each academic unit. The perceived consequences were many, such as an inability to account for nuances of faculty effort and skills, generalizing data without appreciating the local perspective, lack of flexibility when needed, loss of control over decision making, increased workload, and accuracy and availability of national benchmarks. Over an eighteen month period the compensation team facilitated over 90 meetings with department chairs and other leaders to shape a formal Faculty Compensation Policy that defined and offered guidance on the four elements involved in setting levels of compensation. Subcommittees of the ICC worked on messaging and building a communications strategy, refining the methodology for making compensation decisions, and evolving compensation practices that, by the end of the year-and-a-half long process, achieved a high level of adoption.

In retrospect, developing a thoughtful, inclusive, and strategic communication plan was a critical activity. This is where the rubber hit the road and determined how comfortable leaders would be with an intentional shifting of culture. Sitting at the table with leaders who would be making individual compensation decisions and taking the time to listen to their concerns took patience and perspective. We built trust by adapting policies to address credible concerns while maintaining the core principles of equity. How other institutions will successfully operationalize this work will likely vary. Our experience suggests the value of finding trusted individuals within

the organization who agree to champion the initiative and participate not just in conversations but also in crafting frameworks for discussion and next steps. These champions are essential. Seeking them out and imparting the compensation vision to them will reap great dividends.

Finally, MCW's new compensation philosophy held that paying people equitably was the right thing to do and was also a good business decision. As such, part of the communication process was to ensure that financial elements, like resources and funding to support salary equity, were thoughtfully and transparently addressed.

### III. Business Process

MCW intended to incorporate equity considerations into routine compensation discussions and to influence each decision point, including initial hire, promotion, annual compensation planning cycle, market adjustment actions, ad hoc retention, and exceptional situations. Achieving this level of coordination took an ongoing collaborative effort among the compensation, faculty affairs, and compliance teams, as each domain had responsibility and influence over different aspects of these processes.

Using the most robust benchmark data available is critical for successful salary equity work. Therefore, MCW invested a significant amount of time developing a Fair Market Value (FMV) methodology based on well-regarded benchmarks and best practices in the marketplace.

To achieve consensus about which benchmark data would be most trustworthy and appropriate, the compensation team circulated a white paper setting forth principles and selection criteria to

define benchmark data that would be both compliant with applicable legislation and reflective of accepted practices. To create this guide, the compensation team relied on discussion points raised during the prior eighteen months. The whitepaper outlined how MCW would utilize various sources of data from professional associations as well as ad hoc, unpublished, and ‘park bench’ data. Because validating this information would require time and resources, it was important to communicate the criteria MCW would employ to evaluate appropriateness and rigor and the threshold that data had to meet to be considered as compensation benchmarks. These criteria are described below.

MCW relies on the following elements to define reliable data and characterize the salary survey data it will accept:

- In compliance with the Sherman Anti-Trust Act\*
- Survey must have an adequate sample size
- No secrets about the data or methodology
- Survey sources and sample sources always identified
- Data are timely, up-to-date, and effective date of the data are well-defined
- Job matching standards are clear
- Competitive marketplace from which they are drawn is understood

*\* The Survey Safe Harbor Guidelines, which dictate how compensation data are reported, originate in legislation dating back to the Sherman Anti-Trust Act of 1890 and require that survey data must be conducted by an independent third party; reported data must be at least three months old; each disseminated statistic must have at least five companies reporting data, and no individual company’s information can represent more than 25 percent of each disseminated statistic.*

Additionally, best practices for survey selection require the characteristics outlined in Figure 7.2 to ensure consistent business rules and data continuity from year to year:

What to Look For	What to Avoid
Surveys that follow survey safe harbor guidelines	Surveys that report any data in violation of Survey safe harbor guidelines
Surveys conducted by firms that take care to clean and analyze data	Surveys conducted by firms that do not clean or analyze participant data
Surveys that have a consistent level of participation year over year	Surveys with wild fluctuations in participation year over year

Lastly, in selecting benchmark data for FMV calculations, MCW considers survey methodology, who reported the data, and how it was collected. Data reported by institutional personnel and collected through a method that is reliable and as error-proof as possible is most desirable. When appropriate, we also consider who is reviewing and aggregating the data and determine whether data anomalies are confirmed with participants.

Our FMV methodology has established a standard platform to review compensation from a regulatory, market-based, and consistent perspective. It blends total compensation benchmark data from clinical, academic, and administrative leadership survey sources into a single composite value and weights data based on faculty’s allocation of effort. Below is an example:

Rank	Total FTE	Clin FTE	Acad FTE	Admin FTE	Ext FTE	Base Pay	Incentive Pay	Total Comp	FMV Total Comp Median Benchmark	FMV Percentile
Assistant Professor	1	0.60	0.20	0.20	0.00	\$200,000	\$20,000	\$220,000	\$229,835	44%

**Clinical Benchmarks**

American Medical Group Association (AMGA)	<b>Median</b> \$233,396
Medical Group Management Association-Physician Practice (MGMA)	\$237,052
Sullivan Cotter and Associates, Inc.	\$200,129
<b>Average</b>	<b>\$223,526</b>

**Academic Benchmarks**

Association of American Medical Colleges (AAMC)	<b>Median</b> \$228,825
Medical Group Management Association-Academic (MGMA)	\$202,730
<b>Average</b>	<b>\$215,778</b>

**Administrative Leadership Benchmark**

Sullivan Cotter and Associates, Inc. (Medical Director Role)	<b>Median</b> <b>\$262,818</b>
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<b>Clinical FTE Weighted Benchmark (0.60 x \$223,526):</b>	\$134,115
<b>Academic FTE Weighted Benchmark (0.20 x \$215,778):</b>	\$43,156
<b>Administrative FTE Weighted Benchmark (0.20 x \$262,818):</b>	\$52,564
	<b>\$229,835</b>

The table above shows only the FMV median values. However, benchmark data typically report quartile ranges (25<sup>th</sup>, 50<sup>th</sup> (median), 75<sup>th</sup>, etc.) as well. The MCW Faculty Compensation Policy defines compensation quartiles based on faculty experience, performance, and responsibilities:

Individual compensation is reviewed for alignment to FMV. (Clinical productivity metrics are sourced from academic medical centers as published by Vizient; research productivity is often measured by publications in tier one journals and percent of grant funding; educational productivity is typically measured through teaching evaluations, awards etc...)

1. **Total Compensation <25<sup>th</sup>ile:** Total compensation <25<sup>th</sup>ile of FMV typically reflects faculty new in their rank or career, low in academic and/or clinical productivity or other reasonable business factors. Departments are responsible for annually reviewing and assessing compensation under the 25<sup>th</sup>ile

for appropriateness and developing action plans.

2. **Total Compensation  $\geq 25^{\text{th}}$ ile but  $< 50^{\text{th}}$ ile:** Total compensation approaching the 50<sup>th</sup>ile of FMV characterizes faculty consistently performing near expected levels and demonstrating academic and/or clinical productivity approximating market averages.
  
3. **Total Compensation  $\geq 50^{\text{th}}$ ile but  $\leq 75^{\text{th}}$ ile:** Total compensation  $\geq 50^{\text{th}}$ ile but  $\leq 75^{\text{th}}$ ile of FMV, when appropriately matched with productivity, characterizes faculty consistently performing at/or above expected levels and demonstrating academic and/or clinical productivity at/or exceeding market averages.
  
4. **Total Compensation  $> 75^{\text{th}}$ ile but  $< 90^{\text{th}}$ ile:** Total compensation  $> 75^{\text{th}}$ ile must be justified by benchmark academic and/or clinical productivity metrics or other reasonable business factors such as those listed below:
  - Institutionally recognized strategic importance of a clinical specialty or program
  - Documented recruitment/retention difficulties in a clinical specialty
  - Individual training, clinical skills and national reputation
  - Exceptional sponsored research and/or scholarly activity

The approach above is anchored in rigorous benchmark data that adhere to safe harbor guidelines and creates a common framework for all those who make compensation decisions. Its methodology is communicated widely and allows the organization a consistent set of standards against which to test compensation decisions and assess for outliers. Each compensation decision, from hiring, promoting, and awarding annual increases, follows the same set of guidelines.

#### **IV. Accountability**

At MCW, our goal is that every faculty salary is benchmarked to the best possible data and complies with parameters set forth in the Faculty Compensation Policy. By infusing each decision point with principles grounded in pay equity and providing benchmark-based guidelines, we expect to identify a limited number of pay inequities during the annual internal audit process. For example, out of 1,389 qualifying faculty in the 2017 internal review, salaries of three women and three men were flagged for further investigation and follow up. This represents .8% of each gender population.

MCW's Office of Corporate Compliance conducts individual and cohort-based reviews of all faculty compensation annually with a focus on levels that are less than the 25th percentile or greater than the 75th percentile of stated benchmarks. Biennially, the Office of Corporate Compliance performs a faculty compensation analysis for potential gender and ethnicity equity issues that follows the methodology suggested by the U.S. Equal Employment Opportunity Commission (EEOC) and incorporates elements of the Median Compensation Analysis suggested by the Department of Labor's Office of Federal Contract Compliance Program. (These

audits involve statistical approaches that use regression analysis or standard deviation from the mean to flag compensation rates for review.)

Corporate Compliance in partnership with Compensation Services first discusses outliers or areas of concern with academic department leadership and requires written explanation to justify potential differences. Corporate Compliance reviews these justifications and in partnership with Compensation Services presents them to the Institutional Compensation Committee along with recommendations for remediation. The Compensation Services team follows through with academic department leadership to implement any compensation adjustments. A summary of all results and actions taken is then presented to the President/CEO, Provost/Dean of the School of Medicine, and Executive Vice President/Chief Operating Officer.

Compensation Services, a team of consultants and analysts within Human Resources at MCW, works collaboratively with academic department leaders on these decisions throughout the year and provides insights based on available benchmarks, internal data, and institutional equity considerations. Department leaders also receive, as part of the annual compensation planning cycle, a Compensation Consulting Report with salary data for their individual departments and specific recommendations for the upcoming fiscal year. These suggestions incorporate the gender equity pay principles discussed above and the annual planning guidelines. Below is an inventory of elements included in the report along with definitions:

## **Equity Review Methodology**

### **Inclusions:**

- Basic Science and Clinical Department Faculty

- Chair, Chief, Professor, Associate Professor, and Assistant Professor Ranks
- DC, DDS, DO, DVM, MD, MS, PhD, PsyD Degrees
- Full-Time and FPE Faculty (Total FTE  $\geq 0.5$ )
- MCW and External (e.g. VAMC) Compensation, including Bonus and Incentive
- MCW Productivity Data (Work RVUs, % of Extramural Funding to Research Salary)
- External Compensation and Productivity Benchmarks (AAMC, AMGA, MGMA, Sullivan Cotter, UHC)

**Criteria:**

- Must have been employed by MCW at least 6 months of the year and
- MCW Base Salary  $> \$0$  (e.g. excludes affiliate employees with MCW appointments)

**1. Market Percentile Distribution Analysis (Organization Level)**

All faculty compensation rates are stratified by market percentile category (<25, 25-50, 50-75, >75) and gender or URM group. Using a chi-squared test, flags a market percentile category if there are disproportionate counts by gender or URM group. If a category is flagged for review, further analysis is performed to identify the factor(s) causing the difference in distribution.

**2. Internal Gender and URM Equity Analyses (Peer Group and Individual Level)**

Assigns faculty into peer groups based on specialty, rank, and people group (e.g. faculty clinical, faculty research). Peer groups qualifying for review must have at least three faculty members and one faculty of each gender or from each URM group. Identifies peer groups where one gender or URM group has lower median compensation (\$2,000 or greater difference) and higher median years in rank. Within the peer groups flagged for a potential compensation gap, individual faculty compensation is flagged for departmental review if lower than the other group's median (\$2,000 or greater difference) and the individual has equal or higher years in rank and productivity.

**3. External Benchmarking Analysis (Individual Level)**

Flags set for further review of individual faculty compensation less than the 25<sup>th</sup> percentile with disproportionately high productivity when compared to their compensation percentiles.

**4. Departmental Justifications and Action Plans**

Obtains justifications or compensation action plans from the departments for the faculty flagged by the equity analyses in steps 2 or 3 above.

To summarize the complex matrix of decisions, influence points, accountability, and annual internal audits, the Figure 7.3 illustrates the ongoing salary equity process as gears all moving together. When one of the gears does not turn smoothly, the pressure of the other gears is brought to bear to bring about an appropriate resolution:



## V. Next Steps

MCW's work of closing the gender pay gap is not done. While the institution has achieved much, challenges remain, such as how to address salary disparities between departments that have different funding levels or payer mix, and how these factors impact gender pay equity. As a private institution, the culture around data transparency is a moving target. Unlike our public institution colleagues, one cannot look up an individual's compensation on a public website. Through online communities such as Glassdoor, LinkedIn, and others, pay transparency is

gaining more momentum in the marketplace. MCW is currently working to create an individualized benchmark statement for each faculty member which will show where his or her compensation falls within an MCW cohort. To implement this level of transparency, we will circle back through steps, such as the communication strategy and leader buy-in process, outlined earlier in this chapter.

Striving to achieve salary equity throughout the institution communicates value to each person who gives professional effort to the worthy missions of MCW and our greater academic medical community. We desire to be leaders in this space and present regularly at Association of American Medical College (AAMC) conferences, share our work in [publications like this one](#),<sup>22</sup> and actively champion pay equity within our professional organizations and societies.