**Tool: Calculations for Employee Gainsharing**

By Dennis Butts

To help motivate surgical employees, including nurses and technicians, to collaborate with independent surgeons to improve surgical performance, Columbus Regional Health (CRH), in Columbus, Ind., launched an employee gainsharing program. Forty percent of the surgery department’s margin (net revenue – direct expenses) is eligible for distribution to surgical employees in clinical, administrative, and support positions, including nurses and technicians.

The independent physicians are not included in the gainsharing program. They have a comanagement agreement with CHR. The physicians manage the full spectrum of inpatient and outpatient surgery and endoscopy services at the hospital and at Columbus Surgery Center, an ambulatory surgery center owned by CRH. The physician co-managers also oversee the clinical staff within the hospital department.

Below is how CHR determines the gainsharing pot for employees:

1. **Excess of actual over budget:** Calculate by using the following fields:
2. **Net revenue**
   1. From Columbus Surgery Center income statements
   2. Gross revenue (actual and budget)—from CRH responsibility summaries
      * CRH calculated using Trendstar data as follows:
        + Net collection rate (endo/OR cases)—calculation of department revenue to total revenue, applying % to total payment received
          - 2012 actual = 2012 Jan-May actual %
          - 2012 budget = 2011 Jan-Dec actual %
        + Multiply net collection rate actual × gross revenue actual = net revenue actual
        + Multiply new collection rate budget × gross revenue budget = net revenue budget
3. **Direct expenses**—exclude depreciation and amortization
   1. From Columbus Surgery Center income statements
   2. From CRH responsibility summaries—exceptions
      * Benefits % actual 2011 CRH % applied to both budget and actual
      * Capital early disposal will be tracked and reported as appropriate
4. **Distribution/allocation** 
   1. Up to 40% of the excess is eligible for employee gainsharing
   2. Employees will be paid based on % score of physician performance scorecard (i.e., if scorecard is yielding 70%, then employees will be eligible for 70% of the 40% gain pot)
   3. Gain will be allocated to employees based on a weighted average calculation of base salary and worked hours excluding overtime

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