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MERCES CONSULTING GROUP, INC.

*Services to Federally Qualified Health Centers*



At Merces, our mission is simple: to make it easier for you to achieve your mission.

We help you optimize your organizational structure and we ensure you have the right jobs. We guide you in developing the right people and we make sure that you have compensation practices that take pay issues off the table.

A health center is nothing less than the sum total of its people. Your success, and your people's success, are one and the same.

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We estimate that 12-13 percent of the average health center's expenditures are wasted every year because of inequitable and inefficient compensation programs. You do have the resources to hire highly qualified, motivated and dedicated staff and you can have a workforce with low turnover and high engagement. Get closer to achieving your mission AND be an employer of choice in your community.

Let Merces be your partner. See just what resources we can help you unlock, and find out just how much easier meeting your objectives can be.

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## ABOUT MERCES

Merces Consulting Group, Inc. is an independent, employee-owned consulting firm celebrating its 25<sup>th</sup> year in business. We believe that the success of organizations and their employees are one in the same. Organizations that can see their investments in people are directly tied to achievement of their missions can transform beyond their imaginations. To help in this transformation, Merces works with its clients to optimize their organizational structures, putting in place the roles and expectations needed to achieve strategic and operational goals. Because an organization's ability to succeed is dependent on its staff, we help develop compensation programs that are competitive and equitable, supporting development and recognizing employees' contributions. These are not only sound business practices, but "best practices" that keep the organization and its people on the same path.

Merces has worked with health centers nationwide for more than 20 years. We have shown large and small health centers in urban and rural settings how to: change their jobs to optimize performance; fairly and transparently govern executive compensation; ensure that providers are compensated competitively and in line with their contributions; tie employee pay growth to development; and more, all of this with an end objective of improving their ability to achieve the mission of serving the underserved. Our staff have decades of experience in organization design and compensation program development in the industry, and practical experience in managing and working in health centers. We believe we are uniquely positioned to work with your organization and make your job easier.

### HOW WE DO BUSINESS

Merces provides services to its clients either as part of fixed-fee projects or on an hourly rate basis. Our fee structures are designed to be one-third to one-half of what major consulting firms charge for similar services, and consistent with those of other professional providers like lawyers and accountants. Our business model is based on establishing and maintaining long-term relationships with our clients; rather than charging exorbitant fees for single projects, we make your initial investment in our services reasonable with the hope that you will continue to work with us in the future. The success of this model can be seen in our work in the health center industry – while our publications and presentations bring us new work, more than eighty percent of our health center clients have come from "word of mouth" recommendations.

Most health centers do not even realize that an organization like Merces is available to help them work through the many issues that arise with compensation. We are able to provide you with answers to questions that have come up numerous times in many health centers over the years, and we can typically help you for significantly less than if you tried to do the work internally.

Developing and implementing a truly competitive and equitable compensation program can be daunting, and it may seem like it would be very expensive. Because most organizations don't want to start out with a large investment on what they might feel is a "luxury" expense, Merces has developed a number of straight-forward projects, with well-defined deliverables, that provide you with the opportunity to "test the waters" and see the benefit of working with us. On the next several pages, you will see descriptions of some of these standard assignments, along with typical costs. When you find something that interests you let us know and we can talk about next steps.

## ORGANIZATION/STRUCTURE PROJECTS

### ORGANIZATION RECONNAISSANCE

Designed to be an initial step toward optimizing a health center's structure, Merces conducts an organizational overview and provides feedback on immediate actions that can be taken and a strategy for further study. Merces will prepare an information request to learn more about the organization, how it operates and what its challenges are. The project continues with a one-day onsite visit (either one full day or adjoining half-days) with two Merces consultants with health center expertise. The onsite visit will include meetings with executives and focus groups with key management staff (and providers, if desired). The report will identify organization structural issues, recommendations for immediate actions and long-term strategies, and a work plan for future efforts if desired. Project fees are typically \$5,600, not including travel time or expenses.

### ORGANIZATION ASSESSMENT AND RECOMMENDATIONS

Frequently the continuation of an organization reconnaissance, this more complex and involved project includes two to three days of onsite follow-up, depending on the complexity of the organization, meeting with senior management and leaders of various functions/departments. The report includes a recommended organization structure with "capsule" (summary) job descriptions for each role. This project is not intended to be a workflow analysis, although observations will be made with respect to operating processes and staffing ratios as appropriate. Project fees are typically \$8,000 to \$12,000 (\$12,000 to \$15,000 if no reconnaissance was conducted), not including travel time or expenses.

### JOB DOCUMENTATION & DESCRIPTION PLANNING

Merces will assist the health center in developing a structured format for job descriptions that makes them more effective business tools for use in employee development, performance assessment and compensation planning. The project includes development of a manual with standardized text used for common description elements, as well as text that links to job evaluation results (for those organizations with job evaluation programs). Also includes training (online or onsite) in job description preparation. Project fees are typically \$3,000 - \$4,000, not including travel time or expenses.

### JOB DESCRIPTION DEVELOPMENT

Working with existing job descriptions and input from employees (typically through questionnaires or phone/onsite interviews), Merces will assist in the development of job descriptions in a consistent format that are suitable for use in a performance management/assessment program and a Merces compensation program. Fees are based on the amount of information available -- "reorganization and supplementation" of current job descriptions will typically be \$250/job, while additional research and drafts will result in additional cost (typically not to exceed \$500/job).

## EXECUTIVE COMPENSATION PROJECTS

### CHIEF EXECUTIVE COMPENSATION GOVERNANCE PROGRAM DEVELOPMENT

Merces works with the health center's Board of Directors to establish a "best practice" governance program for CEO compensation. The project includes development of a compensation philosophy, job description, performance management process, salary range, and assistance in using the performance appraisal process to determine an appropriate rate of pay. Phone meetings with the CEO and Board members are included as well as a report and presentation to the Board. Merces' CEO governance program has received a "best practice" compliment by a HRSA site review team. Project fees of \$3,600 do not include travel time or expenses.

### CHIEF EXECUTIVE COMPENSATION GOVERNANCE PROGRAM REVIEW & DEVELOPMENT

In addition to the Chief Executive Compensation Governance Program Development deliverables described above, Merces will review the health center Board's past practices and documentation (Board minutes, Form 990 submissions) and provides commentary and recommendations concerning the prior practice. Project fees of \$5,400 do not include travel time or expenses.

### INCENTIVE COMPENSATION DEVELOPMENT

Incentive compensation planning in the not-for-profit environment has unique challenges. In addition to research on the competitiveness of proposed approaches, Merces works with senior management and governing Boards to gain a better understanding of the organization's rationale for an incentive approach, examines the likelihood of actual improvement of performance, identifies the barriers to success, and develops a plan most likely to meet the organization's objectives. Project fees vary from \$4,800 to \$9,600 based on the complexity of the plan and the involvement of senior management and the Board (prices do not include travel time or expenses).

## COMPENSATION ADMINISTRATION PROJECTS

### COMPENSATION PROGRAM RECONNAISSANCE

This project is an outside review and commentary on the organization's current compensation approach. It includes a review of information provided by the organization and an assessment of the strengths and weaknesses of the organization's compensation program, summarized in a "scorecard." The report will include the details behind the scorecard results including recommendations for specific improvements to programs and processes. The materials will be provided in a presentation to management. This project does not involve time onsite unless an onsite presentation is requested. Project fees of \$4,500 do not include travel time or expenses.

### COMPENSATION PROGRAM DEVELOPMENT

This project includes the development of a structured and equitable compensation program, ready for implementation using the organization's own performance management program or with Merces' recommended assessment process. The project consists of onsite "job evaluation" meetings working with senior management staff to establish an internal hierarchy of jobs ("pay grades"); labor market research of the competitive market to establish "pay ranges;" and a model for determining the appropriate pay for each individual based on performance. The initial implementation exhibits will use the organization's actual performance information (if available) or a model predicting growth based on time in job. Included is an introductory session with management, a report, all materials necessary for maintaining/administering the program, and closing presentation(s) to management and the Board as appropriate. Further implementation analyses can be performed separately or as part of a separate performance management assignment. Project fees are based on a formula that uses the number of distinct jobs in the organization -- \$7,500 plus \$315 for each job over 20. Project fees do not include travel time and expenses.

### STRUCTURE UPDATES & MAINTENANCE

Typically on an annual or biennial basis, Merces reviews the competitive labor market and creates updated wage and salary structures, as part of continuing support for a Merces-implemented compensation program. Project fees are based on the number of jobs included in the program -- \$1,700 plus \$25 per job.

### PERFORMANCE MANAGEMENT AND "PAY FOR VALUE" PROGRAM

Merces will assist the organization in developing and implementing a job description-based performance management program that includes a method for determining specific rates of pay for employees' "value" based on their contribution to the job and the organization. Development of this program includes forms and processes, training for management, communications materials, conducting an implementation analysis, and development of an implementation strategy including a presentation to management. Project fees are typically \$8,000 to \$12,000 depending on how much assistance is required. Project fees do not include travel time and expenses.

## PROVIDER COMPENSATION

### PROVIDER COMPENSATION PROGRAM RECONNAISSANCE

This project provides an objective view of your provider compensation strategy and program, identifying strengths and weaknesses, and assessing whether it appears to be functioning in a constructive way. This reconnaissance involves a full day on-site, meeting with senior and operational management, as well as holding focus groups with providers. Using published market data, Merces will look at the health center's current provider compensation and determine whether it is competitive. A reconnaissance report will give the health center an idea of where it stands as well as recommendations for next steps. Project fees are typically \$5,600, not including travel time or expenses.

### PROVIDER SALARY STRUCTURE

Unlike staff compensation, pay for providers must reflect competitive practices regionally and nationwide. Merces uses published surveys to establish competitive market rates appropriate for each organization, based on its location, setting, and resources. These market rates are used to establish salary ranges, with range segments that can be tied to health center-established performance standards. Merces will compare the proposed ranges to current provider compensation and will recommend strategies to achieve equity. Fees are based on the number of distinct provider positions, but typically range from \$4,000 to \$10,000 for most health centers, not including travel time or expenses.

### PROVIDER COMPENSATION PROGRAM DEVELOPMENT

In addition to salary structures, many health centers use or are considering using incentive compensation approaches. Merces will work with the health center to determine the appropriateness of incentive or variable compensation for the health center, and will help develop and implement an approach consistent with the organization's needs. Professional fees will vary based on other services that have already been provided, and may be combined with other projects.

# COMPENSATION PROGRAM SUPPORT

## ON-GOING SUPPORT PLANS

Merces is available to act as a health center’s “off-site compensation department.” From providing annual updates, to assisting with pay grade assignments for new and revised jobs, conducting special surveys or assisting with annual pay implementations, Merces can develop a package of services at a price likely far below the cost of internal resources.

## A LA CARTE SERVICES

Merces provides a broad range of services that support or enhance an organization’s compensation program:

### JOB EVALUATION

Merces will provide job evaluation and pay grade assignments for new or revised jobs, using a Merces-implemented compensation program. \$150 per job.

### LABOR MARKET PRICING

Merces can provide labor market rates for “benchmark” jobs, using information in its library and surveys provided by the client. Rates provided include a “consensus” of a variety of sources; source-specific information is not provided to comply with copyright laws. Pricing is as follows:

- Executive & Highly Paid Professionals
  - 1 job - \$1,000
  - 2 jobs - \$1,750
  - 3 jobs - \$2,500
  - 4 jobs - \$3,000
  - 5 jobs - \$3,500
  - 6–10 jobs - \$3,500 + \$300/job over 5
  
- Non-Executive Jobs
  - 1–10 jobs - \$200/job
  - 11–20 jobs - \$2,000 + \$175/job over 10
  - 21–50 jobs - \$3,750 + \$150/job over 20
  - 51+ jobs - \$8,250 + \$125/job over 50