

## VA Salary Principles for PSOM Departments

Effective: July 1, 2025

Supersedes: February 12, 2024

VA physician compensation is recommended by the VA Chief of Staff with input from the VA Service Chief and includes both base pay and market pay. Base pay is set by statute and is based on years of government service. Market pay is recommended by the VA Service Chief and is based on factors including, but not limited to, specialty, clinical experience, salary benchmarks (ex. AAMC average), or level of administrative responsibility. Compensation up to \$350,000 requires approval by the Medical Center Director, while compensation between \$350,000 and \$400,000 requires agreement and approval from the Medical Center Director and the Network Director.<sup>1</sup>

Physician performance pay is an additional component of VA compensation. The benchmarks for performance pay are set annually by the VA Service Chief. Performance pay *is not guaranteed* and may not exceed either 7.5% of the total salary (base and market pay), or \$15,000, whichever amount is less. The pool of dollars for performance pay may vary from year to year and may be tied to achievement of specific goals for improvement.

Penn Medicine Department Chairs have overall responsibility for setting the compensation of for faculty with full time Penn appointments based on CPUP compensation principles. The following principles shall be used when managing total compensation for Penn faculty with roles and responsibilities at the VA:

- Once a candidate is identified, the VA Service Chief will make a salary recommendation to the VA Chief of Staff's office for the base and market pay for the VA appointment that will then be prorated based on anticipated VA effort. The VA Section or Service Chief shall communicate the anticipated salary to the Department Chair (or their designee), who will set the total compensation of the faculty member. In extraordinary cases, the VA may recommend a salary higher than that recommended by the Department Chair. These cases will be reviewed by the Dean's office and if approved will be offered with the explicit expectation that should a dually appointed faculty member no longer work for the VA and has all their effort at Penn, only the Penn salary commitment will apply. (See Example 1 in Appendix)
- Penn Medicine makes salary adjustments annually that are effective July 1 of the upcoming fiscal year. Any change to compensation must be reviewed as part of the annual salary review process. Department administration must receive updated salary commitments by March 31<sup>st</sup> for any change in salary effective July 1<sup>st</sup> of the upcoming year.

- In setting total salary for the upcoming fiscal year, absent extraordinary circumstances, CPUP departments shall recognize Penn merit increases applied to the Penn portion and the most recent adjustment to VA Base (annual COLA increases) and market pay. Internal and external benchmarks should be used.
- COLA adjustments to pay made by the VA (usually effective in January) should be reflected in Workday as adjustments to the External Compensation plan, but do not reduce the other compensation components in Workday. (See Example 2)
- Market pay adjustments (See Example 3)
  - Coordinated by the Chief of Staff's office for each physician at least every 24 months on the anniversary of their appointment, in accordance with government regulations. The Chief of Staff's office must notify the School and relevant department of the adjustment as the determination of adjustment is made.
  - The Penn paid portion of total compensation shall be adjusted to account for any market pay increase by the VA, effective in the month following the adjustment.
- Dually appointed faculty are required to report immediately to their Department Chair any change made to VA salary. In the rare event that recovery of overpayment is necessary to ensure accurate payment of total salary, monthly deductions from wages shall not exceed 20% of total monthly compensation. Questions regarding overpayments should be referred to the Office of the General Counsel.
- Off cycle changes in 8ths shall be processed as compensation changes in Workday (with salary moving between the academic salary plan or CPUP plan allowance and the external comp plan) but the overall salary in Workday shall not change.
- Dually appointed faculty shall not elect or consent to any increase or decrease in their VA service or duty (e.g. reduction or increase in "eighths") without previous consultation with their Department Chair. Penn Medicine/CPUP has no obligation to cover VA responsibilities and salary foregone voluntarily by a dually appointed faculty member without Department Chair approval. Dually appointed faculty members whose VA service is reduced involuntarily for any reason must immediately notify their Department Chair of the change.
- All physicians with full-time Penn faculty appointments (regardless of VA effort) must receive Penn benefits.
  - Penn benefits require a minimum of \$10,000 to run through Penn payroll.
  - If the University paid portion of the salary exceeds \$10,000, no additional sum shall be paid.

- If the university paid salary is set at \$10,000 to drive benefits, the faculty member should be informed that the amount is being paid in recognition of their engagement in Penn related activities as determined by the Chair.
- Penn salary-based benefits (e.g. basic life insurance) shall be determined by University paid benefits base salary only. Dually appointed faculty are strongly encouraged to consult with University HR and Benefits to ensure understanding of University benefit levels.
- Faculty Income Allowance Plan (FIAP) and Sabbatical: For standing faculty eligible for FIAP and sabbatical, outside sources of compensation (including VA based compensation) are not included in the calculation of benefits.
- With regards to incentives/VA physician performance pay, dually appointed faculty will be eligible to participate in both VA and departmental incentive programs on a prorated basis.
  - If faculty with VA support do not perform clinical work at Penn, then any Penn-based incentive is at the discretion of the Chair.
  - Faculty may elect to participate 100% in the department incentive program, subject to the same eligibility requirements and calculations as apply to Penn based faculty. In such cases VA-based incentive will be offset from the departmental plan pay-out.
- For any Penn-based salary increase (including Penn based merit raises), the increase will be calculated based on the total salary but prorated for Penn effort
  - Adjustments for promotion may lead to a request to review the VA market pay but no VA adjustment is assured.
- With regards to administrative stipends, Penn will recognize their proportionate share of administrative stipends for shared services, such as Chief of Service, Section Chief, etc. Penn will not recognize administrative stipends for leadership positions outside of shared services (ex. VA Chief Medical Officer, VA Chief Medical Information Officer, etc.)

Comparison of PSOM and VA Compensation Principles

Purpose	PSOM Compensation	VA Compensation
Baseline Salary Support	Base salary – minimum salary for rank	Base pay – set by statute, based on service time
Recognizing track, rank, specialty, compensation surveys, duty assignments, etc.	Non-guaranteed base salary supplement	Market pay – based on specialty and experience
Payment for administrative role beyond typical faculty duties	Administrative stipend	Administrative stipend – portion of market pay

Recognizing achievements of specific goals annually	Incentive	Performance pay – 7.5% of salary up to \$15k, distributed after fiscal year (between October-March)
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Appendix

Example 1 - Exception to VA Salary Principles

VA sets the salary at \$500,000 while Penn sets the salary at \$400,000 for a VA 6/8 faculty member:

	VA	Penn	Total
Pay Rate (full-time)	500,000	400,000	
% Effort	6/8	2/8	
Actual Pay	375,000	100,000	475,000

Penn salary commitment recorded in University system and salary letter:

	Academic Base (Min for rank in effect)	Base Salary Supplement	Penn salary commitment
Current Year	110,700	289,300	400,000

Example 2 - COLA changes to VA pay rates should be reflected on the total external compensation plan in Workday and do not reduce the University portion of pay . The total base salary as shown in the Compensation Repository and approved during the annual salary increase process will not change from what was originally approved at the beginning of the fiscal year. The effect of this is that: a) the faculty member will retain the additional compensation they receive from the VA with no corresponding decrease in University funded pay, b) the annual salary increase will reflect the year over year salary increase, and c) only the University paid portion of pay will go up in July.

	FY2024		FY2025
Total Base Salary	120,000		124,800 (4% increase)
Workday	July – December	January – June	July – December
University pay	60,000	60,000	62,400 (4% increase)
VA pay (External comp plan)	60,000	62,400 (4% increase)	62,400
Total Pay	120,000	122,400	124,800

Example 3 Market pay adjustments to VA pay rates should be reflected on the total external compensation plan in Workday at the time of the adjustment and *shall* reduce the University portion of pay such that total compensation remains the same. The total base salary as shown in the Compensation Repository and approved during the annual salary increase process will not change from what was originally approved at the beginning of the fiscal year.

	FY2024		FY2025
Total Base Salary	120,000		124,800 (4% increase)
Workday	July – December	January – June	July – December
University pay	60,000	57,600	62,400 (8.3% increase)
VA pay (External comp plan)	60,000	62,400 (4% increase)	62,400
Total Pay	120,000	120,000	124,800