

## PAY ADMINISTRATION

- 1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) policy regarding pay administration.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management Web site](#). Changes include:
  - a. Makes nurse executive special pay discretionary for the Deputy Chief Nursing Officer and Chief Nursing Officer in the Office of Nursing Services, VA Central Office.
  - b. Allows facility Directors to authorize recruitment, relocation or retention incentives and performance pay for physicians and dentists without regard to the \$275,000 pay limitation (i.e., only annual pay will count towards pay limitation).
  - c. Authorizes Network Directors to approve annual pay in excess of \$275,000, not to exceed \$325,000, for physicians and dentists if the annual pay amount does not also require a tier exception.
  - d. Increases the pay for physicians and dentists requiring Under Secretary for Health approval to annual pay in excess of \$325,000.
  - e. Modifies tier definitions.
  - f. Eliminates the 2006 Base and Longevity Pay Table for physicians and dentists.
- 3. RESPONSIBLE OFFICE:** The Compensation and Classification Service (055), Office of the Deputy Assistant Secretary for Human Resources Management.
- 4. RELATED DIRECTIVE:** VA Directive 5007, Pay Administration.
- 5. RESCISSIONS:** None

**CERTIFIED BY:**

**BY DIRECTION OF THE SECRETARY  
OF VETERANS AFFAIRS:**

/s/Robert T. Howard  
Assistant Secretary for  
Information and Technology

/s/Michael W. Hager  
Assistant Secretary for  
Human Resources and Administration

ELECTRONIC DISTRIBUTION ONLY



**CHAPTER 16. SPECIAL PAY FOR NURSE EXECUTIVES**

**1. GENERAL.** This chapter provides mandatory pay administration regulations and procedures for administering special pay for nurse executives in the Veterans Health Administration (VHA). Special pay may be paid in order to recruit and retain highly qualified VHA nurse executives.

**2. AUTHORITY.** 38 U.S.C. 7452 as amended by Public Law 108-445, dated December 3, 2004.

**3. COVERAGE.** Registered nurses in the following positions are eligible for special pay under this chapter as follows:

- a. **Mandatory**[.] The Nurse Executive at a Complexity Level 1a VHA health care facility.

[ ]

- b. **Discretionary**

[(1) The Deputy Chief Nursing Officer and the Chief Nursing Officer of the Office of Nursing Services in VA Central Office may be authorized special pay under this chapter at the discretion of the Under Secretary for Health when necessary to recruit and retain a highly qualified nurse executive.

(2)] The Nurse Executive at a VHA health care facility with a complexity level other than Complexity Level 1a may be authorized special pay under this chapter at the discretion of the Facility Director when necessary to recruit and retain a highly qualified nurse executive.

**4. ELIGIBILITY.** In order to be eligible for special pay, a nurse executive must possess and maintain a performance rating of at least “Fully Successful” or equivalent. Special pay under this chapter must be terminated if a covered nurse executive receives a rating of record of less than “Fully Successful” or equivalent or is placed on a performance improvement plan.

**5. DEFINITIONS.** For the purposes of this chapter, the following definitions shall apply:

- a. **Complexity Level.** Depicts the level of volume, patient risk, teaching and research at a facility based on analysis of factors that tend to contribute to medical center complexity. Complexity level determinations were originally published in VHA’s 2005 Facility Complexity Model, dated October 11, 2005. A current list of Complexity Level 1a facilities for which special pay under this chapter is mandatory is provided in appendix I of this part.

- b. **Nurse Executive.** A registered nurse appointed under 38 U.S.C. 7401(1) or 7405a(1)(A), that is the **one** Chief of Nursing Service or equivalent position that represents the highest ranking nurse management position at a VHA health care facility. For the purposes of this chapter, the Deputy Chief Nursing Officer (appointed under 38 U.S.C. 7401(1) or 7405(a)(1)(A)) and the Chief Nursing Officer (appointed under 38 U.S.C. 7306) of the Office of Nursing Services in VA Central Office are also considered nurse executives. Only one nurse at each VHA health care facility may receive special pay under this chapter.



a. **Factors to Consider.** The following factors will be considered when determining whether to approve special pay for [the Chief Nursing Officer or Deputy Chief Nursing Officer in VA Central Office or] a nurse executive at a VHA health care facility with a complexity level other than Complexity Level 1a. These factors will also be considered when determining the amount of special pay to approve for all nurse executives authorized special pay under this chapter.

(1) **Grade of the Position.** Does the grade of the nurse executive position appropriately reflect the scope of the duties and responsibilities of the position?

(2) **Scope and Complexity of the Position**

(a) Is the nurse executive accountable and responsible for the success and outcomes of numerous clinics and programs in several facilities on multiple campuses or in one facility/campus?

(b) Does the nurse executive's responsibility include line authority and programmatic responsibility for nursing and other professions/services, for nursing only, or oversight but no direct line authority?

(c) Is the nurse executive accountable for more than one multidisciplinary educational affiliation program, one educational affiliation program or are there no education affiliation program responsibilities?

(3) **Personal Qualifications**

(a) Does the nurse executive possess an advanced degree (beyond Masters)?

(b) Does the nurse executive possess an appropriate advanced certification (e.g., American Nurses Credentialing Center (ANCC) Certification in Nursing Administration Advanced (CNAA); American College of Healthcare Executives (ACHE) Diplomate (CHE) or Fellow (FACHE); American Academy of Medical Administrators (AAMA) Certified (CAAMA) or Fellow (FAAMA))?

(c) Is the nurse executive's practice comprised of complex leadership and administrative components, associated with critical health care issues and activities that influence the organizational mission, health care, and policy?

(4) **Facility Characteristics**

(a) What is the complexity level of the facility to which the nurse executive is or will be assigned?

**NOTE:** *Facility complexity level determinations are made in accordance with VHA's 2005 Facility Complexity Model, dated October 11, 2005.*

(b) What is the nature and number of specialty care units at the facility?

(c) What is the level of volume, patient risk, teaching and research at the facility?

(d) Is the facility a multi-division or single-division facility?



**9. ADJUSTMENTS IN SPECIAL PAY**

a. The special pay authorized for a nurse executive will be re-determined when:

- (1) The facility complexity levels are modified;
- (2) The scope of the nurse executive assignment changes;
- (3) The nurse executive reassigns to another VA facility as the nurse executive; or

(4) The approving official determines that the factors considered in paragraph 7a have significantly changed.

b. The amount of special pay authorized for a nurse executive may increase or decrease as a result of a re-determination under subparagraph 9a above. Pay retention provisions do not apply to special pay.

c. Except for changes resulting from reassignment to another VA facility, special pay adjustments will be effective the first day of the first pay period after the date the approving official signs VA Form 0876. Adjustments resulting from reassignment to another VA facility will be effective on the same date as the reassignment.

**10. TERMINATION OF SPECIAL PAY**

a. Special pay for a nurse executive shall be terminated if:

(1) The nurse executive is rated less than “Fully Successful” or equivalent or is placed on a performance improvement plan. Special pay may be reinstated at the same or different amount upon successful completion of a performance improvement plan.

(2) It is determined that it is no longer necessary for the recruitment or retention of [the Chief Nursing Officer or Deputy Chief Nursing Officer in VA Central Office or] a highly qualified nurse executive at a VHA health care facility with a complexity level other than Complexity Level 1a.

b. Pay retention provisions do not apply to special pay. Further, termination of special pay is not considered an adverse action.

c. Terminations of special pay will be effective the last day of the pay period in which the determination to terminate special pay is made under subparagraph a above.



PAY ADMINISTRATION

PART IX. PAY FOR VHA PHYSICIANS AND DENTISTS

CONTENTS

PARAGRAPH	PAGE
1. <u>SCOPE</u> .....	IX-1
2. <u>AUTHORITY</u> .....	IX-1
3. <u>EXCLUSIONS</u> .....	IX-1
4. <u>GENERAL</u> .....	IX-1
5. <u>DEFINITIONS</u> .....	IX-1
6. <u>RESPONSIBILITIES</u> .....	IX-3
7. <u>BASE P AY</u> .....	IX-5
8. <u>LONGEVITY STEP INCREASES</u> .....	IX-6
9. <u>MARKET PAY</u> .....	IX-7
10. <u>MARKET PAY ADJUSTMENTS FOR INDIVIDUAL PHYSICIANS AND DENTISTS</u> .....	IX-9
11. <u>RECONSIDERATION OF TIER DETERMINATION</u> .....	IX-10
12. <u>PERFORMANCE PAY</u> .....	IX-11
13. <u>COMPENSATION PANELS</u> .....	IX-12
14. <u>PAY LIMITATIONS</u> .....	IX-14
15. <u>PAY RATES INCIDENT TO CERTAIN PERSONNEL ACTIONS</u> .....	IX-16
16. <u>NOTICE REQUIREMENTS FOR REDUCTIONS IN MARKET PAY</u> .....	IX-17
17. <u>DUAL APPOINTMENTS</u> .....	IX-17
18. <u>RELATIONSHIP OF PAY TO BENEFITS</u> .....	IX-17
19. <u>ERRONEOUS PAYMENTS</u> .....	IX-17
20. <u>COMPUTATION OF PAY</u> .....	IX-17
21. <u>PAY FOR THE UNDER SECRETARY FOR HEALTH</u> .....	IX-18
22. <u>INITIAL IMPLEMENTATION INSTRUCTIONS</u> .....	IX-18
23. <u>REFERENCES</u> .....	IX-20

APPENDICES

IX-A. <u>CREDITABLE SERVICE FOR BASE PAY DETERMINATIONS</u> .....	IX-A-1
IX-B. <u>EXCEPTIONS TO THE MAXIMUM OF THE ANNUAL PAY RANGE</u> .....	IX-B-1
IX-C. [Delete]	

c. **Base and Longevity Pay Schedule.** A table consisting of 15 rates of base pay, designated as steps 1 through 15. Physicians and dentists advance on the table at the rate of one step for every 2 years of VHA service.

d. **Base Pay Rate.** The rate for a step on the Physician and Dentist Base and Longevity Pay Schedule.

e. **Basic Pay.** The rate of pay fixed by law or administrative action for the position held by an employee before any deductions and exclusive of additional pay of any kind (e.g., market pay, performance pay, recruitment incentive etc.) as prescribed under 38 U.S.C. 7431. However, annual pay is basic pay only for purposes of computing civil service retirement benefits, lump sum annual leave payments, life insurance, thrift savings plan, work injury compensation claims, severance pay, recruitment, relocation, and retention incentives, continuation of pay, and advances in pay. In no instance is performance pay considered part of any individual's rate of basic pay.

f. [**Change in Assignment.** A permanent change in official duty station, change in duty basis (i.e., to/from full-time, part-time or intermittent), change in tier, or a significant change in duties or assignments as determined by an appropriate management official.]

g. [**Compensation Panel.** A group of physicians or dentists responsible for the evaluation of physicians or dentists and making recommendations to the approving official for annual pay].

h. [**Longevity Step Increase.** Advancement to the next higher step of the grade based upon completing the required waiting period of two years (104 weeks) of creditable service].

i. [**Management Official.** A person who has supervisory authority over staff or program management responsibility].

j. [**Market Pay.** A component of basic pay intended to reflect the recruitment and retention needs for the specialty or assignment of a particular VHA physician or dentist].

k. [**Performance Pay.** A component of compensation paid to recognize the achievement of specific goals and performance objectives prescribed on a fiscal year basis by an appropriate management official. Performance pay is paid as a lump sum in accordance with paragraph 12 of this part].

l. [**Tier.** A level within the annual pay range for an assignment or specialty].

m. [**Tier Exception.** Approval to exceed the maximum amount of a tier in the nationwide pay range under the provisions of paragraph 14d or Appendix IX-B.]

[n.] **Total Pay.** The sum of all payments made to a physician and dentist. Includes base pay, market pay, performance pay, recruitment, relocation, and retention incentives. Excludes cash awards. In Alaska, Hawaii, and Puerto Rico, where the Office of Personnel Management has approved a non-foreign cost-of-living allowance (COLA) under 5 U.S.C. 5941, total pay also includes the COLA.

[o.] **Year.** For purposes of determining base pay under paragraph 7, a year is 52 calendar weeks.

**6. RESPONSIBILITIES**

**a. Secretary**

(1) Establishes the market pay of the Under Secretary for Health utilizing an appropriate health care labor market.

(2) Approves nationwide annual pay ranges after consideration of recommendations of the Under Secretary for Health and after concurrence by the General Counsel and the Assistant Secretary for Human Resources and Administration.

**b. Under Secretary for Health (or Designee in VACO)**

(1) Recommends annual pay ranges for each specialty or assignment to the Secretary at least once every two years (this authority may not be redelegated);

(2) Establishes a Steering Committee comprised of non-physician/non-dentist management representatives to develop recommendations for annual pay ranges for each specialty or assignment. The Steering Committee reviews available national pay sources and recommends applicable sources that describe overall compensation practices in broad geographic scope;

(3) Establishes VHA performance guidelines and objectives for performance pay determinations;

(4) Approves membership to the VACO physician and dentist Compensation Panel (the panel that recommends individual annual pay determinations for physicians and dentists in assignments centralized to the Secretary or Under Secretary for Health);

(5) Approves [annual pay (plus non-foreign COLA where applicable)] in excess of [\$325,000] per annum;

(6) Approves performance pay amounts for physicians and dentists in VACO and those in positions centralized to the Secretary or the Under Secretary for Health;

(7) Approves requests for exceptions to the nationwide pay ranges in accordance with the provisions of appendix B of this part;

(8) Refers physicians and dentists in VACO and those in positions centralized to the Secretary or the Under Secretary for Health to the applicable Compensation Panel for review at least once every 24 months and at such other times deemed necessary; [ ]

(9) Approves assignment to tier and [annual] pay for tier 4 [national program] assignments[; and

[(10) Approves assignment to tier and total pay] for those physicians and dentists assigned to any tier on the Executive annual pay range.

**c. Network Directors (or Designee)**

(1) Approve membership to the physician and dentist Compensation Panel at the VISN level;



(2) Review and recommend approval or disapproval of [annual pay (plus non-foreign COLA where applicable)] in excess of [\$325,000] per annum that requires Under Secretary for Health approval (this authority may be redelegated in whole or in part);

(3) Approve [requests for annual pay greater than \$275,000, not to exceed \$325,000, in accordance with the provisions of paragraph 14d(1) only when a tier exception is not required];

(4) Approve [annual pay (plus non-foreign COLA where applicable)] up to [\$325,000] per annum for physicians and dentists under their jurisdiction;

(5) [Establish VISN performance goals in conjunction with the strategic objectives of the Under Secretary for Health for performance pay determinations on an annual basis];

(6) [Approve performance pay amounts for physicians and dentists under their jurisdiction];

(7) [Refer physicians and dentists under their jurisdiction to the applicable Compensation Panel for review at least once every 24 months and at such other times deemed necessary];

(8) Approve [annual pay and performance pay amounts for facility Chiefs of Staff; and]

[(9)] Approve assignment to tier and [annual pay for tier 4 network] assignments.

**d. Facility Directors (or Designee)**

(1) Approve membership to the physician and dentist Compensation Panel at the local level;

(2) Approve assignment to tier and [annual pay (plus non-foreign COLA where applicable)] for individuals not to exceed \$275,000 per annum or other threshold set at the VISN level for tier 1[, tier 2[, and tier 3] assignments under their jurisdiction (excluding Chief of Staff)[. Performance pay and recruitment, retention, and relocation incentives are approved without regard the limitations prescribed under paragraph 14d of this part. The approval of incentives may not be redelegated];

(3) Establish local performance goals in conjunction with the strategic objectives of the Under Secretary for Health for performance pay determinations on an annual basis;

(4) Approve performance pay amounts for [ ] physicians and dentists at their facility, except Chiefs of Staff. The authority to make performance pay decisions may be delegated to an appropriate management official; and

(5) Refer physicians and dentists at their facility to the applicable Compensation Panel for review at least once every 24 months and at such other times deemed necessary.

**e. Chiefs of Staff and Other Management Officials**

(1) Communicate performance objectives to individual physicians and dentists employed at their facility; and

(2) Make performance pay recommendations.



f. **Deputy Assistant Secretary for Human Resources Management** [ ]. The Deputy Assistant Secretary for Human Resources Management [ ] advises the Under Secretary for Health and other key officials on the regulations, policies, and procedures contained in this part.

g. **Human Resources Management Officers and the Director, Central Office Human Resources Service**

(1) Advise facility management on the regulations, policies, and procedures contained in this part;

(2) Ensure that the policies and procedures concerning physician and dentist pay as described in this part are adhered to;

(3) Ensure that covered employees are aware of the policies governing the establishment and adjustment of physician and dentist pay; and

(4) Prepare requests for [annual pay (plus non-foreign COLA where applicable)] for an individual to exceed \$275,000 per annum or other threshold set at the VISN level in accordance with the procedures in paragraph 14.

**7. BASE PAY**

a. Each physician and dentist covered by this part is entitled to a base pay rate determined under the Physician and Dentist Base and Longevity Pay Schedule.

b. The Physician and Dentist Base and Longevity Pay Schedule contains 15 rates of base pay, designated as steps 1 through 15. The rates of pay that correspond to each step are published annually on the [Office of Human Resources Management Web site](#). [ ]

c. The base pay rate payable to a physician or dentist is determined by the number of total years of service the physician or dentist has worked in the VHA as reflected by his/her VA service date. The total years of service will be applied to the step rate payable as follows. For the purposes of this paragraph, 104 weeks of creditable service will be counted as two years of service.

<b>Total Service (as determined by VA service date)</b>	<b>Rate Payable</b>
Two years or less	Step 1
More than 2 years and not more than 4 years	Step 2
More than 4 years and not more than 6 years	Step 3
More than 6 years and not more than 8 years	Step 4
More than 8 years and not more than 10 years	Step 5
More than 10 years and not more than 12 years	Step 6
More than 12 years and not more than 14 years	Step 7
More than 14 years and not more than 16 years	Step 8
More than 16 years and not more than 18 years	Step 9
More than 18 years and not more than 20 years	Step 10
More than 20 years and not more than 22 years	Step 11
More than 22 years and not more than 24 years	Step 12
More than 24 years and not more than 26 years	Step 13
More than 26 years and not more than 28 years	Step 14
More than 28 years	Step 15



(2) Time elapsing on annual, sick or other leave with pay, including periods for which annual or sick leave is advanced.

(3) Leave without pay not to exceed a total of 30 calendar days in the LSI waiting period.

(4) Active military duty when otherwise creditable service is interrupted.

(5) Any period of 120 calendar days or less between discharge or termination of active military service and re-employment under mandatory provisions of any statute or regulation.

(6) Actual service rendered prior to an extended absence on leave without pay, regardless of the length of such absence, which is due to injury or illness incurred as a direct result of employment.

(7) Leave of absence granted to an employee who is receiving compensation for work injuries under 5 U.S.C. chapter 81.

d. **Effective Date.** Longevity step increases are effective on the first day of the first pay period following completion of the required waiting period.

## 9. MARKET PAY

a. Each physician and dentist covered by this part is eligible for market pay. Market pay is intended to reflect the recruitment and retention needs for the specialty or assignment of a particular physician or dentist at a VA facility.

b. At least once every two years, the Secretary prescribes nationwide minimum and maximum amounts of annual pay (base pay plus market pay) that will be paid under this paragraph. These amounts are published in the Federal Register for not less than 60 days prior to the effective date. The Secretary may prescribe different ranges for different specialties or assignments. In determining pay ranges, at least two or more national surveys of pay for physicians and dentists are consulted. National surveys consulted include data that describes overall physician and dentist income by specialization or assignment and benefits in broad geographic scope. Annual pay ranges approved by the Secretary are available on the [Office of Human Resources Management](#) [[Web site](#)].

(1) When VA increases the nationwide minimum and/or maximum amounts of annual pay under this paragraph, physicians and dentists are not automatically entitled to a corresponding increase in their individual annual pay rates. Only physicians and dentists whose existing rate of annual pay falls below the newly prescribed nationwide minimum for their designated pay range will automatically receive an increase in market pay to make their annual pay rate equivalent to the new nationwide minimum. Compensation Panels review the market pay rates for individual physicians and dentists on a periodic basis under the provisions of paragraph 10.

(2) In the event that the nationwide minimum and maximum amounts of annual pay are reduced under this paragraph, physicians and dentists already on VA rolls will not experience a reduction in market pay.

c. There may be up to four tiers of annual pay for each specialty or assignment for which a separate range of pay has been approved. Each tier reflects different professional responsibilities, professional achievements, or administrative duties. The [general] tier definitions for the annual pay ranges established for individual clinical specialty schedules are as follows[. Consult the published pay schedules on the [Office of Human Resources Management Web site](#) to determine the specific tiers and definitions that apply to particular specialties for pay schedules 5, 6 and 7.]

(1) **Tier 1.** Staff

(2) **Tier 2.** [Program manager, supervisor or section chief]

(3) **Tier 3.** [Service chief, service line manager or other assignment for which the scope and complexity is determined to exceed the definition of Tier 2]

(4) **Tier 4.** [Network-level program manager or national program responsibilities requiring a specialty within the assigned pay table]

(5) **Employees with Dual Assignments Appointed by VHA Headquarters.** The responsible Human Resources office(s) shall refer a physician or dentist who is appointed to a VHA Headquarters position and who divides his/her time between multiple assignments (e.g. staff physician at a medical center 50 percent and VACO national program office staff physician 50 percent) addressed by different tier levels (e.g. tier level 1 and tier level 4), to the VACO Compensation Panel for tier and annual pay recommendations.

[ ]

d. The amount of market pay and appropriate tier for a particular physician or dentist is recommended to the approving official by a Compensation Panel as described in paragraph 13 below.

e. The determination of the amount of market pay of a particular physician or dentist shall take into consideration:

(1) The level of experience of the physician or dentist in the specialty or assignment;

(2) The need for the specialty or assignment of the physician or dentist at the facility;

(3) The appropriate health care labor market for the specialty or assignment of the physician or dentist;

(4) The board certifications, if any, of the physician or dentist;

(5) The accomplishments of the physician or dentist in the specialty or assignment;

(6) The prior experience, if any, of the physician or dentist as an employee of the VHA;

(7) Consideration of unique circumstances, qualifications or credentials, if any, and the comparison of these circumstances to the equivalent compensation level of non-VA physicians or dentists in the local health care labor market; and

(8) In Alaska, Hawaii, and Puerto Rico, the Office of Personnel Management has approved a non-foreign cost-of-living allowance (COLA) under 5 U.S.C. 5941 which is intended to address living costs substantially higher than those in Washington, DC, and/or conditions of environment substantially different from those in the Continental United States. When determining market pay amounts for providers in these areas, the Compensation Panel should consider the COLA amount the provider will receive to ensure the provider is adequately, but not excessively, compensated for these issues.

**NOTE:** *The law requires the Compensation Panel to consider all factors. Where a provider spends a significant amount of time away from clinical duties within his/her specialty or assignment, the time spent away from clinical duties may impact on the provider's level of experience in the specialty or assignment, availability to work in the specialty or assignment, and/or accomplishments in the specialty or assignment, and may therefore be considered in connection with items (1), (2), and (5) above when recommending a market pay amount.*

f. The Compensation Panel action will normally be recommended and [a final decision made] prior to the effective date of appointment. In unusual circumstances, a physician or dentist may be appointed without Compensation Panel review. The following conditions apply:

(1) The physician or dentist will be paid only the applicable base pay rate on the Base and Longevity Pay Schedule until a Compensation Panel action is approved.

(2) The physician or dentist must be reviewed by the appropriate Compensation Panel within the 30 days following the effective date of appointment.

(3) Once the Compensation Panel action is approved, the market pay rate will be retroactive to the effective date of the appointment.

g. Compensation Panel recommendations are taken into consideration by the appropriate approving official. The approving official determines the amount of market pay to be paid a physician or dentist after consideration of the range and tier recommended by the panel. The approving official's decision is final.

## **10. MARKET PAY ADJUSTMENTS FOR INDIVIDUAL PHYSICIANS AND DENTISTS**

a. At least once every 24 months, the market pay of each physician and dentist is reviewed by the appropriate Compensation Panel in accordance with the criteria in paragraph 9e. Each physician and dentist will be provided a written notice of the results of the review, even if the review does not result in a pay adjustment. The Notification of Personnel Action, SF-50, as well as the Compensation Panel form VA 10-0432A, serve as the written notice.

b. The market pay of a physician or dentist is also reviewed upon change in assignment and at any such additional times as deemed necessary or appropriate by an appropriate management official. Change in assignment refers to a permanent change in official duty station, change in duty basis (i.e., to/from full-time, part-time or intermittent), change in tier, or a significant change in duties [or assignments] as determined by an appropriate management official.

c. A market pay review cannot result in a reduction in market pay for a physician or dentist remaining in the same position or assignment at the same duty station. Market pay may only be reduced upon change in assignment or as the result of a correction to the appointment action under the provisions of paragraph 7f.

d. The market pay amount authorized by the approving official is a final decision. The effective date of a market pay determination is the first day of the first full pay period following the date of the approving official's signature except as provided for in paragraphs 9f(3) above and 14e below. There is no reconsideration process. However, employees may request reconsideration of a tier determination under the provisions of paragraph 11 below.

## 11. RECONSIDERATION OF TIER DETERMINATION

a. If a physician or dentist believes that his/her tier determination is improper based on the nature of his/her assignment, the employee may submit a request for reconsideration to the official that approved the tier recommendation. These reconsideration procedures do not apply to appointment actions.

(1) The request for reconsideration must be submitted in writing to the approving official (i.e., the official who approved the tier recommendation) within 30 days of the end of the pay period in which the pay determination is effected.

(2) The request must cite specific facts and circumstances that support the employee's belief that his/her tier determination is inappropriate.

b. On review of the information provided in the employee's request for reconsideration, the approving official will decide whether to refer the employee's request for reconsideration to the Compensation Panel.

(1) If the approving official determines that the request for reconsideration merits further review, the request will be referred to the *appropriate* Compensation Panel for a pay recommendation. For example, if the facility Director determines that a request for reconsideration of a Tier 1[, Tier 2[, or Tier 3] employee might result in the employee being placed at [ ] Tier 4, the reconsideration request will be referred to the Network or VACO Compensation Panel rather than the local Compensation Panel that made the initial recommendation.

(2) If the request is referred to a Compensation Panel, the approving official will consider the recommendation of the Compensation Panel, record his/her decision on VA Form 10-0432A, and a copy will be provided to the employee.

(3) If the approving official determines that the tier determination is appropriate and that review by the Compensation Panel is not necessary, the employee will be notified of the decision in writing.

c. Any pay adjustments resulting from a reconsideration will be effective the beginning of the first pay period after the approving official's decision.

d. The decision of the approving official is final. There is no further reconsideration.

(c) A rate or an appropriate range of market pay for the physician or dentist considering the criteria in paragraph 9 of this part[, other pay elements authorized for the individual (e.g., base pay, recruitment relocation or retention incentive, COLA),] and the nationwide minimum and maximum amounts of annual pay prescribed by the Secretary for the specialty or assignment.

(3) Compensation Panel recommendations will be taken into consideration by the appropriate approving official. The approving official determines the amount of market pay to be paid a physician or dentist after consideration of the range and tier recommended by the panel. The approving official's decision is final.

b. **Composition of Panels.** Each panel is comprised of at least three physician or dentist members, as applicable, one of which is designated as chairperson.

(1) **Pay Tables 1-4 [and 7]/Tier 1**

(a) At least one physician or dentist who holds a management position; and

(b) To the extent practicable, at least two physicians or dentists who are practicing clinicians and who do not hold management positions at the facility at which the physician or dentist being considered is or will be employed.

**NOTE:** *Physician panels will be comprised solely of physicians. Dentist panels [at tier 1] will have at least two dentists.*

(2) **Pay Tables 1-4/Tiers 2 and 3 [and Pay Table 7/Tier 2].** Panel members must be in a tier equal to or higher than the tier for which the physician or dentist is being considered.

(3) **Pay Tables 1-4/Tier 4 and Pay Tables 5 and 6/All Tiers.** In order to ensure the broadest available pool of members to constitute compensation panels for these executive assignments, at least three members in any combination of physicians and dentists paid from Tier 4 or pay tables 5 and 6 will form a Compensation Panel at this level.

(4) Individuals on pay tables 5 and 6 (chief of staff and executive assignments) may serve on any panel, as deemed appropriate.

(5) Physicians and dentists may not be members of the convened panel that makes recommendations regarding their own pay.

**NOTE:** *It is recommended that facilities appoint a large number of panel members to increase the likelihood that three members will be available when necessary to constitute a panel.*

(6) Compensation Panel members and other employees having access to information presented or discussed during a Compensation Panel are required to retain that information in strict confidence. Individuals are subject to disciplinary action for violating the confidentiality of the proceedings and may also be barred from continued participation in the Compensation Panel process.

(7) Compensation Panels will consider the comments of the supervisor of the physician or dentist as annotated in Part A of VA Form 10-0432A.

(8) The Human Resources Management Officer or designee [or a VHA Management Support Office representative] will serve as technical advisor on all Compensation Panel recommendations. Compensation Panels are encouraged to consult with other administrative advisors, such as the Fiscal Officer. The approving official may also consult with administrative advisors when making pay decisions.

**c. Location of Panels**

(1) **Central Office Panels.** VA Central Office panels make market pay range and tier recommendations for employees in assignments centralized to the Secretary or Under Secretary for Health, employees proposed for Tier 4 assignments [that have national program responsibilities], and employees directly reporting to VACO officials.

(2) **VISN Panels.** VISN panels make market pay range and tier recommendations for Chiefs of Staff, physicians and dentists under the jurisdiction of a Network Director, when a physician or dentist is proposed for a Tier [4] assignment [that has network program responsibilities], when a local panel cannot be properly constituted, and/or when requested by the Facility Director or Network Director.

(3) **Facility Panels.** Facility panels make market pay range and tier recommendations for physicians and dentists under the jurisdiction of the Facility Director for Tier 1[, Tier 2[, or Tier 3] assignments only (excludes the Chief of Staff). Specific actions may also be referred to the VISN panel when deemed necessary by the Facility Director or Network Director.

**d. Approving Authorities for Panel Membership**

(1) **Central Office Panels.** The Under Secretary for Health, or designee, approves membership of Central Office panels.

(2) **VISN Panels.** The Network Director[,or designee,] approves membership of VISN panels.

(3) **Facility Panels.** The facility Director[,or designee,] approves membership of local panels.

**e. Documentation**

(1) Compensation Panel recommendations and approving official annual pay determinations are documented on VA Form 10-0432A.

(2) VA Form 10-0432A is filed in the employee's Merged Records Personnel Folder.

**14. PAY LIMITATIONS**

a. Except as provided in subparagraph b and subject to subparagraph c below, the annual pay of a physician or dentist may not be less than the minimum amount, nor more than the maximum amount of the applicable pay range and tier for the corresponding specialty/assignment. For part time employees, the full-time equivalent (i.e., not prorated) annual pay will be used to determine whether the annual pay is within the applicable pay range and tier.

b. The annual pay for a physician or dentist may exceed the maximum amount of the applicable pay range and tier for the corresponding specialty/assignment only as a result of a longevity step increase to base pay (see paragraph 8) or as a result of a statutory general increase in base pay (see paragraph 7d). Exceptions to the maximum of the applicable pay range and tier for the corresponding specialty/assignment are permitted in unusual circumstances and may be requested under the provisions of [subparagraph 14d below for individual exceptions or] appendix B of this part [for specialty or facility-wide exceptions].

c. In no instance may the aggregate pay (base pay; market pay; performance pay; recruitment, relocation, and retention incentive; and any other payment under title 38 authority) paid to a VHA physician or dentist in a calendar year exceed the amount of annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. 102. For part time employees, the actual earnings (i.e., annual pay is prorated) will be considered when determining whether this aggregate pay limitation will be exceeded.

d. [Annual pay (plus non-foreign COLA where applicable) in excess of the applicable pay range maximum and/or] in excess of \$275,000 [shall require higher level approval unless the increase is the result of a longevity step increase or a statutory general increase in base pay. For part time employees, the full-time equivalent (i.e., not prorated) annual pay will be considered when determining whether [an exception is required].

(1) [The Network Director is the approving official for annual pay greater than \$275,000, not to exceed \$325,000 only when a tier exception is not required. Network offices shall establish procedures for submission of requests for exceptions to the pay limitation.

(2) The Under Secretary for Health is the approving official for all tier exceptions. The Under Secretary for Health is also the approving official for annual pay in excess of \$325,000]. Requests to exceed (or further exceed) the [\$325,000] limitation shall be submitted through appropriate channels to VHA's Management Support Office (10A2) and shall contain the following information:

(a) A narrative justification for the proposed amount of [annual] pay, including any pertinent information on the recruitment and retention history of the position occupied or to be occupied by the physician or dentist.

(b) The Compensation Panel recommendation as documented on VA Form 10-0432A.

[(3) Exceptions under subparagraphs (1) or (2) above] will be disapproved if the [approving official] determines that a lesser amount [of market pay] is sufficient to be competitive for the recruitment and retention of a physician or dentist in the market for the required skills.

e. Exceptions requiring VACO approval under subparagraphs 14b and [14d(2)] will be effective the beginning of the first pay period beginning on or after the date of approval, or 30 days from the date of receipt in VACO, whichever is earlier.

f. Annual pay for the Under Secretary shall be subject to the provisions of paragraphs 18 and 19 of this part.



**16. NOTICE REQUIREMENTS FOR REDUCTIONS IN MARKET PAY.** Physicians and dentists must be notified in writing when an involuntary assignment in connection with a disciplinary action will result in a reduction in market pay. The notice must provide at least a 30-day advance notice of the effective date of the reduction, the amount of the reduction, and any appropriate appeal rights with regard to the new assignment, as defined in VA Handbook 5021.

**17. DUAL APPOINTMENTS.** Individuals with part-time appointments at more than one VA facility may receive base, market, and performance pay from each facility subject to the following restrictions:

a. The combined total of performance pay for any fiscal year may not exceed the lower of:

(1) \$15,000, or

(2) The amount that is equal to 7.5% of the sum of the base and market pay payable to the physician or dentist in that fiscal year for his/her highest paying position.

b. Management at the two facilities will coordinate performance pay decisions and communicate regarding the respective market pay decisions to ensure that the provider's earnings do not exceed the limitations contained in paragraph 14 of this part. When determining whether the aggregate pay limitation in paragraph 14c will be exceeded, the provider's projected combined earnings will be considered (i.e., what the provider will actually be paid). When determining whether the [Network Director's or] Under Secretary for Health's approval is required under paragraph 14d, the provider's full-time equivalent (i.e., not prorated) [annual] pay [(plus non-foreign COLA where applicable)] will be considered separately for each appointment.

c. Two part-time appointments under 38 U.S.C. 7405(a)(1)(A) totaling one full-time position will not confer the rights associated with a full-time (80 bi-weekly hours) permanent appointment under 38 U.S.C. 7401(1).

## **18. RELATIONSHIP OF PAY TO BENEFITS**

a. Base pay under paragraph 7 and market pay under paragraph 9 are considered pay for retirement benefits under chapters 83 and 84 of title 5, life insurance, lump-sum leave payments, the Thrift Savings Plan, and work injury compensation claims.

b. All special pay received under the former 38 U.S.C. 7431 or 38 U.S.C. 4118 is included in basic pay for the purposes of 5 U.S.C., chapters 83 and 84, relating to the computation of civil service annuities.

**19. ERRONEOUS PAYMENTS.** Under certain conditions, claims of the Government arising out of erroneous payment of pay or allowances made to employees may be waived under the authority of 5 U.S.C. 5584. This includes erroneous payments of base, market, and performance pay.

## **20. COMPUTATION OF PAY**

a. Salary payments for full-time physicians and dentists are computed by dividing the annual pay authorized for the individual by 364 to determine a daily rate. This daily rate is paid for all days of paid service.



**APPENDIX B. EXCEPTIONS TO THE MAXIMUM OF THE ANNUAL PAY RANGE  
[ON A SPECIALTY OR FACILITY-SPECIFIC BASIS]**

**1. GENERAL**

a. In accordance with VA Handbook 5007, Part IX, paragraph 14, the annual pay for a physician or dentist may not exceed the maximum amount in the nationwide pay range prescribed by the Secretary for a specialty or assignment.

b. It is expected that the maximum amount in the nationwide pay range will meet most pay and staffing needs. However, [ ] an exception to the maximum [may be granted] on an individual, specialty or assignment, and/or facility-specific basis if such action is necessary to recruit or retain well qualified physicians and dentists.

c. [This part sets forth procedures regarding specialty or assignment and/or facility-specific exceptions. See paragraph 14d of part IX for instructions for requesting exceptions to the pay range on an individual basis].

d. [Exceptions to the maximum amount in the nationwide pay range will only be considered if failure to approve the exception would significantly impair a facility's ability to recruit and retain well qualified physicians and dentists].

[e.] Exceptions to the maximum amount of a nationwide pay range are not required for physicians and dentists who will exceed the pay range due to a longevity step increase or a statutory general increase in pay.

**2. FACILITY DIRECTOR OR REQUESTING OFFICIAL RESPONSIBILITIES**

a. Identifying the need for and requesting exceptions;

b. Reducing or canceling previously approved exceptions when they determine the exceptions are no longer warranted, and notifying VHA's Management Support Office through the appropriate VISN Director (10N\_\_/10A2) of the reasons for reduction or cancellation; and

c. Coordinating requests for specialty/assignment and/or facility-specific exceptions and decisions to reduce or cancel previously approved exceptions with VA facilities located in the same labor market.

**3. CRITERIA FOR APPROVAL.** Each facility submitting a request for an exception to the maximum in the pay range [on a] specialty or assignment, and/or facility-specific basis must demonstrate that a higher maximum is necessary to maintain adequate staffing. Factors to consider include:

a. **[Higher Maximum Rates]**

(1) [There is evidence or anecdotal information that the maximum rates in the community are higher than VA's maximum rate for the specialty or assignment. However, higher rates in the community may not be the sole basis for making a request for an exception to the maximum of the market pay range; and]

(2) [Employees are quitting for pay and the potential exists for an adverse impact on patient care;]

[b.] **Quality of Candidates.** Historical evidence indicates that the quality of or a lack of candidates is unacceptable because of higher pay rates being offered in the labor market for the assignment or specialty. Documentation of specific recruitment efforts must be provided to support this factor;

[c.] **Alternative Job Offers.** There is evidence that applicants and employees are being offered higher rates of pay for the same assignment or specialty in the labor market; and

[d.] **Other Criteria.** The facility may submit any evidence of pay-related staffing problems which seriously hamper or have the potential to seriously hamper its ability to recruit and retain physicians and dentists in the specialty or assignment.

[ ]

#### 4. REQUESTING EXCEPTIONS

a. [Requests for exceptions to the maximum of the nationwide pay range [not in excess of \$325,000] will be sent to the appropriate Network Director for approval.]

b. [Requests for exceptions to the maximum of the nationwide pay range [in excess of \$325,000] will be sent through the appropriate Network Director (10N\_\_) to VHA's Management Support Office (10A2), which will review each request and make appropriate recommendations to the Under Secretary for Health or designee].

c. [All] requests shall include the following:]

[(1)] The [ ] specialty or assignment for which the exception is requested;

[(2)] The amount of maximum pay requested;

[(3)] The reasons for the request, including documentation specific to the criteria in paragraph 3; and

[(4)] Any other pertinent information.

**5. EFFECTING EXCEPTIONS.** When an exception is approved, employees in the assignment or specialty may be referred to the Compensation Panel for a market pay review as deemed necessary by an appropriate management official.

#### 6. REDUCTION OR CANCELLATION OF EXCEPTIONS TO THE MAXIMUM IN THE NATIONWIDE PAY RANGE

a. When an exception under this appendix is reduced or canceled, current employees will retain their rate of pay.

b. Facility Directors will report any reductions or cancellations of previously approved exceptions to the appropriate Network Director (10N\_\_/10A2).

**FEBRUARY 21, 2008**

**VA HANDBOOK 5007/32  
PART IX  
APPENDIX B**

**THIS PAGE IS BLANK**



**FEBRUARY 21, 2008**

**VA HANDBOOK 5007/32  
PART IX  
APPENDIX C**

THIS PAGE IS BLANK