

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. Revised text is contained in [brackets]. 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](#). Significant changes include:

- a. Increases the maximum special rate fixed-percentage supplement from 60 percent to 69 percent for special rates established or adjusted under 38 U.S.C. 7455;
- b. Clarifies that any nurse executive approved to receive special pay must receive at least the minimum amount of \$10,000;
- c. Revises the definition of “change in assignment” as it relates to physician and dentist pay;
- d. Establishes new physician and dentist annual pay approval levels; and
- e. Eliminates tier 4 within all physician and dentist annual pay ranges.

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:

/s/
LaVerne H. Council
Assistant Secretary for
Information and Technology

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

/s/
Gina S. Farrisee
Assistant Secretary for
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CHAPTER 6. SPECIAL RATES

1. GENERAL. This chapter contains mandatory procedures for approving or requesting special rates for General Schedule and title 38 positions.

a. **Exclusions.** The following personnel are excluded from the provisions of this chapter:

- (1) Physicians and dentists paid under 38 U.S.C. 7431.
- (2) Residents appointed under 38 U.S.C. 7406.
- (3) Residents and trainees appointed under 38 U.S.C. 7405(a)(1)(D).
- (4) Personnel employed on a per annum fee basis or lump-sum fee basis under 38 U.S.C. 7405(a)(2).

b. **Use of Special Rates.** Special rates may be requested or approved only to:

- (1) Provide basic pay in amounts competitive with, but not exceeding, the amount of the same type of pay paid to the same category of personnel at non-Federal facilities in the same labor market; and
- (2) Enable VA to recruit or retain well-qualified employees, or categories of employees, where recruitment or retention problems are being caused by higher non-Federal rates of pay;
- (3) Achieve adequate staffing at particular facilities; or
- (4) Recruit personnel with specialized skills, especially those skills which are difficult or demanding.

c. **Preconditions.** Submission of a special rate request or authorization presupposes all recruitment possibilities have been exhausted and full attention has been given to addressing any retention consideration such as working conditions and duty assignments. A request for special rates for General Schedule positions also presupposes sound and effective position management, as well as properly classified positions.

d. **Other Limitations**

- (1) The authorities in this chapter are to be used as a management tool to enable VA to recruit and retain sufficient numbers of capable, well-qualified personnel. However, pay rates may not be set at levels above those necessary to meet recruitment and retention needs.
- (2) Except in the case of nurse anesthetists, pharmacists, and licensed physical therapists and licensed practical nurses, no special rate supplement may exceed [69] percent. The maximum rate of basic pay for any employee so increased may not exceed the rate payable for Level IV of the Executive Schedule.

f. Setting the First Step of the Entry and Benchmark Grades

(1) Special rates are generally established at the entry and benchmark grades. Additional grades may be extrapolated from the entry and benchmark grades. For each occupation, the entry grade is the grade at which new graduates without experience or those meeting minimum qualifications standards are employed; the benchmark grade is the first grade or grade interval beyond the entry or developmental grade. Except for physical therapist, pharmacist and licensed practical nurse authorizations, the fixed percentage supplement may not exceed [69] percent. If a higher beginning rate is needed, an AMER may be established under subparagraph h. When one or more survey sources are utilized, or when survey results include more than one category of survey data, the facility director should give consideration to each survey type and/or data type.

(2) The first step of the entry and benchmark grades may be set at any rate that is greater than the community average but less than the highest rate for corresponding positions when doing so is necessary to recruit and retain well-qualified employees. Factors such as the rates paid by the facility's nearest major competitors and the severity of any recruitment and retention problems must be considered when determining whether to set the rate above the community average. Severe staffing problems are evidenced by a vacancy rate of 20 percent or more, positions that have been vacant for 6 months or longer, a staffing success rate of 50 percent or less, or a quit for pay rate of 25 percent or higher (see appendix VI-J to determine these rates).

(3) In Alaska and Hawaii, where OPM has approved a non-foreign cost-of-living allowance (COLA) under 5 U.S.C. 5941, facility directors are to set the beginning rate of a grade so that the sum of the beginning rate **and** the COLA meet the criteria in subparagraphs f(1) and (2) above.

(4) In no instance may the beginning rate of a special rate range exceed the highest rate determined using the survey methodology contained in subparagraph e above.

(5) To determine the fixed percentage special rate supplement:

(a) Find the difference between the new beginning rate and the underlying General Schedule Step 1 rate; this amount becomes the special rate supplement;

(b) Divide the special rate supplement by the applicable underlying General Schedule Step 1 rate to determine the supplement percentage; (convert to whole number, rounded two decimals; e.g., .07352 becomes 7.35 percent). For example, after evaluating all survey data, a facility director authorizes a new GS-3 step 1 rate of \$28,392. Divide the new GS-3 step 1 rate of \$28,392 by the existing underlying GS-3 step 1 rate of \$21,840; $\$28,392 \div \$21,840 = 1.30$. In this example the Facility Director authorizes a 30 percent percentage supplement.

(c) The supplement percentage is multiplied by the underlying General Schedule steps 2 through 10 to create the new rate range.

MARCH 4, 2016

g. Internal Alignment

(1) Survey data may support different amounts of fixed percentage special rate supplements between grades, especially where there are indications that significant recruitment and/or retention problems exists, or are likely to exist.

(2) If survey data is not available for a grade, Facility Directors may increase the next lower, or next higher grade by applying the same percentage supplement amount as the grade below or above. The facility director may authorize a lower percentage supplement amount as long as adequate pay alignment exists.

(3) When different percentage amounts are authorized there should be at least a 6 percent intergrade differential between the rates for each grade at Step 1 in order to ensure proper pay alignment.

(4) In no instance shall the rate set at any grade exceed the highest applicable non-Federal rate for corresponding positions. It may be necessary to reduce the minimum rate for the benchmark grade so that none of the minimum rates at other grades exceed the highest applicable non-Federal rate for corresponding positions.

h. Setting AMERs in Combination with Special Rate Ranges

(1) Except for PT, pharmacist and licensed practical nurse authorizations, no special rate supplement may exceed [69] percent. When a higher beginning rate is necessary and when the special rate supplement is set at the [69] percent maximum, an AMER may be established in combination with a special rate range. Use the following steps to establish combined AMERs and special rate ranges:

(a) Develop the special rate range using a fixed percentage supplement amount of [69] percent.

(b) Based on salary survey data, determine the first step of the special rate range that is equal to or less than the applicable community average; this step becomes the AMER for the grade.

(c) An AMER may be established at a rate that is higher than the applicable community average, but less than the highest rate reported as provided in subparagraph e(2) above.

(2) AMERs will not be used for PT, pharmacist and licensed practical nurse authorizations.

i. Statutory Limitation. The maximum rate of basic pay for any authorization, including those for PTs, and pharmacists and licensed practical nurses, may not exceed the rate payable for Level IV of the Executive Schedule.

j. Effective Date of Authorizations and Cancellations

(1) The effective date of authorizations and cancellations will be the first day of the first full pay period after the approval date.

(2) Facilities must coordinate the effective date of their authorizations and cancellations with other affected VA facilities to meet the requirements of paragraph 3b(5) below.

MARCH 4, 2016

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.
- 3. ELIGIBILITY.** Registered nurses in the following positions who maintain a performance rating of at least “Fully Successful” or equivalent are eligible for special pay under this chapter as follows:

 - a. The Chief Nursing Officer and the Deputy 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.
 - b. The Nurse Executive at a VHA health care facility may be authorized special pay under this chapter at the discretion of the Network Director when necessary to recruit and retain a highly qualified nurse executive.
- 4. DEFINITIONS.** For the purposes of this chapter, the following definitions shall apply:

 - a. **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. (7306) 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.
 - b. **Special Pay for Nurse Executives.** An annual amount [of \$10,000] up to \$100,000 authorized to recruit and retain highly qualified nurse executives.

5. RESPONSIBILITIES

a. Under Secretary for Health (or designee)

(1) Approves special pay amounts payable to the Chief Nursing Officer and the Deputy Chief Nursing Officer of the Office of Nursing Services in VA Central Office.

(2) Approves special pay amounts payable to Nurse Executives at VHA health care facilities in amounts greater than \$40,000.

(3) Adjusts special pay amounts payable to the Chief Nursing Officer and the Deputy Chief Nursing Officer of the Office of Nursing Services in VA Central Office when deemed appropriate under the provisions of paragraph 8 of this chapter.

(4) Terminates special pay amounts payable to the Chief Nursing Officer and the Deputy Chief Nursing Officer of the Office of Nursing Services in VA Central Office when an individual receiving special pay is rated less than “Fully Successful” or equivalent or is placed on a performance improvement plan.

b. Network Directors

(1) Approve special pay amount payable to the Nurse Executive [of \$10,000] up to \$40,000.

(2) Adjust special pay amount payable to the Nurse Executive when deemed appropriate under the provisions of paragraph 8 of this chapter.

(3) Recommend special pay amounts greater than \$40,000 to the Under Secretary for Health (or designee).

(4) Terminate special pay amount payable to a Nurse Executive when an individual receiving special pay is rated less than “Fully Successful” or equivalent, is placed on a performance improvement plan, or when payment of special pay is no longer necessary to recruit or retain a highly qualified nurse executive.

c. **Facility Directors.** Recommend the special pay amount payable to the Nurse Executive at their facility to Network Directors.

d. **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 chapter.

e. **Human Resources Management Officers and the Director, Central Office Human Resources Service.** Advise facility management on the regulations, policies, and procedures contained in this chapter and ensure that covered employees are aware of the policies governing the payment of special pay for nurse executives.

MARCH 4, 2016

6. DETERMINING THE AMOUNT OF SPECIAL PAY. Each nurse executive approved to receive special pay under this chapter [must receive the minimum amount of special pay (\$10,000) and] may not receive more than the maximum amount of special pay (\$100,000).

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 and a nurse executive at a VHA health care facility. 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?

(d) Does the nurse executive have responsibility for nursing research programs?

(3) **Personal Qualifications**

(a) Does the nurse executive possess a doctoral degree?

(b) Does the nurse executive possess an appropriate advanced certification (e.g., American Nurses Credentialing Center (ANCC); Nursing Administration Advanced-Board Certified (NEA-BC); Fellow in the American College of Healthcare Executives (FACHE); Fellow in the American Academy for Nursing (FAAN).

(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?

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

- 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. The purpose of performance pay is to improve the quality of care and health care outcomes through the achievement of specific goals and objectives related to the clinical, academic and research missions of VA. 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)

(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 management representatives to develop recommendations for annual pay ranges for each specialty or assignment. The Steering Committee may include no more than one physician and one dentist executive serving in a Deputy Under Secretary, Principal Deputy Under Secretary, Network Director, or Facility Director position. 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 annual pay (plus non-foreign COLA where applicable) in excess of \$[350,000] per annum;

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

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

(7) Ensures physicians and dentists in VACO and those in positions centralized to the Secretary or the Under Secretary for Health have a market pay review at least once every 24 months and at such other times deemed necessary;

(8) Approves assignment to tier and annual pay for tier [3] national program assignments; and

(9) Approves assignment to tier and annual 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 \$[350,000] 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 \$[300,000], not to exceed \$[350,000], in accordance with the provisions of paragraph 14d([2]);
- (4) Approve annual pay (plus non-foreign COLA where applicable) up to \$[350,000] per annum for physicians and dentists under their jurisdiction;
- (5) Establish VISN performance goals and approve performance pay amounts for physicians and dentists under their jurisdiction;
- (6) Ensure physicians and dentists under their jurisdiction have a market pay review at least once every 24 months and at such other times deemed necessary;
- (7) Approve all annual pay and performance pay amounts for facility Chiefs of Staff [and Deputy Chiefs of Staff]; and
- (8) Approve assignment to tier and annual pay for tier [3] 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) [] not to exceed \$[300,000] per annum [for individuals] under their jurisdiction (excluding Chief of Staff [and Deputy Chiefs 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; and
- (3) Approve performance pay amounts for physicians and dentists at their facility, except Chiefs of Staff [and Deputy Chiefs of Staff]. The authority to make performance pay decisions may be delegated to an appropriate management official.

e. Chiefs of Staff and Other Management Officials

- (1) Establish and communicate performance goals and objectives to individual physicians and dentists employed at their facility;
- (2) Make performance pay recommendations or decisions, as appropriate; and
- (3) Refer physicians and dentists at their facility to the applicable Compensation Panel for a market pay review at least once every 24 months and at such other times deemed necessary.

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 [current] tier definitions for the annual pay ranges established for individual clinical specialty pay tables are as follows.

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

NOTE: Consult the published pay tables on the [Office of Human Resources Management Web site](#) to determine the specific tiers and definitions that apply to particular specialties covered by pay tables 5, 6 and 7.

(5) **Employees with Dual Assignments** []. The local compensation panel will recommend an annual rate of pay for a physician or dentist who is [at a medical center or network office but also has a national level assignment with VHA Headquarters]. The Human Resources Office will refer the recommendation of the local Compensation Panel through the Workforce Management and Consulting Office (10A2) for final [approval] as to the tier and annual pay in consideration of the VHA Headquarters assignment.

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

MARCH 4, 2016

(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. The non-foreign COLA for physicians and dentists is calculated as a percentage of the employee's base pay only (the rate for a step on the Physician and Dentist Base and Longevity Pay Schedule). 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 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 and dentist after consideration of the annual pay (the sum of the base pay rate and market pay) 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 (or approving official when a compensation panel is not required) 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. If an adjustment is made as a result of the biennial review, the effective date of such change will be retroactive to the first pay period following the biennial review due date.

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, such as call duty rotations, or assignment to/from a Community Based Outpatient Clinic. A market pay review, and any subsequent adjustment made based on a change in assignment, is effective the first pay period following approval of the compensation panel form.

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. 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. If the facility director was the approving official on the original action, the facility director will consult with the VISN Chief Medical Officer regarding the reconsideration request. The facility director will consider the recommendation of the Chief Medical Officer and make a final decision regarding the tier reconsideration request. The facility director will provide a decision to the employee in writing. The facility director's final decision will be filed with the VA Form 10-0432A.

c. Any tier 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.

e. If the original action was taken at the Network level or above, the approving official's decision is final.

f. At the end of each fiscal year, each supervisor evaluates the degree to which each covered individual achieved the goals and objectives communicated at the beginning of the fiscal year. VA Form 10-0432 must be completed and include a description of the goals and objectives achieved by the individual that supports the amount of performance pay. VA Form 10-0432 must also be completed if the employee has not successfully met the communicated goals and objectives and therefore is not being recommended to receive performance pay. In addition, supervisors and managers must document to what extent a performance or conduct related disciplinary/adverse action impacted an individual's ability to achieve performance pay goals and objectives and what effect, if any, the action had on the performance pay decision. Further, supervisors and managers must document to what extent the performance of part-time or intermittent work, and the effect, if any, the performance of non-clinical duties has had on the performance pay decision. VA Form 10-0432 must be forwarded through the appropriate chain of command to the designated approving official not later than March 31st of each year. Performance pay disbursements may not be made until VA Form 10-0432 is signed by the supervisor and employee and approved by the appropriate management official.

g. Performance payments should be disbursed to employees as soon as possible after the end of the fiscal year but must be made no later than March 31 of the following year.

h. Physicians and dentists who separate from VA employment prior to September 30 are not eligible for performance pay based on their performance within that fiscal year.

i. For physicians and dentists who transfer during the fiscal year, the gaining facility will consult with the previous supervisor to determine the appropriate performance pay amount. For individuals who change positions during the year, performance under previously specified goals and objectives will be considered, and previous supervisors will be consulted as applicable, in determining the appropriate performance pay amount.

j. A physician's or dentist's failure to meet the criteria for performance pay may not be the sole basis for an adverse personnel action against that individual.

13. COMPENSATION PANELS

a. Function of Panels

(1) Compensation Panels are required for pay tables 1 through 5 and 7. Compensation panels are not required for pay table 6. Compensation Panels recommend the appropriate pay table, tier level and market pay amount (considering the combined sum of the base pay and market pay) for individual physicians and dentists. Appointment actions recommended by the Professional Standards Board require a separate review for a pay recommendation by the appropriate Compensation Panel. The Compensation Panel is also responsible for evaluating the annual pay (base pay and market pay) to include pay table and tier assignment of each physician and dentist under its jurisdiction at least once every 24 months (biennial review) and at such other times deemed necessary by the appropriate management official. A change in duty basis (i.e., to/from full-time, part-time, or intermittent), change in tier, [] or a

MARCH 4, 2016

(b) The appropriate tier for the physician or dentist using the tier definitions contained in paragraph 9 of this part or the tier definition associated with the pay table, as appropriate; and

(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 annual pay to be paid a physician or dentist after consideration of the recommendation of the Compensation 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. In order to ensure the broadest available pool of members to constitute compensation panels for these assignments, at least three members in any combination of physicians and dentists paid from Tier 2[or] 3 [] of any pay table may form a compensation panel at this level.

(3) 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.*

(4) 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

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

(6) The Human Resources Management Officer or designee or a VHA Workforce Management and Consulting 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 Compensation Panels may be convened when the situation indicates that the annual pay decision should be made at the level of the Under Secretary for Health.

(2) **VISN Panels.** VISN panels make annual pay range and tier recommendations for Chiefs of Staff[, Deputy Chiefs of Staff and] physicians and dentists under the jurisdiction of a Network Director, when a physician or dentist is proposed for an 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 annual 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 [] (excludes the Chief of Staff [and Deputy Chiefs 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 e-OPF.

14. PAY LIMITATIONS AND EXCEPTIONS

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.

MARCH 4, 2016

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. For detailed information on the deferral of payments that exceed the aggregate pay limitation refer to VII, Chapter 2, this handbook.

d. Annual pay (plus non-foreign COLA where applicable) in excess of the applicable pay range maximum and/or in excess of \$[300,000] 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 Medical Center Director is the approving official for annual pay up to \$[300,000] and may also approve a tier exception for employees in pay tables 1 [and 2] that does not exceed the maximum for the next higher tier within the pay table up to \$[300,000]. The determination to approve a tier exception at this level will be based on a narrative justification that includes pertinent information on the recruitment and retention history of the position, the unique or exceptional qualifications of the individual, or other circumstances at the specific facility. The Medical Center Director may not approve tier exceptions for employees in pay tables [3, 4, 5, 6 and 7].

(2) The Network Director is the approving official for annual pay greater than \$[300,000], not to exceed \$[350,000 and may also approve a tier exception for employees in pay tables 3, 4 and 5]. Network offices shall establish procedures for submission of requests for exceptions to the pay limitation.

(3) The Under Secretary for Health is the approving official for all tier exceptions [not covered in paragraphs 14(d)(1) and (2) above]. The Under Secretary for Health is also the approving official for annual pay in excess of \$[350,000]. Requests to exceed (or further exceed) the \$[350,000] limitation shall be submitted through the Network Director to VHA's Workforce Management and Consulting Office (10A2A) 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, the unique or exceptional qualifications of the individual, or other circumstances at the specific facility; and

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

(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 \$[350,000] 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 \$[350,000] will be sent through the appropriate Network Director (10N__) to VHA's [Workforce Management and Consulting] 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).