	<b>The Johns Hopkins Health System Policy &amp; Procedure</b>	Policy Number	FIN027
		Effective Date	01-01-08
	<i>Subject</i> INCENTIVES - DEPARTMENTAL	Page	1 of 3
		Supersedes	10-01-06

*Revisions noted by vertical bar in right margin*

## **POLICY**

**This policy applies to The Johns Hopkins Hospital (JHH).**

### **Purpose**

The purpose of this policy is to clarify and define the calculation of incentives to departments of the JHH.

### **Definition**

Incentive: Budget inducements to reward the clinical departments for adopting processes that will continue to improve efficient effective and quality patient care.

As a means of achieving certain operating objectives, such as, patient satisfaction, financial performance, citizenship, etc., JHH affiliates will from time to time establish both institutional and departmental incentive programs. It is the responsibility of the CFO of JHH to review and approve incentive programs. All awards will be credited to the department's designated account and all expenditures to that account must be in compliance with JHHS Finance Policy No. FIN002, Designated Accounts. The use of incentive funds must be consistent with the charitable, educational and scientific purposes for which JHH is exempted from federal taxation.

All incentive plans developed by JHH must be approved by the President and CFO and reviewed and approved by the JHHS Director of Tax Compliance before implementation.

## **REFERENCE**


### **JHHS Finance Policies and Procedures Manual**

Policy No. FIN002 - Designated Accounts

Policy No. FIN079 - Annual Operating Plan Approval Process

## **RESPONSIBILITIES - ALL AFFILIATES**

Vice President of Finance/ CFO and Treasurer, JHHS	Review and approve incentive plans for candidate departments with the assistance of the JHH Director of Financial Planning and department heads.
	Obtain concurrence from the JHHS Director of Tax Compliance that incentive payments are in compliance with IRS provisions for tax-exempt status.
JHH Director of Financial Planning	Prepare incentive plans for candidate departments and review them with the JHH CFO.
	Provide approved estimates of awards to the Department Chairman as part of budget preparation package.
	Review budgets to determine that funds are being used for the

	<b>The Johns Hopkins Health System Policy &amp; Procedure</b>	<i>Policy Number</i>	FIN027	
		<i>Effective Date</i>	01-01-08	
	<i>Subject</i>	INCENTIVES - DEPARTMENTAL	<i>Page</i>	2 of 3
			<i>Supersedes</i>	10-01-06

*Revisions noted by vertical bar in right margin*

- |                                  |  |
|----------------------------------|--|
| Department Heads/Site Managers   | benefit of JHH.<br>Prepare budgets and explain how incentive awards will be used to  |
| Director of Tax Compliance, JHHS | Review incentive agreements and calculations for payroll reporting issues and for instances of private inurement. Approve after taking action to comply with payroll reporting requirements and to appropriately retain tax-exempt status. |

**SPONSOR**

Vice President of Finance/CFO and Treasurer, JHHS

**REVIEW CYCLE**

Three (3) years


**APPROVAL**

\_\_\_\_\_  
President, JHHS

\_\_\_\_\_  
Date

**PROCEDURES - ALL AFFILIATES**

- |  |  |
|--|--|
| 1. Vice President of Finance/<br>CFO and Treasurer, JHHS | a. Review and approve appropriate incentive plans for candidate departments with the assistance of the JHH Director of Financial Planning and the department heads.<br><br>b. Review and approve incentive calculations provided by the JHH Director of Financial Planning.<br><br>c. Obtain concurrence from the JHHS Director of Tax Compliance that incentive payments are in compliance with IRS provisions for tax-exempt status. |
| 2. JHH Director of Financial<br>Planning                 | a. Assist the CFO in developing incentive plans for candidate departments.<br><br>b. Perform and provide calculations of incentive awards to the CFO for review.<br><br>c. Provide approved estimates of awards to the Department Chairman/head as part of budget preparation package.<br><br>d. Review budgets to determine that funds are being used for the benefit of JHHS.  |

	<b>The Johns Hopkins Health System Policy &amp; Procedure</b>	<i>Policy Number</i>	FIN027
	<i>Subject</i> INCENTIVES - DEPARTMENTAL	<i>Effective Date</i>	01-01-08
		<i>Page</i>	3 of 3
		<i>Supersedes</i>	10-01-06

*Revisions noted by vertical bar in right margin*

- |                                     |   |
|-------------------------------------|---|
| 3. Department Heads/Site Managers   | a. Prepare budgeted revenues and expenditures and explain how funds will be used (incentive expenditures should not exceed incentive revenues).   |
| 4. Director of Tax Compliance, JHHS | a. Review incentive agreements for payroll reporting requirements.<br>b. Review incentive agreements for instances of private inurement and take action appropriate to retain tax-exempt status.<br>c. After resolving any payroll or tax-exempt status issues indicate concurrence with incentive agreements to the CFO. |
| 5. JHHS Controller's Office         | a. Set-up new designated incentive funds as required.<br>b. Make appropriate transfers of funds into these funds after above approvals.<br>c. Monitor fund balances for deficit spending.   |