

## **COMPENSATION AND BENEFITS IN A FAMILY HEALTHCARE BUSINESS**

**Kristie A. Abston**  
**University of West Florida**

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*Sue Johnson and her sister, Anne Owens, owned and operated the Pinnacle Health Clinic (PHC) in the southeast. The company was founded over 25 years ago by their mother, a nurse who saw an opportunity with the growth of occupational health testing and adult immunizations. During the past decade, this family business had grown to nearly 40 employees working in seven locations. Recently, turnover in key professional positions became a serious problem, and PHC was searching for solutions.*

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### **INTRODUCTION**

Sue Johnson and her sister, Anne Owens, owned and operated Pinnacle Health Clinic. The company was founded over 25 years ago by their mother, who was a nurse that saw an opportunity with the growth of insurance physicals, employment drug testing, and adult immunizations. This family business had grown steadily to nearly 40 employees working in 7 locations across the southeast with a mission to provide affordable healthcare. The company had gradually added services for both employers and private customers alike including DNA testing, drug testing, lab work, and treatment of minor illnesses and injuries.

During the past few years, Sue noticed that recruitment and retention in their key positions had grown more challenging. The nurse practitioner and physician's assistant positions were increasingly harder to fill, and the turnover rate for those positions was problematic. Additionally, Sue suspected that the churn in those key positions was having a negative impact on the productivity and the morale of other employees. Sue feared that her company was on the precipice of a vicious cycle that would take substantial time and money to overcome. She decided to hire human resource management consultants to help her get things back on track.

### **THE FACTS**

Pinnacle Health Clinic increased from 2 to 7 locations and from 12 to 36 employees since Sue took over operations in 2000. Sue had enjoyed a career in retail management prior to joining the family business. She was a visionary who

had big ideas for products and services that would lead to further expansion for PHC.

Sue recognized the importance of a stable workforce in the company. She was known for her mantra, "...an organization is only as good as its people." Patients and clients had built relationships with the employees, and those relationships were damaged when employees left the company. According to customer satisfaction surveys, the primary reason that patients returned to a Pinnacle Health Clinic was the friendly, quality service they received from their healthcare provider. Sue recognized the importance of new hires being a good cultural fit, stating:

It is critical to make sure a prospective employee understands our vision, goals and core values. If I hire people based on these principals and the employee can align themselves with us, it will be a better hire. It isn't always just about skills and experience.

During the past three years, turnover in the nurse practitioner and physician's assistant positions had been approximately 25% per year. However, the smallest clinic had experienced no turnover. When asked why they were leaving, as part of an informal exit interview, these employees indicated the following reasons: relocating to another state due to a military spouse, increasing pay, improving medical benefits, and increasing from part-time to full-time hours. Only one of the key professional employees at PHC worked full-time hours.

The compensation for these key positions lagged by 20 – 25% compared to the area's hospitals. However, the compensation only lagged (15%) for entry-level nurse practitioners and physician's assistants when contrasted with pharmacy clinics such as CVS and Walgreens. The top pay grade at PHC was approximately 13% higher than the maximum pay at the pharmacy clinics. PHC recognized the negative impact that a below-market pay scale might be having on their recruitment and retention efforts, but their financial strategies prohibited them from paying more. Instead, PHC endeavored to offer employees flexibility in their schedules and a family-like atmosphere, uncommon benefits among the hospitals, pharmacy clinics, and urgent care clinics who competed for nurse practitioners and physician's assistants.

PHC employees usually worked four days per week, and their clinics closed as early as 12:30 some days; the clinics were never open past 6:00 PM. The flexible daytime hours were appealing for those who had been used to a complicated rotation that involved working nights, weekends, and/or long shifts in a hospital. The pharmacy clinics were open as late as 8:00 PM on weeknights and 5:30 PM on weekends; these clinics were also open on holidays. Additionally, the key professionals working in pharmacy clinics were the only clinic employees on site.

They had no support staff to manage the paperwork and other issues such as stocking supplies and cleaning.

The family-like atmosphere was maintained by regular activities including celebrating gratitude days, participating in local parades, and celebrating National Nurses Week. PHC also routinely recognized employee milestones such as birthdays, anniversaries, and achievements, including actively using social media to spotlight employees.

PHC's benefits package included the following:

- Dental insurance
- Vision insurance
- 401(k) retirement savings plan
- Seven paid holidays
- Paid time off for part-time and full-time employees
- AFLAC supplemental insurance

Competitors' benefits packages included the following:

- Medical insurance, including prescription drug coverage
- Dental insurance
- Vision insurance
- Short- and long-term disability insurance
- Life insurance
- Retirement savings plans
- Continuing education and training/tuition reimbursement
- Holiday pay
- Paid time off
- Wellness programs
- Employee assistance programs

## **THE COMPETITION**

In addition to local hospitals and their urgent care satellite clinics, Pinnacle Health Clinic competed with several national organizations including ANY LAB TEST NOW, CVS MinuteClinic, LabCorp, Quest Diagnostics, and Walgreens Healthcare Clinic. All of these organizations were significantly larger than PHC and offered similar, if not better, benefits.

### **ANY LAB TEST NOW**

ANY LAB TEST NOW was a franchiser with over 150 locations across the United States. These clinics offered comparable services, prices, compensation,

and hours.

### **CVS MinuteClinic**

CVS acquired MinuteClinic in 2006 and had over 800 locations across 28 states in 2014. These clinics offered comparable services and prices but were open more often and for longer hours than PHC. Additionally, the nurse practitioners and physicians assistants worked completely alone doing paperwork, cleaning up, and handling tasks that other support staff covered at PHC.

### **LabCorp**

LabCorporation was a large, publicly traded company with over \$5.8 billion in revenues in 2013. These clinics provided a wider array of tests and screenings along with a more sophisticated technological interface for patients and clients. LabCorp offered far more benefits to full- and part-time employees than PHC and similar work hours.

### **Quest Diagnostics**

Quest Diagnostics was another large, publicly traded company with over \$7.1 billion in revenues in 2013. Quest reported that they served nearly half of the doctors and hospitals in the US and that they had over 2,200 “patient service centers”. Quest Diagnostic had similar work hours and offered more benefits to full- and part-time employees than PHC.

### **Walgreens Healthcare Clinic**

Walgreens used Take Care Health Services to staff over 400 clinics around the US. These clinics offered comparable services and prices but were open more often and for longer hours than PHC.

### **PINNACLE HEALTH CLNIIC’S RETENTION DILEMMA**

In hiring human resource management consultants, Sue hoped to pinpoint where and how to invest resources in order to improve the turnover problem. She was open to changing the total rewards in order to help with retention in the key positions. She asked the newly hired HRM consultants to make recommendations to help her decide what to do in order to successfully retain nurse practitioners and physician’s assistants.

## **REFERENCES AND SUGGESTED READINGS**

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