

Developing Compliant Physician Compensation Practices

January 31, 2013

10:00 – 11:00 am Central / 11:00 am – 12:00pm Eastern

HFMA Forum Virtual Networking Event



hfma
healthcare financial management association

Agenda

- Elements of a Successful Hospital Physician Compensation Practice
- Questions & Comments

Elements of a Successful Hospital Physician Compensation Practice

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The Contracting Process



CEO, COO,
Developer, Recruiter

“Let’s Make A Deal”



Compliance, Legal, Accounting

“What Just Happened”

How Do We Prevent This From Happening?

Valuation Tracking Database

- **Physician** and/or group name, **specialty**
- **Cross reference** to all other valuations related to the subject physician or group
- **Valuation type** (e.g. compensation, business interest, machinery and equipment, real estate, etc.)
- **Valuation firm** name and contact information
- Estimated and actual **cost**
- **Reconciliation** of the valuation to the key terms of the subject agreement
- Key dates:
 - Date valuation firm was **engaged**
 - Date **information was provided** to valuation firm
 - Date **valuation was received**
 - “**Shelf life**” - date range valuation can be relied upon (e.g. up to 180 days from the report date)
 - For compensation or lease rate valuations, the **duration** of the valuation opinion (e.g. 2-year agreement term)
 - Agreement or transaction **effective date**

Valuation Firm Selection Criteria

- Evaluate the valuation firm
 - 5 years **valuation experience** performing the types of valuations being requested,
 - Valuation **credentials** (ASA, CPA/ABV, CVA, MAI, etc.),
 - 5 years **healthcare experience**,
 - Subject to **peer review** (e.g. published, speaking engagements),
 - Expertise in **Stark and Anti-kickback** laws and applicable definitions, and
 - **References** from other hospitals and reputable healthcare law firms.
- Review sample reports
 - Sample report for **each type** of valuation requested
 - Demonstrates knowledge of the **subject matter**
 - Consideration of **multiple valuation approaches** (income, cost and market) and **multiple data elements**
 - **Assumptions supported** by facts and multiple sources of data
 - Ability to **recreate the valuation**
 - Report should “**speak for itself**”
 - Report should comply with published **professional standards** (e.g. USPAP, ASA, AICPA, etc.)

Common Types of Service Agreements

- Emergency Room Coverage
- Medical Directorship
- In-House Coverage
- Employment
- Equipment and Services Lease
- Clinical Co-Management

Emergency Room Coverage

- OIG Opinion 07-10
 - Severity of illness typically encountered by that specialty
 - Likelihood of having to respond when on-call
 - Likelihood of responding to inpatient consult on uninsured patient
 - Degree of inpatient care typically required
- Fallacy of market approach without consideration of these factors
- Risks taken by parties in an independent contractor versus employment setting

Medical Directorship

- Lack of available market data
- Converting data from annual amounts to hourly compensation
- Using clinical data in support of administrative data
- Relying on market data between referral sources

In-House Coverage

- Required number of FTEs to provide the services
- Overlap of services
 - Group providing hospitalist and ED coverage
- Group's responsibility for professional collections under a “true up” model
 - Or accounting for professional collections in a stipend model with no “true up”

Employment

- Should the physician producing at the 75th percentile receive the 75th percentile compensation per wRVU?

Specialty	wRVUs	Comp / wRVU (75P)		Extended Comp	90th %ile Comp	% Higher	Comp / wRVU (90P)		Extended Comp	% Higher
Internal Medicine	7,214	\$	50	\$ 359,009	\$ 316,038	113.6%	\$	61	\$ 443,255	140.3%
General Cardiology	12,450		70	868,245	637,929	136.1%		92	1,144,716	179.4%
Hem Onc	7,905		103	816,194	783,651	104.2%		127	1,004,208	128.1%

- Does aggregate compensation make sense?

Equipment and Service Leases

- Specifically accounts for all equipment and services provided under the agreement
- Rates of return account for the risks taken by the lessee and the lessor
 - Which party is responsible for risk of loss
 - Block lease versus traditional equipment lease

Clinical Co-Management

- Must avoid duplication of services with medical directorships or services provided by hospital staff not affiliated with co-management agreement
- Benchmark hours under a cost approach must be reasonable in relation to size of entity managed and scope of work required
- Quality incentives must be based on metrics that will generate improvements in care

Documenting Fair Market Value

- Completely understand the scope of the services provided
- Review multiple sources of benchmark data
- Account for all factors that might effect compensation under the arrangement
 - Specifically address the risks assumed by all parties
- Engage a third-party valuation firm when necessary

Documenting Commercial Reasonableness

- Understand factual context of arrangement
 - Need for services and specific provider (e.g., supply and demand)
 - Service line considerations (e.g., strategic, operational, and financial)
- Develop tools to ensure continued compliance
 - Are contracted services provided and documented?
 - Have key facts changed subsequent to arrangement execution?

Questions & Comments



To ask the speakers a question or share your physician compensation experiences. Just type your question or comment into the Q&A box on your computer screen.

Contact Information

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