



Timely, Tough, or Tricky Physician Compensation and Fair Market Value Webinar Series

“It’s Anything But Vanilla: Managing Physician
Compensation Risk and Management Services”

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Introductions



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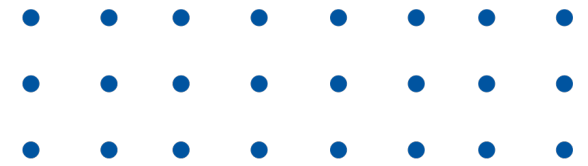
Agenda

- What are some tips and best practices to help you assess physician compensation risk within your organization?
- What are common management services agreement structures, and how are these typically valued?

Physician Compensation Risk Assessment



Physician Compensation Risk Assessment



Employed Physician Arrangements

How far does it run down the cone?

Other components of total compensation that may be considered:

- Administrative Compensation
- Call Coverage Compensation
- Academic Compensation
- Other Compensation

Consider additional review of arrangements that have not “passed” any of the criteria

More Focused Review

Example: Tier One
Does total compensation pass one of the following tests?

- A. Total comp \leq 50th percentile of benchmark data
- B. Total comp/wRVU \leq 50th percentile of benchmark data
- C. Total comp within 8 percentage points of wRVUs or professional collections and MD does not utilize an APP

Example: Tier Two
Is total compensation below the 60th percentile and does the physician meet at least one of the following?

- A. 5+ years of experience
- B. Specialty = high community need
- C. Unique training (i.e., robotic surgery)
- D. Others (to be identified)

Example: Tier Three
Possible additional review required; Especially consider when arrangement contains the following:

- A. Comp/wRVU $>$ 75th percentile of benchmark data
- B. Total comp $>$ 75th percentile of benchmark data
- C. Comp/professional collections $>$ 75th percentile of benchmark data



Tips & Best Practices for Managing MD Compensation Risk



- Be consistent.
- Implement a policy.
- Require timesheets and other documentation.
- Perform annual reviews.
- Assess fair market value and commercial reasonableness periodically.
- Be aware of trends in governmental complaints.
- Develop a team understanding of the benchmarks.
- Utilize a contract checklist.
- Optimize your contract management system.

Management Services: Why Now?



4 Frequently Asked Questions About MSO Investigations and 3 Defense Strategies

by: Dr. Nick Oberheiden of Oberheiden P.C. - *Our Insights*
© Posted On Thursday, October 13, 2022



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STATES EXTEND SCOPE OF REGULATORY OVERSIGHT OF HEALTH CARE ENTITIES

The proliferation of private investor-backed management of health care practices continues to draw **scrutiny** from regulators into the impact on patient care, health care costs, and access to services. State regulators play a key role in monitoring and challenging anticompetitive behavior at the local level but have varying degrees of authority across the country to review or approve health care consolidation



MSO & DSO SCRUTINY ON THE HORIZON

Posted on December 4, 2023

¹ "4 Frequently Asked Questions about MSO Investigations and 3 Defense Strategies," <<https://natlawreview.com/article/4-frequently-asked-questions-about-msoStates-Extend-investigations-and-3-defense-strategies/>>, accessed on July 11, 2024.

² "Scope of Regulatory Oversight of Health Care Entities," <<https://lifesciences.mofo.com/topics/states-extend-scope-of-regulatory-oversight-of-health-care-entities/>>, accessed on July 11, 2024.

³ "MSO & DSO Scrutiny on the Horizon," <<https://floridahealthcarelawfirm.com/mso-dso-scrutiny-on-the-horizon/>>, accessed on July 11, 2024.

Co-Management Vs. Management Arrangements

- **Collaboration vs. Outsourcing:** Co-management emphasizes collaboration and shared responsibilities between the hospital and physicians, while management agreements involve outsourcing management duties to a third-party company.
- **Control:** In co-management, control is shared, and physicians have a significant role in decision-making. In management agreements, the third-party management company has more control over operations.
- **Incentives:** Co-management agreements often include performance-based incentives linked to specific goals, whereas management agreements typically involve fixed fees.
- **Scope:** Co-management agreements usually focus on specific service lines or departments, while management agreements can encompass entire facilities or broader operational areas.



Compensation for Management Services



“Traditional”

- Fixed fee or cost of providing services plus profit factor
- Percentage of net patient revenue (i.e., billing)
- Mark-up percentage on cost (i.e., employee leasing)
- Typical for management arrangements

“Modern”

- Fixed fee based on certain pre-defined services plus:
- “At risk” component based on achievement of defined quality outcomes and metrics (i.e., reducing infection rates, attaining patient satisfaction, etc.)
- Typical for co-management arrangements

Valuation Approaches



Cost Approach: Example Formula

1. Identify direct costs + indirect costs = total costs
2. Determine an appropriate profit (operating) margin
3. Calculate markup %: $\text{operating margin} / (1 - \text{operating margin})$
4. Multiply total costs x markup % = markup \$
5. Total costs + markup \$ = management services rate

Market Approach

- Identify market comparable data with similar components or risk profiles as the subject arrangement
 - Publicly traded companies providing management services
 - Industry publications
- Analyze data and make comparability adjustments



Thank you!

PYA by the Numbers

40% FEMALE OWNERSHIP

Over 2X the average of similarly sized firms

- Inside Public Accounting



MORE THAN **3400** HEALTHCARE CLIENTS

Academic Medical Centers | Accountable Care Organizations
 Ambulatory Surgery Centers | Blood Centers | Clinically Integrated
 Networks | County Owned Hospitals | Critical Access Hospitals
 Diagnostic Centers | Dialysis Centers | Health Plans | Health
 Systems | Home Health Agencies | Hospices | Hospitals
 Independent Practice Associations | Maternity Centers | Medical
 Groups | Mental Health Centers | Nursing Homes
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 Therapy Centers | Psychiatric Hospitals | Rural Health Centers
 Safety Net Hospitals | Surgery Centers | Urgent Care Centers