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Accepting the Challenges of Physician Compensation in Rural Markets

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MAY 5, 2022

Introductions

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Agenda

- Realities of Rural Medicine
- Physician Recruiting in Rural Markets
- Case Study
  - Best Practices
  - Valuation Considerations
- Questions and Answers

Realities of Rural Medicine

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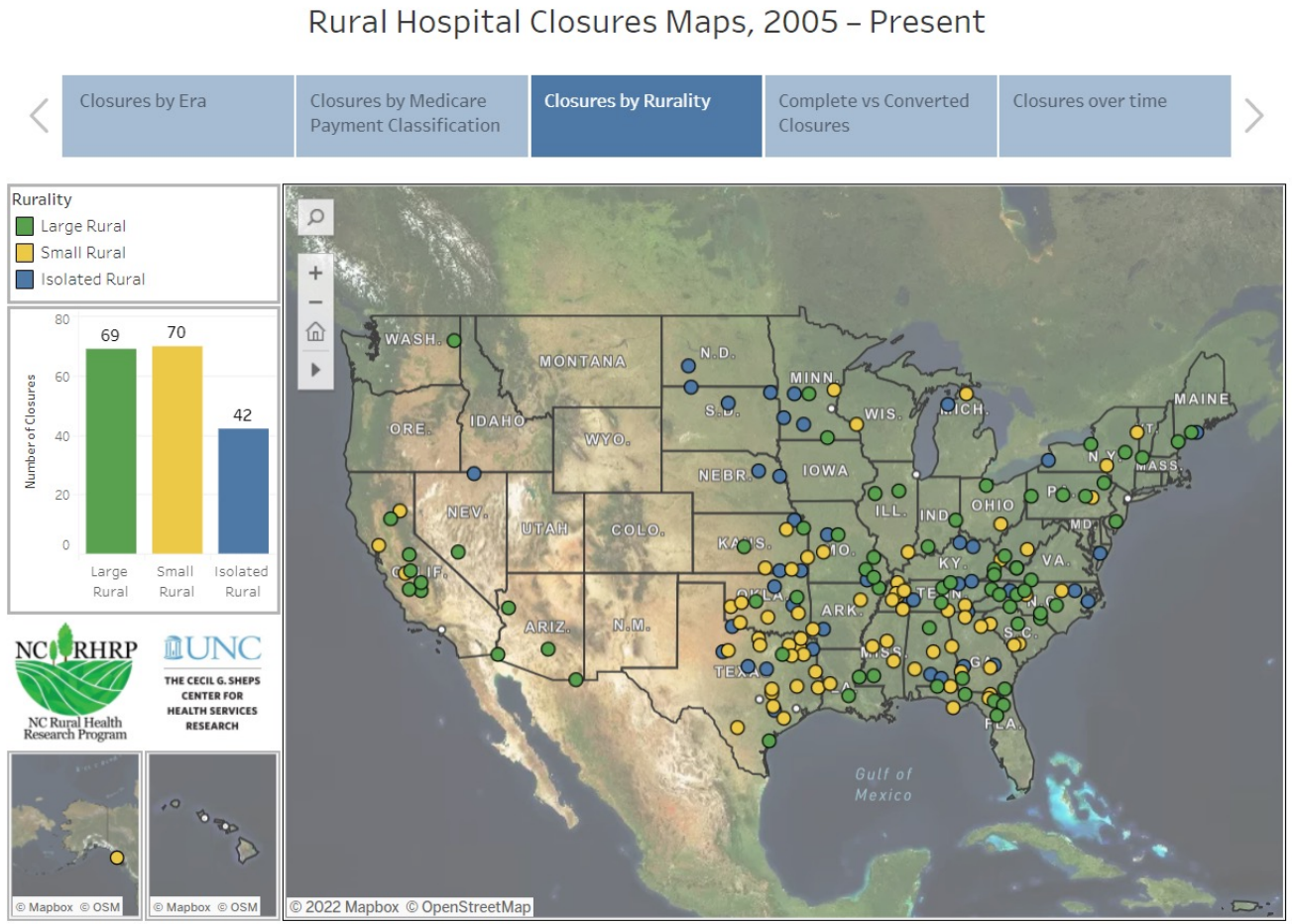
Rural hospital closures

- 2019 - 18
- 2020 – 19
- 2021 – 2
- 2022 - 1



Source: https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/, accessed January 31, 2022

Realities - Continued

- Population loss
  - Rural areas are losing population
  - Often (not always) elderly and low income
- Need
  - Rural market population – 1/6 of U.S. population
  - Rural market physicians – 1/10 of U.S. physicians
- Bypass behavior
  - Rural residents seek care in places other than their local hospital

Sources: https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures-archive/rural-hospital-closures/, accessed January 31, 2022 and Keeping Physicians in Rural Healthcare, by Merritt Hawkins (July 23, 2018)

Realities - Continued

- Healthcare delivery changes
  - Ability to use value-based payment mechanisms
  - Referral patterns of large health systems
- Regulatory changes
  - Impact to hospital margins
  - State expansion of Medicaid
    - Expansion provides insurance for lower income adults
  - Medicare payment policy

Source: https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures-archive/rural-hospital-closures/, accessed January 31, 2022

Realities - Continued

- Technology
  - Expense
  - Outpatient vs. inpatient delivery
- Talent

Source: https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures-archive/rural-hospital-closures/, accessed January 31, 2022

Rural Medicine Done Right

Boone Memorial Hospital strives to supply a comprehensive range of inpatient and outpatient services, including prevention, guidance, diagnosis, treatment, restoration, rehabilitation and other efforts to enable patients to lead healthy, productive lives, as may be needed by its community, and as its resources will permit.

Source: https://www.bmh.org/about, accessed January 31, 2022

Physician Recruiting in Rural Markets

- Recruit to your strategy
- Know what you need – clinical, call coverage, administrative, leadership, etc.
- Demonstrate resources and physician support
- Update technology, if needed
- Know your market and competition
- Matching physician to community is important
- Non-monetary perks – scheduling (on-site vs. telemedicine), lifestyle benefits, easy commute, less bureaucracy

Source: https://www.bmh.org/about, accessed January 31, 2022

Physician Recruiting in Rural Markets – Best Practices

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- Use community needs assessment
- Incorporate Health Living model
- Recruit physicians with ties to area
- Form partnerships with medical schools (e.g., WVSOM)
- Consider stipends during residency

Levelset – Rural vs. Urban Data

Specialty	Median Compensation		Median wRVU Productivity	
	Urban	Rural	Urban	Rural
Endocrinology	$261,208	$329,139	4,722	5,029
Family Medicine (without OB)	$254,943	$259,292	4,949	4,567
Gastroenterology	$535,230	$657,784	8,023	8,126
Hospitalist (IM)	$307,173	$328,256	4,366	3,129
Orthopedic Surgery	$620,551	$605,127	8,548	7,307
Pediatrics	$231,644	$251,343	4,875	5,026
Urology	$494,078	$508,572	8,064	7,381
NP (Primary Care)	$110,053	$109,341	3,005	3,620
PA (Primary Care)	$112,532	$127,634	3,377	3,511

Source: Medical Group Management Association *2020 DataDive Provider Compensation Survey*

Levelset - Rural vs. Urban Data-Continued

Specialty	Median Compensation		Median Professional Collections	
	Urban	Rural	Urban	Rural
Endocrinology	$261,208	$329,139	$427,705	ISD
Family Medicine (without OB)	$254,943	$259,292	$445,061	$402,258
Gastroenterology	$535,230	$657,784	$695,833	$978,601
Hospitalist (IM)	$307,173	$328,256	$216,927	$172,460
Orthopedic Surgery	$620,551	$605,127	$763,628	$980,919
Pediatrics	$231,644	$251,343	$476,624	$449,791
Urology	$494,078	$508,572	$698,070	$682,577
NP (Primary Care)	$110,053	$109,341	$217,010	ISD
PA (Primary Care)	$112,532	$127,634	$293,788	ISD

Source: Medical Group Management Association *2020 DataDive Provider Compensation Survey*

Rural Provider Compensation Legends - Debunked

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1. Bigfoot: Rural compensation is not *always* higher than urban compensation. It is not the "windfall" that new providers may expect.
2. Mothman: When rural compensation is significantly higher than urban compensation, the organization has demonstrated a significant need and can easily demonstrate commercial reasonableness.
3. John Henry: Rural providers can be very productive.

Case Study

What happens when:

- The need is demonstrated?
- The physician specialty is in very low supply and very high demand?
- The physician's productivity is anticipated to be low?

Case Study – Best Practices

- Document –
  - The legitimate business purpose
  - How the physician is key to organization strategy
  - Reference physician needs assessment
  - National physician supply and demand
  - Do not hide the anticipated physician practice loss – budget for it, explain it, and compare it
  - Community benefit – services to self pay patients, quality of care concerns mitigated by physician, nearest facility providing the services

Case Study – Best Practices

- Document –
  - Best alternative
  - Recruitment attempts, including:
    - Number of attempts
    - Compensation offered and related structure
    - Why recruiting attempt failed
  - Facility and other investments made to support the physician's program/specialty (i.e., major equipment purchased, renovations made, etc.)
  - How the arrangement will be monitored

Case Study – Best Practices

- Design compensation carefully –
  - Know the physician's historical compensation
  - Understand projected productivity
  - Understand projected professional collections
  - Consider call coverage burden and intensity
  - Consider administrative responsibilities (i.e., as a physician of one in a specialty)
  - APP collaboration

Case Study – Best Practices

- Design compensation carefully –
  - Telemedicine opportunities
  - Sign-on bonus
  - Transition costs (e.g., travel, housing, etc.)
  - Flexible schedules/minimum work standards

Alternative Arrangements

- Part-time coverage models via independent contractors
  - Local
  - National
- Physician “sharing” arrangements
  - Your physicians with others
  - Others’ physicians with you

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