Should You Work for the Hospital or Should the Hospital Work for You?

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The Surgeon’s Attention to the Business of Medicine
How Did We Get Here?

- DRG Payments to Hospitals
- Physician Payments

Time

$
Why?

- Medicare spending is budget neutral yet population is increasing
- WRVU system is not adequate to cover physician overhead
- Health care costs as % of GNP has doubled in last 15 years
- Business health care costs are cutting into profit and weakening the economy
Who?

• Pete Stark

• Targets you and places economic limits that correspond most closely to Wall Street insider trading limits and can incur similar federal investigations
Benefits

- You can do what you do best practice medicine
- Your employees become someone else’s employees
- Retirement benefits are not matched by you
- Your malpractice is paid
- You can receive quality incentive payments for performance
- You will be aligned with the current regulatory changes (ACOs)
- You can make beneficial changes in your practice with the transition
3 Greatest Worries - Physicians

1. Pay
2. Autonomy
3. Trapped in a bad situation
3 Greatest Worries - Hospital

1. Relationship with referring physicians
2. Quality
3. Succession
3 Greatest Worries - Lawyers

1. Stark Issues
2. Stark Issues
3. Stark Issues
What Hospitals Can Pay You For:

- Assets both persons and material
- Charts
- Accounts Receivables
- IT systems
- Quality
Physician Pay
3 Components

1. Salary
2. Call Pay
3. Directorships
What Hospitals Can’t Pay You For:

• Cases or referrals
• “Goodwill”
• Randomized trials and expertise
How Long Can Hospitals Pay You?

1 year: No problem
2 years: No problem with minor stipulations
3 years: With stipulations
> 3 years: If moving from out of practice area or state
Rarely 5 years but re-evaluated at some point in years 2 - 3
Salary

3 Components

1. MGMA – 75% Rule
2. Net Receipts
3. WRVUs
Call Pay

• Paid hourly based upon work-week salary
• Must be paid directly to the physician who takes call
Directorships

- Paid to a physician leader to develop or expand a particular program integral to the hospital business plan
Directorships

2 Components

1. Number of hours needed by hospital each month
2. Hourly rate
Directorships Must Be Valued by Third Party FMV Consultants

- Number of hours must be reasonable to accomplish task yet be possible for physicians to devote to the task
- Hourly rate must be based on 3 E’s
  - Experience
  - Expertise
  - Exceptionality (CV based)
Autonomy

- Stark actually works in your favor
- Hospitals cannot dictate where you send your patients or where you practice
Trapped in a Bad Situation?

- Exit Strategy – Pure Negotiation
- Best Option – 90 day out with a NO NON-COMPETE
- Second best option – 90 day out with non-compete with another hospital system
- Object for the physician is to become indispensable to the system
Bargaining

- To get the best situation, it is optimal to bargain with more than 1 system
  - You learn your FMV quickly
  - Competing systems respond quickly
  - If you are sought after Stark is less an issue because your FMV is higher
Bargaining Caveats

• You are not a commodity and a bidding war is not FMV
• If you sign a confidentiality agreement you cannot discuss terms with competing systems and your agent/lawyer can’t either
• If your contract is not valued correctly both you and the hospital are in jeopardy
• The first group “in” always gets the best deal
Best Situation For You

• Work with a hospital system with a good local and national reputation
• 3 year contract guarantee
• Salary based on WRVUs, call, and directorships and quality performance incentives
• Named to the ACO board of the hospital
• Adequate supporting health care workers for you (PA, NP, nurses, secretaries)
• All of your partners come with you unless the deal is better for them elsewhere
• Maintain your current practice patterns even if some partners go with competing systems
You at the End of a Successful Negotiation!