

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

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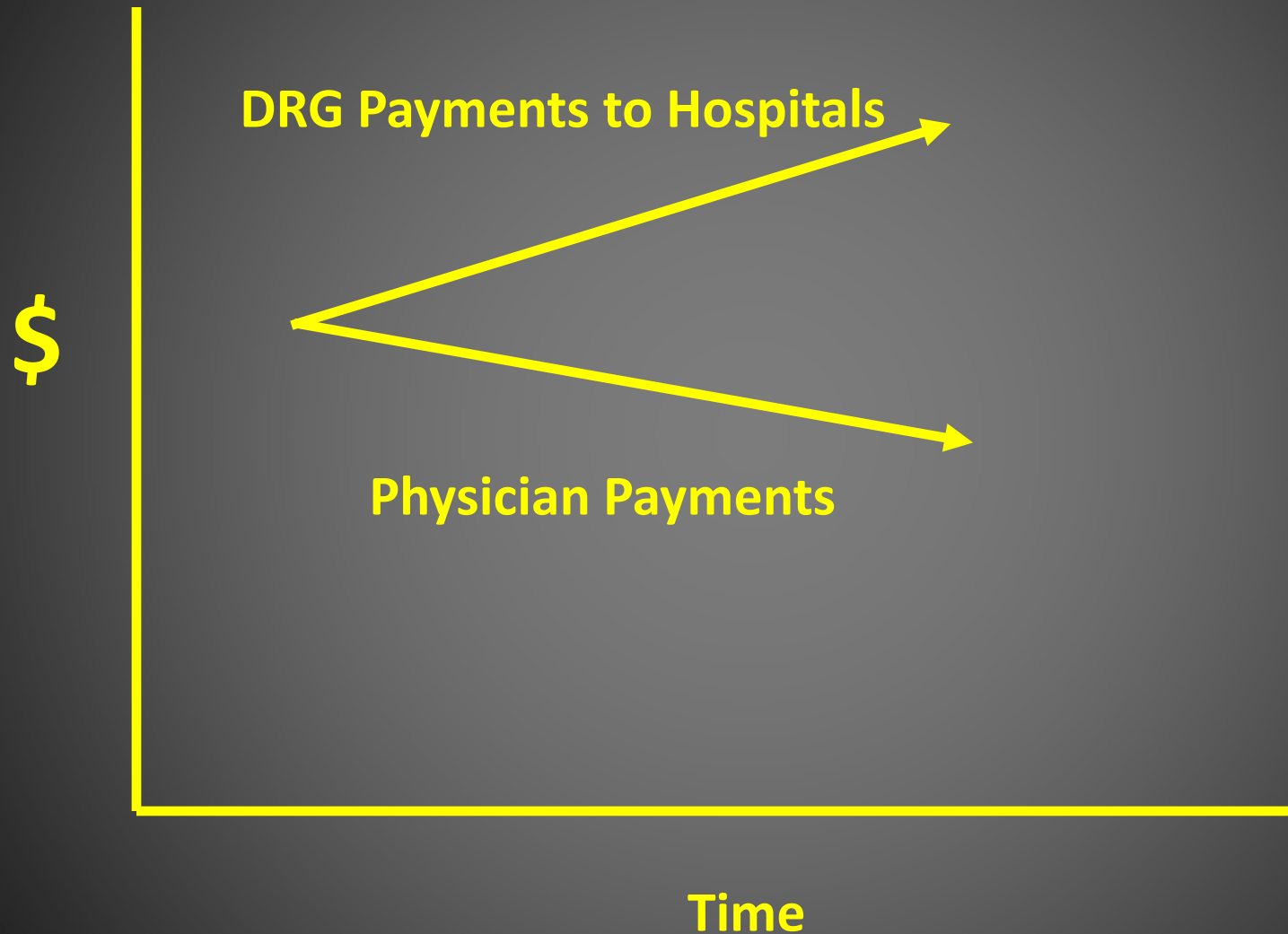


The Surgeon's Attention to the Business of Medicine



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How Did We Get Here?



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 !

