Effective Physician Contracting: Understanding the Relationships Between Finance, Operations, and Compliance

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MiraMed Global Services
Effective Physician Contracting: Challenges and Risks

- **Finance**
  - Compensation
  - Incentives
  - Data, Data, and Data

- **Compliance**
  - Government Enforcement
  - Regulatory Challenges
  - Oversight

- **Operations**
  - New Market Trends
  - Authority and Accountability

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Effective Physician Contracting: Finance Considerations

Compensation
- WRvus
- Salary
- Productivity

Incentives
- Quality
- Safety
- Patient Satisfaction
- Governance
Effective Physician Contracting: Compensation Considerations

<table>
<thead>
<tr>
<th>Methodology’s Objectives</th>
<th>Realities of ANY Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive in the market place</td>
<td>What is a physician really worth today?</td>
</tr>
<tr>
<td>Fair and sustainable</td>
<td>Status quo is not sustainable</td>
</tr>
<tr>
<td>Rewards individuals and group</td>
<td>Regulatory considerations are complex</td>
</tr>
<tr>
<td>Considers “non-productive” work</td>
<td>What does “work” mean? Is doing the right thing, e.g. quality expected or an incentive?</td>
</tr>
<tr>
<td>Easy to understand</td>
<td>Are you kidding?</td>
</tr>
<tr>
<td>Consistently administered</td>
<td>Reimbursement changes will require changes</td>
</tr>
<tr>
<td>Sets a target to grow bigger and better</td>
<td>How and who decides?</td>
</tr>
<tr>
<td>Adaptable to new trends</td>
<td>Transformation and flexibility is necessary but how do you control it</td>
</tr>
</tbody>
</table>
### Effective Physician Contracting: Compensation Considerations

#### Most Common Incentive Measures

<table>
<thead>
<tr>
<th>Productivity</th>
<th>Non-Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>wRVUs (74%)</td>
<td>Quality (72%) Net</td>
</tr>
<tr>
<td>Collections (29%)</td>
<td>Patient Satisfaction (74%)</td>
</tr>
<tr>
<td>Net Income (20%)</td>
<td>Citizenship (38%)</td>
</tr>
<tr>
<td>Patient Visits (14%)</td>
<td>Organization Alignment (36%)</td>
</tr>
</tbody>
</table>

Effective Physician Contracting: Finance Considerations

Data-Physician and Practice

Data-Physician Enterprise Level

Data-HCO
Effective Physician Contracting: Operations Considerations

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Effective Physician Contracting: New Market Trends

Operational Considerations: Challenges and Risks

- Directorships
- Incentives
- Patient Satisfaction
- Mid-levels
- Bonus: Retention
- Hiring
- On-call?
Effective Physician Contracting: Operation Considerations that Impact Reimbursement

Yesterday was about CPT Codes, Quality and Volume

Today is about Pay for Performance, Non-Payment for Preventable Complications, ACOs

Tomorrow is about Quality, Value-Based Purchasing, Consumer Products
Effective Physician Contracting: Operations/Finance Considerations
Effective Physician Contracting: Operations, Finance & Compliance Considerations

Payment for Quality-Independent Contractor

Payment for Mid-Level Supervision

Payment for Quality-Employees

On-Call Coverage Payment

Medical/Adm Directorships
Effective Physician Contracting: Compliance Considerations

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Effective Physician Contracting: Compliance Considerations

Government Enforcement
Effective Physician Contracting: Compliance Considerations

Qui Tam
- $2.8 out of $3 B in FY 11
- 638 suits filed in 2010; over 7,000 since 86
- Relators recover 15-20% of proceeds-$420 M in 2011

PPACA
- Expands HIPAA Security and Privacy
- Expands fraud and abuse reach

CIAs
- Over 350 active CIAs
- 16% are with hospitals
- 41% of hospitals CIAs are within the past 2 years
Effective Physician Contracting: Compliance Considerations: Oversight

Doing the Right Thing for the Patient without Financial Rewards

Quality Standards Known

Code Correctly Based on Documentation

Qualified Physician/NPP/Staff

Reimbursed Correctly
Effective Physician Contracting: Compliance Considerations: Oversight
Effective Physician Contracting: Compliance, Finance, & Operations Considerations

Pressure or Incentive to take non-compliant action

Opportunity to carry out the non-compliant action

Justification to make it acceptable to be non-compliant
Effective Physician Contracting: Compliance, Finance, & Operations Considerations

Red flags

Finance

Operations

Compliance

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Effective Physician Contracting: Where to Begin?

- Educate BOD
- Develop compensation principles
- Develop contract review & approval process
- Follow principles & process
- Use consistent and accurate DATA
- Define protocol for exceptions
- Understand all business transactions
- Document, Document, Document finding
- Report to BOD & obtain approvals
Effective Physician Contracting: Where to Begin?

- Contract Database
- Legal Review
- FMV/Financial Review
- Operations Due Diligence
- Monitor and Audit Reports
Effective Physician Contracting: BOD Proactive Review Approach

- Educate and Understand the Finance, Operations and Compliance Relationships
- ASK Questions!
- Conduct Contract Review Process
- Develop Awareness of Risks
Effective Physician Contracting: Management Proactive Review

C suite

- Promote Culture & Values
- Respond to Potential Problems
- Systematic Data-gathering
- Conduct oversight
- Unquestionable Business Processes
Effective Physician Contracting: BOD Review Criteria

Does this contract serve a legitimate business purpose?

Has management provided sufficient data to understand the contract’s purpose and to make an informed decision regarding the legitimate business need for the contract?

Both questions require a YES to proceed.
Effective Physician Contracting: What’s Next?

- Healthcare Reform
- Finance, Operations, Compliance Issues

CHALLENGES & Risks
Effective Physician Contracting: Finance, Operations, & Compliance Questions

• Who has oversight of physician compensation?
• What is your physician compensation philosophy?
• What is your contracting review and approval process?
• What arrangements are covered by the oversight process?
• Does compensation comply with fair market value and commercial reasonableness requirements?
• What are your documentation standards?
• How do you monitor or audit compliance with statutes, regulations, your process and your philosophy?
• How will physician compensation change in your organization with healthcare reform?
Thank you, Thank you, Thank you!

• For follow up questions please feel free to contact me:
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  – Joette Derricks jpderricks@gmail.com