Preparing for Discussions with Potential Employers

September 17, 2013
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Speaker Bio

- 55 years old w/ 34 years experience in healthcare arena
- Graduated college in 1979, earned MBA (Finance) in 1985
- Hired by healthcare consulting firm in 1979
- BCBS (Medicare Intermediary) - early 1980’s
  - Developed revenue recovery audits for BCBS
- Hospital Budget Director – Sinai – Mid 1980’s
- KPMG (healthcare financial consulting) – Mid/Late 1980’s
- Founded CappMaxx Advisors, LLC – 2002
  - Have evaluated 100+ practices over past 4 years.
A Colossal Headache!

The vast majority of practices benchmark at the 25\textsuperscript{th}\% tile (or below) of MGMA compensation to collections ratios (i.e., 40\% to 50\%).
Federal Deficit
All nominal amounts were indexed to a base year = 1960.

Health care expenditures have grown 91x since 1960 vs. 27x for GNP and 1.7x for population.

Health care expenditures are approaching 1 out of every 5 dollars of GNP....or 20%. ...expected to reach 25% by 2025.

Gross national product (GNP) is the market value of all products and services produced in one year by labor and property supplied by the residents of a country.

Sources: US Dept. of Commerce, Bureau of Economic Analysis and CMS (National Health Care Expenditure Accounts).
Overview of Process

Initial Contact
• Contact initiated by employer or physician.
• What is said sets the tone for how these discussions unfold.
• Be prepared.......know your business before these discussions begin.

Confidentiality Agreement
• Allows for confidential exchange of information.
• Generally, a one-way information flow....physician to employer.
• May or may not contain an exclusivity period and termination date.

Exchange of Information
• Employer will send you a comprehensive list of the information they want to see in order to assess your practice.

Analysis
• Economics of practice are assessed, risk profile developed and strategic fit determined.
• This is a triaging process during which a “go, no-go” decision is made by the employer.
Overview of Process

Offer/Negotiation
- Compensation and Compensation Model
- Hard Assets
- Goodwill??...in most cases....NOT!!
- Other Terms/Conditions

LOI/Valuation
- Formal LOI....most often with larger vs. smaller practices.
- Hard asset valuation.
- Fair Market Compensation Valuation?

LOI/Final Documents
- Formal contract development and negotiation of related terms
Typical Information Request

• Date of birth
• Office location and address (leased vs. owned)
• List of in-office services provided
• List of affiliated entities including ownerships in surgery centers
• List of any past current investigations by any governmental agency or physician review board
• Malpractice history
• Hospitals where privileged
• List of all extenders and how each bills (own provider # or yours?)
• List of relatives working for the practice
Typical Information Request

- Most recent 2 years filed federal tax returns
- All W-2s (yours and your staff) for most recent tax year
- Summary of any payments/stipends received from hospitals
  - Call coverage
  - Medical Director
- Summary of personal expenses paid through the practice
  - Auto, meals, phone, Ravens tickets😊, weddings 😞, etc.
- Amounts contributed by your practice to a company pension/401k on your behalf
Typical Information Request

- Name of outsourced billing company, if applicable, and % of collections charged
- Name of practice management and EMR platforms
- Billing Reports that correlate to latest filed tax return
  - Collections by insurance company
    - Current YTD collections may also be requested
    - Collections by individual provider
    - Frequency by CPT code
    - Collections by CPT code
- Are you enrolled in the BCBS PCMH product?
  - Copy of most recent Searchlight data report
What are employers looking for?

- How much income do you derive from the practice and from what sources? What does the trend line look like?
  - Direct professional services
  - Leveraging employed providers
  - Personal expenses and familial income
  - Payments from hospitals
  - Outside investments (e.g., surgi-centers)
- Productivity by provider
- What does your payer mix look like?
- Physician referral patterns
  - Employers can gather this from public databases (e.g., Crimson)
What are employers looking for?

• How does each provider benchmark vs. MGMA (or other benchmarking service)?
  – Collections
  – Compensation
  – Compensation/Collections
  – wRVUs generated
  – Compensation/wRVU

• How does your coding compare to available CMS data?
  – If you’re coding 85% of your 99211-99215 codes as 99215...this will raise a flag.
What are employers looking for?

• Who are your employees and how much do you pay your employees vs. what the employer pays for comparable jobs?
  – Nepotism
  – Fair market compensation

• Anything out of the ordinary
  – Unusual pension plan structures
  – Aberrant collections or income
  – Unusual scope of services
How to Prepare

- Define your goals and objectives of employment....why are you pursuing this course?....write it down!!
  - What are the deal breakers?
- Identify your counselors
  - Personal, legal, financial or otherwise...this is your team
- Gather the information and have it analyzed/arrayed in a usable format
  - Know beforehand what the employer is trying to find out
  - Keep the information updated and organized
- Develop a game plan....decide who speaks on your behalf
- Be proactive.....communicate.....help drive the process
  - Those who respond promptly/accurately have better results