

Orthopaedic Surgeons as Hospital Employees: What creates a Successful Practice



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AAOS, Practice Management Committee
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Learning Objectives



- Understand why orthopaedic surgeons are considering hospital employment
- Learn about the advantages/disadvantages
- Identify the characteristics of an opportunity that is likely to be successful.
- Become aware of resources to facilitate the creation of a productive employment relationship with a hospital.

Physician Alignment/Clinical Integration



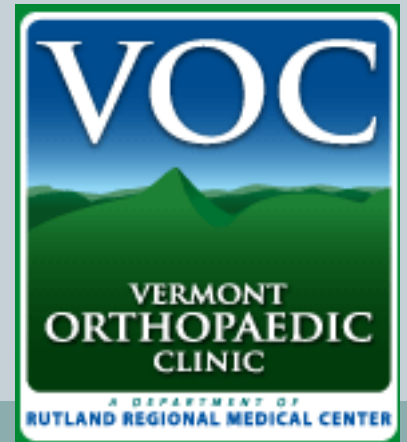
- Hospital Employment
- Medical Directorships
- Service Line Co-management
- Physician Hospital Joint Ventures
- Physician Service Agreement
- Bundled Payments

Vermont Orthopaedic Clinic



Practice in small town with large ski resort.

- 5 Orthopedic Surgeons (all subspecialty trained)
- 2 Nonoperative Sports Medicine MDs
- 2 Nonoperative Spine Care Physicians
- 5 Advanced Practice Providers (PA, NP)
- 90 Bed Hospital
- 25000 orthopedic office visits per year
- 1800 orthopedic OR Procedures per year.



Rutland Regional Medical Center



- Second busiest ER in Vermont
- Competition is two large academic medical centers both one hour away
- Payor mix is >60% Medicare/Medicaid
- Medical marketplace in Vermont is highly regulated
- Orthopedics >30% of surgical volume.



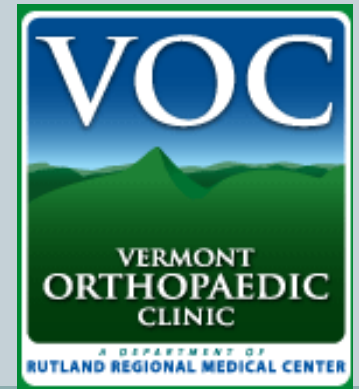
Rutland Regional Medical Center

An Affiliate of Rutland Regional Health Services

Vermont Orthopaedic Clinic



- 1996-Salary based on historical earnings
- 2001-Productivity Based Compensation based on Gross Billings
- 2008-wRVU Productivity Based Compensation
- 2012-wRVU Productivity Based Compensation with Alignment and Quality Metrics (12% at risk)
 - Compensated for ER call
 - Compensated for PA supervision



Vermont Orthopaedic Clinic



- **Governance-”Dyad”**
 - Clinical Director—MD (compensated for this work)
 - ✦ Strategic Planning
 - ✦ Program Design
 - ✦ MD Schedules/Physician Efficiency
 - ✦ Patient Satisfaction and Treatment Quality
 - Administrative Leader
 - ✦ Tactical Issues
 - ✦ Operational Resource Management
 - ✦ Program Development
 - ✦ Creates budget under MD supervision



Why Do Hospitals Want Us?

Revenue

Serve their Mission

Stable Call Coverage

Help with reducing the
cost of care

Improve Care

Coordination (ACO,
Global Budget)



Market Share



- Build Market Share



- Maintain Market Share

What Generates the Revenue?



- Orthopaedic surgery/imaging
 - Hospital revenue \$3.3 million/Ortho Surgeon (Sg2 Report)
- On call coverage to avoid transfers
- Value Based/Quality Initiatives
- Decrease in the cost of care
- Payment reform initiatives – now and future

Physician-hospital Alignment Facilitated by Employment



- Payment Reforms-VBP, Bundled Payments
- Supply cost management
- Global Budget Agreements, ACOs
- Clinical Documentation Inquiries
- Service Excellence Initiatives-CG-CAHPS
- Marketing the Physician

Reasons to Consider Employment

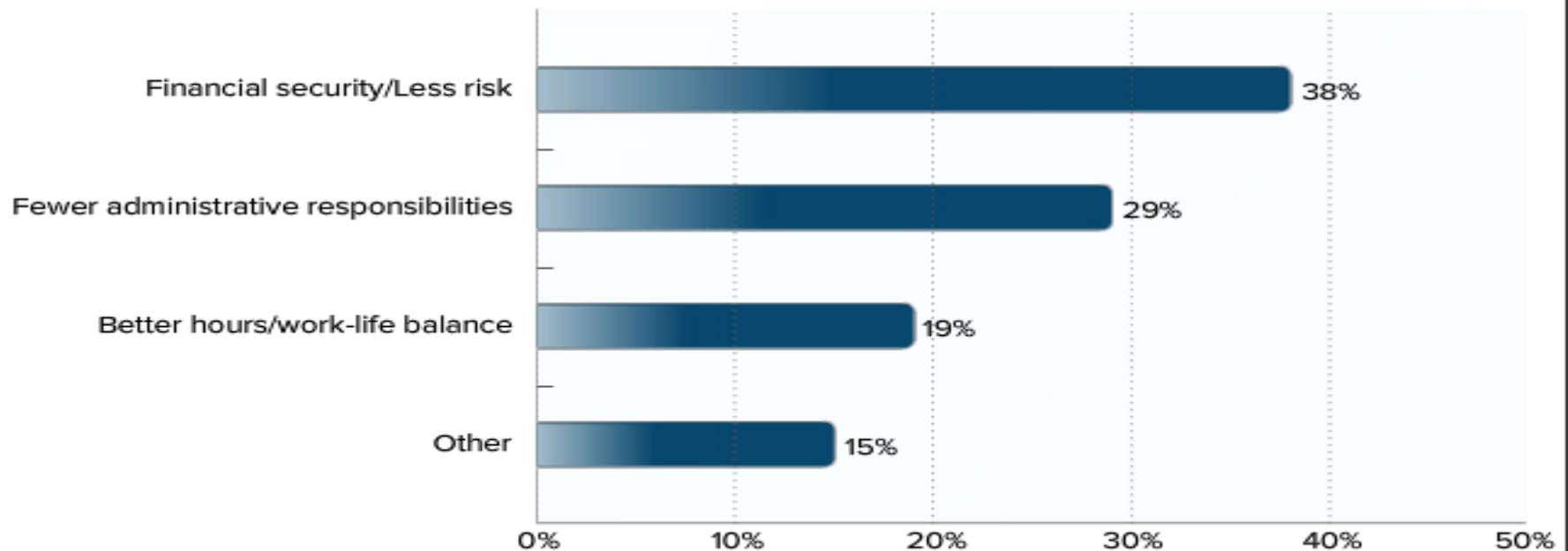
Medscape Survey 4600
physicians, 2014

Employed Doctors Report: Are They Better Off?

Leslie Kane, MA
March 11, 2014

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Primary Reason for Choosing Employment



About Financial Stability



- Beware! Starting salary vs ultimate compensation capacity
- Payer mix of the community/hospital finances.
- “Fair Market Value” concept.
- Compensation scheme cannot be based on “the volume or value of referrals”.
- Compensation scheme
 - Productivity vs salary



Likes of MDs of Employment

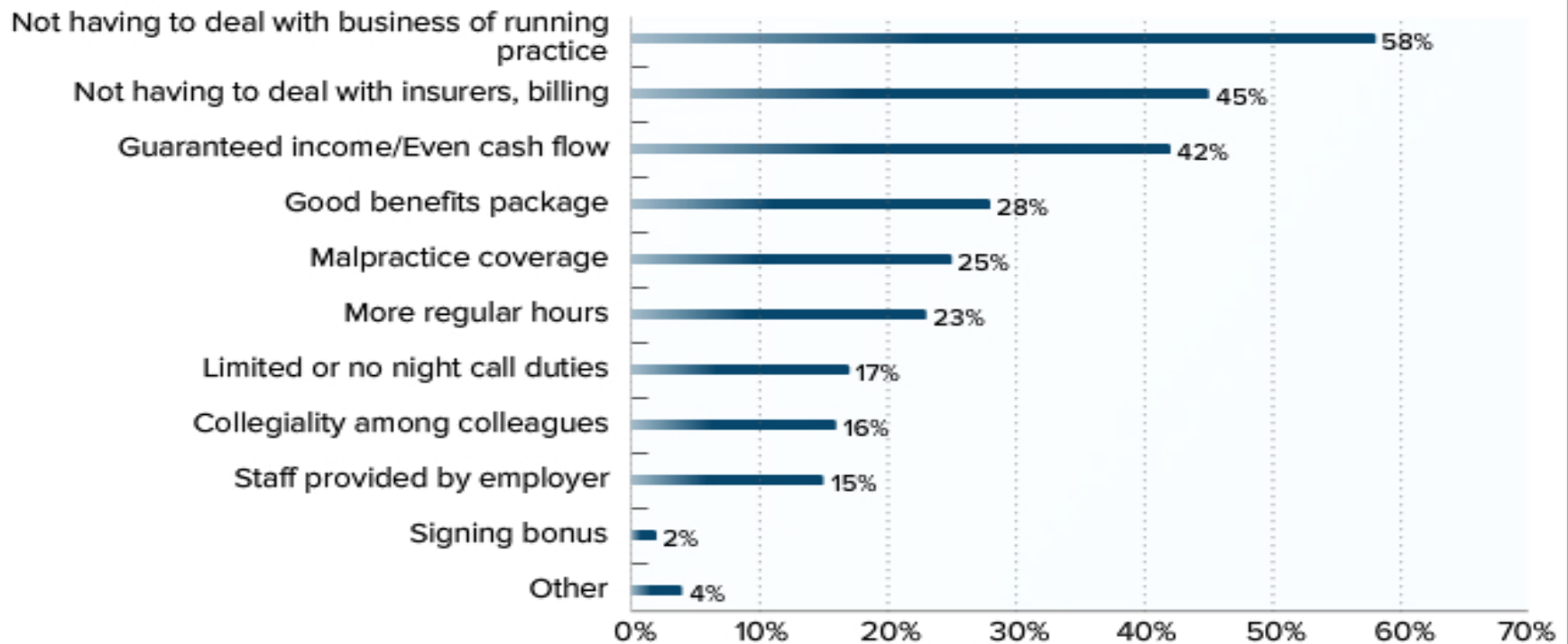
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What Doctors Like Most About Employment



Medscape survey, 2014

Dislikes of Employment

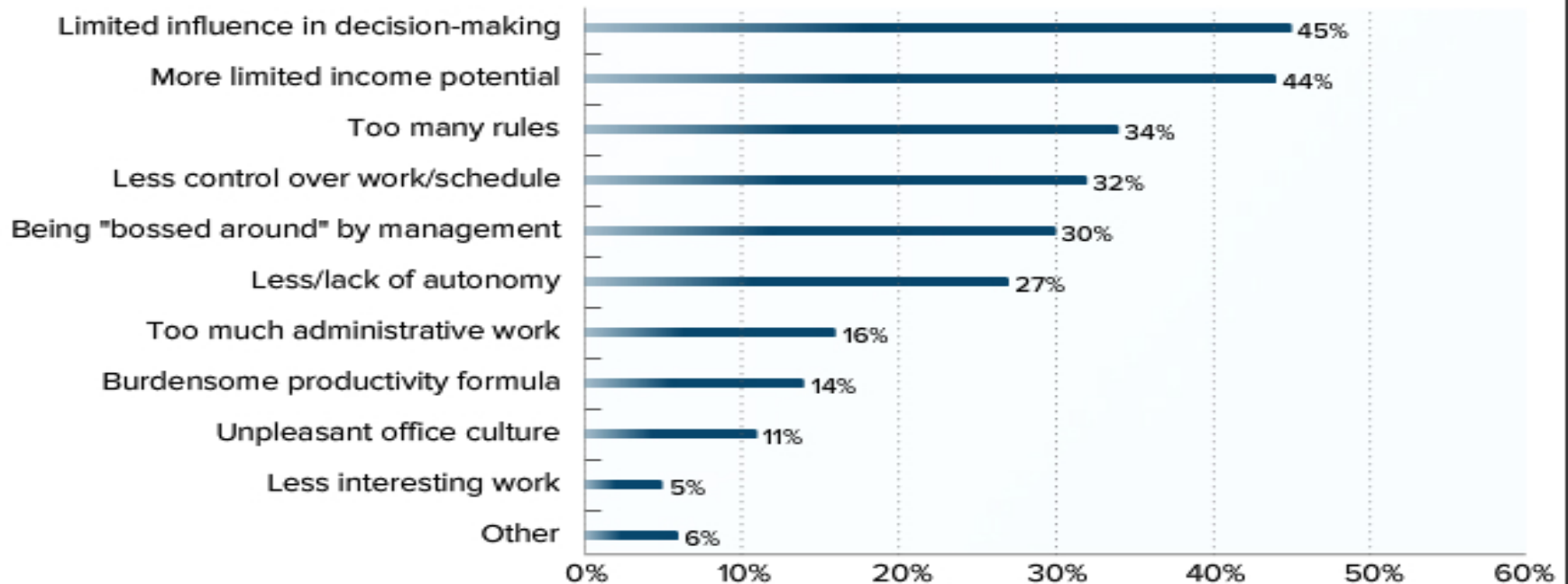


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What Doctors Dislike Most About Employment



Medscape Survey 2014

Pitfalls of Hospital Employment



Personal

- Loss of autonomy
- Termination
- Compensation Changes
- Contract Renegotiation
- Restrictive Covenants
- Medical Staff Relationships

Professional

- Loss of control - employees, payer negotiation, implants, clinic resources
- Ancillary revenue – no access
- Higher cost \neq efficiency (EMR vs HIS)

Administrative Effort of Practice

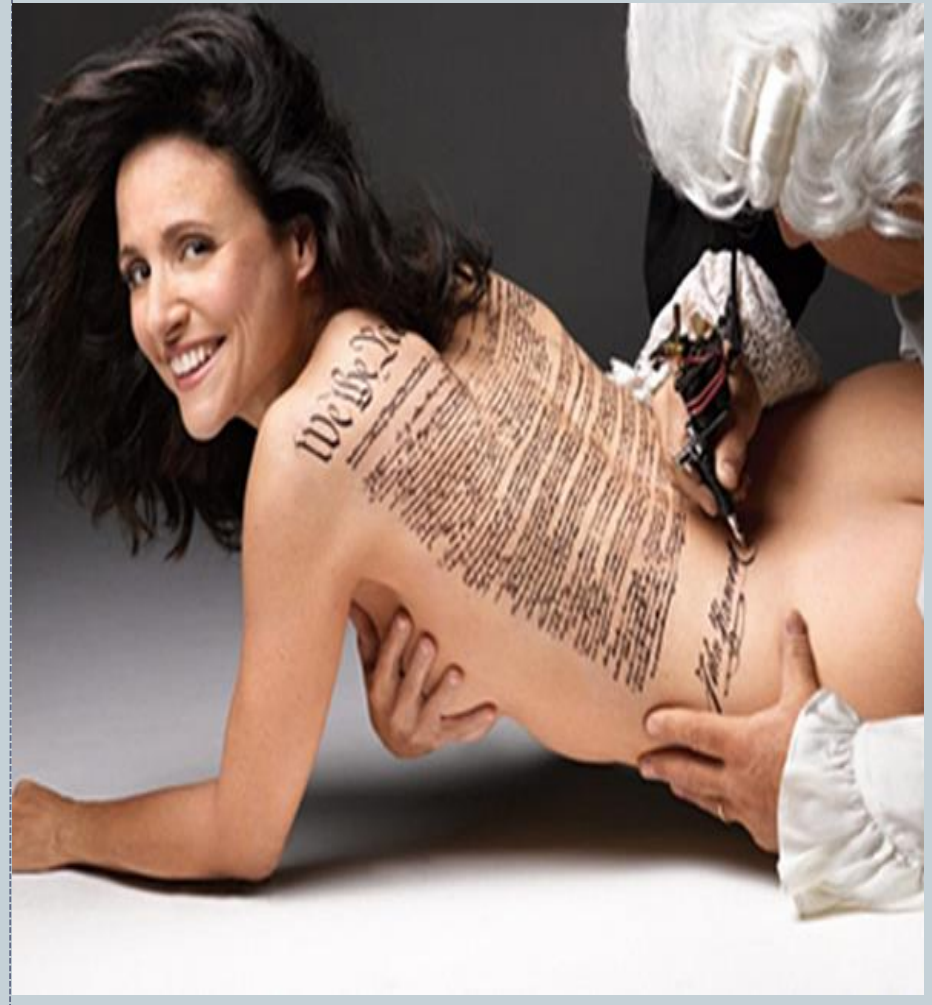


- EMR/Health Information Systems and resources to run them
- Employee Compliance/training issues
- Coding and Denials
- Regulatory/Audit Issues with Medicare
- Contracting with Payers-Leverage
- **KEY: Still MUST remain active in daily operations of the practice**
- Critical to have an MD **compensated and accountable** for managing the practice.

Contract



- If it isn't in writing, it isn't so.
- The contract cannot make up for distrust of the CEO/VP Physician Services!
- Spend the time to understand the agreement/position.
- Legal Advice is critical.



Pre Contract Considerations



- CEO/CFO/VP of Physician Services attitude/trustworthy?
- Aligned Clinical Expectations?
- Culture/professional values
- HIS/EHR-Chief Medical Information Officer
- Medical Staff structure
- Financial Condition of the Hospital?
- Strategic Plan/Merger?
- Employed Physician Governance Structure?
- Patient Centered Administration?
- Quality Management?
- CEO respects the value physicians bring?

Pitfalls of Hospital Contracts



- Restrictive Covenants
- Malpractice coverage “Tail”
- Exclusive Service
- Discounting Fees
- Termination Clauses
- Call coverage



Successful Contract



- Both are rewarded for Productivity
- Quality/Value is measured and rewarded
- No restrictive covenant/non-compete agreements
- Fair termination clauses
- Do not give up any medical staff bylaw protections
- Defines the expectations of both parties
- “Partnership”

Responsibility of the Employed Physician



- Remain active in the Orthopedic Community, AAOS, AMA, State Society, OREF, PAC
- Be active in Medical Staff Leadership, BOD...
- Actively improve your practice efficiency
- Guide your Hospital and Practice to provide Clinical Quality and Service Excellence
- Support and Value the existence of Private Practice.

AAOS
AMERICAN ASSOCIATION OF
ORTHOPAEDIC SURGEONS



OREF  ORTHOPAEDIC RESEARCH
AND EDUCATION FOUNDATION

california orthopaedic association
"keeping you active"

Attributes of Success



The market conditions must make financial sense for both parties. If not, do not consider selling your practice.

Attributes of Success



- CEO views relationship as a “partnership.”
- Contract aligns incentives
 - Production based with quality incentives.
 - Both parties accountable to the other.
 - Balanced and well researched by both sides.
- Physician wishes to be highly productive, but sensitive to value creation (cost of care).
- Practice management is physician led.
- Physician leaders are compensated for management and leadership.

References & Resources



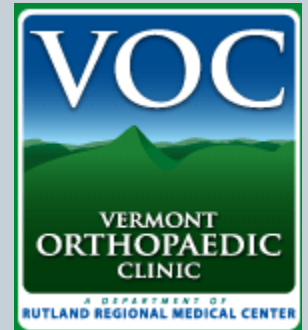
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Thank you



- If you have any questions about this program, please contact me:

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Evaluation of a Practice Opportunity



- Speak with employed physicians at the site
- Speak with employed physicians elsewhere
- Speak with other docs on the medical staff
- Understand the Governance Structure
- Speak repeatedly with the CEO/VP Physician Services
- Healthcare contract attorney/Compensation Consultant/Benchmark Data
- Protocol: Feasibility and Appropriateness Evaluation—2010 AAOS Employment Primer

Compensation Schemes



- Make sure you know as much as the hospital about the proposed scheme.
- Productivity Based- wRVU, net to gross ratios vs. straight salary arrangements
- Performance Based-Quality/Outcome metrics, Patient Satisfaction scores
- Seek Advice-The best comp. scheme is specific to the local market.