



# A DEEPER LOOK

## Management Service Organizations (MSOs)

*Understanding the Role of MSOs in Today's World of Healthcare and  
How to Evaluate MSO Opportunities*

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**A**s healthcare continues to transition from volume driven fee-for-service payment models to those that are value-based, hospitals, health systems and medical practices continue to look for ways to collaborate to form more clinically integrated networks. This has put increased pressure on many medical practices that lack strong management and the resources to develop the infrastructure needed to be a true player in the world of clinical integration. This is one of the reasons why practices are now faced with greater financial, administrative, regulatory, and compliance burdens than ever before. This, in turn, has created the need for greater practice management, administrative support, as well as strategic support services; services that management service organizations (“MSOs”) can typically provide.

A well-run MSO has the resources and expertise to manage the non-clinical aspects of a medical practice. An established and experienced MSO can provide strategic planning, practice assessment, and/or guidance with mergers and acquisitions. They can also pass on cost savings to the practices that they manage due to their group purchasing power and economies of scale. While MSO services can be provided on an a la carte basis, the full range of services can include any or all of the following:

- Billing/revenue cycle services
- Analytics and benchmarking
- Benefits and human resources
- Group purchasing
- Vendor and facilities contracting
- Payroll processing services
- Education and training
- Coding and compliance services
- Credentialing
- Accounting and finance
- IT services/EMR

- Managed care contracting
- Equipment and/or office leasing
- Overall practice management

As discussed above, it is becoming increasingly important for medical practices to be capable and ready to participate in clinically integrated networks. This will allow them to collaborate with hospitals and health systems and ultimately participate in value-based reimbursement models. The MSO structure can allow physicians to accomplish this, yet still retain a significant degree of autonomy. A successful MSO can potentially participate in ACO's, IPA's, and/or other physician-hospital arrangements, such as PHO's. MSOs can also provide a gateway to the formation of a larger group practice, as well as M&A opportunities.

While MSOs can provide the resources and support that practices need, it is important to thoroughly understand exactly what services are being provided, as well as the significant terms in the MSO agreement. The agreement needs to state, in detail, the services available, as well as any limitations associated with each service offering. Other significant terms of the agreement, such as termination clauses, need to be fully addressed.

Understanding the level of expertise that an MSO has in a specific specialty is also vital. For example, the billing for an internal medicine practice will be very different from that of an anesthesia practice; so an internal medicine practice should ideally seek out an MSO that has experience and understands how to manage internal medicine practices.

It is also essential that the fee charged by the MSO is commercially reasonable and at fair market value. This is necessary to avoid running afoul of any anti-kickback,

Stark or Corporate Practice of Medicine statutes. Seeking a fair market value opinion from a CPA or healthcare consultant should be considered. Needless to say, a healthcare attorney who is experienced in forming MSOs and understands the associated regulatory risks needs to be part of the process.

The ownership structure of an MSO can vary greatly depending on the resources and capital required. For example, surgery centers or urgent care facilities that are in need of capital to build new or expand existing facilities, may seek an MSO that has private equity backing. A group of physicians looking to expand their participation in clinically integrated networks may seek a hospital partner that already has the infrastructure, as well as the EMR and IT support. Regardless of the ownership structure, a financially successful MSO can potentially result in a significant gain to the original physician-owners if, and when, a re-capitalization takes place.

If you are considering entering into an MSO arrangement, or are considering forming your own MSO, please contact one of the partners in Gettry Marcus CPA's health care group who can assist you and provide the necessary guidance.

*Gettry Marcus CPA's health care group is comprised of CPA's who provide accounting, tax, audit, financial, and business consulting to physicians, hospitals and other providers across the health care spectrum. If you would like to discuss how one of our health care CPA advisors can assist you, please contact Lee Ferber, CPA or Stuart Kertzner, CPA.*



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