



Physician Employment by Hospitals-Part 2

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The RVU Model

Many hospital-physician employment agreements require physicians to maintain certain annual productivity levels, very often measured by their annual work relative value units (RVUs).

A Physician may be guaranteed a certain compensation only if they meet a certain annual RVU benchmark. It is not uncommon for the benchmark to be the RVUs generated during a recent 12-month period prior to the commencement of hospital employment. If RVU targets are not met, then compensation may be reduced. Conversely, if RVU targets are exceeded, depending on **the agreement, a “bonus” may be paid.**

Perhaps most important regarding an RVU-based compensation structure is identifying which RVUs are excluded in determining the RVUs generated for a given year. For example, those generated from providing designated health services are generally excluded due to Stark and other federal and state regulations. A case in point, a gynecologist who does not personally perform a sonogram test may have the related RVUs from these services excluded from his or her annual RVU calculation.

There are myriad of other possible scenarios when a **physician’s ability to achieve** certain RVU levels might be impacted by other terms of his or her employment. For example, a physician may be required to perform certain administrative functions for the hospital as part of their employment contract. While the physician might receive additional compensation for these non-clinical services, this may also negatively impact his or her ability to meet annual RVU targets. **Conversion to the hospital’s** electronic medical record system (EMR) may also impact **a physician’s ability to meet annual** RVUs. This may be **especially true if the hospital’s training and EMR support** is sub-par.

Circumstances such as the ones described should be discussed up front with the hospital and protections, whenever possible, should be written into the employment contract.

Other Financial Terms

Other financial issues are relatively straightforward, but nonetheless should be addressed and negotiated, when possible. Some concerns might include: What pension and other benefits will be provided? Are professional dues and CME included as part of the compensation package? How about other practice-related expenses incurred by the physician? What about malpractice **coverage? Who pays for the “tail” if one is needed?**

Other issues are more complex, but should also be addressed. For example, if a Captive PC becomes part of an ACO, do the employed physicians of the PC participate in any shared savings? How about government subsidies for EMRs? If a practice paid for an EMR prior to joining the hospital, who keeps the subsidies- the physicians as additional compensation or the hospital?

Physician employment in a Captive PC or hospital subsidiary model, as discussed in Part I of this series, raises other financial concerns. For example, in these models, the physicians may be given an annual operating budget for his or her practice. Here the issue is what expenses will be included in the budget. In one possible scenario, a practice may be required to use certain hospital diagnostic equipment. If the practice had recently acquired similar equipment, and is still paying monthly lease payments for this equipment, are these payments included in the annual budget? If they are not and this causes the PC to exceed its annual budget, will **this trigger a reduction in the physician’s compensation?**

There Are No Guarantees, But...

While there are no guarantees in any hospital employment agreement, an arrangement that “goes bad” is very difficult and expensive to unwind. Hospitals have deep pockets and extensive legal staffs that understandably draft agreements that protect the hospital.

Whether or not a physician or group of physicians will ultimately have the clout to change what the hospital

deems non-negotiable will never be known unless questions and concerns are raised. Very often, other physicians who have come before you have raised similar concerns.

In the end, only a proper financial and legal due diligence of a hospital employment agreement will reveal potential issues. This will help give the physicians direction and ammunition in their negotiations, as well as create safeguards after employment begins.



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