
Making It Work— Physician Compensation During the COVID-19 Pandemic

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Disclaimer: To the best of our knowledge, these answers were correct at the time of publication. Given the fluid situation, and with rapidly changing new guidance issued daily, be aware that these answers may no longer apply. Please visit our COVID-19 hub frequently for the latest information, as we are working diligently to put forth the most relevant helpful guidance as it becomes available.
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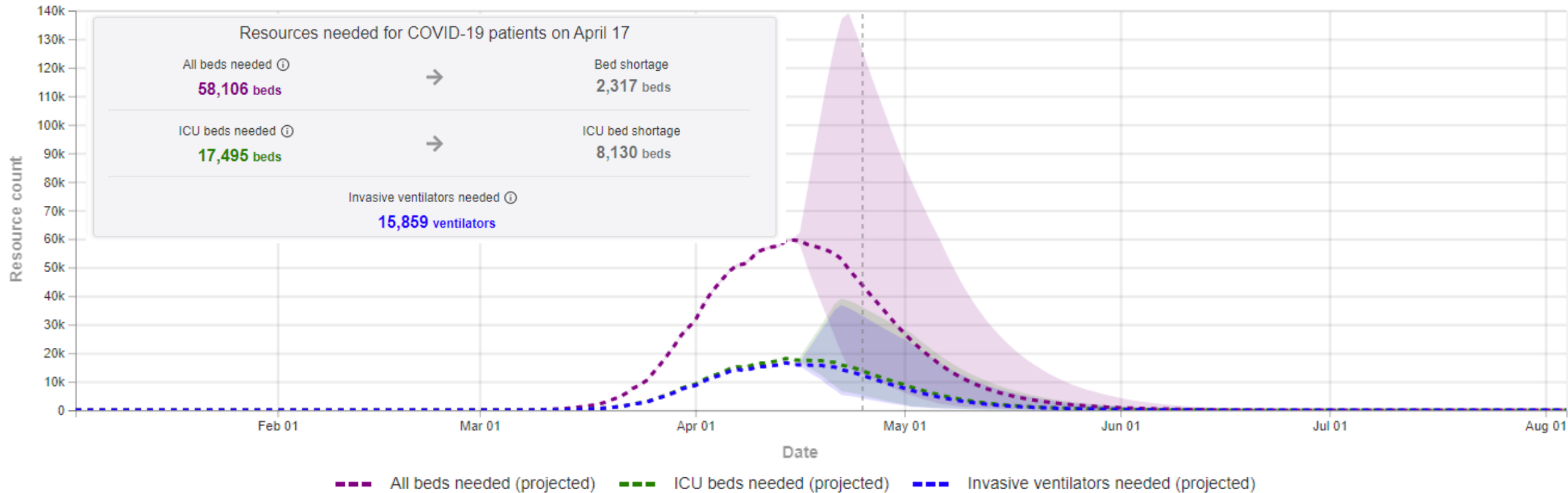
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Agenda

- State of the Union
- Stark Blanket Waivers
- Restoration and Recovery Strategies for Physician Resources
- Hazard Pay Considerations



State of the Union – United States



All resources specific to COVID-19 patients.

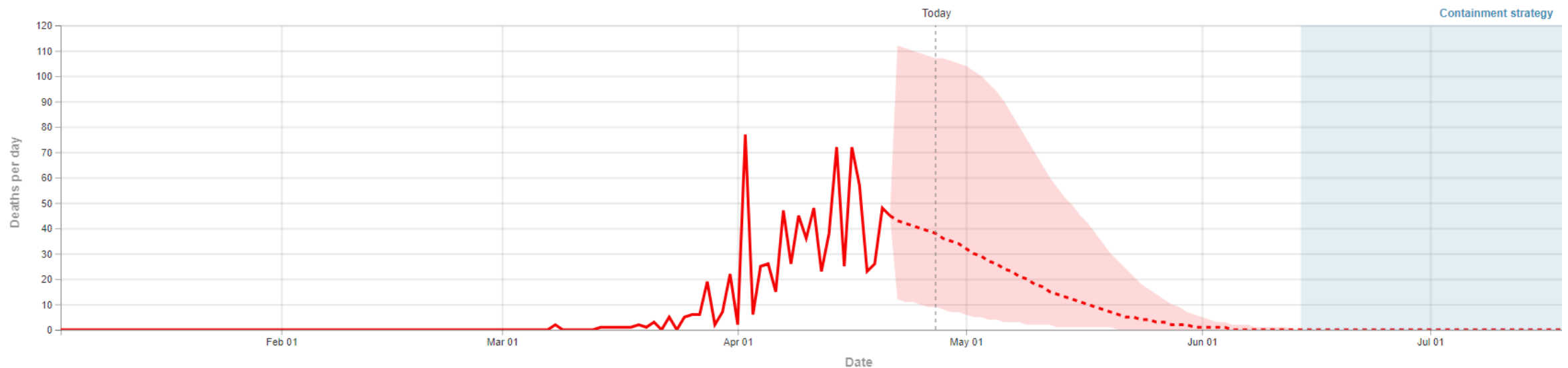
State of the Union – United States

- Cancellation of profitable elective surgeries, which tend to be a hospital's highest-margin procedures
- Treatment of more unemployed individuals
- Rising price of temporary staff
- High demand for healthcare professionals staffed in Intensive Care Units (ICUs) and emergency departments (EDs) and who specialize in infection control
- Increased costs of necessary supplies such as ventilators, PPE, etc.
- In 2019, Moody's Investors Service analysts had projected 2% to 3% increased cash flow in 2020 and now expects cash flow to decline as the number of COVID-19 cases spike

State of the Union – Florida

Resources needed for COVID-19 patients on April 12

All beds needed ⓘ 1,479 beds	→	All beds available ⓘ 20,184 beds	→	Bed shortage 0 beds
ICU beds needed ⓘ 427 beds	→	ICU beds available ⓘ 1,696 beds	→	ICU bed shortage 0 beds
Invasive ventilators needed ⓘ 390 ventilators				

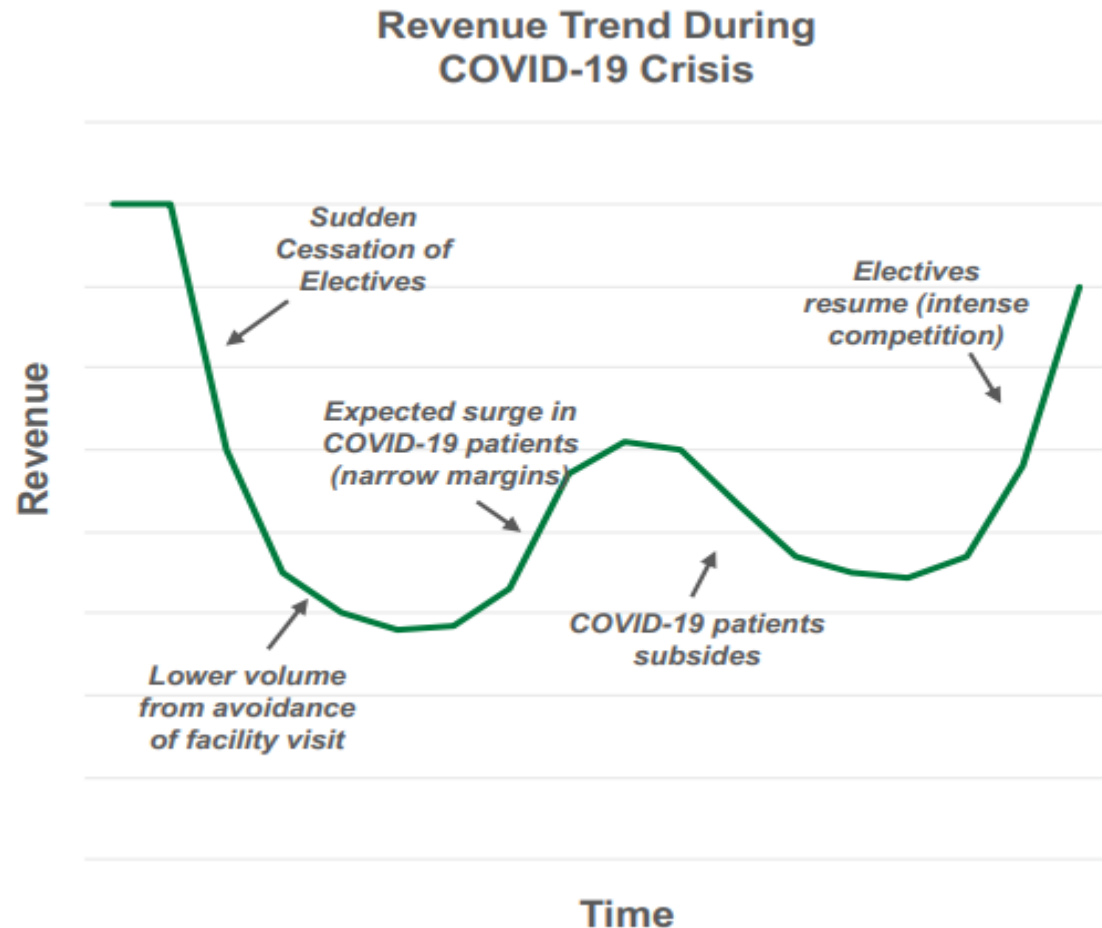


Per The Institute of Health Metrics and Evaluation at covid19.healthdata.org/projections. Last updated on April 22, 2020.

State of the Union – Florida

- 31,000 COVID-19 cases
- 1,055 people have died due to COVID-19
- Nearly 4,000 people are currently hospitalized
- “Safer at home” order to expire Thursday, April 30th
- Re-Opening Florida: Governor stresses importance of getting it right
 - Not officially said yet what plans are for reopening the state of Florida
 - Elective procedure termination order set to expire on Friday, May 8th
 - Looking closely at positivity rate for new cases
 - Allowing pharmacists to order and administer COVID-19 tests

Roller Coaster Ride of Revenue



- **Outpatient volume** has decreased dramatically
- **Approximately 30%** of fee-for-service payments on Medicare inpatient claims are deemed elective
- Severe cash flow impact will be felt **45-50 days** after elective cessation
- **Collectability concerns** on existing patient portion of A/R given economic crisis
- **Looming competition** to capture pent-up demand and funding in aftermath of pandemic
- **Some electives will not return** due to loss in coverage caused by unemployment

What are health systems doing to manage cash flow?

- Tone at the top: reducing executive salaries, deferring cash distributions and bonuses
- Appropriate use of existing lines of credit
- Evaluate temporary deferral of all non-essential capital purchases
- Evaluate force majeure clauses of contracts
- Investigate business interruption insurance policies for proceeds
- Manage supplies expense by leveraging “on GPO” products to protect against price increases
- Manage employee benefits funding such as timing of 401(k) matching, only as specific plans allow

What are health systems doing to manage cash flow?

- Consider furloughing or reducing hours/compensation for non-COVID-19 focused staff
- Leverage telehealth services
- Pursue commercial payer advance payment programs
- Defer management fees
- Discuss rent abatement options
- Evaluate less liquid assets for potential monetization
- Proactively addressing impending debt covenant concerns
- Physician compensation adjustments and recalibration

Stark Blanket Waivers



HHS Announces Sweeping Waivers

- March 30, 2020
- Under HHS's emergency authorities at Social Security Act Section 1125(b)
- Allow substantial new flexibility for hospitals and other “designated health service” entities to work with physicians who are treating COVID-19 cases or have been affected by the ongoing disruption to the health care industry as a result of COVID-19 (i.e., “COVID-19 Purposes”)

“COVID-19 Purposes”

- **Diagnosis or medically necessary treatment** of COVID-19 for any patient or individual, *whether or not* the patient or individual is diagnosed with a confirmed case of COVID-19;
- **Securing the services of physicians and other health care practitioners and professionals** to furnish medically necessary patient care services, *including services not related to* the diagnosis and treatment of COVID-19, in response to the COVID-19 outbreak in the United States;
- Ensuring the ability of health care providers to ***address patient and community needs*** due to the COVID-19 outbreak in the United States;

“COVID-19 Purposes” Continued

- **Expanding the capacity of health care providers** to address patient and community needs due to the COVID-19 outbreak in the United States;
- Shifting the diagnosis and care of patients to **appropriate alternative settings due** to the COVID-19 outbreak in the United States; or
- **Addressing medical practice or business interruption** due to the COVID-19 outbreak in the United States in order to maintain the availability of medical care and related services for patients and the community.

Other Stark Blanket Waiver Specifics

- Waivers cover relationships starting March 1, 2020
- Waivers terminate under the rules of Social Security Act 1135(e)
- Parties may not use the blanket waivers after the expiration of the Secretary's authority to grant waivers for the COVID-19 outbreak in the United States
- Two full pages of examples (18, specifically) of helpful scenarios that would receive waiver protection are provided
- No formal documentation requirements; however, HHS does indicate parties must make records of their use of the waivers available to HHS upon request
- HHS recommends parties develop and maintain records as a best practice

Three Stark Blanket Waiver Examples

- A hospital pays physicians above their previously-contracted rate for furnishing professional services for COVID-19 patients in particularly hazardous or challenging environments.
- A compensation arrangement that commences prior to the required documentation of the arrangement in writing and the signatures of the parties, but that satisfies all other requirements of the applicable exception (i.e., physician provides call coverage services to a hospital before the arrangement is documented and signed by the parties).
- A hospital or home health agency purchases items or supplies from a physician practice at below fair market value or receives such items or supplies at no charge.

Restoration and Recovery Strategies for Physician Resources



What to Expect – Professional Services Agreements

- Impacted by physician services not provided
- Where the hospital bills and collects, practice may request reimbursement for amounts received by the hospital under Medicare relief programs
- Payment to practice would proxy the amounts received by the practice if the practice were not in a PSA with the hospital
- Generally, two types
 - Compensation per wRVU
 - Professional collections per wRVU
- Hospital may estimate, utilizing PSA payment data, 6.2% of professional collections to the practice
- Hospital to consider any additional obligations attached to the funds paid to the practice

What to Expect – Financial Assistance Agreements

- Impacted by physician services not provided
- With reconciliation
 - Review maximum payment clauses in agreement
 - Consider –
 - Negotiating limits to subsidy payments
 - Negotiating reduction to subsidy payments for to-be-defined COVID-19 period
 - Negotiating removal of reconciliation provision entirely or for a defined time period
 - If reconciliation will continue, consider –
 - Time period and collections delay
 - Medicare relief payments to the practice
 - Forgivable amounts received by the practice under PPP

What to Expect – Employment Agreements

- Impacted by physician services not provided
 - Reduction of base compensation
 - Guaranteed salary or productivity compensation
 - Productivity thresholds – current year, next year
 - Stark blanket waiver considerations
- Long-term goals for compensation plans
 - Relationship building
 - High quality, low cost care
- Expansion of employed physician roster?



What to Expect – Recalibration of Physician Resources

- CMS advises as follows (April 19):
 - *To fullest extent possible, utilize telehealth modalities to deliver needed care*
 - How are your physicians compensated for telehealth services? Do agreements need to be reviewed to ensure payment is fair and at FMV?
 - *Evaluate incidence and trends in coordination with state and local public health officials*
 - How will physician resources be utilized to accomplish this goal? How will physicians be paid for this service?
 - *Establish non-COVID care area, (i.e., defined space in which non-emergent non-COVID-19 services will be furnished)*
 - Will the inability to flex physician resources limit productivity? How will physician compensation be impacted?

What to Expect – Recalibration of Physician Resources, Continued

- ACB, ASA, ACRN, and AHA Roadmap (April 17)
 - *Recommends a facility establish a prioritization policy committee consisting of surgery, anesthesia, and nursing leadership to develop a prioritization strategy*
 - Will physicians be compensated for serving on this committee?
 - What is tenure of committee?
 - If duties provided by medical directors, will medical directors exceed annual compensation caps under directorship agreements?

Hazard Pay Considerations



What is Hazard Pay?

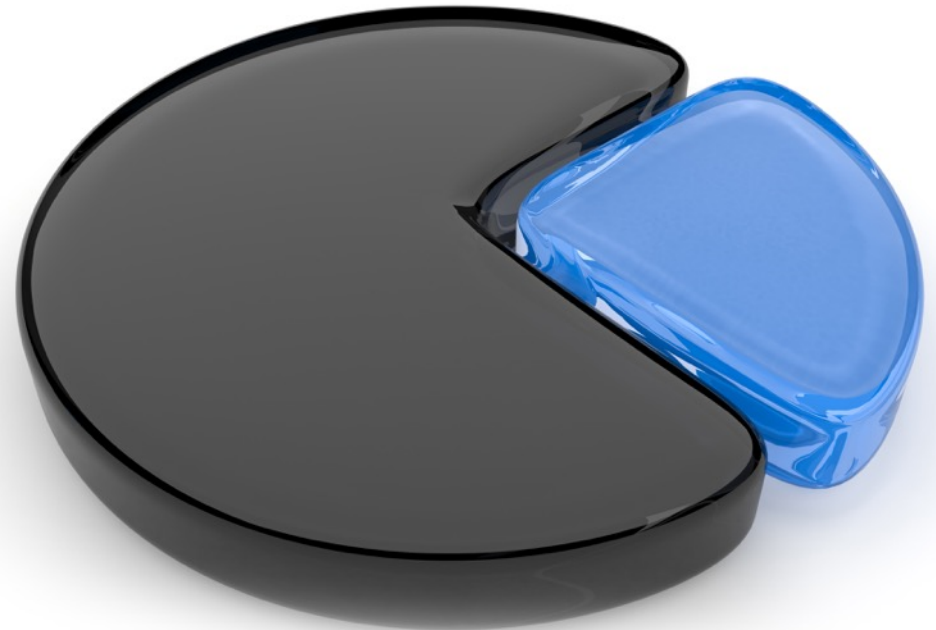


- Additional pay for performing hazardous duty work involving physical hardship
- Work duty that causes extreme physical discomfort and stress which is not adequately alleviated by protective devices is deemed to impose a physical hardship

Does a highly communicable disease combined with increasing nationwide shortage of personal protective equipment meet this criteria?

Hazard Pay Industry Data

- The U.S. Office of Personnel Management
 - Serves as the chief human resources agency and personnel policy manager for the Federal Government
 - Hazard pay may not exceed 25% of an employee's rate of basic pay
 - Pay only applies to authorized or assigned duties and may not be paid when an employee is paid annual premium pay



Hazard Pay Industry Data Continued

- U.S. Military
 - Prescribes detailed and specific hazard pay scenarios and amounts for various forms of duties its members are required to perform in times of need and shortage
 - Short wartime accession bonus: bonuses for professionals in specialties the military has deemed to be essential during wartime
 - Bonus amounts for medical professionals range from \$200,000 for an infectious disease specialist to \$400,000 for specialties such as anesthesiology and orthopedics



Hazard Pay Industry Data Continued

- Non-Healthcare Workforce
 - Target, Amazon, Giant Food Stores, and Whole Foods have implemented an hourly hazard pay premium ranging from 10% to 15% of standard hourly wage
 - Kroger and Smuckers are providing employees with a one-time bonus
 - Full-time Kroger employees receive a \$300 bonus
 - Full-time Smuckers employees receive a \$1,500 hazard pay bonus



Other Factors to Consider for Hazard Pay

- Consider necessary funding for compensation
- Significant uncertainty as how COVID-19 will affect hospitals' and health systems' financial position
- Consider length of time during which hazard pay will be provided

Questions?



Thank You!



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