COVID-19 and Employed Physician Compensation — Immediate and Long-Term Impacts

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Introductions

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Thank You

DALLAS-FORT WORTH HOSPITAL COUNCIL

FHA

KHA Kansas Hospital ASSOCIATION

MHA Montana Hospital Association

Immediate Impacts

1. Consider Adjustments to Non-Productivity-Based Models
2. Consider Adjustments to Productivity-Based Models
3. Prepare for Contract Renewal Adjustments
4. Engage Physician Leaders
5. Convene Physician PHE Committees

1. Consider Adjustments to Non-Productivity-Based Models

Reduction in health system revenue makes it difficult to pay full compensation due to physician

OPTIONS

- Consider re-deployment (e.g., telehealth)
- Defer/forgo retirement account contributions, other benefits, bonuses
- Reasonable downward adjustments to base compensation
  - Consistent with overall system reductions
  - Approximate medical benchmark for physician's specialty
  - Guaranteed compensation under new hire agreement
- Use of Provider Relief Fund payments to cover compensation payments (up to $197,300 + benefits)

CAUTIONS

- Amendment to written agreement?
- Transparency
- Consistent treatment (volume or value of referrals)
- Duration (conditions for returning to pre-pandemic compensation)
- Defer vs. forgo?

2. Consider Adjustments to Productivity-Based Models

Volume reductions dramatically reduce physician compensation

OPTIONS

- Changing circumstances may now necessitate supplemental payments
- Provide guaranteed level of compensation approximating median compensation benchmark
- Defer/forgo retirement account contributions, other benefits, bonuses
- Consider re-deployment
- Use of Provider Relief Fund payments to cover compensation payments

CAUTIONS

- Same as above (written agreement, transparency, consistency, duration)
- Appropriate for historically low producers?
- Implement safeguards to prevent “double counting” as elective procedure backlog dissipates
- Compliance with Stark Law waiver requirements

3. Prepare for Contract Renewals Adjustments

Reconciliation of COVID-19-related compensation adjustments

OPTIONS

- Eliminate consideration of productivity or quality performance during the applicable COVID-19 period, review performance before/after that period, and adjust targets as necessary by the number of months in the COVID-19 period.
- Adjust the period for which performance is evaluated (e.g., March 2019 to February 2020)
- Forgo payment of performance bonuses until 2021; consider modifying compensation to fixed annual salary to stabilize income

CAUTIONS

- Take into consideration all other compensation adjustments
- “COVID-19 period” may vary by provider based on location, other facts and circumstances

4. Engage Physician Leaders

Pandemic revealed issues with administrative services agreements

OPTIONS

- Review administrative services agreements
  - Compensation adjustments?
  - More clearly define duties and responsibilities?
  - Address PHE/other crises?
  - Special consideration for physician leaders in more essential specialties?
- Consider changing methodology for capping hours/compensation
- Evaluate need for new leadership roles
- Explore cost-savings opportunities

CAUTIONS

- Written agreements
- Stark Law and Anti-Kickback Statute compliance

5. Convene Physician PHE Committees

Formal structure to engage physicians in emergency planning and response

OPTIONS

- Demonstrated need for physician participation
  - Well-defined scope of work and authority
- Factors to consider in compensating participating physicians
  - Disruption to normal office hours
  - Preparation and active participation to address emergent community need
  - Accomplishment of specific deliverable under tight deadline
  - Leadership role (e.g., chair)

CAUTIONS

- No existing model to follow
- Stark Law and Anti-Kickback Statute compliance

What just happened?

What happens next?

What's the plan?

Long-Term Impacts

1. Plan for Impact on Benchmark Survey Data
2. Revisit Telehealth Compensation
3. Strategize for Stark Law Changes
4. Engage Physicians in Re-capturing Volume
5. Accelerate Transition to Value-Based Compensation

1. Plan for Impact on Benchmark Survey Data

- Most compensation models rely on published benchmark survey data despite limitations
  - Appraisers have adjusted benchmarks to account for reliability, market-specific conditions
- Pandemic's impact will not be reflected in survey data until 2021, and likely to vary significantly by region
  - Will require more thoughtful use of benchmark data
  - New questions relating to fair market value
- Move to compensation models less dependent on survey data?

2. Re-Visit Telehealth Compensation

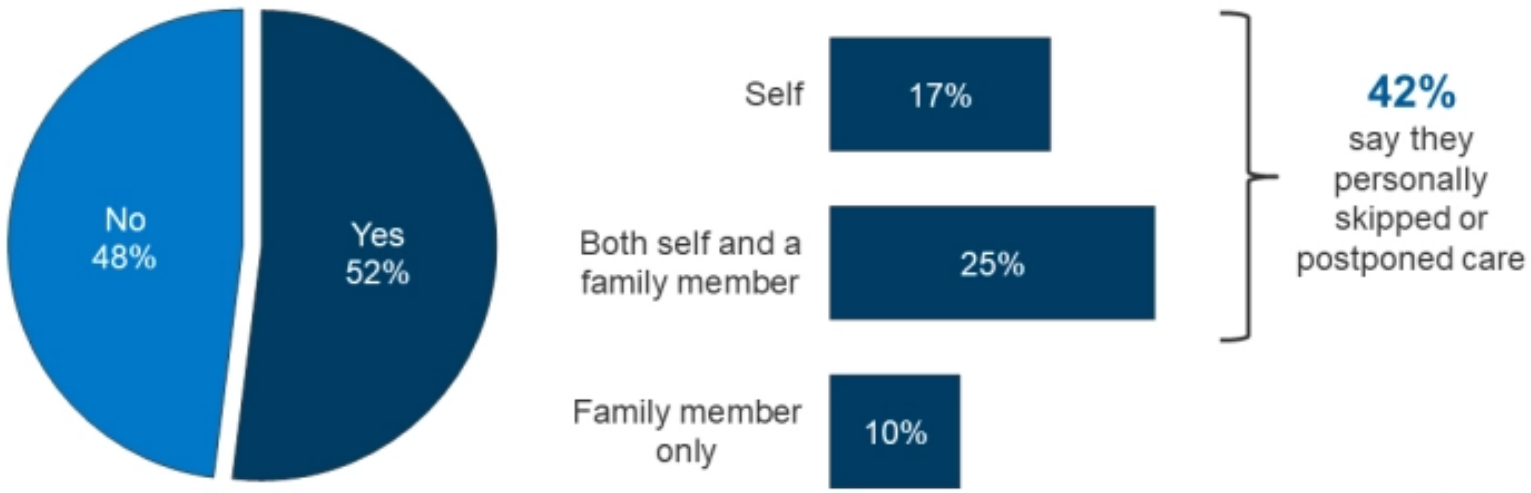
- Before COVID-19, few employed physicians provided and received compensation for telehealth/virtual services (call coverage)
- Surveys report significant increase in telehealth/virtual services with stay-at-home orders and new reimbursement
- Assuming telehealth/virtual services continue post-pandemic, will need model to compensate physicians for providing telehealth services
  - Hourly/shift rate
  - Per-encounter rate
  - wRVU
- Likely to depend on health system's model for providing telehealth/virtual services (e.g., centralized services)

3. Strategize for Stark Law Changes

- Prepare to unwind financial arrangements dependent on Stark Law waivers
- Use experience under waivers to promote Stark Law amendments — even beyond October 2019 proposed rule
- Push for streamlined advisory opinion process

Half Say They Or A Family Member Skipped Or Postponed Medical Or Dental Care Due To Coronavirus

In the past three months, have you or another family member in your household **skipped or postponed any type of medical or dental care** because of the coronavirus outbreak, or not? [If yes: Was that you, another family member, or both?]

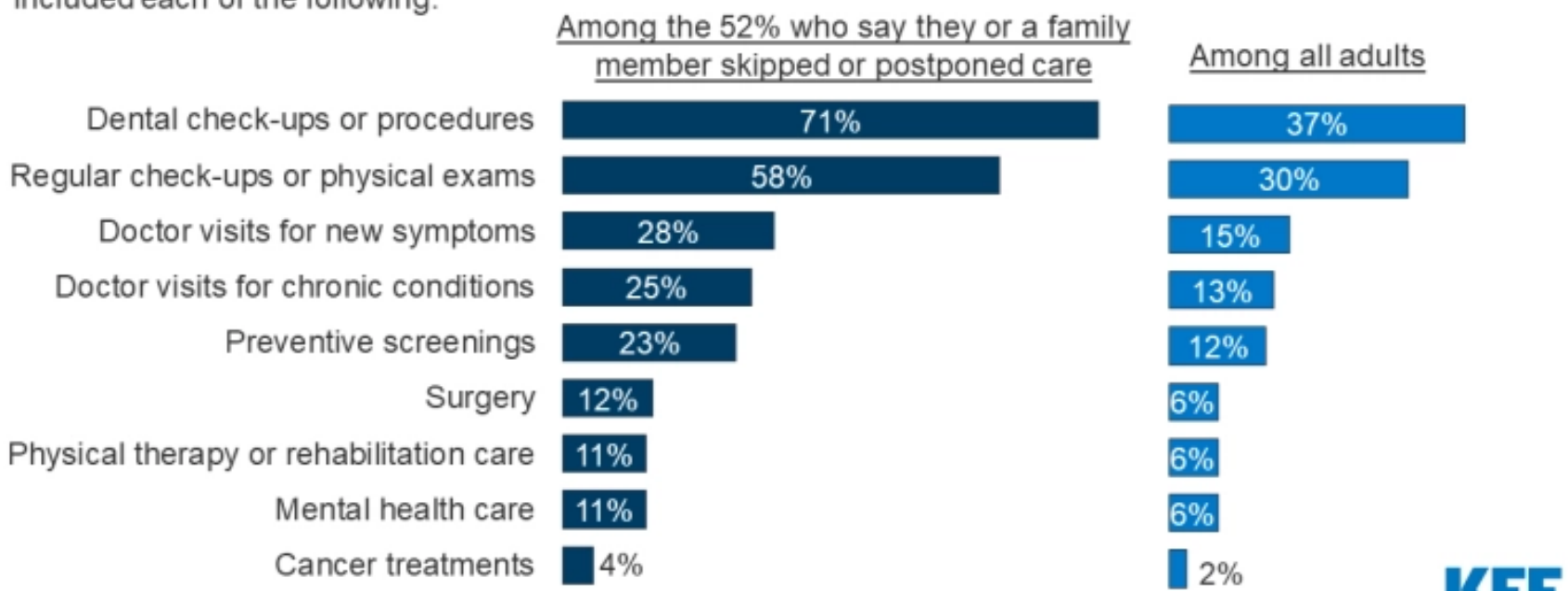


SOURCE: KFF Health Tracking Poll (conducted June 8-14, 2020). See topline for full question wording.

KFF
HENRY J KAISER FAMILY FOUNDATION

Most Common Type Of Care Skipped Or Delayed: Dental Visits, Followed By Routine Check-Ups

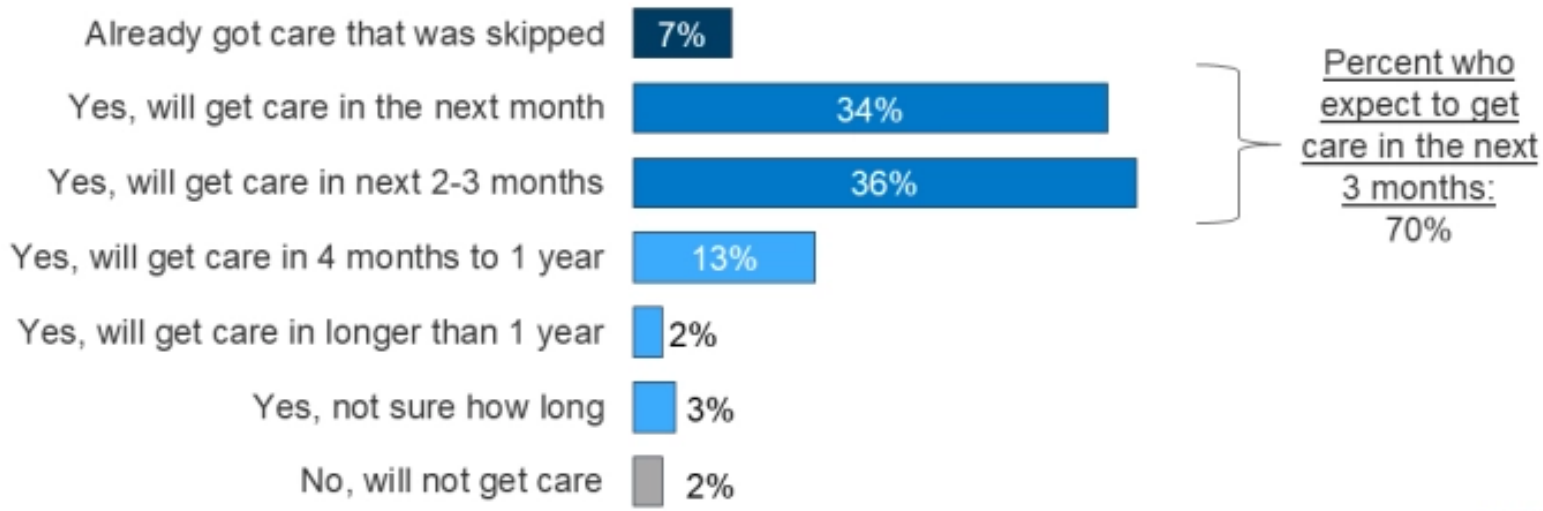
Percent who say that the type of care they or a family member skipped or postponed because of coronavirus included each of the following:



SOURCE: KFF Health Tracking Poll (conducted June 8-14, 2020). See topline for full question wording.

Most Who Delayed Care Expect To Get It Relatively Soon, Including Some Who Have Already Gotten It

AMONG THE 52% WHO SAY THEY OR A FAMILY MEMBER SKIPPED OR POSTPONED MEDICAL OR DENTAL CARE: Thinking about the care you or your family member skipped or postponed, do you think you will eventually get this care, or not?



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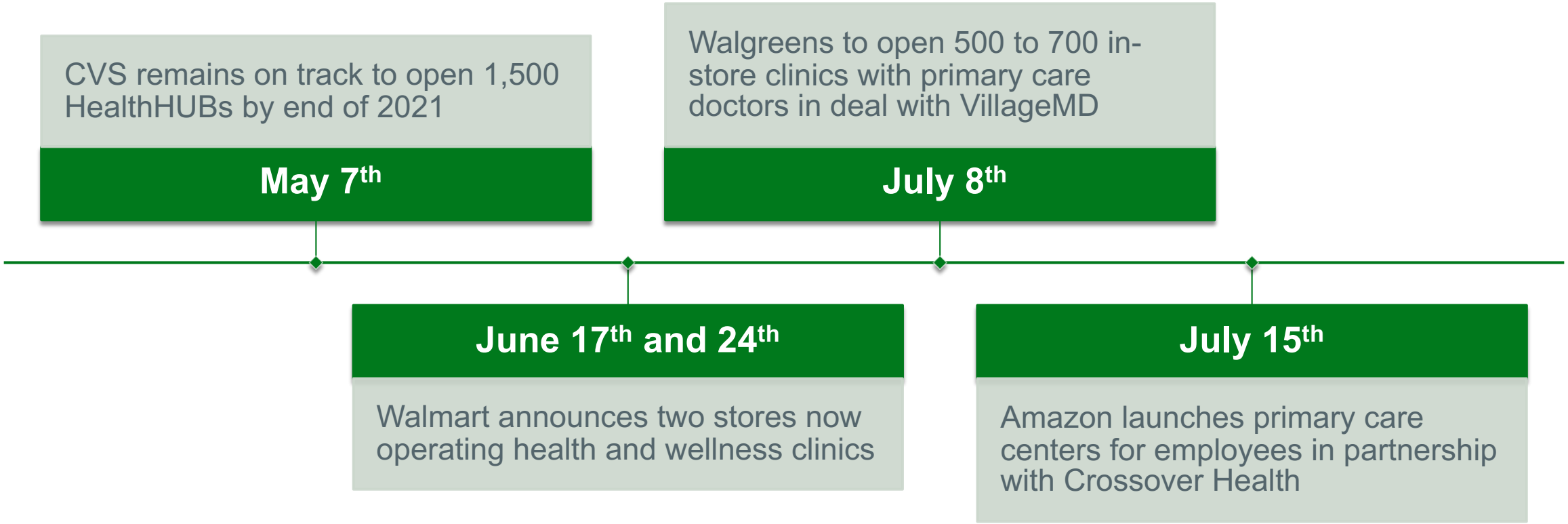

CVS remains on track to open 1,500 HealthHUBs by end of 2021
May 7th
Walgreens to open 500 to 700 in-store clinics with primary care doctors in deal with VillageMD
July 8th
June 17th and 24th
Walmart announces two stores now operating health and wellness clinics
July 15th
Amazon launches primary care centers for employees in partnership with Crossover Health

Omnichannel Care

Virtual Care

- Patient portal
- Telephone/text messaging
  - Patient-initiated
  - Provider-initiated
- Audio-Visual
- Health monitoring programs
- Hospital-at-Home, Hospital-to-Home

Care Management

- High-risk, rising risk

Physical Locations

- COVID vs. non-COVID facilities

4. Engage Physicians In Re-Capturing Volume

- Presence, not place
  - Compensation for services other than office visit or facility-based procedure
- Patients, not services
  - Primary care compensation based on panel size
  - Incentives for specialists to expand referral base
- Outcomes, not volume
  - Higher percentage of compensation tied to quality

5. Accelerate the Transition to Value-Based Compensation

Provider A

$10 million monthly revenue
80% FFS, 20% PMPM
50% volume reduction
$6 million monthly revenue

Provider B

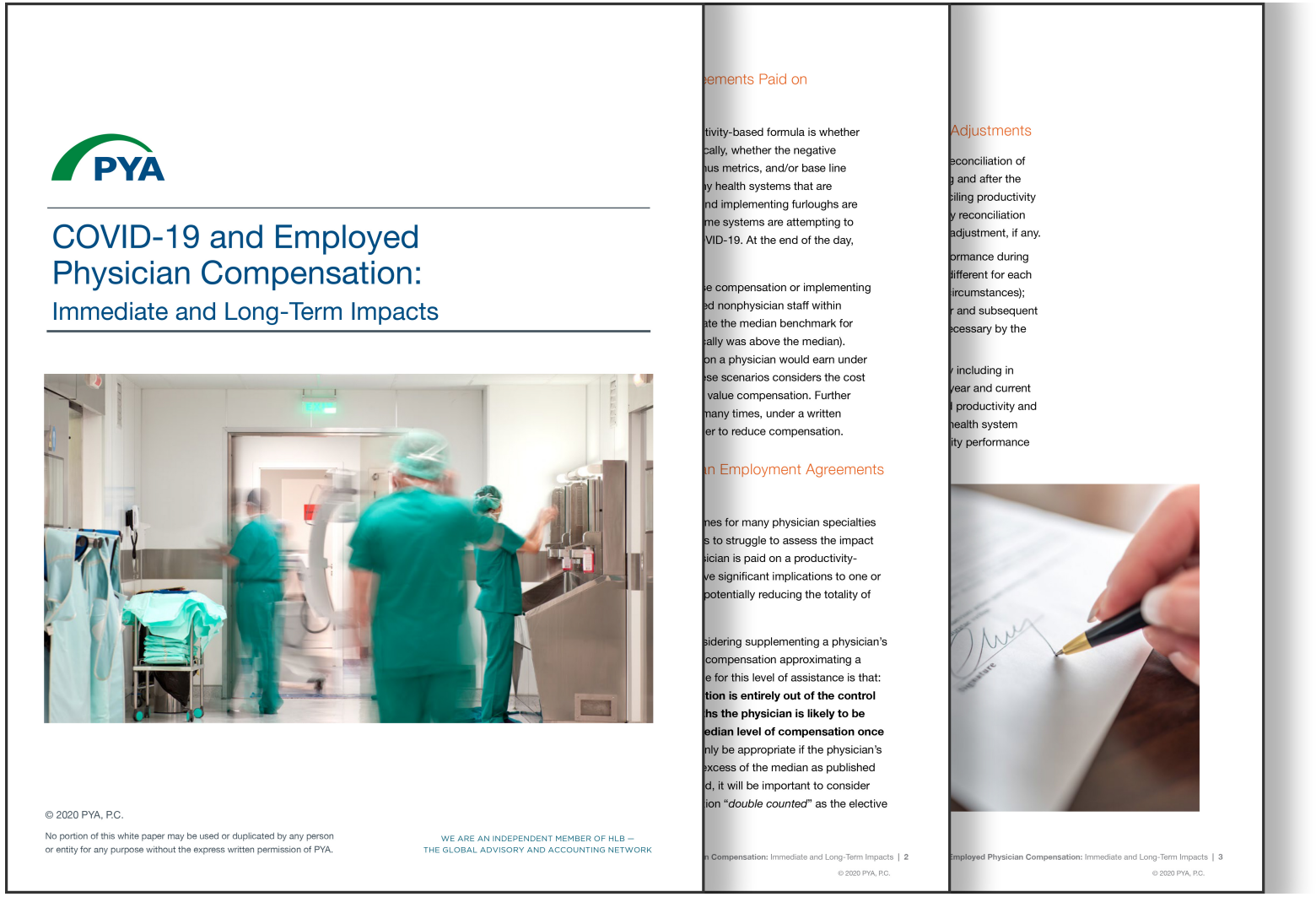
$10 million monthly revenue
20% FFS, 80% PMPM
50% volume reduction
$9 million monthly revenue

Primary Care vs. Specialists

- All value-based models reward cost avoidance achieved through proper patient management
- Payers will rapidly move away from fee-for-service payments for primary care services, creating incentives for proper patient management
- Proper patient management reduces specialists' volume, hospital admissions
- COVID-19 was a preview of what happens when payment no longer is driven primarily by volume.
  - At the table or on the menu?

Learn More

pyapc.com/insights



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COVID-19 and Employed Physician Compensation:

Immediate and Long-Term Impacts

WE ARE AN INDEPENDENT MEMBER OF HLB — THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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How can we HELP?

A national healthcare advisory services firm providing consulting, audit, and tax services