

# Provider Contracts: A Changing Environment

March 31, 2021



# Today's Agenda

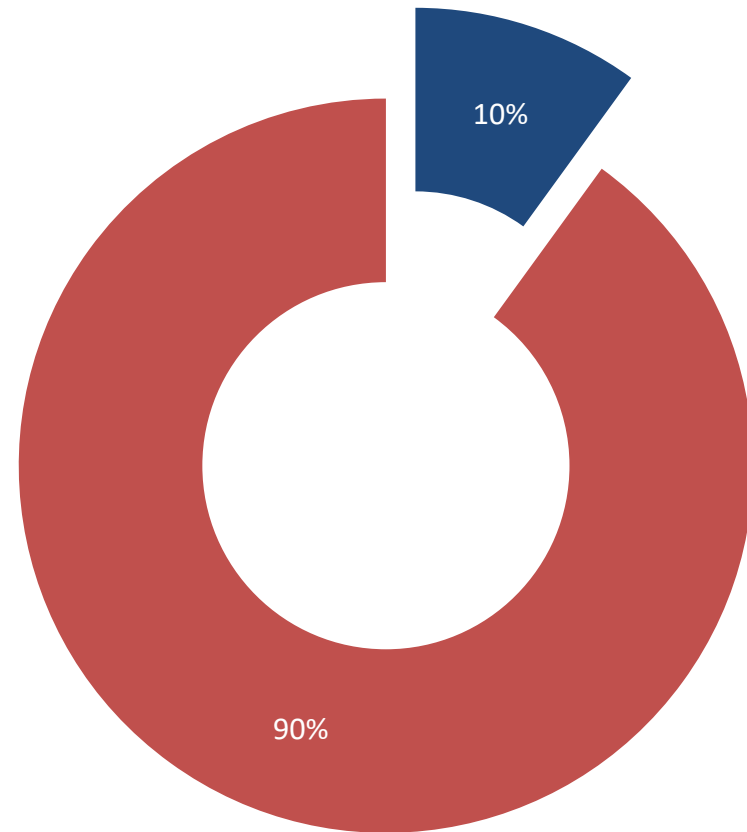
Physician Contracts: Complex and Heavily Regulated

CMS Changes

RHC Performance Improvement Network Initiative

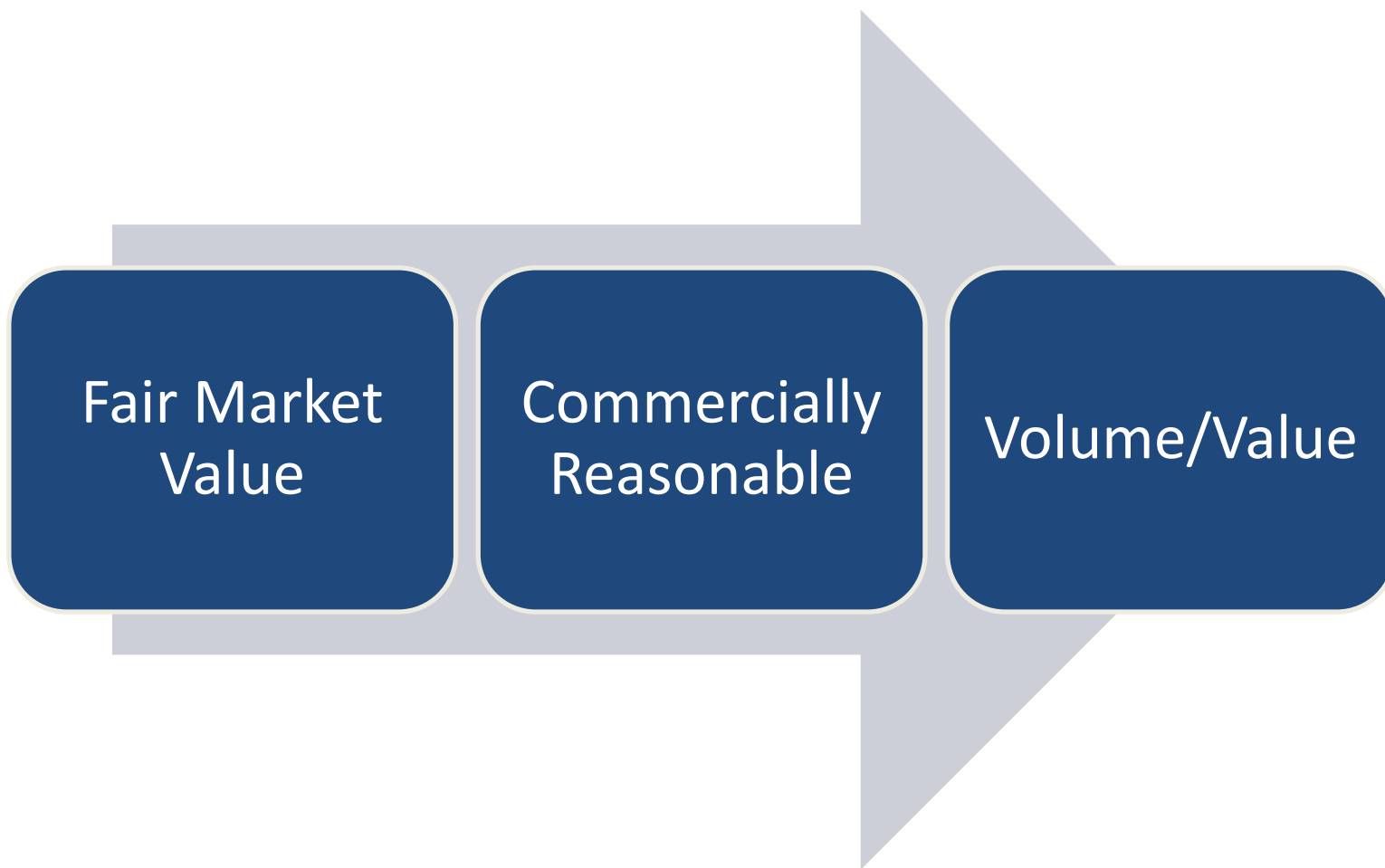
# Why Do Provider Contracts Matter?

- Physician expenditures equal 5-10% of the average hospital's net patient revenue and projected to grow at 5.4% annually
- Provider expenditures and the reliance on APPs in rural settings drive this percentage upward.
- Many independent practices partner with local hospitals and health systems and PSA revenue becomes a significant portion of their revenue.



Source: National Health Expenditure Projections, 2018–27: Economic And Demographic Trends Drive Spending And Enrollment Growth." Health Affairs, February 20, 2019.

# Stark Requirements – The Big 3



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## Wheeling Hospital Agrees to Pay \$50 Million to Settle Stark Law, AKS Allegations

By  Thomas Sullivan — Last Updated Nov 1, 2020

## Texas-Based Heart Hospital Agrees To \$48 Million Settlement For Alleged Violations Of Anti-Kickback Statutes

 by Peter Briccetti — January 7, 2021 in Corporate, False Claims-Qui Tam, News, SEC

Reading Time: 3min read



Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, August 2, 2018

## Detroit Area Hospital System to Pay \$84.5 Million to Settle False Claims Act Allegations Arising From Improper Payments to Referring Physicians

## Fort Myers clinic to pay \$1.6 million to settle kickback allegations

by  Erin O'Brien — 11:29 AM EST, Tue February 02, 2021 AA

BECKER'S  
**HOSPITAL REVIEW**

## Tennessee hospital to pay \$4.1M to resolve false claims allegations

February 2020

## Hospital considerations when determining FMV for provider services:

- Provider's specialty/subspecialty
- Provider's duties and responsibilities
- Community need (e.g., deficits, wait times, closed specialties, high disease incidence, outmigration, seasonality)
- Community benefit (e.g., new specialty or service)
- Time it takes to fill position
- Provider's training and experience
- Compensation methodology

## Individual physician compensation

- Guaranteed compensation
- Individual performance determines compensation
- Call or professional services agreement

## Group or specialty “pool” models

- Group or specialty’s performance and/or outcomes determine a pool of revenue. This pool is then distributed based on the individual physician’s performance based on set criteria.
- Group PSA model

## “Stacking” compensation

- ED call coverage
- Medical Directorships
- Clinical or service line management agreements
- APP supervision
- Teaching Agreements

# 2021: CMS CHANGES



- On December 2, 2020, CMS published the final rule for the 2021 Physician Fee Schedule.
- Changes are made annually to address revised CPT codes and corresponding Work Relative Value Units (“work RVUs”).
- Most significantly, CMS overhauled the office and outpatient evaluation and management (“E&M”) codes 99201-99205 (new patients) and 99211 – 99215 (established patients).
  - These have not really been changed since 2007.
  - Changes were intended to address the ongoing documentation burden on physicians and the undervaluation of time and effort involved in these services.
    - Revises the times and medical decision-making process for all of the codes and requires performance of history and exam only as medically appropriate.
    - Allows clinicians to choose the E/M visit level based on either medical decision making or time.
  - The 99201 code was eliminated, which historically has been primarily used for nurse visits.






# Overall Impact: CMS Utilization

- When examined from a utilization perspective, the average weighted impact is an increase of 35.8% of wRVUs for the most utilized new and established patient clinic codes.

CMS-1734-F_Calculation of volume-weighted average of increase to Office Outpatient E/M visits - FR 2021						
HCPCS Code	2020 Work RVU	2021 Work RVU	RVU Difference	Utilization (2019)	Weight	Weighted Avg
99202	0.93	0.93	0.00	2,670,872	0.011	0.000
99203	1.42	1.60	0.18	11,349,523	0.046	0.008
99204	2.43	2.60	0.17	10,602,766	0.043	0.007
99205	3.17	3.50	0.33	2,897,019	0.012	0.004
99211	0.18	0.18	0.00	2,660,415	0.011	0.000
99212	0.48	0.70	0.22	10,678,725	0.043	0.009
99213	0.97	1.30	0.33	91,601,723	0.369	0.122
99214	1.50	1.92	0.42	105,752,974	0.426	0.179
99215	2.11	2.80	0.69	10,321,248	0.042	0.029
<b>Total</b>				<b>248,535,265</b>	<b>1.000</b>	<b>0.358</b>

# Impact Across Specialties

- Based on MGMA’s DataDive Procedural Profile, the increases in wRVUs due to the increases varies based on specialty.

Specialty	% Change in Total wRVUs	
Urgent Care	24.4%	
Family Medicine (w/o OB)	19.3%	
Hematology/Oncology	17.4%	
Internal Medicine: General	17.4%	
Pediatrics: General	13.5%	
Cardiology: Noninvasive	8.4%	
Orthopedic Surgery: General	6.3%	
OB/GYN: General	3.9%	
Gastroenterology	3.8%	
Surgery: General	3.0%	

# Client Example - PSA Arrangement

- Below is an example of a PSA between a health system and a highly productive 6 provider internal and family medicine primary care group.
- With expected wRVU changes, the practice would have a 22.1% increase in wRVUs, costing the healthcare system almost \$1.3M in increased compensation without any contract changes.
- Health system proposed reducing the rate by \$18.35, to \$80.00.

	<u>2020</u>	<u>2021</u> <u>Projection</u>	<u>Proposed</u>	<u>Break Even</u> <u>- Hospital</u>	<u>Amended</u> <u>Contract</u>
wRVU	59,798	72,994	72,994	72,994	72,994
PSA Rate	\$98.35	\$98.35	\$80.00	\$88.89	\$85.00
Total wRVU Payments	5,881,147	7,178,984	5,839,540	6,488,147	6,204,511
Expected Revenue Increase		607,000	607,000	607,000	607,000
Impact to Hospital		(690,837)	648,607	0	283,636
		-11.7%	11.0%	0.0%	4.8%
Impact to Practice		1,297,837	(41,607)	607,000	323,364
		22.1%	-0.7%	10.3%	5.5%

# **RHC PERFORMANCE IMPROVEMENT NETWORK INITIATIVE**

# What Organizations Are Considering

- From Hospital Perspective:
  - Continue under the 2020 Physician Fee Schedule for wRVU calculations.
  - Continue under the 2020 PFS for a partial year (most commonly through June 2021)
  - Adopt 2021 PFS
    - Adjust productivity incentive thresholds
    - Adjust wRVU compensation conversion factor
    - Adjust both
- From the Clinic Perspective:
  - Prepare for a 2021 or 2022 Amendment Contract
  - Understand your value to the hospital and your position as a partner
- Examine in the context of a larger compensation strategy
  - What type of protective language is in the contract?
  - What will you do regarding future CMS changes?
  - What conversations are provider partners having now?



**Selecting 5 clinics (hospital-owned or independent) based on criteria that will be sent out**



**Review your current/proposed contracts**

**Advise regarding best practices, contract impact on your practices, and how to move forward.**



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