Merging with a Hospital
Expect the Unexpected
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Disclosure
I am an employee of a hospital network ophthalmology practice. I have received no financial compensation nor have any financial disclosures or conflicts of interest related to this presentation. The comments in this presentation are based on personal experience.

Financial Disclosure
The instructor acknowledges no financial interest in the subject matter of this presentation.

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Senior Consultant
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Preparation
• Practice Valuation
• Capital Equipment Concerns
• Insurance Contracts
• Electronic Medical Records
• Billing / Coding Process and Staffing

Preparation
• Practice Valuation
• Use reputable, knowledgeable source
• Understand your market, your revenue, costs and profitability of all revenue lines (clinic services, optical, cosmetic, refractive, surgery center)
• Take realistic look at existing capital equipment and near term needs
• Know the value of your contracts
Preparation

• Capital Equipment Concerns
  • Does potential buyer know needs of an ophthalmic practice?
  • Needs vs. wish list?
  • Is existing equipment sufficient? For how long?
  • Handling unexpected changes?
  • What is the process for future purchase?

• Insurance Contracts
  • Rank existing contracts in terms of patient volume and revenue
  • Will they still be available to you?
  • Consider contracts in place with other party.
  • Can you join panels
  • Know limitations of provider panels.
  • Are you staffed to handle the volume these plans may bring?
  • Review rates and policies (eg, claim filing deadlines, appeals process)

The Original Practice

• Family Owned Corporation
• 76 years
• 3 Ophthalmologists
• 1 Optometrist
• 23 employees
• 4 locations
• Dayton, Ohio

The Hospital Network

• Corporate Headquarters
• 5 hospitals
• Numerous ASCs and Health Centers
• Home Health Care
• Long Term Care
• 100 Medical Offices
  • Specialists
  • Family Practice

Timeline

• Succession Planning 2009
• Consultant 2010
  • Prepare the practice for sale
    • Tighten finances
    • Decrease Overhead
    • Restructure Management
  • Seek opportunities to sell
    • Private
    • Hospital network
    • Hospital Discussions early 2011
• Hospital Discussions 2011
• Sale finalized 12/31/12

The Sale – Fair Market Value

• Asset Evaluation
  • At least two
  • Ophthalmology specific
• Charts
  • Price per chart
  • Number of years considered active
• Good will
• Leasehold improvements
The Sale – Assumed Liabilities
• Will current liabilities be assumed
• Will leases be assumed
• Vendors with personal guarantee will need new accounts started with the hospital as personal guarantor

The Sale - Contracts
• Physician employment contracts
  • Salary
  • Benefits
  • Bonus
    • RVU
    • Production dollars
    • Practice Profit (*watch this one)
  • Length of contract offered
  • Options to buy-back the practice

The Sale – Human Resources
• Will all staff be offered positions in the hospital network
• Seniority
• Benefits offered
• Nepotism policy

The Sale – New Network Matrix
• What does the new matrix look like
  • Decision Making Process
    • Capital expenditures
    • Expansion
    • Physician Recruitment
  • Marketing Decisions
  • EHR
  • IT Concerns
    • Ophthalmology very technology driven
    • IT support available

The Sale - Billing
• Payors in the network
  • Any exclusions that may effect bottom line
  • Vision insurance plans
• Reimbursement opportunities
• Centralized billing
• How prepared is the network for ophthalmology

What has happened?
Human Resources
Positive
• 401K with match
• Pension (3 yr vested)
• Seniority
• Kept current pay rate
• Flex spending account
• Child care spending account
• Healthcare
  • Lower deductible
  • Similar employer cost
Positive
• Job opportunity within the network
• “Floats” to fill in at offices
• Well designed pay and review system
What has happened?
Human Resources

**Negative**
- Pay Grade for ophthalmology specific positions
- Pay increases
  - Across the board unless in corrective action
  - Cannot reward high performers
  - Management raised vary based on review

**Positive**
- Uniform allowance
- Education budgets
- Centralized Billing Office
- Nepotism (3 family members)

What has happened?
Billing

**Positive**
- Increased reimbursement
  - Network negotiations
- Internal auditors
- Same Tax ID
  - Balances collected at other offices
  - Centralized Billing Office
  - No lags when staff on vacation

**Negative**
- Lead time for payor contracts
- Write-offs
- Vision and Medical Insurances
  - Preparing the network for ophthalmology
    - Unilateral / Bilateral
    - Modifiers
    - Mutually exclusive
    - Retail

What has happened?
Physician Contracts

**Positive**
- Increased pay
- Bonus structures
- Good Benefits
  - Short term disability
  - Long term disability
  - Life Insurance
  - 401K
  - Pension
  - Deferred Compensation
  - CME days/money
  - 4 dues/associations

**Negative**
- Various bonus structures
  - 3 year / renewable
  - One year extension
  - New contract model
  - Changes coming
  - Meaningful use
  - Billing

What has happened?
EMR / IT

**Positive**
- EMR
  - Cost of network
  - EMR support team
    - On site training
    - Classroom training
  - Fiber Optic
  - Secure Network

**Negative**
- EMR
  - No choice
  - Ophthalmology bells and whistles missing
  - Ophthalmology challenging to IT team
  - Image management
  - Equipment on network

What has happened?
Marketing

**Positive**
- We chose new office name
- Identifiable logo with large network
- Shared marketing efforts
- Increased press releases
- Improved website

**Negative**
- Name change
- Logo Change
- Shared marketing efforts not specific to our practice
- Competing for marketing dollars

What has happened?
Referral Sources

**Positive**
- Increased referral sources within the network
- Increased referrals from hospital system employees
- Physician liaisons to introduce groups
- Physician network meetings
- Hospitalists

**Positive Continued:**
- Make referrals within EMR
- Share results within EMR
- HEDIS reviews

**Negative**
- Time to develop all of the new relationships
### What has happened?
#### Being part of a large network

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In house</td>
<td>• Time and Approval</td>
</tr>
<tr>
<td>• Legal</td>
<td>• Time and Approval!!</td>
</tr>
<tr>
<td>• HR</td>
<td>• Cautious vs. Aggressive, much to lose</td>
</tr>
<tr>
<td>• Finance</td>
<td>• Goals must fit the network and hospital goals</td>
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<tr>
<td>• Compliance</td>
<td></td>
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<tr>
<td>• Chart Auditors</td>
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<tr>
<td>• IT</td>
<td></td>
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<tr>
<td>• Numerous areas of support</td>
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### What has happened?
#### Old Office Clean Up

- Attorney
- Accountant
- Workers Comp
- Old AR clean up options:
  - Contract with hospital network billers
  - Contract hours with staff members
  - Family members

### What has happened?
#### Old Office Clean Up

- Insurance Take-backs
- Notice of closing corporation
  - Accounts
  - Website
- Bank Accounts
- Tax Return

### More help...
For additional assistance or confidential consultation, please contact us at:

- Tracy Winans – (937) 222-3939
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- www.CorcoranCCG.com