

Case Study

ASC New Partnership Management Fee Split

An ambulatory surgery center (ASC) partnership required a new management agreement and an understanding of how to charge and divide up the management services fee among parties.

Situation

A physician group ("Group") owned an ASC and chose to joint venture (JV) with a hospital ("Hospital"). The physicians previously managed the ASC and wished to continue providing some of the management services for the new JV. The Hospital had experience in managing ASCs and planned to provide management services as well. Due to the referral relationship, the management fees charged to the ASC by both the Group and the Hospital needed to be set at fair market value (FMV).

VMG Health Service Provided

➤ Compensation Arrangement
Valuation

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Contact

Jen Johnson, CFA

Managing Director

Compensation Arrangements

jen.johnson@vmghealth.com

214-545-5882

Contributor: Nicole Montanaro, CVA

Solution

VMG Health reviewed the agreements outlining the services between the JV and the Group, and between the JV and the Hospital. Subsequently, each party confirmed the services and resources they would dedicate to servicing the management agreement. VMG Health considered the relevant costs along with a reasonable rate of return for each set of services. VMG Health also considered ASC market data which included its internal database of management fees from performing hundreds of ASC valuations each year, as well as other market research. Both the cost analysis and market data were considered in determining the FMV management fee for each party.

Success

VMG Health provided the JV with an FMV report which established a range of management fees for the Group and the Hospital based on services provided. The arrangement has been successful and transparent as both parties were part of the valuation process which helped ensure the services and dedicated resources were agreed upon.

Client Results

92%

Client Satisfaction
Rating

About VMG Health

VMG Health is a leading, national, full-service healthcare strategy and transaction advisory firm providing solutions exclusively for the healthcare industry with a long-standing reputation of excellence in client service. Whether you need assistance with traditional transactions or emerging physician compensation models based on value and performance, VMG Health provides the expertise you can rely upon.

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