

# Case Study

## Emergency Medicine Coverage Agreement Establishing Compensation

A large regional healthcare system ("System") was seeking to obtain emergency department ("ED") coverage for one of its hospitals ("Hospital") by entering into a professional services agreement ("Agreement") with a local emergency medicine physician group ("Group"). The System was seeking a fair market value (FMV) opinion for regulatory/compliance purposes and to aid in compensation negotiations.

### Situation

The Hospital was seeking to obtain coverage of its ED by qualified emergency medicine physicians and nurse practitioners. Through the Agreement, the Group would bill and collect for the professional services. Additionally, the Hospital would pay the Group an annual coverage amount to cover the Group's projected shortfall of professional collections to expenses. The System was seeking valuation services from an independent third-party valuation firm with extensive experience in hospital coverage arrangements to perform an FMV analysis of the compensation.

### VMG Health Service Provided

➤ Compensation Arrangement  
Valuation

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### Contact

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### Solution

The FMV analysis of the ED coverage services considered a build-up of provider costs based on market compensation survey data for emergency medicine physicians and nurse practitioners, and an analysis of the provider FTEs required to cover the ED based on the Agreement's coverage schedule. This required benchmarking historical and projected WRVUs and professional collections by provider type against market survey data to help determine total provider costs.

The analysis also included a provision for billing and collection costs and other indirect costs (back-office overhead, practice management, etc.) to be incurred by the Group, and considered overhead data from public physician staffing companies. To arrive at a conclusion of value for the coverage payment, the Group's total expenses, inclusive of a market-based return, was reduced by professional collections.

### Success

VMG Health determined the FMV compensation for the Group's provision of ED coverage services by considering market data and the specific details, facts, and circumstances of the arrangement. The deliverable was then used by the System and Hospital to aid in the contract renewal negotiation process, and for regulatory and compliance purposes.

### 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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