

Case Study

Physician Compensation Due Diligence Health System Acquisition

A large health system planned to acquire a regional health system and needed a comprehensive review of the physician compensation arrangements in place.

Situation

As part of a health system acquisition, the larger health system would inherit 100+ physician employment arrangements. The arrangements varied in compensation structure and services payments (clinical, call coverage, medical directorship, GME, etc.). The health system wanted to ensure the compensation arrangements were within existing internal threshold guidelines, and for arrangements falling outside of internal guidelines, they wished to obtain a fair market value (FMV) analysis.

VMG Health Service Provided

➤ Compensation Arrangement Valuation

Does your organization have a valuation, strategy, or compliance need? Reach out today for a complimentary assessment from a VMG Health expert.

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Solution

VMG Health worked with the health system to understand the existing internal threshold guidelines to be applied to the arrangements. Subsequently, an in-depth analysis was conducted of each arrangement's compensation, services, structure, and the physician's productivity. For physician arrangements flagged as falling outside internal thresholds, a thorough review of all services and stacking was completed. The FMV analysis considered compensation and productivity data from numerous national surveys for the respective specialty, the physician's projected production level, service mix, and work schedule under the arrangement. In addition, VMG Health held numerous meetings with the regional health system's management and current physicians to understand the local market dynamics, economic factors, and practice operations. This information was used to derive the final FMV indications.

Success

VMG Health condensed a vast amount of information and data into a comprehensible analysis to determine the physicians who were falling outside the system's internal threshold guidelines. The list and subsequent clinical compensation FMV opinions were then used by the health system for regulatory and compliance purposes and to aid in contract negotiations following the successful acquisition.

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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