

Case Study

Rural Hospital Laborist Coverage Shift Rates to Health System and to Physicians

A health system ("System") was contemplating providing laborists to a small rural hospital ("Hospital") that had experienced difficulties in staffing sufficient physicians relative to its patient needs.

Situation

A Hospital was facing a potential lapse in laborist coverage due to an OBGYN shortage in the immediate area. To get the necessary coverage, it wanted to engage with a System and its associated physicians. Specifically, the System would provide physicians to the Hospital for 24-hour restricted shifts, bill and collect for all professional services rendered, and remit an amount to the physicians for the totality of coverage. In exchange for these services, the System was seeking a fair market value (FMV) opinion for the amount they would charge the Hospital for providing the physicians and the shift rate they would pay the physicians for regulatory and compliance purposes.

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Solution

VMG Health considered the restricted coverage schedule, survey compensation data, and amounts paid for comparable services (via VMG Health's internal database) to understand market rates for the laborist coverage. VMG Health then considered arrangement-specific details such as the level of community need for the coverage, the burden placed on the physicians to provide the subject services, and which party had financial and operational risk in the arrangement. From this, VMG Health was able to determine an FMV shift rate the System could charge the Hospital for providing the laborists. To establish a rate the System could then remit to the physicians, VMG Health contemplated what services the System was providing on behalf of the physicians and reduced the shift rate accordingly. The System services included covering the physicians' benefits and malpractice, as well as providing administrative staff and overhead to ensure the ongoing compliance of the arrangement.

Success

VMG Health determined an FMV shift rate that could be charged by the System for aiding a Hospital in providing laborist coverage by considering specific details, market data, and circumstances of the arrangement. Additionally, VMG Health determined an FMV shift rate that the System could then remit to the participating physicians. The opinion enabled the Hospital to retain full coverage for its OBGYN department and it was able to avoid any lapse in hospital care.

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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