

# Case Study

## Bundled Payment Arrangements Compensating Specialists

A large, regional health system (“System”) receiving bundled payments from payors wanted to compensate physicians a fixed case rate for specific types of neurological procedures.

### Situation

The System contracted directly with a payor to provide neurological spine surgical services through a bundled payment at System-operated facilities, including both in the hospital and ambulatory surgery center settings. The System sought a fair market value (FMV) analysis of the services to begin its negotiations with the physician staff required to provide the surgical services: neurosurgeons, anesthesiologists, and hospitalists. These potential service providers were not employed by the System and, due to the global fee arrangement, were unable to bill and collect directly for their professional services. As such the System proposed to pay the physicians a fixed case rate for each type of spine surgery performed, based on the relative work effort for each type of case and each specialists’ involvement in the case.

### VMG Health Service Provided

#### ➤ Compensation Arrangement Valuation

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### Contact

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### Solution

To determine the case rates, VMG Health considered the specific services provided by each physician for each type of spine case. This included an analysis of the time and expertise required for the cases, market compensation survey data for each type of specialty (including national and regional compensation and compensation per WRVU rates), and reimbursement for commercial services in the local market. Using this data, professional experience, and an understanding of the unique circumstances of the arrangement, VMG Health developed a FMV compensation range for each case type for each specialist. Subsequently, VMG Health considered the operating margin the System could expect to earn on each case assuming a certain level of fixed and variable System costs including the FMV high-end case rate compensation for each specialist.

### Success

After developing the FMV compensation rate for each case type, VMG Health presented its conclusions to the System leadership to aid in the contract negotiation process. In addition, VMG Health presented its sensitivity analysis of the System’s operating margin to illustrate how the FMV compensation ranges would result in a reasonable margin earned by the System under the arrangement. System leadership later confirmed it successfully executed agreements with each physician at rates that fell within VMG Health’s FMV compensation ranges.

### 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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