

Case Study

Health System Shared Services Allocating System-Wide Costs to Services Agreements

A large health system ("System") intended to provide management services, revenue cycle services, and others to various facilities that were joint ventures with the health system.

Situation

The System needed a fair market value (FMV) of the fees to be charged to joint venture entities for the System's provision of various administrative services. Specifically, the System needed an FMV analysis of an aggregate fee for the provision of all management and revenue cycle services, and an FMV analysis of a la carte fees for the provision of a specific bundle of services and/or a standalone service.

VMG Health Service Provided

➤ Compensation Arrangement Valuation

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Contact

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Solution

To value this arrangement, VMG Health considered cost information provided by the System, market returns for similar services and VMG Health's market data for the provision of similar services to various types of healthcare facilities. As it relates to the cost information analysis, VMG Health conducted interviews with the System's department leaders to determine the appropriate cost allocation methodology for each corporate department providing the services. The interview process was geared towards understanding each department's cost structure and analyzing the results for a variety of different cost allocation methodologies. This allowed the System to determine which allocation methodology was most consistent with each department's cost structure.

Success

After receiving the relevant cost information and analyzing the cost allocations, VMG Health built a custom model to clearly illustrate the allocation data utilized in the analysis and how each department was allocating its cost information. Ultimately, the System received a deliverable of the FMV analysis for regulatory and compliance purposes.

Client Results

92%

Client Satisfaction
Rating

About VMG Health

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