

# Case Study

## Multi-Specialty PSA Payment: Fair Market Value, Stacking, and Commercial Reasonableness

A large regional health system sought to renew a professional services agreement (“PSA”) with a multispecialty orthopedic group (“Contractor”) for the provision of clinical, call, and various administrative services to the health system.

### Situation

Before negotiating contract renewals, the health system sought a fair market value (FMV) analysis of the services rendered by the Contractor providing orthopedic surgery: spine, orthopedic surgery: spine (fellows), surgery: neurological, pain management: anesthesia, and PA: orthopedic (surgical) services. The services provided by the Contractor include clinical services, medical director services, and call coverage services, aimed at providing extensive coverage to the patient population.

### Solution

VMG Health conducted the FMV analysis of the Contractor’s services under a PSA compensation structure, indicating the health system will not cover certain expenses typically incurred in an employment compensation model. The valuation of the clinical services included a market approach involving a review of the Contractor’s WRVU and professional collections, broken out by specialty and compared to market survey data. Furthermore, VMG Health discussed clinical expansion efforts and physician retirements in detail with the Contractor. Lastly, VMG Health conducted CPT code analyses of the physicians’ go-forward production, which included an analysis of [unlisted codes](#), which was vital in determining an accurate, clinical FMV indication for each specialty. Lastly, VMG Health “stacked” additional FMV services, including call coverage services and medical director services, to completely represent all compensation the Contractor will receive from the health system.

When comparing the compensation to collections percentage to market survey data, VMG Health believed a commercial reasonableness assessment was necessary for the subject arrangement. VMG Health utilized experience, observed industry norms, and provided two reasonability tests and commentary from the health system and Contractor to evaluate the commercial reasonableness of the subject arrangement.

### Success

VMG Health determined that the arrangement was commercially reasonable and identified the FMV compensation payable by the health system to the Contractor for the provision of the full set of services in all specialties. The health system was able to enter a new PSA with the Contractor, allowing the continued expansion of the comprehensive services provided by the Contractor.

### Services Provided

Fair Market Value Analysis

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

### Contact

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### 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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