

# Case Study

## Fair Market Value Insights for Multi-Tiered Therapy Service Agreements

To ensure patients in need of physical therapy receive continued care, a hospital (Hospital) was seeking to renew multiple individual therapy services agreements (Agreements) with third parties for the provision of physical therapy services.

### Situation

The Hospital was seeking to renew multiple individual Agreements, whereby various third-party companies (Partners) would provide licensed physical therapists to perform professional physical therapy services at various outpatient centers (Centers) affiliated with the Hospital. In exchange for the physical therapy services rendered, the Hospital would compensate the Partners in accordance with the compensation structure included in each Agreement. As such, the Hospital requested an independent, third-party, fair market value (FMV) review of the Agreements to determine whether the proposed compensation was consistent with FMV for management and regulatory compliance.

VMG Health first reviewed each of the Agreements to determine any underlying nuances between them. VMG Health identified that all but one of the Agreements indicated that the Partners would be compensated based on a flat fee per visit. The other Agreement indicated that the Partner would be compensated based on a tiered fee per visit. Based on this finding, VMG Health determined it would be in the best interest of the Hospital for VMG Health to provide two FMV opinions. The first FMV opinion would be an aggregate FMV for the Agreements that included a flat fee per visit structure (Flat Fee Opinion) and the second FMV opinion would be solely related to the Agreement that included the tiered fee per visit structure (Tiered Fee Opinion).

### Services Provided

➤ Compliance Risk Analyzer Implementation

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### Contact

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### Solution

For both the Flat Fee Opinion and the Tiered Fee Opinion, VMG Health conducted an FMV analysis of the services consisting of cost and market approaches. The cost approach included an analysis of the average time per visit, along with market-based compensation data. The market approach included an analysis of the encounter volume and work relative value unit (WRVU) production of the visits benchmarked against market-based production data. VMG Health then considered other factors, such as benefits and Partner overhead, to arrive at a per-visit conclusion in each opinion. For the Flat Fee Opinion, the per-visit conclusion was compared to the proposed flat fee per visit in the Agreements.

For the Tiered Fee Opinion, VMG Health analyzed the visit volume to determine the effective annual compensation that would result from the proposed tiered fee structure (Annual Proposed Compensation). VMG Health then utilized the visit volume along with the per visit conclusion to develop an annual conclusion (Annual Concluded Compensation). Finally, VMG Health compared the Annual Concluded Compensation to the Annual Proposed Compensation to ensure the Annual Proposed Compensation did not exceed FMV.

### Success

VMG Health ultimately determined a flat, per-visit FMV rate that related to the Agreements included in the Flat Fee Opinion and the effective annual compensation for the Tiered Fee Opinion. The two opinions highlighted the importance of considering not only the proposed compensation metrics, but also considering the total compensation that results from the proposed compensation metrics when providing an FMV opinion. The Hospital used those deliverables to aid in the contract renewal process and for regulatory and compliance purposes.

### Client Results

# 92%

Client Satisfaction  
Rating

### About VMG Health

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