



Physician Recruitment Agreements

Managing Compliance

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A Ministry of the
Sisters of St. Joseph
of Orange



*“Financial relationships
between hospitals and
physicians are apparently the
most neglected area of
compliance oversight despite
the growing number of Stark
and anti-kickback
settlements...”*

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Physician Recruitment Process



- Recruitment without Income Guarantee
 - Relocation expenses
 - Signing bonus
 - Start-up expenses
 - Housing assistance
 - Student loan assistance
- Recruitment with Income Guarantee
 - All the above plus the income guarantee

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Who May Be Recruited?



- Stark exception for recruitment
 - Physician must move his/her practice at least 25 miles; or
 - The physician's new practice must derive at least 75% of revenues from patients not seen or treated in previous three years.
 - Residents and physicians with < one year in practice are exempt from the relocation rule but must establish practice within hospital's geographic service area.

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Conditions for Recruitment Payment



- Recruit establishes practice in hospital's geographic service area
- Arrangement is in writing & signed by all parties
- Arrangement is not conditioned on physician's referral of patients to the hospital
- The payment is not based on the value or volume of actual or anticipated referrals
- The recruited physician may establish hospital privileges with any other hospital and make referrals to any other entities

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Joining an Existing Practice



- Except for actual costs incurred by the physician or the practice, the remuneration is passed directly through to or remains with the recruited physician.
- Costs allocated to the recruit by the practice cannot exceed the actual additional incremental costs to the practice. An exception for a replacement physician in a HPSA
- Physician must join the hospital medical staff
- The practice may not impose additional restrictions except those dealing with quality issues. This eliminates "non-compete" clauses.

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Recruitment Payments



- Most payments are structured as loans that must be repaid with interest or forgiven if certain conditions apply
- Relocation payments must be reasonable and documented for reimbursement
- Payments for housing assistance or student loan assistance may be made but must be considered as part of the total compensation package.
- The total compensation package must be at a Fair Market Value (FMV)

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Fair Market Value



- Total compensation must be based on the FMV as determined through surveys that reflect real compensation currently being paid to similar physicians in similar markets.
- Compensation should reflect productivity which can be measured by charges, collections or work RVUs.
 - Payments at the 90th percentile and productivity at the 20th percentile raise a red-flag
- An absence of FMV can create potential problems with AKB, Stark or even the non-profit status of the hospital

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Basic Contract Elements



- Income calculation of guarantee
 - Monthly Income Guarantee
 - Plus: incremental expenses (may be capped)
 - Less: actual collections
 - Equals: Net payment from the hospital

Example:

Monthly Income Guarantee:	\$15,000
Incremental Expenses:	\$3,000
Actual Collections:	\$10,000
Payment from hospital:	\$8,000

Note: \$8,000 is added to the outstanding loan balance

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Basic Contract Elements



- Income calculation may result in a “negative” meaning physician pays the hospital

Example:

Monthly Income Guarantee:	\$15,000
Incremental Expenses:	\$2,000
Actual Collections:	\$20,000
Payment from physician:	\$3,000

Note: \$3,000 is subtracted from the outstanding loan balance.
If there is no outstanding balance the physician does not make a payment.

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Loan Forgiveness



- The hospital may forgive the loan over a period of time up to three years beyond the assistance period provided:
 - The physician remains in practice within the hospital's geographic service area
 - The physician maintains privileges with the hospital
 - The loan terms are made at commercially equivalent rates
- The hospital may not make any terms conditioned or based on value or volume of referrals and may not restrict the physician's use of other entities.

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Auditing and Compliance



- Goals:
 - Ensure a compliant contract.
 - Focus is on FMV for any payments
 - No conditions based on value or volume of referrals
 - No restrictions on ability to practice in the community
 - Ensure all parties understand the agreements
 - Ensure any payments made comply with the contract
 - Documentation of expenses, earnings bearing on the guarantee
 - Ensure full compliance with provisions for loan forgiveness
 - Properly executed loan documents
 - 1099 issued to parties who received loan proceeds

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Contract Checklist



- All parties properly identified
- Compensation determined based on FMV
- Expenses are explicitly identified as incremental expenses and direct physician expenses
- Formula for calculating payments by any party are explicit and compliant
- Term of assistance and loan repayment/forgiveness are explicit
- Terms are compliant with all state and federal laws

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Audit Recruitment Assistance



- Income reconciliation
 - Payments for professional services including call pay
- Expense reconciliation
 - Documentation of all incremental expenses charged
- Invoice audit
 - Invoice details tie back to Income and Expense reconciliation. Timely submission.
- Payment audit
 - Actual payment ties back to invoice. Timely payment.
- Verification of any under or over payments
 - Document any explanation of payments that do not tie back to source documents.

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Review of Loan Documents



- Promissory note
 - Documentation of properly signed and dated note
- Amortization schedule
 - Documentation of loan terms including schedule of payments for principle and interest
- Security Agreement
 - Documentation of hospital's secured interest in assets of the physician practice to collateralize the note
- UCC-1 filing
 - Uniform Commercial Code filing of secured interest
<http://www.sos.nh.gov/ucc/ucc1.pdf>

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Stakeholder Interviews



- Purpose: To verify a common understanding of all terms and conditions
- Recruited physician
 - Physician representative for the group
 - Practice manager and accountant
 - Hospital contracting officer

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Audit Calendar



- Prior to contract signing
 - Audit contract terms for compliance. If using a compliant template check for any changes.
 - Ensure stakeholders have common understanding of terms
- 3-4 months in to assistance period
 - Audit invoices and payments
 - Audit expense and income documentation
 - Stakeholder interviews
- Post Assistance Period
 - Same as above at completion of assistance
 - Review loan repayment/forgiveness annually

Sample Revenue & Expense Tracking Spreadsheet for a New Physician Recruit



Invoice Period	Monthly Income	Overriding Expenses	Program Collections	Actual Collections	Call Pay Income	Hearst Call Income	Other Income	Assistance by Hospital	# of Call Shifts	Hours Worked	Collections Reported by NCSO				Net Collection %	Days in AR
											Charges	Receipts	Adjustments	Total Net AR		
November (10)	\$ 12,500.00	\$ 1,317.50	\$ 30.00	\$ 7,504.15	\$ -	\$ -	\$ -	\$ 16,188.35	5	116	\$ 1,967.00	\$ 3,000.00	\$ -	\$ 1,507.00	1.53%	1.53%
December**	25,000.00	4,434.68		3,643.47	13,245.91			22,548.25	5	179	74,778.00	3,640.47	7,418.00	66,146.53	4.90%	5.44%
January**	25,000.00	10,673.04		6,200.49	16,189.51	2,652.40		10,611.63	11	213	46,300.00	5,200.40	6,117.13	38,202.90	13.70%	15.94%
February	25,000.00	0,132.28		12,691.13	11,406.25	691.30		10,124.70	7	170	35,895.00	12,691.00	2,451.04	16,659.33	13.23%	16.57%
March	25,000.00	4,989.08		25,092.55	11,774.19	1,130.99	40.29	1,031.05	5	148	59,531.69	25,092.55	32,963.95	151,484.12	42.15%	116.29%
April																
May																
June																
July																
August																
September																
October																
November (10 mth)																
Total Income Guarantee								60,458.39								
Reduction								5,194.74								
	\$ 112,500.00	\$ 40,428.43		\$ 47,674.45	\$ 50,229.07	\$ 4,674.69	\$ 40.29	\$ 65,650.73	5	178	\$ 277,058.65	\$ 47,674.45	\$ 71,260.12	\$ 185,398.58	17.21%	23.25%



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**Physician Practice/Clinic
Compliance Conference**

OCTOBER 16-18, 2011

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Doubletree by Hilton Hotel Philadelphia City Center

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