

Co-Management in California

A “Nuts and Bolts” review

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Disclosures

- No conflicts

Background

Orthopaedic Surgeon

Residency at UCSF

In Practice in San Francisco Bay Area
for 15yrs

Sports Medicine

Background



- Managed Physician networks
- Currently involved in five Co-management/Service Line agreements in Northern California
- Around 80 Orthopaedic Surgeons

Objectives:

Co-Management Agreements

- What are they?
- What's involved in starting and running one at your hospital ?
- What can be achieved ?

Co-management Agreement

- What are they?
- An agreement between a Hospital and a group of Orthopaedic Surgeons, to co-manage the Orthopaedic Service line at that Hospital
- Physicians are compensated for their time spent assisting in the management of the service line

Co-management

- Co-management agreements -often referred to as “Service Line Agreements”- continue to be more common in CA.
- A popular way for Private Practice Orthopaedists to integrate with Hospitals, without becoming their employees

Hospitals Continue to Engage in More Formal Relationships With Physicians

Low
Integration

High
Integration

**Traditional
Medical Staff
Model**

Paid Positions

- Medical directors
- Committee participation
- Call coverage stipends

**Equity and
Contractual
Relationships**

- Joint ventures
- Comanagement agreements

**Expansion of
Hospital-Based
Staff**

- Hospitalists, intensivists
- Employed and contracted

Employment

- Select specialists
- Multispecialty clinics



Survey Results

FIGURE 1 Organization's Current Physician Alignment Model

Q What are your organization's current staff models?

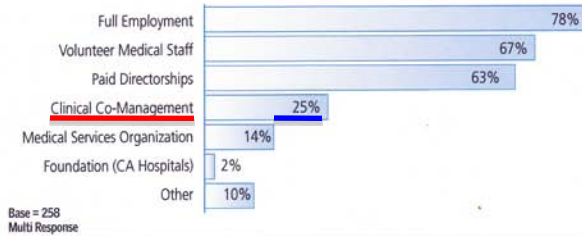


FIGURE 2 Alignment Model by Service Line/Specialty

Q Please describe the alignment model used for each of the following service lines and specialties?

	Full Employment	Volunteer Medical Staff	Paid Directorships	Clinical Co-Management	Medical Services Organization	Foundation	Other	NA	Base
Cardiology	36%	53%	49%	13%	5%	1%	9%	7%	240
Cardiovascular	34%	37%	29%	7%	4%	2%	7%	22%	233
Dermatology	13%	54%	4%	3%	3%	1%	8%	27%	228
Emergency medicine	41%	16%	27%	8%	10%	1%	20%	8%	241
Endocrinology	26%	47%	8%	4%	4%	1%	6%	26%	231
Gastroenterology	29%	61%	13%	6%	3%	1%	9%	11%	233
General surgery	44%	57%	30%	8%	4%	1%	8%	3%	244
Geriatrics	23%	40%	9%	5%	2%	1%	4%	33%	231
Hospitalists	65%	13%	19%	7%	6%	2%	9%	11%	244
Imaging	22%	32%	27%	12%	11%	—	22%	3%	237
Infectious disease	31%	41%	24%	3%	3%	1%	6%	18%	232
Nephrology	20%	55%	18%	4%	3%	1%	9%	16%	230
Neuroscience	31%	50%	24%	5%	5%	1%	6%	21%	229
Neurosurgery	32%	45%	17%	6%	5%	1%	7%	24%	229
OB/GYN	38%	60%	29%	5%	5%	1%	7%	8%	240
Oncology	32%	52%	24%	7%	4%	2%	10%	13%	233
Ophthalmology	11%	67%	5%	3%	4%	1%	9%	13%	224
Orthopedics	35%	62%	26%	11%	4%	—	9%	6%	238
Otolaryngology	23%	62%	8%	4%	3%	1%	8%	13%	231
Pediatrics	39%	56%	18%	7%	3%	2%	6%	14%	235
Primary care	63%	62%	14%	5%	5%	2%	7%	5%	244
Pulmonary medicine	28%	57%	32%	6%	3%	1%	9%	13%	235
Rheumatology	21%	52%	6%	4%	3%	1%	7%	23%	233
Urology	26%	61%	13%	3%	5%	1%	11%	9%	238
Vascular surgery	30%	53%	16%	6%	4%	1%	7%	19%	233
Wellness/bariatrics	18%	37%	14%	7%	3%	1%	4%	39%	230

Multi Response

11% for Ortho

Service Line Transformation

CO-MANAGEMENT MODELS ESPECIALLY PROMISING FOR ORTHOPEDIC SERVICE LINES

on November 1, 2011 | [Permalink](#)

Eric Cragun

We regularly hear from hospitals seeking to better engage physicians in quality improvement and utilization management efforts. At a service-line level, hospitals have seen some success increasing physician engagement through co-management arrangements. Co-management arrangements pay physicians at fair-market value for administrative responsibilities and provide additional incentive payments based on achievement of quality and cost goals.

Hospitals find this alignment model to be particularly attractive for orthopedics service lines, given the independence of orthopedic surgeons and the substantial potential for both quality gains and cost reduction within orthopedics. In a [survey of 258](#) hospital and health system leaders, 11% reported co-management of orthopedics service line, the third highest among service lines after cardiology (13%) and imaging (12%). Tight alignment with orthopedic surgeons will be even more critical as hospitals seek to balance two competing influences on volumes: Demographics will drive growth of joint replacement even as scrutiny of appropriateness increases.

Applying co-management models to orthopedics service lines can yield significant results: We recently spoke with one member who described the positive impact of creating a co-management company with orthopedic surgeons to manage their orthopedic specialty hospital. The hospital has seen significant improvements in quality and patient satisfaction, achieving 99th percentile patient satisfaction scores. In addition, the hospital has increased the number of orthopedists practicing at the hospital and has attained profitability after a stretch of losing money.

Don't forget to log in to [advisory.com](#) to [subscribe](#) to this blog. By logging in, members of the Marketing and Planning Leadership Council can also access [our recent Expert Insights piece](#) and the recently released [Orthopedics: Service Line Strategic Outlook](#) report.

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Reasons to Love Co-management Agreements

- They are quality- and performance-driven
- They are acceptable legally, meeting all the restrictive covenants and regulations currently required.
- They build trust between physicians and hospital, as well as between physicians
- They allows physicians to participate with minimal upfront investment.

Co-management

- Typically have fixed, plus incentive based compensation model
- Typically contract term one to three years, renewed by mutual consent, compensation adjusted annually.

Co-management Agreements

- What are they?
- What's involved in starting and running one at your hospital ?
- What can be achieved ?

Co-Management

- Need to have a group of Orthopaedic surgeons and a Hospital Group, willing to engage
- Consultants, Attorneys, FMV evaluators
- A negotiation process

The Negotiating Team





RARE VIEW

A rarely seen picture of the inside
of an actual Can-o-Whoopass

Co-management

- Can't be one sided
- Both parties will see significant benefits if done correctly

Collaborate

<p>COA California Orthopaedic Association</p>		<p>C O L L A B O R A T E</p>
<p>2012 ANNUAL MEETING/ QME COURSE April 19 - 22, 2012 Park Hyatt Aviara Resort Carlsbad, CA (North San Diego County)</p>		
<p>C-Bones Orthopaedic Practice Managers</p>		

Initial steps

- Physician side
- Hospital side

Phases

■ Phase 1

- From the initial concept to the signing of the co-management contract

■ Phase 2

- First year of operation

■ Phase 3

- Beyond first year of Operation

Phase I

Physician Side

- Come together as a group.
- Decide on a steering committee/leadership structure
- Form an LLC

Phase I

LLC formation

- All physicians equal members
- Typically 100% Physician owned
- Relatively inexpensive to form

LLC formation

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Incorporate Online, How to Form a Corporation, California Corporation



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4. Required to hold annual meetings and record minutes.

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- Should I setup an LLC or a corporation?
- Do I need to have a registered agent?
- How much does it cost?

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Legal Representation



Attorneys

**KESSENICK
GAMMA &
FREE, LLP**
Attorneys at Law



Welcome

Our firm specializes in providing legal representation to physicians, physician groups, and other health care professionals.

Phase I

Management LLC

- Funded by capital contributions from members-
\$2000 to \$4000 per member
- Operating agreement and corporate governance developed
- Subscription agreement and offering deadline

Phase I Management LLC

- Needs a managing member-typically the lead physician
- Needs administrator: approx \$15,000 to \$25,000 per year
- Insurance and ongoing legal costs: \$5000 to \$10,000 per year

Phase I

Hospital side

- Engage legal counsel to create Co-management Agreement
- Engage FMV firm, evaluate members of LLC
- Financial analysis of Orthopaedic Service line
- Draft Co-management agreement
- Negotiate with Physicians on services to be provided

Co-management Agreements

- Direct participation in development of clinical strategies, clinical care guidelines, and in-service education
- Operations management
- Medical technology evaluation
- Vendor selection
- Drug formulary assessment and management
- Direct participation in development/implementation of business plans
- Direct participation in capital/operating budget formation and review
- Physician recruiting, mentoring, specialized training
- Referral source development and management
- Measurement of patient satisfaction
- Development of clinical outreach programs

Workplan

MANAGEMENT SERVICES

Clinical Manager shall perform, and shall cause Participating Members to perform, the following Management Services:

Management Services	Estimated Physician Hours	Estimated Payment Amount
INITIAL ASSESSMENT & WORK PLAN		
Develop work plan for utilization of orthopedic services space.	10	
CLINICAL RELATED SERVICES		
Assist Hospital in the program development of a Level 2 Trauma Center.	100	
Participate in multi-disciplinary committee with mandate to optimize hip fracture care for the geriatric patient. (i.e. trauma committee approach)	25	
Assist Hospital personnel in negotiating the selection of one implant vendor.	25	
Provide preceptorship hours for RN's attending RNFA (Registered Nurse First Assistant) program.	25	
Collaboratively identify with other clinicians clinical pathways that create a seamless care delivery process from PCP office through post-acute care.	20	
Develop patient educational programs, and review and enhance existing patient educational programs as needed.	20	
Evaluate, monitor, and make recommendations with respect to patient relations, satisfaction, and needs.	10	
Provide administrative coordination of all daily patient care activities and identify methods to expedite patient intake and surgeon access.	25	
Participate in staff training and development for all personnel involved in providing care to promote orthopedic specialization to improve patient care and outcomes for patients.	25	
Collaboratively establish systems to support clinical excellence from pre- through post-op care (e.g., referral forms and communications, care pathways and guidelines, standardization of processes, equipment, and assessment tools, room turnover, bed utilization, etc.).	25	
Collaborate in the development of an integrated and timely discharge process.	35	

Workplan

Management Services	Estimated Physician Hours	Estimated Payment Amount
Meet or exceed Hospital QI Targets and industry targets for orthopedic patients on SCIP-1, SCIP-2, SCIP-3, VTE-1, and CARD-2 and Foley Catheter	20	
Assist with block time scheduling, back to back cases, marking surgical site in fifteen (20) minutes before first-case start and similar future quality indicators measured by individual orthopedic provider and others as identified.	15	
Participate as a member of a block scheduling process improvement team.	25	
Achieve and maintain target post-operative complication rates and other mortality and morbidity indicators.	15	
Develop and implement a strategic operational assessment plan.	15	
Develop and manage steering committees and assist in the management of specific operational processes within the Service Line.	25	
Support the Service Line in a manner that results in appropriate revenue tracking and maintain quality standards.	15	
Target expense reduction while maintaining benchmark quality standards.	20	
Provide input with the strategic, financial, and operational planning for future services as well as the development and operation of capital and operating budgets.	20	
Assist in marketing and guest relations efforts by developing an annual marketing plan, associated budget and tactical plans, and working with both the Service Line Administrator and assigned marketing personnel to support activities.	15	
Assist in marketing and guest relations efforts by actively participating in Hospital activities to brand/enhance relationships.	15	
Assist in marketing and guest relations efforts by assisting Hospital routinely on evaluating new concepts and programs (which may include travel) as necessary.	15	
Assist in marketing and guest relations efforts by assisting in development of concierge programs and protocols in response to clinical best practices and quality programs of third-party payors, including Medicare and Medicaid.	10	
Co-manage growth in market share of orthopedic service line.	25	


Workplan

Management Services	Estimated Physician Hours	Estimated Payment Amount
Provide input regarding reduction in Service Line expenses in relationship to fluctuation in revenues.	10	
Participate in the implementation of Service Line policies and procedures, and recommend changes.	10	
Increase productivity of the Service Line by evaluating and restructuring delivery of care processes.	10	
Increase productivity of the Service Line by establishing and maintaining productivity standards through development of performance metrics and dashboard.	20	
Increase productivity of the Service Line by actively monitoring HCAPS satisfaction measurement data.	10	
Increase productivity of the Service Line by initiating improvement actions to assure targeted performance levels are achieved.	10	
Increase productivity of the Service Line by assuring occurrence of quarterly physician satisfaction measurement and instituting improvement activities as appropriate.	10	
Increase productivity of the Service Line by participating in Hospital's satisfaction improvement initiatives for all key constituencies.	10	
Provide evidence of performance as may be reasonably requested by and in cooperation with Hospital (e.g., operational statistics, financial statements and productivity reports). Provide comparative data comparative databases as requested.	10	
Work with hospital to Develop and implement patient care protocols that result in benchmark performance levels, enhanced revenue, and reduced expenses.	15	
Cooperate with Hospital in health information management, coding, and transcription to ensure performance standards are achieved.	10	
Develop and implement action plans to address any areas of concern that result from patient satisfaction surveys.	15	
Assist in the implementation and management of budgets by developing annual and long-term metrics for performance.	10	
Assist in the implementation and management of budgets by overseeing ongoing monitoring of budgetary compliance.	10	

Workplan

Management Services	Estimated Physician Hours	Estimated Payment Amount
Assist in the implementation and management of budgets by managing productivity levels in accordance with budgetary parameters and performance targets.	10	
Assist in the implementation and management of budgets by overseeing utilization management activities in Orthopedic Service Line clinical areas including OT & PT.	25	
Monitor and make recommendations regarding changes in Service Line policies and procedures, including developing and monitoring mutually agreed upon quality metrics.	15	
Monitor and make recommendations regarding changes in Service Line policies and procedures, including developing clinical performance targets, associated monitoring and quality improvement initiatives and monitoring outcomes and developing strategies to improve outcomes.	15	
Monitor and make recommendations regarding changes in Service Line policies and procedures, including setting quality standards and guidelines for new technologies and procedures.	15	
Assist Hospital in the development of provider and community relationships.	15	
Perform such other services related to the efficient and effective delivery of quality patient care by the Service Line as may be reasonably requested by Hospital.	25	
Develop preventive medicine and rehabilitative programs to assist patients in achieving enhanced quality of life.	20	
Provide a researcher to Hospital to track outcomes data for all orthopedic programs.	20	
Support research and education in orthopedic services, including teaching of employees and community outreach programs.	20	
Work to promote a climate in which physicians, administration, nursing and ancillary staff work together to form an organization adhering to the goals and the charitable mission of Hospital.	25	
Develop methods and strategies to support program growth and quality, and to respond to improvements in medical practices, technological advances, reimbursement changes, and other environmental changes.	25	

Workplan

Management Services	Estimated Physician Hours	Estimated Payment Amount
Collaborate with hospital on specific program development and enhancement in Orthopedic specialties.	25	
Collaboratively consider marketplace business opportunities relative to orthopedics.	20	
Collaboratively develop overall orthopedic and sub-specialty program strategy identifying benchmarks and goals.	20	
TOTAL – ALL HOURS/PAYMENTS	1,050	

Phase I Workplan

- Sent to FMV firm
- Hourly rate (range) determined by qualifications of Physicians
- Re-evaluation by Hospital and Physicians

Phase I

Non-Compete

- Typically a sticky issue
- Unrealistic to expect no non-compete at all
- Not usually an issue once the exact terms are understood

Phase I

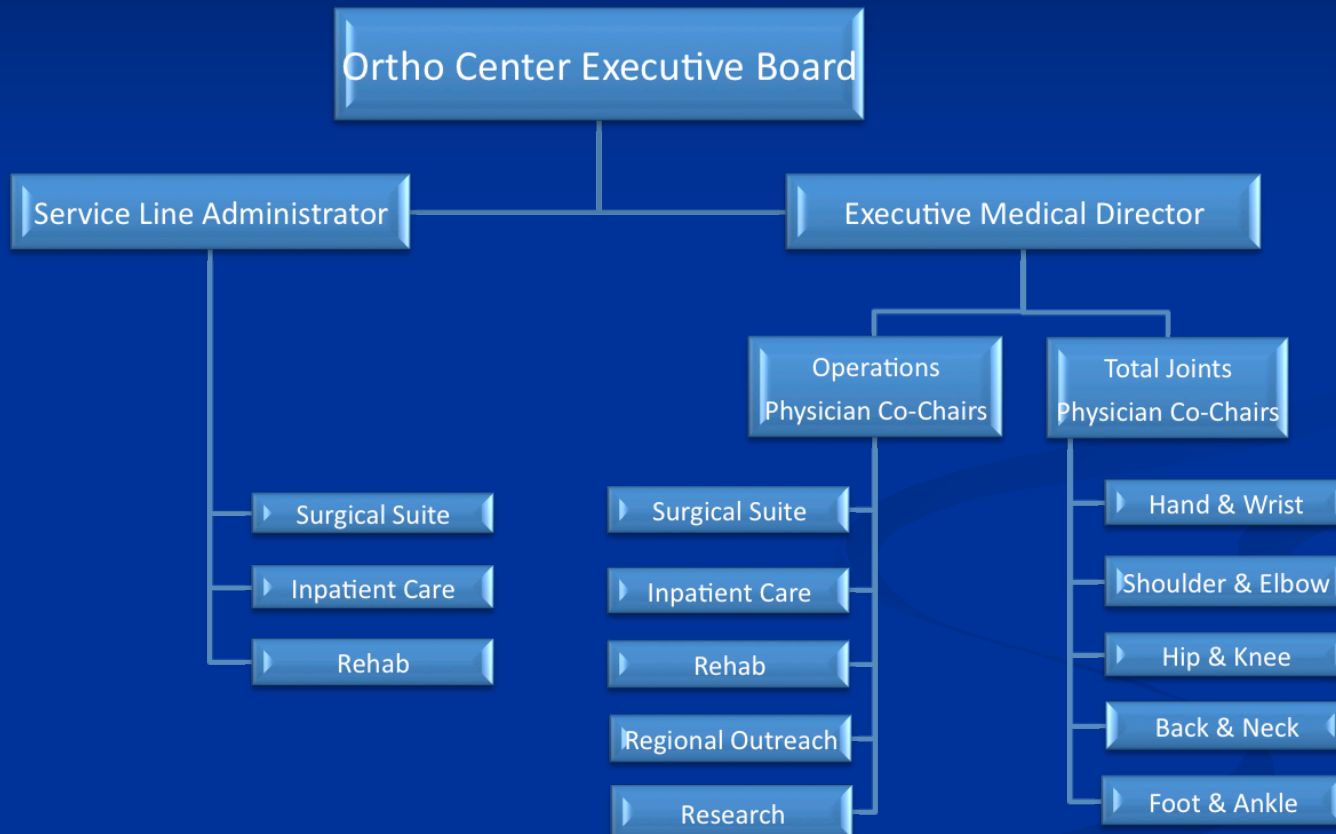
Contract signed when:

- Offering closed
- Non-Compete Approved
- Workplan Approved

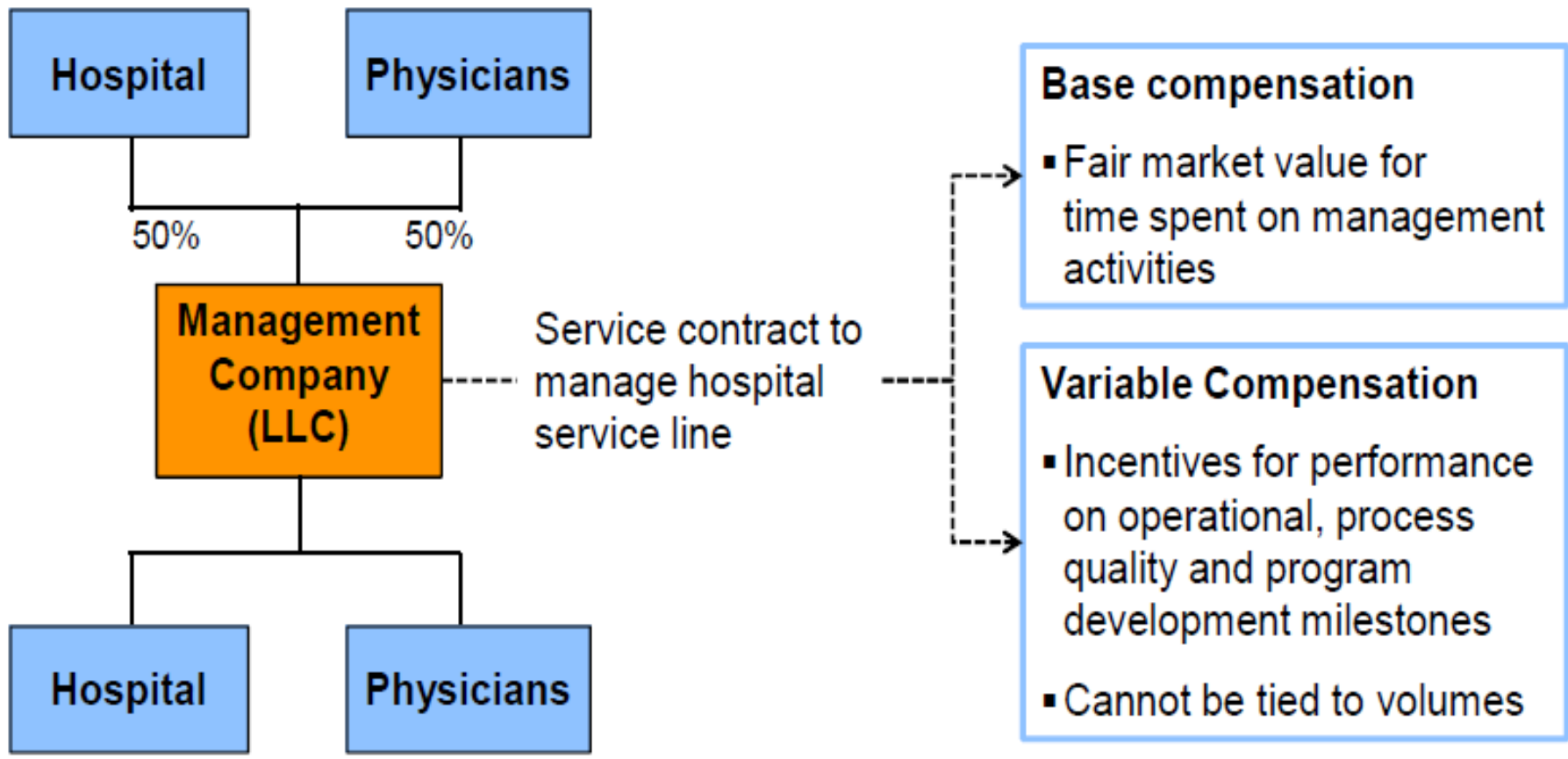
Phase II Structure

- Management LLC
 - 3 Board members, one of whom is President
- Co-management Executive Board
 - 6 Board members
 - 3 surgeons
 - 3 hospital representatives

Structure



Orthopedic Service Line Comanagement Agreements Continue to Gain Popularity



Phase II

Meeting Schedule

- Typically monthly meetings
- Set up subcommittees
 - Total Joint
 - Spine
 - Other
- Establish Calendar

Phase II Operations

- Orthopaedic “Dashboard” established
- Bonus criteria measured
- Time Sheets submitted

Phase II Operations

- Monthly time sheets submitted to the hospital
- Hospital billed monthly for 1/12 of total compensation
- Yearly reconciliation of hours and payments

Time Sheet

drop-down menu

Develop annual work plan

Clinical Services - Clinical pathways development and monitoring

Clinical Services - Patient education

Clinical Services - Patient satisfaction

Clinical Services - Staff training

Clinical Services - Negotiating prices of medial supplies

Clinical Services - Development of timely discharge process

Clinical services - Meet or exceed QI tragets

Clinical Services - Maintain target of post op complications

Management Services - Oversight of Orthopaedic Director

Management Services - Manage steering committees and attend meetings of such

Management Services - Target expense reduction projects

Management Services - Assist strageic, financial, and operational planning

Management Services - Assist in marketing and guest relations

Management Services - Assist in development of staffing patterns, recruitment, etc.

Management Services - Manage service line expenses w fluctuation of revenue

Management Services - Evaluate and improve delivery of care processes

Management Services - Increase productivity through metrics, NRC, HCAPS

Management Services - Maintain physician satisfaction with program

Management Services - Benchmark performance level monitoring

Management Services - Work to maintain dietary and housekeepin patient satisfaction

Management Services - Assist with budget management of overall program

Management Services - Monitor and make recommendations of service line performance

Management Services - Work to provide strong community relationships

Management Services - Assist with strategic staffing decisions

Research Services - Develop preventive and rehab programs

Research Services - Support research and education including teaching of employees

Strategic Planning Services - Support program growth and quality

Strategic Planning Services - Work on specific programs - joint hotel, spine hotel, etc.

Strategic Planning Services - Consider marketplace opportunities with administration

Strategic Planning Services - Develop sub-speciatly program strategy

Phase II

LLC Staff, other services

- Administrator
- Insurance
- Legal
- Accounting

Phase II

Physician Compensation

- Mix of Distributions and position payments
- Commensurate with Surgeons level of participation in the LLC
- Must not and cannot be tied to surgical volume alone

LLC Distribution / Payment Structure

Sample Ortho Management Company, LLC

Management Fee Distribution Schedule - EXCLUDING INCENTIVE PAYMENT

In addition to the quarterly member distribution, you will receive a distribution for performance of the job indicated below.
The job duties (as specified in the co-management agreement) are attached.

\$425,000	Total funds available
\$25,000	Funds held for expenses
<hr/>	
\$400,000	Funds available for distribution

<u>Distribution Purpose</u>	<u>Position</u>	<u>Annual Payment</u>	<u>Position Payment</u>	<u>Owner Distribution</u>
<i>Chairman Executive Committee</i>	<i>Manager Representative</i>	\$45,000	\$30,000	\$15,000
<i>Executive Committee</i>	<i>Manager Representative</i>	\$25,000	\$10,000	\$15,000
<i>Executive Committee</i>	<i>Manager Representative</i>	\$25,000	\$10,000	\$15,000
<i>Service Line Steering Committee</i>	<i>Co-Chair</i>	\$25,000	\$10,000	\$15,000
<i>Service Line Steering Committee</i>	<i>Co-Chair</i>	\$25,000	\$10,000	\$15,000
<i>Service Line Steering Committee</i>	<i>Co-Chair</i>	\$25,000	\$10,000	\$15,000
<i>Service Line Steering Committee</i>	<i>Co-Chair</i>	\$25,000	\$10,000	\$15,000
<i>Service Line Steering Committee</i>	<i>Co-Chair</i>	\$25,000	\$10,000	\$15,000
<i>Member</i>	<i>Member</i>	\$15,000		\$15,000
<i>Member</i>	<i>Member</i>	\$15,000		\$15,000
<i>Member</i>	<i>Member</i>	\$15,000		\$15,000
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<i>Member</i>	<i>Member</i>	\$15,000		\$15,000
		\$400,000	\$100,000	\$300,000

Phase II

Bonus measurement

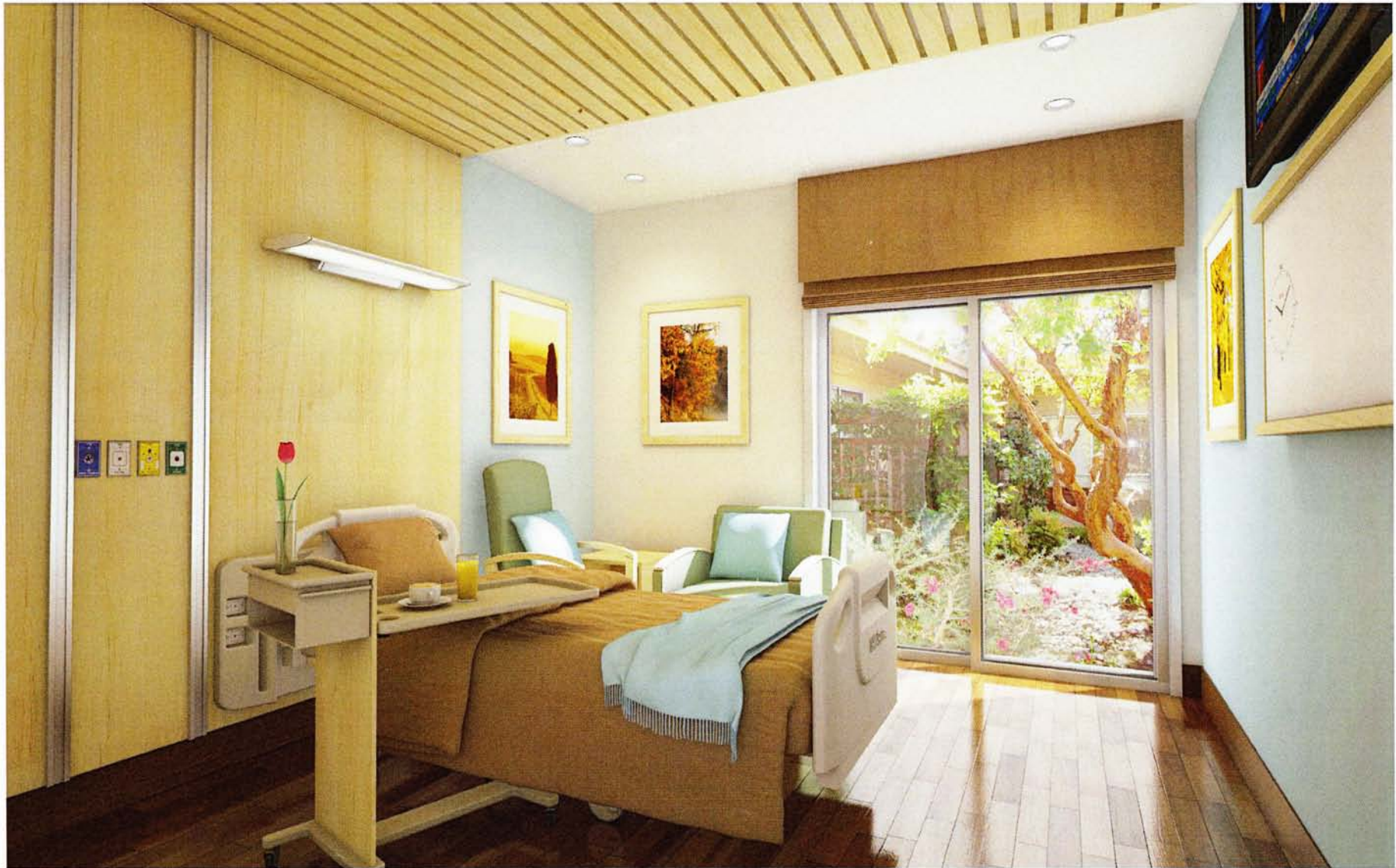
- Parameters measured in the last 3 months of the contract, but tracked monthly on Dashboard throughout the year
- Can include
 - SCIP parameters
 - quality measures
 - Patient satisfaction

Phase III

- Contract re-negotiation
- Set new goals
- Determine bonus criteria

Co-management

- What are they?
- What's involved in starting and running one at your hospital ?
- What can be achieved ?



Joint/Spine Hotel

Accountable care organization

From Wikipedia, the free encyclopedia

An **accountable care organization** (ACO) is a type of payment and delivery reform model that seeks to tie provider reimbursements to quality metrics and reductions in the total cost of care for an assigned population of patients. A group of coordinated health care providers form an ACO, which then provides care to a group of patients. The ACO may use a range of payment models (capitation, fee-for-service with asymmetric or symmetric shared savings, etc.). The ACO is accountable to the patients and the third-party payer for the quality, appropriateness, and efficiency of the health care provided. According to the Centers for Medicare and Medicaid Services (CMS), an ACO is "an organization of health care providers that agrees to be accountable for the quality, cost, and overall care of Medicare beneficiaries who are enrolled in the traditional fee-for-service program who are assigned to it."^[1]

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History

The term "Accountable Care Organization" was first used by Elliott Fisher – Director of the Center for Health Policy Research at Dartmouth Medical School – in 2006 during a discussion at a public meeting of the Medicare Payment Advisory Commission. The term quickly became widespread, reaching its pinnacle in 2009 when it was included in the Patient Protection and Affordable Care Act.^[2] Although the term ACO was not coined until 2006, it bears resemblance to the definition of the Health Maintenance Organization (HMO), which rose to prominence in the 1970s. Like the HMO, the ACO is "an entity that will be 'held accountable' for providing comprehensive health services to a population."^[3] The ACO-model builds on the Medicare Physician Group Practice Demonstration

Health care in the United States

Government Health Programs

- Federal Employees Health Benefits Program
- Indian Health Service
- Veterans Health Administration
- Military Health System / TRICARE
- Medicare
- Medicaid / State Health Insurance Assistance Program (SHIP)
- State Children's Health Insurance Program (CHIP)
- Program of All-Inclusive Care for the Elderly (PACE)
- Prescription Assistance (SPAP)

Private health coverage

- Health insurance in the United States
- Consumer-driven health care
 - Flexible spending account (FSA)
 - Health reimbursement account
 - Health savings account
 - High-deductible health plan (HDHP)
 - Medical savings account (MSA)
 - Private Fee-For-Service (PFFS)
- Managed care (CCP)
 - Health maintenance organization (HMO)
 - Preferred provider organization (PPO)
- Medical underwriting

Health care reform law

Phase III

- New Ventures

- Orthopaedic Institutes/Centers

- Combined MRI / Surgicenters /Specialty Hospital

- ACOs, bundled payment structures

What can be achieved

- Improved Quality of care / Patient experience
- Reduce Costs to the Hospital
- Improve Surgeon experience
- Compensation for time spent assisting hospital improving the service line

Thank You!



Thank You

