

Developing a Provider Services Agreement for Orthopedic Services

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Executive Summary

The Company

The focus of this business proposal is to create a partnership through provider services agreement (PSA) that would enable Northeast Hospital System (NWH) to open an orthopedic practice on its main campus in partnership with OrthoPartners (OP). NWH is a 280-bed not-for-profit health system providing care to a 10-county region from its primary location in Hamden, Connecticut. In addition, the health system owns and operates Northeast Hospital System Physicians (NEHP), an employed medical group with over 160 providers offering care at more than ten locations. NWH owns and operates its own surgery center located on its main campus and in 2018, was recognized by the American Society of Surgery Centers (ASSC) as a Quality Surgery Unit, one of 14 centers in the state to be recognized. OP is a physician-owned orthopedic practice with two physicians and three advanced practice providers (APPs).

Market Opportunity

Throughout the 10-county region that NWH services, the number of orthopedic providers is becoming increasingly inadequate to support the patient population. The most recent community needs assessment performed for the area indicates that there is currently a deficit of 4.3 physician FTEs in the number of providers required to meet the demands of the region. Currently, two independent physician practices provide orthopedic services in the area, OrthoPartners (OP) and Connecticut Surgery Partners (CSP). However, both community practices are facing increasing difficulties recruiting and retaining physicians and meeting the increasingly onerous costs of operating their practices independently. NWH and NEHP are uniquely positioned to better align and support one of these partner groups by providing the practice management scale and advanced IT capabilities of an integrated health system as well as the financial backing to help recruit and retain the qualified professionals to grow the practice into the future. Additionally,

NEHP provides care for more than 65% of primary care covered lives in the region. Alignment with an orthopedic practice would allow our primary care providers to better provide routine orthopedic care and to close gaps in care in the communities that we serve.

Capital Requirements

The proposed model would utilize recently vacated practice space and equipment primarily resulting in limited incremental capital spend in support of the partnership. In particular, the proposed clinic would utilize the Brown creek Medical Office Building space recently vacated by Northwest Urologic Medicine and supporting equipment including: exam room tables, thin-client PCs, chairs, waiting room furniture, diagnostic equipment, and telecommunications equipment currently in place. The space will require \$90,000 in capital improvements including new paint, cosmetic repairs to clinic common spaces and removal of several walls to increase patient flow. Additionally, the development of the practice would require approximately \$120,000 of capital to build out an orthopedic specific module for the Epic EHR in support of the practice. The proposed model would require NWH to make a short-term working capital loan to the proposed practice in the amount of \$50,000 at the effective date of the PSA to cover physician and provider salaries and benefits costs as practice receivables transition to the health system and payments to the practice decline. Lastly, the proposed model would require approximately \$280,000 in working capital to cover practice expenses until receivables for services rendered begin to be paid.

Mission Statement

The mission of NWH is to “improve the region’s well-being”. In recognizing the growing deficit of orthopedic service providers in the region, this initiative fits within this broader mission by providing diagnostic, preventive and interventional services to the community.

Management

The proposed initiative would be managed in a collaboration between NEHP and its physician practice partner. NEHP would provide oversight for all day-to-day operations of the clinic and staff while through the PSA, the physician practice partner would provide clinical oversight for the quality of care rendered across orthopedic services in the health system.

Competitors

In the primary service area, competition for orthopedic physician services is limited however, hospital-based services are more competitive. Seventy five percent of the inpatient share in the primary service area that is not seen at NWH is leaving the community and traveling north to Mayfield. In the secondary service area, inpatient share is spread widely across small community hospitals, with no one other than NWH holding a share larger than 15%.

Competitive Advantages

The proposed PSA would be uniquely positioned to compete through its tight alignment with primary care and emergency services as well as fully integrated practice management systems with the health system and surgery center. NWH would be positioned to provide a fully integrated orthopedic service that cannot be found anywhere in the primary service area.

Financial Projections

While a detailed financial projections including income statements, financial needs summary and break-even analysis can be found in the financial section, at a high level, the proposed PSA model would result in a five-year valuation of over \$18 M in incremental margin to the health system through growth in ambulatory surgery and professional fee revenues associated with orthopedic services. This would require \$650,000 in initial start-up capital as outlined in the capital plan above and the summary of financial needs.

Organizational Plan

Description of the Business

Mission

NWH's mission is – to improve the region's well-being. The proposed orthopedic partnership is in direct support of this mission. In the short term, the goal of the partnership would be to help stabilize orthopedic services in the community by recruiting qualified providers to a highly aligned program to meet the demand outlined in the community needs assessment. Additionally, this partnership would allow the emergency department in NWH to maintain 24/7 call coverage for orthopedic-related consults and services. Success in this goal will be evidenced by the successful recruitment of at least one additional physician to the aligned practice by the end of the first year. Longer term, the goal of this program would be to help close gaps in care across our region by working with NEHP's primary care division and tools in the Epic EHR to refer patients meeting the appropriate criteria to this new location for routine orthopedic care to enhance access. Performance in this long-term goal will be measured by volume in the surgery center and the practice.

Business Model

The proposed orthopedic partnership would focus on a model that would aim to both stabilize and grow services throughout the region. In this partnership, NEHP would enter into a provider services agreement (PSA) with OP. Under the PSA, NEHP would employ all practice support staff, provide all of the space, equipment and infrastructure necessary to operate the practice, manage the clinic operations and bill for all services rendered. OP would provide physician and advanced practice provider (APP) services to the NEHP clinic and surgery center in exchange for a per wRVU payment for professional services rendered. Additionally, NEHP would assist OP by

guaranteeing payments to new physicians and providing recruitment incentives to provide the community partner with a lower risk approach to growth.

SWOT Analysis

Strengths	Opportunities
<ul style="list-style-type: none">• NEHP currently maintains over 85% market share of primary care providers in the region• NEHP providers have an over 90% loyalty rate to other aligned providers• The Epic EHR allows for a robust health maintenance strategy for patients within the system and to quickly identify and manage those requiring orthopedic care• The existing community orthopedic practice partner has a strong reputation within the network for quality.	<ul style="list-style-type: none">• Current shortage in the region of orthopedic physicians creates an opportunity for immediate growth and capturing latent demand.• With the surgery center moving toward Epic, there is an opportunity for scheduling directly from the office into blocks creating a seamless patient referral.• The community and region is an aging demographic and as such will require increased services in the coming years.
Weaknesses	Threats
<ul style="list-style-type: none">• Provider Service Agreements (PSAs) can be difficult to explain to patients and may create confusion.• None of the existing practice groups within the community can meet the call burden required by exclusivity, so temporary staffing will need to be used while recruitment is ramped up.• National and regional recruitment for orthopedic physicians has become more difficult and competitive. The result may mean increased levels of compensation and incentive payments to attract and retain new candidates.• Reliance on a single physician practice partner can create risks for the community should the physicians be unable to recruit and leave the community. This could result in the health system having to recruit new providers into the community from out of the region and delays in coverage for core areas of the health system.	<ul style="list-style-type: none">• Failure to deliver on primary care physician and patient expectations for access could result in patients being referred around the proposed clinic• Physician partner practice may not integrate culturally into a larger medical group structure creating a separate culture and failure to realize the benefits of further alignment• Reimbursement rates may shift and change the economics and viability of the proposed structure.

Strategy

The business strategy of the proposed model is to utilize the infrastructure of the employed medical group, particularly the integrated electronic health record (EHR) and practice management system, Epic, and NEHP's robust primary care network, to help grow orthopedic services sustainably to meet the unfilled need in the region. The current community needs assessment indicates that there is an unmet demand throughout the region. Through creating a durable partnership, NWH stands to help patients by providing these services through growth and recruitment as well as to better care for existing patients through highly-aligned health maintenance activities within the medical group. Successfully executing this strategy will require aggressive outreach to existing primary care practices through NWH's physician liaison team to educate providers of the new model. Additionally, it will require traditional advertising to reach patients.

In the short-term, this partnership would allow NWH and its partner practice to attract new orthopedic physicians to the community by having an established and stable partnership and the advantages of a fully integrated orthopedic practice. The ability to recruit to the region is essential to NWH being able to fulfill its mission of providing care to the communities that it serves. Over the long-term, this partnership would enable NWH to drive best practice care by creating seamless referral pathways and easy scheduling of routine diagnostic, interventional and preventive orthopedic procedures to make certain that patients in the region are receiving the appropriate screenings that are required for their age and comorbidities.

Strategic Relationships

The proposed model will rely on maintaining and utilizing strategic relationships across several core areas to be successful. Specifically, implementing this strategy will require relying on the strong relationships already in place with the following groups:

- OrthoPartners (OP)
- NWH Surgery Center
- Information Technology
- NEHP Primary Care Physicians
- NWH Physician Recruitment and Retention
- Third-party legal counsel
- NWH's Ambulatory Billing Office
- Third-party coding

Key Stakeholders and Decision-Makers

Establishing this practice partnership will require input and consensus among several key stakeholders. From NWH, the Vice President of Physician Enterprise as well as the Vice President of Hospital Operations will share in purview of the entire program. As the executives over the proposed program, these VPs will secure approval from the CEO and buy-in from the rest of the executive team. Ultimately, this proposal will be shepherded through NEHP's Board of Managers for final approval by the VP of Physician Enterprise.

In addition to stakeholders at NWH and NEHP, a successful partnership will also require approval from the president of the proposed partner group and consensus amongst the physicians at the practice that this degree of alignment is appropriate.

Services

Under the proposed arrangement, Midwest Hospital System would offer evaluation and management services and CLIA Waived Laboratory Services out of the integrated practice location. This care would include diagnosis for treatment of common orthopedic symptoms and services including:

Minor trauma	Concussion screening
Joint Pain	Preventive screening services
Osteoporosis	Sports Medicine
Fractures	Back Pain
Surgical follow up	

Procedural and treatment services would be offered primarily out of the health system’s surgery suite and would include:

- Anterior hip replacements
- Shoulder replacement
- Knee replacements
- Fracture repair

The services outlined above would be made available to patients regardless of their insurance and ability to pay for care in line with the charitable mission of the health system.

Administrative Plan

The provision of services at the new partnership clinic will be integrated within the practice management and leadership structure of NWH and NEHP. The practice will operate under the same policies and procedures that govern process and performance at all other NEHP locations.

While administrative oversight will mirror that of a NEHP clinic, clinical leadership will be provided under the oversight of the OP’s medical director or designee.

The model will also require coordination between the surgery center and the practice. To maintain this alignment, the Director of Surgical Services for NWH would hold dotted line accountability over the practice to make certain that all transitions between the practice and the surgery center are seamless for patients.

Organizational Chart

REDACTED

Responsibilities

Under the proposed model, NEHP and its leadership team would retain general management of the practice. NEHP leadership would provide space, the Epic EHR and practice management platform, billing and collections services, housekeeping, medical supplies, telecommunications, laundry and all staff required to successfully operate the clinic. Additionally, NWH would retain accountability for staffing and managing the surgery suite as it does currently. In this arrangement, OP would be accountable for providing the necessary physician and advanced practice provider (APP) compliment necessary to meet the access demands of the community and also be accountable for the overall clinical quality of provider activities across the orthopedic service line.

Operational Plan

The successful development and launch of this initiative will require collaboration across the executive team, legal counsel, the partner physician practice, practice operations, human resources, finance, patient financial services and information technology (IT). Beginning in October 2018 and targeting launch in May of 2019, there are several major milestones that must be met as outlined below to be successful:

Major Milestones and Timeline

Task	Work Stream	Duration	Start	End
Compile list of active practice employees, titles and resumes	Human Resources and Employee Onboarding	14	12/1/2018	12/15/2018
Provide practice with necessary hiring paperwork including: application, background check consents, W-4, I-9 and required certifications for completion	Human Resources and Employee Onboarding	1	12/1/2018	12/2/2018

Task	Work Stream	Duration	Start	End
Using list of active practice employees, resumes and completed applications, map practice employees into new hospital job categories and place in system wage range	Human Resources and Employee Onboarding	28	12/15/2018	1/12/2019
Identify any former hospital employees in the practice and determine whether they are eligible for rehire	Human Resources and Employee Onboarding	1	1/12/2019	1/12/2019
Make offers to practice staff and hold benefits and pay open house	Human Resources and Employee Onboarding	7	1/12/2019	1/19/2019
Schedule employee onboarding activities and start dates	Human Resources and Employee Onboarding	7	1/19/2019	1/26/2019
Complete Epic build questionnaires and return to IT	IT & Epic Build	21	12/1/2018	12/22/2018
Develop visios for key practice workflows including surgical scheduling, rooming, prior authoriation/precert, charge capture, inpatient/surgical reconcillation, etc.	Practice Operations	21	12/1/2018	12/22/2018
Create list of required equipment and supplies needed for office	Practice Operations	21	1/26/2019	2/16/2019
Complete an assessment of practice identifying need for information technology adjustments (printers, fax, etc.)	IT & Epic Build	21	12/1/2018	12/22/2018
Complete an IS inventory and assessment of practice	IT & Epic Build	21	12/1/2018	12/22/2018
Create telecom and voice messaging structure	IT & Epic Build	7	12/22/2018	12/29/2018
Setup necessary office-based ancillary services including: CLIA and courier schedule	Practice Operations	7	2/16/2019	2/23/2019
Identify and secure vendors for all key practice supplies and pharmaceuticals	Practice Operations	31	2/1/2019	3/4/2019
Build provider templates in Epic	IT & Epic Build	28	2/1/2019	3/1/2019
Build provider smartsets and preference lists in Epic	IT & Epic Build	28	2/1/2019	3/1/2019

Task	Work Stream	Duration	Start	End
Identify practice super users to help train physicians and staff	IT & Epic Build	7	3/1/2019	3/8/2019
Train physicians and staff	IT & Epic Build	28	3/8/2019	4/5/2019
Plan strategy for inpatient and surgery charge capture and make determination as to whether to use outsourced coding vendor	Patient Financial Services	21	12/1/2018	12/22/2018
Enroll all providers with payors	Patient Financial Services	120	12/1/2018	3/31/2019
Determine billing staff complement to support practice	Patient Financial Services	31	12/1/2018	1/1/2019
Update and complete CAQH for physician credentialing	Patient Financial Services	120	12/1/2018	3/31/2019
Secure malpractice for physicians and APPs	Practice Operations	90	12/1/2018	3/1/2019
Develop proposed departmental budgets including: case numbers per physician and APP, wRVU volumes, expenses and staffing model	Financial Operations	90	12/1/2018	3/1/2019
Create new department and accounts in the general ledger	Financial Operations	90	12/1/2018	3/1/2019
Provide system finance training to practice manager in budgeting, invoice submission, check requests, and credit card services	Financial Operations	30	3/8/2019	4/7/2019
Draft Provider Services Agreement	Executive Leadership	60	11/1/2018	12/31/2018
updated leases for new practice space	Executive Leadership	7	12/31/2018	1/7/2019
Secure fair market value opinions for new provider recruitments	Executive Leadership	30	4/7/2019	5/7/2019
Approve asset purchase of existing practice equipment to be brought over to the new location	Executive Leadership	7	12/31/2018	1/7/2019
Put in place invoicing and payment process for PSA payments	Financial Operations	60	12/31/2018	3/1/2019
Create and deploy patient communication plan for the transition of existing patients.	Practice Operations	60	1/12/2019	3/13/2019

Task	Work Stream	Duration	Start	End
Convert patient appointment schedules into Epic	Practice Operations	30	3/1/2019	3/31/2019
Define branding and naming of new location and model	Planning and Marketing	60	10/31/2018	12/30/2018
Create all branded material including logo and letterhead	Planning and Marketing	90	12/30/2018	3/30/2019
Update system and practice websites to reflect the transition and new brand	Planning and Marketing	14	3/13/2019	3/27/2019
Create and release press release	Planning and Marketing	14	3/13/2019	3/27/2019
Create and execute an advertising plan	Planning and Marketing	180	12/30/2018	6/28/2019
Plan and make necessary facility modifications to future practice site	Practice Operations	180	11/1/2018	4/30/2019
Post and recruit for additional physicians to the practice	Practice Operations	365	12/31/2018	12/31/2019
Create practice staff schedules	Practice Operations	31	4/5/2019	5/6/2019
Open new practice location	Practice Operations	1	5/6/2019	5/6/2019

Potential Obstacles and Mitigation Strategies

While successfully launching this hybrid practice model is the optimal scenario, there are potential obstacles throughout the process that may inhibit achieving this goal in a timely and cost-effective manner. As a result, developing mitigation plans for these risks in advance is essential to success.

Risk	Probability of Occurrence	Mitigation Plan
The new model is unable to attract and retain additional physicians.	Moderate	In the event that this occurs, the PSA will have language allowing for exit of the agreement to evaluate a new model and reduce overhead expenses.
Payor enrollment is not complete by the launch date of the model	High	Practice schedulers will focus on rescheduling non-emergent patients with non-enrolled coverages out at

		least 30 days until enrollment can be completed to reduce denials.
Epic build is not completed prior to the date of opening	Low	If this occurs, opening will be delayed until the practice management system and EHR can be in place.
Referring physicians are uncomfortable sending patients to be seen by an APP for screening evaluations.	Moderate	Physicians will be asked to provide alternative appointment times to meet patient and referring provider preference.

Marketing Plan

Overview and Goals

NWH and OP are both established in the primary service area and as such, the goal of the marketing plan will be focused on demonstrating the value and new capabilities of the alignment including integration of the record, scheduling and primary care network. In addition, the marketing plan will also have targeted outreach into the secondary market where there is less awareness of OP and NWH’s capabilities and a greater potential to grow market share in orthopedic services.

Market Analysis

Target market and audience

The targeting of services will be consistent with the overall way in which NWH views its strategic reach. Services will target consumers in a primary service area consisting of:

- Gary County
- Melba County
- Jeremiah County
- Lincoln County
- Jackson County

Additionally, this strategy will target consumers in a secondary market consisting of:

- Smith County
- Made-up County
- Second County
- Fourth County
- Billings County

There are currently 275,000 residents in the primary service area and an additional 220,000 residents in the secondary market with limited growth over the next 3 years.

Additionally, incidence rates of colorectal cancer as well as guidelines for preventive screening indicate that patients over 50 are at a higher risk for malignant findings and require a higher level of orthopedic service access than their younger cohorts. As such, this strategy will further focus on the segment of the market that is over 50 or just over 17% of the primary and secondary service area.

Competition

In the primary service area, competition for orthopedic physician services is limited however, hospital-based services are more competitive. Seventy five percent of the inpatient share in the primary service area that is not seen at NWH is leaving the community and traveling north to Mayfield. In the secondary service area, inpatient share is spread widely across small community hospitals, with no one other than NWH holding a share larger than 15%.

Major Market Trends

The market for orthopedic services in NWH's primary and secondary service area is heavily impacted by several prevailing themes:

Physician Need

According to NWH's 2019 community provider needs assessment, there is a current shortage of 3.8 physician FTEs in orthopedics in the primary service area and a need for

4.0 physician FTEs in the secondary service area (SSA). This resulting shortage limits access for patients in outlying communities and also may create gaps in care as normal screening diagnostics are left undone due to the inability to find a provider.

Limited Secondary Market Penetration

A review of 2018 inpatient (IP) orthopedics cases in Main county indicates that NWH captures 78.0% of cases and loses just under 14% to regional competitors. However, a review of the secondary markets shows that the share captured by NWH rapidly declines to 23% in the full 10 county area.

Traumatic Accidents In The County

An analysis of regional trauma incidence rates against population demographics indicates that 36 cases per year of orthopedic traumas originate in the primary county. In these cases timely access to care is essential to outcomes.

Marketing Strategy

NWH has a robust in-house marketing function that will allow the proposed model to be marketed to the community at a minimal incremental cost. To keep costs low while the model develops, the initial marketing push will be focused largely on internal stakeholders including NEHP primary care physicians and their panels. The objectives of these marketing activities will be as follows:

- Work with primary care physicians to close gaps in care for all qualifying patients by demonstrating how to order a referral through this model at each practice location.
- Creating appropriate office education and collateral for patients that may not understand the new orthopedic options.
- Create referral pathways and supporting documentation for use by physician liaisons with non-NEHP community primary care physicians.

Marketing Budget and Expected Return

Given the limited advertising spend required on purchasing magazine, radio or other media space and the proposed marketing strategy above, the marketing budget is relatively low with a high expected rate of return. The table below outlines the projected expenditures by area for the first year and the anticipated rate of return:

Marketing Activity	Expense	Projected Return on Investment (ROI)
Primary Care Lunch and Learns	\$2,000	It is anticipated that through these educational activities, NEHP would be able to capture an additional 10 procedures per year resulting in \$20,000 in incremental return
Patient Printed Education and Collateral	\$1,500	It is anticipated that this collateral will generate 5 additional procedures per year resulting in \$10,000 in incremental return
Referral Pathway Development	\$10,000	It is anticipated that the development of these IT pathways and standard instructions for community providers will result in 25 additional procedures per year contributing \$50,000 in incremental margin
Totals	\$13,500	\$80,000

Financial Projections

Summary of Financial Needs

In order to operationalize the proposed PSA, this program will require capital outlays estimated at \$650,000. The table below outlines how this capital is expected to be utilized:

Capital Need	Overview	Estimated Expense
Space improvements	Improvements to the office space that will include carpet, paint, movement of non-structural walls and general space refresh activities.	\$90,000
EHR Build	Development of the necessary Epic functionality to support operations of an orthopedic practice and integrated	\$120,000

	functionality with the surgery suite	
Working Capital Loan	Loan to the physician practice to support them as legacy receivables are worked down prior to initial PSA payments	\$50,000
Start Up Working Capital	Working capital to cover the first months expenses of the proposed model until receivables begin to be paid	\$280,000
	Totals:	\$540,000

Projected Income Statement

Volume	Year 1	Year 2	Year 3	Year 4	Year 5
Hospital Cases ¹	2,885	4,761	5,237	5,237	5,237
Professional WRVUs ²	38,255	55,212	59,624	59,624	60,086
PSA Related Net Revenues					
Professional Net Patient Revenues ³	\$ 2,633,094	\$ 3,800,255	\$ 4,103,947	\$ 4,103,947	\$ 4,135,691
Facility Contribution Margin ⁴	<u>3,606,667</u>	<u>5,951,000</u>	<u>6,546,100</u>	<u>6,546,100</u>	<u>6,546,100</u>
Total PSA Related Net Revenues	\$ 6,239,761	\$ 9,751,255	\$ 10,650,047	\$ 10,650,047	\$ 10,681,791
PSA Expenses					
PSA Salary and Wage Costs					
Provider Clinical Costs ⁵	\$ 2,295,302	\$ 3,312,732	\$ 3,577,463	\$ 3,577,463	\$ 3,605,135
Physician Administration Costs ⁶	260,000	260,000	260,000	260,000	260,000
Clinical Support Staff Cost ⁶	179,120	223,900	268,680	268,680	313,460
Front Office Support Staff Cost ⁶	164,552	205,690	246,828	246,828	287,966
Ancillary Support Staff Costs ⁶	59,984	74,980	89,976	89,976	104,972
Business Operations Staff Costs ⁶	<u>149,276</u>	<u>186,595</u>	<u>223,914</u>	<u>223,914</u>	<u>261,233</u>
Total PSA Salary and Wage Costs	\$ 3,108,234	\$ 4,263,897	\$ 4,666,861	\$ 4,666,861	\$ 4,832,766
PSA Other Operating Expenses					
Supplies and Drugs ⁶	\$ 42,081	\$ 60,733	\$ 65,587	\$ 65,587	\$ 66,094
Fees					
Building and Utilities ⁷	219,679	219,679	219,679	219,679	219,679
Dues, Licenses and CME ⁸	16,000	20,000	24,000	24,000	28,000
Other Purchased Services					
Employee Productivity and Morale					
Depreciation and Amorization of Startup Costs	136,000	136,000	136,000	136,000	136,000
Total PSA Other Operating Expenses	\$ 413,760	\$ 436,412	\$ 445,266	\$ 445,266	\$ 449,773
Total PSA Expenses	\$ 3,521,994	\$ 4,700,309	\$ 5,112,127	\$ 5,112,127	\$ 5,282,539
PSA Contribution Margin	\$ 2,717,767	\$ 5,050,946	\$ 5,537,920	\$ 5,537,920	\$ 5,399,252

¹ Based on a blended average of OP performance from 2017 of 1442.6

² Based on MGMA Provider Compensation and Production Survey data for providers

³ Based on an assumed net patient services revenue of \$68.83 per WRVU

⁴ Based on 2017 performance from all NWH OP cases

⁵ Provider costs are calculated by finding the product of professional fee WRVUs and \$60

⁶ Based on MGMA Cost and Revenue survey data for surgical practices

⁷ Based on NWH experience

⁸ Based on an assumed value of \$4000 per physician FTE

Break Even Analysis

The primary driver in profitability of this model is the volume of hospital cases that would be performed in the surgery suite to offset the added expenses created by the practice and the PSA. According to the projections required to create a contribution margin of 0, indicating break-even has been achieved, the program would need to achieve a hospital case volume of 711.

Volume	Year 1
Hospital Cases ¹	711
Professional WRVUs ²	38,255

PSA Related Net Revenues

Professional Net Patient Revenues ³	\$	2,633,094
Facility Contribution Margin ⁴		<u>888,900</u>
Total PSA Related Net Revenues	\$	3,521,994

PSA Expenses

PSA Salary and Wage Costs

Provider Clinical Costs ⁵	\$	2,295,302
Physician Administration Costs ⁶		260,000
Clinical Support Staff Cost ⁶		179,120
Front Office Support Staff Cost ⁶		164,552
Ancillary Support Staff Costs ⁶		59,984
Business Operations Staff Costs ⁶		<u>149,276</u>
Total PSA Salary and Wage Costs	\$	3,108,234

PSA Other Operating Expenses

Supplies and Drugs ⁶	\$	42,081
Fees		
Building and Utilities ⁷		219,679
Dues, Licenses and CME ⁸		16,000
Other Purchased Services		

Employee Productivity and Morale		
Depreciation		136,000
Total PSA Other Operating Expenses	\$	413,760
Total PSA Expenses	\$	3,521,994
PSA Contribution Margin	\$	-

Innovative Elements and Expected Outcomes

Organizational Impact

As a community health system, NWH is always looking for opportunities to improve the health and wellness of its community. As reimbursement continues to shift and physician shortages further constrain the organization’s ability to meet this need, finding opportunities that create a significant patient care benefit while also helping to subsidize programs that may not cash flow is essential to success. The PSA between OP is an exciting opportunity to help enhance the wellness of the region through better screening and detection and also positively impact the financial position of the health system.

Innovative Elements

The PSA is innovative for NWH in that it offers an alternative to physician employment that provides the benefits that health systems look for through integration including consistency of management, ease of process and ability to control cost while also recognizing the need for physician independence and autonomy. The proposed model helps to stabilize a program and allow an independent practice to grow in an age where practice acquisitions and closures are becoming increasingly frequent.

Next Steps

NWH and OP are excited about launching this venture. Next steps include: securing final board approval and convening the implementation team to begin execution of the work plan.