



WHEN TO HIRE A NEW PROVIDER

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www.PediatricSupport.com

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Agenda

- Why Add A Provider?
- Financial Considerations
- Compensation Formulas
- Contract & Partnership Issues

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The screenshot shows the Pediatric Management Institute website. The navigation menu includes Home, PMI Conference, Services, Calculators, The Practice Supervisor, **Videos** (circled in red), Leadership Tips, Articles, and More. A search bar is located in the top right. Below the navigation, there is a banner for the Pediatric Practice Management Conference, scheduled for January 24 & 25, 2020, in Miami/Hilton Downtown. The main content area features a video player titled "Determining How Much To Pay A Provider". To the right of the video player is a promotional box for "IntelliTraq" with the text "Want a business intelligence solution built exclusively for Pediatrics?" and a "Find Out More" button. Below the video player, there are three links: "Click here for slidedeck", "Click here for sample spreadsheet", and "Click here to access online provider compensation calculator". At the bottom of the page, there is contact information for the institute and a "Support.com" logo.

Determining How Much To Pay A Provider

Often times practices struggle to figure out how much to pay a physician or extender. This often leads to over or under-paying the providers. This video will walk you through the process to identify the financial variables one should look at to determine how much to pay a provider. After viewing this video, you will have the knowledge they need to properly determine how much one can afford to pay a provider while ensuring they are paid fairly.

[Click here for slidedeck](#)
[Click here for sample spreadsheet](#)
[Click here to access online provider compensation calculator](#)

Want a business intelligence solution built exclusively for Pediatrics?
 Check out IntelliTraq from PMI...
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Summation Of Several Webinars (Available On PMI Website)

- *Monitoring Your Practice Financials*
- *Effective Interviews To Find The Right Person*
- *Determining How Much To Pay A Provider*
- *SWOT Analysis For Pediatrics*
- *Scheduling To Maximize Productivity*

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The image shows silhouettes of a woman and a man shaking hands. To the right, a large orange speech bubble contains the following text:

... We must first accept the fact that a Pediatric practice is really a small business and must run on sound, generally accepted business principles to remain viable."

Below the speech bubble, there is a URL and a website name:

<http://practice.aap.org/content.aspx?aid=1808>
 What information you need to look at...
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The Pediatric Management Institute logo is located in the bottom right corner.

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Fundamental Objective...

What We Want To Avoid:

Adding to practice cost...While seeing the same number of patients in the practice...

Fundamental Objective...

Ideally, We Want:

- Prevent loss of patients when an existing provider leaves
 - *Maintain Current Business*

OR

- Capitalize on opportunity for new patients to come into the practice
 - *Gain New Business*

Why Add Another Provider?



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What is the Real Question

The question is NOT :

“ **Can they AFFORD another provider?** ”

The question is :

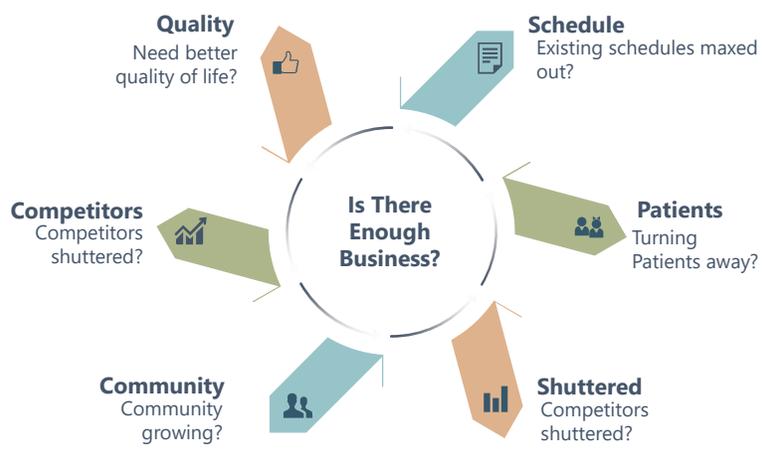
“ **Do you they ENOUGH BUSINESS for a new provider?** ”

Why another Pediatrician and not Extended Provider?
Be prepared to sell yourself...

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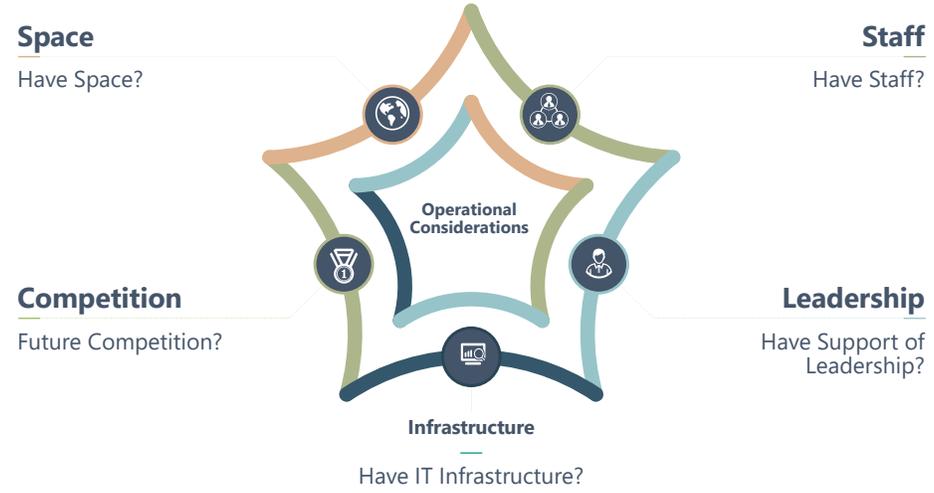
What is the Real Question?



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What is the Real Question?



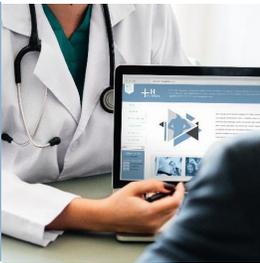
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Pediatrician Profile

New vs. Experienced Pediatrician*

- New - \$165,271
- Experienced - \$174,321



Worth \$9,050 difference?

- Habits
- Lifestyle
- Expectations
- Managerial Capabilities / Business Acumen
- Clinical Management of Underserved Population
- Specialty needed within practice- Neonatal coverage / Standby

Comes down to personality and practice fit



*AMGA 2013 Medical Group Compensation and Financial Survey- 2013 Report based on 2012 Data

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How Will They Support the New Provider?

Shift Existing Patients

01



Let them Develop Niche

03

Stop Taking New Patients

02

Marketing Efforts

04

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PEDIATRIC PRACTICE MANAGEMENT CONFERENCE

- January 24 & 25, 2020
- Miami Hilton Downtown

PEDIATRIC PRACTICE.
CME now available for attendees!

The Practice Supervisor

PMI Leadership / Supervisor Training

Welcome to the PMI Leadership/Supervisor training program. This six-part video/workbook series is designed to help managers, administrators and supervisors in a Pediatric organization learn what they need to effectively supervise others.

Over the next six weeks we will be releasing one topic each week:

- Available Now: Effectively Supervising Others
 - Video: 12 Minutes
- Available Now: Fundamentals Of Effective Leadership
 - Video: 30 Minutes
- Available Now: Team Building
 - Video: 19 Minutes
- Sep. 23, 2019: Communication Skills
 - Video: 25 Minutes
- Sep. 30, 2019: Managing Disciplinary Issues
 - Video: 6 Minutes
- Oct. 7, 2019: Managing Difficult Conversations
 - Video: 37 Minutes

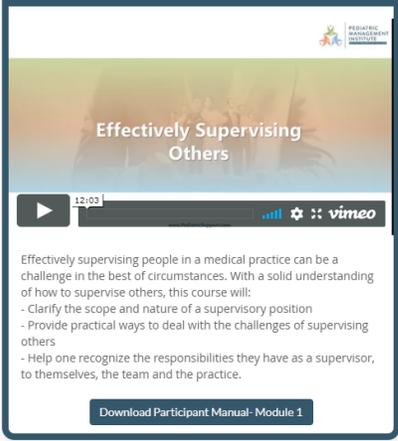


PEDIATRIC PRACTICE MANAGEMENT CONFERENCE

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Module 1 - Effectively Supervising Others



Effectively supervising people in a medical practice can be a challenge in the best of circumstances. With a solid understanding of how to supervise others, this course will:

- Clarify the scope and nature of a supervisory position
- Provide practical ways to deal with the challenges of supervising others
- Help one recognize the responsibilities they have as a supervisor, to themselves, the team and the practice.

Download Participant Manual- Module 1



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The Options

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What is the Standard?

	Visits	250	200	175	150
Mean	4,168	16.67	20.84	23.82	27.79
Std Dev	1,488				
20th %ile	2,985	11.94	14.93	17.06	19.90
Median	4,001	16.00	20.01	22.86	26.67
80th %ile	5,266	21.06	26.33	30.09	35.11
90th %ile	6,050	24.20	30.25	34.57	40.33

*AMGA 2013 Medical Group Compensation and Financial Survey 2013 Report based on 2012 Data



AMGA 2017 Medical Group Compensation and Productivity Survey — 2017 Report Based on 2016 Data

Pediatrics and Adolescent – General (1320)

Net Collections								
	Number of Group Responses	Number of Provider Responses	90th Percentile	80th Percentile	Median	20th Percentile	Mean	Standard Deviation
Total	121	1,790	896,922	767,962	527,569	351,284	572,693	275,045
<i>Size of Group</i>								
Fewer than 50	11	51	714,835	598,662	365,906	241,867	413,112	215,055
50 to 150	39	302	864,177	755,041	537,523	402,368	577,870	240,929
151 to 300	34	458	917,757	728,627	490,063	325,638	565,561	331,901
More than 300	37	979	901,769	783,893	550,606	366,824	582,746	255,375
<i>Region</i>								
Eastern	19	328	1,035,109	870,213	683,415	432,069	677,988	306,434
Western	29	308	1,026,019	851,549	574,171	332,056	629,191	346,562
Southern	38	512	715,940	581,662	439,516	314,322	468,129	184,097
Northern	35	642	897,418	755,136	562,657	383,948	583,159	246,759
Work RVUs								
	Number of Group Responses	Number of Provider Responses	90th Percentile	80th Percentile	Median	20th Percentile	Mean	Standard Deviation
Total	177	2,987	7,705	6,717	5,393	4,204	5,517	1,776
<i>Size of Group</i>								
Fewer than 50	12	49	7,661	6,927	5,569	3,613	5,431	2,157
50 to 150	54	406	8,542	7,606	5,572	4,315	5,928	2,225
151 to 300	49	618	7,744	6,893	5,272	4,165	5,488	1,768
More than 300	62	1,914	7,499	6,505	5,398	4,210	5,441	1,645
<i>Region</i>								
Eastern	31	543	7,797	6,830	5,514	4,359	5,641	1,752
Western	39	626	6,869	6,238	5,262	4,165	5,258	1,387
Southern	43	619	8,333	7,311	5,739	4,415	5,912	1,975
Northern	64	1,199	7,697	6,583	5,217	4,047	5,391	1,821
Compensation to Productivity Ratio								
	Number of Group Responses	Number of Provider Responses	90th Percentile	80th Percentile	Median	20th Percentile	Mean	
Net Collections	121	1,790	82.3%	66.3%	45.8%	34.8%	55.0%	
Work RVUs	177	2,987	\$69.85	\$56.91	\$45.91	\$38.97	\$50.53	



Information Needed

Practices with High %age of FFS



 Revenue per Encounter

 Daily Activity
(Provider Days & Visits per Day)

 Overhead Rate

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What Does Revenue Per Encounter Tell Me?

Revenue per encounter is an excellent barometer of your financial health. There are many things that influence the revenue per encounter and consequently allow you to see the impact of things such as:

- Are your claims being processed timely?
- Are your claims being paid properly?
- Are you being paid fairly?
- Is your payor mix excellent, fair or poor?
- Are you following proper CPT coding guidelines?

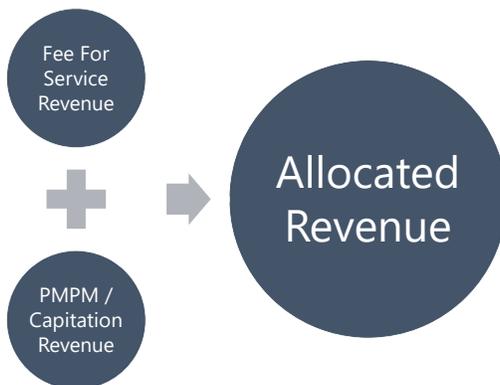


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1. Revenue per Encounter

$$\text{Total Allocated Revenue / Office Encounters} = \frac{\$500,000}{4,000} = \$125.00$$



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Break It Down

By Provider:

- 1.Number Of Office Visits
- 2.Total Revenue Allocated

Run for an entire 12-month period to pick up seasonal variations.

	Patients Seen	Revenue Allocated	Revenue Per Encounter
Provider 1	1,751	\$ 216,000	\$ 123.36
Provider 2	3,600	\$ 422,100	\$ 117.25
Provider 3	1,875	\$ 228,600	\$ 121.92
Provider 4	4,500	\$ 530,550	\$ 117.90

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2. Daily Activity

- Provider Days:
Scheduled days per week X weeks per year
4 days per week X 49 weeks = 196 Days
- Visits Per Day (Previous 12 Months)
Total Visits/Total Days Worked
4,000 / 196 = 20.4 Visits Per Day

Run the Numbers

A	Visits Per Day	20	<i>Estimate</i>
B	Revenue Per Encounter	\$ 145	<i>Analysis</i>
C	Revenue Per Day	\$ 2,900	<i>A X B</i>
D	Provider Days Worked	200	<i>Estimate</i>
E	Provider Annual Revenue	\$ 580,000	<i>C X D</i>

Run the Numbers

A	Visits Per Day	20	<i>Estimate</i>
B	Revenue Per Encounter	\$ 145	<i>Analysis</i>
C	Revenue Per Day	\$ 2,900	<i>A X B</i>
D	Provider Days Worked	200	<i>Estimate</i>
E	Provider Annual Revenue	\$ 580,000	<i>C X D</i>
F	Practice Overhead Rate	65%	<i>Analysis</i>
G	Practice Overhead	\$ 377,000	<i>E X F</i>

Run the Numbers

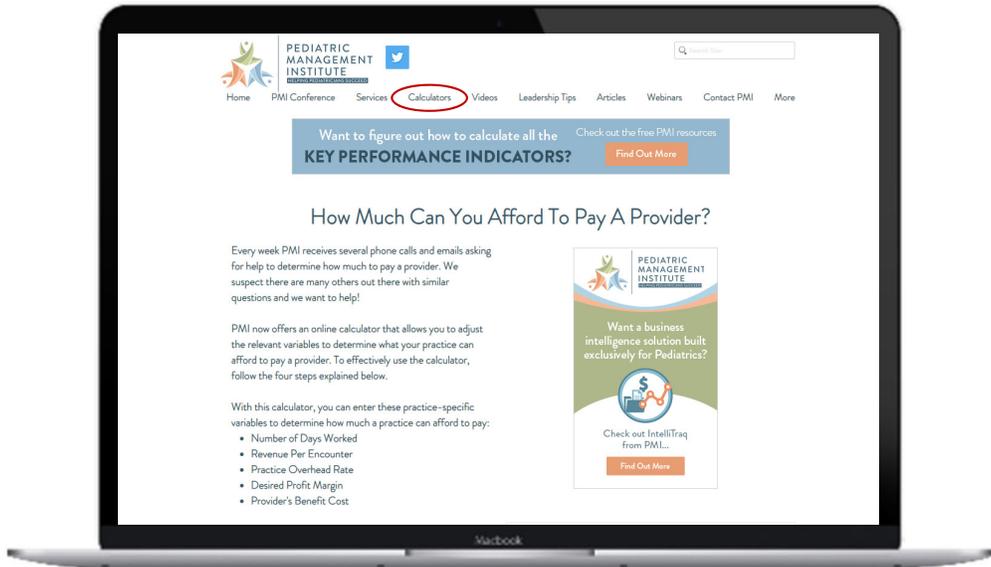
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E	Provider Annual Revenue	\$ 580,000	<i>C X D</i>
F	Practice Overhead Rate	65%	<i>Analysis</i>
G	Practice Overhead	\$ 377,000	<i>E X F</i>
H	Allowance for Provider (The Pot)	\$ 203,000	<i>E - G</i>

Run the Numbers

A	Visits Per Day	20	Estimate
B	Revenue Per Encounter	\$ 145	Analysis
C	Revenue Per Day	\$ 2,900	A X B
D	Provider Days Worked	200	Estimate
E	Provider Annual Revenue	\$ 580,000	C X D
F	Practice Overhead Rate	65%	Analysis
G	Practice Overhead	\$ 377,000	E X F
H	Allowance for Provider (The Pot)	\$ 203,000	E - G
I	Provider Salary	\$ 150,000	Survey
J	Provider Bonus	\$ 7,500	Analysis
K	Benefits (17%)	\$ 26,775	Estimate
L	Total Provider Cost	\$ 184,275	I + J + K
	Practice Margin/Profit	\$ 18,725	H - L



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Step 1
Estimate the number of days the provider will work over a given year.

Number of days the provider is expected to work per week:

Expected number of weeks the provider will take off for vacation:

Estimated number of sick days allowed for the provider:

Number of days provided for CME:

Estimated number of days the provider will work per year:
188.00

Step 2
Estimate how much money the provider is expected to generate.

Estimate of the number of patients the provider will see per day:

Average revenue per encounter expected for the provider:

Estimated Fee For Service Revenue Generated Per Year
\$ 506,081

Non Fee For Service Revenue Generated

Estimated total revenue attributed to the provider:
\$ 521,081

Step 3
Enter the practice financial information and desired profitability.

Practice Overhead Rate (Prior to Provider Compensation and Benefits)
 %

Estimated Cost Allocation
Equal to Total Revenue Attributed to the Provider (X) Practice Overhead Rate
\$ 301,706

Margin for Provider Compensation and Practice Profit
Equal to Total Revenue Attributed to the Provider (-) Estimated Cost Allocated to Provider
\$ 219,375

Practice Margin Percentage
 %

Desired Margin Amount
Equal to Total Revenue Attributed to the Provider (X) Practice Margin Percentage
\$ 27,357

Amount Available for Provider Compensation, Benefits and Cost
\$ 192,018

Step 4
Now you can estimate how much the practice can afford to pay a provider after considering expected benefit costs.

Estimated Malpractice Cost

Estimated Health Insurance Cost

Employer Retirement Contribution Costs

Amount Available for Base Salary, Bonus and Employer Payroll Costs
Practice should also discount the amount below to account for the estimated 7.65% cost related to the employer portion of Social Security, Medicare, etc.

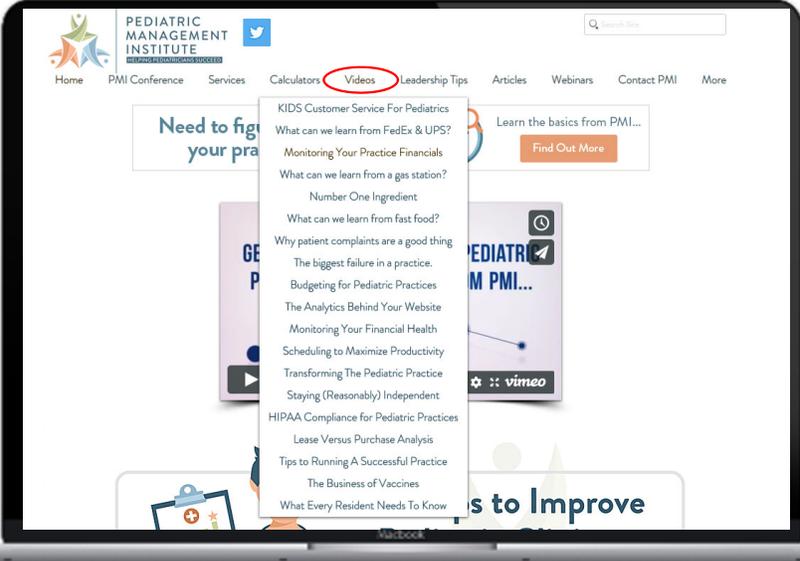
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Refining the Analysis



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Physician Obligations



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Negotiation



What is the compensation?

Salary

- Varies Regionally
- Supply and Demand
- Future Increases

Bonus(es)

- Sign On Bonus
- Retention Bonus
- Productivity Bonus (wRVU's)
- Quality Bonus
- Predefined or Subjective
- Planned or at their Discretion

Roll to Retirement?

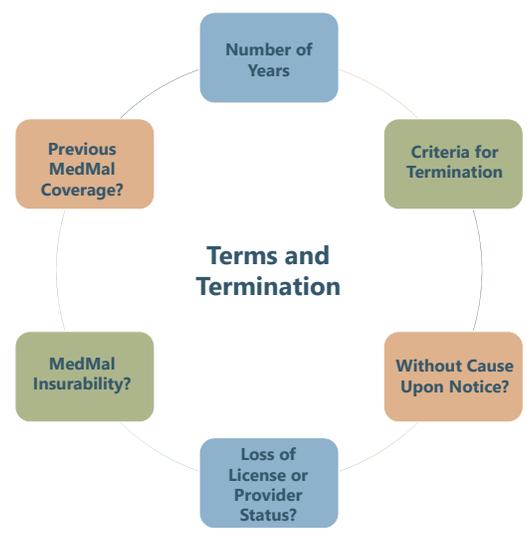
Deferred Compensation?

Can you cash the check right away?

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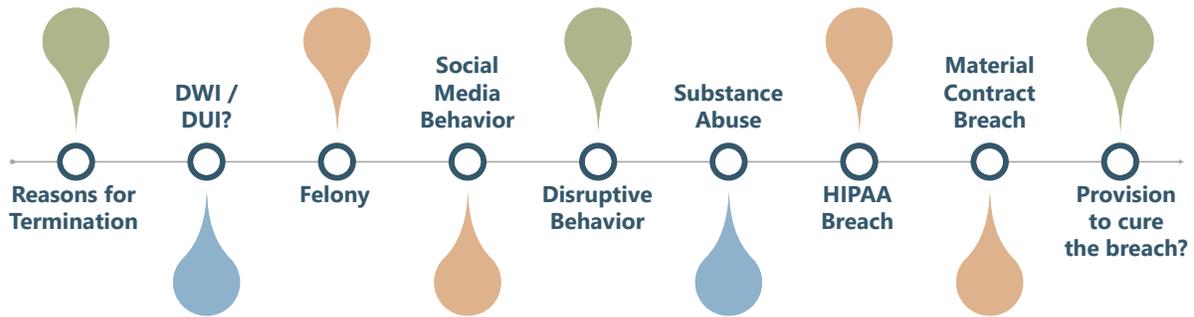
Terms and Termination



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The Nitty Gritty



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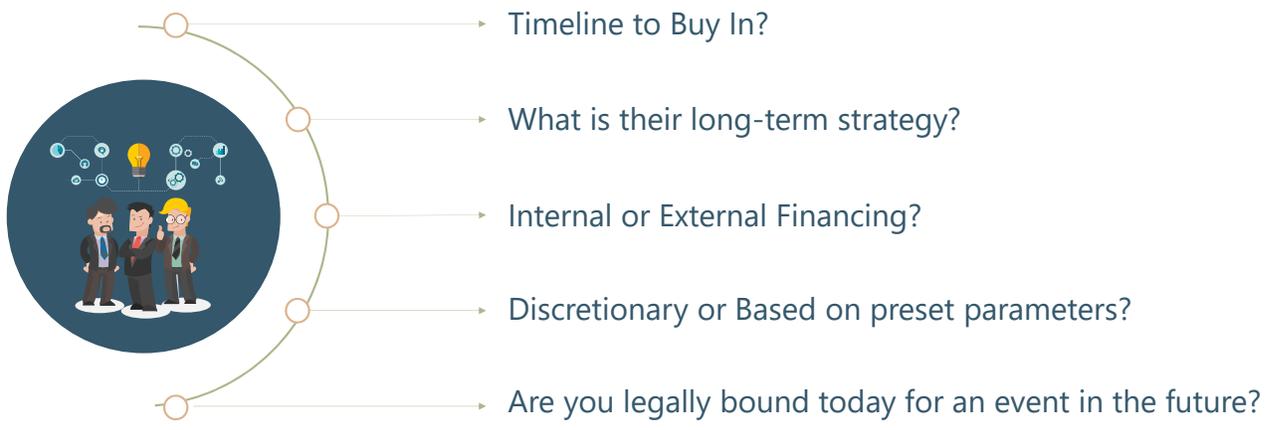


Maternity Leave

- Paid or Unpaid
- Accumulate Vacation / Sick Time
- Length
 - 6 – 12 weeks
- Delayed return could mean voided contract
- FMLA provisions?
 - Treat as owner or as employee?



Partnership Discussions



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All Posts

Paul D. Vanchiere, MBA · Nov 20, 2014 · 5 min read

Common Issues Overlooked In Shareholder Agreements

The biggest challenge of a Shareholder Agreement is to recognize that the individual shareholder compensation needs to be broken into two distinct parts. The first part deals with the compensation for their time and energy providing medical care to their patients. The second part should reflect the financial rewards that come from owning a successful medical practice. When possible, care should be taken to distinguish these two facets.

In addition to the usual boilerplate Shareholder Agreements for physician practices that can cover hundreds of issues, below is a list of items that are commonly overlooked. This is not to be considered legal advice- merely some observations based on my 20 years of experience in healthcare management.

- 1. Personal Responsibility for Coding Audits-** To avoid improper coding/documentation penalties and recoupments from affecting the entire

13 of the most common issues overlooked in practice Shareholder / Operating Agreements....



Keys To Determining What You Can Afford



It's hard to compete with hospitals...if you pay more than you can afford, it will not work. Practices need to focus on providing a fair compensation and convey the value proposition of working for the practice instead of a bureaucratic-laden organization...

You can't argue with math...either you can afford to pay the provider or you can't