On-Call Management from Reardon Consulting…

We understand the economics and regulatory implications of On-call services.

Reardon Consulting (RC) is a leading health care consulting firm with a concentration in acute care services. We work closely with hospital executives, physician executives and their attorneys in attempting to comply with some of the highly complex issues involving the relationships among health care providers and acute-care healthcare entities.

National Reputation

Over 50 years of Practice (Founded in 1947)

Experienced In On–Call Management

Today's challenges in healthcare require a level of expertise and specialization that few firms can provide. Our concentration in acute care provider based solutions makes us uniquely qualified to assist clients in developing economically sound and regulatory compliant solutions. Our management harkens from a combination of hospital based and practice based management perspectives. This allows us to maintain an appreciation for the unique attributes of each and to be able to bridge any gap in communication that is crucial to any successful collaborative endeavor.

Malpractice liability, declining reimbursements, sub specialization and lifestyle limitations all contribute to On-call shortages.

- We understand the implications of EMTALA on On-call services.
- We have hands-on experience in physician / hospital compensatory economics and we know what the regulations require.
- We are experienced in establishing on-call economic and non-economic compensatory arrangements.

On-Call Considerations

Objective criteria for establishing specialist remuneration for E.D. calls include consideration of:

- Market-based compensation for specialists;
- Specific time commitments of E.D. calls;
- Restrictions the call obligations may impose (for example, the specialist's time on call must be exclusively dedicated to the E.D.);
- Historic frequency of active engagement of the specialist in the E.D. caring for patients vs. availability in "stand-by" mode. (In other words, the frequency with which the specialist is actually called to the E.D.);
- Potential private-practice income forfeitures for specialists taking E.D. calls;
- How the cost of the stipend arrangement with voluntary specialists compares to the cost if the hospital employed an adequate number of specialists to provide the same service. For a 24-hours-a-day, seven-days-a-week, 365-days-a-year exclusive service, this would require roughly five full-time physicians per specialty; and
- Market comparables, i.e., what similar organizations in similar markets pay for similar commitments.

The RC Advantage

- **E**xperienced practice and hospital based professionals with a proven track record in physician compensation planning, Market-based compensation for specialists, and Market comparables, i.e., what similar organizations in similar markets pay for similar commitments, and strengthening the value.
- **D**emonstrated understanding of regulatory compliance and the legal considerations relating to fair market value or "reasonableness".
- **C**ommitment to providing and implementing innovative, "best practice" observations and recommendations.
- **U**nderstanding of physician motivators that enables us to assist you to develop an on-call arrangement that satisfies both economic and regulatory aspects.

On-Call Management (cont'd)

What Kinds of Alternative Compensation Arrangements Are Currently In Play?

1. *Reducing On-Call Physician Usage by Hiring*

Some hospitals are hiring physicians (from the medical staff or elsewhere) to take call from approximately 11 pm to 7 am several days per week to prevent on-call duty from becoming too burdensome. This method can be effective by reducing the need for physician call for certain specialties such as general surgery, internal medicine and anesthesiology.

It can reduce the on-call burden for these specialists and, by paying for call for only 8 hours per day, the hospital is able to reduce its call cost and concomitantly the call burden to its full-time medical staff.

2. *Utilizing Hospitalists*

Another approach is the utilization of hospitalists, who can stabilize and admit patients, mitigating the need for certain on-call physicians to respond to the hospital immediately. Although such a solution can ease the on-call burden in some specialties, the effectiveness of this strategy is limited by the hospitalists' availability to perform an E.D. assessment and their lack of specialized expertise.

3. *Utilizing Physician Extenders*

Some hospitals have begun to consider altering their call coverage requirements by allowing physician extenders (PAs, Nurse Practitioners, and Mid-wives) from certain specialties to share first call. This typically necessitates a medical staff by-law change to enable this approach. This has the benefit of lessening the call burden to the physician, although the physician will often be required to take 2nd call, which, however, is typically perceived by the physicians as less burdensome.

4. *Outsourcing*

Some hospitals have begun utilizing an outsourcing solution that includes productivity-based payment guarantees for physicians. Herein, the hospital contracts with a third-party entity to recruit physicians to provide on-call services. The physicians agree to assign their professional fees for E.D. services to the hospital; the third party company bills insurers for E.D. professional services on behalf of the hospital and pays the physicians for these services based on a guaranteed amount per relative value unit (RVU). Here, the hospital pays the difference between the fees actually collected and the amount paid to physicians to the outsourcing company plus a fee for the company's services.

Under this arrangement:

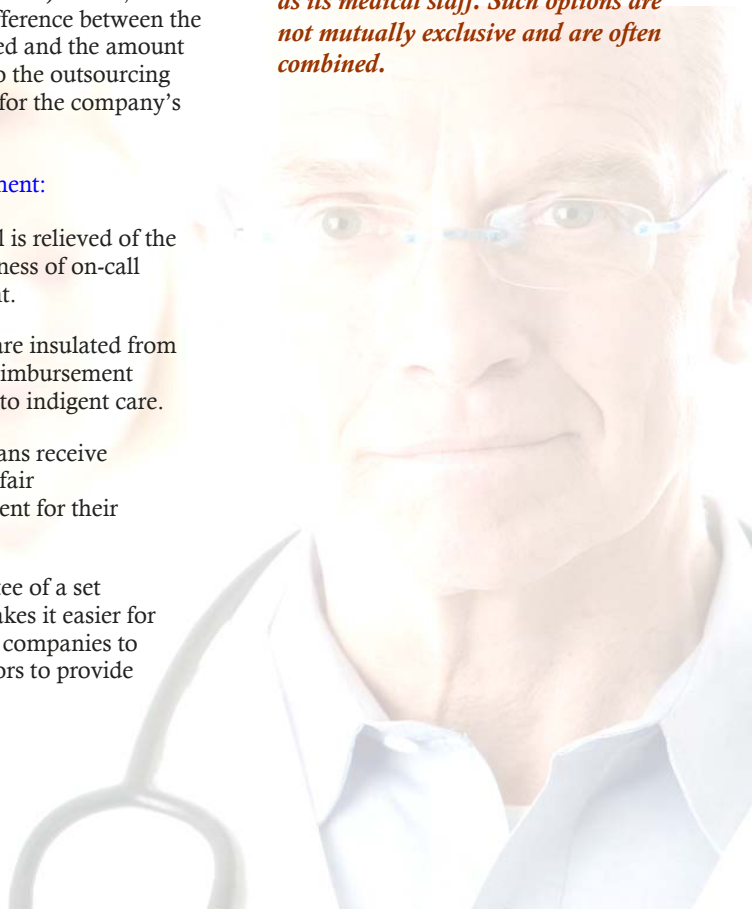
- The hospital is relieved of the contentiousness of on-call management.
- Physicians are insulated from low to no reimbursement attributable to indigent care.
- The physicians receive regular and fair reimbursement for their services.
- The guarantee of a set payment makes it easier for out-sourced companies to recruit doctors to provide call.

5. *Payment by Specialty for Excess Call"*

Some hospitals have created thresholds, by specialty, which adjusts the amount of pay by each specialty. They require physicians to provide a fixed number of days on call per month **without pay.** Under this method, each specialty is placed into a level predicated upon such things as establishing a minimum number of days each physician must be on call and rendering payment only for days that exceed a certain number per month, as agreed to by the hospital and medical staff.

In one example, all physicians are expected to provide up to 7 days on call (equivalent to a 1 in 4 call schedule), regardless of specialty. Beyond 7 days, physicians are paid at different levels based on fair market values. This approach provides an objective way of varying payments to specialists and includes the flexibility of modifying payments by specialty.

These are only representative options. Each institution's response is as unique as its medical staff. Such options are not mutually exclusive and are often combined.



Our professionals have extensive experience in identifying economically sound and regulatory compliant provider / hospital compensation strategies. We provide the depth and breadth of experience demanded by Senior Managers.

We typically divide our process into 4 Phases so that the project can be priced and undertaken in Steps, as approved by you. This allows you to stop the engagement at any time or upon completion of any particular Phase, should you so choose.

In Phase I we assess your current environment: the market, medical staff by-laws, current design model, coverage insufficiency, define current responsibilities of On-call physicians, evaluate E.D. On-call on an FTE by specialty basis and map the process with a client appointed steering committee.

In Phase II we assess the compensatory options available, make recommendations to

the steering committee as to which one or ones most closely conform to your demonstrated needs that contain the primary drivers that are best suited to your circumstances.

In Phase III we conclude a comprehensive plan supported by a Reasonableness Opinion to assist you to implement the plan.

In Phase IV we stand ready to serve as your Third Party Administrator (TPA), should you choose or, we will craft an RFP to secure a TPA, should management determine to outsource this function.

A well-intended solution that is not well thought out can cost millions to your bottom line, not to mention the goodwill relationship with your doctors.

The Reardon Group of Companies:

Reardon Consulting, Inc.
Healthcare, Financial and Management Consulting

Weiss + Reardon & Company, P.C.
Healthcare Accounting and Tax Services

Valuation Advisors, Inc.
Valuations for Practice Mergers & Acquisitions, Estate & Gift Taxes and Litigation Services

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