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Revenue Enhancement Strategies For Orthopedic Surgeons

Jack T. Diamond, Esq., Jeana M. Singleton, Esq.* and Samantha L. Prokop, Esq.**

As payers continue to reduce payments, and as quality monitoring, reporting, performance, and other expectations rise, savvy surgeons are looking for ways to increase revenue and ensure that their businesses are in a position to thrive financially. This article is intended as an overview for orthopedic surgeons regarding various revenue enhancement strategies. In this ever-changing reimbursement environment, a penny saved is a penny earned.

There exist within current federal regulations several opportunities for surgeons to increase efficiency, quality, and patient satisfaction while simultaneously increasing revenue. If not structured in a compliant manner, however, these arrangements can prove to be fatal in a strict regulatory environment including violations of the Stark law, anti-kickback statute, False Claims Act, and imposition of civil monetary penalties as well as the risk of criminal conviction.

In determining which strategy might be best for your practice, it is first important to determine your appetite for risk. The proposed strategies below must be carefully arranged to meet statutory and regulatory requirements. As such, it is crucial that in order to take advantage of these strategies, you consult experienced healthcare legal counsel, and stay informed about ever-changing healthcare laws and regulations.

Accountable Care Organizations

Accountable Care Organizations (ACOs) are entities that are created with two main goals: (1) improve the quality of care provided to patients, and (2) reduce healthcare costs. ACOs can participate in both commercial and government healthcare programs. High-performing healthcare providers receive higher reimbursement based on meeting or exceeding set quality metrics or demonstrating their contributions to cost-savings within the ACO and sharing in that savings. Orthopedic surgeons wishing to participate in generating savings for ACOs should identify ACOs in their region and begin developing cost-saving strategies and negotiating increased reimbursement for demonstrated savings.

Gainsharing Arrangements

Gainsharing is a method in which hospital and physician incentives are aligned to encourage sur-

* Brennan, Manna & Diamond
Attorneys & Counselors at Law
Akron, Ohio
www.bmdllc.com

geons to produce cost-savings by allowing hospitals to share the cost-savings recognized by physicians' efforts with physicians. The program includes an independent third party review to monitor cost-savings and establish a floor that cost-savings cannot fall below to avoid limiting the quantity or quality of services provided to patients. Gainsharing arrangements are highly regulated, but when structured properly, can generate significant cost-savings for hospitals and significant revenue for surgeons.

Hospital Outpatient Department ("HOPD") Model

Hospital-based reimbursement is significantly higher than that of free-standing or physician owned facilities. Hospitals often receive as much as twice the reimbursement for the same procedures performed in a hospital-based setting than in other settings. In order to operate as an HOPD, the department must meet Medicare requirements for hospital departments. The benefits of becoming an HOPD are significant. Surgeons will automatically increase reimbursement on average 40% to 80% depending on the payer mix and service line. Further, there is increased operational flexibility and the opportunity to receive additional fees under a management agreement where the physician practice agrees to manage the department. Further, the model typically results in increased efficiency and convenience for patients.

Split-Billing and Ancillary Services

The HOPD model allows surgeons and hospitals to take advantage of split-billing arrangements. Split-billing arrangements allow the hospital to bill the technical component and the physician to bill the professional component of procedures versus billing globally. The facility fee (technical component) in a hospital setting is typically higher than that allocated to procedures performed in a physician office setting. This is due to the higher overhead that hospitals incur. Further, patients can be referred for ancillary services, which are also reimbursed at the higher, HOPD price.

Sale-Leaseback Arrangement

Under this model, surgeons sell their group practice to a hospital, which leases the practice back to the surgeons for fair market value. The result is lower overhead, substantially reduced personal liability, and favorable tax treatment. The arrangement operates as a financing tool for surgeons. The surgeons still retain control of their practice and recognize increased revenue.

Technology Partnerships

One of the biggest struggles hospitals face is being able to purchase new, innovative technology and equipment. On the other hand, physician practices may have funds on hand to purchase a piece of equipment or already purchased equipment that the practice is not using. These situations create a unique opportunity for surgeons to increase revenue by entering into arrangements with hospitals to lease or finance the equipment. In the alternative, if an orthopedic practice cannot afford a large, expensive surgical device, the hospital could purchase the equipment and partner with a specialist to promote a new procedure. These arrangements create mutually beneficial financing and revenue enhancement opportunities for both hospitals and orthopedic surgery practices.

Co-Management Arrangements and Commercial Under Arrangements

Commercial under arrangements involve a hospital contracting with a third party to provide services on behalf of the hospital. The contracted third party (i.e. surgery group) can benefit from higher reimbursement rates that typically exist under hospital contracts with commercial payers. It is important to note, however, that when parties utilize a commercial under arrangement structure, the arrangement only permits services to commercial and self-pay patients. The parties could not bill government payors for services rendered under this structure.

Additionally, the surgeons and hospitals can create a joint venture management company. The company will manage services in a specific hospital department on an at-risk basis. Under this arrangement, the surgeon group is typically responsible for clinical quality of care initiatives, care coordination, and supply chain management. The arrangement often results in increased operational efficiencies, increased patient satisfaction, and an expanded patient base and profile of the orthopedic surgeon group in the community.

Leadership Roles

Orthopedic surgeons have specific knowledge and expertise that can benefit entities such as hospitals, distributors, manufacturers, educational institutions, and other entities. These entities will often pay orthopedic surgeons as consultants or medical directors. The fees can be paid to the orthopedic surgeon's group practice or to the orthopedic surgeon individually. These leadership roles entail services such as attending meetings, participating in quality and other committees, developing and implementing new processes or procedures, and reviewing design and performance of surgical materials, among others. These relationships allow orthopedic surgeons to enrich the surrounding communities with their innovative ideas and expertise while allowing the orthopedic surgeon to gain more exposure in the community and establish a reputation for being a premier expert in his/her field.

Ownership Interests in Manufacturers and Distributors

Orthopedic surgeons can increase revenue through return on investments from ownership interests in manufacturers and distributors. Surgeons must be careful that their ownership interests do not result in over-utilization of products paid for under federal healthcare programs or interfere with independent medical judgment.

MSOs, GPOs, and IPAs

With overhead costs rising and reimbursement rates declining, independent physician practices can benefit from leveraging their services and purchasing power by creating an integrated physician association ("IPA"). IPAs can be structured for various levels of integration from a loose, contractual affiliation to complete integration including billing under one provider number. IPAs allow physician practices to leverage purchasing power through group purchasing and contract negotiation for products and services such as office supplies, cleaning services, group health plans, office staff, and insurance. The IPA can also benefit from volume discount purchases through group purchasing organizations ("GPOs"), which give discounts and rebates, which are often more significant for higher volume purchases. Through integration, the IPA can also operate as a management services organization ("MSO") to provide services for its physician members. These models allow surgeons to leverage purchasing power and make purchases from their own organizations, resulting in greater revenue.

Ownership in ASCs and Hospitals

Surgeons can recognize increased revenue by owning ASCs and hospitals. These models align surgeon incentives with that of the entity resulting in operational efficiencies, cost-savings, and increased revenue for the surgeon owners. Hospital ownership is more limited for surgeons than ownership in ASCs, but can be accomplished by owning the real estate, and creative financing models.

Medical Tourism

Surgeons can combine work and relaxation through participating in medical tourism opportunities. For instance, the Greenbrier Medical Institute offers a program where surgeons can participate in a timeshare and provide services to patients while simultaneously enjoying the amenities the resort has to offer. This opportunity allows surgeons to travel, provide services to patients in a state-of-the-art setting, and also attracts high profile patients and surgeons.

Other Ideas

There are endless opportunities for entrepreneurial surgeons to increase their revenue. Some additional ideas include the following:

- Call coverage arrangements;
- Ownership in imaging and physical therapy service lines;
- Real estate ownership and leases;
- Billing company ownership and operations;
- Expansion assistance and consulting (i.e. physician recruitment);
- Efficiency through leveraging the use of physician assistants, advanced practice nurses, and residents; and
- Private label/generic implants.

Conclusion

As payers tighten their belts resulting in reduced payments to providers, surgeons with an entrepreneurial spirit can embrace this ever-changing regulatory environment by entering into innovative business arrangements which improve the quality of healthcare for patients, reduce healthcare costs, and allow surgeons recognize increased revenue for their efforts. In such a highly regulated environment, it is imperative that these models are properly structured in accordance with federal, state, and local laws and regulations. As such, it is important that you consult experienced, healthcare legal counsel to assist you in taking advantage of these innovative business structures that can significantly enhance the revenue cycle of your practice.

For additional information on these opportunities, please contact Jack T. Diamond, Esq. (330) 253-1820, jtdiamond@bmdllc.com, Jeana Singleton, Esq. (330) 253-2001, jmsingleton@bmdllc.com, or Samantha L. Prokop, Esq. (330) 253-3766, slprokop@bmdllc.com.