Current Topics in Anesthesia Business Management

KOAMA – French Lick
August 2014

Joe Laden
2014-2015 Topics

- Obamacare
- Joan Rivers
- Surveys of Salaries and Commercial Fees
- Mergers and Acquisitions
- Anesthesia group dislodgment
- HIPAA (mobile/distracted)
- Company Model and Gastro Anesthesia
- PQRS/VBPM
- MGMA Compensation & Production
- Cochrane Study-MD vs CRNA
- ICD-10
- New HCPCS Modifiers 2015
ObamaCare & Anesthesia

What happened so far this year?

- Medicaid opt-in states increased number of Medicaid anesthesia patients and decreased patients w/o insurance (Kentucky, Ohio-no website)
- Non opt-in states, not much change (Indiana)
- Narrow networks disrupted patient allocation
- Some plans paid low anesthesia rates
- Low income patients do not pay large deductible amounts to anesthesiologists
- Some anesthesiologists ended up OON
ObamaCare

What happened so far this year?

• More patients needing surgery insured due to insurance availability for patients with medical and surgical conditions.

• Insurance for sick and aged patients more “affordable”

• One Anesthesia, PLLC Kentucky divisions Jan-Aug vs 2013:
  • Medicaid up 40%
  • No insurance patients down 50%
  • Most patients selected Kentucky Health Cooperative that did not restrict hospital networks
ObamaCare

What will happen next year?

- More insurance company participation
- More narrow networks
- Downward pressure on physician fees
- More bad debt on patient responsibilities
- Insurance rates have not stabilized
Key dates for the Health Insurance Marketplace

**November 15, 2014.** Open Enrollment begins. Apply for, keep, or change your coverage.

**December 15, 2014.** Enroll by the 15th if you want new coverage that begins on January 1, 2015. If your plan is changing or you want to change plans, enroll by the 15th to avoid a lapse in coverage.

**December 31, 2014.** Coverage ends for 2014 plans. Coverage for 2015 plans can start as soon as January 1st.

**February 15, 2015.** This is the last day you can apply for 2015 coverage before the end of Open Enrollment.
Joan Rivers

• In retrospect, after tragedy-lessons learned:
  o No selfies in OR, even if authorized
  o Anesthesiologist with emergency equipment safest situation
  o Is hospital safer than ASC?
  o Propofol issues
  o Non-credentialed providers
  o Signed consent form for all procedures
### MGMA 2014 Compensation and Production Survey
Based on 2013 Data

<table>
<thead>
<tr>
<th>Anesthesiology</th>
<th>15-Minute ASA Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric</td>
<td>MDs</td>
</tr>
<tr>
<td>----------------</td>
<td>-----</td>
</tr>
<tr>
<td>Eastern</td>
<td>193</td>
</tr>
<tr>
<td>Midwest</td>
<td>436</td>
</tr>
<tr>
<td>Southern</td>
<td>388</td>
</tr>
<tr>
<td>Western</td>
<td>315</td>
</tr>
<tr>
<td>ASA Units</td>
<td>1,332</td>
</tr>
</tbody>
</table>
# MGMA 2014 Compensation and Production Survey

Based on 2013 Data

## Anesthesiology - Total Compensation

<table>
<thead>
<tr>
<th></th>
<th>MDs</th>
<th>Groups</th>
<th>Mean</th>
<th>Std Dev</th>
<th>10th %tile</th>
<th>25th %tile</th>
<th>Median</th>
<th>75th %tile</th>
<th>90th %tile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>629</td>
<td>31</td>
<td>$407,624</td>
<td>$97,688</td>
<td>$303,680</td>
<td>$369,347</td>
<td>$399,378</td>
<td>$439,000</td>
<td>$527,958</td>
</tr>
<tr>
<td>Midwest</td>
<td>697</td>
<td>48</td>
<td>$447,218</td>
<td>$128,170</td>
<td>$288,917</td>
<td>$354,827</td>
<td>$448,114</td>
<td>$526,320</td>
<td>$592,328</td>
</tr>
<tr>
<td>Southern</td>
<td>576</td>
<td>42</td>
<td>$479,954</td>
<td>$117,719</td>
<td>$360,523</td>
<td>$411,418</td>
<td>$458,445</td>
<td>$554,859</td>
<td>$620,102</td>
</tr>
<tr>
<td>Western</td>
<td>428</td>
<td>24</td>
<td>$419,383</td>
<td>$130,999</td>
<td>$268,894</td>
<td>$336,111</td>
<td>$408,322</td>
<td>$518,182</td>
<td>$565,687</td>
</tr>
<tr>
<td>ALL</td>
<td>2,330</td>
<td>145</td>
<td>$439,509</td>
<td>$121,743</td>
<td>$300,916</td>
<td>$367,180</td>
<td>$426,047</td>
<td>$518,182</td>
<td>$578,200</td>
</tr>
</tbody>
</table>
ASA Commercial Fees Paid Survey 2013
In October ASA Newsletter

Table 1: National Managed Care Anesthesia Conversion Factors ($), 2013

<table>
<thead>
<tr>
<th>Conversion Factors</th>
<th>Contract 1</th>
<th>Contract 2</th>
<th>Contract 3</th>
<th>Contract 4</th>
<th>Contract 5</th>
<th>ALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>70.33</td>
<td>71.07</td>
<td>71.93</td>
<td>72.87</td>
<td>73.82</td>
<td>71.69</td>
</tr>
<tr>
<td>Low</td>
<td>32.00</td>
<td>38.00</td>
<td>36.00</td>
<td>44.00</td>
<td>45.00</td>
<td>32.00</td>
</tr>
<tr>
<td>25th Percentile</td>
<td>59.00</td>
<td>60.00</td>
<td>60.00</td>
<td>61.50</td>
<td>61.05</td>
<td>60.00</td>
</tr>
<tr>
<td>Median</td>
<td>66.00</td>
<td>67.10</td>
<td>68.30</td>
<td>69.00</td>
<td>68.75</td>
<td>67.61</td>
</tr>
<tr>
<td>75th Percentile</td>
<td>74.00</td>
<td>79.50</td>
<td>80.11</td>
<td>80.00</td>
<td>82.45</td>
<td>79.00</td>
</tr>
<tr>
<td>High</td>
<td>250.40</td>
<td>150.00</td>
<td>150.00</td>
<td>178.20</td>
<td>158.40</td>
<td>250.40</td>
</tr>
<tr>
<td>Number of Responses</td>
<td>223</td>
<td>210</td>
<td>188</td>
<td>146</td>
<td>104</td>
<td>871</td>
</tr>
<tr>
<td>Percentage of Managed</td>
<td>20.40%</td>
<td>11.90%</td>
<td>6.21%</td>
<td>4.40%</td>
<td>3.40%</td>
<td>10.60%</td>
</tr>
<tr>
<td>Care Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2014 ASA Survey will be in October ASA Newsletter
Anesthesia Practice Dislocation

- A few have happened this year
- Trend to threaten MD-only practices
- Vertical replacements (TeamHealth)
- Frequently a hospital ploy to beat down anesthesia stipends
- How to avoid replacement . . . . . .
Acquisitions and Mergers 2014 through August

**MEDNAX**
1. MEDNAX **acquired** Associated Anesthesiologists of Joliet (Ill.),
2. MEDNAX **acquired** Millburn, N.J.-based Anesthesia and Pain Management Group
3. MEDNAX **acquired** Kingston, N.Y.-based Cross River Anesthesiologist Services.
4. MEDNAX **acquired** Fredericksburg (Va.) Anesthesia Associates.
5. MEDNAX **acquired** Physicians Anesthesia Associates, a practice based in Baltimore.
7. MEDNAX **acquired** Summit (N.J.) Anesthesia Associates.

**North American Partners in Anesthesia**
9. NAPA **merged** with FOAA Anesthesia Services.
10. NAPA **announced** a strategic alliance with, Ill.-based Gateway Spine & Pain Physicians.

**Sheridan Healthcare**
11. Sheridan Healthcare **affiliated** with Greater Florida Anesthesiologists in Clearwater.
12. Sheridan Healthcare **acquired** San Ramon, Calif.-based Medical Anesthesia Consultants Medical Group
Acquisitions and Mergers 2014 through August

**U.S. Anesthesia Partners**
14. Dallas-based Pinnacle Anesthesia and Orlando-based JLR Medical Group announced that they will join Greater Houston Anesthesiology
15. U.S. Anesthesia Partners partnered with a group of around 30 anesthesia providers serving the Northeast Houston market.

**TeamHealth**
16. TeamHealth acquired Omaha-based Professional Anesthesia Services.
17. TeamHealth acquired Orlando-based Wolverine Anesthesia Consultants
18. TeamHealth acquired the operations of Tampa-based Florida Gulf-to-Bay Anesthesiology Associates.

**Independent groups**
Selling the Anesthesia practice

• Example: One MD owner with 4 CRNAs (Overhead = 9%, Practice Revenue = $1.5M)

• MD W-2 = $650,000

• MD sells and agrees to $400,000 salary.

• Purchaser pays 6 X $250,000 = $1,500,000

• MD receives future income now (paying you with your own money)
Selling the Anesthesia practice

- Tax on future income ($1,500,000) at 40% earned income rate = $600,000

- Tax on $1,500,000 sale at 20% capital gain rate = $300,000

- MD received $300,000 more with sale deal as a “gift” from IRS

- MD has money in hand while healthcare reimbursement system crashes.
Purchaser Improvements After Sale

- Reduce practice overhead via economies of scale
- Reduce billing and collection costs
- Group health, captive malpractice insurance
- Reduce MD & CRNA retirement and benefits
- Increase surgical volume
- Better deal with hospital
- Add pain practice
- Acquire additional hospital contracts in area.

(Acquirers think Healthcare reimbursement system is fine)
Selling the Anesthesia practice

- Group income of $1,500,000 added to acquirer’s top line revenue

- $250,000 plus “improvements” added to acquirer’s profit (16.7% or more profit margin)

- Mednax must double its acquisition every year to keep up its acceleration in earnings

- When will anesthesia market be tapped out?
How to Sell Part of Anesthesia Practice

1. Form MSO owned by practice MD owners
2. MSO charges practice, for example, 6% for billing, management, payroll, A/P, HR, contracting, etc.
3. Sell some or all of MSO to private equity “partner” (at least 51% so “partners” have control)
4. Raise MSO fee, for example by 10%
5. Acquirer purchases MD stock in MSO for a multiple of the increased MSO fee

*Doctors still own and control clinical practice*
How to Sell Part of Anesthesia Practice

1. Each MD owner = $1,000,000 practice revenue
2. Current MSO cost at 6% = $60,000/year
3. New MSO cost @ 16% = $160,000/year
4. MD owner salary reduced by $100,000 per year
   MSO acquirer pays each MSO owner
   \[5 \times X = $500,000\]
5. Acquirer receives $100,000 per year for $500,000 investment = 20% return
How to Sell Part of Anesthesia Practice

1. Like practice acquisition model, MD receives $500,000 presently at 20% tax rather than over 5 years at 40% tax
2. Works best with high non-owner to owner ratio (employed MDs and CRNAs)
3. Future considerations;
   • Clawbacks if revenue stream is not what expected
   • May be difficulty to hire doctors with a 16% load on practice revenue
Gastro Anesthesia & Company Model

- Company Model largely discredited
- Gastros now employ CRNAs to benefit from fees
- Reports of increased and excessive cost for endo
- 2014 Fee schedule proposed changes
  - Deductibles waived
  - Anesthesia okay with Medicare (?)
  - Changes will be finalized on November 1 2014
- Anesthesia reimbursement probably won’t go away anytime soon
- unless alternative to colonoscopy developed
Cochrane Study - MD vs CRNA

According to the **ASA**: “Nurse anesthetist care not equal to physician anesthesiologist-led care”

According to the **AANA**: “Researchers Find No Differences in Care Provided by CRNAs and Anesthesiologists”

According to the **Cochrane Collaboration Review**: “we concluded that it was not possible to say whether there were any differences in care between medically qualified anaesthetists and nurse anaesthetists from the available evidence.”

. . . . . . and the beat goes on.
HIPAA & Anesthesiologists

- Have you implemented a plan with provider training?
- Audits, fines and penalties increased
- Exposure due to use of mobile devices.
- Written mobile device policy
- Billing operation may be the most significant large-scale exposure risk for anesthesia groups
ICD-10

- October 2015
- Billing companies need game plan
- How important to surgical anesthesiologists?
- Does diagnosis coding affect third party payments?
- Develop list of circumstances where diagnosis coding can make a difference
- MDs and CRNAs will need training on how to document on medical record
- Some hospital EMRs do not allow anesthesia personnel to enter additional diagnosis information
New HCPCS Modifiers 2015

Referred to as -X {EPSU} modifiers, they are listed below:

- **XE** Separate Encounter, A Service That Is Distinct Because It Occurred During A Separate Encounter

- **XS** Separate Structure, A Service That Is Distinct Because It Was Performed On A Separate Organ/Structure

- **XP** Separate Practitioner, A Service That Is Distinct Because It Was Performed By A Different Practitioner

- **XU** Unusual Non-Overlapping Service, The Use Of A Service That Is Distinct Because It Does Not Overlap Usual Components Of The Main Service

The purpose is to cut down on illicit use of modifier 59 that overrides NCCI edits.
Wrap Up

Questions?

Thank you

www.joeladen.com/blog