BVR/AHLA Guide to Valuing Physician Compensation and Healthcare Service Arrangements

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EDITORS
# Table of Contents

## VOLUME ONE

An Introduction to the *BVR/AHLA Guide to Valuing Physician Compensation and Healthcare Service Arrangements* ................................................................. xi

### PART I. INTRODUCTION TO HEALTHCARE COMPENSATION VALUATION ................................. 1

- Chapter 1. An Introduction to the New Appraisal Discipline of Compensation Valuation .......... 5  
  *By Timothy Smith, CPA/ABV*

- Chapter 2. Using Standard Appraisal Methodology in Compensation Valuation .................. 19  
  *By Timothy Smith, CPA/ABV*

- Chapter 3. Defining the Market Approach in Compensation Valuation ........................... 27  
  *By Timothy Smith, CPA/ABV*

- Chapter 4. On the Informed Use of the Market Data in Compensation Valuation ............. 35  
  *By Timothy Smith, CPA/ABV*

- Chapter 5. Defining the Cost Approach in Compensation Valuation ............................... 47  
  *By Timothy Smith, CPA/ABV*

- Chapter 6. Defining the Income Approach in Compensation Valuation .......................... 55  
  *By Timothy Smith, CPA/ABV*

- Chapter 7. Using Multiple Approaches and Methods as a Prudent Practice in Compensation Valuation .......................................................... 65  
  *By Timothy Smith, CPA/ABV*

- Chapter 8. Elements of a Compensation Valuation Appraisal Report ............................ 75  
  *By Timothy Smith, CPA/ABV*

### PART II. REGULATORY MATTERS IN COMPENSATION VALUATION ........................................ 97

- **FMV Under Federal Healthcare Regulations**

  - Chapter 9. The Federal Statutes That Make Healthcare Valuation Unique ..................... 103  
    *By Mark Folk, JD*

    *By Timothy Smith, CPA/ABV*

  - Chapter 11. Analyzing the Regulatory Prohibition on the Use of Market Data From Parties in a Position to Refer ................................................. 133  
    *By Timothy Smith, CPA/ABV*

  - Chapter 12. Reconciling FMV for Healthcare Regulatory Compliance With Standard Appraisal Methodology ......................................................... 145  
    *By Timothy Smith, CPA/ABV*

Note: The title page for each chapter contains a detailed table of contents for that chapter.

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FMV for Services Under Tax Regulations

Chapter 13. Tax-Exempt Organizations: Reasonable Compensation as Fair Market Value for Services .......................................................... 161
By Robert Mundy, CPA/ABV, CVA

Chapter 14. Reasonable Compensation for Physicians Under the Internal Revenue Code ........ 175
By Mark O. Dietrich, CPA/ABV

By Robert F. Reilly, MBA, CPA/ABV/CFF

Commercial Reasonableness

Chapter 16. BV, CV, and the Relationship Between Fair Market Value and Commercial Reasonableness ...................................................... 269
By Mark O. Dietrich, CPA/ABV

By Carol W. Carden, CPA/ABV, ASA, CFE, and William Lyle Oelrich Jr., MHA, FACHE, CMPE, CVA
By Pershing Yoakley & Associates PC

By William W. Horton, JD

Chapter 19. ‘Commercial Reasonableness’ and Its Variable Meanings Under the Stark Law .... 323
By Daniel H. Melvin, Esq.

Chapter 20. The Threshold of Commercial Reasonableness .................................................. 331
By Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, and Todd A. Zigrang, MBA, MHA, FACHE, ASA

Specialized and Advanced Topics

Chapter 21. Practice Losses and Enforcement Risk: The Views of DOJ, Courts, Qui Tam Relators, and the IRS ...................................................... 381
By Timothy Smith, CPA/ABV

Chapter 22. Mitigating Stark and Kickback Liability Based on a Practice Losses Theory of Liability Is More Than Simply a Matter of ‘Survey Says’ ....................... 399
By Timothy Smith, CPA/ABV; Gregory D. Anderson, CPA/ABV, CVA; and Robert G. Trusiak, Esq.

Chapter 23. Ensuring Healthcare Governance Processes Support Compensation-Focused Compliance ................................................................. 415
By Joseph N. Wolfe, JD, and T. James Junger, JD

Chapter 24. Strategies for Documenting Compliance With Stark’s Volume or Value Standard .... 429
By Joseph N. Wolfe, JD, and Alyssa James, JD

Chapter 25. By the Numbers: A Case-Based Understanding of Healthcare Valuation Fraud ..., 443
By Mark O. Dietrich, CPA/ABV
PART III. APPROPRIATE USAGE OF SURVEY DATA IN VALUING PHYSICIAN COMPENSATION ................................................................. 455
Chapter 26. On the Use and Misuse of Survey Data: An Interview With MGMA ................................................................. 459
Chapter 27. The ‘Survey Says’ Paradigm Is Not What the Surveys Say: How MGMA Data Disproves Popular Survey-Based Valuation Methods ................................................................. 475
   By Timothy Smith, CPA/ABV
   By Mark O. Dietrich, CPA/ABV, and Timothy Smith, CPA/ABV
Chapter 29. The Majority of Experienced New-Hire Physicians Make Less Than the National Median: An Analysis of New-Hire Compensation in the MGMA and AMGA Data ................................................................. 519
   By Timothy Smith, CPA/ABV, Angela S. Smith, MBA, CVA, and Scott Crawford
Chapter 30. wRVUs Don’t Explain or Predict 60% to 70% of Total Physician Compensation Outcomes in the Data: Findings From Regression Analysis of MGMA's Data Set ................................................................. 533
   By Timothy Smith, CPA/ABV; Briana Gordon, MBA, AM, CVA; and Scott Crawford
Chapter 31. A Study of MGMA's Compensation by Quartile of Production Data: Wide Ranges of Compensation Are Observed at All Levels of wRVU Production ................................................................. 553
   By Elizabeth Cordaro and Timothy Smith, CPA/ABV
Chapter 32. A Study of MGMA's Compensation by Quartile of Production Data: Wide Ranges of Compensation Are Observed at All Levels of Collections ................................................................. 577
   By Elizabeth Cordaro and Timothy Smith, CPA/ABV
Chapter 33. Comparing the Surveys to the U.S. Physician Population: Implications for Valuation Analysis ................................................................. 593
   By Timothy Smith, CPA/ABV, and Briana Gordon, MBA, AM, CVA
Chapter 34. The Feds Made Me Do It: Examining the Exclusive Use of Physician Survey Data for Stark Compliance Based on Regulatory Commentary and Enforcement Cases ................................................................. 611
   By Timothy Smith, CPA/ABV
Chapter 35. Setting the Record Straight: Assessing What the Government's Valuation Expert Actually Opined in the Tuomey and Halifax Cases ................................................................. 629
   By Timothy Smith, CPA/ABV
Chapter 36. How ‘Calculated’ (Along With ‘Reported’) Compensation Per wRVU Amounts Can Help Assess Fair Market Value Compensation ................................................................. 669
   By W. Lyle Oelrich, Jr., MHA, FACHE, CMPE, CVA
Chapter 37. Choosing the Best Survey for a Physician Compensation Market Study ................................................................. 677
   By Pershing Yoakley & Associates, PC

PART IV. KEY TOPICS IN THE ECONOMICS AND VALUATION OF PHYSICIAN SERVICES ................................................................. 691
Chapter 38. An Introduction to Physician Services and Specialties ................................................................. 695
   By Timothy Smith, CPA/ABV
Chapter 39. The Economics of Physician Clinical Services and Compensation ................................................................. 707
   By Timothy Smith, CPA/ABV
Chapter 40. The Myth of Physician Mobility and Its Implication for FMV Compensation ..........725
   By Mark O. Dietrich, CPA/ABV

Chapter 41. Evaluating RVU-Based Compensation Arrangements .................................739
   By Mark O. Dietrich, CPA/ABV, and Gregory D. Anderson, CPA/ABV, CVA

Chapter 42. How Local-Market Payer Rates Impact Physician Compensation:
   A Study of Key Markets in the U.S. .................................................................745
   By Timothy Smith, CPA/ABV

Chapter 43. How Local-Market Payer Rates Impact Physician Compensation:
   A Study of Midwestern Markets .................................................................757
   By Elizabeth Cordaro and Timothy Smith, CPA/ABV

Chapter 44. Analyzing the Economics of Losses in Health System Physician Practices:
   Why They Occur and Why They Matter for Regulatory Risk .............................775
   By Timothy Smith, CPA/ABV

Chapter 45. Physician Practice Losses and Commercial Reasonableness: The Math of It ...805
   By Mark O. Dietrich, CPA/ABV

Chapter 46. An Overview of Physician Reimbursement ........................................823
   By Richard A. Romero, CVA, CHFP, PAHM
   By Richard A. Romero, CVA, CHFP, PAHM

Chapter 47. The Denominator Impact: An Examination of Work Hour Assumptions
   Used in Computing Hourly Physician Pay Rates ........................................853
   By Darcy Devine, ASA, CVA, and Briana Gordon, MBA, AM, CVA

Chapter 48. Physician Integration Strategies and Implications for Compensation Design ...867
   By Richard M. Cameron, MHSA, CMPE, and Jim Goldmann, MHA
PART V. VALUING SPECIALIZED PHYSICIAN SERVICES AND OTHER ARRANGEMENTS  

Chapter 49. Valuing Hospital-Based Physician Coverage Arrangements  
By Angela E. Caldwell, CPA, MBA, and Rud Blumentritt, CPA/ABV, CVA  

Chapter 50. An Introduction to Valuing Telemedicine  
By Zachary K. Doolin, MAcc, and Carol W. Carden, CPA/ABV, ASA, CFE  

Chapter 51. Compensation Models for Physicians Working With Advanced Practice Providers  
By Alexander T. Krouse, JD, MHA, and Thomas A. Warrington Jr., CVA  

Chapter 52. Valuing Physician Executive and Administrative Compensation  
By Carol W. Carden, CPA/ABV, ASA, CFE  

Chapter 53. Valuing Physician Medical Directorships for Hospitals and Other Healthcare Facilities  
By Andrea Ferrari, JD, MPH  

Chapter 54. Valuing Management Services Arrangements  
By Robert Mundy, CPA/ABV, CVA, and Tynan Olechny, CVA  

Chapter 55. On the Use of Physician Compensation Survey Data in Deriving Hourly Physician Pay Rates  
By Timothy Smith, CPA/ABV  

PART VI. VALUING SERVICES IN THE LIFE SCIENCES SECTOR  

Chapter 56. Life Sciences: Compensation Valuation in an Age of Transparency  
By Ann S. Brandt, Ph.D.  

Chapter 57. Valuing Intellectual Property Licensing Arrangements Within the Life Sciences Industry  
By Jason Ruchaber, CFA, ASA  

Chapter 58. Shedding Light on the Physician Payments Sunshine Act—Considerations for Appraisers  
By Tynan Olechny, CVA, and W. Lyle Oelrich Jr., MHA, FACHE, CMPE, CVA  

PART VII. VALUING CALL COVERAGE ARRANGEMENTS  

Chapter 59. An Overview of Hospital Call Coverage Services  
By Gregory D. Anderson, CPA/ABV, CVA, and Christina Street, CPA, CVA  

Chapter 60. Contractual Terms and Structures for Hospital Call Coverage Arrangements  
By Gregory D. Anderson, CPA/ABV, CVA, and Christina Street, CPA, CVA  

Chapter 61. Regulatory Issues and Considerations for Call Coverage Arrangements  
By Gregory D. Anderson, CPA/ABV, CVA, and Christina Street, CPA, CVA  

Note: The title page for each chapter contains a detailed table of contents for that chapter.
Chapter 62. An Overview of Key Issues and Methods for Valuing Hospital Call Coverage Arrangements .................................................. 1045
By Gregory D. Anderson, CPA/ABV, CVA, and Christina Street, CPA, CVA

Chapter 63. The Challenges and Pitfalls in Using Market Survey Data to Value Hospital Call Coverage Arrangements ............................................ 1055
By Ben Ulrich, CVA, and Timothy Smith, CPA/ABV

Chapter 64. Valuing Physician Availability in Unrestricted Call Coverage Arrangements ........ 1063
By Christina Street, CPA, CVA, Ben Ulrich, CVA, and Timothy Smith, CPA/ABV

Chapter 65. Adjusting On-Call Availability Pay for Response and Rotation Requirements .... 1073
By Christina Street, CPA, CVA, Ben Ulrich, CVA, and Timothy Smith, CPA/ABV

Chapter 66. Valuing Uncompensated Care in Unrestricted Call Coverage Arrangements ........ 1083
By Christina Street, CPA, CVA, Ben Ulrich, CVA, and Timothy Smith, CPA/ABV

Chapter 67. Adjusting On-Call Pay for Concurrent Call Arrangements .......................... 1095
By Christina Street, CPA, CVA, Ben Ulrich, CVA, and Timothy Smith, CPA/ABV

PART VIII. VALUING PHYSICIAN CLINICAL SERVICES ............................................. 1101

Chapter 68. Valuing Physician Arrangements for Clinical Services: An Introduction .......... 1105
By Jessica Webster, CVA

Chapter 69. Three Paradigms and Three Approaches for Valuing Physician Clinical Services ... 1119
By Timothy Smith, CPA/ABV

Chapter 70. Why the ‘Survey Says’ Paradigm Should No Longer Be Used to Value Physician Clinical Services ......................................................... 1135
By Timothy Smith, CPA/ABV

Chapter 71. The New Market Approach: Using RBRVS to Value Physician Clinical Services ...... 1171
By Timothy Smith, CPA/ABV

Chapter 72. Using Work RVUs and ‘Particular Market’ Rates to Establish Fair Market Value Physician Compensation ........................................... 1189
By Mark O. Dietrich, CPA/ABV

Chapter 73. An Introduction to the Use of Earnings-Based Compensation for Valuing Physician Clinical Services ...................................................... 1237
By Timothy Smith, CPA/ABV

Chapter 74. Applying Earnings-Based Compensation in the Cost and Income Approaches ...... 1251
By Timothy Smith, CPA/ABV

Chapter 75. Addressing Ancillary and Other Provider Profit Streams in Applying Earnings-Based Compensation ...................................................... 1265
By Timothy Smith, CPA/ABV

Chapter 76. Valuing Physician Clinical Services: Key Considerations in Developing a Conclusion of Value ......................................................... 1281
By Matt Malone, CPA/ABV, CVA, CHFP
Chapter 77. Special Issues in Applying Value Conclusions to Physician Agreements for Clinical Services

PART IX. VALUING PHYSICIAN COMPENSATION IN VALUE-BASED REIMBURSEMENT MODELS

Chapter 78. Valuation of Physician Compensation Under Alternative Payment Models Using the Market Approach: Pay-for-Performance, Shared Savings, Bundled Payments, and Global Budgets

Chapter 79. Measuring Fair Market Value of Capital and Compensation With Performance-Based Revenue

Chapter 80. Considering the Value of Clinical Co-Management Arrangements in Light of Emerging Value-Based Reimbursement Models

Chapter 81. How Survey-Based Physician Compensation-Setting Practices Undermine the Move to Value-Based Compensation

PART X. INTERNATIONAL PERSPECTIVES ON HEALTHCARE VALUATION

Chapter 82. Healthcare Compensation and Valuation—An International Perspective

Chapter 83. A New Valuation Technique for Measuring Consultants Quality in Financial Terms: The U.K. Experience

ABOUT THE AUTHORS
An Introduction to the BVR/AHLA Guide to Valuing Physician Compensation and Healthcare Service Arrangements

The BVR/AHLA Guide to Valuing Physician Compensation and Healthcare Service Arrangements provides an in-depth and systematic presentation of the theory and practice of the appraisal discipline of healthcare compensation valuation (CV). This edition includes 83 chapters and four practice aids, including 50 new chapters and 29 updated chapters from the first edition. The guide has expanded into two volumes of about 1,400 pages of material, written by an impressive group of 42 contributing authors. All of these authors are experts in their respective areas, with 34 authors representing valuation and consulting professionals who were joined by eight practicing attorneys.

The guide is a comprehensive body of knowledge for CV practice, providing the conceptual framework of CV as a unique discipline within the appraisal profession. At the same time, this guide delivers some of the most in-depth and penetrating analysis of the regulatory compliance issues related to healthcare valuation that has been published to date. It also seeks to educate readers about the fundamental economics of physician compensation and other healthcare service arrangements and the market dynamics that drive them. These economic factors are analyzed further in terms of their impact on the issues and methods involved in valuing compensation arrangements in the healthcare industry.

Each chapter in the guide completed a rigorous editorial review process, with industry experts further reviewing highly technical chapters. As part of this process, the ideas, methods, and conclusions presented were subjected to robust standards of evidence, citation, and reasoning, requiring support from actual data, external sources, and logical deduction from the valuation body of knowledge. These requirements for support and defense provide readers with an appropriate framework for evaluating the validity of the material. Chapter content is not simply posited as “truth,” but rather a cogent analysis grounded in evidence and valuation theory is presented for examination. This approach contrasts with many healthcare valuation publications in which “truth claims” and standards of practice are merely asserted without any evidence or support. The guide, therefore, stands apart from much of the published literature for healthcare compensation valuation.

The guide is organized to provide the reader with the analytical tools for evaluating and assessing compensation arrangements. Each section is organized as part of a progressive development of thought and analysis related to healthcare compensation arrangements and their valuation:

1 The first edition was titled BVR/AHLA Guide to Healthcare Industry Compensation and Valuation. Many of the updated chapters result from streamlining larger chapter into smaller ones for an improved reader experience.
• “Introduction to Healthcare Compensation Valuation”: The first section introduces CV practice, including chapters that show the common as well as distinctive areas of CV in comparison to other appraisal disciplines. It also includes chapters on adapting standard appraisal concepts to CV and developing content for CV appraisal reports.

• “Regulatory Matters in Compensation Valuation”: The regulatory section provides in-depth analysis of the fundamental issues involved in complying with the regulatory standards of fair market value and commercial reasonableness, including for tax purposes. The section also includes discussions of valuation issues in recent enforcement actions involving physician compensation.

• “Appropriate Usage of Survey Data in Valuing Physician Compensation”: This new section includes multiple data-driven studies examining the appropriate usage of physician compensation survey data in valuation, primarily for clinical compensation. It also includes two highly detailed chapters about regulatory guidance on the use of survey data.

• “Key Topics in the Economics and Analysis of Physician Services”: A separate section is devoted to discussing critical issues involved in the economics of physician services, ranging from local-market payer rates to losses in physician practices to the annual work hour assumptions for computing hourly physician pay rates.

• “Valuing Specialized Physician Services and Other Arrangements”: This section provides chapters on valuing specialized types of physician services, including hospital-based coverage, telemedicine, executive, medical directorships, and supervising advance practice providers.

• “Valuing Services in the Life Sciences Sector”: Three chapters provide an overview of valuing service arrangements in the life sciences industry sector.

• “Valuing Call Coverage Arrangements”: This section includes multiple chapters that give the reader a comprehensive introduction to hospital call coverage arrangements. Other chapters provide practical guidance on valuing the individual components of call coverage services.

• “Valuing Physician Clinical Services”: This section calls for a paradigm shift in the prevailing model for valuing physician clinical services. It promotes the recently published RBRVS method as the new market approach, while advocating the abandonment of survey-based compensation based on productivity. It also provides an in-depth discussion of applying the paradigm of earnings-based compensation in valuing physician clinical services.

• “Valuing Physician Compensation in Value-Based Reimbursement Models”: This new section examines how to “value” an industry’s move toward value-based reimbursement models. It provides an overview of the new models and their impact on physician compensation, with discussion of new ways of thinking about the value of physician compensation under the new regime of “value.”

• “International Perspectives on Healthcare Valuation”: The final section of the guide is written by our friend “across the pond” in the U.K., Dr. Ray Stanbridge, who brings Americans up-to-date on international thinking about the value of healthcare and physician services. This section provides an illuminating look at how other nations address questions of healthcare valuation.

The guide includes material that should appeal and apply to a variety of users. It contains chapters that deal with content at a general level, providing the reader with an introduction to and comprehensive overview of the subject matter. Some chapters are highly specialized or address topics at an advanced level. Some have a
practical orientation, while others deal with theoretical issues related to valuation methodology. The text includes a number of practice aids for CV appraisers to use in their daily practice. In summary, the guide provides a diversity of content, both in terms of the scope of topics and the level at which they are discussed.

One attractive and practical feature of this text is the integration of material from one chapter to the next, across an array of authors and contributors. Definitional, methodological, and regulatory matters are discussed and addressed in foundational chapters. Subsequent chapters dealing with issues and topics related to specific types of service or compensation arrangements found in the healthcare arena assume and reference material from these foundational chapters. This integration frees readers and contributors alike from the need to revisit foundational concepts and definitions when addressing the distinct issues in valuing a particular type of compensation arrangement.

To help readers use the guide effectively, each chapter begins with a table of contents that identifies the major topics in the chapter and their corresponding page numbers. The guide also includes a detailed topical index. Both of these tools make the guide a usable desk reference for busy professionals going about the daily task of healthcare CV practice.

We, along with Business Valuation Resources and the American Health Lawyers Association, wish to extend our thanks and gratitude to the various contributing authors to the guide. The second edition was prepared over a two-year period, creating some challenges for busy professionals to revisit and revise material developed “many moons ago.” The review process was also extensive, with active editors engaging authors on both content and style. The publication of each chapter stands as a moment to the endurance of this outstanding group of professionals who were highly dedicated to seeing this project through to the end. More than mere stamina, however, we very much appreciate the willingness of the authors to share the insights, knowledge, and know-how that they have accumulated in their practices. The industry owes a debt of gratitude to those who are willing to spread the wealth of knowledge voluntarily for the benefit of the industry. Such broad-mindedness is the mark of a true professional! For more information about the authors, please see page 1425.
About Business Valuation Resources

Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. BVR’s data, publications, and analysis have won in the boardroom and the courtroom for over two decades.

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