COVID-19 and its impact on physician compensation

Neal Barker, Partner, HSG; Eric Andreoli, Director, HSG; and Terrence McWilliams, MD, Chief Clinical Consultant HSG - Monday, April 6th, 2020 Print | Email

Health systems and their associated employed provider networks are beset with immediate financial losses, and future financial uncertainty as elective care was essentially eliminated by the COVID-19 (coronavirus) pandemic in the United States.

Approaching the situation through a defined checklist may afford healthcare leaders an ability to step back and rationally review options during this challenging and tumultuous time.

Background

In the wake of President Trump's National Emergency declaration on March 13, 2020, multiple health experts and agencies, including the Surgeon General of The United States, the Centers for Medicare & Medicaid Services (CMS), and the Centers for Disease Control and Prevention (CDC), followed by more specific guidance from the American College of Surgeons (ACS) recommended that American hospitals cancel/postpone all "elective" surgical procedures to focus resources on the crippling impact anticipated with COVID-19 spread. In the days that followed, many hospitals and health systems projected adverse financial effects totaling hundreds of millions of dollars as a result of canceling or postponing high margin "elective" surgeries to be able to adequately treat expensive, complex coronavirus patients. Hospital-owned physician networks were also adversely impacted by these actions. As the elective surgeries were, are, and will continue to be postponed, the professional services revenue associated with these cases is postponed – or lost altogether. Networks already besieged by negative margins are seeing the bottom fall out.

Adding to the mounting financial survival dilemma is that "elective" surgeries were not the only aspect of care that was canceled or postponed. All elective care was placed on hold. Further, restriction related to social distancing, sheltering in place, and non-essential business closures led to additional cancellations of patient appointments or patient no-shows due to uncertainty regarding closures or fear of potentially interacting with infected individuals. These factors affected all physician practices, including employed physician networks, and health system ambulatory services beyond surgical services. Since independent practices are equally affected, practice viability becomes a concern.

The impact reaches down to the individual physician level in many ways. In employed physician networks, providers whose compensation is tied directly to production face a potential immediate loss of income – or at least at the next "true-up" of performance versus a draw. Those providers on pure productivity, such as compensation per wRVU or revenue minus expense models, are the most profoundly impacted. While almost all sectors of our nation's economy are feeling the ramifications of the coronavirus, the sudden loss of income is a particularly acute concern for physicians and other direct care providers. Although some patient care revenue can be captured through the rapid adoption of telehealth capabilities for many aspects of primary care and cognitive specialties and lesser aspects of other, medical and surgical specialties, a significant revenue difference will exist. (see HSG's article "Getting Paid For Virtual Patient Interactions" at https://hsgadvisors.com/articles/reimbursement-for-virtual-patient-visit-interactions/).

Situation

Within days after states started following Surgeon General and CDC recommendations mandating that their hospitals stop performing elective procedures to prevent the spread of the novel coronavirus, HSG began fielding questions from clients. They were looking for guidance on ways to deal with the physician

compensation ripple effect of the pandemic. Most organizations with whom we talked were wondering if any of our other healthcare system and hospital clients around the country had developed a template or a scalable recipe that we could share, and that they could adopt or adapt for their organization. Unfortunately, no one has a one-size-fits-all cheat sheet or magic wand for dealing with physician compensation issues that arise during these unprecedented times. As is often the case with physician compensation and contracting – each organization and each situation is unique.

Solution

In response to client concerns, HSG developed a checklist to provide a rational, best practice approach to addressing physician compensation situations created during this stressful, distracting, and overwhelming COVID-19 pandemic national emergency. We hope that this proves to be a valuable tool for logically thinking about and proactively deciding how to best handle these circumstances. Please note that the checklist numbering is not designed to be sequential and does not reflect definitive prioritization. That said, transparent **communication** with your physicians, and non-physician providers, is paramount.

COVID-19 Pandemic Physician Compensation Checklist

Communication

1. Communicate openly and honestly with your physicians through an organized platform (e.g., host a virtual meeting collectively as a whole group or by specialty hold a daily "huddle" call with all employed physicians at a regularly scheduled time).
2. Solicit input and feedback about physician concerns, and let them know that you heard them.

Provider Impact Inventory

1. Take inventory of the physicians potentially impacted by the current situation with details of the specific compensation elements and levels of productivity.
2. Determine your telehealth and virtual visit capabilities and readiness – including the ability to document visits, obtain reimbursement, and incorporate these visits into the compensation plan.
3. Project the financial impact on each physician (and specialty), including projected and historic bonuses.
4. Model a variety of approaches and scenarios that could be used to stabilize physician compensation.
5. Determine what the organization can afford in terms of compensation supplement. This should be based on how long the crisis is anticipated to impact the compensation model. (i.e., define your loss tolerance, knowing that there will be decreased or no patient care revenue to offset compensation supplements.)
6. Consider options to avoid adverse impacts on front line providers balanced against immediate financial losses. Explore deferred provider compensation arrangements, deferred or reduced executive compensation, and/or other mechanisms to minimize the risk of alienating physicians and APPs.
7. Evaluate the option of furloughing providers as a last resort and decide on the criteria to determine which ones can be furloughed.

Redeployment Planning

1. Categorize providers according to routine or surge redeployment/repurposing plans when caring for a massive influx of COVID-19 patients (i.e., respiratory and non-respiratory cohorts).
2. Determine physician and Advanced Practice Provider COVID-19 redeployment needs.
3. Evaluate limits to compensation changes based on your provider contracts.
4. Develop rates and methodology for compensating redeployed physicians and obtain fair market value opinions, if necessary.
5. Craft contract addendums addressing the temporary role(s) that redeployed providers assume.
6. Define the credentialing process for the temporary new role, including medical staff and third-party payer.
7. Estimate when shortages of Personal Protective Equipment (PPE) will become an issue. So far, this has been a condition that many redeployed providers have wanted in their agreements.

The above checklist was developed by learning from and working with our clients as they navigate this challenging time. While some organizations have the bandwidth to focus on these checklist items, many are overwhelmed by clinical and operational issues. HSG is helping organizations like yours by providing expertise and support for the items above. If you need to quickly stabilize provider compensation, reach out to Neal Barker at (502) 814-1189 to let HSG develop a support plan for your organization.