



# Using Market Data for Physician Contracting

MD Ranger produces annual compensation benchmarks for contracted physician positions. These benchmarks include call coverage, medical direction, leadership, administrative, hospital-based service, clinical professional service, telehealth, and diagnostic testing rates. Data are reported directly by healthcare organizations like acute care hospitals, health systems, post-acute facilities, and specialty hospitals.

There are many sources for market data on hospital-physician agreements. High-quality market data reflects many contract details, over a large sample at a diverse set of hospitals. Furthermore, MD Ranger collects all contracts across a hospital. The data includes information on services that are paid and unpaid, is collected consistently, and is thoroughly audited. MD Ranger is the only source for such market data.

High-quality market data is a powerful tool for analyzing physician costs, negotiating competitive contracts, and documenting compliance of hospital-physician agreements. Providers can use market data to establish FMV, as well as determine if paying for a given service is commercially reasonable. This guide will illustrate the steps an organization should take as it creates a system to organize and document its physician contracts and comply with federal regulations.

## **TESTING COMMERCIAL REASONABLENESS**

Federal regulations maintain that physician payments are consistent with fair market value. However, before considering any payment, you must check if the service should be compensated in the first place. Because of our subscription-based methodology, MD Ranger can help organizations test commercial reasonableness. Using the MD Ranger table called “Percent of Providers Who Report Paying for a Service”, providers can look up services and determine if they should pay for the service based on whether other hospitals are paying for that service. Testing commercial reasonableness is an essential first step in determining FMV.

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## APPLYING MARKET DATA AND ESTABLISHING FMV

Once it has been determined that it is commercially reasonable to pay for a service, providers can use MD Ranger benchmarks to determine appropriate compensation. Providers must understand the contract's scope of services and identify any unusual circumstances that could affect how the physician is compensated.

Once the most appropriate service and specialty has been identified, providers can look up the compensation distribution ranges in MD Ranger's benchmarks. According to several studies produced by MD Ranger statisticians, there is overwhelming evidence to show that as long as there is enough data, FMV for straightforward coverage, direction, and hospital-based agreements can be established through the use of market data without employing other valuation techniques, like the cost method.

Each facility is unique so, the scope and intensity of arrangements could vary between hospitals. An organization must establish what will be considered "fair market value" for their physicians, and be consistent. Some organizations choose to make all agreements that fall between the 25th and 75th percentiles "compliant", and create documentation for their reason for doing so. Other organizations take a more conservative view and mandate that the mean or median be used with all agreements. Providers should make this decision themselves, because only they know the nuances of the situation. As long as organizations standardize a reasonable process to select metrics for contracting, there should be no glaring compliance issues.

## DOCUMENTING COMPLIANCE WITH STARK AND FEDERAL REGULATIONS

Once commercial reasonableness has been established and an appropriate market range is identified, providers must ensure that they sufficiently document compliance of the arrangement. There are many ways providers document compliance with Stark and prepare themselves for the possibility of an OIG audit. No matter how an organization decides to approach compliance, it is important that a process be determined and adhered to consistently and methodically. MD Ranger subscribers typically develop a process that uses predetermined distribution ranges as well as the online tools' reporting functionality to print and file adherence to outlined procedures.

## QUESTIONS?

Questions about documenting FMV using market data or forming a physician contracting compliance program? Don't hesitate to email us: [info@mdranger.com](mailto:info@mdranger.com)