

CALIFORNIA ORTHOPAEDIC ASSOCIATION APRIL 16, 2010



SOMERSET
CPAs
Passionate
about your
success.

**Assets & Liabilities of Structure &
Function of Individual Practice Models**

+ Passionate
about your
Success

Presented by:

**Michael J. McCaslin, CPA
Health Care Team**



Currently Available Private Practice Models

Assets & Liabilities of Structure & Function of Individual Practice Models



-
- Solo Group
 - Small Group
 - Mid-Size Group
 - Large Group
 - Multi-Specialty Group
 - Quasi Employment Model



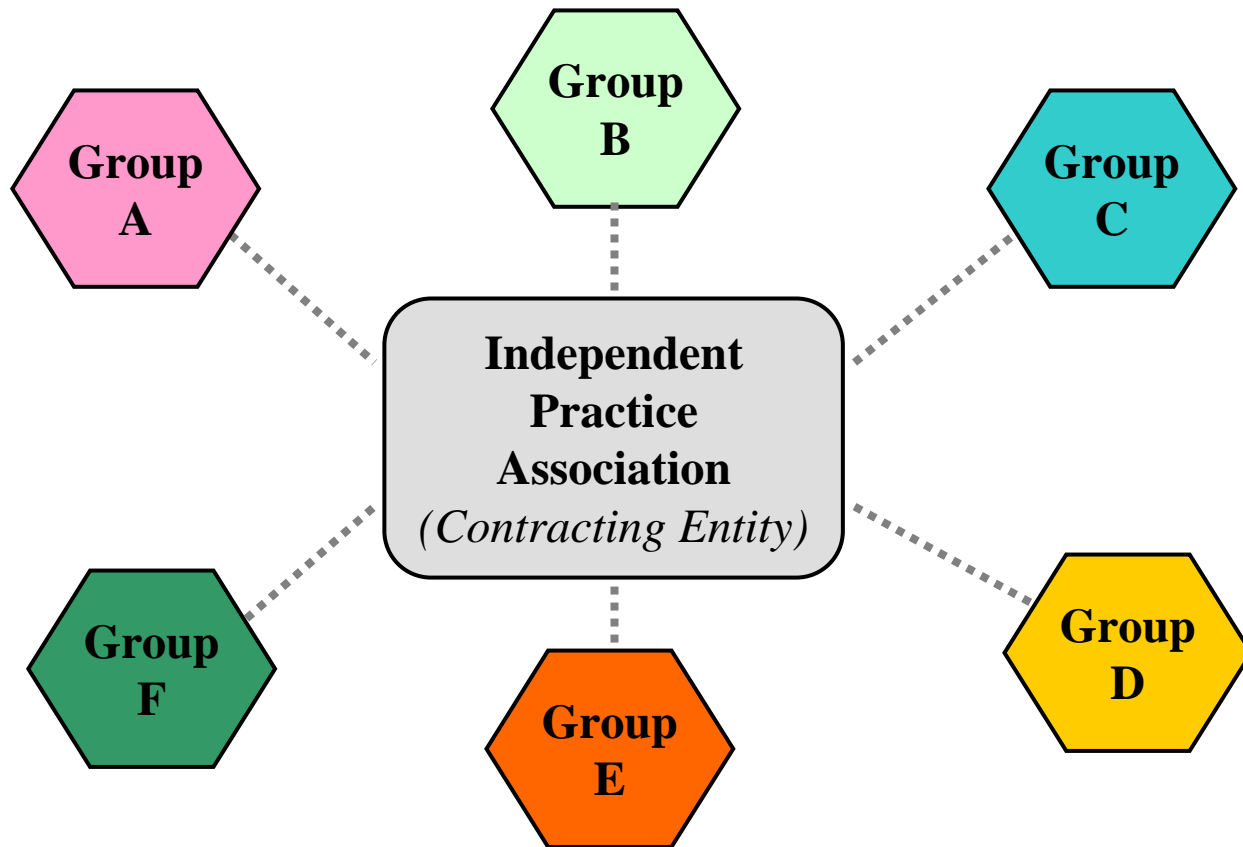
CONTINUUM OF PRACTICE MODELS

- IPA
- MSO
- Ancillary Services
Joint Venture
- Umbrella Model
(Full Integration with Divisions)
- Fully Integrated Model
(No Divisions)



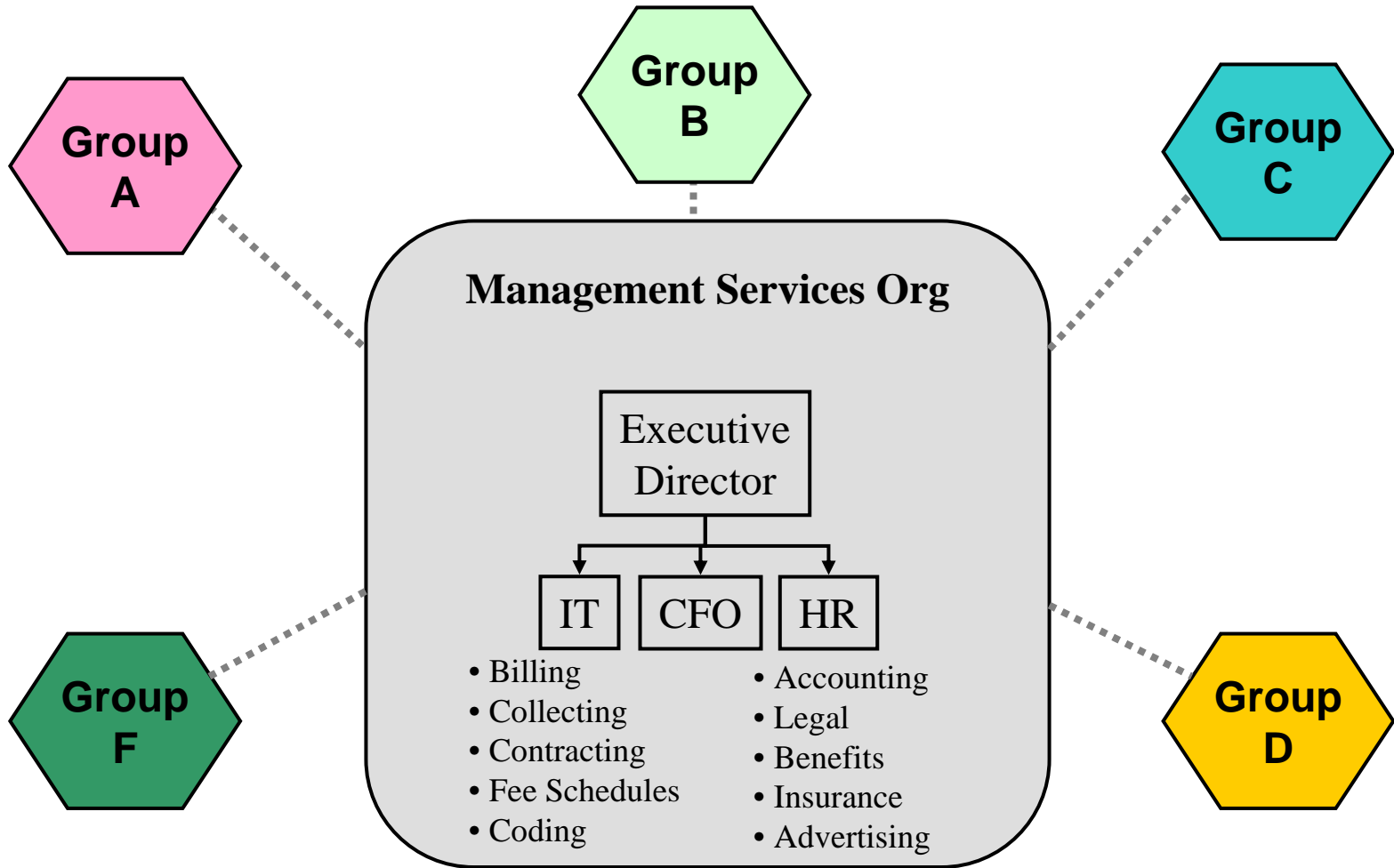
INTEGRATION STRUCTURE

IPA Model



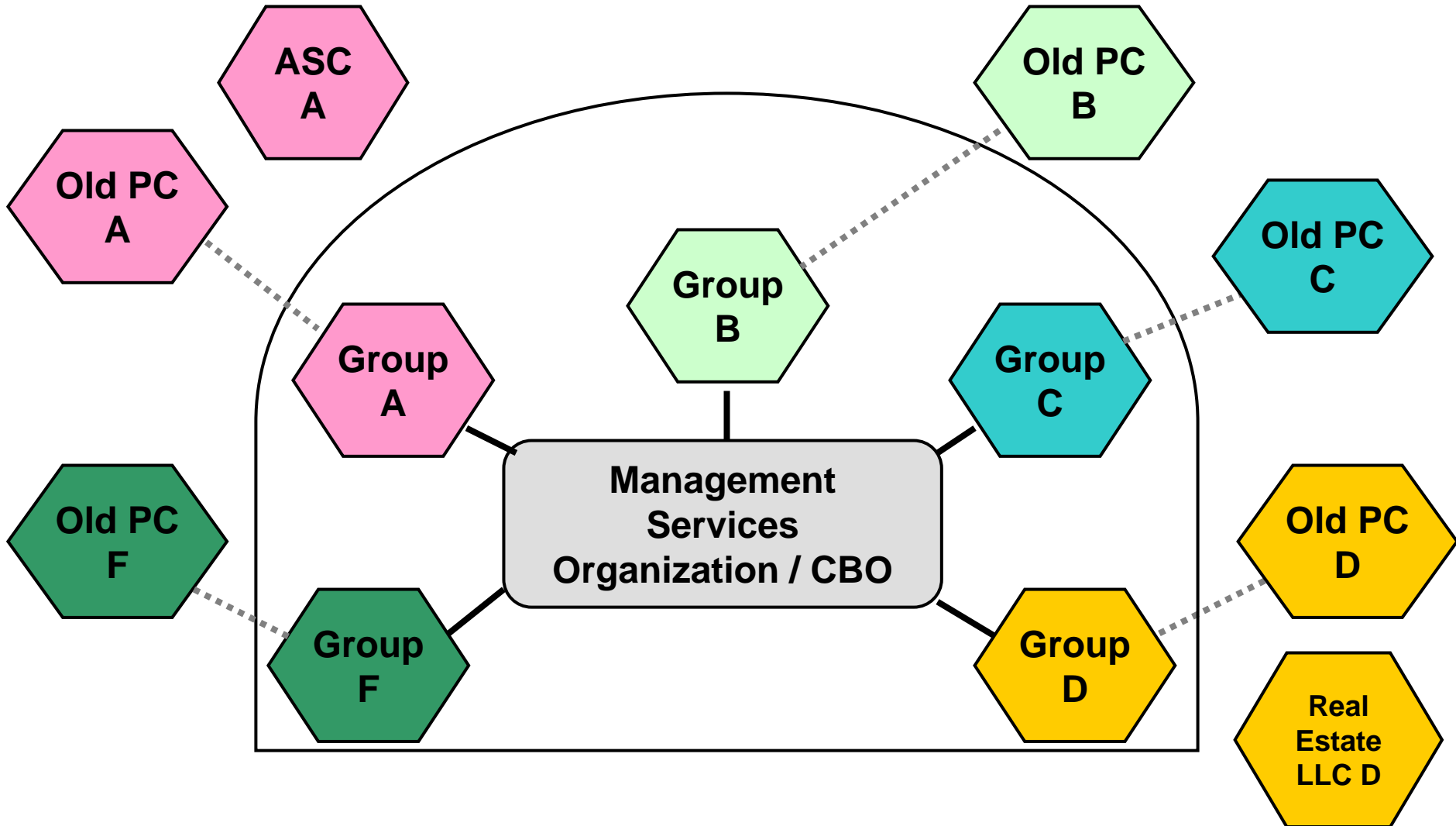
INTEGRATION STRUCTURE

MSO Model



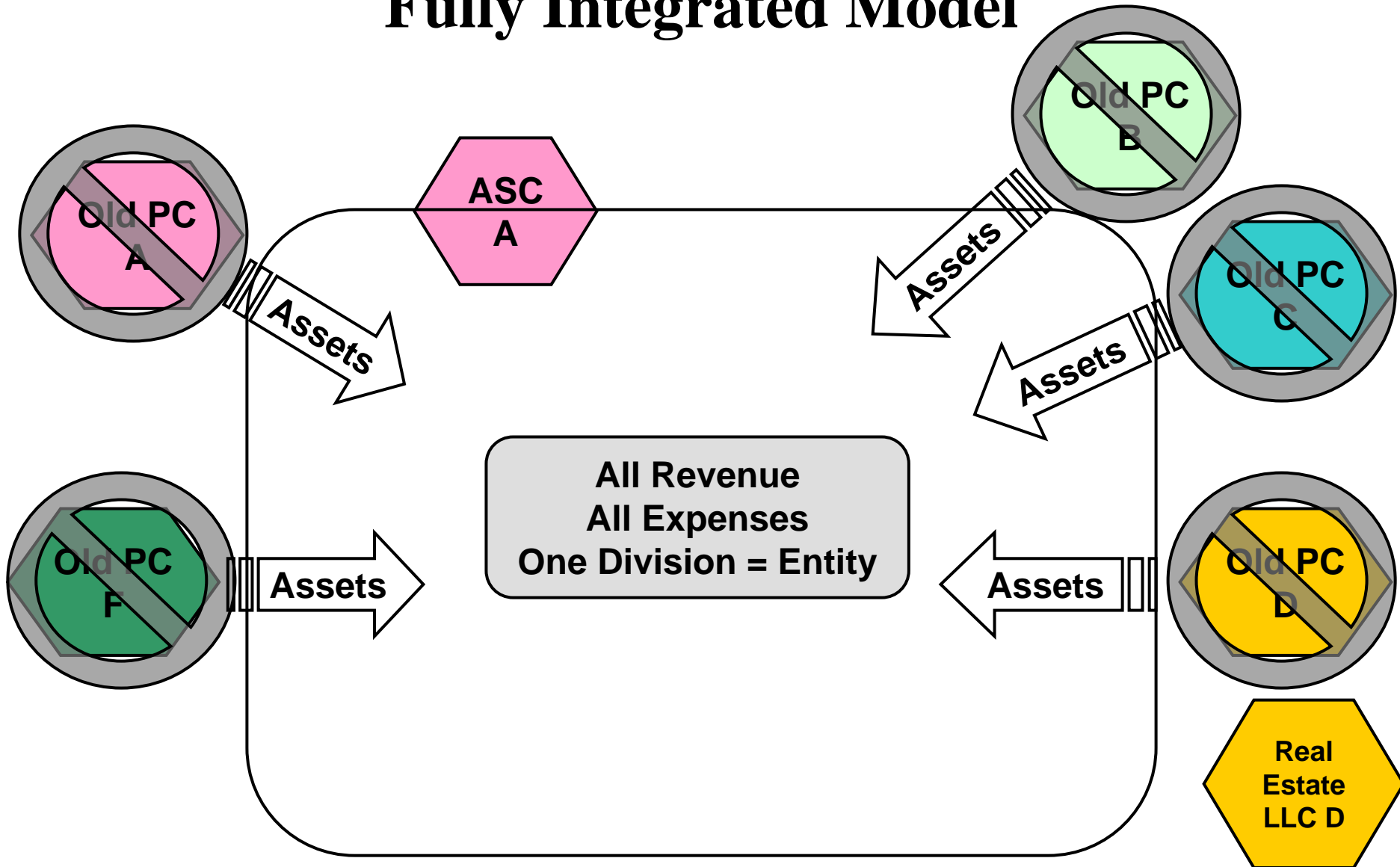
INTEGRATION STRUCTURE

Partially Integrated Model



INTEGRATION STRUCTURE

Fully Integrated Model



MSO MODEL EMPLOYMENT ISSUES

- Non Clinical Employees Could be Employed by MSO
- Clinical – (Orthopaedic Physicians, Chiropractors, Podiatrists, PAs, NPs, Acupuncturist, RPTs, etc.) Need to be Employed by Medical Entity



MSO OWNERSHIP & ECONOMICS

- Owned by Medical Practice Entities
- Owned Individually by Physicians
- Zero Sum net Economics



GOALS RELATIVE TO THE MSO MODEL



SOMERSET CPAs
Passionate
about your
success.

www.somersetcpas.com

PRE-INTEGRATION PROCESS

- Definition of Goals and Objectives
 - Administrative/Economic Issues
 - Acquire greater management expertise and/or consolidate management expertise
 - Consolidate resources to provide more marketing muscle
 - Increase efficient use of facilities, staff, equipment, etc.
 - Long-term, reduce overhead (A BIG MAYBE)
 - Single community identity



PRE-INTEGRATION PROCESS

- Definition of Goals and Objectives
 - Administrative/Economic Issues (Cont'd)
 - Corporate office as the service center for outlying practices
 - Provide physician ownership in the medical practice, but in a larger entity more capable of competing with hospital developed physician organizations



PRE-INTEGRATION PROCESS

- Definition of Goals and Objectives
 - Centralization of Services Issues
 - Billing and collection services - Single Practice Management System or use of a billing portal
 - Fee schedule
 - Cash management - Single depository account and use of lockbox?
 - Medical records (Document Imaging/EMR)
 - Medical technology (Digital X-ray) PAC System)



PRE-INTEGRATION PROCESS

- Definition of Goals and Objectives
 - Centralization of Services Issues (Cont'd)
 - Group purchasing
 - Strategic planning for organization as a whole
 - Accounting, legal, and consulting services
 - Employment of additional physicians
 - Human resource/personnel service relations



PRE-INTEGRATION PROCESS

- Definition of Goals and Objectives
 - Centralization of Services Issues (Cont'd)
 - Purchase and administration of employee benefits
 - Marketing and public relations
 - Financial reporting
 - Compliance services (Medicare, HIPAA, etc.)
 - Banking/financing relationships
 - General corporate and malpractice liability insurance
 - Facilities management and maintenance



ANCILLARY SERVICES JOINT VENTURE

- MRI, PT
- Practices Need to be in Same Building where Ancillaries are Operated
- Groups of 5 or more Physicians Need to Have an Office for Seeing Patients in the Building
- Solo Practitioner Needs to Move Entire Practice to Building



ANCILLARY SERVICES JOINT VENTURE

- Practices Bill for Technical Fees
- Contract with Radiologist for Read (Avoid Anti-Mark-up Provisions)
- Expenses Housed in Separate LLC & Practices Pay LLC for their Share of Expenses (Depreciation, Interest, Maintenance Fees, Staff, etc.) –
- Ancillaries Could be Housed in MSO



ANCILLARY SERVICES JOINT VENTURE

STARK RISK – FUTURE CHANGES



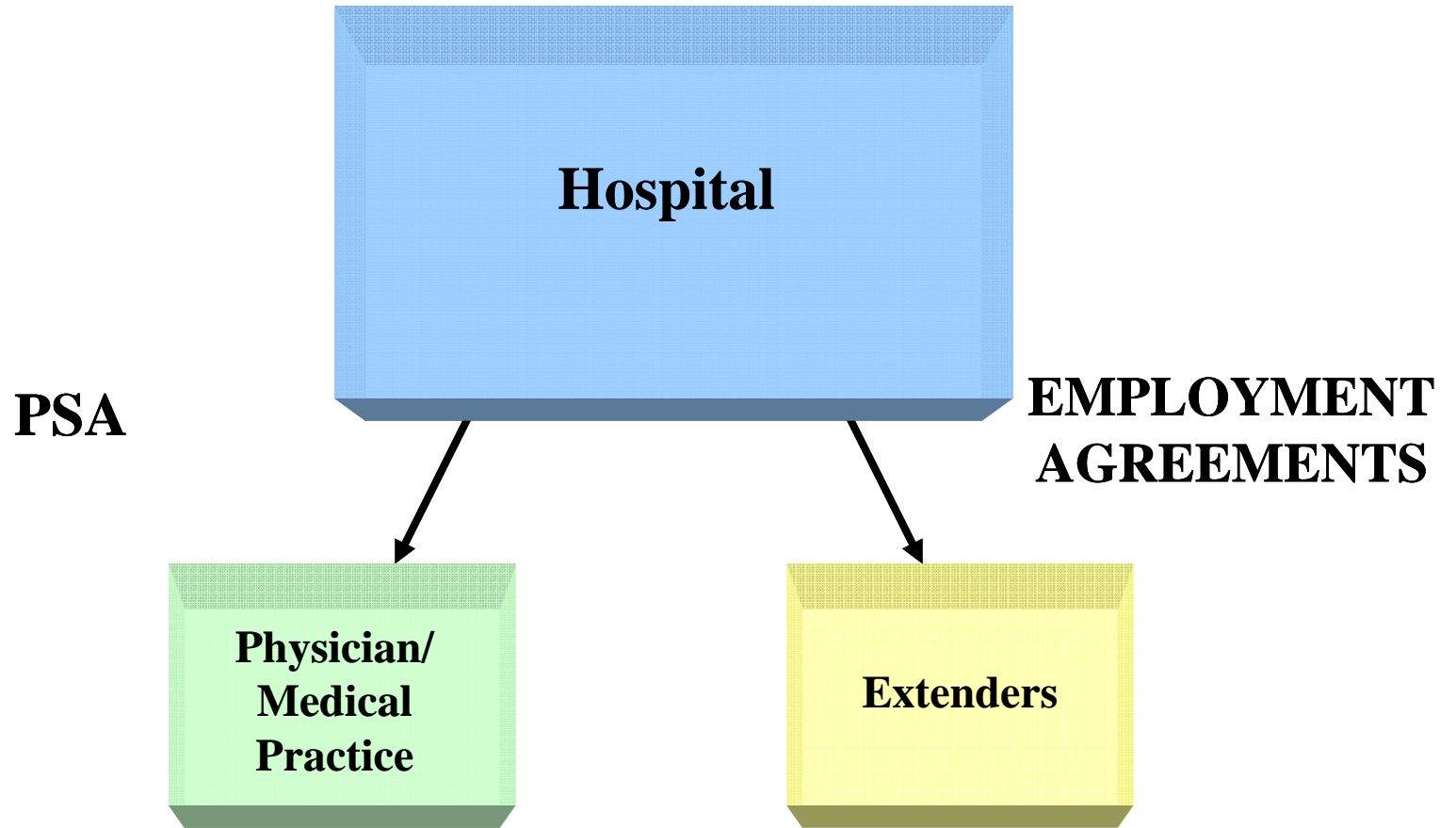
SOMERSET CPAs
Passionate
about your
success.

www.somersetcpas.com

1206(D) OUTPATIENT DEPARTMENT MODEL

- Hospital or System Acquires all Fixed Assets & Non-physician Employees of Orthopaedic Group
- Physicians as Group Operates as Outpatient Department of Hospital
- Group Bills & Collects Professional Fees
- Hospital Bills & Collects Ancillaries
- Group has Little Overhead so Makes More on its Professional Fees
- Physicians have More Autonomy than 1206(1) Foundation Model
- Need to have Compensation at Fair Market Value





**Hospital and Physician Goals
Relative to Serving the Community
are Key to this Model.**



SOMERSET CPAs
Passionate
about your
success.

www.somersetcpas.com

CONCLUSION

Choosing the Right Model Requires
Analysis, Understanding Your Market,
Investment in Appropriate Professionals and
then a Decision.



Michael J. McCaslin, CPA
Health Care Team

Somerset CPAs, P.C.
3925 River Crossing Parkway
Indianapolis, IN 46240
mmccaslin@somersetcpas.com

