NAVIGATING THE PHYSICIAI
PRACTICE ACQUISITION
EXPERIENCE

HCCA Clinical Practice Conference October 16, 2017

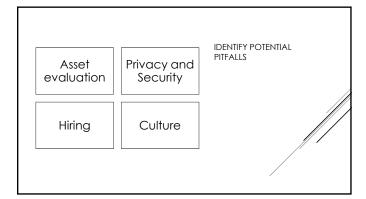
➤ Disclaimer: The information and works presented today express my own views and opinions, and do not represent those of my employer.



"You know, it take a while to get used to – it's a whole group of people with all these ideas and after you sort of navigate your way through the first few episodes it becomes collaborative and creative."

Josh Duhamel

BENCHMARKING Group exercise: Audience benchmarking	
Due diligence  Compile Action Items for Risk Mitigation and Determination  ACQUISITION TIMELINE	
A south	
Assets  Participants  Real estate/office space  Office equipment  Lab/clinical equipment  Computers/telecommunications  Electronic health records  Participants  Credentialing  Supply Chain  Finance  Strategy  Compliance  Legal  Quality/Risk  Operations  Licenses (Business, IT, etc.,)  Executive Leadership	









- ► Location
  - ➤ Healthcare real estate ≠ commercial real estate
  - ► Use vendors with experience in healthcare laws and real estate transactions
  - Avoid leases at sub-optimum locations and consider reputational damage from prior location
- ► Relationships
  - ► Commercially reasonable
  - Need legitimate business purpose for renting from a provider-owned building
  - ► Need arms length transactions
  - ► Fair Market Value applies at all times

### **GUIDE FOR ASSETS**

Real Estate / Office Space:

- ▶ Include the use of fair market value (FMV) when appraising equipment, space and other items recognized in the Asset Purchase Agreement.
- Use vendors who are experienced in appraising equipment in a healthcare environment
  - Avoid inaccurate assessments due to liens or no consideration of depreciation, etc.
- Consider costs to purchase and refurbish/reimage to match the organization's security standards v. replace devices/network infrastructure
- Consider license, maintenance, archiving costs for the transition and integration periods

#### TRAIL GUIDE FOR ASSETS

Office equipment
Lab/diagnostic/clinical equipment
Business Licenses



## PRIVACY AND SECURITY RISKS

Failure to properly assess privacy and security risks can result in:

- HIPAA, SAMSHA, and state privacy law violations
   Loss of data from Ransom ware and other malware attacks
- Loss of patient and community trust and other reputational harm
- Loss of revenue







PRIVACY AND SECURITY: WHAT CAN GO WRONG?

- Avoid purchasing legacy systems
- Need gap analysis on security standards for IT devices/systems
- ► Identify ownership for risk mitigation plan, archiving steps. Pull such costs into Asset Purchase Price.
- ➤ Consider a full 're-boot' on Privacy expectations and education, especially in rural settings
- ► Consider active and automated monitoring of user access logs, especially in rural settings
- Physical walk-through of privacy and security safeguards is essential to capture risks to which current operations may be de-sensitized

#### GUIDE FOR PRIVACY AND **SECURITY**

Know your technology systems Privacy culture and awareness Physical safeguards



## HIRING PROVIDERS AND STAFF

- ciliure to properly vet providers and staff can result in: Patient harm from bad actors
- Patient International Data declars
  Decreased quality/performance scores
  False Claim Act violations
  Loss of revenue from CMS ineligibility (conditions of participation)
  Reputational harm

- ► Not properly vetting candidates lead to providers who may be investigated properly under current investigation by OIG or State.
- ► Lack of communicating the Ethics, Religious Directive from the organization.

HIRING PROVIDERS: WHAT CAN GO WRONG?

- Licensure issues:
  - Contract Language: must have active license in good standing
  - Inquire of provider: Are you currently under investigation?
- Balance the load of primary care v. specialists/sub-specialists with the organization's strategy (Think: growth and stability)
- grown and stability)

  Avoid costly promises: excessive sign-on bonuses, guarantees of jobs for family/friends, selecting payer panels, etc.

  Conflicts of interest: vetted before closing the deal. Have a Management Plan in place before contract is executed
- Medical necessity reviews must be performed for specialists
- ► Coding concerns must be addressed in a timely manner

## GUIDE FOR HIRING

Check-points for Physicians and other clinical providers

- ► Not vetting staff during an acquisition, could lead to reimbursement as the staff were excluded from participating in state health insurance programs.
- Bringing staff on from acquisition practice prior to back ground checks. (First Stop Urgent Care)

HIRING STAFF (NON-CLINICAL): WHAT CAN GO WRONG?

- Work with human resources to make sure the staff retained in the purchase are placed in the correct classification and have the skill sets needed for their roles
- ► Qualifications and licenses:
  - Review qualifications for ALS/BLS, other certifications
  - ► Review scope of license v. historical practice
  - ► Meaningful use requirements related to CMA, RMA roles in EHR and attestations
- ➤ Offers of employment should contain contingency language where applicable
  - Drug screens, certifications, licenses, COI management plans, etc.

GUIDE FOR HIRING

Check-points for Staff and non-providers



# CULTURE OBSERVATIONS

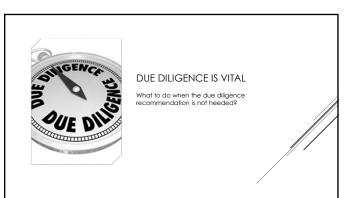
Contradictions or inconsistencies between mission and acquired partners or components can result in:

- Conflicts with service line operations (staff confusion)
- Decreased sense of trust and community
- Disengaged employees and lower productivity



GUIDE FOR CULTURE

- ➤ Bring the missions team to the table early in the process
- Have timely dialogue around service lines or procedures that may appear inconsistent with ethical and religious directives



The <u>purpose</u> of due diligence process is to ask the questions and document the responses and observations  When effective, the due diligence process will identify potential risks, justify or quantify the level of risk based upon laws, regulations, mission, etc., and to return a recommendation to the stakeholders.  Make sure legal counsel (in addition to stakeholders/strategy team) is aware of the recommendations from due diligence efforts.	
"T WALK DOWN THE STREET. THERE IS A DEEP HOLE IN THE SIDEWALK. I FALL IN. I AM LOST I AM HELPLESS. IT ISN'T MY FAULT. IT I JAKE STOREVER TO FIND A WAY OUT.	
I WALK DOWN THE SAME STREET.  THERE IS A DEEP HOLE IN THE SDEWALK.  I PRETEND I DON'T SEE IT.  I FALL IN AGAIN.  I CANT' BELEVE I AM IN THE SAME PLACE.  BUT, IT IS NIT MY FAULT.  IT SILL PASE MA LONG TIME TO GET OUT.  I WALK DOWN THE SAME STREET.  THERE IS A DEEP HOLE IN THE SIDEWALK.  I SEE IT IS THERE.  I STILL FALL IN. IT'S A HABIT.  MY CYST SARC OPEN.  IT IS MY FAULT. I GET OUT IMMEDIATELY.  WALK DOWN THE SAME STREET.  THERE IS A DEEP HOLE IN THE SIDEWALK.  I SEE A DEEP HOLE IN THE SAME STREET.  THERE IS A DEEP HOLE IN THE SIDEWALK.  I WALK DOWN THE SAME STREET.  I WALK DOWN ANOTHER STREET.*	
RECAP / Q&A	

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