Physician Relationships. Simplified.

Survey Report

Shining the Light on Physician Administrative Contracts:
How Hospitals and Health Systems Track, Manage, and Pay Physicians Today

Ludi™ has made it our mission to help hospitals manage what they spend on physician alignment.

While that directive sounds simple and straightforward, it is not. Over the last six years, we have found that hospitals – both large and small – are often in the dark about:

- How many physician administrative contracts they have;
- How complex paying physicians on paper can be;
- If physician documentation matches the duties, responsibilities, and expectations of those contracts;
- Who is managing the payment mechanisms of those contracts; and
- How to minimize compliance risks surrounding those contracts.

Further, few hospitals and health systems have assigned the oversight and management of physician administrative contracts to a specific person or department. This high-dollar and high-risk piece of their business is shuffled among various departments, typically through a paper-based process.

Automation is the key to efficiently, effectively, and compliantly managing physician administrative contracts. Ludi's DocTime Log® has helped hospitals and health systems nationwide save money and time, as well as mitigate the risk surrounding physician administrative contracts.

Recently, Ludi surveyed hospital executives and managers nationwide to find out how they track, manage and pay on physician administrative contracts. Seventy-five percent of the 28 respondents are from organizations that have 250 or more beds.

Below are 10 insights from the survey.

Over 51% have 50+ physicians they pay for administrative time (including both independent and employed physicians).

According to research by MD Ranger, a company that provides physician compensation benchmarks to healthcare organizations nationwide, the average medical directorship pay is $52,785 per year, or $1,072,570 for total facility spend for medical directorships. On-call payments average $313,746 per call contract with an average of $3,410,780 per facility annually.

This means that hospitals are spending on average $4,483,350 annually for physician administrative time, excluding teaching agreements and other alignment contracts such as co-management contracts. As reimbursements are shrinking, hospitals must better manage this bucket of spend because small percentage changes can have a relevant impact.

15% of respondents don’t have a contract management system that houses all physician contracts in one location.

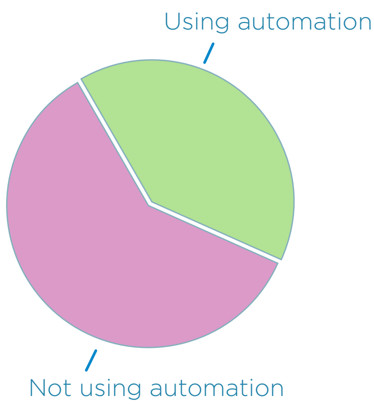
It is an industry standard to track all vendor contracts in some manner. Surprisingly, physician contracts are often included in these systems to monitor the basic parameters such as start and end dates. This happens despite the fact that physician contracts are complex, and if mis-managed, can put the organization at risk for multi-million dollar fines and even lead to jail time for executives.

Physicians are not vendors with one set price, their contracts have multiple levels of payment mechanisms. The complex payment rules surrounding physician administrative contracts must be managed every time there is a payment, not merely once a year. What’s more, the ability to track and internally audit these payments allows for organizations to approach physician alignment in a more strategic manner to optimize the spend.

Only **40%** of those taking the survey are now using automation to track and pay physician time.

Though contract management systems have been around for more than 20 years, tracking, managing and paying on physician administrative contracts is still largely managed through a paper process. In fact, this is the last paper process within the vast majority of hospitals.

These contracts are extremely complex, and they involve the most important relationships a hospital has – their physicians. Physician agreements must be monitored with each payment. This ensures compliance and that physicians get paid correctly and on time, a linchpin of physician satisfaction.

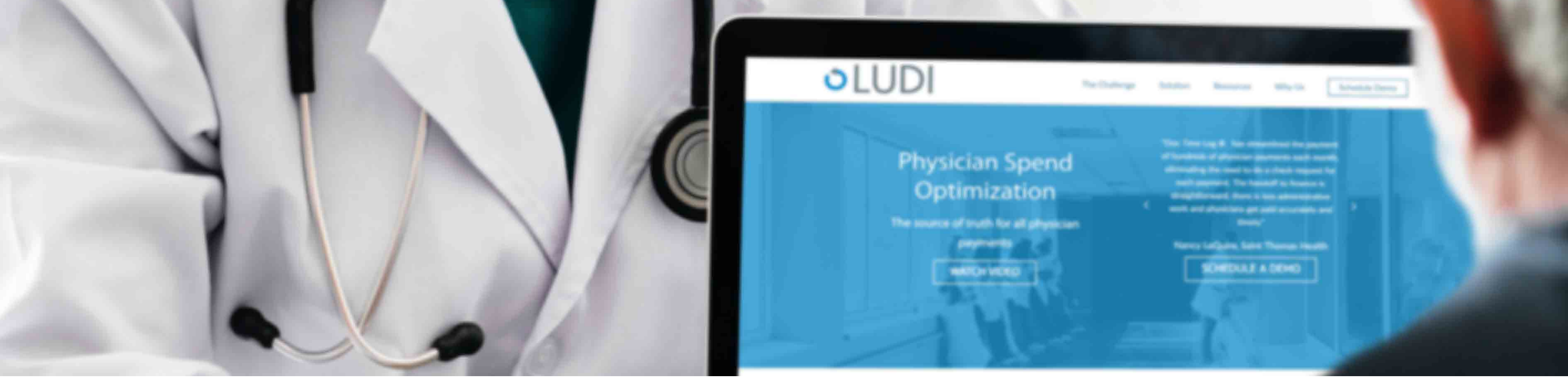


The needed automation to support the physician contracts cannot be handled by today's contract management systems, a physician payment system is required.

27% are not collecting time logs for physicians working on medical directorships, teaching agreements, or on-call work. For employed physicians, **42%** are not requiring physicians to turn in administrative time logs.

Stark Law violations seemingly dominate the headlines. And recently, the Department of Justice announced they are expanding their Fraud Strike Force, so we can expect to read even more of these types of headlines moving forward.

Even when unintentional, incorrectly paying physicians is considered fraud. The Tuomey and Halifax Office of Inspector General (OIG) settlements led to a set timeframe for which hospitals must collect time logs for all administrative time so that it is not construed as a Stark Law violation. Under these regulations, time logs must be submitted in order for payments to be justified. Most hospitals manage this manually, opening them up to unnecessary risk.



62% of respondents allow physicians to have 30 days after the period closes to submit time logs.

Thirty days is considered the industry standard for which hospitals require physicians to submit their time logs. Hitting this mark is significantly easier when the process is automated. In fact, many hospitals that have an automated submission process have been able to reduce this window further, allowing their physicians to be paid more quickly.

However, not all hospitals have included a submission deadline within their physician administrative contracts. Contracts that do not specify a deadline should be corrected immediately and the physicians should be made aware of the policy.

58% add a check request or other documentation before sending it to finance for payment.

Manual processes foster opportunities for errors and inefficiencies. When a check request is added, that will direct the payment to the correct general ledger account and contains payment information, such as the party to be paid. It is also signed by multiple levels of approvers.

Automation can remove this entire extra step, saving hundreds of hours of manual work as well as reducing the risk of errors.

58% of the respondents said it takes less than 7 days to get time logs approved and paid.

Yet, 25% of respondents had greater than 3 approvers sign each check request or time log. These numbers show that there is a disconnect between what hospital leaders think is going on and what really is happening.

Through our experience in working with hospitals across the country, we've found that when there are 3 people approving a time log before it goes to the finance department to be paid, it takes on average 14 days to complete the approval process alone with automation. When done manually, it is likely closer to 28 days.

Similarly, respondents said they believed it takes 1-2 weeks for the physician to be paid after the time log is submitted. However, we know that once time logs go through an average of 3 approvers, and then to finance to then fit into a processing of either a check run in AP or payroll, payment time is actually closer to 4-6 weeks.

Automation expedites this process, yet, 1-2 weeks is still a lofty goal. Hospitals using DocTime Log can typically process payments in 2- 4 weeks. Cutting the timeframe almost in half by automating the process is a huge opportunity for hospitals. Physicians' satisfaction is strongly tied to them getting paid in a timely manner.

The biggest challenge with tracking, managing, and paying physicians as reported:

- **71%** reported timeliness of physicians submitting time logs
- **29%** reported lack of completeness in paper time logs
- **21%** reported illegible time logs
- **21%** reported having to return the log back to the physician for clarification or rework
- **17%** reported getting physician buy in to report the time accurately and completely

30% of respondents do not audit the physician contracts annually.

Auditing the payments against the contract should be done annually to ensure the payments were correct. Failing to do this puts hospitals at risk for multiple errors and issues. For example, technical Stark Law violations can occur if any specifics of the contract are not followed, for example, a monthly maximum was missed. Technical violations are all too easy to make.

Further, annual audits ensure the hospital's physician alignment strategy is relevant and keeping pace with the organization's goals and other market variables. This also provides the opportunity to communicate with the physicians to review contract details and other information, as needed.

48% of respondents said contracts are reviewed for Fair Market Value (FMV) at time of setup and every 2 years.

In the past, most hospitals only reviewed contracts for FMV at the time of set up. However, the industry standard has changed. Most hospitals review contracts at regular intervals, though the timing of those intervals varies.

While 2 years is the most common interval from survey respondents, 22% reviewed contracts for FMV only at the time of setup. Another 30% had intervals longer than 2 years.

Ludi recommends working with a FMV company regularly and to have a consistent strategy on reviewing FMV.

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As the healthcare industry continues to evolve, physician contracts continue to become even more complex and difficult to track – for all parties involved, from the physicians to the payment administrators to the executives responsible for the hospitals' bottom lines. At the same time, the government is shining a brighter spotlight on payment fraud.

This survey offers a glimpse into how some hospitals are improving upon the way they track, manage, and pay on physician administrative contracts. Yet, the results also show that there is much room for improvement for the industry as a whole.

Physician administrative contracts are a big line item in the hospital budget. The importance of these contracts reaches much further than that. The inefficiencies of manually managing these contracts can cost tens, or even hundreds, of thousands of dollars each year. Physician satisfaction is another element that should not be overlooked – to attract and keep the best and the brightest physicians, hospitals must keep those physicians happy. Paying them correctly and on time is one way to do that.

However, the elephant in the room – one that many hospital and health systems want to ignore – is the risk that accompanies these contracts. Hospital executives have gone to jail, and their hospitals have been fined millions, over incorrect physician payments.

Hospitals and health systems can no longer afford the status quo when it comes to managing their physician administrative contracts. Strategically managing these contracts through an automated, trackable process is critical to the long-term financial success of healthcare organizations.

About Ludi

Ludi™ is a healthcare technology company that helps hospitals and health systems manage and optimize their physician alignment strategies. Our suite of software as a service (SaaS) products – DocTime Log®, DocTime Spend™, and ShiftTime Log™ – streamlines physician contract and payment data into one place. This allows hospitals and health systems to manage documentation, pay physicians, access year-end data for cost reports, and analyze data to better manage physician spend. We work with hospitals and health systems nationwide to improve compliance, optimize revenue, and enhance physician satisfaction. For more information, visit Ludiinc.com.

Learn More

Sources:

2018 Ludi Survey of executives and managers from hospitals and health systems nationwide. Of the 28 respondents, 75% were from organizations with more than 250 beds.

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