



LUDI

Physician Relationships. Simplified.

How Innovative Hospitals Are Simplifying Physician Payments with Automation

A look into the complex world of physician compensation strategies and the critical piece of technology infrastructure that's revolutionizing the way doctors get paid.





Introduction

As the U.S. continues to address the COVID-19 pandemic, hospitals of all sizes are seizing a unique opportunity to re-evaluate their operational strategies. One of the top strategies healthcare executives are reviewing is the way physicians teams are paid — for both employed and independent physicians. This is resulting in unprecedented levels of compensation redesign across the industry in an effort to better align incentives between physicians, hospitals and patients, while also supporting innovative care delivery models that gained prevalence during the pandemic. At the same time, hospital executives have recognized that the operational processes to support physician payments are inadequate and outdated, consisting of a series of tedious manual tasks across multiple, siloed departments and systems. If these processes are not addressed, they could dramatically impact a hospital's reputation among its medical teams, hurt its competitive position in the market, reduce success of clinical innovation strategies and deteriorate the overall financial and operational well-being of the hospital.

There's good news though. The hospital industry is at an exciting inflection point in the way it leverages technology. In fact, many forward-thinking hospitals have now made it a priority to leverage automation technology to streamline operational processes¹ that are critical to enacting their physician compensation strategies. The following white paper explores the unique intersection of the technology boon in healthcare and its rising impact on what is often one of the messiest, yet consequential, business areas hospitals must manage daily: How physicians get paid.



The Hard Operational Truths About Paying Doctors

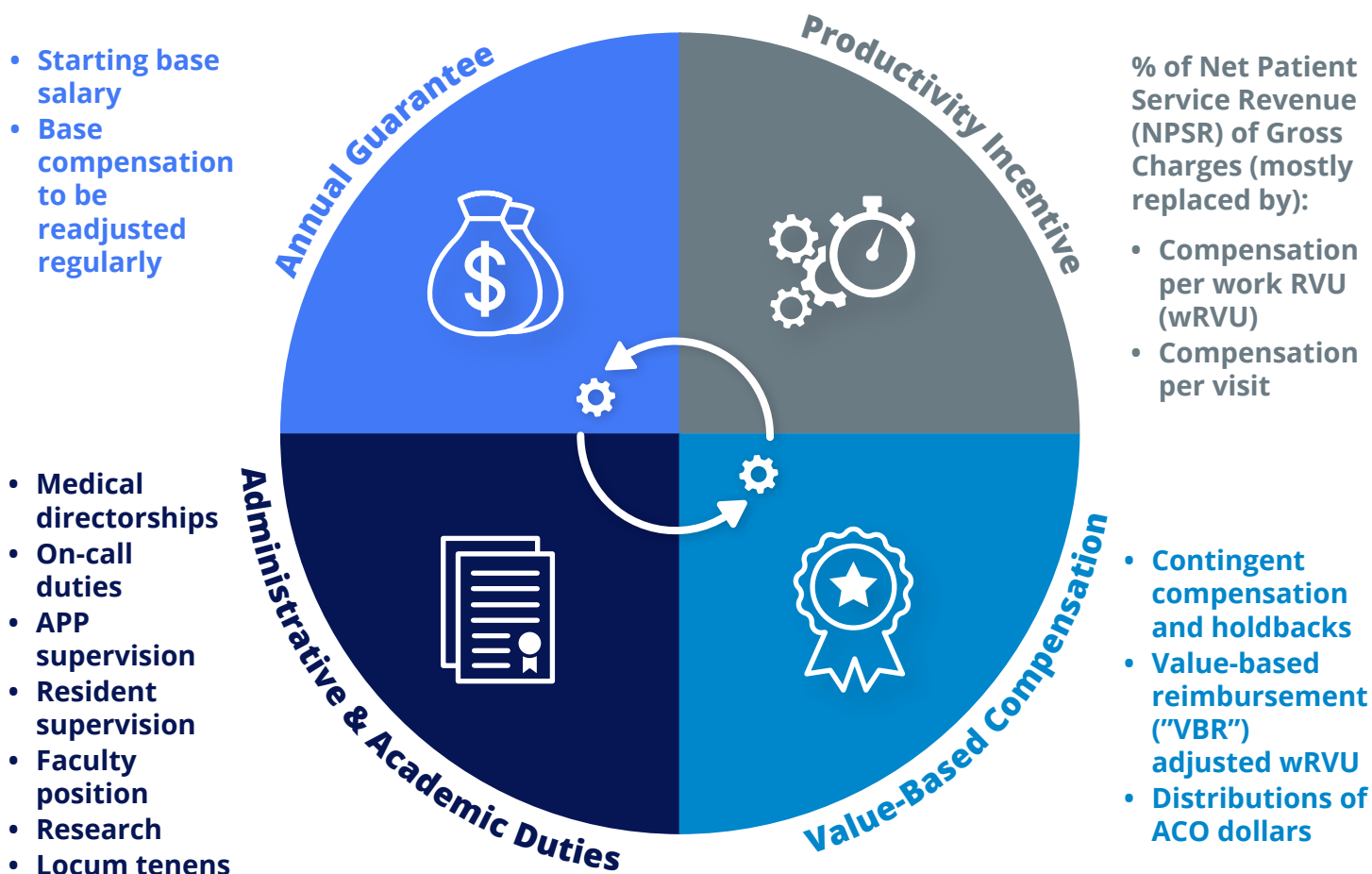
According to research conducted with the Healthcare Financial Management Association (HFMA) in 2020, **70 percent of hospitals said their physician compensation processes are an operational challenge.**² Specifically, their concerns centered around timeliness of payments to their doctors, whether that compensation was in accordance with policies that relate to a physician's contract (i.e., a potential Stark Law violation) and the administrative burden required to process payments. The reality is, processing a single payment for a physician can require over 18 manual steps, which puts an unnecessary administrative burden on all team members involved, including a hospital's physician partners.

THERE ARE TYPICALLY FIVE ADMINISTRATIVE-RELATED BARRIERS TO PAYING DOCTORS

- 1. An overwhelming amount of manual documentation** that is generated, collected and approved just to pay one doctor, let alone dozens or even hundreds of doctors.
- 2. Complex contractual arrangements**, which can include everything from medical directorships, on-call agreements and locum tenens, to bonuses and wRVU true-ups for employed doctors.
- 3. Complex calculations and payment methodologies** that in many cases are not automated, so it's easy to make mathematical mistakes.
- 4. Rigorous regulatory requirements** (e.g., Stark Law or Anti-Kickback concerns) that must be met every time a doctor is paid.
- 5. Disparate departments with limited communication with each other**, as physician contracts and related payment data typically exists across multiple systems and departments at a provider organization. This can cause a "lack of ownership" over physician payments, resulting in gaps in knowledge and mistakes.



The Complexity of Physician Payments: Different Ways a Doctor is Compensated



Source: Stroudwater Associates, 2021

The Costs of Fragmented Physician Payment Processes

Disparate and manual processes over-burden doctors, which can contribute to higher levels of stress and burnout. In fact, according to a 2021 Medscape physician survey, **58 percent of respondents cited “too many bureaucratic tasks” as a major factor in their feelings of burnout.**³ This should not be surprising given the hectic schedules doctors typically face every single day, which — aside from seeing patients — can include everything from meeting with colleagues to filling out paperwork, just to name a few. Of course, EHRs place a heavy burden on doctors, too. But based on a recent Ludi survey of physicians nationwide, other non-patient-related factors play a big role in adding to a physician’s stress level too, with a particular emphasis on the processes required to get paid.⁴



55% of physicians reported spending 1 to 3 hours per day on admin work unrelated to patient care or EHRs.⁴



Physician stress is only one part of the story though. Hospitals also need to consider the strain team members in finance, compliance, legal, administration and other departments face, whose job it is to support physician compensation processes every day. Since many hospitals still rely heavily on paper or fragmented systems to manage physician payments, many of these team members lose hours of time every week by supporting outdated payment practices. And if mistakes are made, they can result in compliance issues that cost a hospital millions of dollars, if not more.

Cumbersome payment processes also make it difficult for hospital executives to gain regular visibility into a key financial metric, physician contract spend — that is, every dollar spent on every physician contract enterprise-wide. Ultimately, measuring physician spend requires a hospital to aggregate a record of every payment made to every physician partner. So, to get a full, dashboard-like picture of physician spend, a hospital executive may need to cobble together hundreds of general ledger line items and other documents across multiple departments. That’s not easy to do nor is it easy to see in a dashboard when you need it. In fact, without an effective process for managing and tracking physician contract spend, organizations may find it hard to gauge their physician resource needs or success of various clinical initiatives.

Contract Management and HRIS/Payroll Systems Fall Short

While many hospitals have attempted to improve physician compensation processes by leveraging contract management systems or HR and payroll systems, these legacy solutions are inadequate at supporting the complex and nuanced attributes of physician payments.

Contract management systems essentially act as large, digital “filing cabinets.” That is, they are effective at storing simple contract information, but they do not make it easy for hospital teams to analyze contract data across the full spectrum of their entire physician network. Nor do they automate calculations and workflows needed to pay physicians based on their contractual terms, which in turn creates a potential regulatory liability for the hospital and doctor alike.

HR and payroll systems may contain the payments, but do not have the history of what or why that payment was made. This can cause a vast amount of manual work outside the system to attempt to reconcile the disparate datasets.

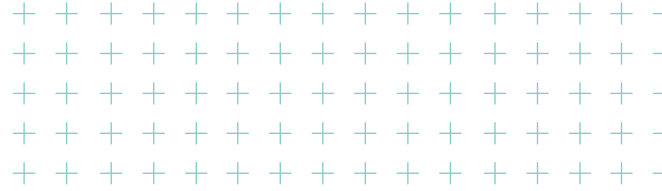
Ultimately, many hospitals have turned to an army of Excel spreadsheets and paper-based processes to pay physicians. These spreadsheets require tedious manual work to maintain, are prone to errors and do not provide a dashboard-like view of a hospital’s physician payments, enterprise-wide. As a result, this places more burden on hospital teams and physicians, increases likelihood of errors and makes it difficult for a hospital to holistically see what they’re spending enterprise-wide on physician compensation.

Physician Payment Automation Technology is the Missing Puzzle Piece

In a nutshell, physician payment automation systems are purpose-built to help hospitals automate and streamline physician payment processes across disparate processes and systems. An effective automation system should go beyond a standard contract management system and help hospitals reconcile complex physician contract terms quickly, calculate accurate payments and gain visibility into enterprise-wide physician payments.



THE VALUE OF PHYSICIAN PAYMENT AUTOMATION SOLUTIONS



1. Optimized Administrative Payment Processes and Reduced Manual Burden on Physicians and Other Team Members

- Unify all departments responsible for physician payments in a single system.
- Digitally collect time logs so teams, including physicians, can eliminate paper-based processes.
- Automate payment calculations, ensuring accuracy and compliance with contracts.
- Streamline approval workflows and processes.
- Reduce error and rework rates on physician contract payments.
- Integrate with payroll systems to ensure an easy handoff of payments to finance teams.

2. A Single Source of Truth for Physician Contracts and Payments Across a Hospital's Entire Physician Enterprise

- A single integrated solution to manage any type of compensation arrangement (wRVU, medical directorships, on-call, teaching, etc.).
- Identify gaps in physician contracts and opportunities to standardize those contracts.
- Understand which physicians they're actually paying, what they're paying each physician for and how that work brings value to the hospital.
- Automatically generate payment reports.
- Access to other physician data and analytics that informs strategic decisions about service-line or market gaps in physician networks.

3. An Extra Layer of Guardrails to Support Compliance Efforts

- Prevent costly fines and penalties associated with Stark Law and Anti-Kickback (AKS) by ensuring each payment is within scope of the agreement.
- Ensure payments stay within the bounds of Fair Market Value.
- Make it easy to run regular audits on physician payments and report on activity whenever needed.



HOW EACH HOSPITAL STAKEHOLDER BENEFITS FROM PHYSICIAN PAYMENT AUTOMATION

The successful rollout of physician payment automation technology in a hospital is dependent on ease of use and how well it addresses the problems of each stakeholder.

C-Suite (e.g., CEO, CMO, CSO)

Access accurate, timely and comprehensive data and analytics to measure the performance and costs of physician networks and strategies.



Finance, Physician Compensation & Accounting Teams

Automate and streamline physician payment processes, reducing their administrative burden.



Legal & Compliance

Ensure appropriate documentation and payments, mitigating compliance concerns (Stark Law, etc.).



Physicians

Make it easy to log time, get approvals online and gain better visibility into owed payments.



Conclusion

It's no secret that a symbiotic hospital-physician relationship is critical to the success and profitability of hospitals. Why? Because without strong physician relationships, hospitals cannot remain competitive in their markets or pursue clinical innovation strategies. That's especially true as the hospital industry moves more and more to a value-based care approach. But the processes and systems that support these relationships, particularly around physician pay, have been under-invested in and are woefully inadequate to support growing and more complex physician enterprises. To address these gaps, many hospitals plan to invest in physician payment automation technology. Physician payment automation technology serves as a critical piece of infrastructure to ensure payment compliance risk is minimized, physician contract spend is optimized across a hospital's ever-changing needs and the administrative burden on both hospital staff and physicians is reduced to a manageable level. It's a win-win for everyone.

About Ludi

Ludi, Inc. is a healthcare technology company making it easier for hospitals to pay physicians. Ludi's DocTime Suite automates the payment process for any type of physician arrangement, from a signed contract to payment. For more information, visit www.ludiinc.com.



SOURCES

- [1] "Improved Clinical Efficiency and Quality: How Can MedTech Meet Physicians' Digital Technology Needs?" Deloitte, September 24, 2020.
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- [3] "'Death by 1000 Cuts': Medscape National Physician Burnout & Suicide Report 2021." Medscape, January 22, 2021.
- [4] "Pulse-Check on the State of Hospital-Physician Relationships in a Post-COVID World." Ludi, Inc. June 2021.