ON-CALL COVERAGE COMPENSATION & STRUCTURES: KNOW THE OPTIONS

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An ongoing challenge for hospitals is ensuring continuous specialty coverage for emergency departments and inpatients that require urgent specialist consultation. Provider compensation for providing such coverage is common and takes a variety of forms. Over the past five years alone, Healthcare Appraisers has valued almost 8,000 compensated call coverage arrangements. Below is an overview of common payment structures, along with related statistics from our proprietary database.

1. **Per-Diem / Shift Compensation** – A flat payment for each day or shift of call availability regardless of the actual number of call events handled during the call period
   - Represents 91% of arrangements valued by HealthCare Appraisers in the past 5 years
   - Most commonly, a daily stipend for 24-hours of coverage

PROS	CONS
▪ Ease of administration	▪ Compensates even for days on which no emergent events occur
▪ Budgetary expense known in advance	▪ May be expensive

2. **Fee-For-Service ("FFS") Payments for Care Rendered to Indigent or Unfunded Patients** - FFS payment for any service that an on-call physician renders to a patient whose care is otherwise unreimbursed
   - Represents <1% of arrangements valued by HealthCare Appraisers in the past 5 years

PROS	CONS
▪ Compensates physician with FFS payments for otherwise unfunded care rendered in response to a call event	▪ Unknown budgetary expense
▪ Relatively inexpensive for hospital	▪ Difficult to administer in some circumstances, such as circumstances in which it is difficult to determine which services are unfunded or the appropriate code(s) to identify the Medicare FFS amount on which to base compensation
▪ Compensation arrangement may be uniform for on-call panels of various specialties, providing for some ease of administration	

3. **Per-Diem *Plus* FFS Payments for Care to Unfunded Patients** – A flat payment for each day or shift of on-call availability *plus* FFS payment for any service that an on-call physician renders to a patient whose care is otherwise unreimbursed

   - Represents 7% of arrangements valued by HealthCare Appraisers in the past 5 years
   - Per-Diem/shift compensation is supplemented by FFS payments for otherwise unfunded care that is rendered in response to a call event; the FFS payments are generally structured as a percentage of the Medicare allowable rate for the services rendered, adjusted for the hospital's region

PROS	CONS
▪ Typically, lower per diem or per shift expense when compared to the per diem **only** compensation structure	▪ Potential to compensate for days on which no emergent events occur
▪ Potential annual cost savings to hospital	▪ May be expensive

4. **Activation Payment** – Fixed payment due for each instance when the on-call physician actually presents to the hospital in response to an on-call event

   - Represents ~1% of arrangements valued by HealthCare Appraisers in the past 5 years
   - The activation payment compensates for the burden of responding to on-call events and also for availability provided on all on-call coverage days, including those days when no call events occur.

PROS	CONS
▪ Paid only when a physician responds in person to the hospital for an emergent event, so may result in annual budgetary savings if emergent events are not frequent	▪ Physicians may prefer the predictability of a daily (versus activation only) per diem fee
▪ Generally results in lower annual on-call coverage if call frequency is low	▪ Physicians may request an unrealistically high activation fee as a condition of providing on-call coverage

5. **Per-Diem *Plus* Activation Payment** – A flat payment for each day or shift of on-call availability *plus* a fixed payment due for each instance when the on-call physician actually presents to the hospital in response to an on-call event

   - Represents <1% of arrangements valued by HealthCare Appraisers in the past 5 years

PROS	CONS
▪ **May** result in lower annual cost to hospital than does the per diem only payment structure, given low frequency of activation and reduced per-diem payments	▪ Financial risk for those providing on-call coverage because the per diem and activation rates are generally well below the rates for per diem and activation payments alone
▪ Physicians may be more receptive to this payment structure than activation fee only	▪ The per diem component may result in costs that are higher than under an activation fee-only structure

6. **Uncompensated Care Coverage / Professional Liability Insurance ("PLI")/ Indemnification** – The hospital provides the on-call physicians with professional liability insurance and/or indemnification for their on-call services.

PROS	CONS
▪ May be low cost to hospital	▪ Physicians may believe they should be compensated for on-call burden in addition to being insured against losses from lawsuits
▪ PLI and/or indemnification mitigates the on-call physician's patient litigation risk and may increase willingness to provide on-call coverage for high-risk patients	

COMPENSATION STRUCTURE	% OF TOTAL VALUATIONS
Per Diem/Shift Compensation	91.4%
Per Diem *plus* FFS	7.1%
Activation Fee	1.0%
All Other (e.g., Payment solely for Unfunded care, etc.)	0.5%
GRAND TOTAL	**100%**

Variables for Payment Structures

(i) Single Facility Coverage - Coverage of one hospital facility during a coverage period

(ii) Single Specialty Coverage - Coverage of one specialty during a coverage period

(iii) Single Facility/ Multiple Specialty Coverage – Simultaneous coverage for multiple specialties (*i.e.*, general/vascular surgery) during the same 24-hour period, and hospital cannot have an additional physician scheduled for call in either of the specialties

(iv) Multiple Facility/ Single Specialty Coverage – Simultaneous single specialty coverage of multiple hospitals under the same ownership by one physician during the same coverage period without having transfer arrangements in place, and hospitals cannot have an additional physician scheduled for call at either of the facilities

(v) Coverage of Multiple Sister-facilities / Multiple Specialties – Simultaneous coverage for multiple specialties & multiple hospitals (under the same ownership) during a 24-hour period

Single Facility vs. Concurrent/Combined Coverage

- Almost 92% of arrangements valued by HealthCare Appraisers in the past 5 years are single facility, single specialty coverage arrangements

PROS	CONS
▪ Call coverage secured simultaneously for multiple facilities/specialties without having to maintain multiple call panels	▪ Increases probability of potential physician response which leads to increased burden
▪ Typically results in annual cost savings to hospital or health system	▪ Physician must be available to potentially present at two (or more) facilities/specialties during the same coverage period
▪ Generally requires a smaller pool of on-call physicians, which may contribute to improved physician work-life balance	▪ May be onerous to administer if single facility/single specialty coverage is also provided (*i.e.*, care must be taken to ensure an appropriate rate of compensation and no duplication of coverage)

Compensation structure and amount may be an important factor in a given hospital's ability to adequately secure physician call coverage to comply with state and federal regulations. While many hospitals structure their arrangements in a manner that includes a per diem payment for single specialty/ facility coverage, other structures are used and may be a better fit to align the incentives of the parties. Determining the appropriate structure and FMV range of compensation for these arrangements requires an in-depth understanding of the unique dynamics and structure of each specific relationship, combined with a knowledge and comprehension of the characteristics surrounding the local marketplace.