



# THOUGHT LEADERSHIP

## CO-MANAGEMENT CHECKLIST: WHAT TO DO BEFORE, DURING AND AFTER NEGOTIATING AN AGREEMENT

Co-management agreements have long been used to engage physicians in service line development and are increasingly being used to set the stage for population health management. Successful deals require careful preparation and implementation. The following items offer a starting point for what you need to focus on before, during, and after constructing a co-management agreement:

### BEFORE

#### **Understand the basics of co-management**

Before starting the process, you should familiarize yourself with the general concept of co-management agreements. While too complex to fully cover here, co-management agreements assign service line management duties to one or more physicians. Compensation structures vary, but are generally divided into a base fee and an incentive fee. The base fee compensates physicians for hourly management duties while the incentive fee awards physicians for hitting quality or operational targets.

#### **Complete a baseline assessment of service line performance**

Working with the service line director, you should construct a dashboard of all relevant performance indicators including clinical quality, satisfaction, cost, and operational measures. It is helpful to compare these measures to national benchmarks. Such benchmarks are often available via clinical registries published by organizations such as the American College of Cardiology or the National Surgical Quality Improvement Program.

#### **Identify potential metrics for the incentive fee**

By conducting a throughout baseline assessment, you will quickly be able to see specific measures in which the service line is not meeting national benchmarks. Starting with these measures, you can draft an initial list of potential incentive fee metrics. Depending on your specific goals, you may want to add cost savings or program development items to the initial draft list. We recommend creating an initial list of 10-12 items, as many will be narrowed down during discussion with physicians.



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### DURING

#### **Finalize metrics and select targets**

Working with the physicians, you should discuss and evaluate the list of potential incentive fee metrics. We recommend choosing four to six final metrics. This will allow the physicians to focus on a variety of areas without diluting the incentive pool. It will also be necessary to select targets for each metric. The targets determine whether fees are paid for each metric. Using national benchmark data can help establish targets. Overall, targets should be challenging but attainable.

#### **Establish payable duties**

Because the base fee is determined by the number of hours worked, it is important to establish guidelines for payable duties. Payable duties should be clearly delineated and should be relevant to the scope of the service line being managed. Payable duties should not include general clinical responsibilities for which the physician is otherwise being compensated.

#### **Determine compensation structure**

As previously described, most co-management agreements consist of a base fee and an incentive fee. Working with the physicians, you must establish the proportion of each component. We generally suggest the incentive fee range from 40% to 70% of the total value. It is also necessary to weight each metric within the incentive fee. While many plans assign equal weighting, we recommend assigning slightly higher weights to metrics with national benchmarks.

#### **Ensure compliance and fair market value**

It is important to work with your legal team to ensure all agreement terms are compliant with anti-kickback and Stark regulations. We also highly recommend working with an independent valuator to ensure the total compensation is within fair market value. Taking these steps will help you steer clear of regulatory and compliance issues.

#### **Draft legal contracts**

Once the deal structure is finalized and agreed to, you must work with your legal team to draft contracts. Some physicians may retain their own counsel for contract review, which may add time to the process.



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### AFTER

#### **Ensure physicians have appropriate resources**

You should not assume the physicians will have everything needed for service line management. It may be necessary to offer hospital resources to help the physicians. You may consider offering scheduling assistance, meeting space, or other general support. Overall, you should communicate with the physicians to make sure they have the tools necessary to get the job done.

#### **Monitor metrics**

Payment of the incentive fee is dependent on the achievement of the predefined metrics and targets. This requires a transparent and reliable process for collecting and analyzing the required data. The physicians must understand and trust the process.

#### **Monitor physician hours**

Because the base fee is dependent on the number of actual hours worked by physicians, you must diligently monitor and maintain time logs of physician hours. Failure to do so may result in regulatory and compliance issues.



*To learn more about co-management relationships and negotiating agreements, contact Neal Barker:*

**NEAL D. BARKER**  
HSG Partner

(502) 814-1189  
nbarker@hsgadvisors.com