

5 Steps to Optimize Your Hospital's Budget with Physician Spend Data

One of the most critical categories of your hospital's budget is "physician spend" – the total amount of money spent on every physician contract in your physician network. Measuring physician spend ensures your organization is aligned with the right physician partners and you're well-positioned to accomplish long-term strategic and financial goals.

Here are five steps you can take right now to optimize your organization's budget using physician spend data.

1.

Gather At Least Two Years of Physician Spend Data per Physician Contract



Pull contracts at the invoice level.
This will accomplish two things:

1. Provide you with quick visibility into large dollar contracts that can potentially be optimized.
2. Help you locate other outliers among your physician arrangements so that you can identify areas for strategic acquisitions or service-line build out.

ACME Hospital: Top 5 Physician Contracts

Contract Specialties	Contract Type	Total Payments to Physicians
Ortho	PSA	\$5,107,000
Anesthesia	PSA	\$4,091,000
Surgery	On-Call	\$3,863,000
Ortho	Stipend	\$3,092,000
Cardio	PSA	\$2,302,000

OUR RECOMMENDATION: This hospital should be taking a hard look at ortho spend and re-evaluating their strategic options with this service line.

ACME Hospital: Top 5 Specialties

Contract Specialties	Total Payments to Physicians
Orthopedics	\$3,245,000
Neurosurgery	\$3,112,000
OB/GYN	\$2,500,000
Cardiology	\$1,923,000
Surgery	\$1,795,000

1. Line up and evaluate the total dollars spent by service line to see if it supports your current physician alignment strategy.

ACME Hospital: Contracts by Hourly Rate

1. \$50 - \$100	1
2. \$100 - \$150	9
3. \$150 - \$200	11
4. \$200 - \$250	6
5. \$250 - \$300	3
6. \$300 - \$500	3

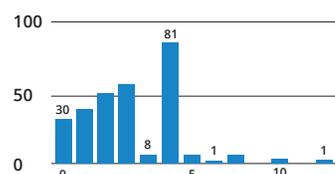
2. Line up and review the hourly rate (or per diem) in each contract to ensure consistency in your evaluation.



Benchmark Your Data to Identify Outliers and Trends

2.

ACME Hospital: Contracts by Age (years)



3. Line up and review contracts by start date, too. Any arrangement that has been in place for 5 or more years should be at the top of your list to re-examine.

3.

Evaluate the ROI on Each Physician Contract



DID YOU KNOW?

On average, a 200-bed hospital spends \$20M on their total physician contract spend annually, which includes employed and independent physicians, along with all other arrangements.

TIP

Challenge your team as to the relevance of these agreements. For example, if your hospital has Medical Directorships or Teaching agreements that aren't being used, you might consider renegotiating or canceling them. This is where your finance team should reach out to the service line leadership and provide them with strategic information about their contracts.

4.



Ensure Every Dollar of Your Spend is Being Captured in Medicare Cost Reports



When submitting your annual Medical Cost Report, remember that all 1099 Medical Director, Clinical Leadership and On-call expenditures can be included in the Medicare Wage Index. This will increase your reimbursement.

5.

Standardize Your Physician Contract Review Processes



ABOUT LUDI

Ludi, Inc. is a health care technology and physician-advocacy firm that simplifies the way hospitals and health systems track, manage and audit payments to their physicians.



Use templates and standard FMV practices to establish boundaries with your physician contracts.



Eliminate unnecessary steps in executing your physician arrangements.



Consider automation to eliminate variance in your physician spend data.