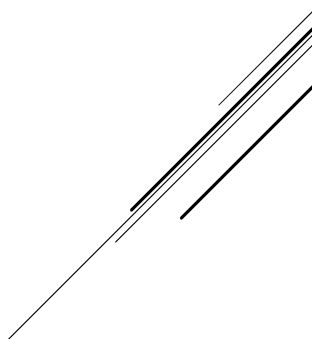




## NAVIGATING THE PHYSICIAN PRACTICE ACQUISITION EXPERIENCE

- 
- ▶ Disclaimer: The information and works presented today express our own views and opinions, and do not represent those of our employer.



"I WALK DOWN THE STREET.  
THERE IS A DEEP HOLE IN THE SIDEWALK.  
I FALL IN.  
I AM LOST... I AM HELPLESS.  
IT ISN'T MY FAULT.  
IT TAKES FOREVER TO FIND A WAY OUT.

I WALK DOWN THE SAME STREET.  
THERE IS A DEEP HOLE IN THE SIDEWALK.  
I PRETEND I DON'T SEE IT.  
I FALL IN AGAIN.  
I CAN'T BELIEVE I AM IN THE SAME PLACE.  
BUT, IT ISN'T MY FAULT.  
IT STILL TAKES ME A LONG TIME TO GET OUT.

I WALK DOWN THE SAME STREET.  
THERE IS A DEEP HOLE IN THE SIDEWALK.  
I SEE IT IS THERE.  
I STILL FALL IN. IT'S A HABIT.  
MY EYES ARE OPEN.  
I KNOW WHERE I AM.  
IT IS MY FAULT. I GET OUT IMMEDIATELY.

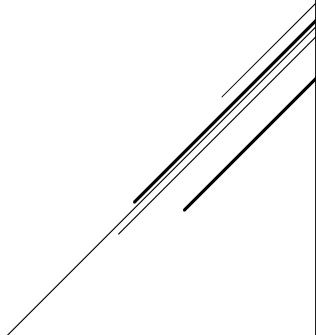
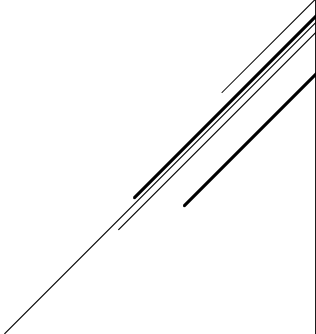
WALK DOWN THE SAME STREET.  
THERE IS A DEEP HOLE IN THE SIDEWALK.  
I WALK AROUND IT.

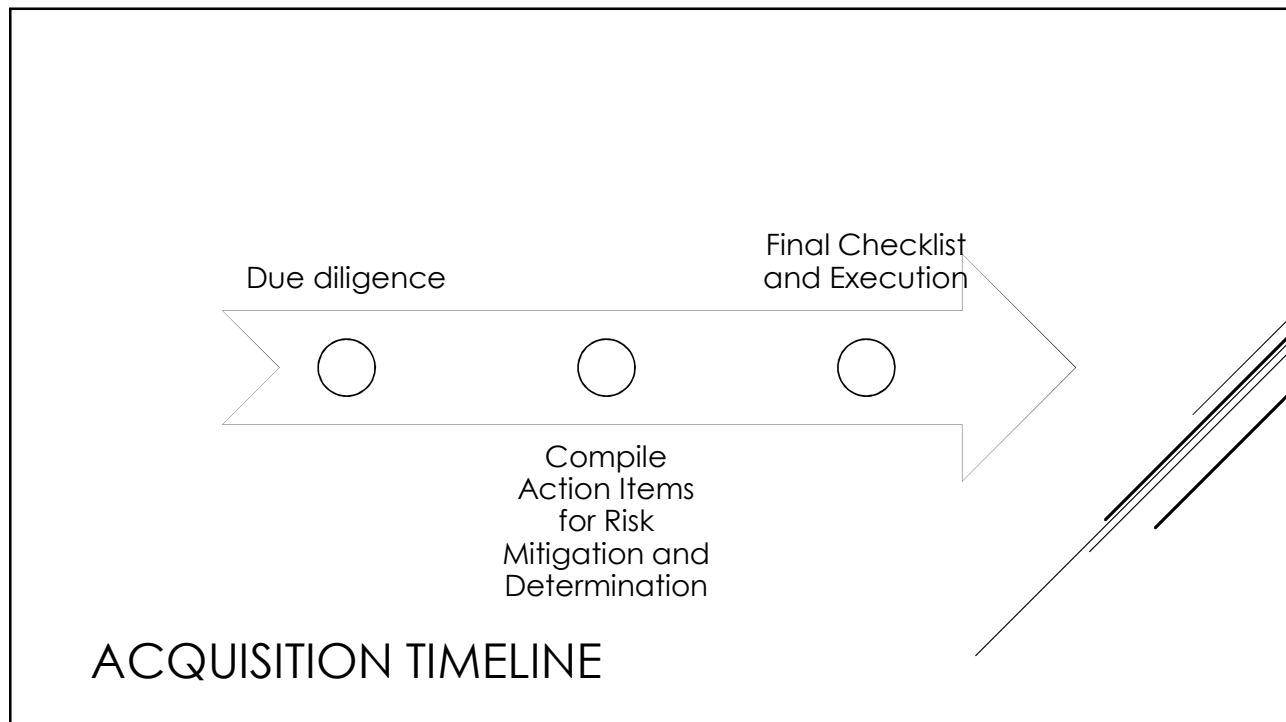
I WALK DOWN ANOTHER STREET."

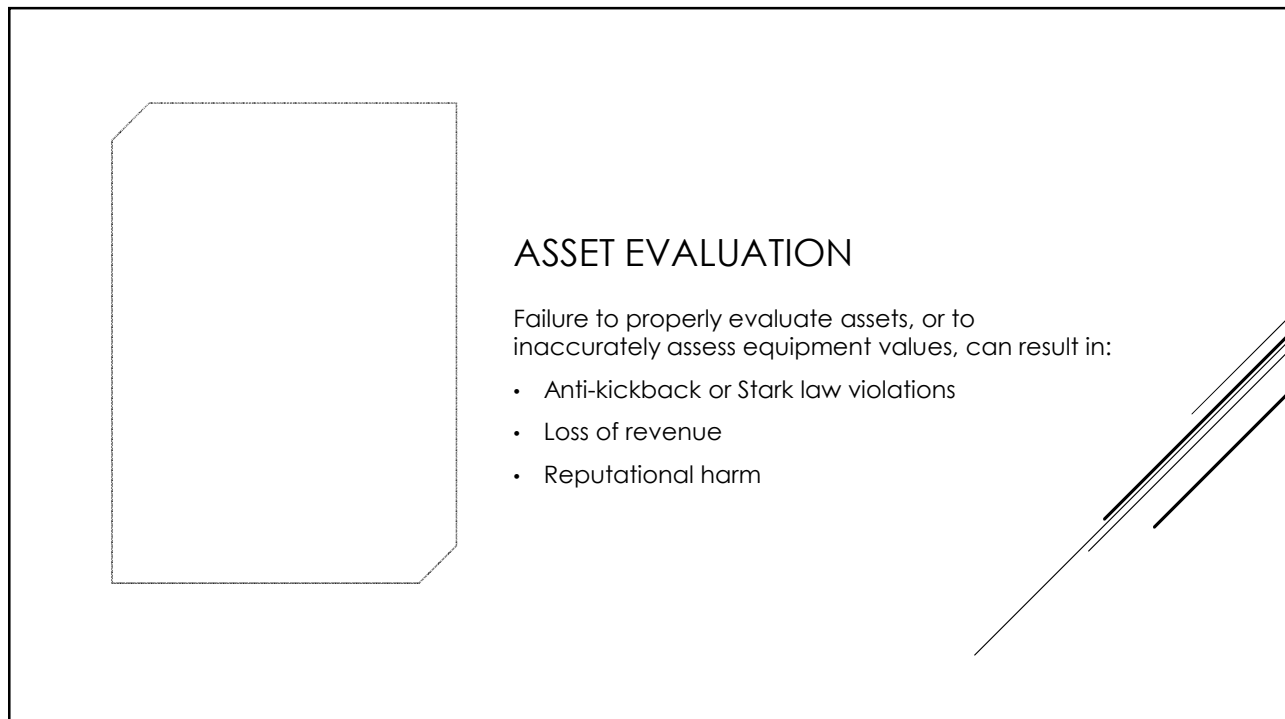
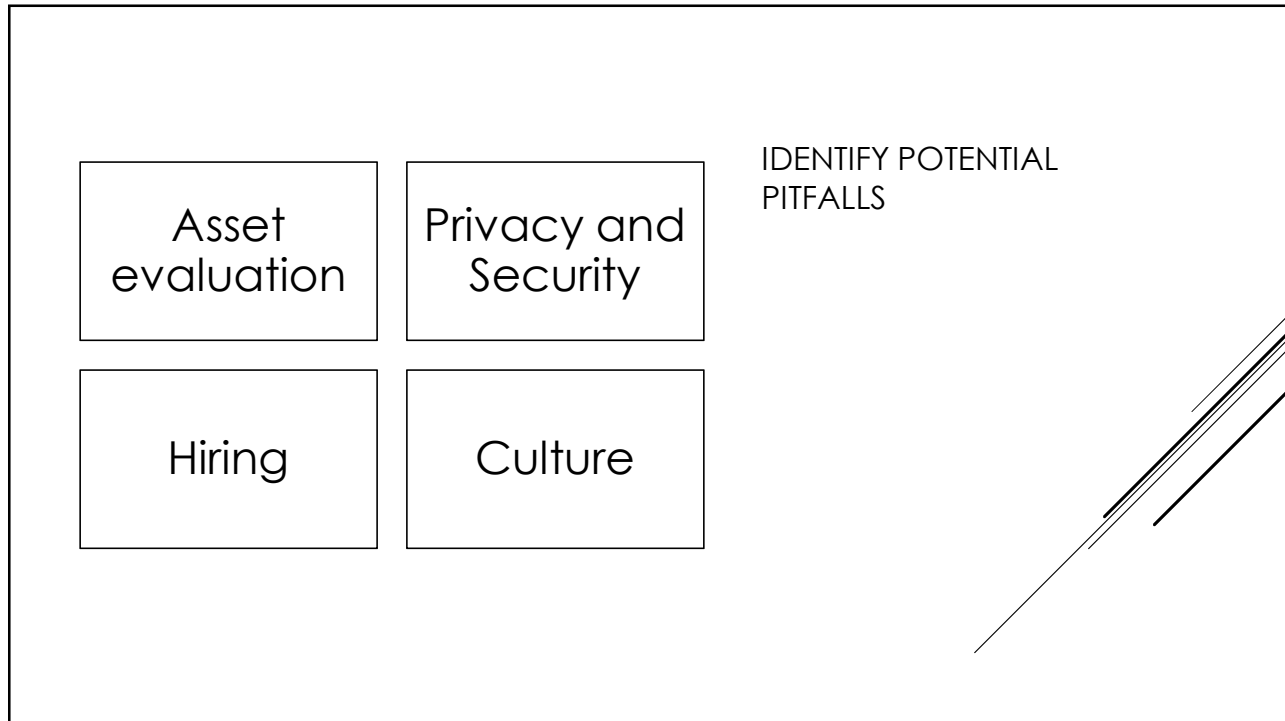
— PORTIA NELSON, THERE'S A HOLE IN MY SIDEWALK: THE ROMANCE OF SELF-DISCOVERY

# BENCHMARKING

Group exercise: Audience benchmarking







▶ Case example

Case example

## EVALUATING ASSETS: WHAT CAN GO WRONG?

### ▶ Location

- ▶ Healthcare real estate ≠ commercial real estate
- ▶ Use vendors with experience in healthcare laws and real estate transactions
- ▶ Avoid leases at sub-optimum locations and consider reputational damage from prior location

### ▶ Relationships

- ▶ Commercially reasonable
- ▶ Need legitimate business purpose for renting from a provider-owned building
- ▶ Need arms length transactions
- ▶ Fair Market Value applies at all times

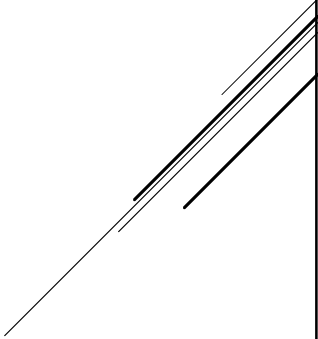
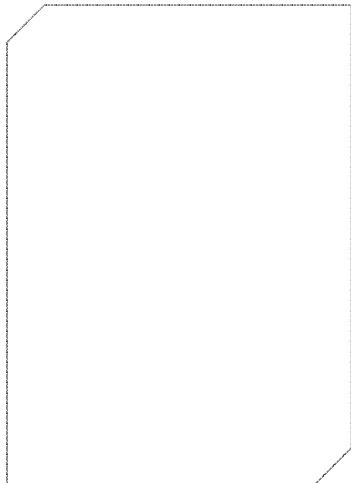
## TRAIL GUIDE FOR ASSETS

Real Estate / Office Space:

- ▶ Include the use of fair market value (FMV) when appraising equipment, space and other items recognized in the Asset Purchase Agreement.
- ▶ Use vendors who are experienced in appraising equipment in a healthcare environment
  - ▶ Avoid inaccurate assessments due to liens or no consideration of depreciation, etc.
- ▶ Consider costs to purchase and refurbish/re-image to match the organization's security standards v. replace devices/network infrastructure
- ▶ Consider license, maintenance, archiving costs for the transition and integration periods

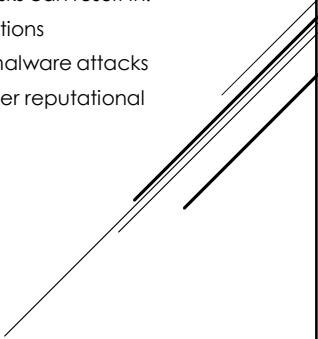
## TRAIL GUIDE FOR ASSETS

Office equipment  
Lab/diagnostic/clinical equipment  
Business Licenses

## PRIVACY AND SECURITY RISKS

Failure to properly assess privacy and security risks can result in:

- HIPAA, SAMSHA, and state privacy law violations
  - Loss of data from Ransom ware and other malware attacks
  - Loss of patient and community trust and other reputational harm
  - Loss of revenue
- 

▶ Case example

▶ Case example

## PRIVACY AND SECURITY: WHAT CAN GO WRONG?

- ▶ Avoid purchasing legacy systems
- ▶ Need gap analysis on security standards for IT devices/systems
- ▶ Identify ownership for risk mitigation plan, archiving steps. Pull such costs into Asset Purchase Price.
- ▶ Consider a full 're-boot' on Privacy expectations and education, especially in rural settings
- ▶ Consider active and automated monitoring of user access logs, especially in rural settings
- ▶ Physical walk-through of privacy and security safeguards is essential to capture risks to which current operations may be desensitized

## TRAIL GUIDE FOR PRIVACY AND SECURITY

Know your technology systems

Privacy culture and awareness

Physical safeguards





## HIRING PROVIDERS AND STAFF

Failure to properly vet providers and staff can result in:

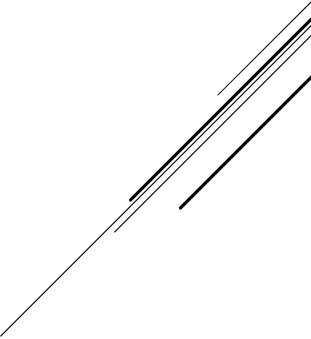
- Patient harm from bad actors
- Decreased quality/performance scores
- False Claim Act violations
- Loss of revenue from CMS ineligibility (conditions of participation)
- Reputational harm



▶ Case example

▶ Case example

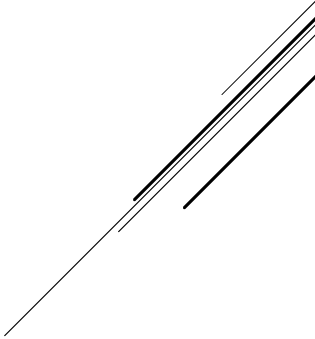
## HIRING PROVIDERS: WHAT CAN GO WRONG?



- ▶ Licensure issues:
  - ▶ Contract Language: must have active license in good standing
  - ▶ Inquire of provider: Are you currently under investigation?
- ▶ Balance the load of primary care v. specialists/sub-specialists with the organization's strategy (Think: growth and stability)
- ▶ Avoid costly promises: excessive sign-on bonuses, guarantees of jobs for family/friends, selecting payer panels, etc.
- ▶ Conflicts of interest: vetted before closing the deal. Have a Management Plan in place before contract is executed
- ▶ Medical necessity reviews must be performed for specialists
- ▶ Coding concerns must be addressed in a timely manner

## TRAIL GUIDE FOR HIRING

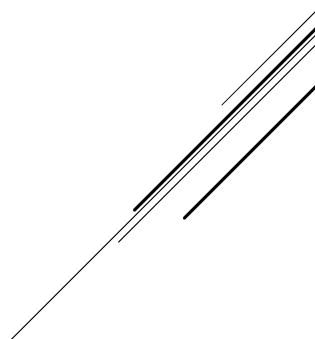
Check-points for Physicians and other clinical providers



▶ Case example

▶ Case example

## HIRING STAFF (NON-CLINICAL): WHAT CAN GO WRONG?



- ▶ Work with human resources to make sure the staff retained in the purchase are placed in the correct classification and have the skill sets needed for their roles
- ▶ Qualifications and licenses:
  - ▶ Review qualifications for ALS/BLS, other certifications
  - ▶ Review scope of license v. historical practice
  - ▶ Meaningful use requirements related to CMA, RMA roles in EHR and attestations
- ▶ Offers of employment should contain contingency language where applicable
  - ▶ Drug screens, certifications, licenses, COI management plans, etc.

## TRAIL GUIDE FOR HIRING

Check-points for Staff and non-providers

## CULTURE OBSERVATIONS

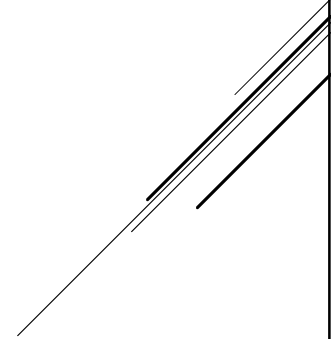
Contradictions or inconsistencies between mission and acquired partners or components can result in:

- Conflicts with service line operations (staff confusion)
- Decreased sense of trust and community
- Disengaged employees and lower productivity

▶ Case example

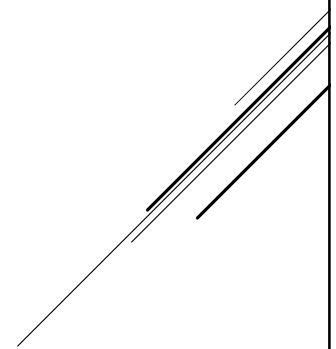
▶ Case example

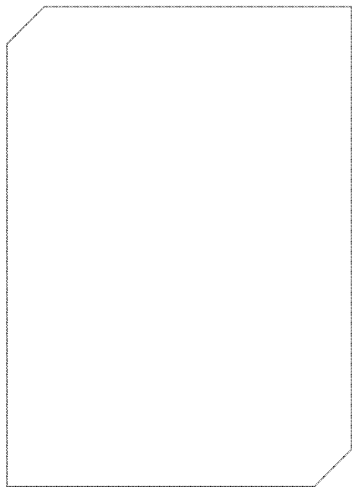
## MERGING CULTURES: WHAT CAN GO WRONG?



- ▶ Bring the missions team to the table early in the process
- ▶ Have timely dialogue around service lines or procedures that may appear inconsistent with ethical and religious directives

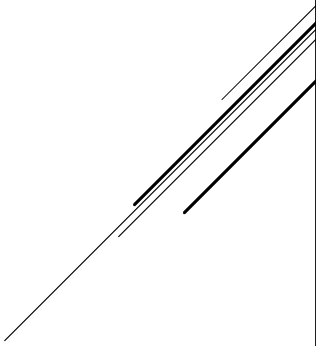
## TRAIL GUIDE FOR CULTURE





## DUE DILIGENCE IS VITAL

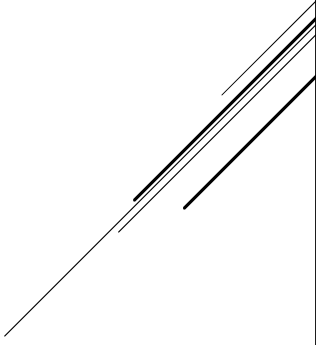
What to do when the due diligence recommendation is not heeded?



- ▶ The purpose of due diligence process is to ask the questions and document the responses and observations
- ▶ When effective, the due diligence process will identify potential risks, justify or quantify the level of risk based upon laws, regulations, mission, etc., and to return a recommendation to the stakeholders.
- ▶ Make sure legal counsel (in addition to stakeholders/strategy team) is aware of the recommendations from due diligence efforts.

### TRAIL GUIDE FOR REJECTION OF DUE DILIGENCE RECOMMENDATION

Manage expectations



► Due Diligence Game Time!

GROUP EXERCISE

RECAP / Q&A

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