

Six Things Every Rural Hospital CEO Must Do: Part One

Rural hospitals are closing at a record pace, and many of the reasons why could have been avoided.

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I have had the good fortune to work in and with hospitals ranging in size and scope from 25-bed Critical Access Hospitals to regional, tertiary medical centers of more than 500 beds, and one of the nation's top ranked academic medical centers. However, I have an acquired appreciation for small and rural hospitals, both PPS and Critical Access; hospitals that don't always have the same resources available to them as their larger counterparts do. I have often stepped-in as an interim CEO during the middle of an unplanned change in leadership, when people's futures seemed uncertain and morale was low. The reasons for the transitions are varied; however, there are a few common themes that have required these organizations to make a leadership change. As the "fresh set of eyes" coming into the facility, I typically perform a quick assessment to gauge the situation; specifically, how cash levels got to be where they are, how engaged and productive people are, how patients may feel about their providers, or how optimistic people are for the organization's future. This quick assessment is not scientific by any means, but rather a "finger on the pulse," determined primarily as a result of rounding, a lot of listening and just simply by watching people. As Yogi Berra famously quipped, "You can observe a lot by just watching."

Whether you are an interim CEO or a permanent member of the executive team, you have signed on to serve the organization's best interests. This is not just a contractual agreement between the board and the CEO, this is also a matter of compliance. In this six-part series, which is directed to rural hospital CEOs but applies to CEOs of any size hospital, I will share with you six topics I have learned that can help turn an organization around and keep it moving forward, proactively and deliberately. While there are a million things to keep your eyes on as a rural hospital CEO, it is important to remember that you, among other things are the organization's lead strategist; its coach, quarterback and cheerleader all in one. You are setting course for the organization's growth and future. Although you are ultimately accountable, you direct, lead, work with and trust others in leadership to ensure cash flow and revenue cycle management are performing optimally, clinical care is consistently high quality, rooms are clean and welcoming, food is warm and appealing, and people are engaged, passionate and productive. Therefore, by paying particular attention to these six areas, you can help keep the organization moving forward. Are these six items easy to implement? No, not necessarily; but, it is far less difficult to implement them proactively rather than reactively, before the hospital gets to a "point of no return."

Part One: Fair Market Value Exercises for Physician Compensation

I am not an attorney, nor am I giving legal advice in any way. However, what I can say is, before you tell yourself, "*I really doubt the Office of Inspector General would ever have our little hospital in its crosshairs,*" think about what you are saying, and doing. While it could very well be the case that you are far below OIG's radar, just because you think you won't get caught is not an excuse to operate outside of compliance with Federal Law. Even if unintentional, a "head in the sand" attitude is not

serving your hospital's best interests. As a new or interim leader coming into a hospital, before you sign-off on a check request for a physician, you should review the contract to make sure what the physician is getting paid is accurately defined in the contract. Should you see something that could be cause for concern, you have no obligation but to address it. The same applies to anyone, and everyone, but especially the CEO.

Compliance issues with physician contracts are not only a possible legal liability, but they could also be contributing to a hospital's poor financial situation. The best way to stay within the guidelines, and to make sure the contracts are an appropriate exchange of services and compensation, is to adopt a policy for all physician contracts. Contract policy development and review is often most effective when performed through a board committee (with non-physician board members so they can avoid conflicts, legally, politically and other), allowing the organization to speak with one voice. The policy, which should be developed or at least reviewed by a healthcare attorney, should outline compensation levels to coincide with a consistent set of measurements, such as productivity, quality outcomes, medical directorships, hours training residents or a combination of any of these or other measurements, consistent and equitable regardless of the physician, gender, age, race, creed or other factors. For each physician being compensated, the policy should lay out a process for establishing compensation ranges. However, part of the reason many CEOs have elected to forgo a formal Fair Market Value review process has been the cost to undertake such a process. That does not have to be the case, though.

[Pinnacle Healthcare Consulting](#) produces an annual Fair Market Value Consulting Guide that states the Fair Market Value compensation ranges (hourly, annually, on-call, independent or employed) and production at the 25th, 50th, 75th and 90th percentile levels for different regions in the US for 102 physician and APC specialties. While there are other guides available, the Pinnacle FMV Consulting Guide sources multiple surveys in the formulation of its ranges. Pinnacle offers small and rural hospitals the tools to conduct their own analyses using Pinnacle's FMV guide, and will review work and attest to its reasonableness in writing, at very affordable rates. Therefore, the cost to conduct a FMV exercise is no longer a reason for any small or rural hospital to place itself at increased risk of a compliance issue when negotiating and executing physician compensation agreements. To learn more, please feel free to contact me at rthorn@askphc.com.

In next week's edition of this six-part series, we will explore topic #2 of the "Six Things Every Rural Hospital CEO Must Do." I hope you will join me. Should you have any questions in the meantime, please feel free to contact me at rthorn@askphc.org.