

FAIR MARKET VALUE COMPENSATION ANALYSIS

experience **expertise** // Establishing the fair market value (FMV) of contractual compensation is a key component to successfully executing a physician services arrangement. BKD understands the strategic importance of hospital/physician alignment in today's fast-paced health care environment, and we have solutions to keep transactions moving forward. Just as importantly, our extensive knowledge of the health care market—built through working relationships with hundreds of hospital clients on compliance and consulting issues—allows us to provide important insights.



Government scrutiny of health care transactions is on the rise, so hospitals and health systems are more deliberate than ever about receiving formal FMV advice. However, this trend can lengthen deal cycles and create the perception that FMV consultants are trying to change the deal at the last minute when a FMV issue arises.

BREADTH OF EXPERIENCE

The Stark regulations—and to some extent, the Federal Anti-Kickback Statute—are broadly written such that the FMV concept for compensation applies to numerous types of hospital-physician contractual arrangements. BKD has experience in providing FMV studies in many common areas, including the following:

- Employment arrangements
- Professional service arrangements
- Physician on-call coverage agreements
- Medical directorships
- Service line and management/co-management arrangements
- Subsidies/collections guarantees
- Leasing and joint venture relationships

FINDING THE BALANCE

BKD's general solution to these concerns is in striking a balance between risk management and the flexibility to quickly enter into contractual arrangements when the timing is right.

PROBLEM // A consistent challenge for health care providers and their counsel is meeting FMV compliance requirements in a timely and cost-effective manner.

SOLUTIONS // BKD's approach to meeting the market's needs on timely FMV guidance involves two important global frameworks:

1. **INSTALLING THE RIGHT PROCESS** // Hospitals and health systems often lack a formalized or modern process for compliance around FMV matters. BKD will work with you to develop a procedure that reduces uncertainty about how and when to get outside professionals—CPAs, outside counsel or other advisors—involved in your transaction.
2. **FORMAL RISK EVALUATIONS** // There typically is no formal mechanism at hospitals and health systems to evaluate the riskiness of a contemplated transaction. Therefore, many arrangements either receive too little attention, *i.e.*, it was deemed not risky when, it was risky, or too much, *i.e.*, it was treated as a high-risk transaction when it was a low-risk arrangement.

The lack of a formal risk assessment process leads to the wrong level of service from a FMV compliance standpoint. While BKD cannot be the ultimate decision maker on an arrangement's risk level, we can provide the context and insights you need to make a judgment with confidence.

BKD helps you find a risk-adjusted approach to FMV compliance so you can benefit from the right level of independent advice at the right time. Our recommendation will not always include time-consuming, costly formal reports. We can provide the appropriate level of support relative to the facts and circumstances of a given transaction.

GETTING IT RIGHT

Without question, FMV analyses come in all shapes and sizes. You can expect BKD to:

- Understand and use the appropriate standard of value
- Match contractual deal terms to the FMV analysis
- Consider the implications of simultaneous or linked transactions

BKD has the experience to provide high-quality FMV analyses to assist in your compliance requirements.

BKD APPROACH TO FMV COMPLIANCE

The BKD process in providing FMV studies is clear and straightforward, see chart at right.

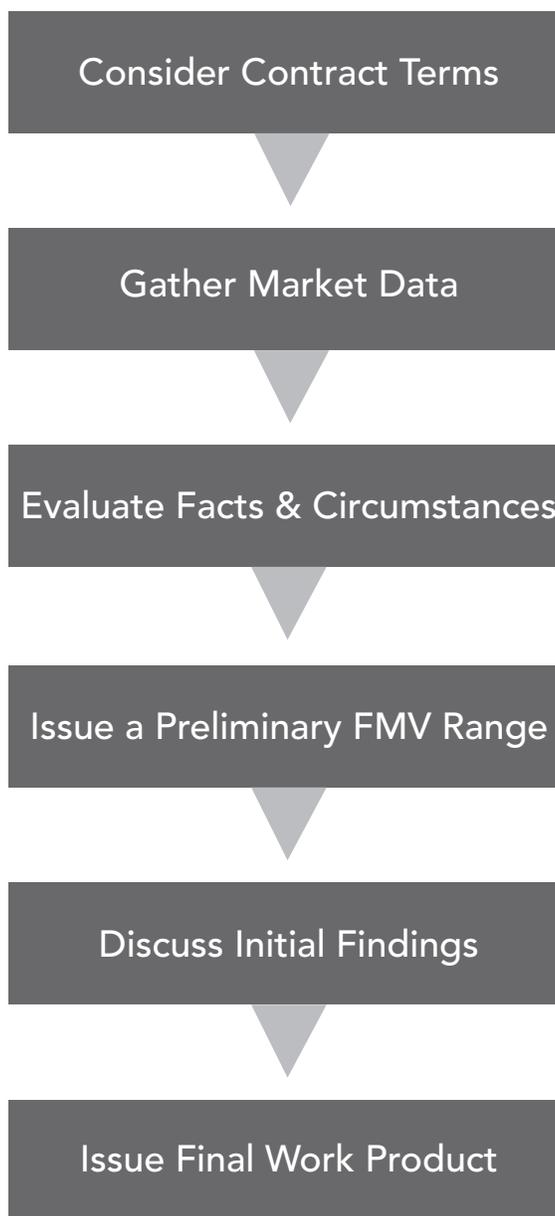
We are always looking to complete projects at the right level of detail and communicate our findings clearly.

COMPLIMENTARY RESOURCES

When considering all aspects of a contemplated transaction, CEOs and CFOs usually want assistance in predicting related outcomes, such as:

- Implications of a future change to provider-based status
- Billing and coding due diligence
- Crosswalk fee analysis
- Cost report and reimbursement impact
- Financial statement / IRS Form 990 reporting impact

BKD's depth to provide ancillary compliance and advisory services is extensive and allows us to provide big picture insights and ideas.



FOR MORE INFORMATION // For a complete list of our offices and subsidiaries, visit bkd.com or contact:

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