



# Key Considerations for Community Hospitals when Contracting for Pediatric Physician Services

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Acutely ill children sometimes require a pediatric subspecialist. But because most pediatric subspecialists practice at tertiary medical centers and not the community hospital close to the family's home, access to care can be a challenge.

Many community healthcare organizations address this need by contracting with a children's hospital or academic medical center. Several specialty physician companies such as MEDNAX, IPC/TeamHealth, Sheridan, etc., also provide pediatric physician services. Contracts may involve onsite hospitalists, telehealth consultations, emergency call coverage, diagnostic test interpretations, medical directorships, specialty clinics or services, or combinations of services for pediatrics, newborns, and high-risk deliveries.

## **When should organizations seek contractual inpatient pediatric services?**

Hospitalization rates for children have plummeted in recent years, and like all primary care physicians, the number of community pediatricians managing inpatients has declined. At the same time, specialization in hospital medicine, including pediatrics, has emerged as an independent specialty.

For community hospitals with high emergency or obstetrical volume and who are far away from a children's hospital or

academic medical center, contracting for pediatric hospitalists or subspecialty back-up may be an option to place highly trained physicians in your facility. A partnership can enhance your hospital's profile in the community, providing quality oversight and patient management when an independent practice may not be financially viable.

## **What does a pediatric hospitalist service provide?**

*Pediatric hospitalist* duties often include a number of services, generally dependent on case volume at the community hospital. Services may include:

- Attendance at deliveries
- Rounds in the nursery
- Emergency department call coverage for general pediatrics
- Management of inpatient pediatric patients, sometimes including neonates in the nursery
- Consultation on inpatient pediatric patients
- Potential 24/7 in-house attending physicians and daily rounding

## **What are other contracted pediatric professional services?**

We have seen a broad scope of contractual pediatric services among our subscribers, including:

- Neonatology (most common)
- Pediatric intensivist
- Pediatric surgery
- Cardiac surgery
- Diagnostic test interpretations like echocardiography and EKG
- Retinopathy of prematurity
- Outreach clinics in developmental pediatrics, cardiology, transplant, high risk OB
- Telemedicine consultations in:
  - Psychiatry
  - GI
  - Nephrology
  - Cardiology
  - Endocrinology

## **How does an organization determine if these partnerships make sense?**

Contract scope varies from onsite staffing to telemedicine consultations to occasional clinics. These arrangements are very

different in nature and often require a jointly developed business plan or analysis. However, important contract terms to discuss across nearly all services include:

- Number and types of patients requiring services
- Regulatory and medical staff bylaw requirements
- Physician availability and depth of coverage
- Number of hours on-site or on-call
- Response times
- On-site facilities to support the contracted physicians
- Billing arrangements
- Follow-up care arrangements for post-discharge or post-procedure/diagnosis

## **What are payment rates?**

These contracts are compensated in a variety of ways. We see fixed monthly stipends, collection guarantees, fee-per-consults, and medical directorship payments.

It can be difficult to find pediatric subspecialty contract data. MD Ranger works with academic medical centers and children's hospitals to collect this data, as well as community hospitals that have these partnerships. Given our growing subscriber base, we have pediatric benchmarks for pediatric hospitalists, pediatric surgery, PICU, perinatology, and retinopathy of prematurity. We advise our subscribers to use adult subspecialty rates when there is not a pediatric subspecialty benchmark available.

## What are important considerations for negotiating contract rates?

When negotiating any physician contract, carefully analyze hours, hourly rates, and annual payment terms. Pediatric contracts often require additional consideration of qualifications of the parties, coverage demands versus billing opportunities, and overhead costs.

These contracts often blend professional services with administrative and coverage duties, hence analysis of collection potential, the cost of maintaining a clinical practice and back-up coverage may be relevant. With many academic medical centers, additional fees are sometimes part of the cost of physician services, such as 'Dean's taxes', which are imposed on all revenue of the medical school as part of the overhead structure. These fees may or may not be negotiable.

As with other hospital-based physician services and services purchased from tertiary centers, the cost will vary by specialty, scope, and even individual physician. The community hospital should also discuss how it can use the contracting institution's name in its public materials, and how the contracted physicians will interface with community physicians. Often continuing education, dedicated referral phone numbers, and timely correspondence with local physicians are essential to successful contracts.

## How do you document FMV?

Like any other contracted position, you must document that you pay fair market value for these contracted positions. Likewise,

children's hospitals and academic medical centers need to understand what payment rates are appropriate and what scope of services they can deliver. For more specific guidance on how to document FMV for physician arrangements, read *Finding the Best Market Range for FMV*.

