Lessons learned from mergers of community practices with an AMC

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SAAAPM Meeting November 2017

http://saaahq.org/meetings/faculty-portal

Mount Sinai

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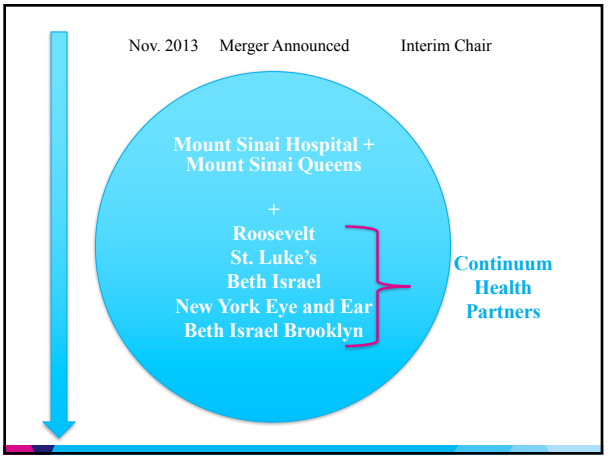
Mount Sinai

Mount Sinai Health System

1. 2nd or 3rd largest employer in NYS (> 38,000 employees)
2. Accounts for ≈ 30% of the hospital discharges in Manhattan
3. Controls 7 distinct hospitals, soon to add an 8th
4. One medical school
5. > 200 distinct GME programs (9 in Anesthesiology)
6. #2 in NIH $/PI and #3 $/ ft²
7. Compete with NYU, Columbia and Cornell on same island
8. Also compete with Einstein/Montefiore, SUNY-Downstate, Northwell-Hofstra (#1 employer in NYS), New York Med all in < 25 mile radius

Department of Anesthesiology, Perioperative and Pain Medicine

1. Highest departmental clinical revenue
2. Lowest departmental hospital/school support (<1% of total)
3. Cover 4 hospitals
4. Staff ≈ 85-95 sites at the beginning of everyday
5. 98,000 total / 2500 cardiac / 11000 L+D cases /year
6. Budget > $95M / year
7. 125 faculty, 170 housestaff (2 core residency programs, 7 ACGME approved fellowships), only 25 CRNAs (many paid directly from clinical revenue)



Mount Sinai Health System, Hospitals, School, Department Overview

Mount Sinai Health System

- **Mount Sinai Hospital**
  Main AMC
- **Mount Sinai West**
  formerly known as Roosevelt Hospital
  Secondary AMC
- **Mount Sinai St. Luke's**
  linked to Mount Sinai West
- **Mount Sinai Beth Israel**
- **New York Eye and Ear Infirmary at Mount Sinai**
- **Mount Sinai Brooklyn**
  non-academic community hospital
- **Mount Sinai Queens**
  non-academic community hospital

Icahn School of Medicine at Mount Sinai

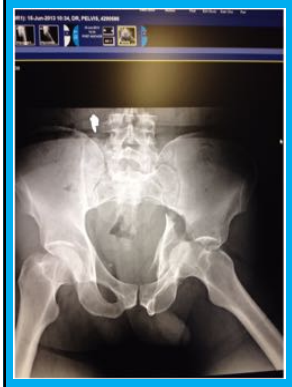
Department of Anesthesiology
Mount Sinai Health System

System Chair and Mount Sinai Chair
Andrew Leibowitz, MD

St. Luke's Roosevelt Chair
Meg Rosenblatt, MD

Mount Sinai Queens Chair
Yulia Shustorovich, MD

Affiliated Chairs of non-incorporated Departments



Nov. 2013	Merger Announced	Interim Chair
Feb. 2014	Chair	Begin merger process with MSW + MSSL
Nov. 2014	Merge with MSW + MSSL	
Feb. 2015	Begin merger process with MSBI	
Nov. 2015	Begin **de**-merger process with MSBI	**PAINFUL**
CY 2016	98,000 Anesthetics 170 housestaff	125 Faculty 4 hospitals
Nov. 2017	SAAA Presentation	

Why merge?

- **Bigger = Better**
- **Economy of scale**
- **Weaker + stronger = Strongest**
- **Better negotiating power with insurers and vendors (e.g., rates, billing services, IT)**
- **Standardization of services**
  - **People**
  - **Equipment**
  - **Pharmacy**
  - **Policy/procedure**
- **Population Health / VBP /Capitation**
- **Larger research and training platform**
- **Diversification smooths out the bumps**

Why not merge?

- **Bigger = more headaches – multiplier effect, e.g., unions**
- **Economy of scale at a certain size do not exist**
- **Weaker + stronger ≈ mean??**
- **Better negotiating power with insurers and vendors (e.g., billing), but could be anti-trust violation (DOH, FTC) and they need you → you need them**
- **Standardization of services**
  - **People…but they may not like this**
  - **Equipment… on different life cycles and local favorites**
  - **Pharmacy this may be the easiest win-win**
  - **Policy/procedure more difficult than appears**
- **Population Health / VBP /Capitation - with Trump??**
- **Larger research and training platform – can be unwieldy**
- **Diversification may require new skillsets**

Types of mergers

1. New signage - superficial
2. Central HR, credentialing, etc
3. Synch policy + procedure
4. True merger – everything
   a) centralized administrative effort without duplication
   b) hiring, recruitment and retention
   c) credentialing and privileging – hospital and insurers
   d) payroll
   e) compensation plan
   f) share "roaming" faculty – positives and negatives
   g) culture

When to merge a Department?

Read the contracts, don't trust lawyers

- When does it expire?
- What is the notification process?
- Is there a need for "cause" clause?
- Does a hospital subsidy exist? Will one?
- Is the Anesthesiologist's insurance occurrence based?

January 1 is business-wise easiest, no FICA, common medical benefits cycle and other issues

July 1 is best opportunity to recruit new faculty

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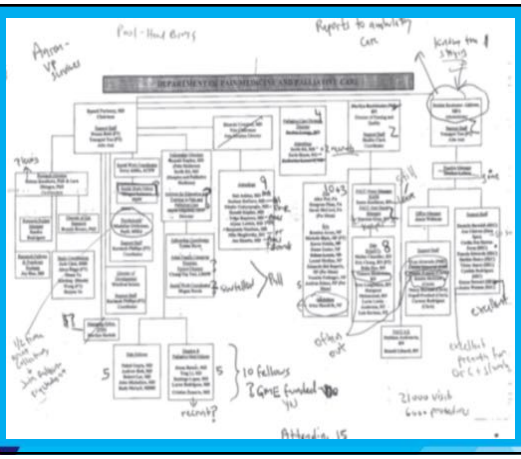
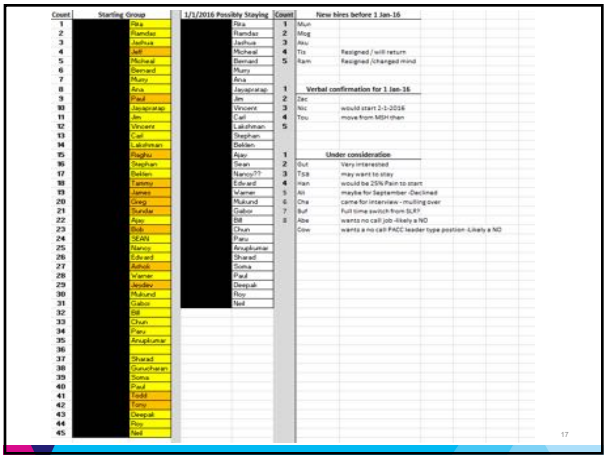
Approach – 1st things 1st

1. Go to ground – look, see, meet, greet, eat
2. Dissect the current table of organization
3. Interview nursing, housestaff, surgeons – find out the good, the bad and the ugly
4. Interview EVERY faculty member
   1. CV
   2. W-2
   3. malpractice hx
   4. opinion of co-faculty (e.g., who is a potential leader, who do they ask to care for their significant others, etc.)



Approach – nitty gritty details

1. Financial due diligence – main approaches:
   a) Review practice details with current practice and current biller – not so easy, you are unwelcome
   b) With W-2s in hand easy to determine faculty costs
   c) Do a mock 2 month simulation with your current biller using hospital OR data in real time
      a) Determine likely run rate
      b) A/R gap calculation is key
2. Have HR handout, call in #, face to face contact with new potential hires – <u>everyone</u> is most worried about a Δ in benefits



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Who should I hire from the existing practice?

- Everyone – being nice will pay off, fewer headaches-known quantity
- No one - I do not recommend this approach
- Cement key rain makers – almost no choice here
- Do you have a choice? - if too few persons stay what are my chances of recruiting up to practice's needs?

Inability to cover locations = most obvious of failures

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MSW/MSSL merger timeline

Feb. 2014	34 FTEs Begin merger process with MSW + MSSL
June 2014	5 resignations - ↓ to 29 FTEs, but OR volume ↓ too. Identified IT needs for $650K upgrade.
July 2014	Hired new PD + identified 4 Faculty I did not want. ↓'ed Faculty count to **26 (a problem in waiting)**
Aug. 2014	Identified a new Chair + 1 Faculty member from MSH + 3 graduates hired. Have 31 FTEs!
Nov. 2014	Go live with 29 FTEs with 2 last minute no shows.
CY 2015	~ 26,000 Anesthetics ACGME approval + margin
CY 2016	nearly 31,000 Anesthetics best match ever + margin

MSW/MSSL merger – 3 years later

- Success!!
- 1 of only 2 practices fully merged
- 1 of only 2 practices with a net + margin realized from merged sites
- Only practice without hospital support from merged sites
- New programs in Pain, Cardiac, Endoscopy
- Improved training program – all US grads
- Robust PI process

A tale of 2 sites

MSW/MSSL ≈ 34 faculty	MSBI ≈ 44 faculty
academic	private practice
private corporation – 1 owner	private corporation shares
individuals with W2s	individuals-their own corporations
trusting in nature	suspicious anti-AMC mentality
familiar EMR	paper records
losing huge $ - sense of turnaround	losing huge $ - bad physical plant

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BI Integration Meeting August 13, 2015

Problems with current group's coverage model:

- Mount Sinai Health System does not want to employ large private physician corporations to supply services within the system
- Group provides/provided no Pain coverage, no preoperative assessment, no postoperative assessment, no floor or ER emergency services (e.g., intubation, ACLS)
- Group had no Echo certified MDs – a standard for Cardiac Anesthesiology
- Group routinely has members working > 24 hours in a row

How many Anesthesiologists will be required at a minimum to start?

Daily:

Petrie locations	18
Radiology	1
OB (if have CRNAs)	1
Endo	4
ECT and /or EPS minimum	1
PACC	7
BI Cancer Center West	1 (if consolidate to 1 room)

Call / Not covering patients 1:1:

Off from prior nights work	2 (main OR and OB)
Off for following nights work	2 (main OR and OB)
Supervisor/coordinator	1
Float (sick, jury duty, maternity)	1
Subtotal	**39**
Vacation / CME (subtotal x 6/52)	4.5
Total:	**44**

How much will this cost (very gross estimates):

AAMC 75%'ile is $409K/year without NYC 20% "bump"	
44 x $409 =	$18 M
Fringe @ 30% (@ official base of ~ $125K)	$1.6 M
Malpractice @ $12,500 per	$.6 M
Dues, License, CME @ $2500 per	$.11M
Administration (lean model)	$.5M
Miscellaneous	$.2M
Total:	**$21 M**

Paper charting/billing

Predicted days in A/R >70

Maybe zero $ for 6-8 weeks

Needed 2-3 months $ support at beginning of fiscal year = $5M!

Summary

Don't believe anyone -
everyone thinks they have the best MDs, the best contracts, the most efficient organization

Luck favors the prepared mind – details matter

What you don't know will hurt you

It ain't over 'til it's over (Yogi Berra)

Good people may be replaceable, but you don't want to have to find out

Sometimes $ talk, and everything else walks

Mount Sinai