
Co-Management Overview



What is Co-Management?

- *Physicians are engaged by agreement to provide management services in concert with the hospital for certain programs or services. These agreements have performance incentives based on predefined quality, satisfaction and/or efficiency metrics.*

What Is the Difference Between Management Services Agreements (MSAs) and Co-Management Agreements?

Traditional Fixed Fee MSA	Co-Management Agreement
<ul style="list-style-type: none"> ➤ Lacks quantitative or qualitative focus 	<ul style="list-style-type: none"> ➤ Includes specific performance measures
<ul style="list-style-type: none"> ➤ Lacks outcome focus 	<ul style="list-style-type: none"> ➤ Portion of compensation based on achievement of performance targets and outcomes
<ul style="list-style-type: none"> ➤ Lacks alignment with hospital/system strategic priorities 	<ul style="list-style-type: none"> ➤ Aligns and advances strategic priorities
<ul style="list-style-type: none"> ➤ Contains subjective (vs. objective measurable) performance criteria 	<ul style="list-style-type: none"> ➤ Contains objective performance goals

Co-Management

- Physicians are engaged by agreement, which **may** include the following activities:
 - Medical directorships
 - Efforts devoted to clinical care guidelines and protocol development and operation
 - Clinical outcomes and customer service evaluations
 - Quality improvement services
 - Co-management of staff through the management team, including teaching and in-service education
 - Operations management

Co-Management

- Activities (continued):
 - Medical technology evaluation, use management, vendor selection and relationship management
 - Drug formulary assessment and management
 - Management time spent in capital and operating budget formation, review and evaluation
 - Physician recruiting, mentoring, specialized training
 - Referral source development and management

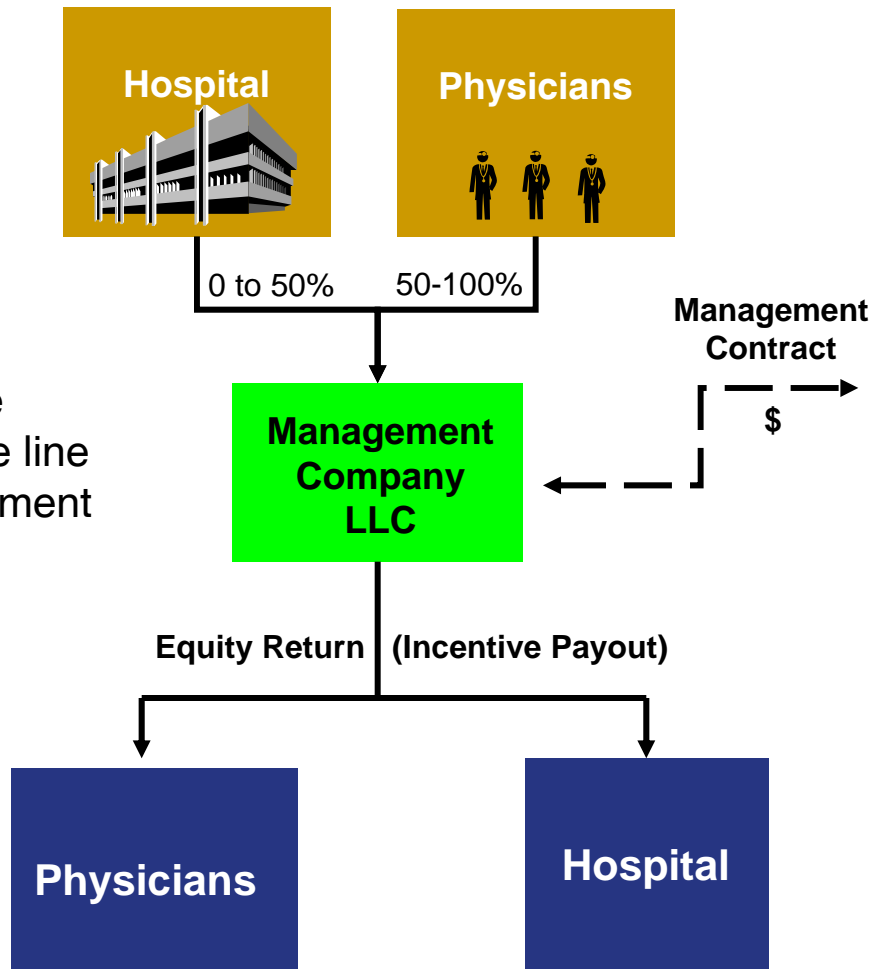
Co-Management Structure

- Physicians and the Hospital form an LLC management company to provide specific management services for the managed service line
- The LLC is motivated to drive organizational outcomes based on performance
- The LLC links financial incentives to the achievement of specific outcomes related to people, service, quality, resources and growth goals e.g.:
 - Patient safety improvement and satisfaction
 - Complication and infection rate benchmarks
 - Implementation of clinical pathways
 - Efficiency and standardization

Co-Management Structure – Example

Service Contract to Manage:

- A clinical institute
- A hospital service line
- A hospital department
- Chronic disease



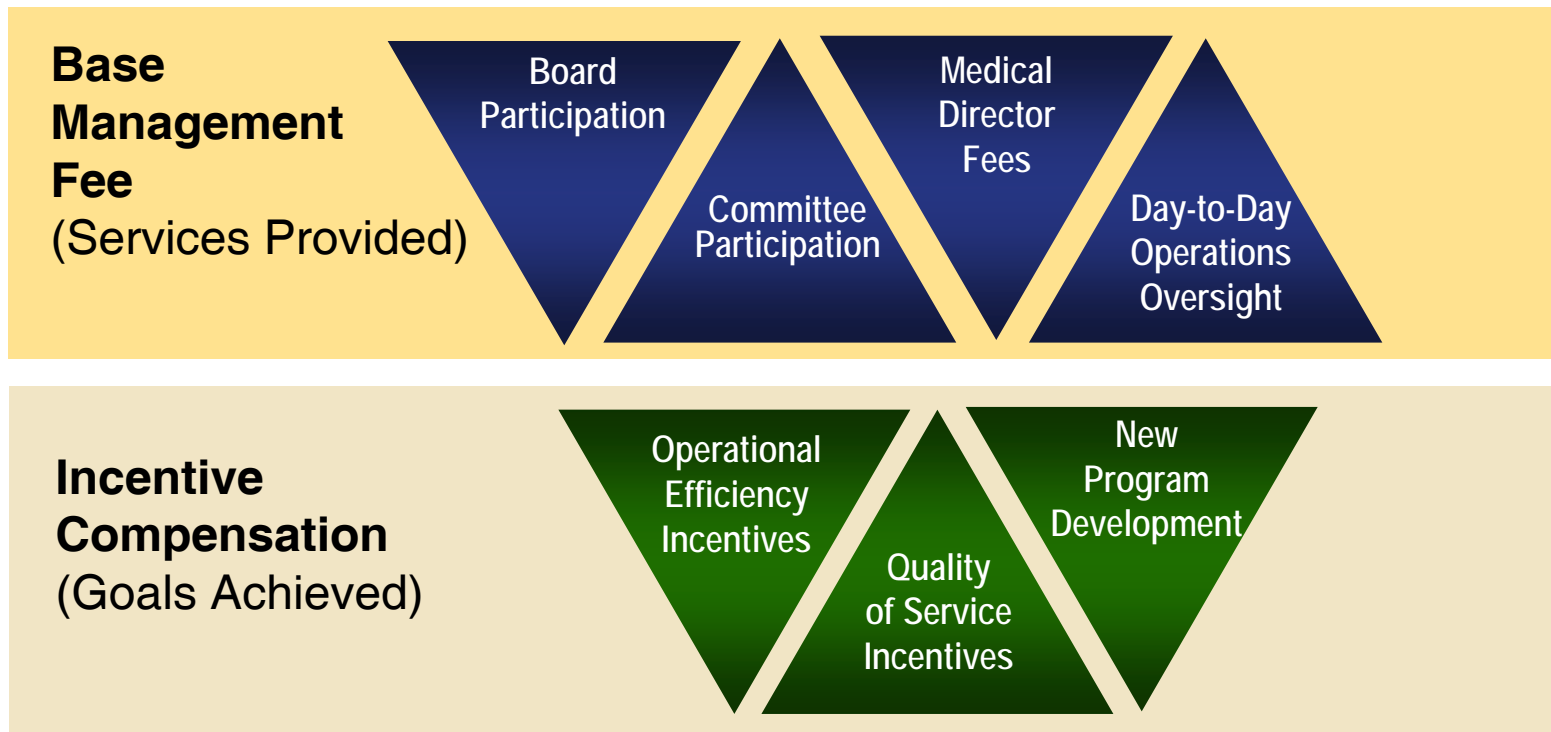
Hospital Pays the LLC for:

- Base management fees
- Expense reimbursement
- Incentive compensation (limited) including:
 - Quality
 - Operational Efficiency

Co-Management: Compensation

- The contract will specify a base management fee
- Incentive is tied to achievement of the pre-established identified performance results
 - First year – Incentives paid on achievement of the pre-determined measures above current baselines for each outcome
 - Second year – Improvement from Year One performance results at pre-determined measures
- Compensation must be reasonable, based on:
 - Defined work effort
 - Fair Market Value

Co-Management Compensation



Co-Management – Hospital and Physician Benefits

- Builds trust and collaboration
- Has the physicians at the table to address the service line and operational issues
- A timely strategy to implement
- Creates a quality platform in preparation for pay for performance

Contact Information

DMI Transitions

8748 Brecksville Road

Suite 125

Brecksville, OH 44141

Tel: 440.838.8551

Email: info@dmitransitions.com

www.dmitransitions.com