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Article

# Post-Pandemic Considerations for Physician Practices

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***During the acute stages of the COVID-19 pandemic, many groups had to adjust their corporate documents and practice patterns but didn't have qualified administrative support. Change Healthcare's experienced physician practice management team was instrumental in assisting its clients in making the necessary changes and has the expertise to ensure its groups have a current plan on how to successfully navigate their business post pandemic.***

During the acute stages of the COVID-19 pandemic, **Change Healthcare** assisted its clients in making changes to some of their corporate documents and/or practice patterns. Now that the pandemic has subsided, it may be prudent for physician practices to revisit any decisions or changes they made during this acute phase and consider memorializing these decisions.

## Importance of reviewing corporate documents

For many groups, there are shareholder and non-shareholder agreements, with the latter document applicable to those physicians who are often paid a fixed salary for the first two or three years until they are shareholder eligible. During the acute phase, due to severely depressed volumes, some groups voted to temporarily decrease the salaries for shareholders and also perhaps decrease and even eliminate any bonus payouts. However, to ensure compensation parity, several groups amended their non-shareholder employment agreements, allowing the group to also reduce non-shareholder compensation. Absent these changes, it would be possible that non-shareholders would be compensated at levels higher than the then-depressed shareholder compensation levels.

During the acute phase, Change Healthcare advised its clients to restructure how certain mid-level providers (MLPs) were to be compensated. For example, anesthesia groups with employed CRNAs who were paid a salary had their employment agreements modified so that the CRNAs would now be paid on an hourly or PRN basis. Therefore, it is recommended that any current and future MLP employment agreements include language allowing the group to alter the compensation methodology, assuming changes are consistent with any regulatory requirements. Groups may also desire to include references regarding the ability of these MLPs to voluntarily reduce their shifts, force them to use whatever paid time off is available, and/or require them (and employed physicians) to incur a leave of absence without pay. Groups could also allow employees to combine "PTO Years"—allowing PTO from more than one period to be combined—allowing employees to elect extended paid PTO.

Another change groups may want to consider is amending their employment agreements (perhaps applicable to all physician members and mid-levels) so that the time frame for a departing employee can be accelerated in certain circumstances such as a pandemic.

## Update current group policies and consider new policies

During the acute phase, some groups elected to temporarily suspend any "extra pay" (e.g., overtime, additional shift/call pay) provided these changes are consistent with any regulatory requirements. Therefore, it may be prudent to proactively develop a group policy surrounding this issue to avoid any potential internal group stress the lack a group policy may cause.

## Modify your deferred compensation policy

Several groups have deferred compensation formulas consisting of the current level of accounts receivable (AR) times a historical gross collection percentage (GCR) less billing/management costs and then divided by the number of shareholders:

(AR x GCR – billing/management costs) /
# of shareholders

Not surprisingly, during the acute phase, groups' AR and GCR became severely skewed. Therefore, it may be prudent to insert an amendment into their deferred compensation policy whereby if volumes are significantly altered for a protracted period of time, the above-referenced calculation will instead be based on the level of AR and GCR that existed prior to the beginning of the acute phase.

Additionally, if permitted in this corporate document, groups may want to insert language allowing any deferred compensation payments to eligible group members be deferred until the acute phase has ended (e.g., average volumes over the past three months have reached at least 20% of pre-acute phase levels).

Change Healthcare recommends that groups that received some form of government financial support—PPP loans, Provider Relief Fund distributions, Economic Injury Disaster Loan (EIDL), the Employee Retention Credit, payroll tax deferral programs—amend their deferred compensation/buyout policies to address those circumstances whereby the group has to refund the government some/all of these monies, perhaps requesting that the departed employee receiving some type of payout has any remaining payouts reduced to account for their portion of any of these refunds.

## Consider developing part-time options

The adoption of a policy related to a reduced work schedule is highly recommended so that groups can have some flexibility with their staffing needs, not only in the event there is resurgence in the COVID-19 pandemic (or a subsequent one) but also a glide path for perhaps older members of the group who desire to work less than a full-time schedule.

This policy may be a valuable tool versus having these experienced members leave altogether. It is very important to consider that the availability of this policy does not necessarily mean that the group has to offer this option to an eligible group member. Change Healthcare can provide the typical key components of a part-time policy, included upon request.

## Proactively restructure your facility/vendor agreements

Groups may now want to attempt to restructure any facility or vendor agreements in the event of a future pandemic-like scenario, which could also include a weather-related event that causes temporary/permanent damage to your facility.

For example, a facility agreement may include certain onsite coverage requirements including call. Perhaps an amendment to the facility agreement can be proposed whereby both parties will mutually agree to either reduced or increased onsite coverage requirements in the event of significant volume changes. Additionally, does your facility agreement reference any changes to the level of financial support in the event of significant decreases in volumes?

## Insurance coverages and other considerations

During unusual circumstances (and this was certainly the case during the acute phase), a group's governance structure and decision-making process may require alterations with the probable necessity of a group making decisions much more efficiently. We recommend inserting language in the applicable group corporate document allowing for a smaller body of group members making decisions during unusual circumstances and/or altering the threshold (e.g., simple majority) for which decisions can be enforced.

Now that the proverbial dust has settled, it would be an excellent time to review your group's insurance coverages and their limits.

Some of these areas are:

- **Loss or damage to property:** The presence of COVID-19 may constitute the requisite physical loss or damage for coverage.
- **Business interruption insurance and contingent business interruption insurance** may provide recovery of lost profits from facility closures.
- **Directors and officers liability insurance** covers claims made against directors and officer concerning business contingency plans and the company's overall response to COVID-19.
- **Commercial general liability insurance** may cover third-party claims for property damage and bodily injury.
- **Employment practices liability insurance** may protect groups who adjust their workforce against discrimination claims that could follow.

Change Healthcare's **physician practice management services** were instrumental in ensuring that several of their clients had the ability to successfully navigate their business during the pandemic. Now that the pandemic has subsided, groups are relying on Change Healthcare's expertise to ensure they are prepared for any future events that could significantly threaten their financial stability. weather-related event that causes temporary/permanent damage to your facility.