UNDERSTANDING AND VALUING MEDICAL PRACTICE SPECIALTIES

Mark O. Dietrich, CPA
Virginia Society of CPAs
September 26, 2023

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 1

1

MD

Mark is a *summa cum laude*, Beta Gamma Sigma graduate of Boston University where he also earned an MBA with high honors. He is the author of the new *Engagement Guide to Understanding and Valuing Medical Practice Specialties* and the completely revised *BVR Guide to Physician Practice Finance and Valuation*, 4th Edition. Mark was recently named as a member of the inpatient **Patient and Family Advisory Council (PFAC)** at Boston's **Brigham & Women's Hospital**, one of the top 25 hospitals in the country.

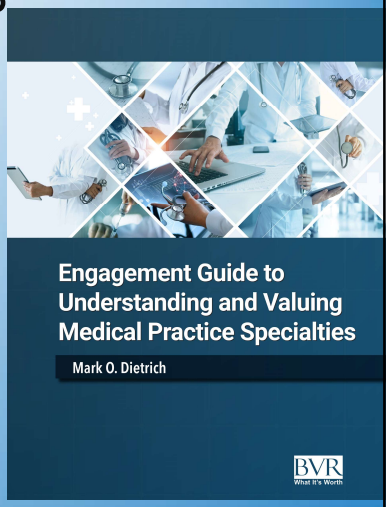
Mark's career experience includes working with numerous physician practices as a tax advisor, operational consultant, designing and implementing compensation plans, negotiating managed care and Medicare Advantage contracts, serving as partner-in-charge of the audit of a tax-exempt faculty group practice affiliated with a major teaching hospital, and performing valuations on behalf of both medical practices and tax-exempt hospitals. His career engagements spanned 46 states and the United Kingdom. When he is not writing or researching some obscure healthcare industry topic, he tends to his farm in Virginia and engages in running, cycling, mountain biking and bowling.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 2

2

ENGAGEMENT GUIDE TO UNDERSTANDING AND VALUING MEDICAL PRACTICE SPECIALTIES: CHAPTERS

1. Dermatology
2. Gastroenterology
3. Internal Medicine
4. Ob-Gyn
5. Ophthalmology and Retina
6. Orthopaedics (Today's Case Study)
7. Pediatrics
8. Urology
9. Cardiology, Nephrology, Neurology
10. Interview and Site Visit Guide, Sample Report



© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 3

3

PROGRAM OUTLINE

Goal: Understand basic revenue analysis of different physician practice specialties

What's in a name?

Degrees of subspecialization

Procedures, tests, injections, infusions

Nurse practitioners and physician assistants

How physician services are valued by Medicare and Insurers: RVUs

RVUs in Compensation and Profit – and Income Manipulation

The E&M Codes

Compensation Survey Bunk and Junk

Some of my Trade Secrets

Case Study: Orthopaedics

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 4

4

WHAT TYPE OF PRACTICE IS IT?

"Understanding the services provided by different physician specialties is no different than understanding what a given business of any sort is selling. As is the case with different types of retail stores, for example, different physician specialties sell different things, and the profitability of the services varies among specialties. It wouldn't be appropriate to think of a convenience store as a department store, and it is not appropriate to think of an orthopedic surgeon as a primary care doctor. The orthopaedic surgeon can exploit profit opportunities for durable medical equipment, physical therapy services, x-ray and other imaging services, to name a few, that are unrelated to personal productivity and therefore create value."

- From my new *Engagement Guide to Understanding and Valuing Medical Practice Specialties*

"You would not value an insurance agency without looking at the auto, homeowners, and umbrella policy lines - and which insurers the agency represents or does business with. The history of renewals is critical as well. Similarly, a medical practice offers specific services to patients, most of which are paid by the insurance companies it contracts with, and repeat business is critical, especially in primary care and specialty practices such as cardiology and urology. That said, a primary care practice is as similar to a urology practice as a general contractor is to a plumber."

- From my forthcoming complete revision of the *Guide to Physician Practice Finance & Valuation*

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 5

5

PHYSICIAN SERVICES, SIMPLY SUMMARIZED

Evaluation and Management (E&M) Codes

- Office visits
  - Preventive Medicine
  - New and Established Patients (with an illness or condition)
- Hospital visits
- Nursing Home visits
- Home visits

Procedural

- Numerous and Varied

Testing

- Numerous and Varied

Drug infusion and injection

- Numerous and Varied

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 6

6

SPECIALTIES PRIMARILY RELYING ON E&M CODES, TYPICALLY 75% OR GREATER

Internal Medicine and many of its subspecialties
- Primary Care
- Endocrinology
- Rheumatology (depends on scale of infusion services)
- Hospitalists
- Infectious Disease
- Etc.

Family Medicine

Pediatrics

Purple specialties' CPT® codes are covered in detail in my new Engagement Guide

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 7

7

TESTING SUBSPECIALTIES OF INTERNAL MEDICINE

Allergy

Dermatology

Medical Cardiology (varies depending upon nature of practice)
- Cardiologists typically rely on various tests for a significant portion of their income, e.g., ultrasound, stress testing

Neurology
- There is a growing trend of 1) independent practice neurologists and 2) critical care neurologists employed by hospitals.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 8

8

PROCEDURAL SUBSPECIALTIES OF INTERNAL MEDICINE

Cardiology
- Interventional Cardiology
- Numerous other subspecialties
- Also typically rely on various tests for a significant portion of their income, e.g., ultrasound, stress testing, CT, MRI
- Majority of all cardiologist specialties are now employed by hospitals or health systems

Gastroenterology

Hematology-Oncology (infusion)

Nephrology
- Supervision of renal (kidney) disease, including dialysis

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 9

9

PROCEDURAL SPECIALTIES

General Surgery

Gynecology only

Ob/Gyn

Orthopaedic Surgery
- Hand
- Joint replacement
- Spine
- Trauma
- Foot and ankle
- Shoulder and elbow
- Sports medicine – tend to rely less upon surgery and more upon E&M as well as injections

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 10

10

PROCEDURAL SPECIALTIES

Ophthalmology and its subspecialties

- "Anterior segment" or cataract; general ophthalmology
  - General ophthalmologists often employ opticians for an optical shop, as well as optometrists for routine eye exams
- Retina, rely primarily on injections of expensive pharmaceuticals, e.g., Lucentis, Avastin
  - J Codes are for billing these type of drugs
- Glaucoma
- Neuro-ophthalmology
- Ophthalmic Plastic and Reconstructive Surgery
  - I once valued a practice that did only eyelids and another that did only tear ducts

Plastic Surgery

Urology

Vascular Surgery

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 11

11

SPECIALTIES MAKING SIGNIFICANT USE OF MIDLEVEL/ADVANCED PRACTICE PROVIDERS

Advanced Practice Providers include Nurse Practitioners, Physician Assistants, Certified Registered Nurse Anesthetists (CRNA), Certified Nurse Midwife

- "Scope of Practice" varies by state law; some require physician supervision, others permit independent practice, still others have varying rules. Important to identify this in an engagement.

Specialties

- Primary Care, including Internal Medicine, Family Medicine, Pediatrics
- Anesthesia
- Dermatology
  - Office visits, simple lesion removal via freezing or other methods
- Ob/Gyn
  - Well visits, pre-natal visits, post-natal visits
- Orthpaedic Surgery
  - Office visits, injections, assistant at surgery (PAs)

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 12

12

METHODOLOGY FOR DETERMINING VALUE OF PHYSICIAN SERVICES

Relative Value Units or RVUs for each CPT® (Current Procedural Terminology) code

- Physician Work – wRVU
- Practice Expenses – peRVU
- Malpractice Insurance – mRVU
- Technical Component Practice Expense – TC peRVU
  - Critical to separating compensation from profit in specialties such as Cardiology, Orthopaedics, Ob/Gyn, Imaging Center, Sleep Medicine
  - TC peRVU is a **SUBSET** of peRVU, ***not*** in addition to it. More in the Case Study.

wRVU + peRVU + mRVU = Total RVU Value (similar to hours worked in a CPA firm)

Conversion Factor (CF)

- Dollar value applied to RVUs (similar to a billing rate in a CPA firm)

Fee for a service is equal to Total RVUs multiplied by Conversion Factor

- Each type of RVU can be multiplied by the CF, e.g., **wRVU x CF = Physician compensation for a service**

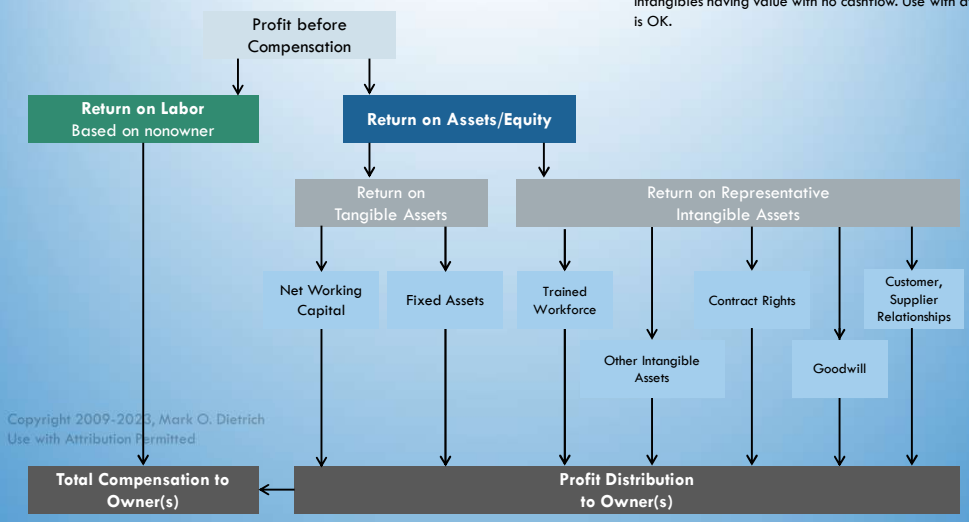
CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 13

13

THE BIG PICTURE: ANY BUSINESS

I sketched this out on a napkin at an AHLA seminar in Boston in 2009, listening to some other appraisers talk about physician intangibles having value with no cashflow. Use with attribution is OK.



Copyright 2009-2023, Mark O. Dietrich
Use with Attribution Permitted

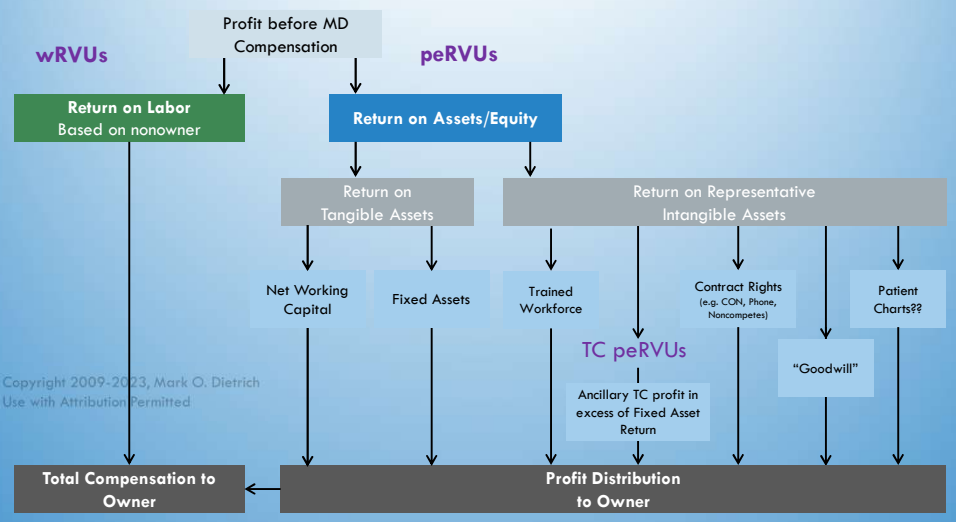
These two components MUST be addressed ***simultaneously***; Return on Equity is not simply the residual after Return on Labor. The **Hypothetical Investor** must have a fair return under the Fair Market Value standard.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 14

14

HOW RVUs WORK IN VALUATION

I sketched this out on a napkin at an AHLA seminar in Boston in 2009, listening to some other appraisers talk about physician intangibles having value with no cashflow. Use with attribution is OK.



Copyright 2009-2023, Mark O. Dietrich
Use with Attribution Permitted

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 15

15

KEY E&M REVENUE GENERATORS

CPT Code	Time Range	2021 wRVU	2021 Total RVU	2023 wRVU	2023 Total RVU
99202	15-29 minutes	.93	2.12	0.93	2.15
99203	30-44 minutes	1.60	3.26	1.60	3.33
99204	45-59 minutes	2.60	4.87	2.60	4.94
99205	60-74 minutes	3.50	6.43	3.50	6.52
99212	10-19 minutes	0.70	1.63	0.70	1.68
99213	20-29 minutes	1.30	2.65	1.30	2.68
99214	30-39 minutes	1.92	3.76	1.92	3.79
99215	40-54 minutes	2.80	5.25	2.80	5.31

The time ranges are useful in assessing the productivity of a physician during office hours. Among other things, you can assess whether there is room for additional encounter growth.

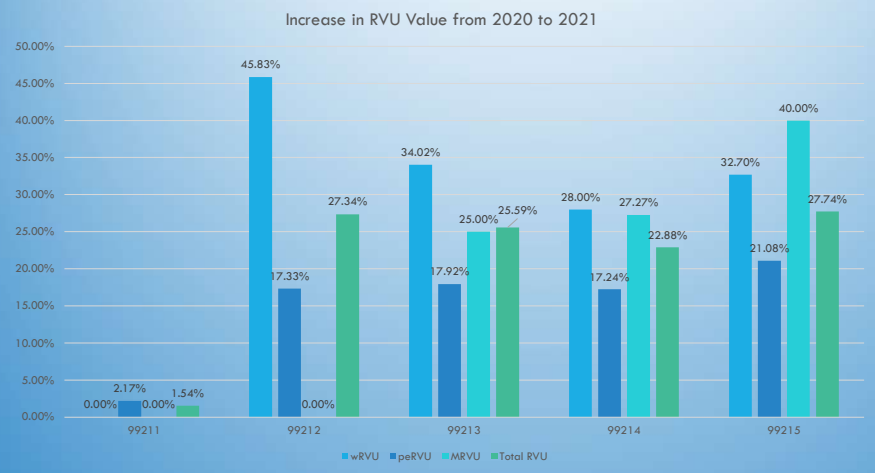
Major revisions in many CPT® codes took place in 2021, along with permitting physicians ***wide*** latitude in choosing the level of E&M service. Result is that values are not comparable to 2020 and prior years - and income may be radically different. **Time** is amount spent with respect to the patient encounter on a single date, including preparation, actual encounter, and any documentation or communication.

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 16

16

ESTABLISHED PATIENT VISIT VALUE CHANGES

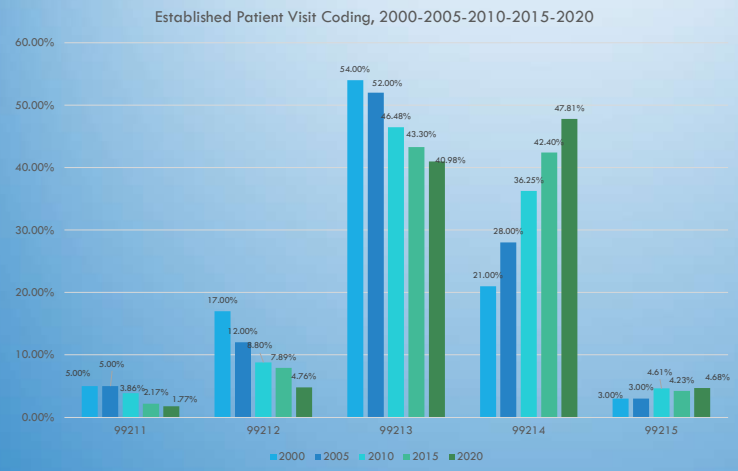


CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 17

17

HISTORY OF PRIMARY E&M CODE UTILIZATION



What was once a "Bell Curve" is now heavily right-shifted. Comparison of actual coding to benchmark data from Medicare is a key element of the subjective risk premium.

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 18

18

CRITICAL RESULTS OF THE SERVICE ANALYSIS

Differentiating Return on Labor (**reasonable compensation**) from return on assets/equity

- **You cannot make this determination without the service analysis**
- **Don't use MGMA whatever you do! (next slide)**
- **If the practice has nonowner physicians, their compensation formula *may* afford a baseline for reasonable compensation.**

Forecasting future revenue/income growth

Assessing risk of future cashflow

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 19

19

DEBUNKING THE MYTH OF "SURVEY SAYS"

It is **not true** that every physician should/can earn the survey national, regional or state median, or that the 75th percentile of a survey is maximum fair market value compensation.

The various compensation surveys (MGMA, AMGA, SullivanCotter etc.) **lack *any* inferential value** as to what physicians who did not participate in the survey earn. They are neither random samples, nor designed to be representative of physicians in any market.

Surveys cannot reach the degree of subspecialization in many practices, e.g., an orthopaedic practice that specializes in workman's compensation.

The vast majority of datapoints in the surveys – 65% to 70% or more – are for hospital or health system employed physicians. Since hospitals typically subsidize employed physician compensation, these values have zero relevance to private practice earnings.

- In the 2022 MGMA, **Wisconsin**, Minnesota and Pennsylvania contributed nearly 17% (1 in 6) of the datapoints, despite having only 8% (1 in 12.5) of practicing physicians. This reflects mega-health systems like Mayo, Geisinger, Henry Ford, Marshfield Clinic etc. who are the primary submitters of data. Virginia datapoints are 2.36%, representing only ~8% of Virginia physicians.

The standard deviation in the surveys is frequently very large, limiting the meaningfulness of medians and averages, even for physicians included in the survey sample.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 20

20

DEBUNKING THE MYTH OF "SURVEY SAYS"

Many physicians in the surveys earn more per RVU than the average rate paid by insurers per RVU, demonstrating that:

- "Compensation" ***is not based solely on clinical production*** and distorting any use of such data to set reasonable or replacement compensation in a valuation model.
- Compensation is often subsidized by the hospital or health system that employs the physician.

Physicians as a group ***are not mobile***, i.e., they do not relocate once they are established to get a better job. **Many valuators are not aware that mobility is one of the foundations of survey usage.**

- The primary driver of a physician's practice location is **where they completed their GME (residency and/or fellowship). If a physician attends both medical school and GME in a state, the probability they practice in that state is 67.50%, or two in three.**
- Physicians often return to their home state to practice after completion of training.
- Relocation generally occurs at the time residency is completed, especially from high supply states like the Northeast that have disproportionate numbers of medical schools and residency programs-or like Maryland, because of Johns Hopkins which produces many specialists not needed in Maryland or the Northeast.
- Specialty physicians like neurosurgeons and otolaryngologists relocate after residency more than primary care physicians.
- Physicians who have already established their practice are even less inclined to relocate.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 21

21

DEBUNKING THE MYTH OF "SURVEY SAYS"

As seen on the next slide, a variety of local market factors influence physician compensation.

- The cost of living in a location as reflected in data from the **Bureau of Economic Analysis Regional Price Parity** data.
- The **Location Quotient** (compares local supply of physicians to the national average) of a given location as reflected in data from the **Bureau of Labor Statistics**.
- The presence of one or more medical schools and available residency and fellowship training programs.
- **Inexplicable use of surveys used to set compensation based on a false premise!**

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 22

22

WHERE A PHYSICIAN CHOOSES TO PRACTICE IS DYNAMIC

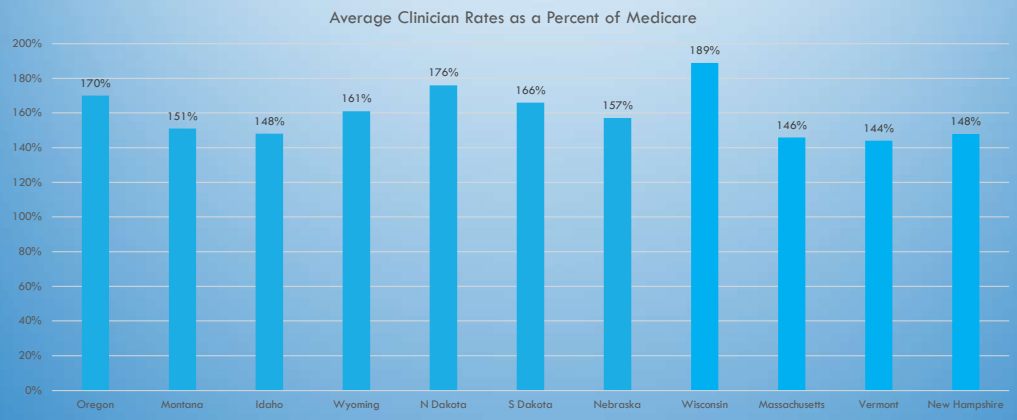
Copyright 2009-2023, Mark O. Di
Use with Attribution Permitted

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 23

23

DEBUNKING THE MYTH OF "SURVEY SAYS"

This chart is derived from a Health Care Cost Institute study of 2017 data, published in 2021. What does this data tell you about national survey medians and averages? Look back at Slide 20 on Wisconsin data in MGMA!



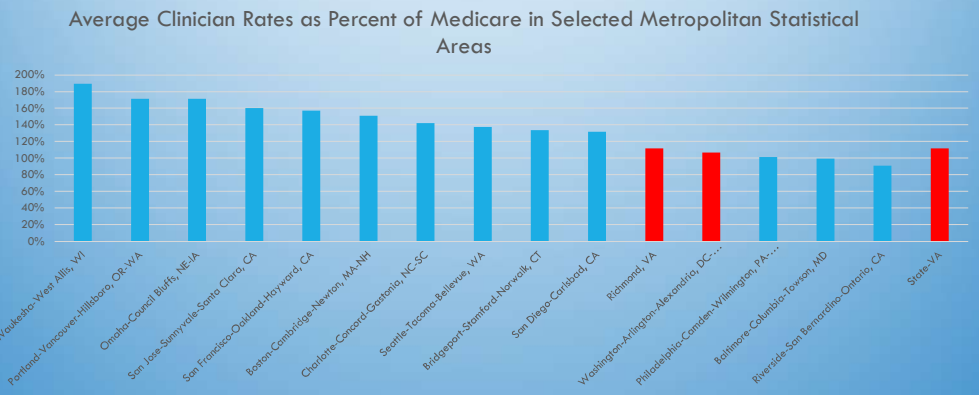
Comparing Commercial and Medicare Professional Service Prices, https://healthcostinstitute.org/hcci-research/comparing-commercial-and-medicare-professional-service-prices

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 24

24

DEBUNKING THE MYTH OF "SURVEY SAYS"

This chart is also derived from the Health Care Cost Institute 2017 data. What does *this* data tell you about national survey medians and averages? Look at the Virginia data!



Comparing Commercial and Medicare Professional Service Prices, https://healthcostinstitute.org/hcci-research/comparing-commercial-and-medicare-professional-service-prices

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 25

25

DEBUNKING THE MYTH OF "SURVEY SAYS"

Rand Study of Inpatient Hospital and Professional Services Market Rates

State	Relative Price Overall	Relative Price Inpatient	Relative Price Professional
AK	3.30	2.81	3.96
MN	2.96	2.77	3.84
WI	2.90	2.56	3.37
NY	3.02	3.18	2.58
RI	1.96	2.14	2.56
MA	2.27	2.55	2.56
WY	2.83	2.14	2.54
IA	2.60	2.63	2.47
NC	2.68	2.05	1.94
VT	2.52	2.11	1.93
FL	3.16	2.99	1.90
SD	2.23	2.02	1.82
SC	3.41	3.17	1.79
CT	2.15	2.03	1.78
AZ	2.55	2.36	1.78
IL	2.80	2.37	1.74
NE	2.50	2.14	1.73

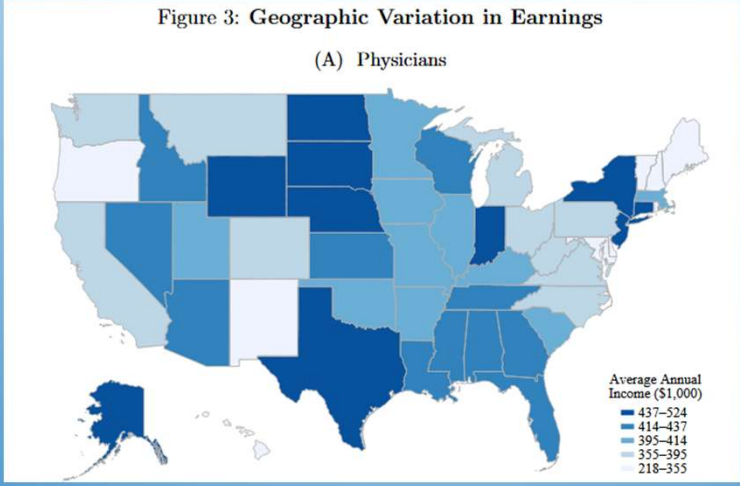
State	Relative Price Overall	Relative Price Inpatient	Relative Price Professional
CO	2.55	2.14	1.66
NH	2.64	2.70	1.66
MO	2.54	2.25	1.65
OR	2.41	2.19	1.64
TN	2.25	2.41	1.64
NM	2.56	2.14	1.62
GA	2.88	3.01	1.62
NJ	2.28	1.95	1.58
CA	2.69	2.53	1.56
WV	3.52	3.00	1.56
TX	2.44	2.21	1.55
KS	2.34	2.16	1.53
WA	2.62	2.55	1.49
AL	2.15	2.29	1.49
VA	2.85	2.96	1.45

https://www.rand.org/pubs/research_reports/RR4394.html,
https://www.rand.org/content/dam/rand/pubs/research_reports/RR4300/RR4394/RAND_RR4394.Supplemental_Materials.zip

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 26

26

DEBUNKING THE MYTH OF "SURVEY SAYS"



The authors had access to ***actual*** tax return data, making this paper extraordinary proof of geographic variability in ACTUAL physician earnings.

Who Values Human Capitalists' Human Capital? The Earnings and Labor Supply of U.S. Physicians, July 2023
Joshua D. Gottlieb, Maria Polyakova, Kevin Rinz, Hugh Shiplett, and Victoria Udalova

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 27

27

SIGNIFICANT USERS OF AMBULATORY SURGERY CENTERS

In approximate order of frequency:

Ophthalmology

Gastroenterology

Orthopaedics

Pain Management

Plastic Surgery

Urology

Critical to inquire about any ownership or use of an ASC during management interview.

Centers for Medicare/Medicaid has been expanding permitted procedures for years.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 28

28

PRIVATE EQUITY'S GREATEST HITS

Ophthalmology

Gastroenterology

Orthopaedics

Dermatology

Primary Care

Dentistry

Anesthesia

Neonatology

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 29

29

"IN ORDER TO TEACH A DOG TRICKS, YOU HAVE TO KNOW MORE THAN THE DOG."

Some of the things I've learned in 45 years by following that canine imperative.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 30

30

TRADE SECRETS ONLY A RETIRED EXPERT WOULD SHARE

As noted, physicians in specialties such as Gastroenterology, Ophthalmology and Orthopaedics often own an equity interest in a separate Ambulatory Surgery Center (ASC) entity. For Gastroenterology in particular, and to a lesser extent Orthopaedics, certain procedures can be done in the office or the ASC – or in a hospital outpatient department (referred to as **site of service**)! If done in the office, the physician practice receives a greater peRVU payment; if done in the ASC, it receives less, because the operating expense resides in the ASC. **You have to modify the peRVU value to reflect site of service or your compensation calculation will be WRONG**. If done in an HOPD, the physician loses the marginal site of service operating expense payment altogether.

You can check on specific procedures at https://www.cms.gov/medicare/physician-fee-schedule/search

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 31

31

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED

32

TRADE SECRETS ONLY A RETIRED EXPERT WOULD SHARE

Range		Category
0	99	Other
100	1999	Anesthesia
2000	10020	Other
10021	20499	Surgery
20500	20899	Injections
20900	20949	Grafts
20950	22999	Surgery
23000	23929	Shoulder
23930	24999	Upper Arm, Elbow
25000	25999	Forearm, Wrist
26000	26989	Hand, Fingers
26990	27299	Pelvis, Hip
27300	27599	Thigh, Knee
27600	27999	Leg, Ankle
28000	28999	Foot, Toes
29000	29799	Casts, Strapping
29800	29999	Arthroscopy
30000	69999	Surgery
70000	79999	Radiology
80000	89398	Pathology/Laboratory
89399	90280	Other
90281	99200	Medicine
99201	99205	Office Visit New
99206	99210	Other
99211	99215	Office Visit Established
99216	99288	Hospital
99289	99499	Other
99500	99607	Home Health
99608	99999	Other
J0775	J7325	Injectables
L0642	L4397	Orthotics

In the next section's example, I used an Excel VLOOKUP function to summarize the services by major category using the Professional Edition of the AMA's CPT® Guide. I assign individual CPT® codes to these categories by using a SUMIF function. In this 10 provider practice, it took me about 30 minutes to generate the summary, granted I have done a few of these in my time.

AMA CPT® Guide is a must have.

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 33

33

TRADE SECRETS ONLY A RETIRED EXPERT WOULD SHARE

Particularly useful for forensic investigations, or when a litigant refuses to provide data such as CPT® codes, is the Medicare claims data for every physician in the country located at https://data.cms.gov/provider-summary-by-type-of-service/medicare-physician-other-practitioners/medicare-physician-other-practitioners-by-provider-and-service/data. You can sort this data by the physician specialty, by state, by locality, etc. or any combination thereof. That's how I get all the Medicare coding data in the next section's example, as well as in the new book. Even if you cannot get all the data from the practice, you gain significant insight for almost all physicians from their Medicare data. Example on next slide.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 34

34

Medicare Physician & Other Practitioners - by Provider and Service

Displaying **1 - 10** of **9,449,361** rows

Rows per page: 10

Search | Manage Columns | Filter | Export

Reset view | Copy link to filtered view

Manage Columns

Search Columns

- Select All
- Rndrng_NPI
- Rndrng_Prvdr_Last_Org_Name
- Rndrng_Prvdr_First_Name
- Rndrng_Prvdr_MI
- Rndrng_Prvdr_Crdntls
- Rndrng_Prvdr_City
- Rndrng_Prvdr_State_Abrvtn
- Rndrng_Prvdr_State_FIPS
- Rndrng_Prvdr_Zip5
- HCPCS_Cd
- HCPCS_Desc
- HCPCS_Drug_Ind
- Place_Of_Srvc
- Tot_Benes
- Tot_Srvcs
- Tot_Bene_Day_Srvcs
- Avg_Sbmtd_Chrg
- Avg_Mdcr_Alowd_Amt
- Avg_Mdcr_Pymt_Amt

Apply

Rndrng_NPI	Rndrng_Pr	HCPCS_Cc	HCPCS_De	HCPCS_Dr	Place_Of_	Tot_Bene	Tot_Srvcs	Tot_Bene	Avg_Sbmtd_Chrg	Avg_Mdcr_Alowd_Amt	Avg_Mdcr_Pymt_Amt	Avg_Mdcr_Stdzd_Amt	Total Charge	Total Allowed	TotalPaid
1003001785	Orthoped	20550	Injections	N	O	13	17	14	$123.00	$43.95	$30.34	$31.72	2,091.00	747.15	515.78
1003001785	Orthoped	20610	Aspiratior	N	F	13	18	17	$273.94	$49.46	$36.74	$35.60	4,930.92	890.28	661.32
1003001785	Orthoped	20610	Aspiratior	N	O	148	213	206	$283.15	$63.45	$45.36	$48.45	60,310.95	13,514.85	9,661.68
1003001785	Orthoped	27236	Open trea	N	F	20	20	20	$2,552.00	$1,181.59	$927.28	$957.46	51,040.00	23,631.80	18,545.60
1003001785	Orthoped	27245	Surgical tr	N	F	20	20	20	$2,889.70	$1,213.67	$957.60	$1,024.19	57,794.00	24,273.40	19,152.00
1003001785	Orthoped	29824	Partial rer	N	F	12	12	12	$1,408.00	$241.14	$192.78	$139.80	16,896.00	2,893.68	2,313.36
1003001785	Orthoped	29826	Shaving o	N	F	12	12	12	$381.00	$175.45	$140.27	$143.00	4,572.00	2,105.40	1,683.24
1003001785	Orthoped	29827	Repair of	N	F	11	11	11	$2,243.00	$1,039.16	$830.79	$855.35	24,673.00	11,430.76	9,138.69
1003001785	Orthoped	64721	Release a	N	F	19	21	21	$919.38	$327.12	$258.46	$270.50	19,306.98	6,869.52	5,427.66
1003001785	Orthoped	73030	X-ray of s	N	O	74	87	86	$65.00	$27.80	$19.99	$22.42	5,655.00	2,418.60	1,739.13

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 35

35

TRADE SECRETS ONLY A RETIRED EXPERT WOULD SHARE

For practices that make significant use of the E&M codes, income can be depressed in anticipation of, or during, divorce proceedings by "downcoding," i.e., choosing a code with a lower RVU value.

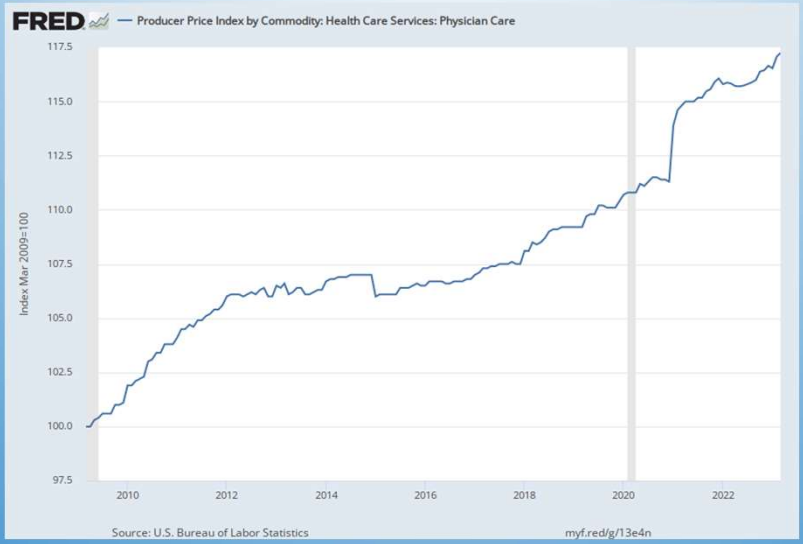
- One more reason that a multi-year coding analysis is critical!

For specialists performing complex surgeries, e.g., certain neurosurgery or post-mastectomy breast reconstruction, it may be necessary to submit operative reports to the insurance company in order to get paid. This can delay collection of accounts receivable considerably, or permit delay of entry into the billing system altogether, so that the receivable does not even appear!

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 36

36

KEEP YOUR EYE ON THE PRODUCER PRICE INDEX



© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 37

37

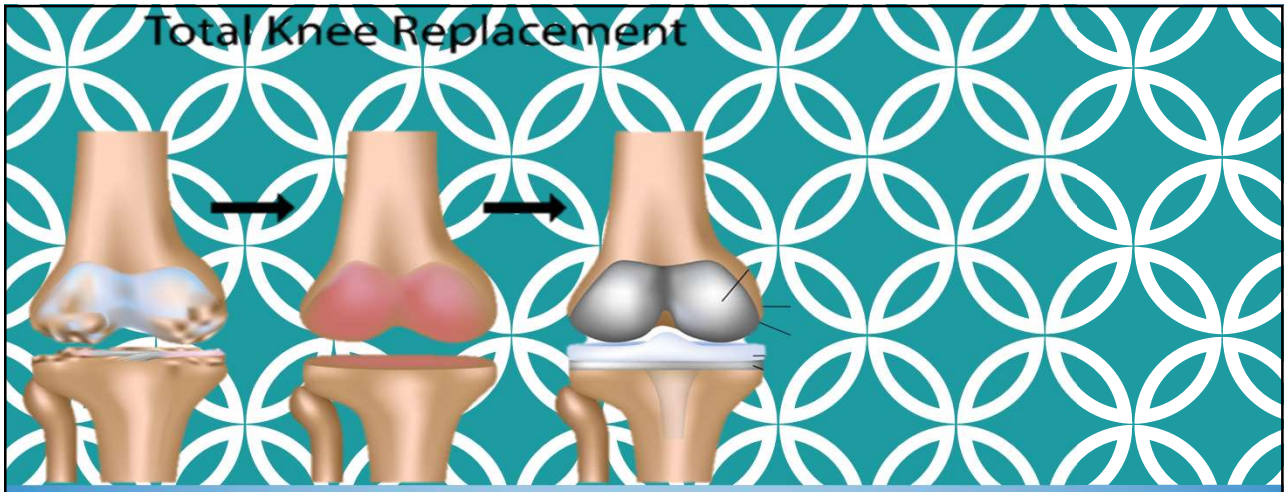
FROM THE INTERVIEW CHAPTER

For the surgical and interventional specialties, it is important to determine where those procedures are being done. Although not all users of an ASC will necessarily be owners, it is highly advantageous for a gastroenterologist, ophthalmologist or orthopedic surgeon to have an ownership interest in an ASC and do as many of their procedures as possible there.

Those using the hospital outpatient surgery department are likely to be far more popular with the hospital then their colleagues who use an ASC – unless the hospital also owns the ASC. As readers will note in several of the Guide's chapters, such as gastroenterology and orthopedics, it is typically far less expensive to use an ASC than the hospital outpatient department. For this reason, Medicare and insurers are constantly expanding the list of surgeries that are eligible for ASC status and encouraging their patients to choose an ASC.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 38

38



CASE STUDY: ORTHOPAEDIC PRACTICE WITH 5 DOCTORS & 5 PHYSICIAN ASSISTANTS

Different subspecialties, equal ownership, different productivity, Medicare incentives, drug injections, x-ray, high productivity

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 39

39

40

E&M DISTRIBUTION

Code	Medicare National Distribution	Practice	All MDs	Dr 1 Joint replacement	Dr 2 Sports Med	Dr 3 Hand & uppr extremity	Dr 4 Sports Med	Dr 5 Hand & uppr extremity
99211	0.26%	0.01%						
99212	9.42%	3.29%	1.61%	1.90%	0.06%	20.60%	1.56%	0.66%
99213	**61.89%**	89.24%	93.94%	97.55%	96.53%	79.40%	96.28%	86.57%
99214	**27.14%**	7.46%	4.45%	0.54%	3.41%		2.17%	12.77%
99215	1.28%	0.01%						
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Why might these subspecialists make such infrequent use of CPT® 99214?

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 41

41

NEW & ESTABLISHED PATIENTS BY PROVIDER TYPE

Code%	Count	Percent	MDs	PAs	MDs%	PAs%
99211	2	0.01%		2	0.00%	0.03%
99212	680	2.32%	234	446	1.61%	7.27%
99213	18,468	63.00%	13,676	4,792	**93.94%**	**78.10%**
99214	1,544	5.27%	648	896	4.45%	**14.60%**
Subtotal Established	20,694	70.60%	14,558	6,136	100.00%	100.00%
99202	190	0.65%	100	90	1.44%	5.38%
99203	8,294	28.30%	6,746	1,548	97.12%	92.58%
99204	134	0.46%	100	34	1.44%	2.03%
Subtotal New	8,618	**29.40%**	6,946	1,672	100.00%	100.00%
Total	29,312	100.00%	21,504	7,808		

Note the extraordinary percentage of new patients, and the more intensive coding by the PAs.

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 42

42

PRACTICE SERVICE DISTRIBUTION

Category	Units	Units%	Payments	Payments%
Arthroscopy	2,224	1.55%	1,989,500	17.02%
Casts, Strapping	1,188	0.83%	139,100	1.19%
Foot, Toes	212	0.15%	52,100	0.45%
Forearm, Wrist	1,522	1.06%	893,900	7.65%
Grafts	10	0.01%	5,100	0.04%
Hand, Fingers	1,370	0.95%	687,400	5.88%
Hospital Visits	452	0.31%	69,800	0.60%
Injections	10,880	7.57%	863,900	7.39%
Leg, Ankle	242	0.17%	133,100	1.14%
Medicine	8,740	6.08%	5,100	0.04%
Office Visit Established	20,694	14.39%	1,960,400	16.77%
Office Visit New	8,618	5.99%	1,184,000	10.13%
Other	1,798	1.25%	8,600	0.07%
Pelvis, Hip	218	0.15%	346,500	2.96%
Radiology	26,308	18.30%	844,800	7.23%
Shoulder	314	0.22%	164,200	1.40%
Surgery	1,386	0.96%	586,100	5.01%
Thigh, Knee	422	0.29%	461,100	3.94%
Upper Arm, Elbow	528	0.37%	320,100	2.74%
Injectables (J Codes)	46,204	32.13%	437,400	3.74%
Orthotics (L Codes)	10,464	7.28%	536,400	4.59%
Total	143,794	100.00%	11,688,500	100.00%

This is how I "see the forest for the trees." With 100s of different CPT® codes in use, they need to be summarized into major categories to understand how the practice makes money.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 43

43

PHYSICIAN SERVICE DISTRIBUTION

Category	Dr 1-Joint	Dr 2-Sports	Dr 3-Hand	Dr 4-Sports	Dr 5-Hand	All PAs
Arthroscopy	164,400	548,400	19,900	926,400	34,100	296,300
Casts, Strapping	1,200	4,300	53,500	1,400	31,300	47,400
Foot, Toes	900	16,300	8,000	5,600	4,000	17,300
Forearm, Wrist	14,300	12,500	471,000	1,600	211,300	183,200
Grafts	3,200	0	1,800			100
Hand, Fingers	600	0	413,600	100	187,700	85,400
Hospital	6,700	5,000	4,700	16,600	13,000	23,800
Injections	36,400	127,000	195,100	124,300	139,000	242,100
Leg, Ankle	19,100	45,500	14,400	17,300	8,400	28,400
Medicine	700	500	2,700	-300	500	1,000
Office Visit Established	140,100	340,800	362,800	276,900	262,000	577,800
Office Visit New	72,700	239,900	256,200	239,500	161,200	214,500
Other	2,400	2,500	800	600	2,100	200
Pelvis, Hip	283,600	50,900	6,200	0		5,800
Radiology	63,000	123,600	197,800	120,600	114,100	225,700
Shoulder	2,300	27,300	11,800	86,800	8,800	27,200
Surgery	2,400	0	410,900	2,200	99,500	71,100
Thigh, Knee	201,400	45,100	8,600	176,000	0	30,000
Upper Arm, Elbow	8,000	5,900	181,100	22,600	47,300	55,200
Injectables (J Codes)	11,100	45,200	84,500	26,400	54,400	215,800
Orthotics (L Codes)	95,900	117,800	104,000	63,900	136,400	18,400
Total	1,130,400	1,758,500	2,809,400	2,108,500	1,515,100	2,366,700

Note the vast differences in each practice, even when the specialty is the same. Some is volume-driven, other is procedure-driven.

If this was a divorce valuation, is Dr. 3's value different than Dr. 1?

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 44

44

PHYSICIAN ASSISTANT SERVICE DISTRIBUTION

Category	PA 1	PA 2	PA 3	PA 4	PA 5	All PAs	All MDs
Arthroscopy	700	105,400	5,300	176,900	8,100	296,300	1,693,200
Casts, Strapping	800	2,500	15,000	900	29,100	47,400	91,700
Foot, Toes	2,100	7,200	1,600		5,400	17,300	34,800
Forearm, Wrist	2,100	14,900	81,200	1,200	83,800	183,200	710,700
Grafts			100			100	5,000
Hand, Fingers			46,500		38,800	85,400	602,000
Hospital	300	9,300	9,200	200	4,800	23,800	46,000
Injections	77,700	51,100	17,600	76,000	19,700	242,100	621,800
Leg, Ankle	8,300	8,700	1,500	5,100	4,900	28,400	104,700
Medicine	0	300	200	100	300	1,000	4,100
Office Visit Established	135,900	140,600	69,200	136,100	95,900	577,800	1,382,600
Office Visit New	36,900	58,700	24,300	12,900	81,700	214,500	969,500
Other		100	0		0	200	8,400
Pelvis, Hip	2,300	3,100	400			5,800	340,700
Radiology	58,100	36,300	61,800	16,600	52,800	225,700	619,100
Shoulder	3,100	4,000	2,000	14,000	4,200	27,200	137,000
Surgery	500	7,000	63,100	0	8,100	71,100	515,000
Thigh, Knee		5,400	200	22,400	0	30,000	431,100
Upper Arm, Elbow			35,000	1,500	13,200	55,200	264,900
Injectables (J Codes)	78,600	45,600	2,500	86,800	2,400	215,800	221,600
Orthotics (L Codes)	5,000	900	2,600	1,300	8,600	18,400	518,000
Total	412,500	501,100	439,200	552,000	461,700	2,366,700	9,321,900

This does not necessarily tell the whole story of the importance of the PAs; more to follow on next slide.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 45

45

PHYSICIAN ASSISTANTS- POST-OP VISITS

HCPCS	MOD	DESCRIPTION	WORK RVU	FACILITY TOTAL	GLOB DAYS	PRE OP	INTRA OP	POST OP
27130		Total hip arthroplasty	19.6	37.9	90	0.1	0.69	0.21
27132		Total hip arthroplasty	25.69	49.24	90	0.1	0.69	0.21
27134		Revise hip joint replacement	30.28	56.15	90	0.1	0.69	0.21
27137		Revise hip joint replacement	22.7	43.22	90	0.1	0.69	0.21
27138		Revise hip joint replacement	23.7	44.9	90	0.1	0.69	0.21
27140		Transplant femur ridge	12.78	26.36	90	0.1	0.69	0.21

This is a little trick only a handful of folks outside the coding and consulting business are aware of! Just about all surgical procedures have an allocation of the RVUs between Pre-Op, Intra-Op (during the procedure) and Post-Op. If the PAs are doing some or all the Post-Ops, you can reduce the surgeons reasonable comp for those visits.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 46

46

THE RVU CALCULATOR (2021)

HTTPS://CHIPSBLOG.PCC.COM/FREE-2023-RVU-CALCULATOR - CURRENT VERSION

Enter CPT Codes Below	Your Units	Description	Work RVU	Non-Fac PE RVU	MP RVU	Total RVUs	Total Valid RVU Units	Total Valid RVUs	Total Valid RVU Payments	Work	Non-Facility Practice Expense	TC per Unit PE RVUs	TC PE RVUs	Malpractice	Total	Rate per RVU	TC Payments
29888	60	Knee arthroscopy/surgery	14.300	11.840	2.700	28.84	60	1,730.40	99,800	858.00	710.40	-	-	162.00	1,730.40	57.67	-
64718	70	Revise ulnar nerve at elbow	7.260	9.010	1.430	17.7	70	1,239.00	63,000	508.20	630.70	-	-	100.10	1,239.00	50.85	-
64721	406	Carpal tunnel surgery	4.970	7.120	0.960	13.05	406	5,298.30	203,900	2,017.82	2,890.72	-	-	389.76	5,298.30	38.48	-
64831	24	Repair of digit nerve	9.160	9.580	1.620	20.36	24	488.64	32,700	219.84	229.92	-	-	38.88	488.64	66.92	-
73030	2,818	X-ray exam of shoulder	0.180	0.800	0.020	1	2,818	2,818.00	83,700	507.24	2,254.40	0.72	2,028.96	56.36	2,818.00	29.70	60,264.00
73080	1,494	X-ray exam of elbow	0.170	0.750	0.020	0.94	1,494	1,404.36	45,100	253.98	1,120.50	0.68	1,015.92	29.88	1,404.36	32.11	32,625.53
73110	3,086	X-ray exam of wrist	0.170	0.990	0.020	1.18	3,086	3,641.48	104,200	524.62	3,055.14	0.92	2,839.12	61.72	3,641.48	28.61	81,240.68
73130	2,638	X-ray exam of hand	0.170	0.870	0.020	1.06	2,638	2,796.28	86,100	448.46	2,295.06	0.80	2,110.40	52.76	2,796.28	30.79	64,981.13
73140	1,154	X-ray exam of finger(s)	0.130	0.940	0.020	1.09	1,154	1,257.86	36,600	150.02	1,084.76	0.88	1,015.52	23.08	1,257.86	29.10	29,548.62
73564	3,040	X-ray exam knee 4 or more	0.220	1.100	0.020	1.34	3,040	4,073.60	108,000	668.80	3,344.00	1.01	3,070.40	60.80	4,073.60	26.51	81,402.99
73610	912	X-ray exam of ankle	0.170	0.880	0.020	1.07	912	975.84	25,700	155.04	802.56	0.81	738.72	18.24	975.84	26.34	19,455.14
73630	638	X-ray exam of foot	0.170	0.810	0.020	1	638	638.00	20,200	108.46	516.78	0.75	478.50	12.76	638.00	31.66	15,150.00
99203	6,746	Office o/p new low 30-44 min	1.600	1.510	0.150	3.26	6,746	21,991.96	940,700	10,793.60	10,186.46	-	-	1,011.90	21,991.96	42.77	-
99213	13,676	Office o/p est low 20-29 min	1.300	1.250	0.100	2.65	13,676	36,241.40	1,273,300	17,778.80	17,095.00	-	-	1,367.60	36,241.40	35.13	-
99214	648	Office o/p est mod 30-39 min	1.920	1.700	0.140	3.76	648	2,436.48	96,800	1,244.16	1,101.60	-	-	90.72	2,436.48	39.73	-
99243	156	Office consultation	1.880	1.460	0.150	3.49	156	544.44	26,500	293.28	227.76	-	-	23.40	544.44	48.67	-
								200,117	8,570,400	83,204	104,936	29	16,037	11,977	200,117		466,305
								42.83									29.08

	All TC Pmts		
Total Valid RVU Payments			8,570,400
	466,305	All TC peRVUs	
Payments Attributed to Technical Component		16,037	466,300
Total Valid RVU Payments, Excluding Technical Component			8,104,100

Total Valid RVU Payments, Excluding Technical Component	8,104,100	Total Valid Work RVUs	83,204
Total Valid RVUs, Excluding Technical Component	184,079	Payment Rate per RVU, Excluding Technical Componen	44.03
Payment Rate per RVU, Excluding Technical Component	44.03	Reasonable Compensation, All Physicians	3,663,100

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 47

47

COMPENSATION SUMMARY

Total RVU payments were $10,701,100, from which the TC peRVU payments of $637,700 are subtracted, to arrive at Total Valid RVU Payments, Excluding Technical Component of $10,063,400. Total non-TC RVUs are 257,313, resulting in a payment rate of $39.11 per RVU. This rate is then multiplied by the wRVUs of 117,217 to arrive at one measure of total provider compensation of $4,584,300.

Total RVUs generated by the physicians were 200,117 and related payments were $8,570,400, for a payment rate of $42.83. there were 16,037 TC peRVUs at a payment rate of $29.08, totaling $466,300. Total non-TC RVUs are 184,079, resulting in a payment rate of $44.03 per RVU, multiplied by the physician wRVUs of 83,204, to arrive at total physician compensation of $3,663,100 (rounded) (next slide).

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 48

48

	Total	PAs	TC & Other	Physician
Revenues				
CPT® & HCPCS				
Physicians	8,104,100			8,104,100
Physician Assistants	1,963,900	1,963,900		0
Technical Component	637,700		637,700	0
Other (Orthotics, Injectables, Misc)	982,900		982,900	0
CPT® & HCPCS Total	11,688,600	1,963,900	1,620,600	8,104,100
Medicare & Other Incentives	750,000		750,000	0
Total Revenue	12,438,600	1,963,900	2,370,600	8,104,100
Physician wRVU Compensation	3,663,100			3,663,100
Physician Asst Actual Compensation	750,000	750,000		0
Physician Share of Incentives	375,000		375,000	0
X-Ray Technicians	200,000		200,000	0
Other Compensation	3,272,808	549,900	453,800	2,269,100
Insurance & Fringe Benefits	1,577,182	260,000	130,800	1,186,400
Medical Supplies	500,000	58,900	300,000	141,100
Occupancy	400,000	125,000	100,000	175,000
General & Admin	584,430	98,200	129,600	356,600
	11,322,520	1,842,000	1,689,200	7,791,300
Net Income/Cashflow	1,116,080	121,900	681,400	312,800

In a divorce valuation, I would break this practice down into three component P&Ls. This practice received $750k in bonuses from Medicare and a joint venture with its hospital for achieving clinical excellence. Some part of that should be allocated to physician compensation – here, $375k- but how much ***is a matter of judgment***. "TC & Other" also includes x-ray, orthotics and drug (J code) profits. "PAs" is profit on the APPs, a form of revenue generating **trained workforce**. I ***might*** treat the $312,800 of "Physician" profit as reasonable compensation due to high productivity.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 49

49

CASE WRAP-UP

	FMV
Cashflow (Profit)	1,116,100
Taxes	(301,347)
	814,753
Capitalization Rate	19%
	4,288,200
Value of Accounts Receivable	1,216,800
Fixed Assets (not shown)	250,000
Intangible (residual)	2,821,400
	4,288,200

Bear in mind the $1,116,100 includes $375,000 of the Medicare incentives and $312,800 of profit from excess peRVU productivity of the physicians. These contribute $1,440,800 and $1,201,800, respectively, to the total value, or 62%. THIS model is highly dependent on the judgmental reasonable comp determination.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 50

50

A CLOSER LOOK AT SPECIALTY SERVICES

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 51

51

DERMATOLOGY - MEDICARE TOP PROCEDURE CODES BY CHARGES

Procedure	Description	Percent
17311	Mohs 1 stage h/n/hf/g	12.68%
99213	Established patient office visit	9.13%
17000	Destruct premalignant lesion	7.01%
11102	Tangential bx (biopsy) skin single lesion	5.60%
99214	Established patient office visit	5.51%
17312	Mohs additional stage	4.70%
88305	Tissue exam by pathologist	4.16%
17110	Destruct benign lesion 1-14 cm	3.95%
17003	Destruct premalignant les 2-14	3.54%
13132	Complex repair f/c/c/m/n/ax/g/h/f	3.17%
		59.45%

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 52

52

DERMATOLOGY – SAMPLE PRACTICE

Code	National Dist. %	Practice	Dr 1	Dr 2	PA 1	PA 2
99211	0.42%	1.42%	2.02%	2.74%	0.67%	0.49%
99212	15.09%	14.80%	18.18%	20.55%	15.44%	7.58%
99213	60.41%	75.43%	78.79%	65.75%	63.76%	90.95%
99214	23.84%	8.35%	1.01%	10.96%	20.13%	0.98%
99215	0.25%	0.00%	0.00%	0.00%	0.00%	0.00
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Assuming similar encounters, which one of these providers is likely to generate the most revenue?

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 53

53

GASTROENTEROLOGY - MEDICARE TOP PROCEDURE CODES BY CHARGES

Procedure	Description	Percent
45385	Removal of polyps or growths of large bowel using endoscope	16.53%
43239	Biopsy of esophagus, stomach, upper sm bowel w/ endoscope	16.04%
45380	Biopsy of large bowel using an endoscope	15.58%
99214	Established patient office visit	5.89%
45378	Diagnostic exam of large bowel with endoscope	3.72%
99213	Established patient office visit	3.54%
99204	New patient office visit	3.02%
99232	Subsequent hospital inpatient care	2.94%
G0105	Colorectal cancer screening; colonoscopy	2.75%
43235	Esophagogastroduodenoscopy	2.59%
99222	Initial hospital inpatient care	2.10%
99223	Initial hospital inpatient care	1.85%
G0121	Colorectal cancer screening, non-high risk	1.83%
99203	New patient office visit	1.37%
	Total	79.75%

Beware that many of these may be done in an ASC or HOPD, requiring you to modify the peRVU calculation!

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 54

54

OPHTHALMOLOGY - MEDICARE TOP PROCEDURE CODES BY CHARGES

Procedure	Description	Percent
66984	Extracapsular cataract removal, insert intraocular lens, without endoscopic cyclophotocoagulation	16.80%
66982	Extracapsular cataract removal complex, insert intraocular lens, without endoscopic cyclophotocoagulation	8.36%
66821	After cataract laser surgery	7.01%
J0178	Eylea*	3.79%
92014	Comprehensive eye exam, established patient	2.77%
67042	Removal of membrane from the retina	2.72%
92004	Eye exam new patient	2.57%
15823	Removal of excessive skin/fat-upper eyelid (Blepharoplasty)	2.44%
0191T	Insertion of eye fluid drainage device	2.23%
65855	Laser repair-improve eye fluid flow,	2.18%
67028	Injection eye drug*	1.99%
92012	Eye exam, establish patient	1.84%
	Total	54.70%

CPT® codes, descriptions and other data only are copyright 2023 American Medical Association. All Rights Reserved. Applicable FARS/HHSARS apply

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 55

55

Category	Units	Charges	Charges %	Payments	Payments %
Eye Exam, Est Patient	15,618	5,244,800	24.76%	2,188,100	22.59%
Eylea Injection	2,482	3,464,200	16.36%	1,953,700	20.17%
Cataract Surgery	1,460	2,743,200	12.95%	1,111,900	11.48%
Frames, Lenses	23,992	2,257,400	10.66%	1,517,100	15.66%
Eye Exam, New Patient	3,152	1,258,800	5.94%	508,400	5.25%
Office Visit Established	5,685	1,245,400	5.88%	525,200	5.42%
Ophthalmic Imaging	5,411	827,100	3.91%	253,200	2.61%
Refraction	14,583	563,600	2.66%	228,900	2.36%
Injection of Drugs	1,367	532,300	2.51%	168,100	1.74%
Botulinum Toxin	1,146	442,100	2.09%	6,200	0.06%
Laser Surgery post-Cataract	447	373,000	1.76%	177,600	1.83%
Other	7,490	308,700	1.46%	287,300	2.97%
Anterior Segment Surgery	194	266,200	1.26%	111,400	1.15%
Eyelid Surgery	398	261,000	1.23%	113,200	1.17%
Visual Field Examination	877	209,400	0.99%	51,300	0.53%
Tear Duct Surgery	443	187,200	0.88%	62,800	0.65%
Blepharoplasty	72	173,400	0.82%	55,400	0.57%
Eye Exam with Photos	978	169,700	0.80%	54,500	0.56%
Office Visit New	493	165,100	0.78%	70,600	0.73%
Surgery, Retina	97	135,600	0.64%	63,900	0.66%
Surgery, Eye	68	82,300	0.39%	45,500	0.47%
Surgery, Other	194	57,100	0.27%	27,200	0.28%
Routine Ophthalmological Exam	475	54,400	0.26%	26,700	0.28%
Eye Ultrasound	340	42,700	0.20%	11,500	0.12%
Bevacizumab Injection	281	28,700	0.14%	18,500	0.19%
Special Eye Evaluation	300	23,000	0.11%	10,000	0.10%
Removal Foreign Object	51	14,300	0.07%	2,800	0.03%
Contact Lenses	119	11,900	0.06%	11,500	0.12%
Contact Lens Fitting	218	11,800	0.06%	8,100	0.08%
Juvederm Injection	13	10,400	0.05%	10,400	0.11%
Fitting Of Contact Lens, Ocular Surface Disease	49	7,700	0.04%	1,800	0.02%
Eye Photography	52	4,000	0.02%	1,300	0.01%
Topography	38	3,600	0.02%	1,800	0.02%
Grand Total	88,583	21,180,100	100.00%	9,685,900	100.00%

An **Ophthalmology** group practice is a complicated beast, with many different specialties and product sales to boot. If you can't separate the various sources of income in a P&L, you will have a tough time segregating reasonable compensation, personal goodwill and enterprise goodwill.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 56

56

Examples from one of many **new** chapters-Understanding the Impact of Health Insurance on Physician Practices- in the forthcoming **totally revised** *Guide to Physician Practice Finance and Valuation*. Other new chapters include *Understanding Physician Compensation Plans, *Valuation for Marital Dissolution, *Damages for Lost Compensation, Lost Profits and Violation of Noncompete Agreements. All the other chapters reflect ***complete*** updates.

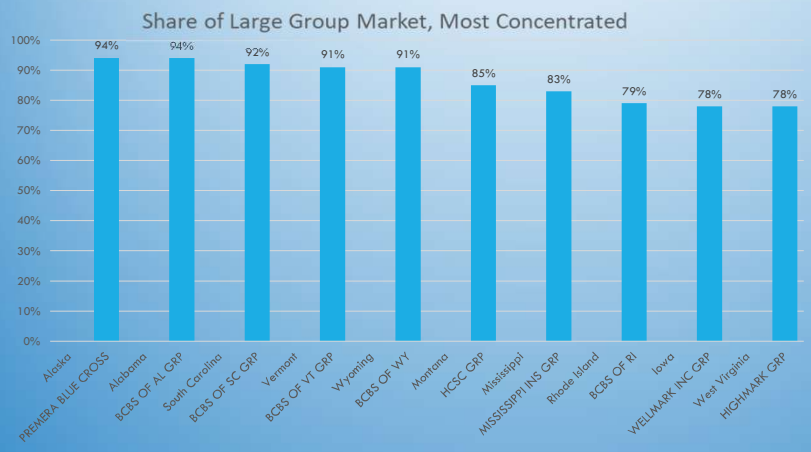
IN CASE YOU WERE CURIOUS, INSURER MARKETS VARY DRAMATICALLY AS WELL

Insurer vs. Provider Market Power Drive Physician Pay Rates

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 57

57

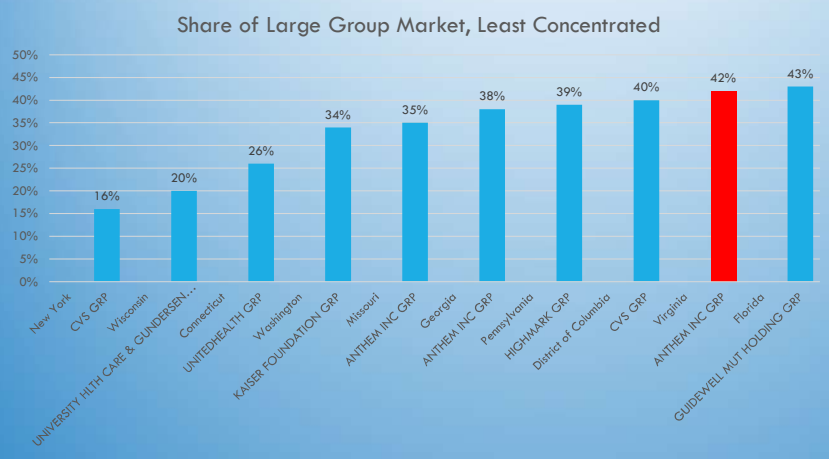
INSURER MARKETS



© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 58

58

INSURER MARKETS



© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 59

59

INSURANCE COVERAGE TYPE

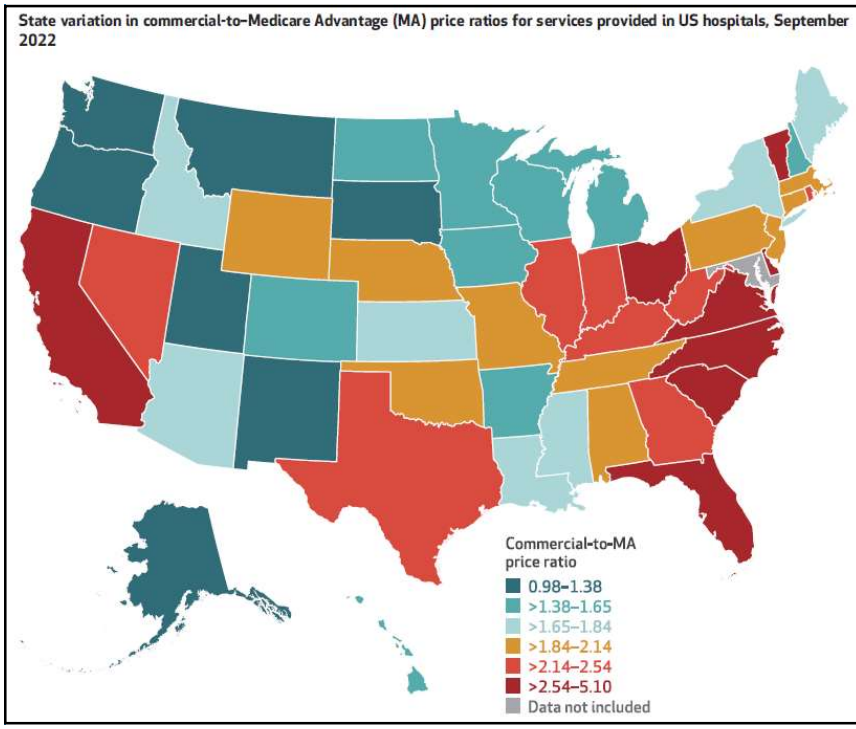
State	Large Group	Small Group	Self-insured	Non-Group	Medicaid	Medicare	Military	Uninsured	Total
Virginia	13.8%	4.2%	36.1%	4.8%	15.5%	14.9%	4.0%	6.8%	100%
Alabama	11.3%	4.3%	30.5%	6.1%	19.4%	16.3%	2.1%	10.1%	100%
Alaska	11.2%	2.3%	22.9%	4.7%	28.9%	12.0%	5.9%	12.2%	100%
Arizona	7.3%	2.8%	27.9%	6.1%	24.0%	18.2%	1.7%	11.9%	100%
Arkansas	9.6%	3.0%	26.7%	5.7%	27.9%	16.1%	1.6%	9.5%	100%
California	25.7%	5.7%	18.5%	6.6%	25.0%	11.1%	0.8%	6.7%	100%
Colorado	12.0%	4.9%	32.8%	7.2%	19.1%	13.5%	2.3%	8.2%	100%
Connecticut	9.5%	3.9%	35.3%	5.9%	24.1%	15.0%	0.7%	5.5%	100%
Delaware	7.1%	2.7%	36.1%	6.5%	21.7%	18.6%	1.3%	6.0%	100%
District of Columbia	54.6%	7.1%	15.4%	2.8%	13.1%	4.4%	0.6%	1.9%	100%
Florida	10.6%	2.4%	22.7%	11.2%	19.0%	19.2%	1.8%	13.0%	100%
Georgia	11.4%	2.9%	31.4%	6.4%	18.9%	13.4%	2.3%	13.4%	100%
Hawaii	37.8%	8.0%	14.5%	3.6%	16.5%	13.0%	3.6%	3.0%	100%
Idaho	11.2%	4.9%	30.2%	6.8%	20.8%	15.4%	1.9%	8.8%	100%
Illinois	15.0%	4.4%	32.4%	5.3%	20.4%	14.7%	0.7%	7.1%	100%

State	Large Group	Small Group	Self-insured	Non-Group	Medicaid	Medicare	Military	Uninsured	Total
Indiana	5.9%	2.7%	40.2%	4.9%	21.3%	16.0%	1.0%	8.1%	100%
Iowa	11.0%	5.7%	32.8%	5.7%	21.6%	16.9%	0.9%	5.3%	100%
Kansas	15.8%	4.1%	32.7%	6.0%	15.4%	14.9%	1.9%	9.3%	100%
Kentucky	8.2%	2.2%	31.4%	4.5%	30.3%	16.2%	1.3%	5.9%	100%
Louisiana	9.6%	4.4%	23.2%	5.0%	33.9%	14.4%	1.6%	8.0%	100%
Maine	14.5%	3.9%	29.3%	6.7%	19.9%	18.9%	1.4%	5.5%	100%
Maryland	16.9%	4.7%	31.0%	5.7%	20.4%	13.3%	1.9%	6.1%	100%
Massachusetts	17.0%	6.4%	30.6%	6.1%	23.6%	13.6%	0.4%	2.5%	100%
Michigan	15.9%	5.0%	26.7%	5.1%	24.7%	16.7%	0.6%	5.4%	100%
Minnesota	13.1%	5.4%	36.5%	5.6%	18.9%	15.6%	0.7%	4.4%	100%
Mississippi	7.8%	3.3%	28.0%	5.8%	25.3%	15.3%	2.1%	12.5%	100%
Missouri	12.5%	2.9%	34.7%	6.4%	15.3%	17.1%	1.4%	9.7%	100%
Montana	7.0%	4.6%	25.7%	9.3%	22.0%	19.6%	2.7%	8.9%	100%
Nebraska	11.9%	2.9%	40.5%	6.7%	15.0%	14.2%	1.8%	7.1%	100%
Nevada	13.9%	3.0%	23.6%	6.6%	23.0%	15.6%	1.6%	12.6%	100%

https://www.ahip.org/documents/EPC_StateData_2022.pdf

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 60

60



Hospital Prices For Commercial Plans Are Twice Those For Medicare Advantage Plans When Negotiated By The Same Insurer
Health Affairs, August 2023

Once upon a time, it was argued that commercial insurers do not subsidize Medicare and Medicaid by paying higher rates for the same services. Never made a lick of sense to me, and here is data that proves I was correct.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 61

61

QUESTIONS?

"Can I buy a vowel, Pat?"

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 62

62

BIO – MARK DIETRICH

Mark is a *summa cum laude*, Beta Gamma Sigma graduate of Boston University where he also earned an MBA with high honors. He is the author of the new *Engagement Guide to Understanding and Valuing Medical Practice Specialties*. Mark also is Editor and Contributing Author to the Business Valuation Resources/American Health Lawyers' Association *Guide to Healthcare Industry Finance and Valuation,* 4th Edition, Author of the completely revised *BVR Guide to Physician Practice Finance and Valuation*, 4th Edition; and co-editor and contributing author to the BVR/AHLA *Guide to Valuing Physician Compensation and Healthcare Service Arrangements*, 2nd Edition. He served as Chairperson of the American Institute of CPA's (AICPA) National Healthcare Industry Conference for 2012 and 2013. Mark was recently named as a member of the inpatient **Patient and Family Advisory Council (PFAC)** at Boston's **Brigham & Women's Hospital**, one of the top 25 hospitals in the country.

Mark's career experience includes working with numerous solo and group physician practices as a tax advisor, operational consultant, designing and implementing compensation plans, negotiating managed care and Medicare Advantage contracts on behalf of a primary care physician network, serving as partner-in-charge of the audit of a tax-exempt faculty group practice affiliated with a major teaching hospital, and performing valuations on behalf of both medical practices and tax-exempt hospitals. He has served as an expert in numerous divorce matters in many states, as expert on behalf of both defendants and the government in *qui tam* actions, and in such obscure areas as real property taxation for tax-exempt entities. His career engagements spanned 46 states and the United Kingdom. Recently retired, when he is not writing or researching some obscure healthcare industry topic, he tends to his farm in Virginia and engages in running, cycling, mountain biking and bowling.

© 2023 MARK O. DIETRICH ALL RIGHTS RESERVED 63

63