
MSO/Vendor Concept

This is a simple structure that allows a team of professional managers to assist and support a professional corporation in the development of a practice to serve a specific group of patients. It allows collaboration in a fashion that is compliant with all regulatory standards, and it divides the efforts between the entities to allow the provider (physician, chiropractor, optometrist, therapist) to operate within the confines of the professional corporation (or the PLLC) and the management services organization (MSO/Vendor) to serve multiple practices and to operate in a standard corporate structure.

The transaction between the two organizations is defined by the scope of work and the financial relationships. The financial matters are governed by state and federal regulations requiring (in some cases) fair market value transactions and the avoidance of any services based upon volume or any kind of sharing of the provider's income in any proportional fashion by any person or entity not directly involved in the professional corporation or partnership. Some states also restrict the way in which fees can be charged.

Goals of the MSO/Vendor Group

- 1) To reduce/eliminate risk for participating providers.
- 2) To support and enhance growth of the provider corporation and market share.
- 3) To provide operating efficiencies for the group which ultimately stabilize/reduce overhead costs.
- 4) To provide an opportunity to enhance revenue streams for the providers through scalar reductions in overhead costs as a percent of revenue.
- 5) To provide for stability of services to related health systems (hospital or nursing facilities) through stabilization of the professional corporation.
- 6) To expand services available at various nursing facilities through expansion and diversification of the provider staff and information dissemination.

Structure of the MSO/Vendor Group

- 1) The MSO/Vendor group would be an autonomous corporation operating separately and independently of both the hospital (or nursing facility) and the provider group. Its management staff would be ultimately responsible and accountable for its profitability and effectiveness.
- 2) The MSO/Vendor group could potentially serve other providers and groups.
- 3) This arrangement would transfer all risk to the MSO and leave the providers, as a P.C., intact and autonomous in their own corporate dealings.

- 4) Such specific items as quality assurance, risk management, and other similar areas would require the active participation of the group providers in various committees and other activities on an ongoing basis. Medical decisions would be the purview of the providers in the professional corporation.

Operational Responsibilities of the MSO/Vendor Group

- 1) Hire, evaluate, promote, and discharge all employees, except for the providers.
- 2) Negotiate all contracts with other subcontractors. This would include the purchase of all equipment, supplies, and services. Services include those of the medical specialists.
- 3) Negotiate contracts for managed care, etc. Jointly, with the provider corporate negotiators, contracts for managed care such as IPA, PPO, HPO, etc. would be handled by the MSO/Vendor group.
- 4) Manage the day-to-day operations of all facilities and services provided under the umbrella of the provider group.
- 5) Provide for strategic planning, implementation, and recruitment of providers to expand the services provided by the providers and, thereby, expand market share in the area.

Financial Responsibilities of the MSO/Vendor Group

- 1) All the standard operating expense items to conduct the business of the provider professional corporation would be covered by the MSO including, in general terms, the following:
 - a) Salaries, benefits, payroll taxes, pension plan costs, etc. for all employees of the MSO/Vendor group.
 - b) Costs of contractual medical specialists.
 - c) Fixed overhead costs such as rent, utilities, insurance, etc., related to the offices utilized by the providers.
 - d) All medical and business supplies utilized in association with the provision of services by the providers.
 - e) Legal and accounting services related to the day-to-day business of the practice, but exclusive of any such expenses directly related only to the P.C. itself.
 - f) Patient information and marketing expenses related to the medical practice.
 - g) Recruitment costs for new providers.

- h) Other miscellaneous operational expenses attributable to the practice of medicine by the provider group.
- 2) Costs not the responsibility of the MSO/Vendor group:
- a) Administrative, legal/accounting, or day-to-day costs to support the provider corporation as a separate entity.
 - b) Salaries, benefits, payroll taxes, and pension plan costs of all providers employed by or shareholders in the provider P.C.