

Table of Contents

Introduction	1	Healthcare Consulting Groups	55
The Four Pillars of the Healthcare Industry	2	Conclusion	60
Reimbursement	2	Chapter 2: Benchmarking.....	71
Regulatory	3	Overview	72
Competition.....	3	History of Benchmarking in Healthcare	72
Technology	4	Purpose of Benchmarking	73
Structure of this <i>Guide</i>	4	Benchmarking in Financial Valuation	74
Reader Tools: Sidebars, Tables, and Figures.....	5	Compensation Benchmarking	74
Professional Practice Taxonomy.....	6	The Benchmarking Process.....	75
Chapter 1: Healthcare Consulting	23	Types of Benchmarking	75
Overview.....	28	Operational Benchmarking	77
Consulting Activities	28	Financial Benchmarking	80
Modality of Consulting Activity	28	Economic Benchmarking.....	82
Consulting Professionals.....	31	Clinical Benchmarking	83
Business and Financial Consulting Services.....	31	Sources of Benchmarking Data	85
Accounting and Tax Related Services	32	Benchmarking Surveys With Compensation and Expense Data	86
Revenue Cycle Services.....	33	Benchmarking Surveys by Criteria.....	89
Regulatory Related Services	35	Benchmarking Data Sources for Health Service Sector Entities	89
Structure and Governance Consulting	36	Sources of Physician Compensation Data	93
Operational Management Consulting	37	Sources of Healthcare Executive Compensation Data.....	94
Transition Planning Services	39	Conclusion	96
Strategic Planning and Business Development.....	41	Chapter 3: Compensation and Income Distribution	103
Litigation Support Services.....	42	Overview.....	112
Consulting Methods.....	43	What?—The Definition of a Physician Compensation Plan.....	112
Consulting Skills.....	43	Why?—Is a New Compensation Plan Needed?.....	112
Business Development for Consulting Services	44	Internal Indicators	112
The Engagement Process	46	External Indicators (The Four Pillars)	113
Vision, Strategic Initiatives, and Tactical Plans	48	When?—The Compensation Plan Life Cycle.....	118
The Phases of the Consulting Engagement.....	48	Phase 1: The Existing Plan	118
Record Management, Memorializing, and Archiving	50	Phase 2: The Potential Plan: The Development Timeline	118
The Engagement Process	50	Phase 3: The New Plan	118
Healthcare Consulting Organizations and Associations	51		
Business and Financial Consulting Groups	51		

How?—Ten Steps to Developing a Compensation Plan	119	Valuation Steps to Complete a Typical Case.....	167
Step 1: Determining Governance, Goals, and Principles...	119	Defining the Valuation Engagement: Range of Valuation	
Step 2: Investigating the Available Options	121	Assignments and Report Contents	168
Step 3: Benchmarking.....	129	Pre-Engagement.....	168
Step 4: Establishing the General Framework.....	129	During the Engagement	169
Step 5: Detailing the Plan Infrastructure.....	129	Post-Engagement	169
Step 6: Generating a Financial Model	130	Valuation Approaches, Methods, and Techniques	170
Step 7: Defending Against Alternative Models	131	Revenue Ruling 59-60	170
Step 8: Outlining Transition and Implementation Steps....	131	Income Approaches	171
Step 9: Proposing the New Plan.....	131	Market Approaches.....	172
Step 10: Arriving at a Consensus.....	132	Asset and Cost Approaches	177
Where?—The Compensating Enterprise	132	Application of the Value Pyramid to the Valuation of a	
Practice Benchmarking	132	Professional Practice Enterprise	178
Factors Influencing Practice Performance	133	Cost of Capital: Developing the Risk-Adjusted Required	
Who?—The Practitioner	143	Rate of Return	181
Practitioner Benchmarking	144	Level of Value—Discounts and Premiums.....	185
Factors Influencing Practitioner Performance	144	Classification and Valuation of Assets	186
Conclusion	146	Valuation of Tangible Personal Property.....	191
Appendix: WAIT! The Compensation Plan Checklist	149	Classification and Valuation of Intangible Assets	192
Chapter 4: Financial Valuation of Enterprises, Assets, and		Conflicting Definitions of Intangible Assets Versus	
 Services.....	159	Goodwill	197
Overview.....	160	Valuation of Healthcare Services.....	198
Basic Economic Valuation Tenets: Valuation of Healthcare		Fair Market Value: The Principle of Substitution and	
Enterprises.....	161	Principle of Utility	198
The Value Pyramid	162	Role for the Valuation Consultant	201
Buy or Build?— Value as an Incremental Benefit.....	163	Valuation Methodology for Supporting Opinions of	
The Standard of Value and Premise of Value.....	164	Fair Market Value and Commercial Reasonableness	201
		Conclusion	203
		Glossary	209