

Appendix 3: Issues listing as to full integration

I. Mutual objectives

- A. Benefits to be achieved through complete integration
- B. Identification of benefits to patients and payers
- C. Identification of perceived synergies
- D. Participant objectives
- E. Market impact

II. Nature of relationship

- A. Creation of health system with significant physician governance and an aligned physician service organization
- B. Creation of physician division within a hospital or health care system
- C. Exclusive professional services arrangement
- D. For profit or not-for-profit (typically physicians employed)
- E. Separation of functions via a management services organization/physician management company or professional services agreement
- F. Ancillary agreements (lease, management, professional services, funding, IT support, asset or stock purchase or sale)

III. Transaction timeline

- A. Establishment of a negotiating team
- B. Selection of professional advisors
- C. Due diligence timetable
- D. Regulatory and antitrust analyses
- E. Valuation process
- F. Required consents and license transfers
- G. Required financing
- H. Establishment of regular meetings and reporting

IV. Governance

- A. Extent and determination of the manner of selection of physician representation on governing body and any affiliated physician service organization
- B. Retained or reserved powers to health system or physicians
- C. Negative control and supermajority requirements
- D. Deadlock resolution
- E. Amendment of governance documents
- F. Administrative reporting and physician rights with respect to various aspects of the practice
- G. Service line and outpatient management agreements
- H. Opportunities for physician administrators/medical directorships and clarification of the physician managers' role with respect to hospital operations and relationship to hospital medical staff department chairs
- I. Exclusivity of the physician organization as to the system's affiliate physician or physician outpatient or designated primary care or specialty services and clarification of the organization's relationship with hospital-based physicians and hospital employed physicians; exclusive or dual recruiting of new physicians into the market or from the market
- J. Physician governance—by specialty or through a single multi-specialty board
- K. Decisions in which physicians recommend and decisions in which physicians control
- L. Role and reporting responsibility of the medical director and any physician CEO or physician group administrator
- M. Rationalization of ancillary

V. Physician employment agreement terms

- A. Term
- B. Compensation plan/guaranty/productivity measurements/treatment of midlevel providers/expense allocations and support
- C. Non-compete, if any
- D. Compensation and expectation for administrative services and for start-up clinical initiatives or market expansion
- E. Termination and unwind provisions and definitions of for cause, for good reason and without cause
- F. Professional liability coverage/tail insurance issues
- G. Dispute resolution
- H. Practice support and location
- I. Quality and efficiency benchmark development process and incentives
- J. Rights on termination/dispute resolution
- K. Permissible outside activities
- L. Other medical staff memberships/call requirements
- M. Severance and employee benefits
- N. Unwind provisions
- O. Physician Code of Conduct

- G. Compatibility of strategic goals to incentives in the compensation plan
- H. Name
- I. Confidentiality and communications
- J. Integration and communication protocols and standardization of practices
- K. Development of centers of excellence and clinical protocols
- L. Receptivity to inclusion of independent medical staff and existing employed physicians into single physician entity
- M. ACO structure and participation

VI. Valuation

- A. Valuation of assets, service lines, and human resources contributed or acquired
- B. Valuation of compensation as within fair market value
- C. Valuation of any service line management or other compensation as within fair market value
- D. Process for selection and expense sharing for selecting consultants, appraisers and professional advisors
- E. Valuation of existing physician owned entities such as surgery centers and outpatient centers

VII. Business plan issues

- A. Process for budget development and approvals
- B. Recruitment plan
- C. Retention of key physician administrators and reporting responsibilities and rationalization of existing staff, facilities, departments and ancillaries
- D. New facilities contemplated to be constructed
- E. License transfers, regulatory approvals
- F. Strategic direction as to physician recruitment, outpatient and inpatient service focus