MARSHALL STEVENS

HEALTHCARE MANAGEMENT SERVICES

AGREEMENTS VALUATION



The Healthcare Valuation professionals at Marshall & Stevens provide independent value opinions for healthcare related enterprises, agreements, facilities and assets. We understand that our work is an integral part of an important transaction or compliance process. We are recognized for providing supportable analyses and insightful reports using a service-oriented approach.

Valuation of Management Services Agreements (MSAs)

Healthcare is a highly regulated industry, and as such, it is imperative for healthcare providers to make sure that their organizations pass government scrutiny. A common business practice for healthcare providers is to form a Management Services Agreement (MSA) with a Management Service Organization (MSO), which will contractually provide management services to the healthcare provider(s). Typically, an MSO will employ non-physician staff to provide non-medical services such as management information systems services, accounting, bookkeeping, billing and collection services. As payment for these services, the MSO receives a management fee based upon a percentage of the healthcare providers' net revenues.

MSO's allow healthcare providers to concentrate on delivering high-quality healthcare services while leaving the business support practices to others. However, there are many laws that MSOs and healthcare providers must stay compliant of or face severe consequences, primarily the Stark Law and Anti-Kickback Statute at the Federal Level. In addition, each state has its own laws that require compliance. Within these bodies of law, the government stipulates that contracted compensation in a professional service arrangement between referring parties, such as MSA's, be set at Fair Market Value.

The Stark Law and the Anti-Kickback Statute have civil and criminal liability for any violation. A violation of the Anti-Kickback Statute is subject to civil monetary penalties in the amount of $50,000 per violation plus damages of not more than three times the total amount of remuneration offered, without regard to whether a portion of the remuneration was offered for a lawful purpose.

A violation of the Stark Law can result in many different penalties. For instance, the health services provided may not qualify for Medicare reimbursement, or any payment received will need to be refunded. Additionally, any person who "knows or should know" that a referral violates Stark will be liable for up to $15,000 civil money penalty per claim.

In order to establish a safe, compliant, profitable and effective MSO, one of the requirements is to determine whether the MSA demonstrates a fair market value agreement. The determination of the fair market value of an MSA is critical for compliance with existing laws and regulations. Marshall & Stevens Healthcare Valuation professionals have the skills, expertise, and industry knowledge to assess if the fees within the MSA are at fair market value.

EXPERTISE IN ACTION

Founded in 1932, Marshall & Stevens provides valuation consulting, transaction advisory, and litigation support services. The firm's specialists are relied upon by businesses, investors, and advisors for analyses utilized in complex transaction and legal matters.

From the boardroom to the courtroom, Marshall & Stevens delivers clarity, independence, and results.

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