

# Understanding & Negotiating Contracts

## Keys Questions in Successful Contract Negotiations

- Who is the employer?
- What does the employer expect?
- Where is the location that you will be working?
- Why does the employer want to hire you?
- When and how you and your employer decide it is time to terminate?

## Compensation and Benefits

- Understand the market variables and set realistic expectations
- What is included in “Overhead” – compare apples to apples between opportunities
- Understand compensation structure:
  - Income Guarantee or Salary
  - Production Formulas
  - Components of formula (RVU, QA, Pt. Satisfaction)
  - Transition between above?
- Signing bonuses, loan forgiveness, relocation
- Benefits: What is provided by group/employer?
  - Medical/Dental/Optical
  - Retirement/Pension
  - Pension, 401 (k), 403 (b), 457 (b) – matching?
  - Long Term Disability / Short Term Disability
  - Vacation / Sick Leave / PTO
  - CME -- \$ and time
  - Malpractice insurance
- What benefits do you pay or contribute to? What is the cost?
- What is the dollar value of the benefits? (compare apples to apples)

## Malpractice Insurance

- Claims Made:
  - Coverage for malpractice during the term of the policy.
  - Premiums based on past and current experience.
  - Policy premiums are relatively low for the first few years.
  - Requires tail coverage upon termination
- Tail or Nose Coverage:
  - Insures against claims reported after the end of the original policy period for incidents that occurred while that policy was in effect.
  - Premiums based on a percentage of the insured's prior years premium.
- Occurrence Based:
  - Insures for any incident that occurs while the policy is in effect, regardless of when a claim is filed.
  - Premiums that take into account not current experience, but future projections as well.
  - Rates vary due to difficulty in projecting future claims expenses.
  - No Tail or Nose Needed

**Know what kind of malpractice coverage you will have! If you'll need Tail Coverage in the future it could be a big expense that your next employer may not cover.**

## **The Offer**

- Verbal Offer – Job offer may initially be presented over the phone– provides the key information on salary, bonuses, relocation, etc.
- Offer Letter – Typically provides key information in writing that was discussed in the verbal offer
- Contract – Legal contract providing all of the details of the agreement

## **The Contract**

- Standard Clauses: What to expect in a contract and why
  - Definitions: Defines terminology used and relationship with you and your employer
  - Term: How long does the contract last
  - Compensation & Benefits: How much and what does it entail
  - Continuing Medical Education: How much and how long
  - Malpractice: Type of coverage and amounts
  - Termination: How and when a contract can end
  - Assignment: Can the contract be owned by someone else?
  - Patient records: Who owns them and how are they handled
  - Restrictive Covenants: Conditions, distance, and timeframes
  - Indemnification: Holding harmless
  - Compliance with applicable law: State and Federal Statutes, etc.
  - Medical Staff membership: Bylaws and terms
- Standard Exhibits:
  - Job Description: Duties, hours, working conditions and call schedule are most common.
  - Benefits Summary: Time off, insurances, retirement, malpractice, etc.
  - Incentives, Bonuses, and Productivity: Details as to type of incentives, timeframes for pay-outs, and amounts/accrual.
- Contract Types:
  - Direct Employment: Between the physician and the employer without a third party or entity.
  - Loan/Income Guarantee: Employer provides a guaranteed income for a certain period allowing physician to function as a private practice or to join an existing practice.
- Other Elements Commonly Found in Contracts:
  - Anti-trust language
  - Anti-kickback language
  - Compensation is not based on the volume or value of referrals
  - Fraud Provisions
  - Audit and Access to Books/Records
  - EMR System support/use
  - Board Certification
  - Charity Care
  - Third Party Payer Participation

## **Negotiation – Closing the Deal**

- Use your relationship with your recruiter/key contact person.
- Don't be pressured to make a decision before you are ready.
- Wait until you receive a written offer before negotiating.
- Don't start negotiating until you're ready to accept an offer.
- Make sure your requests are reasonable and doable.
- Understand what is negotiable.
- Remember negotiation is a give and take - know your bottom line/minimum requirements.
- Give them your wish list in its entirety, don't keep going back with additional requests.
- Be aware of offer deadlines
- Don't be afraid to ask questions!

## Closing the Deal

- Acceptance of an offer:
  - Always accept or decline the offer verbally and then follow it up with e-mail
  - DO NOT accept an offer with a voice mail...ask for a return phone call
- It's not official until the contract is executed:
  - Contract should be counter-signed (both parties) with original signatures
  - Both parties should retain an original copy
  - Note the contract effective dates vs. start date

**Obtain legal counsel to review your contract!**