Employer-Side Contract Fairness

Welcome back everybody. I'm still John here and we've been talking and now we have flipped to the employer side. So we talked about on the previous segment of how, doctors should look at the contract from an employee standpoint.

But now we're going to talk about from the employer standpoint. So I own, Texas Center for Lifestyle Medicine. And I want to make sure that in my contracts I am protected.

Yet I want it to be fair to with the people that I'm hiring as well. So what are some sort of best practices for practices to put in the contract and make sure there's fairness on both sides?

And yet we're protected as well? Yeah. You know, we we we see that when we see the term mutually agreed upon, we think it we think it's a phrase mutually agreed upon.

Right. And you could apply it to lots of things. We think that's a fair way of looking at things. Right? It's not you dictating things as the employer, although sometimes that's what the employer wants.

It's not giving the physician unilateral control, which is not what the employer wants, what might be what the physician wants. So how do you find a happy medium?

Well, you can define it, right? You can define the schedules Monday through Friday from eight until five. You know, more details, changes with mutually agreeable terms.

Or you can just have the schedule is that, you know, a physician will work full time on a mutually agreed to schedule. That means you guys can come together and agree to whatever makes the most sense for the physician.

What they're looking at out of a practice, their lifestyle, what you need out of your employees, which, of course, we would assume would be set, those expectations would be set up front in a job posting and an initial interview, and through due diligence of the candidate on your end and the practice on the physicians.

And so we think phrases like with mutual agreement or, you know, you know, upon the approval of makes sense, having termination clauses in there. You know, we generally see 60, 90 or 120 days for either party.

So having so having those be the same. So sometimes we'll see the employer can terminate in 30 days, but the physician can't terminate for, you know, unless they give 120 days.

Well we don't think that that's fair. It should be the same. So having that termination probation be the same for both parties, I see. Obviously, depending on the state that you're in and the specialty that you're in, non-compete might be a real thing.

So how do you have a non-compete? That's fair. Well, you know, it might be different, right? If you're a hospital based physician, like a hospitalist or an intensivist where patients may not follow you to your next employer.

So then you, the physician leaving may not damage the physician's business as much as our surgeon, who is, you know, world class, was going to take thousands of patients across the street.

So I think understanding the differences in each situation and then accommodating that those differences based on the state rules for the non-compete, I think would make sense. Yes.

Some places are just going to have happen. Oh go ahead. Gotcha. So speaking of which. So, when when there's a doctor that's coming on board into our facility and we look and then we talk about our contracts, if they have a non-compete or some sort of rest of the comments on the their previous contract, who's liable for that?

Is it just the doctor or is the new employer myself liable for that as well? Liable in terms of if the physician breaches the contract? Correct. Yes, yes.

I mean, you know, I that would be something that would likely be state specific and dependent on that contract. So soft contracts that we'll see when it comes to restrictive covenants.

Yeah. There might be something called liquidated damages where, you know, it might say and again, if the physician signed a contract with liquidated damages, it may just say if the physician breaches the non-compete, the physician is agreeing to pay X dollars.

Obviously, I'd be $1,000 per day that's breached. It might be a percent of revenue. It might be $50,000. It might be one times their earnings last year, you know.

Non-Competes and Liability

So if that's in the agreement, then the physician would be on the hook for the liquidated damages that they've agreed to when they signed their employment contract one year, ten years, 20 years ago.

But every situation like that would be, would be, would be different. And that was, that would be something where having local council on would be super valuable.

Gotcha. And so, I was recently approached by a gas controller, just a friend of mine. And, and he wanted to expand his practice and gather more. And he was asking me, well, how much, how much should I put as the as the base salary? Right.

I'm probably the last person to ask for that. So, you know, in the previous segment we talked about some benchmark, you know, salaries like from magma and stuff like that.

So when an employer makes a contract, when a private practice, you know, gastroenterologists or myself make a contract. So we will also be looking at the same numbers that you guys are looking at when you're representing the physician, like either Mgmt or or some of the other ones, you know, I mean, Mgmt, a Mgmt does have very, very valuable data in terms of, you know, here's a single specialty in this market.

Here's a multi-specialty or a hospital based or less than 50,000 physicians. So that data is good. But like I said, your small practice at a town of 1500 people might be represented by the same data set as somebody in Chicago.

Oh I see, yeah. And so that could be challenging. I see if I was a, if I was a practice owner and I was going to hire a new associate, I'd go to the internet, I'd look for jobs, I'd say, what's in my area or in a market similar to mine.

So maybe, maybe you live in Kansas City and there's no jobs in Kansas City. Maybe look to Saint Louis, right. Similar market. And, you know, similar, similar region or Cleveland.

Or you could look to Cincinnati, kind of some of those same, you know, mid-major cities, or 100,000 person city, two, 100,000 person city in the same region.

And I would just look online and see, what am I seeing? Am I seeing base salaries? Am I seeing signing bonuses? Am I saying if you have no frame at all?

And I think putting it I think looking, I think looking so locally what's the data look like. And I think just looking at your earnings as a physician.

So if you know, hey, I as a practice owner, my physicians here, if you've got multiple ones, my physicians here tend to bring me a half $1 million in revenue and my overhead rate is 50%.

So I've got 250,000 to play with. Well, as the practice owner or entrepreneur, you're taking a risk on this individual. So it makes sense that you're rewarded for the risk by a profit if there is one.

So it's always I mean, even though you can look and see what they paying in the town next door, it's always a calculation on your individual practice.

What allows you to feel like you're inspiring somebody again, if you want somebody long term or just somebody to help out for a year, you know, if you want to offer long term partnership and there's wonderful benefits with that, or if it's just you're going to own the practice and run it, and there just can be nothing but an employee on an hourly rate.

You know, I think you look at all of those things at what the practice can afford and what the market might bear.

Setting Salary and Market Benchmarks

And I think you put a job posting up there and you see, you see if you get any takers, you know, knowing that as a smaller practice like yours, you can't offer $200,000, a student loan reimbursement and, you know, and 50,000 for a signing bonus and 10,000 for relocation and a Fantastic 41K with awesome health care benefits, like an organization that generates, you know, 10 or 10 or 100 or $500 million of revenue in a year.

So, you know, knowing that you can't compete with those places. There's other benefits of working with a smaller practice that the physicians who are looking at those jobs can appreciate.

So I don't think you have to feel like you can compete with the with the bigger practices because you have your story to tell, which again, makes the job posting and the site visit all the more important.

If a physician student loans are super important now everyone wants doing loan reimbursement and a lot of times smaller practices just can't afford it.

And they also can't afford the salaries that are offered by hospitals. So having a not just a financial package that is reasonable, knowing that it likely won't be lucrative compared to other offers out there, having something for a practice like yours that is, that is is because reasonable and fair at the same time, making sure that you're promoting all the other benefits to working with an organization like yours over maybe a large corporate account, if that's what the physician is looking for.

Gotcha, gotcha. So, the next thing to ask you has to do with Scarlett Johansson. So, one interesting lesson from her. So when when Black Widow came out, the movie, it was released on streaming.

So Disney owned the rights to that personal contract, says nothing about streaming. So she was locked out of that particular contract because, like, oh, so so she's like, I'm never doing a marvel movie again.

Right? And so, last coronavirus also happened to doctor. So, originally we were seeing about 5% telemedicine. It turned to 86% telemedicine within just two weeks of the lockdown.

Right. And so the original clauses that were in contracts had to do with showing up to offices and time and scheduling there. Right. And so, and so, you know, I don't think a lot of doctors, employers even think about what the original contract was.

Expectations was during the pandemic is everything just shifted so, so rapidly. Right. So before a contract is over, should we be offering a new expectations within a newer contract to our to, to the our associates, should you.

You mean, like, if you're going to be renewing a contract, what else should you change? As far I know, it's for the

renewal is let's say that my associate signed up in January, and then in February, the shutdown happened with the original contract.

So they got to be in the office Monday to Friday. When we closed the office most the time we'll do telemedicine. Right. And so, should that be like a new contract or should that be something that's like addendum, like, what should I look like from, from a so most of the time with changes like that that we were seeing during Covid, a lot of times we just saw addendums, you know, okay, maybe they were going to adjust the compensation structure of the physician or the call schedule most of the time. We just saw an addendum to that.

Now, if it was something like a pandemic, as a physician, I would want to make sure that it wasn't like a permanent change. It was a temporary change.

So in that addendum, you might want to word, you know, for the next 90 days. Oh, I see, you know, well, until this particular date and then maybe 30 days before March 31st of 21, you guys would come together and talk about what does April look like?

So I think if you're going to do a formal addendum like, like that, I think you sure can. We did see employers saying, forget the contracts. This is what we're going to do, you know, and, you know, right or wrong, that's sometimes it was just force.

We saw a lot of people just kind of, you know, doing handshake deals that we're going to offer 30% less for pay over the next three months, you know. Do you agree? Yes.

The pay is change or, you know, a smaller practice like yours maybe doesn't have to be as formal. It could just be like, it's okay, go ahead. But I also think that if intentions matter, Marvel, you know, was their intent to exclude that of the contract and then roll it out through streaming to screw her over.

Yeah, right. And we don't know whether or not it was just an oversight. And if that was me, I would have said, look, it was an oversight. Of course we're going to pay you your percentage for the streaming because that's the right thing to do.

I don't know how Marvel and corporate works, but, I think you also have to look at intent, you know, so, you know, knowing that contracts are contracts, there's also a level of intent.

COVID Addendums and Contract Changes

And how formal does everyone want to be knowing that as, as to reasonable people, especially in a smaller practice like this, like like like like, especially in a smaller practice versus like a large corporate practice.

It might be a little bit more formal as far as how things get done. Gotcha. Yeah. The handshake deals, verbal deals really scare me because I'm always, you know, fearful, violation of the original contract, you know?

No. And it can be. But I think, again, it depends on if you're saying it's okay if you had, like, mutual agreement. Right in the contract, you know, maybe it doesn't matter.

Maybe it says you have to be written in a attended. But it it's I think it's a little different if you're talking a verbal promise. I don't worry about taking that extra day a call or I know you have three weeks of vacation, but don't worry about taking the fourth.

I think those are different in terms of topics. Then, of course I won't enforce the non-compete, you know? So if somebody is verbally saying, I'm not going to enforce a non-compete, or of course I'll pay for your talent insurance, that might be different than, you know, don't worry about coming in next week.

We'll do telehealth. It might be a little bit different. I might be a little more fluid with the, you know, if the schedule is something that could be modified or tweaked or call versus something that might cost me a whole bunch of money,

like insurance or a non-compete or a compensation change. God.

So that makes sense. And then, so whenever you guys, one of the contract diagnostics is representing, on the physician side and talking to employers, you said earlier something that that, that struck me was, is that, hey, for those people looking for smaller practices, there are unique points and leverages to that smaller practice, even though the compensation or benefits may not be large institutions, what are those things that are more beneficial for a smaller practice in terms of those contracts that's, you know, sexier, I guess you can say for the physicians?

Yeah, I think just more autonomy. You know, and maybe more flexibility, maybe more fluidity. You know, private practices are, you know, depending if it's a partnership opportunity or not, they're usually much more fluid and flexible with, you know, how much the physician wants to work or what their caseload might be.

You know, they might be, they just tend to be more flexible on things. You know, depending on the situation, there might be much greater earning potential, you know, and so I think, I think there's many points that you can, that you can bring up that are a benefit compared to all the potential downsides.

But a lot of physicians, you know, I mean, we saw we saw what I think it was 60, I think last year the stats were the last couple of years they've been, you know, new graduate physicians are signing with hospital employed physicians, you know, 66 or 68% of the time.

I think the numbers, you know, then you've got some, you know, some some like VA jobs in government jobs, then you've got private practices that a small fraction would start their own practice.

So the vast majority of physicians, you know, they do like being part of that larger employee base. Is it initially because they can get the signing, the signing bonuses and the student loans paid and, and have a bigger salary and then they want to transition out?

Maybe. But I think there's many things that when we talk to physicians, and there's there's no right or wrong, I'll say, you know, everyone has their own thing that they want to do.

It's not right to go to this type of practice or wrong to go to that type of practice. But, we see physicians who are less, who don't like the, the, the, the large system, the large employer, the corporate side of medicine.

Sometimes. And they want to transition to a private practice where they feel like they've got a little bit more autonomy to make their own decisions. There's not as much bureaucracy to get something done, such as hiring a PA or getting a technology in the office.

Maybe going part time. So they tend to like the autonomy and the fluidity that a private practice or a smaller entity would offer over a larger company.

Okay, that that makes sense. So, I'll tell you what. What we recently did in our model, to see this is sort of a attractive thing. So, as we know, a lot of, physicians will know physicians are really.

You know, trained very well in, understanding financials and the business of medicine. And none of our employees are either. So we recently started a financial literacy benefit, the I part time teach.

Small Practice Advantages for Physicians

And we have another corporation that that also teaches financial literacy as a benefit for our, our, practitioners, clinicians, doctors and, and then so, so, you know, that's something that I was very much, a core value of mine to teach financial literacy within, within our staff.

Right. And so, do you see things like this that are benefits of practices that people are starting to, to come on or maybe some, some of the other aspects, are maybe, not just financial literacy, but like spiritual health, you know, employee wellness programs and stuff like that.

You know, we're not seeing a lot of that right now. You know, we, you know, sometimes, like in larger organizations, like large hospital systems, they may have a larger HR department that offers, you know, spousal assistance or, you know, psychological care or, you know, those types of things.

But we don't see it a lot in private practices. You know, some of the benefits that we see are private practices, maybe are some of those things there, you know, the potential for buying the potential to own real estate, the potential to be a partner in the in the surgery center.

You know, sometimes we'll see those things. But I think that all those things that your that, that you guys are doing there at your practice, I think are fantastic.

And I think it tells a great story on, you know, why it's more of a a family environment, you know, and a collegial environment where you want to you want them to do well, not just for you and your practice, but you want them to do well in their personal lives and in their finances.

So I think having, I think working for somebody like that, is a huge benefit. So I, for gradually on, on those, those steps that you've taken, I think they're fantastic.

And I, I wish that more employers would take those things into account. And so hopefully, maybe, maybe you can lead the charge on that in the future. Maybe, maybe.

And so another thing that we really pride ourselves on exactly is the family atmosphere. Right. So, doesn't matter if you're the janitor, the front desk, the physician.

Everyone should be treated with respect. And and we value our culture quite a bit. And we actually do, a lot of culture training once a month we do would shut the practice down, do into culture training.

And so, should, should stuff like that to be, be in the contract too, in terms of, expectations like, we don't like we expect you not to, well, basically play nice.

So, you know, so the we want to show everyone that level respect that you want to be treated as well. Yeah. Like that. Be in the employee contract. Do you think we will.

We'll see things like, you know, an expectation is to show up to meetings a certain percent of the time. Okay. The next step. But oftentimes we see we would we would expect those types of things to be in a policy manual.

You know, maybe the policy manual. The organization has core values, core values of respect in family. And, you know, and citizenship and those types of things.

And then a contract might reference you will follow as an employee of our firm I see follow the policies. And so of course when we see that we're like okay you should make sure you understand the policies, right?

Because policies might include, you know, showing up to a certain percent of the meetings or participating in a certain training program or right patient or onboarding.

But they also could include dating policies or social media policies. Can you if you are on social media, can you be connected with your patients? If can you can you if you have a YouTube channel, can you talk about your job and your work and your company?

So sometimes we'll see policies. Where those things would be baked in I assume. But we'll also see policy manuals that have many, many other aspects in them.

And I think that's a a nice document that we have a we have a policy manual at Contract Diagnostics and we have that we up I we updated every single year.

And everyone rates signs in every single year. You know, and it's, it's not a, it's not a 40 page or an 80 page document. But I have seen those in some places are just pretty concise.

And it mentioned some of the things that you talk about.

Benefits, Culture, and Policy Manuals

As far as, your core values of organization, and then every year we require one to read through it and then assign it. And that would be something that, that we wouldn't necessarily see in a contract, but we would see maybe a reference to follow policies.

And then of course, we would expect the policy manual to be provided to the physician as they're either going through orientation or better. Yeah. Before they're signing the contract.

Okay. That makes sense. Yeah. We currently don't have anything in our contracts of reference. The policy of our policy is very specific. We have everything from not smoking, no sexual harassment. Yes.

Breastfeeding intervals. What room to go into breastfeeding we have doesn't have space and stuff like that. So so that's one of the things we'll see in an agreement often is like a termination provision, you know, maybe like so under the physician's expectations, the expectation is to follow the policy manual, you know, and then maybe under termination, there might be a section that says the employer reserves the right to fire the employee.

If they don't comply with the policy manual. Now, as a, as, as, as our framework contract diagnostics. Again, if, if we saw something that said it's an immediate termination for violating the policy manual, I would immediately want to know what's in there, you know, because and if you violate something in there, should it be immediately terminated as the employee or should there be a remedy, period.

So, you know, maybe the physician accidentally breaks something. It's not with intent. And there can be a remedy period and a training process. So maybe they say something they shouldn't have said.

And it's a coaching opportunity for the employer. So employer can say, hey, I know you didn't intend to do this, but you said this and it bothered this person or, you know, you made a post on social media that violates the policy.

I'm going to ask you not to do it again and to go through a training program. And and if you do it again, we're going to have to terminate. So there might be some clauses in there that we wouldn't want it to be an immediate terrible offense, but that might have some some fluidity as far as how the contract could be awarded with a with a grace period.

Oh, okay. Gotcha. That that certainly makes a lot of sense. And I think that we really have to update a lot of our policies and contracts based on social media these days, you know.

Yeah. Well, the the great thing is you can update policy manuals, whatever you want, you know, and just make sure that you, you know, keep up the employee.

But if you just have a reference to the policy manual on the contract, have update everybody's coverage. You can update the policy manual, which is a global manual for all the employees.

So if you're a nurse, if you're a front desk, if you're a billing, if you're a physician, if you're the CEO, everyone follows the policy. So you can update that and and disseminate it to everybody for their review, not just the people who have contracts where other people in the organization, might just be paid hourly or a flat salary with no particular employment contract.

Right. And, and if you're a physician listening to this in your private practice and you actually don't have a policy manual, I highly suggest creating one.

What's what what's what's what's funny is we'll see. We'll see an agreement sometimes smaller practices, because it's using a templated contract that they found.

Or they had some attorney in the state. Right. You know, after from their files and modify the, the, some of the language. But we'll see in there the physician will follow a policy manual, and if you don't follow it, you could be terminated or fill in the blank.

And then we'll tell our customer, hey, make sure you get a copy of the policy manual. But also they'll say they don't have one, right? Yeah. Okay. To your point, most people don't have this stuff in place, even though the contract may reference the policy manual.

I think all companies have a policy manual that's easy to put together, and I think they can help play risk with the organization and, you know, set expectations for very important things.

Like you mentioned, you know, treating everybody with respect and being being socially aware and, you know, discrimination and social media, there's so many things that can go into a policy manual, super simple, that can apply to everybody in the organization, not just the employee physicians.

Yeah, absolutely. And so, and this may seem like a daunting task, but it's actually relatively, easy for most people. I actually have an online course coming up.

It's about how to make the most exciting employee policy manual you've ever had. So, and it's exciting is because once you understand what you really want for your practice and you put it into the policy manual, that's very exciting.

You know, just like, I think contracts are exciting. Once, you know, the anatomy of the contract, know what you want. I'm like, well, I have actually control over this. Yeah.

And so I think people are signing. I think most people think they're boring. Is dull. Could be. But, you know, we've been we've been we've been reading these things and looking at these things and talking about physicians for a decade.

We think they're fun and exciting and, you know, but not not from our perspective as we redline contracts. That's not our frame, of course, but, yeah, but, you know, we love the story.

You know, we talk to everyone who we get to work with. You know, we have a talk conversation about them and their goals and about why they want the job.

But if they want to stay there for a long time and, you know, all those things are relevant to the discussion and the due diligence, which is what we think makes it exciting, not just about taking a document, you know, like, like a lawyer might just take a document and redline it and say, take this out, delete this, modify this, and then send it in and they're done to me. That would be boring.

Having a conversation, you know, educating the physician, you know, coaching the physician, you know, giving them access to follow up with us as they have additional questions and problems and concerns.

Those are the things that we think are exciting. Maybe not the the 20 page documents themselves, you know?

Final Advice on Reviewing Contracts

Oh, absolutely. Absolutely. Well, you know, I just want to close off, here. But first of all, I want to thank you for this valuable piece of information I learned so much on on this segment in the segment for, for, for on the employer side as well.

Yeah. But I'm looking forward to, going to contract diagnostics and, and if guys, if you go to contract

diagnostics.com, you hover over the middle section that says services and education.

The first tab is called Educational Lecture Series. The second one is podcasts. If you want to learn more about it, and go ahead and go there. So if you're watching this live, the link will actually be, in your email.

And if you're watching this on replay, I'll ask you with a description of this video, depending on where you're looking at it. So, I'm going to close off with this.

What is one question like? What is what is the one thing that you wish doctors knew about contracts? Out of everything that we talked about, what is the most important thing?

Yeah, the one thing I wish that they knew, I wish I would say don't get don't get, they don't have to be daunting, right? The process doesn't have to be scary.

The process can be simple. You know, the process can be easy. And, it doesn't, you know, but. But not to sign something that they don't understand. So I would say the one thing is, is, make sure that everything is reviewed.

And that process does not have to be daunting or challenging or confusing or stressful or you know, anxiety ridden or, you know, or, or anything else.

It can be, believe it or not, it can be a fun educational process for the physician. And we all know that physicians love to learn and they love to, you know, to throw and all that stuff.

So I think it could be a fun educational process, not a daunting, stressful process. Absolutely. Well, John, thank you once again for for being on this is such value.

Absolutely appreciate having us. And once again guys just go to contract diagnostics.com very easily. Thank you very much for.