Introduction to physician contracts

Hey, John. Welcome to the show. Hey, thanks for having us, man. Always good to see you. You know, it's, it's so wonderful to talk about contracts, and, and I say that with, with a pinch of salt.

And the reason is because physicians, as physicians, we don't like talking about contracts makes us uncomfortable. You know, we start getting palpitations.

And I'm like. And, you know, especially since right now. So my wife sees that will begin and she's up for contract renewal. She's actually negotiating.

I'm like, I don't know what you want in negotiation. Like I don't know either. And so it becomes sort of this mess, in our brains. Right. But can you just kind of give us an introduction of how doctors should think about, like, contracts and contract negotiation in general?

Yeah, absolutely. So to your point, I mean, it's not something that has like formalized training for you scientists, right? In your in your in your process, you guys go through, you know, a decade and you learn everything about the practice of medicine, but and maybe even a session or two on on business side but not too much.

And so when it comes to getting a contract, you know, a lot of new grads, they'll get that contract and it's, it's got that that dollar figure in there.

And some say oh my gosh that's great. And they sign it and they're done right. And they don't know where to go or they don't have time to have it reviewed.

Or to your point if they want to review it, they might do it themselves. And then say it looks okay, or they may have somebody review it. So there's so many things that go into the equation on what to look for if you're doing it yourself, or if you're having a firm do it, or a lawyer in the state that you're working in.

There's so many things that go in. And I think at the end of the day, as long as they understand, they they understand the terms. Right? They understand the risk whether or not they change anything or negotiate anything, as long as they're clear on what their obligations are, the expectations for both parties, and then the terms of the contract and their risk on how to get out of it if they need to.

I think that makes the most sense as far as how they should look at it. So I often say contracts are for expectations. So expectation from the physician to the employer is, you're going to give me money and benefits, you know, and, and then the expectation from the employer to the physician is you're going to give me your, your expert opinion and your time.

And I think as long as those two things are very, very clear in the document and very clear between both parties, then the rest of it is, you know, what happens if we terminate an insurance, which is important, of course, in restrictive covenants.

But I think as long as those expectations are clear back and forth, that's how they should go about looking at the formal contract. Yeah. Got it. And then you have such a great resource page that I just recently tapped into on your website, which, by the way, is going to be in the, the it's the link in the description of this video for those of you who want to access it.

So it's a bunch of different resources on that page. You can just put, you know, save my spot for free, and then it will you'll get access to to the resource page.

And I find that to be very helpful. In case we don't cover some of the things I want to cover about on this talk.

Anatomy of a contract

So so guys, go ahead and do that. So now, so let's talk about, the anatomy of a cancer. What is the anatomy of a contract look like? And should we just start from the beginning to the end?

What are the different sections that we should go into first? Yeah. It's so funny that you use that term as a, as a as a clinician. Yeah. Our, our original deck that we had that we used to go over everything.

It was called the anatomy of physician contracts. And it was literally we literally had a skeleton with all the different parts of what a contract could look like.

And although they could be very detailed, right. Some can be. We've seen 76 page employment contracts and we've seen one page contracts, you know, and, and both of those are nightmares.

You know, a typical contract is anywhere from eight pages on the low end to 25 to 30 pages on the high end. And there's a lot of details that can be in there.

The main parts of the contract are, you know, something about the schedule, right? Maybe called duties and services or schedule or expectations. We think that that should be very granular, very clear on what the expectation of the physician's time is.

Obviously having something on compensation. Right. Very detailed on all terms of compensation from base salary or bonus or or signing bonus or those types of things understanding termination.

So if things don't work out, how do the parties transition out. So traumatic. No. No cost terminations or for cause terminations. Restrictive covenants are obviously a huge portion of a contract, making sure that the malpractice insurance is very clear and very understood is an important piece.

All of those things can be core pieces of a contract. And then, of course, there's all the other recitals that set the expectation. There's, you know, the miscellaneous sections that have some of the state, the local state provisions in it, that also come into play.

But those are kind of the core things that are that would be part of a contract. Sometimes we see benefits baked into the contract, and sometimes we'll see a reference to the benefit to that.

A separate document for the benefits. Gotcha. Gotcha. I feel like a lot of doctors I talk to go directly to the compensation section first. Yeah, right.

And then everything else is sort of around that. Right? That is that, you know, what you see for most people doing or is that a best practices or should we do something else differently now?

I mean, like I said, it's all about risk, you know? So yeah, the number might look really good or the number might look really bad. And that doesn't mean that it's a good deal or a bad deal.

Okay. For people, maybe you maybe, you know, if we're seeing radiologists start around 400,000, maybe somebody is going to get an offer for 300,000. Well, that's disappointing, but maybe the partnership track is only one year here.

And the partners are making, you know, 2 or 3 times that amount. Okay. And taking 12 or 14 weeks of vacation, maybe there's a, another contract, same same physician, same radiologist making, you know, more money than we would expect.

Right. But there's a risk, right? They can't quit the contract or their schedule is going to be terrible. They're taking a

whole bunch of call coverage there.

You know, they don't know they're going to work nights or they're going to be shipped around, or they have a restrictive covenant or they have to buy their tail insurance.

So everything. So yes, you're right. Going to that compensation, schedule. And the number is what a lot of physicians do. We obviously don't feel like that's a good a good frame because because the numbers, good or bad, high or low or average doesn't tell the whole story on the contract.

And so although I do suggest that the physicians go to that section and look to make sure that that's within their expectation, if they've got expectations of where they think they'll be or what I think they're valued, or what they need to earn to live the lifestyle they want, and it just doesn't line up, then maybe it's not the right contract and they shouldn't even pay to have a review.

Compensation and risk

But if it's somewhere in the realm, in the range and they think they want to discuss that, then I think, yeah, understand the entirety of the contract, which is much more than just the number.

And compensation is super important. That's really important because I think a lot of doctors get hung up on the compensation part, and then if it doesn't meet that litmus paper, like nothing really happens.

So you talked about risk earlier. And this is an interesting, term because when we say risk to a physician means, I think a different thing. The most people.

So risk to physician is, risk of, you know, malpractice, it's risk of not doing the right thing for the patients. What you're talking about is risk into walk into a contract that may not support the lifestyle that you really want, right?

Yeah. Yeah. Or I mean, risk with finances, risk with covenants where you can't work. Risk where you maybe can't even quit the contract or the amount of time necessary isn't sufficient or is too significant.

Yeah. There's just, you know, understand that risk to benefit equation, you know, is super important. Gotcha. The other problem, I think, is that physicians don't have other contracts to compare to unless they've been offered multiple contracts in multiple locations, but we're talking about maybe 3 or 4 at the most.

Right. And so, and I don't feel like that's a good benchmark, you know, like I like benchmarking, which basically looking at the industry standards and, and compare, if it's, you know, above or below the normal or, you know, expectations that are there.

Right? So, how how can doctors sort of tap into the resources of comparing contracts, whether this is, this is part of the industry or not? Is it even possible? What?

There's nothing that like, would I mean, every contract is so unique and so different, and every story is so different. You know, a I mean, and there's databases as far as the money goes, the compensation like mgmt for, for, for Sullivan Cotter or, you know, there's all kinds of other great resources for what the numbers look like, but even those are, are perfect.

For example, you might have a, if you look at, like, the Midwest data set, for surgery. Well, the Midwest data set for, for like, magma encompasses many states.

And so you've got the small town in Nebraska with no surgeons or one surgeon taking call one and two. And then you're also comparing it to Omaha, where maybe there's a groups of 12 or, you know, Minneapolis, a town of almost 5 million people.

Or you might be comparing it to a medium sized city in a different state, you know, so everything from, you know,

from, from from Kansas to Nebraska to Iowa to Minnesota to, you know, I think Michigan are all included in that maybe West region.

If you're comparing small town in Iowa to Detroit, it's kind of hard to do so because every situation is different. So there's, there's there's big data sets that are great to look at and they're, they're looked at as the industry gold standard, you know.

So because there has to be something that that can kind of be a universal application. But there's also other ways to look at, you know, how to compare one to the other.

So I think having a lots of offers to your point is a good way, you know, talking to your peers, talking to, a company that does a lot of contract reviews, that understands what are the trends we're seeing, what's the real time data?

Because even though we might have good benchmarks from magma or Oximetry or Medscape on physician compensation surveys, they're always delayed because it takes them a while to aggregate the data to do the surveys, to analyze it, to publish it.

And so we, you know, in July, we just got the 2020 data set from magma and the other the other companies, which is, you know, we're seven months into 2021.

We just got 2020, which is a pandemic year. So it's hard to evaluate, you know, everything on a real time basis with some of the national big data sets as far as the compensation.

But as far as like comparing the other parts of the contract, it just comes down to understanding, educating the physician themselves and understanding what's what, what's typical and normal like, for example, termination clauses.

You know, a typical no cost termination is 60 to 120 days. So, you know, you can look at that with any contract, right? An independent contractor deal or a California employed contract or a partnership opportunity in Manhattan, 60 to 120 days is just the typical norm for all situations.

So 30 would be would be out of the norm. You know what, 80 would be out of the norm. You know, there might be certain provisions on what's a, you know, some states don't have non-compete, some some states do allow non-compete, some states, you know, have a county based non-compete or some have a radius restriction or, a term provision on those.

So, some states have patient compensation funds for malpractice insurance. So all there's there's benchmarks for compensation that you can look at that may or may not be perfect.

There are at least there. But there's no benchmarks for some of those things. That's where it just comes out.

Benchmarking and market comparisons

Educating yourself as a physician to understand what's normal a typical by doing a lot of reading, and, you know, you know, hopping on conferences like this or hopping on our free seminars or giving a call like us giving a company like us a call to kind of go through it.

So, you know, here's what we're typically seeing. Here are the trends. Here's the market norms. Great. So the other, the other thing that I hear all the time is so I'm usually the guy that the my friends text when they're getting a contract.

And I'm no expert, but I've seen a lot of them, probably over over 100 by now. And one of the things that I always get is that, hey, you know, this practice, give me a contract where they tell me that's non-negotiable.

Is that really true, or are there always things you can negotiate in any contract? So we hear non-negotiable all the

time. Okay. And I and we always the.

Is it not negotiable? Yes or no. The answer is maybe right. It depends. I mean, if you are if you're the 26th hospitalist going into a program. Yeah. And everyone has a standard contract, it may honestly be not negotiable.

Yeah. Or if you're the, if you're the only subspecialty pediatric surgeon and they've been trying to find this person for two years and it's hard to recruit area, it's probably more negotiable if you say look these are things that I'm not going to sign the contract for.

They're not gonna let you walk away, maybe over something that's that's maybe typical standard for everybody else. They're got it all depends. But I will tell you, we always talk about the big difference between negotiation and clarification.

So if an employer says here's your contract, it's not negotiable, does that mean that you should have it looked at. Or does that mean that you should just sign it without asking a lot of questions?

We think absolutely not. So again, it's about understanding the expectations and the risk. So even if it's a non-negotiable contract, even if the compensation is not going to change, no matter how much you pay a firm to negotiate it or how many questions you ask or what your frame is on the specialty, it might not matter, but it doesn't mean that you should have a lot of questions from everything from benefits.

And when they start to averages for compensation and expectations on your your revenue productions or your collections to understanding the malpractice insurance.

And even if you even if you have to buy your tail insurance, understanding that and what it's going to cost if and when you do leave, and how you can leave is still important.

So even if you can't negotiate it, it's non negotiable per se. It doesn't mean that you should have everything looked at. Understand all of your obligations in the contract and have a still a very robust discussion and due diligence process with the employer.

Again, knowing that we're not going to say I want this changed or I would request this to be modified. But again, there's a big difference between asking for changes and asking for clarification.

Okay, that's really good to know, because I don't think most contracts are very clear to physicians because, you know, we don't speak lawyer rules, we don't speak a lot of the languages.

And it's so hard to know what to focus on if we can't diagnose the contract, you know, and so and so from so we talked about, negotiation versus clarification.

The, the clarification part, how do you how do you, analyze a contract of, of all the specific things and different sections that, that require, like reading in between the lines, what are the new sort of red flags that need clarification than a contract?

Absolutely. So sometimes, you know, as we talked about clarification, maybe they say, here's our contract. It's not negotiable. And maybe you're a you're a pediatrician and and maybe the contract in section four it says your schedule.

It says the physician shall work full time of 40 hours a week. Physicians shall take call at the at the group. Okay. Next section, section five. Very common.

That's the language on the schedule. So it's not negotiable. They said they're not going to change that section. But should you ask them more details on the schedule.

You have children, I have children. I know that my pediatrician's office opens early. Thank goodness. And they stay

open late, thank goodness. And they're open holidays weekends.

And and they're to help the parents who need, need care for their children. So again, the contract doesn't say you're working every other Saturday. It doesn't say you'll come in early on Thursday and stay late on Friday.

It just says you're working a minimum 40 hours a week. So that's a perfect section that requires a lot of clarification. Maybe they're only open 8 to 5.

Well, I would ask them, have they ever considered Saturdays or late? Maybe you want to do your 40 hours over four days. Is that possible? Okay, the contract doesn't have to.

I say maybe you want it. Maybe you want to come in and do urgent care every single day at 6:00.

Negotiation vs. clarification

So it can be done by 3:00, you know. So again, is it negotiable? No. Should it be clarified? And should you ask lots of questions? Maybe see that? Maybe get a copy of the call schedule so you can see the expectations.

Maybe ask them if a physician quits or leaves or retires. What happens to me? So if I'm a if I'm in a surgical group of four and somebody has a baby and goes out and somebody else retires, now we got two so called roles from one or 4 to 1 and two.

Do I get paid for that. You know. So again contract is not going to change. But lots of clarification on what happens to me if and can we do it this way.

So that's like a just an example on where something may not be worded in the contract, but again, it's not always what it says but what it doesn't say.

Same thing with malpractice insurance. One more example. So we'll see like in malpractice insurance, you know, people say, well do I have to buy my tail assurance.

Right. Common question. And we're saying a lot of times now the the company will procure a malpractice policy for the physician. Okay. Great. So you've got coverage and then it'll say the word before.

If the policy is a claims based policy, then here's what happens. Doctor buys tail, group buys tail split the tail vest over time. What happens if so the contract might be non negotiable.

So does a physician have to buy their tail or not. Well we don't know because we don't know what kind of policy it is. Oh interesting I see where you're sitting.

Is this what kind of policy is it. And now we can talk about how much the tail would cost. If the physician has to buy it. They may have a slot policy or a modified claims policy or an occurrence policy.

Right. So there might be a state based program. So it all depends on again what it's what it does say. But what's left out in small words like if or you know or after the initial term we're saying and termination sections.

So there's all kinds of little nuances that a untrained eye wouldn't pick up on. And again, negotiable or not, we don't know. But definitely need to be discussed and understood by the physician that signing the contract clarified.

Yeah, absolutely. Okay. They're just too much on the line with the amount of time and the amount of money that a physician is trained his. You know, him or herself to, to to have these skills.

The amount of the amount of dollars that a physician will earn over their career and the risk of what could happen to your career or your family if something doesn't work out.

Not restrictive covenants, you know, tail insurance could cost, you know, over $100,000 two years into your career. You don't have the money. I mean, there could be so many things that need to go on.

So, yeah, there's a big, big opportunity to clarify things whether they're negotiable or not. Yeah. So that is my, my, my next point on clarification, because I think that, to look at a contract, we physicians really have to understand what we want in the first place.

So that's that's doctors. We tend to overestimate the things that we want to do. That's just part of our nature. Right? And so when someone's looking at contracts and, you know, even just two weeks ago, I was a father of two, and I'm a father of three, and you write these things all the time.

And so, and I think that that, that physicians have this sort of mindset. Oh, I can just grind, do it. I'll do it, and I'll. I'll do it for the family and stuff like that.

But I kind of want to challenge people who are listening to this that you want to plan out, for the future. Right. And, and, and so whenever there's a contract, see, in front of you, you look at what the, the end term is, right?

And figure out where you are. And, what do you want to be in that life now, are there specific about contracts and say that, hey, this is the end of the contract and we can potentially renegotiate, an extension?

Or are there others, some contracts that are so rigid that this is like an automatic renewal? What does that look like? Yeah. So most contracts that we see, contract diagnostics are automatic renewals.

So they're evergreen in nature. The contract starts, the initial term might be two years, and then it automatically renews and then automatically renews every single year thereafter.

So are those negotiable? Absolutely. We feel depending on, you know, how you're doing now, they may just have a compensation plan. They modify the R-value rate based on Mgmt median every other year and just updated. Right.

So so maybe you don't need to negotiate it, but there might be ways to negotiate additional fixed resources like a nurse practitioner or better technology or new equipment in the lab or, you know, fill in the blank, a half a day off, you know, admin time, you know, different schedules.

There might be way to negotiate all of the things and the finances. But the one thing that we see way too often is a physician that, you know, has a contract.

They may or may not get it looked at, they sign it and they go, everything is great. They enjoy their job, they love the patients. They're well thought of in the community.

Renewals and renegotiation

They're making the money that they feel is appropriate and fair, and they just stay. And the contract goes on and on and on, and they hire more people.

And maybe the new people are making more because they've never had they never raise their hand and say, can we talk about my pay? We've seen physicians sit in jobs for, you know, 4 to 8 years without any merit increases, without any changes to compensation.

And they've hired new physicians since they hired the other physician and paid them significantly more. I said, we're working actively right now on a renegotiation campaign with a physician who, who was making who is currently making a 100, and I think it's $170,000 plus a smaller bonus based on some quality metrics.

Okay. Well, we feel that the that firm and they've hired other people at higher rates. He hasn't had a raise in six years. We look at the numbers that he's producing and we think the compensation should be somewhere in the 260 range.

So a significant delta. So that's huge with it with renegotiate with the employer and the employer. It was kind of like they were just on cruise control.

Oh we thought that doctor so-and-so was fine. It was happy. We had never really looked at everything. Right. He hadn't raised his hands and they never thought to to go back and look at someone's contract that started eight years ago.

And so I think so their initial their initial, you know, offer when they looked at updating his contract was was significantly more to 40. So we've thought for what, 70 to 240 plus an incentive pay plus a quality bonus.

So this physician's pay may go up by 50 to 70 grand a year by just asking the right questions, which again, if a physician just sits and lets the contract auto renew every year, they may not think of raising their hand and saying, you know, I'd like to talk about something, unless there's something wrong, many physicians don't feel like there's a reason to go going in public administration.

You know. So and again, and it's not just about the money or the salary, maybe it's negotiating part time work. Maybe it's negotiating a better schedule.

Maybe it's negotiating a nurse practitioner a PA to help out with things, you know. So maybe it's about, you know, being able to do remote telehealth on Fridays, you know, and so you need a thousand bucks worth of equipment and, and, and some understanding from the nurses on how to schedule a room patients.

So, you know, it's can be all kinds of things that physicians can renegotiate if they're proactive in the process, not just signing the contract, letting it automatically renew forever on itself, and then accept whatever the employer offers every second year or third year or fifth year, or whenever the employer does it on their own.

Right. That's that's I think these are the things that everyone needs to know on any contract. Right. Because I guarantee you happy people are listening to this.

If not all of them, have gotten out the contract and looking at exactly the things you're talking about, like, oh, yeah, I got to ask this question for sure.

And I'm thinking back a lot because I've seen it. And you're right, there's a lot of if clauses that are in there. That that makes me a bit uncomfortable.

So but thank you for for clarifying that. So, I'm going to kind of do a little audible here, change up a little things. I want to take a quick, minute break.

And the next section is going to be from the employer side. So I own a practice, I want to create contracts for more providers. What does that look like?

So, hang in tight. We'll be right back for.