

Physician Contracts

It is important to have as much clarity as possible in the wording of your contract. This allows the physician to make an educated decision when deciding between contracts, and helps them to best understand their duties – eliminating the possibility of misunderstandings in the future. Although physician contracts should not be “cookie-cutter”, there are a basic set of components that should be included in each:

▪ **Employment Status**

- Independent contractor
- Employee
- Shareholder

***After identifying how the physician will be employed, it would be helpful to go a little further and explain the legal obligations associated with that particular employment status.

▪ **Salary/Compensation**

- List what is considered competitive for the specialty
- Clearly state how compensation is distributed:
 - Annual salary guarantee
 - Production/collections-based – Variable amount based on billings/collections
 - Will need to provide details on:
 - How compensation is calculated
 - When the physician will be paid
 - Combination of the above two
- If your contract is for more than one year, you should include any pay increases the physician can expect each year after the initial year.

▪ **Benefits**

- Vacation time
- Loan repayment
- Malpractice coverage
 - You will also want to address if malpractice coverage extends after the physician leaves the practice, if a case were to develop after the employment term ended.
- Health insurance
- Life insurance
- Disability
- Opportunity to become partner
- CME
- Teaching opportunities

- **Work Load**

Be specific! It will work best for both you and the physician if you describe in detail the workload expectations.

- Hours (by week or month)
- On-call duties
- Coverage for other physicians
- State if CME can be attained during work hours or not

- **Patient Base**

- How patients are assigned to each physician
- Predicted number of patients to be seen
 - Can also list an estimated number of procedures
- Patient mix (Medicare/Medicaid/Self Insured, etc.)

- **Restrictive Covenants/Non-Competes**

Future practice restrictions

- These are illegal in some states – check your state’s laws!
- Distance should be based on degree of specialization
- Make sure to include a timeframe

Example: It is unreasonable to restrict a family physician from practicing 20 miles away for 2 years. However, it may be reasonable to restrict a neurosurgeon from practicing 50 miles away for 2 years.

- **Money to be repaid**

Under certain conditions, some employers may require that specific payments be repaid to the institution. This could be from:

- Signing bonuses
- Loans
- Salary advances
- Recruitment fees

- **Termination**

- “With-Cause”
- “Without Cause”
 - A written notice is required in advance, and normally gives the physician 1 to 6 months before final termination – enough time for the physician to seek other employment opportunities. If you state that you are able to terminate a physician without cause, then you should also allow the physician to exit the contract under the same conditions. However, you want to make sure that restrictive covenants are still adhered to.

Finally, you should advise the physician to consult with a legal professional or a senior colleague that could help them to better understand the terms of their contract. Encouraging them to talk with a professional will not only show that you care about their satisfaction with the contract’s terms, but also that you are confident with what you are offering them.