

## Understanding employment contracts

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### Making the Rounds podcast

In the first episode of season 1 of the new Making the Rounds podcast, AMA senior attorney Wes Cleveland provides tips on what to consider before you begin the contracting process.

Employment compensation and contracts can be difficult to understand. Whether seeking employment with a group practice, hospital, academic medical center or other setting, a physician must understand employment contracts to be able to discuss options.

### Get model contracts e-books

*Annotated Model Physician-Group Practice Employment Agreement* and *Annotated Model Physician-Hospital Employment Agreement* (free to AMA members) help you understand contracts.

AMA Store resources

Each resource teaches you to:

- Read and understand what contracts look like
- Define common contract terms
- Understand compensation models and benchmark data
- Recognize fair benefits and compensation packages
- Explain the business/legal consequences of contracts
- Discuss working conditions, liability insurance and restrictive covenants in your contract
- Understand what happens if the contract is terminated

Remembering a few basics can help you in the process whether you are a new or experienced physician.

### Understand your obligations

As an employed physician, your contract should include a detailed description of what is expected from you. This includes the type of medicine being practiced, the amount of hours you are expected to work, your availability and on-call hours, outpatient care duties or administrative duties. Although it seems basic, understanding your duties and obligations upfront will help set the tone for a successful employed relationship.

## Understand your compensation

Understand the compensation model. There are 2 types of compensation models a contract can have:

- Fixed compensation is a set salary not dependent upon a physician's performance. This model is often used for new physicians.
- Variable compensation models use formulas to account for a physician's performance when determining salary. More experienced physicians typically receive this type of compensation.

You should fully understand and be comfortable with how your compensation is structured. If not, ask someone to walk through it with you using numeric examples. Before you agree to an employment contract, you should be familiar with the median salary range for a physician in your specialty in that geographic location. If you do not know what your skills are worth in the local market, you will not know if the compensation offered by the practice or employer is fair.

You should also look to see if your compensation is tied to performance benchmarks, such as patient visits, productivity, billing or collections. Make sure you have a clear understanding of what is expected of you and what factors impact your income.

## Know the value of your benefits package

Benefits can add substantially to both your base compensation and how content you are in your new position. Learning what benefits are included in your compensation is an important step in understanding your employment contract. Examples of benefits include payment of your licensing fees and dues to professional societies, time off, funding to complete Continuing Medical Education requirements, liability insurance, disability insurance and payment of student loans.

### Understanding Disability Insurance for Physicians

It is important to understand how these benefits work and what may be required of you to access them. For example, in return for your employer paying your student loans, are you expected to live within the geographical area for a certain number of years? Another example is liability insurance—is

it part of your benefits package, and what are the terms of the coverage?

## Get it in writing

No matter how smooth and cordial the discussion of your employment contract goes, you should insist on getting all of the terms of your employment or practice membership in writing. This significantly reduces the potential for mistakes and misunderstandings.

Use the resources available to you, including the AMA Model Employment Agreements. These e-books are available as free downloads for members, or for \$150 for non-members.

Although these manuals are not a substitute for legal advice from qualified health care counsel experienced in representing physician clients, they provide a thorough description of basic contract terms typically found in employment agreements. They also explain the significance of provisions and language that benefits the physician employee. You can use these resources to find examples of language that may be problematic to the physician employee.

## Consult an expert

While hiring a lawyer to review a contract is an added cost, the consequences of signing a long-term contract you don't understand can be much more taxing on your career and your pocketbook.

An experienced health care attorney in the state in which you plan to work can help you identify and resolve problematic contract provisions before they become an issue. Your state medical society may be able to provide a recommendation for a trusted attorney in your area. You can also find a physician mentor who has been through this process. Their perspective may help you avoid common pitfalls.

## Physician unions

Employed nonsupervisory physicians have the protections of the NLRA and enjoy an exemption from the antitrust laws when they engage in concerted action concerning the terms and conditions of their employment. Although the unionized portion of the physician profession remains very small, in the many and growing number of markets where hospitals have market power and where physicians have few hospital employment alternatives and often suffer burnout, there is arguably created the need for physician unions engaged in collective bargaining (PDF).

## Additional resources

- [Contracts 101](#)
- [Health Workforce Mapper](#)
- [Physician Guide for Contract Negotiation](#)