Physician contracting: What to look for in pay, benefits

OCT 14, 2019

Staff News Writer

How much money should you expect to make on your first contract? And what are some of the key benefits that should be included in your compensation agreement?

In an episode of the AMA's “Making the Rounds” podcast, AMA senior attorney Wes Cleveland describes what to look for in compensation and benefit packages.

Cleveland has been a practicing attorney for over 23 years and, prior to joining the AMA, worked for the Texas Attorney General and the Texas Medical Association and in private practice representing physicians. This episode is the third in a six-part series on navigating contract negotiations from start to finish.

Below is a lightly edited full transcript of his presentation. You can also listen to the full episode on Apple Podcasts, Google Play or Spotify and explore our Career Planning Resource.

Wes Cleveland: Let's turn our attention now to compensation. There are a number of elements to compensation. I'm just going to hit a few for you here.

One is signing bonus. That's a question that I've received from residents at a number of presentations. And whether or not the employer is going to offer you a signing bonus is just going to depend on the employer.

For example, I remember when I was giving a presentation up in Minnesota and one of my co-presenters was an HR representative from a gastroenterology group up in that area. And she said, as a general proposition, the medical group did not offer new-physician signing bonuses, just as a matter of policy, on the grounds that their organization thought that either you want to work here or you don’t. That was their policy.

You'll read a lot on the internet, mostly about signing bonuses and maybe what you can expect, but I bring that point up just to illustrate that the compensation methodology will just vary very much by the uniqueness of the employer. So, just because a potential employer doesn't offer a signing bonus
doesn't mean that that's not a good place to work. It's just going to be a case-by-case basis.

But one thing you can do is you can go up on the internet if you're interested in what signing bonuses might be available to you and just see what the ranges are, let's say for cardiology, or if there's a range for primary care physicians. That could give you at least a very general idea, and then, if you talk to a lawyer who knows the local market and possibly your potential employer, he or she may give you some insight too.

Also, relocation expenses will very typically be part of your initial overall compensation. These can range significantly, from $5,000 to $10,000, maybe more. So, that'll be something you'll want to ask about as well. And then, compensation can also include payment of your student loans, particularly as employment continues. So that can be part of the package as well.

I've already mentioned to you about some of the national surveys out there that residents frequently ask me about. And I will tell you, like I said, that whether it's MGMA [Medical Group Management Association] or SullivanCotter or one of the other national surveys, they are expensive, so you probably won't be interested in buying one of those yourself. But like I said before, your attorney will very likely have access to that information if he or she is regularly negotiating employment contracts for physicians.

But I will say that if you want to look at some publicly available survey information, I can suggest a couple websites. I mean, one is just salary.com. And you can look up physicians’ salaries on there. That's a resource that I have heard suggested by some HR representatives from hospital chains. ...

Now remember, regardless of what resource you're working with, like I said, whether it's something that's going to be publicly available or whether it's going to be one of these national surveys, remember that those are just generalities. Its local conditions are really going to dictate what your compensation's going to be in total. But again, you know, you can work with your attorney on that.

Now let's talk about compensation methodologies. There are many, many different ways that you can be paid. One way which will probably be familiar to you is straight salary. Now, we don't find that to be as common as it once was. I have heard that there are still some large medical groups that work off salary—just pay a straight salary to the physician—but typically that's not the usual compensation methodology. What we usually find is some sort of salary and then a productivity component as well. So, there'll be a set salary amount for you coming in, but then your compensation and possibly a bonus will be based on some other productivity measure.

Now, I don't want to go too much into the details on this, but what has been predominant in the past is measuring your productivity by these things called work RVUs [relative value units]. And if you want to find out more information about that, we do have some resources that will help explain it to you that I'll reference at the end of this presentation. But I guess what I'm saying to you is there will be, right
now, some kind of productivity function built into your compensation. And that's the idea that's implemented because the hospital, or whoever your employer is, will want to make sure you are sufficiently motivated to put in your full efforts to be productive for the employer. So, again, compensation and then some kind of productivity.

The one thing also that I think is important to keep in mind is, it's perfectly normal to have a productivity component in your compensation. But what I think you need to think about and ask about—ask the employer about this, you can ask your colleagues about this as well—is get your head around it to the extent to which the productivity expectations are such that you can meet those expectations realistically.

And, again, this will feed back into issues we have about what other administrative duties you might have with respect to your employment. I mean, if we're basing your compensation in part on your productivity, that means that your compensation is going to be a function of how much clinical care you're going to be providing. Anything that takes away from that is going to have some impact on your overall compensation and how you're going to be evaluated by the organization. So, that's important to keep in mind. ...

Your compensation or your bonus will more and more be a function of how you or your patients are performing with respect to the quality measures that are applicable to your practice.

Quality does include patient-satisfaction scores, and then also how your performance is doing with respect to certain utilization goals. For example, how often or what the percentage of time is that you are prescribing generic medications vis-a-vis brand-name medications. Something like that.

Now, what I want to do is talk to you about something that's a consideration purely if you're working for a physician practice. And this is called buying in to become an owner of the practice. Typically, this isn't going to be available in the hospital setting because you don't buy into the hospital. But you can buy into the physician practice. And by doing so, you become an owner of that practice.

So, when you enter into your first employment agreement, what we typically see is, after the first year, maybe, or second year or third year, you will have an opportunity to become an owner. And that means you have an opportunity—assuming that your performance has been acceptable, you're in good standing with the group—that you can purchase shares and, like I said, become a part-owner of the practice. And it's to recognize the patient base that you've built with the assistance of the practice.

In this case, like I said, it's between one, two or three years. What I would make sure of here is that it's very carefully spelled out, the conditions under which you can buy into the practice. And, this isn't a sort of conversation that you should postpone until after, you know, the first, second or third years. You want to have this very clear upfront so that when the time comes for you to make this big move, everybody is going to be on the same page.
One thing I want you to be cognizant of, too, is that traditionally, physicians who were working in independent practices have accepted a little bit lower than what might be the full fair market value of their compensation to help build up their investment in the practice. .... That's traditionally what we've seen. They kind of reduce the purchase price because they're foregoing some of that compensation on the front end. ...

Sometimes what we've seen in employment agreements is that the compensation models are sometimes not very well spelled out. So, I think it would be useful, if there's any question about what the compensation model entails and what the expectations are under that model, I think it might not be a bad practice to ask the potential employer for a concrete example of what compensation amounts could look like under a given scenario.

Just make sure that you totally understand, both you and your employer understand, what that model is and what are the possible implications of the model. And then how you can succeed under those models and what you can expect to earn under those models if you work a certain amount of time, or you're able to achieve a certain amount of productivity.

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