

Physician contracting: What to know before you sign

OCT 16, 2019

Staff News Writer

What are the key factors when evaluating a potential employer? And how can you go about collecting that information?

In an episode of the AMA's "[Making the Rounds](#)" podcast, AMA senior attorney Wes Cleveland provides tips on what to consider before you begin the contracting process.

Cleveland has been a practicing attorney for more than 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 first 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 say you're getting close to finishing your residency, and you're going to start receiving offers for employment. They may be from an academic medical center. They might be from a hospital. They might be from a physician practice. Or you might also be interested in opening up your own solo practice. In that case, you would want to look at some other resource. But we're going to focus on employment here.

There are some initial things that you want to think about in terms of evaluating the employer. Employers are going to differ vastly in terms of their sophistication. Some will have a very well thought out business plan. Other employers might not have a well thought out business plan.

For example, let's say you have two hospitals in a community, and you hear that one hospital in the community is going to open up a new service line. Well, in response to that, the other hospital in town might also think about opening up a new service line and, because of your specialty, might give you an employment offer in that line of medicine.

Well, if that's the case, the hospital may not have actually thought out whether or not there's actually a need for your services in the community ... and whether you can actually maintain a practice in that community. So that's kind of an example of when you need to do your own diligence about the employer and have confidence in the employer about what kind of business partner that employer's going to be over the long haul.

One of the things you can ask your employer is whether or not it has a business plan. Medicine—the practice of medicine, and health care generally—is under a state of tremendous change right now. You may have heard this in your residencies, but a lot of change is going on, especially in terms of how you're going to be paid as a physician. So, it's really important for your employer to have done some thinking about how it wants to position itself down the road. And so, you would want to have confidence in the sense that the employer has done some short-term and some longer-term planning.

One of the things you want to then find out is to what extent has the employer done this kind of thinking. Does it have a strategic plan? That would apply whether or not your future employer, or prospective employer, I should say, is going to be a physician practice or whether it's going to be a hospital.

Now in terms of hospitals, they can vary greatly. And a lot of the potential success for you as an employee is going to be determined by the culture of the hospital and the leadership of the hospital. You could ask the representatives of the hospital this, or even a recruiter. You could also ask this to physicians that are employed by the hospital already, or to those that practice in that community at the hospital.

You know, at the hospital, what kind of voice do physicians have? Is it a hospital whose leadership listens to physicians and works collaboratively with physicians? Or is it more of a top-down management style, where administration dictates more of the practice parameters and how resources are utilized more unilaterally. All right? So that's a culture issue, but it's an important question to ask because that may influence your ultimate satisfaction practicing at that location.

Another important point is, is leadership stable? Let's say you're talking about a hospital; if there's a good relationship between the administration and the physicians, that's really important. And especially if it's long standing, that's a good sign that the culture is positive for physicians and you're going to have a good experience there.

However, if leadership's been a revolving door, with new administrative staff there every two years to three years, if there's a long period of turnover, then that might be something to consider if you have some alternative offers and you're thinking about your own calculus and determining if this is a place you want to work.

Another thing I want to bring up to you is, is a key physician getting ready to retire? This may apply more to a smaller practice situation, but that can also have an impact on the practice environment. Again, leadership might change. Again, that would be a good question to ask, let's say, if you're being interviewed by a medical practice. "How long has the leadership been in place? How long is the leadership going to stay in place?"

Because it's so interesting that your practice environment, your employment environment—and this is true of any employment relationship—how quickly it can change just by someone new in leadership you didn't have a relationship with before. Things like that can really change the culture of an employer.

One of the other things you want to think about is employee turnover. It's a good sign if the physicians who are working there, and other employees, tend to stay there. That speaks well of the culture. If physicians have left, I think it's important to try to find out the conditions under which physicians are leaving.

Is it because of quality issues? Or is it because of family concerns that don't have anything to do with the culture of the organization? Or does it have something to do with the culture, and physicians are finding that working there isn't what they expected ... and then are leaving to go someplace else to work?

You're going to be talking to people in the human resources department. You'll be talking to leadership. But I think it's important, to the extent you can, to talk to potential colleagues that work there at the institution. They'll give you a sense of what it's like to work there. "How long have you been working there? How are the physicians treated there? Do you have the possibility of getting flexible hours? Do you have the opportunity to attend CME courses you'd like to attend?"

For things like that, if they give you a good vibe, then that would be positive. They're probably some of the best sources of information that you could seek out. I would look for those kinds of opportunities if you have them.

Of course, you've always got to think, if you have a significant other, it's important to keep in mind what they're interested in. Where they want to live, for example. If your significant other isn't satisfied or isn't excited about living in the geographic part of the country where you would be relocating to, at the end, that may cause some trouble for you and the employment relationship might not be optimal because of that consideration.

One thing I would do—it's kind of an obvious thing, but you always want to think about this—is do your research on the employer. Simply go on Google and research your employer. Find out what you can about it. Find out what kind of press it's gotten. Get a sense of how it's thought of in the community. Get an idea of who the competition is. This will all inform you about how you can get more of a context

about your potential employer and just give you kind of gestalt about how to think about this employer and its position in the community.

Let's say you're being offered an employment contract by an independent medical group. Independent medical groups, in many cases, will be affiliated with a hospital, so find out. Ask the group, "What hospitals are you affiliated with?" This can be important because some hospitals may have a better reputation for quality than others, and so you would want to be assured that the hospital that you might be required to practice in is, in fact, a quality institution.

Another important factor, and this is kind of a general consideration, is, obviously, you are going to be paid for your clinical time. Seeing patients, and your procedures, and so forth. However, you may have other expectations on you that may not be clinically related but that may take time and be duties that you will need to satisfy on top of providing direct patient care and clinical care. For example, will there be any expectations for you to engage in business development after hours? Do you need to be present at meetings in a hospital, at the group or at other locations? Do you need to have various memberships to help you build business?

Another thing you want to think about is—and this is becoming more and more of an issue—the way physicians have been paid historically is on a fee-for-service basis. And that just means that when a physician provides a service, he or she just bills the payer for that particular service. But a movement now is being put in place to replace that pure fee-for-service, or item-by-item reimbursement, with something called generally value-based payment.

And this means that physician payment will be based sometimes in part on fee-for-service, but also on how efficient the physician is—let's say, in utilizing health care resources—and how well the physician's quality scores are based on outcomes, based on processes and based on patient satisfaction as well.

That's going to be a big change. So, an employer may now have practice or quality parameters that it will require you to follow. Or if it doesn't now, it probably will. Because being able to satisfy quality criteria, and hopefully best-practice quality measures and outcome measures, will be part of the overall compensation scheme that's being implemented. So, the question you will want to ask is, what are any of the quality parameters that you will be required to conform to when you start practicing at that employer? That's very important. It's a great question to ask too because it will show the employer that you're thinking about these issues.

And the employer will want someone like you, who's thinking along these lines, because it shows initiative. It shows a certain amount of sophistication that you know what's going on and that you will have a sense of being able to understand what its concerns are going to be as well. Because your employer, no matter who it is, will want you to be in tune with its goals as it attempts to transition to this big change in physician reimbursement.

Now, if you're going to be employed by a hospital, I think a really good idea is that you want to visit the site. No matter whom you're going to work for ultimately, you want to go out there and visit the place in person and talk with people in person. If you're going to be working at a hospital, then tour the facility. Take some time, if you can, to talk to office staff, to talk to hospital staff. Ask them about your potential employer, if you have that opportunity. You know, if you can do it; if you're there with maybe some nursing staff, and your representative of the employer is there, you probably don't want to say, "Hey, what do you think about these guys?"

But if you have an opportunity to discreetly ask some questions about how nursing staff or other hospital staff think about the employer, it'd be a good question to ask. They might give you a candid response. We're just thinking here of different ways you can gather as much information as possible because not only will that help you evaluate whether or not this employer is someone for whom you want to work, but it would also give you information at hand that you can ask about during any interviews. ...

One of the things that will influence your compensation, and will also influence your ability to build a practice, is to what extent is there really a need for you and your particular specialty in that part of the country?

I remember listening to a presentation that a hospital representative did for the AMA to a group of residents concerning employers, and he made a great suggestion. He said, "Let's say you're in plastic surgery. Most plastic surgery residents—I shouldn't say most. Many—are attracted to the markets in Miami and Los Angeles."

Well, for plastic surgery, those markets are very competitive. That's not bad, but where there's more competition, payments oftentimes go down because of competition. That's a good thing. And, of course, there are more specialists there trying to build their practices.

But he said, "Look, this plastic surgery resident decided to open up a practice in Austin. It wasn't as competitive as Miami or Los Angeles. And because of that, he has been able to build a really thriving practice."

So, then you ask the question, "Well, how do I find out how competitive a particular geographic market is for my services?" You can find this on the AMA website, or you can contact me, Wes Cleveland, at wes.cleveland@ama-assn.org.

There's something called the [AMA Workforce Mapper](#) ... and it will tell you, for any particular county in the United States, what the patient ratio is for each physician in your specialty to patients in that county. And it has a ton of other information in there ... demographic information, all kinds of information.

My suggestion is, if you're really interested in an employer, do that research. You can conceivably go in to a potential employer with more knowledge of their market than the person who's across the table from you, and that would be extremely impressive. ...

Another issue: I've told you about this transition from this traditional fee-for-service that's been in place for many, many, many years to this thing called value-based purchasing. Medicare is making the transition, but commercial payers are making that transition as well. Medicaid is. Everybody's going in this direction. One of the things that is necessary for this transition to work is information technology to capture as much information about a patient's compliance, a patient's adherence to utilization measures, quality measures, patient outcomes. All of that is essential.

What you need to know is, how is the potential employer doing in terms of technology? If it isn't sophisticated technologically, does it have plans to improve? It should capture the kinds of information that are going to be absolutely essential so you and your colleagues and the employer can understand how you're doing with respect to goals that are required of you and that you're obligated to meet.

So, where is the potential employer in terms of technology? What systems are in place? Will you be able to be informed regularly about how you're doing with regard to your performance goals and so forth? And how are your patients doing? Not only with respect to your peers in the practice, but also with respect to peers in the community and nationally. So, ask that question. That's going to be very important to know.

Will the employer really support and invest in your clinical practice? This is another important consideration that will help you evaluate the extent to which the employer has thought out your position in its future business development plans. So, just make sure you ask.

Are you going to have sufficient administrative support so that you will be able to, to the greatest extent possible, focus on clinical care? Because it's highly likely, depending on where you're going to be, that your compensation will be based on how much clinical care you provide over the course of a year. So, just make sure that there's going to be staffing there to help, that will be able to submit bills timely for you, keep your schedule, those kinds of things. ...

If you have research interests, is the potential employer going to allow you to pursue those?

And I think, if that's really important to you, that's a very important issue that you need to bring up because that will have a lot to do with your professional satisfaction.

Another thing is this: ultimately, the employer will really want you to build up a practice. Now, if you are spending most of your time engaged in direct clinical care, then you may not have a lot of time to build up your practice through other means. You can't be out there marketing yourself and providing clinical care at the same time.

So, one of the questions is, is the employer going to market your services? You may get the answer, "Well, of course we will." But then ask another question: "Do you have money allocated in your budget to market on behalf of me and to help my build my practice?" It's a good question and shows some sophistication on your part.

—

You can listen to this episode and all "Making the Rounds" podcasts on [Apple Podcasts](#), [Google Play](#) or [Spotify](#).