



# **Physician Employment: Hospital vs. Private Practice**



**Presented to:**

**ACOI**

**By**



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# Where to Work?

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- **Hospital Employment**
- Hospitals owned 26 percent of physician practices in 2017, nearly double the portion from 2012. They employed 38 percent of all physicians in 2017, up from 26 percent three years earlier.
- Growth results both from acquisition of independent practices and employment of new physicians from residency and fellowship programs

# Hospital Employment *(cont.)*

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- **Pros**

- **The check will clear**
- **Fewer administrative headaches**
- **Incomes are often higher - at least initially**

- **Cons**

- **You aren't in charge**
- **Compensation may be adjusted periodically**
- **You will be judged by new metrics - high volume is important**
- **Quality services may take a back seat**

# Hospital Employment – Is it right for you?

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- **Talk to colleagues** — Would they make the same decision today?
- **Does your view of the future agree with the hospital?**
- **Compensation** — How secure is their current offer? What standards does the hospital use to
- **Can you leave?** — What if you decide the arrangement isn't right for you? What is the non-compete?

# Independent Practice

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- **Pros**

- Retain control over hours, patients and revenue
- Allows physician to explore new sources of ancillary income
- Allows physician to practice as he or she finds important – commitment to quality

# Independent Practice *(cont.)*

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- **Cons**

- Possible lower reimbursements
- Dealing with irregular cash flow
- Regulatory compliance
- Administrative headaches

# Where to Start

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- Plan ahead, knowledge is power
- Know your worth and what is reasonable
  - Salary information
    - MGMA statistics are usual benchmark
  - Do you have a specialty in demand
    - Area of the country will make a difference
- Interview for several positions

# Where to Start *(cont.)*

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- **Set priorities**
  - What do you need
  - What do you want
  - What can you get
  
- **Is the item worth the fight**
  - Choose your battles wisely

# It's Not Easy to Talk About Money

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- In a salaried position, the salary you accept now will play a role in your future salary
- Promote yourself so that your employer sees your worth
  - Easier to do this when you are well qualified for the position you're seeking
  - Elaborate on your strengths
- Money won't make you happy ... But it sure makes life easier

# Where to Start *(cont.)*

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- Never say yes to the first offer
- Have a deadline, but don't be too rigid
- Negotiating is a 2 way street
- Fine line between protecting your interests and being seen as difficult
- An experienced health care lawyer can advise you in negotiating



# Employment Contract

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- Details of the contract will differ depending upon the employer
- Start negotiating before you have a contract in writing
- “Standard” contracts can be changed

# The Physician Contract

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- Compensation and benefits
- Partnership provisions
- Professional obligations
- Termination
- Restrictive covenant

# Salary

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- Fixed
  - “Safe”
  - Usually for a year
- Base salary with an incentive based on productivity
- Solely productivity based
  - Lag between time billed and time collected
- Academics
  - Typically base with incentive

# Productivity

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- Billings
- Overhead
  - Ranges from 35 - 65%
  - Will vary in the same group over time
  - If you have to share overhead, contract should state what your share is
- Collections
  - Payer mix / population you serve
  - Negotiated contracts
  - Efficiency of billing service

# Example of a Salary Offer

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- Your base salary is \$100,000
  - After \$300,000 is collected, you will receive 25% of what is collected
  - wRVU compensation primarily in hospital compensation – dollar amount per wRVU in excess of a certain number
  - wRVU's based on specialty and region

# Other Ways Bonuses May Be Determined

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- Patient satisfaction
- Meeting Quality Metric
- Academics
  - Publications/ Presentations
  - Grants
  - Teaching awards
  - Productivity

# Other Income

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- Fees for reviewing medical records for a lawyer
- Fees for being an expert witness
- Free for providing independent medical examination in legal case
- Honorarium for speaking engagements
- Pharmaceutical sponsored investigational drug studies

# Insurance

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- Malpractice insurance
- Do you need tail coverage?
  - Claims made
  - Occurrence
- Health insurance
- Disability insurance
- Life insurance

# Retirement Plans

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- Plans differ substantially, and include profit sharing plans
  - How much does your employer contribute?
  - Do they have a matching program?
  - How long does it take to be 100% vested?
  - How much control do you have over the investments in the plan?

# Other Benefits

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- Signing bonus
- Moving allowance
- Vacation time
- Days off
- Sick leave
- Personal leave
- CME time
- Cafeteria plan

# The Cost of a Partnership

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- In general, managed care has decreased the value of a medical group
- The worth of a practice is hard to pin down, and is always changing
- Your buy in amount should be less than what it would cost you to start a practice on your own
- Often, the buy in is “sweat equity” rather than financial

# Specifications on Partnership

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- Minimum length of time and effort
- Amount of the buy in
  - How is it determined?
    - Valuation of group's assets
    - Real estate
  - How do you pay the buy-in?
    - Sweat equity
    - Set sum
      - Lump sum or installments

# Restrictive Covenant

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- Geographic and time restrictions
- Restriction on practice of medicine or your specialty?
- Buy out from covenant
- Waive covenant if termination without cause
- Non-solicitation clause
- Confidentiality Cause

# Your Will Need to be Able to Obtain:

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- Unrestricted state medical license
- DEA number
- Privileges at hospitals
- Malpractice insurance
- Right to participate in health care plans

# Your Responsibilities

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- Clinical responsibilities
  - Clinic
  - Hospital
  - Call coverage
- Attend staff meetings
- Obtain board certification in a set number of years



# Termination

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- Termination without cause
  - Time limit - 90 days
  - Give notice - 60-120 days
  - Ramifications
- Termination with cause
  - Should be specific
- Failure to cure
  - May include a time to correct problem
- What happens if the group is bought

# Caution!

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- Watch out for a practice that:
  - Drags its feet providing items in writing
  - Says “trust me”
- Reconsider a job that:
  - Won't provide an incentive bonus
  - Has a revolving door

# Final Comments

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- The contract should be as specific as possible
- Don't be afraid to walk away from a bad deal
- Start early
- Use a lawyer who specializes in health care law

# Thank you.

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