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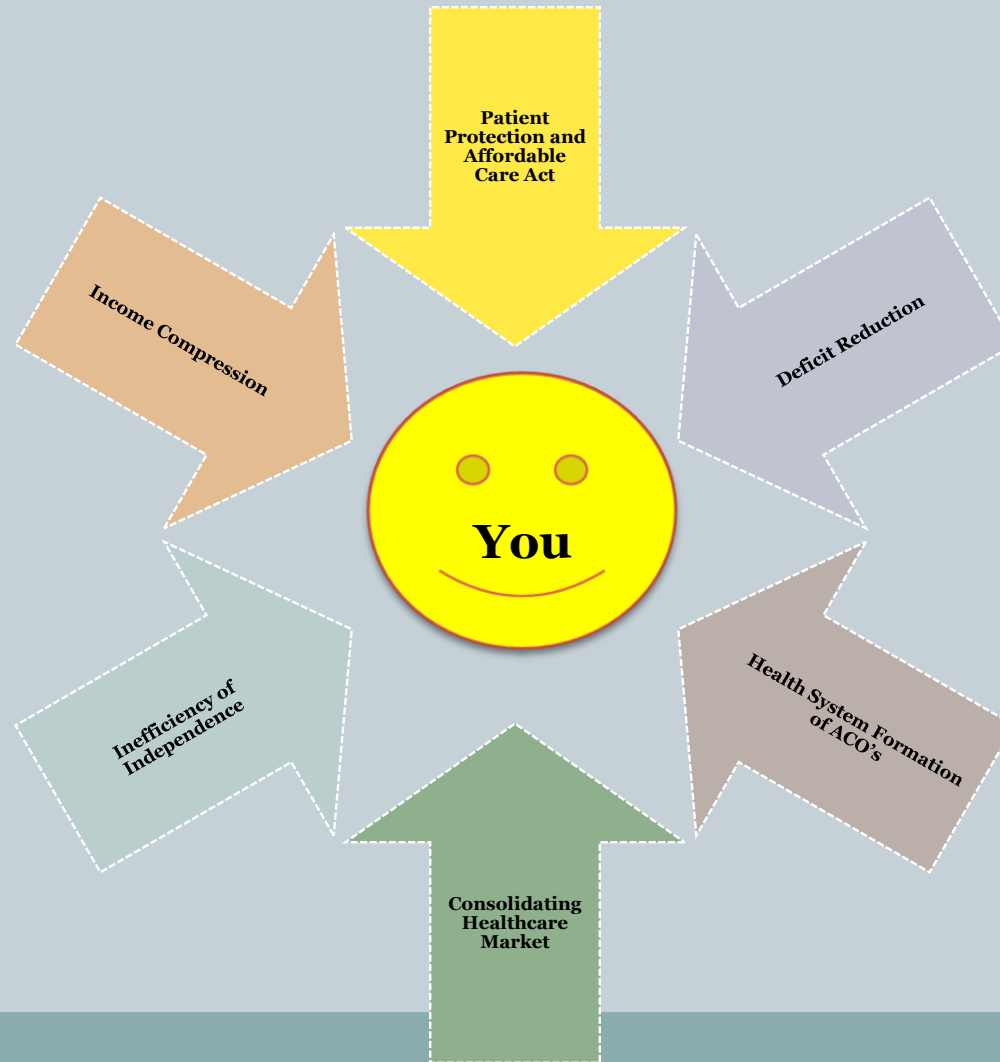
NEGOTIATING EMPLOYMENT AGREEMENTS

BE PREPARED

MEDCHI
MONTGOMERY COUNTY MEDICAL SOCIETY
October 23, 2013

FACTORS TO CONSIDER

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Overview of Process

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Initial Contact

- **Contact initiated by hospital/employer or physician.**
- **Be prepared.....know your business before these discussions begin.**

Confidentiality Agreement

- **Allows for confidential exchange of information.**
- **Generally, a one-way information flow....physician to employer.**
- **May or may not contain an exclusivity period and termination date.**

Exchange of Information

- **Employer will send you a comprehensive list of the information needed to assess your practice.**

Analysis Due Diligence

- **Economics of practice are assessed, risk profile developed and strategic fit determined.**
- **This is a triaging process during which a “go, no-go” decision is made by the employer.**

Overview of Process

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Offer/Negotiation

- **Compensation and Compensation Model**
- **Hard assets**
- **Medical Records –value/retention**
- **Goodwill??...in most cases....**NOT!!****
- **Lease Issues**
- **Other Terms/Conditions**

LOI/Valuation

- **Formal LOI....most often with larger vs. smaller practices.**
- **Hard asset valuation.**
- **Fair Market Compensation Valuation?**

LOI/Final Documents

- **Formal contract development and negotiation of related terms**

Typical Information Request

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- Date of birth
- Office location and address (leased vs. owned)
- List of in-office services provided
- List of affiliated entities including ownerships in surgery centers
- List of any past/current investigations by any governmental agency
- Malpractice history
- Hospitals where privileged
- List of all extenders and how each bills (own provider # or yours?)
- List of relatives working for the practice

Typical Information Request

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- Most recent 2 years filed federal tax returns
- All W-2s (yours and your staff) for most recent tax year
- Summary of any payments/stipends received from hospitals
 - Call coverage
 - Medical Director
- Summary of personal expenses paid through the practice
 - Auto, meals, phone
- Amounts contributed by your practice to a company pension/401k on your behalf

Typical Information Request

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- Name of outsourced billing company, if applicable, and % of collections charged
- Name of practice management and EMR platforms
- Billing Reports that correlate to latest filed tax return
 - Collections by insurance company
 - ✦ Current YTD collections may also be requested
 - Collections by individual provider
 - Frequency by CPT code
 - Collections by CPT code

What are employers looking for?

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- How much income do you derive from the practice and from what sources? What does the trend line look like?
 - Direct professional services
 - Personal expenses
 - Payments from hospitals
 - Outside investments (e.g., surgi-centers)
- Productivity by provider
- What does your payer mix look like?
- Physician referral patterns

What are employers looking for?

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- How does each provider benchmark vs. MGMA (or other benchmarking service)?
 - Collections
 - Compensation
 - wRVUs generated
 - Compensation/wRVU
- How does your coding compare to available CMS data?

What are employers looking for?

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- Who are your employees and how much do you pay your employees vs. what the employer pays for comparable jobs?
 - Nepotism
 - Fair market compensation
- Anything out of the ordinary
 - Unusual pension plan structures
 - Aberrant collections or income
 - Unusual scope of services

How to Prepare

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- Define your goals and objectives of employment
 - What are the deal breakers?
- Identify your counselors
 - Personal, legal, financial or otherwise...this is your team
- Gather the information and have it analyzed/arrayed in a usable format
 - Know beforehand what the employer is trying to find out
 - Keep the information updated and organized
- Develop a game plan....decide who speaks on your behalf
- Be proactive.....communicate.....help drive the process
 - Those who respond promptly/accurately have better results

RECOMMENDATIONS

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- **Know Your Own Historical Data**

- wRVUs

- ✦ May need to determine this retroactively if your billing system does not track this

- TCC

- Compensation per wRVU

- Practice overhead

RECOMMENDATIONS

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- **Obtain Most Recent Salary and Productivity Survey Data for Your Specialty**
 - Get it from a consultant or from hospital
 - Understand nuances
 - ✦ Differences in data based on geographical area
 - ✦ Differences in data based on functions/position (Medical Director, Chief, Department Chair)

RECOMMENDATIONS

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- **Make sure you completely understand the proposed compensation formula**
 - What factors are within your control
 - What factors are not

RECOMMENDATIONS

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- **Find out what types of regular (monthly) reports you will get on your earned bonus or productivity compensation**
 - There should be no surprises at the end of the year

RECOMMENDATIONS

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- **Talk to other, similarly situated, physicians who have worked under the proposed formula**

RECOMMENDATIONS

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- **Hire an experienced attorney and/or consultant to advise you**