NEGOTIATING
EMPLOYMENT AGREEMENTS

BE PREPARED

MEDCHI
MONTGOMERY COUNTY MEDICAL SOCIETY
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FACTORS TO CONSIDER

- Patient Protection and Affordable Care Act
- Income Compression
- Inefficiency of Independence
- Deficit Reduction
- Health System Formation of ACO's
- Consolidating Healthcare Market

You
Overview of Process

**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

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

- 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

- 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

- 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?

- 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?

- 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?

- 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

- 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

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
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)
Make sure you completely understand the proposed compensation formula

- What factors are within your control

- What factors are not
RECOMMENDATIONS

- 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
• Talk to other, similarly situated, physicians who have worked under the proposed formula
• Hire an experienced attorney and/or consultant to advise you