

## Negotiating an Employment Contract

You have found the perfect practice in the perfect location. So you ask, “When can I start?” Slow down! It is just not that simple—there’s more to negotiating an employment contract than salary. There are numerous resources, including publications and recruiters, available to help you find opportunities, but there are many considerations that should not be overlooked. Practice type and location are only two decisions you will have to make before considering a contract. Many physicians believe the quality of the group a physician will be joining and the style of the practice are even more important considerations than salary.

Keys to both professional and personal happiness lie within that all-important decision to sign on the dotted line. Because the employment contract defines the conditions of employment and can therefore greatly impact future professional satisfaction and personal happiness, a physician needs to read carefully and fully understand every aspect of the employment agreement.

### Finding the Right Practice

There are several things to consider, beginning with the type of practice in which you want to work and the preferred geographic location. To find the best practice opportunity, a physician can tap into a number of resources. Professional publications or physician recruiters are two sources to check when looking for a position outside your immediate geographical area. A physician’s local hospital or personal network of colleagues, teachers or medical school and residency training alumni may also be excellent suppliers of information. Websites have become a major tool in the search for career opportunities. Many permit physicians to search by specialty, type of practice and location.

Practice Type: A physician needs to decide what type of practice would best suit his or her needs. Types of practices include: solo, small group, large group, hospital-based, HMO-based, single or multi-specialty, or government based. Listing the characteristics, advantages and disadvantages of each type of practice can be a good starting point.

Location: When deciding on a practice, consider living environments, such as the local school system, churches, availability of leisure activities and proximity to the hospital. The cost of living, crime rate, and transportation system may be personal priorities as well.

Practice Culture: After finding a suitable employment opportunity, there are subjective issues to consider. You should learn everything possible about the practice culture and values by observing the practice, meeting owners, employees and patients. Talking with colleagues unaffiliated with the group about its reputation is highly recommended. Ask to follow one of the group’s physicians around for a day. Pay close attention to patient comments that reflect on quality or continuity of care.

Financial Health: Practice stability is very important when deciding on long-term employment. Consider the practice’s age, its expenses, revenue, debt, and financial future. If the financial health of a prospective employer is shaky, working conditions

may be poor. Inquiring about the practice's accounts receivable will help provide a sense of the practice's collections success and solvency.

Compensation: The most obvious issue on the mind of anyone seeking employment is compensation. Although salary may be negotiated during the hiring process, the compensation methodology usually is not negotiable. The basic types of compensation arrangements include those based on individual productivity alone, share of practice income, salary guarantees, individual productivity less expenses, fee-for-service, and multi-variable incentive bonuses tied to payor objectives. You should consider how well the practice's compensation scheme matches your personality, working style, and preferences.

## **The Art of Negotiating**

The goal of negotiation is to create a win-win solution, not to win at the expense of the other party. Thus, you must know what you want and what is minimally acceptable. While you must be realistic it is very important that you negotiate for any terms you feel are truly essential to job satisfaction, despite concerns that you may be pushing hard. A fear that hard feelings might develop even before employment begins sometimes inhibits physicians from saying what's really on their minds. Neither you nor a prospective employer will be well served if you accept a position and then are miserable because of terms you failed to negotiate. Being forthright without being abrasive or unrealistic is therefore essential to the process. You should be creative and flexible in negotiations, since experts agree that it is unrealistic to expect everything on your 'wish list.' Experts believe that the time for you to negotiate the best deal is during the honeymoon period right after the group has made you an offer.

## **Tips for Negotiating Your Contract**

- **Gather information and be prepared.** Find out as much information about the practice in advance as you can. What questions can you anticipate from them? What do you want to know? Determine what you want to accomplish.
- **Treat people with respect.** From the receptionist to the partners, show courtesy and consideration. It creates a great first impression.
- **Negotiate from the perspective of mutual benefit and fairness.** Whenever you are seeking a concession, explain why it is fair. If it could benefit patients or the practice, point that out. Always have logical reasons for what you want and why you are asking for it.
- **Set priorities.** Before you come to the table, review, list, and rank critical factors. What is negotiable? What is not?
- **Develop a strategy.** Consider how you will obtain your most important points. Are they easy or difficult for this practice to offer? Which other points are easy for the practice to offer or concede? Start with an easy point to negotiate. Get a feel for the process and the others involved. Tackle your hardest issue midway, and conclude with light ones.

- **Return to unresolved issues after most of the bargaining is done.** At that point, added pressure to find common ground creates a greater bargaining base for both parties, because the success of everything you've done so far hinges on resolving these few remaining issues.
- **Get it in writing.** When you negotiate a change in the contract, make sure that change is in writing, not simply a verbal agreement. Any changes should be incorporated into the contract itself.

## **Understanding Contract Terms**

Even if a physician employs an attorney or a professional consultant to help with the negotiation process, ultimately the decision to accept the opportunity lies with the physician. There are specific terms and benefits the contract should address before a physician signs on the dotted line. Some terms that may be important to understand are:

- Salary
- Non-Salary Benefits
- Ownership/Partnership
- Outside Activities
- Duties and Requirements
- Restrictive Covenants
- Non-solicitation Clauses
- Term and Termination
- Gap/Tail Insurance
- Assignability

## **Should I Use a Third Party?**

Since an employment contract may be the most important financial decision a physician will make, any misunderstandings can cause painful consequences. Thus the cost of hiring an attorney normally is money well spent. Because the contract usually has been carefully crafted by the group's attorney to protect their interests, the candidate should consider seeking legal counsel to review the contract as well. Experienced health law attorneys can be recommended by colleagues or by the local/state medical society or bar association. Lawyers can help find potential conflicts and will suggest alternative contract language. Experts say it's important not to leave everything to the attorney; it is more important for you to understand what you are signing since you are the one who will have to comply with its provisions thereafter.

## **Conclusion**

Contract negotiations can be exciting as well as frustrating. Signing an employment contract is not only an important financial decision but can also affect your personal comfort, family, professional compatibility, and career enjoyment. To fully understand contract terms and clauses, you may wish to download this guide in full from our web site. Then give the process the serious attention it deserves, and get all the help you can.

While the CPII staff are not attorneys and cannot provide legal advice, College members can contact us directly if they have questions about the process or need help finding technical support.

**For more information on negotiating both sides of employment contracts, including a sample contract and self-assessment tool, College members should check out CPII's "Physician Employment Contracts" at [http://www.acponline.org/running\\_practice/practice\\_management/human\\_resources/](http://www.acponline.org/running_practice/practice_management/human_resources/)**