Evaluating Physician Job Opportunities and Employment Contracts

Travis Singleton

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Travis Singleton

Executive Vice President, Merritt Hawkins, Dallas, Texas

Mr. Singleton has more than 19 years of health care consulting experience and is a nationally recognized health care staffing leader. In his current role with Merritt Hawkins, the nation’s leading physician and allied health search and consulting firm, he oversees the strategic marketing operations and maintains corporate-level industry contacts. Singleton consults with hospitals and medical groups about their physician and allied health staffing needs, population health management issues, demographic and health care trends, compensation, compliance, and other related issues. His insights have appeared in numerous publications, including The Wall Street Journal, The New York Times, HealthLeaders Media Magazine, USA Today, Modern Healthcare, H&HN (Hospitals & Health Networks), Forbes, American Medical News, The New England Journal of Medicine, and many others.
Learning Objectives

1. Become familiar with the standard features of physician employment contracts today – salaries, salary and production bonus structures, signing bonuses, CME allowances and a variety of others.

2. Assess if particular contracts they may be considering are customary and competitive in the context of today’s market.

3. Evaluate practice opportunities/job offers to determine how well they fit their personal and professional needs and goals.

Audience Engagement System

Step 1

Step 2

10am

CMED001 (PBL) Acute and Chronic Heart Failure
10:15 AM - 11:30 AM
Room 113A

CMED002 Treating Hypertension and Hypertensive Encephalopathy: The Gatekeeper
10:15 AM - 11:30 AM
Room 113B

CMED003 Treating a New Diagnosed, Isolated, High Blood Pressure: Reducing Frustration and Increasing Fulfillment
10:15 AM - 11:30 AM
Room 113C

CMED004 Adult Acute and Chronic Heart Disease
10:15 AM - 11:30 AM
Room 113D

CMED005 Preventing and Managing: A Specialist of Essential and Preventive Cardiology
10:15 AM - 11:30 AM
Room 113E

CMED006 (PBL) Dementia and Alzheimer’s Disease
10:15 AM - 11:30 AM
Room 113F

Step 3

CME001 (PBL) Acute and Chronic Heart Failure
Location:
Room 113A
Date:
Thursday, Sep 22 10:10 AM
Duration:
1 Hour
Credit Hour(s):
1
Repeat:
Friday at 7:30 AM
Audience Engagement System
After Event Evaluation
1. Reflecting applying new knowledge and skills gained from acute and chronic heart failure sessions, through collaborative learning with peers and expert faculty. I identify strategies that foster optimal management of acute and chronic heart failure within the context of...
More
Agenda

1. Recognize how the market for family medicine is evolving
2. Apply current salary and incentive offers to negotiate a competitive employment agreement
3. Diagnose practice opportunities in order to make the best choice

An Evolving Market

What factors are driving contracts for family medicine physicians?
Factor One: A Dearth of Doctors

The Doctor Deficit

Source: Association of American Medical Colleges, April 2019
Rising Appointment Wait Times

Average wait time for a physician appointment up 30% from 2014

Average wait time for family medicine up 50% from 2014

Source: Merritt Hawkins 2017 Wait Time Survey
Rising FM Appointment Wait Times

<table>
<thead>
<tr>
<th>City</th>
<th>Average Time to Appt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>109 days</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>42 days</td>
</tr>
<tr>
<td>Portland</td>
<td>39 days</td>
</tr>
<tr>
<td>Miami</td>
<td>28 days</td>
</tr>
<tr>
<td>Atlanta</td>
<td>27 days</td>
</tr>
<tr>
<td>Denver</td>
<td>27 days</td>
</tr>
<tr>
<td>Detroit</td>
<td>27 days</td>
</tr>
<tr>
<td>New York</td>
<td>26 days</td>
</tr>
<tr>
<td>Seattle</td>
<td>26 days</td>
</tr>
<tr>
<td>Houston</td>
<td>21 days</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>17 days</td>
</tr>
<tr>
<td>Washington D.C.</td>
<td>17 days</td>
</tr>
<tr>
<td>San Diego</td>
<td>13 days</td>
</tr>
<tr>
<td>Dallas</td>
<td>12 days</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>8 days</td>
</tr>
</tbody>
</table>

Source: Merritt Hawkins 2017 Wait Time Survey

Who is in Most Demand?

**TOP 20 SEARCH ASSIGNMENTS**

<table>
<thead>
<tr>
<th>1. Family Medicine</th>
<th>11. Cardiology</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Psychiatry</td>
<td>12. Emergency Medicine</td>
</tr>
<tr>
<td>3. OB/GYN</td>
<td>13. Orthopedic Surgery</td>
</tr>
<tr>
<td>4. Internal Medicine</td>
<td>14. Anesthesiology</td>
</tr>
<tr>
<td>5. Radiology</td>
<td>15. Dermatology</td>
</tr>
<tr>
<td>7. Nurse Practitioner</td>
<td>17. Urology</td>
</tr>
</tbody>
</table>

Source: Merritt Hawkins 2019 Review of Physician Recruiting Incentives
A Recurring Theme

Family Medicine – Merritt Hawkins’ #1 recruited specialty for the 13th consecutive year

Primary Care Demand Still Robust… But Demand for Specialists Rising

Merritt Hawkins Family Medicine Searches

2018: 457
2015: 734

2018 Primary Care Engagements: 22%
2018 Specialist Engagements: 78%

Multiple Sites of Service…

- Community hospitals
- Hospital systems
- ACOs
- Academic Centers
- Urgent Care Centers
- Large groups
- Retail
- Large Employers
- Insurance Companies
- Ambulatory Surgery Centers
- Military/VA Hospitals
- FQHCs

...are seeking family medicine physicians

The New Mantra

BE EVERYWHERE, ALL THE TIME
A Changing PC Paradigm

Adults who have no Primary Care Physician

CHRONIC CARE WILL DRIVE DEMAND

Multiple Practice Styles

Traditional Family Medicine Employment  FP w/ OB  Ambulatory only  Hospitalist  Academic  Sports Medicine

Administrative  Urgent Care  Locum Tenens  Concierge  Part-time
The Effect on Salaries

Merritt Hawkins Average Starting Salaries in Family Medicine

<table>
<thead>
<tr>
<th>Year</th>
<th>Starting Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$185,000</td>
</tr>
<tr>
<td>2014</td>
<td>$199,000</td>
</tr>
<tr>
<td>2015</td>
<td>$198,000</td>
</tr>
<tr>
<td>2016</td>
<td>$225,000</td>
</tr>
<tr>
<td>2017</td>
<td>$231,000</td>
</tr>
<tr>
<td>2018</td>
<td>$241,000</td>
</tr>
<tr>
<td>2019</td>
<td>$239,000</td>
</tr>
</tbody>
</table>

Sources: Merritt Hawkins 2019 Review of Physician Recruiting Incentives

AES POLL QUESTION #1

How confident are you that starting salaries in family medicine will continue to rise in the next 1-3 years?

A. Extremely confident  
B. Very confident  
C. Neutral  
D. Not very confident  
E. Not at all confident
Factor Two: Consolidation/Integration

The number of hospital acquired practices grew from 35,700 in 2012 to 80,000+ in 2018.

Source: Avalere Health and Physician Advisory Institute

Rise of the Mega Group

<table>
<thead>
<tr>
<th>Facility</th>
<th>Unique Physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente</td>
<td>15,543</td>
</tr>
<tr>
<td>Ascension Health</td>
<td>5,493</td>
</tr>
<tr>
<td>Veterans Administration</td>
<td>5,052</td>
</tr>
<tr>
<td>UC Health</td>
<td>5,303</td>
</tr>
<tr>
<td>Mayo Clinic</td>
<td>4,550</td>
</tr>
<tr>
<td>Providence St. Joseph</td>
<td>4,082</td>
</tr>
<tr>
<td>HCA</td>
<td>3,788</td>
</tr>
<tr>
<td>Trinity Health</td>
<td>3,741</td>
</tr>
<tr>
<td>Catholic Health Initiatives</td>
<td>3,207</td>
</tr>
<tr>
<td>Fresenius Medical Holdings</td>
<td>3,113</td>
</tr>
</tbody>
</table>

Source: SK&A's 50 Largest U.S. Medical Groups, 2019
The New Paradigm

RECRUITING IN BULK
30 to 40 searches instead of 3 or 4

AFTER CONSOLIDATION, CONTRACTS MUST BE ALIGNED

Factor Three: Physician Employment

Physician Employed By a Hospital/ Hospital-Owned Group
36.5%

Practice Owner/ Partner
31%

Source: 2018 Survey of American’s Physicians – The Physician’s Foundation/Merritt Hawkins
AES POLL QUESTION #2

What percent of new physicians jobs feature employment rather than independent practice ownership/ partnership?

A. 25%
B. 45%
C. 65%
D. 85%
E. Over 90%

Physician Employment

Percent of Merritt Hawkins searches featuring employment with hospital, medical group, FQHC, academic facility, etc.: GREATER THAN 90%

Independent practice: LESS THAN 10%

Source: Merritt Hawkins 2019 Review of Physician Recruiting Incentives
One Effect Of Employment: Turnover

ANNUAL PHYSICIAN MOVE RATES:

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Medicine</td>
<td>13.5%</td>
</tr>
<tr>
<td>Emergency Medicine</td>
<td>13.3%</td>
</tr>
<tr>
<td>Internist</td>
<td>11.9%</td>
</tr>
<tr>
<td>Urgent Care</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

DOES NOT INCLUDE “SWITCHING FLAGS”

Source: Physicians on the Move, SK&A

Factor Four:
The Move from Volume to Value

Primary care physicians the key to:
1. Expanding Access
2. Improving Quality
3. Reducing Costs

“Here They Come to Save the Day!”
Given These Trends, What Types of Contracts Will You See?

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>22%</td>
</tr>
<tr>
<td>Salary with Production Bonus</td>
<td>70%</td>
</tr>
<tr>
<td>Income Guarantee</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

If Salary with Production Bonus, on What is the Bonus Based?

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RVUs</td>
<td>70%</td>
</tr>
<tr>
<td>Net Collections</td>
<td>18%</td>
</tr>
<tr>
<td>Gross Billings</td>
<td>3%</td>
</tr>
<tr>
<td>Patient Encounters</td>
<td>9%</td>
</tr>
<tr>
<td>Quality</td>
<td>56% (≤7% in 2011)</td>
</tr>
</tbody>
</table>
What Percent of Total Comp is determined By Quality Metrics?

11%  
Enough to change behavior?

Source: Merritt Hawkins 2019 Review of Physician Recruiting Incentives

Quality-Based Metrics
The “perpetual motion machine” of physician compensation

We must reward “quality” & “value”...

But how?
Quality Metrics

Bonuses (fixed or as a % of base) for:
- Achieving minimum average of patients per day
- Exceeding average patient satisfaction scores
- Correctly documenting charts
- Appropriate coding and billing
- Citizenship (peer review, community relations)
- Accuracy of charting/EMR input

Quality Metrics (continued)

Bonuses (fixed or as a % of base) for:
- Participation in annual quality improvement project
- Clinical process effectiveness
- Patient safety
- Population/ Public Health
- Efficient use of resources
AES POLL QUESTION #3

What percent of physician contracts offer production bonuses featuring quality/value based metrics?

A. 17%
B. 23%
C. 39%
D. 56%
E. 73%

What is the “Goldilocks Zone”?

The right formula for balancing volume and value

HABITABLE ZONE

Too Hot

Just Right

Too Cold
Why Does Volume Still Rule?

Consider the average annual net revenue family physicians generate for their affiliated hospitals: $2,111,931*

*Source: Merritt Hawkins’ 2019 Survey of Physician Inpatient/Outpatient Revenue

The Geisinger Option

Forget formulas

Straight salaries, higher than average, quality pledge
AES POLL QUESTION #4
How would you describe your practice status?
A. Employed
B. Independent
C. Hybrid
D. Other

RVU Compensation: Understand the Formula

- What surveys or reports are being referenced for benchmarking RVU productivity and compensation per RVU?
- National figures reported as compensation per RVU are not necessarily the dollar amount rate being paid in the production bonus section of physician employment contracts.
- Is your contract a tiered model with varying compensation per RVU upon reaching multiple established thresholds?
- Is a portion of your salary “at risk” if salary if a minimum production threshold is not met?
RVU Compensation: Understand the Formula

- RBRVS vs. Physician Work RVUs (Know the difference)

- Check the physician fee schedule at CMS site. Click on the PFS Relative Value files for CPT Relative Value updates.

For More Information See:
Contracts: What Happens at the End of the Term? (1-3 Years is Standard)

- Straight production based on RVUs? (“eat what you treat”)
- Must base salary be renegotiated?
- Pay often is based on a quarterly system – what happened with last quarter’s RVUs?
- Pay can later be reconciled up or down
- When the RVU model changes, physicians get nervous.
Can you earn additional upside POTENTIAL?

• If group physicians are earning more than the base, new physicians may ask how they got there. Request transparency and review the numbers.

• Prepare an estimated pro forma, i.e. number of patients new physicians will see versus the RVU compensation model. Typically a Family Medicine physician will generate 1.3 Work RVU per patient encounter annually.

Has a physician needs assessment plan been completed?

Signing Bonuses

Included in 71% of Merritt Hawkins searches

Average bonus (all physicians): $32,692

Average bonus (FM): $26,071

Relocation Allowance

Included in 98% of Merritt Hawkins searches

Average allowance - $10,393


CME Allowance

Included in 98% of Merritt Hawkins searches

Average CME - $3,620

### Additional Benefits Are Usually Standard

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malpractice</td>
<td>98%</td>
</tr>
<tr>
<td>Health insurance</td>
<td>99%</td>
</tr>
<tr>
<td>Retirement</td>
<td>96%</td>
</tr>
<tr>
<td>Disability</td>
<td>97%</td>
</tr>
<tr>
<td>Educational loan forgiveness</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Merritt Hawkins 2019 Review of Physician Recruiting Incentives

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**For More Information See:**

[2019 Review of Physician and Advanced Practitioner Recruiting Incentives](#)
Key to Opportunity Diagnosis:
Consider Wants vs. Needs

You may want to practice in Hawaii but you may need…

- True practice potential
- Clear path to partnership
- Competitive compensation
- Reasonable real estate
- Loan forgiveness
- “Cultural fit” with your group

You Have Interest in a Practice:
The Conversation Begins

- Multiple hours needed on phone, pre-interview
- Involve spouse, significant other
- Contractual matters discussed in advance
- Written interview itinerary received
- At least one full day scheduled
- Meetings with all relevant parties
The Interview Is…

30% business and 70% social

The details have been discussed

You want to see if you “mesh”

What to Ask:
Are You Needed?

- Why are you recruiting?
- Why do you think there is a need for my specialty?
- How large is your service area?
- How many physicians are in my specialty?
- Have you conducted a physician needs assessment study?
- How do existing physicians feel about my recruitment?
- What are new patient wait times in my specialty?
- Who are my patients and where will they come from?
What to Ask:
Learning About the Practice

- What are your expectations?
- How many patients will I see?
- What type of hours?
- What is the call schedule?
- Defined path to partnership?
- What is the payer mix?
- What is the practice overhead?

Make sure physician schedules are defined

- Unassigned ER?
- Inpatient census for the practice?
- Phone calls/prescription refills?
- No call at all?
What Are The Hours Of Operation?

- Define “normal business hours”
- 8 half days at the clinic?
- 4 days a week?
- Open Saturday?

What to Ask:
The Era of Reform

- What is your vision for the future?
- ACO?
- Medical home?
- Consolidation?
- Employment model?
- Private practice?
- Value-based payments?
- MACRA?
An Additional Resource

How to Assess a Medical Practice Opportunity

Paid Time Off

- Sometimes it is standard, but it does vary and can be negotiated.

- 4 to 5 weeks is standard for family medicine. Note difference between “vacation” and “PTO”.

What About Partnership?

Time to partnership eligibility:

<table>
<thead>
<tr>
<th>Time to Partnership</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate/one year</td>
<td>36%</td>
</tr>
<tr>
<td>Two years</td>
<td>62%</td>
</tr>
<tr>
<td>Three years</td>
<td>0%</td>
</tr>
<tr>
<td>Four years</td>
<td>0%</td>
</tr>
<tr>
<td>Five years</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Merritt Hawkins 2014 Review of Physician Recruiting Incentives

The Partnership Contract

- If partnership offered, there should be a separate partnership contract, or at least terms of buy-in
- Time to partnership specified
- An equity clause should be included
- Purchase terms – pro rated share of hard assets
- Good will/blue sky/accounts receivable rarely an option
Non-Competes

• Do you have moonlighting expectations?
  – If so, should be approved in writing by employer
• Do you have outside business interests – patents? Clinical trials? Devices? Speaking engagements?
  – Employers will stipulate such revenue is separate
• Large employers generally don’t care about non-competes. If they do, their non-competes are iron-clad.

Admitting Privileges

The contract should state at which facilities physicians are required to have admitting privileges. Physicians should not be prevented from obtaining privileges where they wish.
Causes of Termination

• 30-90 days is standard for termination without cause. Physicians should not have to stay several months or more if they are not satisfied or are uncomfortable.
• Termination with cause is usually for clear offenses.
• However, physicians should be cautious if the contract states they can be terminated “for cause in certain instances at the sole discretion of the corporation.”

Tail Insurance

• Big systems usually pick up tail as a matter of course.
• However, if you leave without cause during the contract period, the onus may be on you.
Is Employment Here to Stay?

Hospital employment of physicians is a positive trend

<table>
<thead>
<tr>
<th>Employed Physicians</th>
<th>Practice Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>44.7%</td>
</tr>
<tr>
<td>Disagree</td>
<td>55.3%</td>
</tr>
<tr>
<td></td>
<td>15.5%</td>
</tr>
<tr>
<td></td>
<td>84.5%</td>
</tr>
</tbody>
</table>

Source: A Survey of America’s Physicians: Practice Patterns and Perspectives. The Physicians Foundation/Merritt Hawkins, 2016

Practice Recommendations

- Four factors driving contracts:
  1. The physician shortage
  2. Facility consolidation
  3. Employment
  4. Volume-to-value

- Contracts are designed to “shape physician behaviors” to meet employer quality/production directives

- Get all practice metrics – hours, duties, non-competes – in writing on the front end
Questions