PHYSICIAN CONTRACTING AND COMPENSATION

Seger S. Morris, DO, MBA
January 30, 2016
PROFESSIONAL TIMELINE

• BS - Investment Finance, FGCU, 2001

• Manager/Director Level Positions, 2001-2008

• Business Development Consultant, 2008-2012

• MBA - Strategic Management, UNT, 2007

• DO, LMU-DCOM, 2012

• Internal Medicine Residency, MRHC; Board Certification, AOBIM, 2015

• Associate Clinical Professor of Internal Medicine, MRHC
DISCLOSURES

• No relevant financial disclosures
AGENDA

- Needs Assessment
- Compensation Models
- Contract Elements
- Physician Compensation
- Value Assessment
AGENDA

• Needs Assessment
• Compensation Models
• Contract Elements
• Physician Compensation
• Value Assessment
NEEDS ASSESSMENT

• What do you need and what does the employer need?

• What do you want and what does the employer want?

Mutual Benefit
NEEDS ASSESSMENT

**Physician**
- Compensation
- Work Schedule/PTO
- Autonomy
- Academic vs Non-academic
- Leadership roles

**Employer**
- Work Schedule/PTO
- Leadership roles
- Unassigned call
- Cross-coverage
- Supervisory roles
AGENDA

• Needs Assessment

• Compensation Models

• Contract Elements

• Physician Compensation

• Value Assessment
# Compensation Models

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AGENDA

- Needs Assessment
- Compensation Models
- **Contract Elements**
- Physician Compensation
- Value Assessment
CONTRACT ELEMENTS

- Recitals
- Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

MEDICAL PROFESSIONAL EMPLOYMENT AGREEMENT
(CLINICAL PROVIDER)
STD FORM: EE - 2012v2.0

THIS MEDICAL PROFESSIONAL EMPLOYMENT AGREEMENT (the “Agreement”) is made this 1st day of December, 2014, and is effective as of the date set forth in Addendum “1” (the “Effective Date”) between the undersigned clinical provider (“Professional”) and the undersigned entity (“Company”).

RECATALS:

A. Company or its affiliate is in the business of contracting with healthcare facilities (as further specifically identified in Addendum “1”) to arrange for the provision of medical coverage and other mutually agreed upon services pursuant to certain contracts between Company and such facilities.

B. Company desires to contract with Professional to provide certain services to the patients of such facilities pursuant to such contracts.

The parties agree as follows:

1. Professional Duties. Professional will render professional medical services (“Services”) as an employee of Company at the healthcare facility(ies) listed in Addendum “1” to this Agreement and/or at other mutually agreed upon hospitals and healthcare facilities (“Facilities”). Services will be rendered consistent with the applicable bylaws, policies, rules, agreements and requests of Company and Facilities and all applicable laws, rules and regulations. If required by Company, Professional shall provide supervision for advanced practice clinicians, such as but not limited to physician assistants and advanced registered nurse practitioners in compliance with applicable federal, state and local laws, rules and regulations.

2. Licensure and Qualifications. Professional will maintain at all times all licenses and certifications required by Company and Facilities, including a medical license to practice medicine and other state-required certifications in the state(s) where Services are to be provided; all certifications required by Facilities, applicable controlled substances registrations issued by the United States Drug Enforcement Administration and, if applicable, the state(s) where Services are to be provided; and, any other credentials and/or certifications which may be required by Facilities.

3. Scheduling. Professional agrees to provide Services at Facilities during mutually agreeable shifts, including holidays as necessary in accordance with the minimum scheduling requirements set forth in Addendum “1”. For each month that this Agreement is in effect, Professional will notify Company of the days Professional is not available to provide Services. When scheduling Professional to perform Services, Company shall use reasonable efforts to accommodate Professional’s availability. In the event that Professional is or becomes unable to provide Services as scheduled by Company, Professional must immediately notify Company and, except in cases of emergency, locate a replacement to fill Professional’s vacant shift in order that the schedule may be filled. Except in cases of emergency, if Professional fails to procure replacement coverage to fill Professional’s vacant shift, Professional will pay Company any expenses incurred by Company in providing a substitute for Professional.

4. Term. This Agreement will begin on the Effective Date established in Addendum “1”, or earlier upon mutual consent of the parties, provided this Agreement has been signed by both parties and except for certain obligations of the parties that may commence earlier as specifically indicated in Addendum 1 and/or, if applicable, 1-A, provided Professional has obtained privileges and professional staff membership at Facilities and Company has commenced staffing services at Facilities, and shall continue until terminated by either party. Upon termination of Professional’s Services at Facilities for any reason, including expiration or termination of Company’s or Company’s affiliate’s contract with Facilities, Professional’s privileges to provide Services at the terminated Facilities and Professional’s medical staff membership at the terminated Facilities shall immediately terminate, without the right to a due process hearing. Professional further agrees to sign any supplemental documents required by Facilities consistent with the foregoing termination of medical staff membership and privileges upon termination of Services at Facilities and/or addressing any other terms which Professional must agree to in order to provide Services at Facilities.
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- Claims-made Coverage
- Occurrence Coverage
- Tail
- Nose
- Who pays premium?
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- Duration of Contract
- Renewability
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- **Termination**
  - Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- Which party can terminate the contract?
  - For cause
  - Without cause
- How much notice?
- Severance
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- **Non-interference**
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- The “non-compete” clause
- Restriction of trade laws
- Industry standards
- Specific limitations
  - Business practices
  - Professional services
CONTRACT ELEMENTS

- Recitals
- Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- Can either party assign the contract to someone else?
- Corporate buyouts
- Non-profit vs For-profit
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- Non-interference
- Assignment
- **Professional Duties**
  - Specific responsibilities
  - Committee work
  - Midlevel supervision
  - Quality requirements
  - Office staff control
- Compensation/Benefits
- Hospital bylaws!!
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- When do you work?
- The dentist appointment
CONTRACT ELEMENTS

- Recitals
  - Malpractice
- Term
- Termination
- Non-interference
- Assignment
- Professional Duties
- Scheduling
- Compensation/Benefits

- When?
- How much?
- W2 or 1099?
- Loan repayment, health insurance, retirement match, life insurance
A quick note about stipends
AGENDA

• Needs Assessment
• Compensation Models
• Contract Elements
• Physician Compensation
• Value Assessment
PHYSICIAN COMPENSATION

• RVU = Relative Value Unit

• Total RVU: Total value of service
  • \[ (wRVU \times wGPCI) + (peRVU \times peGPCI) + (mRVU \times mGPCI) \] \times \text{conversion factor}

• Work RVU: Clinician value
  • “relative time, skill, training, and intensity”
### PHYSICIAN COMPENSATION

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<th>Year</th>
<th>Conversion Factor</th>
<th>% Change</th>
<th>Primary Care Conversion Factor</th>
<th>% Change</th>
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Initially, the Medicare Physician Payment Schedule included distinct conversion factors for various categories of services. In 1998, a single conversion factor was offset by elimination of the work adjustor and increases in the practice expense and PLI RVUs. The reduction in the 2009 conversion factor was offset by elimination of the work adjustor from the third Five-Year Review. The reduction in the 2011 conversion factor was offset by increases to the practice expense and PLI RVUs resulting from the rescaling of those RVU pools to match the revised MEI weights.

Inflation adjusted values:
- **2015**: $35.80
- **1995**: $56.58

~37% decrease
PHYSICIAN COMPENSATION

• Example #1: Salary + $15/RVU over 5000 wRVU threshold
• Example #2: $45/RVU with minimum base salary
• Example #3: $49/wRVU with no minimum
• Example #3: Salary + 25% of operating profit
• Compared to benchmarks of $49/wRVU median compensation, and 4700 annual median productivity
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<td>Salary +</td>
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<tr>
<td>I.C.</td>
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<td>+/-</td>
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## Physician Compensation

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<tr>
<th>RVU (3700)</th>
<th>Salary + $230k + $15/wRVU</th>
<th>$45/wRVU $200k min.</th>
<th>$49/wRVU</th>
<th>Salary + % of profit</th>
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VALUE ASSESSMENT

Compensation

Value

Needs
VALUE ASSESSMENT

Physician
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• Leadership roles

Employer
• Work Schedule/PTO
• Leadership roles
• Unassigned call
• Cross-coverage
• Supervisory roles
VALUE ASSESSMENT

• External forces:
  • Supply of physicians
  • Demand for physician services
  • Culture of work/life balance
  • Fair Market Value/Stark Laws
MUTUAL BENEFIT

Physician Value

Employer Value
FINAL TIPS

• Know enough to check your advisors
• Use a healthcare/contract attorney
• Know your needs vs wants
• Benchmark apples to apples
• Focus on mutual benefit
QUESTIONS?