

Transition to Practice Lecture Series



THE AMERICAN ORTHOPAEDIC ASSOCIATION®
Leading the profession since 1887

Fellowship Education Coalition

Contract Negotiations

Representing multiple orthopaedic subspecialty societies,
the following members of the Fellowship Education Coalition authored this lecture:

James Holmes, MD, FAOA

Anthony Bratton, MD

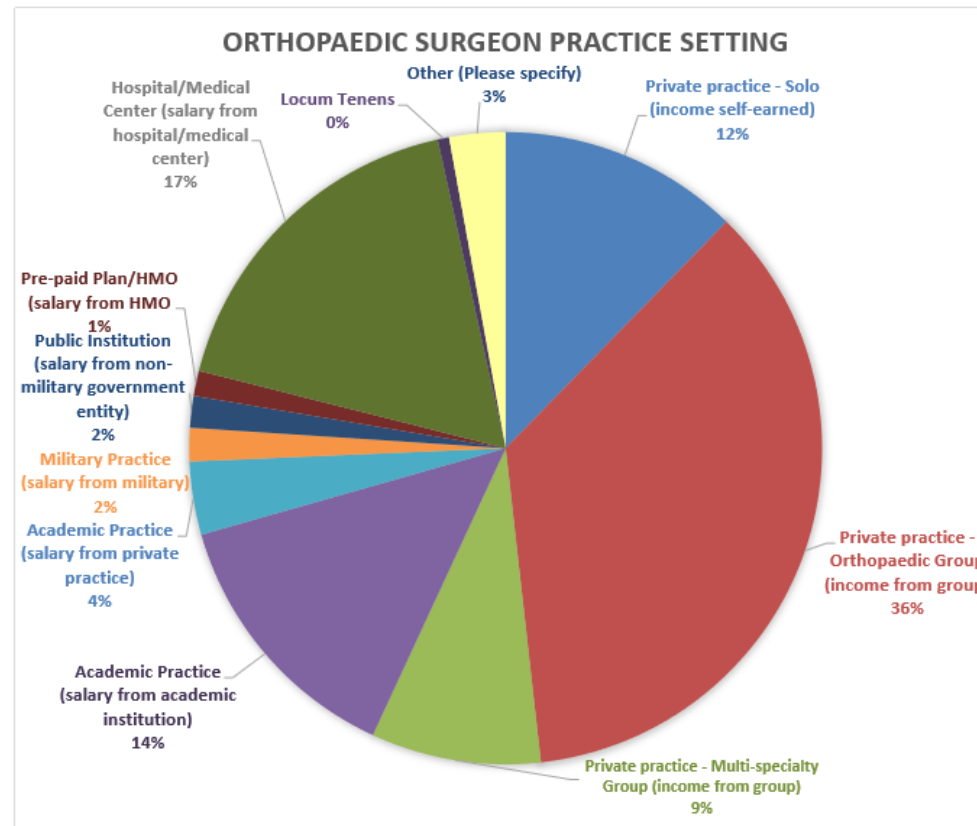
Antonia F. Chen, MD, MBA

Drew A. Lansdown, MD

Brian R. Waterman, MD, FAOA

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Transition to *What Environment?*



2018 Orthopaedic Census Report – AAOS

Overview

- **WHO** *are you negotiating with?*
- **WHAT** *items are you negotiating?*
- **HOW** *does one go about this process?*
- **WHERE** *can I turn for help?*
- **Fellow/Faculty Evaluation**
 - [Use this survey](#) to provide your feedback about this module.



Who...are you negotiating with?

Contracts vary with practice environments:

- Private practice
- Multispecialty group
- Hospital/health system
- Academic appointment



What ...items are you negotiating?

In the contract....

- Compensation formula
- Terms of employment
- Benefits
- Ancillary income opportunity
- Bonus (signing, initiation, moving, etc)
- Malpractice coverage
- Separation/ Termination
- On-Call obligations
- Call stipend
- Teaching stipend
- Clear path to partnership
- Research support
- Academic productivity metric
- Consulting/ Royalties

What ...items are you negotiating?

Compensation formula

- Yours vs Partners
- Additional \$ with goals achieved?
- Penalty for shortfall?
- When did it last change and why?
- Ancillary income calculation?

Overhead

- How is it calculated?
- Fixed vs Variable

Accounting

- Charges vs Collections vs RVUs vs wRVU with multiplier vs blended

Ancillary income

- How and when is it allocated? Obligations? Buy in? Buy out?



Benefits



- **Specific options**
 - Health, dental insurance
 - Disability insurance
 - Life insurance
 - Retirement package
 - CME account
 - License and professional dues
 - Loan repayment
 - Vacation
- **Eligibility** – who and when
- **Administered by** the practice or 3rd party

Ancillary Income Opportunities



- What are they at this job?
 - There may be restrictions from state to state
 - “CON” states (certificate of need restrictions)
 - Real estate, Imaging, Therapy, Surgery Centers
- What is the buy-in?
- What is the buy-out?
- Are the terms the same for all physicians or are there special deals?

“Bonus”

- Sign on bonus
 - Payable when you sign or when you start?
 - What happens if either party terminates early?
- Educational loan payment
 - Same termination restrictions as above
- Moving expenses
 - Capped or Uncapped?
 - Same termination restrictions as above



Malpractice Insurance

- Amount
 - Reported as numbers, the first is the amount per claim per year and the second is the total amount per provider per year. (e.g. “1M/3M”)
- Structure
- “Tail” coverage if termination



While not spelled out in the contract it is important to understand how malpractice coverage works, who the insurer is and what their track record has been, any restriction in legal counsel, and the structure of the policy. Ultimately, this is very important to protect your personal financial assets.

Separation/Termination

- Rights and responsibilities
- Obligations
 - “Notice”, communication, patient notification, etc.
- Restrictive covenants
- Financial liability
 - Malpractice tail
 - Payback of “bonuses” etc.
 - Payback of any short fall (collections vs salary)



On-Call Obligations / Opportunities

- Hospital requirements – typically in bylaws
- # of Hospitals?
- “Group call” frequency – not ED, but for practice pts
- Frequency
- Stipend? Amount?
 - Independent or included in your salary?
- Expectations
 - Hand?, Spine?, Trauma orthoped trained support? That night or next day?

Miscellaneous

- Teaching stipend
- Royalties
- Consulting
- Legal work
 - Expert
 - IMEs



more...

What ...items are you negotiating?

Not in contract

...but need transparency and clarity

- Patient access
- Patient distribution
- Work environment
- Marketing/ promotional plan
- OR block time/implant limits
- On call expectations
- Ongoing negotiations?
- Strategic plan
- QA/QI program
- Governance structure
- Understand your environment
- What do they need from me?

Professional Path

Is Your Path Forward Outlined?

- Terms of Employment Agreement
- Pathway to Partnership
 - Clear criteria including timing
 - How is the decision made
 - Other promotional opportunities (hospital or group)
- Pathway to Promotion
 - Academic centers
 - Clinical vs tenure track



How ...does one go about this process?

- Initiation
 - Starting the process
- Doing your homework/information sources
- Communication
 - Responsible, punctual
- Expectations on both sides
 - What are your expectations, timeframes, etc., and do they mesh with this employer?
- Understanding needs/leverage/expectations
- Obligations

Where ...can I turn for help?

- MGMA
- Mentors
- Accountants
- Attorneys
- Consultants
- Proprietary websites
- Written resources
 - **Getting to Yes** by Roger Fisher and William Ury
 - and many others



Additional Educational Resources

- AMA GME Competency Education Program. *American Medical Association*; <https://edhub.ama-assn.org/gcep>
- Babitsky S, Mangraviti JJ. The 10 biggest legal mistakes physicians make in negotiating contracts with their employers. *Seak.com*; 2005. <https://seak.com/blog/uncategorized/10-biggest-legal-mistakes-physicians-make-negotiating-contracts-employers/>
- Fisher R, Ury W, Patton B. *Getting to Yes: Negotiating Agreement Without Giving In*. New York: Penguin Books; 2011.
- Hofheinz E. Contract negotiation: do thine homework. *Orthopedics This Week*; Aug 14, 2009. <https://ryortho.com/2009/08/contract-negotiation-do-thine-homework/>
- The Employment Contract Checklist. *American Academy of Orthopaedic Surgeons*. https://www.aaos.org/uploadedFiles/PreProduction/Membership/Member_Resources/prac_mag/The%20employment%20contract%20checklist.pdf
- Williams AC, Althausen PL, Bray T, Walker J. *The Orthopaedic Success Manual*; 2018. <https://coa.org/2018/presentations/84The-Orthopaedic-Success-Manual.pdf>

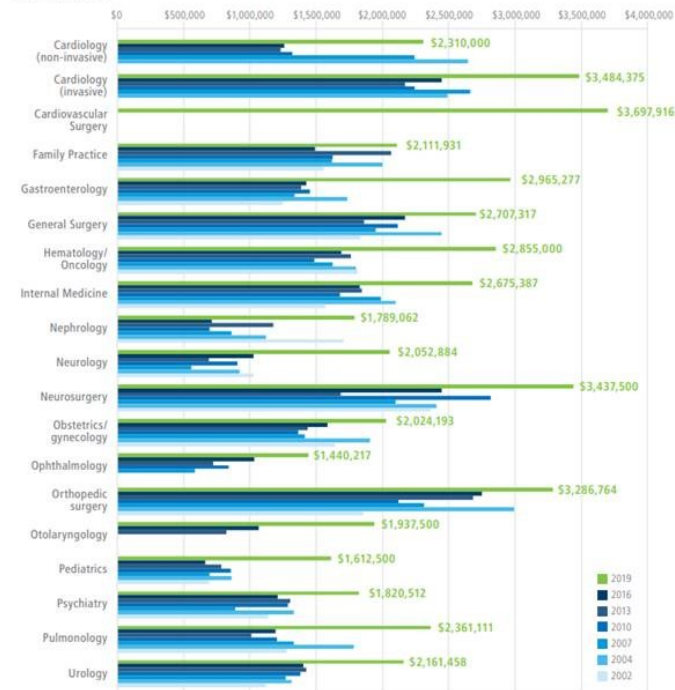
(Optional slide for use in this lecture.)

Orthopaedics Add Value to Hospital Systems

Available at <https://www.merritthawkins.com/news-and-insights/thought-leadership/survey/2019-physician-inpatient-outpatient-revenue-survey/>

SPECIALTY COMPARISON YEAR-TO-YEAR

The graph below shows average annual revenue generated per specialty for the seven years the survey has been conducted.



*Ophthalmology included for the first time in 2007, Cardiovascular Surgery included for the first time in 2019

PHYSICIAN GENERATED REVENUE VS. AVERAGE SALARIES

Specialty	Average Revenue	Average Salary*
Cardiology (Invasive)	\$3,484,375	\$590,000
Cardiology/Non-Inv.	\$2,310,000	\$427,000
Cardiovascular Surgery	\$3,697,916	\$425,000
Family Practice	\$2,111,931	\$241,000
Gastroenterology	\$2,965,277	\$487,000
General Surgery	\$2,707,317	\$350,000
Hematology/Oncology	\$2,855,000	\$425,000
Internal Medicine	\$2,675,387	\$261,000
Nephrology	\$1,789,062	\$272,000
Neurology	\$2,052,884	\$301,000
Neurosurgery	\$3,437,500	\$687,000
OB/GYN	\$2,024,193	\$324,000
Ophthalmology	\$1,440,217	\$300,000
Orthopedic Surgery	\$3,286,764	\$533,000
Otolaryngology	\$1,937,500	\$405,000
Pediatrics	\$1,612,500	\$230,000
Psychiatry	\$1,820,512	\$261,000
Pulmonology	\$2,361,111	\$418,000
Urology	\$2,161,458	\$386,000

Source: Merritt Hawkins 2018 Review of Physician Recruiting Incentives

Additional resource: <https://www.merritthawkins.com/trends-and-insights/article/white-papers/Orthopedic-Surgery-Supply-Demand-and-Recruiting-Trends/>

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