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Key Questions to Consider Before Entering an Employment Agreement

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By Richard C. Koval, M.P.A., CMPE
Senior Consultant, BSM Consulting

Whether you are a new physician taking that first post-training step in establishing a long-term clinical career or an established practitioner looking to add a physician to your practice staff, it is important to understand the questions all parties need to ask—or answer—related to the employment agreement. The chances for successful completion of this step are enhanced through appropriate preparation, acquisition of information, and thoughtful deliberation.

Following is a list of key questions to consider before executing an employment agreement.

Employment Agreement Term

- When does the contract become effective?
- How long is the contract?
- What renewal provisions does the contract contain?
- Under what conditions may the contract be terminated?
- What are the notice requirements upon termination?

Duties and Responsibilities

- What hours will the new associate be expected to work?
- What restrictions exist regarding "outside" work?
- How are "call responsibilities" to be allocated?
- What are provisions regarding release of patient records at termination of the contract?

Compensation

- What is the salary or base guarantee offered?
- What bonus or incentive compensation is offered?
- How will these amounts be computed?
- How and when will compensation be adjusted?

Fringe Benefits

- Will the new associate be provided medical insurance?
- If so, will the practice pay for dependent coverage?
- Will the practice offer disability insurance?
- Will the new associate be able to participate in a retirement plan?
- What type of professional liability coverage is provided?
- Who will be responsible for tail coverage?
- What sick leave benefits are provided?
- What professional education benefits will be provided?
- What vacation benefits will be provided?

Additional Business Expenses

- Does the practice pay hospital staff dues, professional society dues, and medical journal subscriptions?
- Will the practice reimburse the new associate for continuing education?
- Will the new associate require any special clinical equipment?

Restrictive Covenant

- Will there be a covenant?
- If so, what are the specific terms?
- Under what conditions, if any, can the covenant be canceled?

Potential Ownership

- When will an ownership offer be considered?
- What percentage of the practice will be offered?
- What parts of the practice will be included/excluded?
- How will the price be determined?
- What will the terms be?

All parties involved in negotiating an employment agreement need to have a clear understanding of the details that will be included in the final document. Asking the right questions will help reduce surprises and misunderstandings while enhancing prospects for a stable, long-term relationship.



About the author: Richard C. Koval is a principal and senior consultant with BSM Consulting, an internationally recognized health care consulting firm headquartered in Incline Village, Nevada and Scottsdale, Arizona. For more information about BSM Consulting or content/resources discussed in this article, please visit the **BSM Café** at www.BSMCafe.com.