

## CHECKLIST FOR PHYSICIAN COMPENSATION ARRANGEMENTS

### Types of Arrangements That Apply (Not Exhaustive)

- Employment
- Professional Services Agreements
- Call coverage agreements
- Medical directorships
- Medical staff leadership
- Provider supervision
- Management services
- Administrative services
- Office space rental

### New Physician Documentation

- Duration the position is open
- Number of candidates interviewed
- Range of experience of candidates interviewed
- Expenses associated with recruitment (e.g., use of a recruitment firm, candidates' travel expenses)
- Provider's compensation before becoming employed
- Experience of hired candidate (including residency and/or fellowship training, previous positions, publications, research, presentations etc.)
- Productivity of physician previously in that position
- Any market demand or community needs studies. Should include quantitative and qualitative analysis related to service area demographics and specific disease or condition incidence and prevalence.
- Supply pipeline as determined by historic residency matching trends as reported by NRMP Match, SF Match or specialty-specific match reporting (AUA)
- Specialty-specific AMA Physician Socioeconomic Characteristics (age breakdown of specialty) Comparable compensation at the time for similarly situated providers in region if sample size is sufficient to warrant comparison (e.g., MGMA, AMGA, Merritt Hawkins, Delta Physician Placement surveys, etc.)

### Current Physician Compensation Arrangements

- Ensure compensation clearly "set in advance" and outlined in physician contract
- Delineate services for which the compensation is being paid
- Provide sufficient detail that can be objectively verified
- Do not allow for formula changes or modifications during the course of the arrangement or in ways that take into account volume or value of referrals
- Should be reviewed against performance (including productivity) annually
- Should begin to incorporate compensation allowances for qualitative measures

### Acquired Practices

- ❑ Acquisition price cannot duplicate future employment compensation—typical value will be fixed assets unless ancillary services are being purchased
- ❑ Check any real estate leases against FMV if a related party owns the real estate

### Additional Issues

- ❑ Survey data is not conclusive—you cannot just pay median without the above documentation and call it good
  - ❑ Example: payment of compensation at the 60<sup>th</sup> percentile nationally, according to the MGMA survey for a new physician that has just graduated without other circumstances documented, is likely not within FMV
- ❑ Make sure to check that *total* compensation is fair market value, including signing or “commencement” bonuses and student loan payments that may be treated as imputed income over the life of the employment agreement
- ❑ Educational stipends paid during residency or fellowship training programs in return for promise of future employment should be reviewed in consideration of the time and duration related to the recruitment process and may be compared to signing or commencement bonuses
- ❑ Relocation expenses must also be checked against specialty-specific national or regional data. If specialty-specific data is unavailable, general data such as is available from Merritt Hawkins or Delta Physician Placement surveys may be utilized
- ❑ Vet compensation against FTE status
  - ❑ Be careful of stacking arrangements—separate agreements for call, employment, medical directorship, research, etc.
  - ❑ Compare compensation from *all* sources with hours required for each source and hours actually performed by a physician
    - ❑ A physician only performing 25 clinical hours per week is unlikely to be at the same compensation as a physician performing 40 clinical hours per week
  - ❑ Document hours and review against compensation annually
- ❑ Renegotiating contracts
  - ❑ Do not “back pay” for the previous contract for a job well done or threats to leave
    - ❑ All compensation must be set in advance
  - ❑ Physicians currently employed and stating that they have a better offer
  - ❑ You must have a copy of that offer to beat it
- ❑ Spend time educating the candidate as to the tax implications of the various elements of compensation. For example, they must understand that they may receive a 1099 for lump sum payments such as signing bonuses and relocation expenses.