

The Importance of Contract Review

Signing an employment contract has a huge effect on your career trajectory, as well as your personal life. The right contract will compensate you fairly, protect your interests, and set a healthy work/life balance. The wrong contract will undercompensate you, provide unclear expectations, and allow your employer to control when, where, and how you perform your job. Therefore, it is crucial to review such an important document in full and negotiate any terms that only serve your employer and take advantage of you.

The following are many of the common contract terms you should consider and possibly negotiate when reviewing an employment contract.

Compensation Package

Base Salary

Salary is of course a large factor when considering whether to take a job. Before you can determine whether an offer is above or below average, you need to know what the average salary numbers are for physicians in your specialty and general location. Access a compensation data source like MGMA or rData to see what other physicians like you are earning. Employers also reference data sources like MGMA, so if you have access to the same data, you can prove when an offer is low and negotiate on a level playing field.

Productivity Bonus

It is very common to see contracts with a production-based bonus included. There are a variety of models, however the most common production bonus plans are calculated by tracking either your work relative value units (wRVU) or your collections. Simply put, the more wRVU's or the more collections you have, the more you will be paid.

Most production models incorporate a base salary and a corresponding production threshold that you need to meet before you are eligible for a bonus. It is extremely important to know what patient volumes to expect and which thresholds are reasonable to reach given those volumes. Your contract should define any thresholds and bonus rates, which you will want to negotiate if unreasonable.

Signing Bonus

A signing bonus is often used as an incentive for you to accept a position. Keep in mind that a signing bonus typically comes with a repayment obligation. It is common for your bonus to be repaid over the course of your employment in a pro-rated fashion. This means the bonus will be forgiven fractionally over time. If you choose to leave the job before your signing bonus is completely forgiven, you may be required to repay the remaining amount. The terms surrounding bonus repayment can be negotiated and you should never have to repay the remainder of a bonus if you are terminated without cause.

Your Day-to-Day

Schedule and Call Time

Your contract should describe the shifts, days, or hours you will work, as well as the expectation for on-call coverage. Ensure any type of scheduling is specific, avoiding broad language like “hours defined by employer.” You do not want to leave scheduling up to interpretation and end up working at unexpected times.

Work Location(s) and Scope of Practice

Similar to scheduling, your workplace and duties need to be clearly defined in your contract. If left to your employer’s discretion, you may find yourself traveling to work at satellite locations or performing tasks outside of your specialty or expected workload.

Equipment, Staffing, and Scribes

These contract items are largely dependent on your individual needs and what support you believe is necessary to be successful. If you would like specific equipment, certain help from advance practice providers, or a scribe, know that it can be specified in your contract. These are pieces that may not be in the original offer but can be requested if important.

Outside Activities Restriction

Most contracts will address restrictions on activities or business ventures you are allowed to participate in outside of the contracted position. These clauses often require prior written consent from your employer before you can engage in such activities. If you have any intention of starting a side gig or moonlighting, you should check for these restrictions in your contract and negotiate for them to be reduced.

A small blue icon of a piggy bank with a coin slot on top.

Benefits

Health Insurance

Most employers will offer a preferred provider organization (PPO) plan, while some may offer a health maintenance organization (HMO) plan. Do some additional research on these plans and find out how your employer's offerings compare to the open market. Consider premiums, co-pays, deductibles, tax efficiency, and maximum out-of-pocket costs to ensure you are receiving coverage that best fits your situation.

Life Insurance

There are two main types of life insurance, term life and permanent life. Permanent life insurance can be further separated into universal life, variable life, and whole life. The coverage type you need will vary based on your dependents and risk factors. Overall, be careful in choosing the right amount, length, and time of protection, so you do not end up over-paying for something that does not match your needs.

Disability Insurance

Disability insurance policies can vary much more than other types of insurance, but you generally want a policy with a broad definition of "disability." The two primary types of coverage are short-term and long-term. Physicians should be looking for long-term disability insurance that is considered "own-occupation" protecting their specific specialty. Also keep in mind the elimination period you must fulfill for coverage to begin, what criteria triggers a benefit, the period of time the benefit is received, and which riders are worth purchasing.

Malpractice Insurance

Malpractice insurance is almost always paid in full by your employer, and there are not as many options to worry about. Your malpractice coverage will either be claims-made or occurrence-based. The latter is preferred, but if you are offered claims-made, you will also need to acquire tail coverage once the contract terminates. Tail coverage protects you from any suits brought against you after leaving a practice or being terminated. If necessary, try negotiating for tail coverage to be paid for by your employer, otherwise you will need to purchase it yourself.

Retirement Savings

The most common retirement plans offered by employers are the 401(k) and the 403(b). There will be a maximum amount that you can contribute to these per year, and your employer may match all or part of your contributions. Pay attention to whether you are immediately eligible to enroll in the offered retirement plan. In some cases, you must be an employee for one year before becoming eligible.

Student Loan Repayment

You likely have some amount of student loan debt, and paying off that debt quickly is a top priority for many physicians. However, only about 20% of employers will include a student loan repayment plan as part of their initial offer. If you are not offered a repayment plan, consider asking for one in negotiations.

Vacation, CME and Professional Dues

Many employers will offer paid time off and allowances of \$3,000 to \$5,000 for continued medical education. Medical licensure fees and professional dues are often paid in full. Make sure your contract includes these items in some capacity and negotiate for better terms if needed.

Termination and Exit Strategy

Restrictive Covenants

Also known as non-compete or non-solicitation clauses, these terms are designed to keep you from leaving to work for a nearby competitor and possibly taking patients with you. Such clauses often serve your employer's interests much more than your own and can have harsh consequences if you ever want to change jobs.

For example, a non-compete typically specifies a radius around your employer's location(s) and a timeframe in which you are prohibited from working for another employer within that radius. If most available employers fall within that radius, you could find yourself moving to an entirely different city if you want a new job. The situation can be made even worse if your employer has multiple locations you must avoid. These terms may effectively trap you in your current position, unless you are willing to make a significant move.

With this in mind, it is always best to negotiate a non-compete out of your contract before signing. At the very least, try to have the effective radius and/or timeframe decreased as much as possible. Your contract should also stipulate that if you are ever terminated without cause (fired), the restrictive covenants will not take effect.