August 01, 2019 10 min read

Demystify employee contracts for nephrology graduates

Evaluating nephrology opportunities and understanding physician contracts can be a daunting task. When looking for their first job with a nephrology practice, new graduates need an understanding of contracting nuances such as inpatient credentialing, working with a dialysis unit and inpatient calls, and joint ventures with large dialysis companies. They also will need to know the language used in contract evaluations and negotiations.

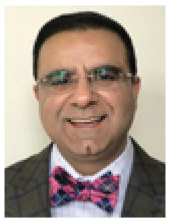
Unfortunately, medical schools provide little education on these matters. With this article, we seek to provide a comprehensive review for the fresh graduate.

Understand a job description

A job description should spell out several items:

- allocation of time;
- call responsibilities and weekend coverage; and
- paid time off, either a set time (eg, 4 weeks) or a fraction of hours/paid hour that includes CME time and CME allowance.

Clinical and non-clinical and any administrative duties should be outlined to at least a reasonable degree, with specification of time components. Compensation for non-clinical duties should be outlined.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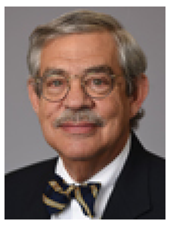
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Look for something called “equal call and equal rounding.” A recent Canadian study that reviewed the complexity of medical specialties revealed nephrology had the most complex patients. Physician burnout is common; the WHO recently added it to its ICD-11 classification codes. The point is to understand your worth and not sell yourself short.

Get to know partners

You will spend much more time with your partners than with your family. Good partners provide appropriate coverage and have a good working relationship and knowledge base to practice a high level of medicine. Also, a new member of a group is often perceived as someone at the height of training and a source of education to the group. Additionally, senior partners are more experienced in the practice of nephrology and medicine and can provide good insight into medical practice for a new partner.

Partnership track

It is crucial to know when you will be eligible for partner status and be able to buy into the practice while getting access to perks like a dialysis medical directorship. Inquiry into the buy-in and buy-out amounts is important. Your contract should mention a time when you will be eligible for partnership and hopefully also mention scheduled sit downs prior to that time to ensure you are on track to become a partner (perhaps at the 1-year and 2-year marks).

Find a good mentor

Choosing a first boss is as important as choosing the first job. He or she can be a mentor who can guide you, safeguard your interests and avoid common pitfalls. Talk to previous partners and their reasons for departing the practice. Increased physician turnover may be a clue to discontent amongst providers, either at a professional or personal level. Reach out to providers within the same branch within the area and state. Look into quality concerns, future for growth and climate to accept new ideas and change.

As a nephrologist looking at a new position, whether it is private practice or academic, inquire into available support service lines such as vascular access, interventional radiology and surgical support, as well as internal medicine, family practice and subspecialty referrals.

Pay attention to the contract

It is crucial to pay attention to the contract, so it is aligned to both patient care and professionalism. Some clauses to be vigilant of and potentially avoid are as follows.

- Iron clad confidentiality: A clause that could preclude a physician from discussing publicly anything about their situation or about the corporate organization where they work.
- Termination without cause: A clause that may enable termination in response to whistleblowing for ethical or quality concerns.
- Non-compete or restrictive clause: This may prohibit physicians to practice near the site of their previous employment.
- Restrictions on outside activities: A clause that may preclude physicians from participating in research, teaching or to exercise academic freedom.
- Anti-poaching agreement: A clause amongst organizations that may prevent physicians who work at one system to be hired by the other.
- Gag clause: A clause that prevents discussions over issues concerning electronic health records that may arise if an employer has a contract with a third party-EHR vendor.
- Leakage control: A clause that may give physicians incentives to refer patients within their system, regardless of a patient's needs.

It is vital to pay attention to the above issues, especially if you are joining a large organization, so it does not conflict with how you provide ethical and professional medical care. Most nephrologists work in a private practice setting where one needs the ability to negotiate, ie, if termination is without cause, then maybe the non-compete or restrictive covenant should be readdressed.

Terms of termination

An employment term is usually for 1 year to 2 years with automatic renewal. Make sure that causes are spelled out for immediate termination and that there are no disparities in the terms for termination between the physician and the practice. A 90-or 180-day out for both parties is reasonable.

It is also sometimes necessary for a person to terminate his/her employment with the employer despite being in a good relationship with the group. This may occur if a spouse, significant other or family member requires relocation. It is important that your contract has reasonable provisions to allow this to happen.

Malpractice insurance

Ask about the insurance carrier the practice uses. Have they been advocates for the physicians? There is a natural conflict of interest with insurance companies as the lawyers hired by the insurance carriers may want to settle out of court without physician consent. Ask about the tail coverage (eg, tail coverage for 3 years for an intensivist is around $40,000). Tail coverage covers you if there is a lawsuit after you have left the practice for an occurrence that happened during your employment.

Private practices are not like hospitals. Most hospitals provide claims-made coverage, meaning there is a tail. Private practices do not, primarily because of cost. Again, if there is termination without cause, this is another area to negotiate.

Joint ventures with LDOs

The number of partners and employees in the group and number of joint ventures with large dialysis organizations (LDO) determine the percentage of total revenue generated by the practice by non-clinical work. A sizeable percent of revenue, between 14% and 35%, can come from joint ventures and medical directorships of dialysis units. Joint ventures with dialysis providers have seen a growth as composite rate dialysis services are not subject to federal prohibition on physician self-referral.

Advantages of joint ventures include sharing business risks and profit, access to professional management that handles infrastructure and day to day operations, along with providing increased access and competition in the marketplace. It also provides recruiting assistance. For smaller physician groups, this could translate into better flexibility with ownership percentages and influence over operational issues.

Disadvantages with joint ventures include loss of final decisions over operational issues. In general, professional managers essentially run the business while the decision agreed on is consented by all parties.

A true joint venture is a jointly owned entity, and profits or losses are split by the ownership. The ventures generally have a management contract with the non-physician investor to oversee management. A start-up facility joint venture is set up to operate a new dialysis facility; satellite joint ventures are directed at serving a new geographic area.

Such ventures and ownership come with a degree of uncertainty given today’s regulatory and health care environment. It is important to understand the implications of the buy-in amount before you become a partner with access to ownership into joint ventures. In these situations, legal counsel is usually beneficial.

Non-compete/restrictive covenant

A non-compete clause disallows a physician to be associated with or have any financial interest in any practice or organization that is in competition with the services provided at the practice site or at the group within the restricted area. It is in the physician’s best interest to narrow down duration or location of a restrictive covenant.

Such restriction usually continues for a period of 1 year to 2 years and within certain distances, eg, 20 to 50 miles from the practice site. Although most practices and organizations will require a restrictive and non-compete clause, it is possible to get or negotiate a non-compete arrangement, especially in non-urban areas. In some states, a non-compete clause is not enforceable. If so and still part of the contract, ask for it to be removed.

A non-compete clause may prohibit a physician in a group from having a medical director or joint venture interest with a dialysis corporation that competes with the corporation in which the physician or group has a medical director or joint venture interest. This would be a violation of the Joinder agreement (a non-compete from the dialysis company), a document that the practice and/or physician in practice signs to maintain their medical directorships.

The policies, procedures, manuals, materials, programs, marketing and other promotional materials belonging to a practice or a group are considered proprietary information to be maintained in strictest confidence. It is vital to ensure that physicians should be able to disclose this information to their attorneys, accountants and other business consultants provided the information is kept confidential by such advisors and consultants.

Compensation

Compensation can be dependent on many factors, including location of the practice, demographics of the area, payer mix, ancillary services, research, size of the practice, competition in the market and other issues. Instead of focusing on compensation, an incoming physician should consider stability of the practice, productivity, time and cost to partnership, benefits, retirement plans and the additional revenue streams available. Also, it would be good to know how the practice deals with the monthly capitated payment and medical directorships to ensure you will receive a fair share.

Physician practices use several models to compensate nephrologists. A common model in private practice is a guaranteed salary for a period of 2 to 3 years, with the ability to buy into the practice and become a partner after that period.

Hospital-based systems often use a productivity-based model in which physicians are required to generate a certain amount of work relative value units (wRVUs) to make the base salary that was specified during the guaranteed lead-in period. Any wRVUs generated above the target are usually paid as a dollar amount per wRVU in addition to the base salary as a productivity bonus.

It is important to research the Medical Group Management Association median for wRVUs for nephrology for the year in question and the dollar amount per wRVU to ensure it is in line with the compensation package being offered. Be aware of the financial data for the group, including the number of dialysis patients in the outpatient practice, annual revenue generation, office overhead, number of partners and number of physicians on guaranteed salary as an employee. Try to ascertain the future plans and goals of the group. If possible, inquire with new members in the practice if they have been able to achieve target wRVUs and other productivity targets for promotion. Also, ask if there is a bonus structure plan in the system if new nephrologists exceed financial goals.

Ask if there is a cost of living or seniority increment built into the contract, along with coverage of moving expenses. It would be good to know the biweekly draw, ie, the amount for the 26 pay periods in a year.

Supervisory compensation

Nephrology has an aging and shrinking workforce. There are more advanced practice providers, including nurse practitioners, physician assistants and certified nurse specialists, who help us with various responsibilities within a nephrology practice. If a mid-level provider sees patients for you, eg, doing basic visits on your dialysis patients, you will likely need a collaborative or a supervisory agreement.

Depending on the state of your practice, there are different medico-legal implications of working with a mid-level provider. For example, in Indiana, there are more supervisory responsibilities while working with a physician assistant compared with a nurse practitioner. You are required to perform, within 10 days, 25% of the chart review within the first year of hiring and then 10% within the subsequent years. Requirements might be different from the credentialing committees at the hospital compared with state requirements. It is good to know about these requirements and the associated supervisory compensation.

Sign-on and retention bonuses

Sign-on bonus usually has a period involved where you cannot leave the practice and, if you do, you must pay back the bonus. You may not like the practice, the partners, the area or, simply put, life events can happen. There are numerous reasons why one may want to move on to a new job. We suggest asking for a retention bonus instead if you are offered a sign-on bonus. If, for example, you are being promised a $25,000 bonus and you are required to stay at the practice for 5 years, ask for just a portion of that bonus (in this case, $5,000) at your yearly anniversaries. Although a big payout at once is tempting, asking for a retention bonus will save you a headache and potential attorney fees if you had to leave the practice for whatever reason. Employers also realize the importance of treating you fair if they want to build a practice and have you stay.

Benefits

Look into medical and dental insurance, sick days or Family Medical Leave Act provisions in addition to vacation days, short- and long-term disability, life insurance (term or whole life), retirement plan, and maternity or paternity leave. Retirement plans can vary, and the financial implications can be significant in how it impacts a physician's compensation. A 401K with profit sharing could defer higher amounts of income if it is funded by the practice. Other practices offer a match program (usually matching 3% up to a capped amount). Know what your potential is.

Depending on the size of the practice, the benefit package will be different with little or no room for negotiation. Having said that, it is good to know what the employment package has to offer while you evaluate the opportunity and compare it to other potential plans. For young physicians starting out in practice, additional disability insurance purchased privately may be valuable.

Conclusion

Nephrology opportunities and employment contracts carry nuances that are nephrocentric. This review is meant to summarize elements to consider while reviewing a new job opportunity as a nephrologist. A review by an attorney should be undertaken for the specifics of your contract. A legal counsel who is well versed in medical employment will review the contract and indicate questions or clarifications you may need to have answered. It is also important to remember that any good contract provides benefit to both parties to ensure success in your new nephrology position.

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Disclosures: Jasuja and Hellman report no relevant financial disclosures.

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