

Physician Contract Negotiations – Base Pay and the Four B's

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If you are a physician considering a new contract, keep in mind that **Base** pay is just one part of your overall compensation package, along with the **Bonus**, **Benefits** and possibly **Buy-in** opportunities. I call those your **Four B's**.

For your pay, there are various physician income surveys in the marketplace that give national and regional numbers. Other possibilities include job boards such as MDsearch.com, AAMMweb.com, national specialty associations, MGMA, Sullivan Cotter, AMGA and others. All of this information is readily available on the Internet. However, a word of caution: The data is usually from last year, and if you're considering an opportunity this year, with a start date of next year then you may be dealing with very dated information by the time you finally start the job.

It is also important to realize these numbers are just averages of averages. If you look closely at the survey data and it says the average income for that section of the country is \$240,000, that is still a huge section of America. For example, this may be a West Coast average for the small practice in Ukiah, California averaged in with the major medical centers in Los Angeles.

Now let's take that a step further. Maybe you're considering a Los Angeles position, and they are only offering \$200,000 while the national or regional average is \$240,000. I see these disparities a lot in most of the nation's largest cities, depending on the specialty. The reason is often supply, demand and the local market. For example, there are of course only a limited number of open positions in LA each year in your specialty. That's the Demand. However, there are lots of young and middle-aged physicians who want to work in the LA area. So that's the Supply.

Additionally, there are a great deal of competition and managed care in Los Angeles, and the practice may also contend with high overhead for their staff and office. In this case it would all come down to smaller pay for a new physician. But whether you're in a competitive area, or in just the opposite situation, you can often ask for more money...and get it. That's why you need the information on what's working in the marketplace for your specialty in that geographic area right now, and make sure it's not old survey data that you rely on.

Here are some tips for determining pay:

1. Know the income average for your specialty for this year or projected for next year, preferably for your career stage. Newly practicing physicians may make less. But, sometimes they make more because they are heavily recruited or have new skills such as robotic surgery or are double boarded.
2. For the practice opportunity itself, realize where they're coming from. Are they a small practice in a rural market, or a large clinic in a major city with lots of competition? You might think a small rural practice can't pay as much, but what if the hospital is subsidizing them? Or perhaps we need to ask the hospital to subsidize them to make it worth your time. Lots of other variables, such as the payor mix, can also make a big difference.
3. What is the cost of living (COL)? Simply Google this and compare to different cities where you have opportunities, or compare to where you live now so you can have a feel for how far your dollars will go. For example, I recently advised a specialist who thought she would take a position in Hawaii. She had a great deal of medical school debt so money was important to her. The Hawaii position paid the national average. But when I told her we needed to see how far her money would go, she was shocked to learn how little she would have to pay toward her debt after she covered her expenses.

4. Look at the total package. The base pay is just part of it. Do they have a great bonus plan and benefits that can allow you to take a smaller base? Do they pay for all of your benefits, or do you have to cover much of the cost? Is the retirement plan just a 401k or 403b that you pay your own money into, or is it a huge plan where they put in tens of thousands for you annually? Are there buy-in opportunities, even if you're an employee of a large medical center or managed care company. As an employee, you may be able to buy in to the local ambulatory surgery center, new medical office building or have dozens of other options..
5. There is nothing wrong with asking for more money if they aren't competitive, but do not make the mistake of asking for more if it's a solid offer. And don't fall for the old tale that the largest organizations and academic institutions never negotiate. Collectively I've seen a lot of money added to these deals. Did you know that the major managed care companies and academic programs sometimes have money available from other budgets? It may be up to the department head and you'll never know if you don't ask the question. For example, after already being told there was no signing bonus at a major university, I told my client that we needed to ask again since their offer was so low and otherwise he would have to go elsewhere. Four hours later they called back and gave him \$75,000.
6. When and how to ask can make a dramatic difference:
 - First, before you go on an interview, whether across town, a thousand miles away or on Skype, ask approximately how much you might earn in the position, including all of the Four Bs. The old school way of thinking was to never ask about money. That's totally outdated. Then if you aren't on the same page, don't waste your time unless you're actually going for interview experience, or to get a free trip home (not advisable). For example, a surgeon I recently worked with wasted three days of his life by flying across country and interviewing with a practice and hospital that offered \$100,000 less than the average. He was livid.
 - If they ask you to sign a "Term Letter" or "Letter of Intent," make sure this short document is non-binding and only gets the ball rolling. A common "trick" is to have you sign it and then when they give you the full contract, to say they can't change anything because you signed that letter. That's nonsense, but we see this a great deal. Have your contract advisor look at this with you. Such a letter, when properly written and properly signed, can be good to clarify that you are moving in the same direction to eventually sign a contract.
 - Oftentimes we don't ask for more money until there is a contract on the table and you can see the entire package. By then you should know a lot more about the practice, community, hospital or department and have a feel for what they should be paying.
 - Additionally, if they are aggressively short-changing you, don't slam the door too quickly. Politely but firmly tell them, perhaps in an email, that you have the national numbers and have an expert advisor and they need to be competitive with your other offers. I have to tell you it is one of the greatest joys of my professional life to see some of the employers do a complete about face when they discover they are dealing with a well-informed physician.
 - Be extremely careful on how you ask your questions, and when to ask for "more".

*If you want to know more about physician contracts or if you would be interested in having me help you with your career and review your contract, go to PhysicianCareerAdvisor.com and see my [YouTube videos](#). I'm also available to speak at your next national or regional conference or Grand Rounds. Additionally, you'll find PhysicianCareerAdvisor.com on [Facebook](#), [LinkedIn](#) and [Twitter](#). **Call my office at 770-649-7150. Text me at 770-356-9541. Email me at Rbonds@PhysicianCareerAdvisor.com.***
