

CAREER AND LIFE PLANNING EXERCISE



**Step-by-Step Process to
Negotiate a Physician
Compensation Offer**

AIM

Establish your value and create the "Win-Win" in negotiations.

Step-by-Step Process to Negotiate a Physician Compensation Offer

Successful compensation negotiations create a win-win for both parties. Your goal is to negotiate the best compensation package possible without jeopardizing the opportunity. That requires preparation in understanding your market and your value. You "win" lies in creating value for that employer.

Objectives:

In this exercise the participant will learn to:

- Learn how to negotiate a compensation package that maximizes their value and market position with their future employer. They will:
 - Improve their market position by leveraging their understanding of the employer's position, market conditions and their own value.
 - Conduct research to strengthen their position and learn what research tools to leverage when negotiating a contract.



Step-by-Step Process to Negotiate a Physician Compensation Offer

How to Use This Tool:

1. Review the 7 steps and complete the activities in each section.
2. As you complete your review and undertake the activities, identify factors that add to your market value. Develop a strategy that will communicate how that employer realize a return on the investment you want them to make in you. Connect the dots and paint the picture.

Related Resources

To view resource, click on the desired Title or go to physiciancareerplanning.com and type in the desired title or Resource No. into the "Enter Keyword" field and click search.

TITLE	RESOURCE NO.
Negotiating Your Compensation Package	ST-17
Physician Compensation	ST-03
Physician Compensation Worksheet	E-23



Step-by-Step Process to Negotiate a Physician Compensation Offer

Negotiating Your Compensation Package

Planning for salary discussions is an important part of job search preparation. Negotiating is an art. Push too hard— or unrealistically—and you might lose the opportunity. Don't push hard enough, and you might leave thousands of dollars on the table.

This exercise will walk you through the negotiation process step by step, but one of the most-important factors in your success will be your attitude going in. Research consistently indicates that 85% of success in almost any endeavor depends on attitude and only 15% on aptitude. This holds true in negotiations, too! Stay positive, keep your ego in check, and emphasize your value as a member of their team.

Step 1: Know Your Market

With some offers you can negotiate starting salary, sign-on bonus, loan repayment, term of agreement, non-compete (rarely), call schedule, work schedule, vacation, CME, relocation package, and scope of practice, while other items are non-negotiable. How do you know what's negotiable and what's not? By knowing the market.

- Research the demand by specialty, region and community.** Compensation can vary significantly by specialty, region and community. For example, the ratio of family practitioners to population in the Midwest tends to be higher than in the Northeast, so the potential for practice growth and greater market share is higher in the Midwest. Similarly, in communities that are two hours away from a metropolitan area, employers generally pay higher salaries and may be more inclined to negotiate. For a detailed example, see Resource S-11 in the Online Resource Library.
- Determine the revenue potential.** Revenue minus expenses equals net margin, and the more net margin you can generate, the more room you have to negotiate. Sub-specialties may have more revenue potential because of higher reimbursement than primary care and therefore be in a better position to negotiate.
- Understand the impact of practice type.** The type of practice you're considering—such as a hospital, solo practitioner, academic, independent contractor, or group employee with a track to partnership—will impact your power to negotiate. Most academic opportunities, for example, offer much lower salaries and the chances to negotiate significantly decrease, because the revenue generation in academic positions is less.



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Step 2: Understand the Employer's Position

Employers expend great effort and spend thousands of dollars on hiring physicians. They purchase market surveys, develop a medical staff development plan, and calculate the cost of not hiring a physician. In some organizations, the Board of Directors is heavily involved in physician hiring and compensation.

- Know what market factors the employer is considering.** Many employers consult physician salary surveys and benchmarking studies. Several physician hiring organizations lean on MGMA's annual physician Compensation and Production Survey, which helps them understand how their practice and their physicians compare. Understand that if you are looking to negotiate a higher compensation package, most likely some dollars will have to come out of somewhere else.
- Consider the employer's circumstances.** Many organization-specific circumstances may impact your negotiating leverage, such as whether the practice is forgoing revenue by not accepting new patients, using a locum tenens physician, starting a new service line, overworking its current staff, or experiencing community pressures to hire a new physician.
- Understand the Starke Law.** The Starke Law regulates what a hospital may or may not do in recruiting new physicians. Starke Phase III clarified physician recruitment dos and don'ts to ensure that any payments from a hospital to a physician are not prohibited payments for referrals. Find out more about the Starke Law at www.mdnews.com/news/2011_01/05737_janfeb2011_stark-phase-iii.
- Understand the employer's biggest fears.** These include hiring a physician who leaves within a year or two, falls short of productivity expectations, or is not a team player.



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Step 3: Do your research

When you're able to cite facts, you gain credibility, which helps produce a positive outcome. On the other hand, if you start quoting what your colleagues are being offered without validation, you'll have the opposite impact of what you intended. Here are some resources and methods to be armed with sound information.

- Analyze physician compensation and production surveys.** They'll help you understand the market for your specialty and may include detailed information based on geography, experience, and bonuses. Resources: To view Medscape's compensation survey, visit: www.medscape.com/features/slideshow/compensation/2016/public/overview
- When compensation discussion begins, ask to see the survey data the employer is using to determine compensation.
- Focus on median compensation and compensation linked to RVU percentiles. Greater than 75th percentile is risky and greater than 90th percentile is forbidden by federal regulations except in very limited situations.
- Interview in similar communities.** An effective way to get a pulse on the market is to interview at several comparable opportunities in similar markets.
- Consult an agency physician recruiter.** Similar to real estate agents, agency physician recruiters know the starting physician compensation packages for similar listings, and, more importantly, the negotiated physician compensation packages of physicians who have signed.
- Look at Online Job Boards.** Job Boards and journal ads may be an excellent way to get introduced to your future employer, although few of the postings provide details about compensation, and even if they do, the final negotiated package might be different.



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Step 4: Find an Advisor or Coach

Whenever you're facing a challenge for the first time, an objective advisor can be an invaluable resource. Finding the right person, however, can be a challenge in itself. It's essential that you choose someone who is objective, competent and has your best interests at heart. Consider these possibilities:

- Physician Recruiters.** Pros: May be very knowledgeable about physician compensation by specific market, may have experience in negotiating contracts, may be a free service if the recruiter is representing you. Cons: May be ineffective as a negotiator or doesn't have direct access to the right contacts, benefits from your accepting or rejecting an offer.
- Attorneys. Pros:** May be very knowledgeable about interpretation of contracts, may be able to assist you with the right mind set to negotiate. Cons: Unlikely to have a pulse in the physician compensation and productivity market.
- Other Possible Advisors.** Career coaches or physician compensation negotiators.

Step 5: Compensation Package Worksheet

You cannot make a good decision without gathering all of the facts regarding the compensation offer and comparing them to what you believe is acceptable.

- Complete the AIM compensation package worksheet on the next two pages. This detailed resource will help you organize and objectively evaluate all of the terms of an offer.

For additional copies of the Compensation Worksheet, Download the worksheet at www.physiciancareerplanning.com, type in E-35 into the keyword field and select search.



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Step 5: Compensation Package Worksheet (Continued)

Pay	Offer	Acceptable Terms
Guaranteed Salary or Income Guarantee [Know the difference] If Income Guarantee, what is the forgiveness period?	\$ _____ _____ years	\$ _____ _____ years

Other Income	Offer	Acceptable Terms
Sign-On Bonus	\$ _____	\$ _____
Loan Forgiveness	\$ _____ over _____ years	\$ _____ over _____ years

Productivity and Performance Incentives	Terms & Facts
Describe the production model: _____	

Describe performance incentives: _____	

Potential income with productivity for: Year 1: \$ _____ Year 2: \$ _____ Year 3: \$ _____	

Health Benefit Package	Offer	Acceptable Terms
Health Insurance: Out of Pocket [Employee-monthly]	\$ _____	\$ _____
Life Insurance	\$ _____	\$ _____
Disability Insurance	\$ _____	\$ _____
Vacation	_____ weeks	_____ weeks
CME	_____ weeks Stipend: _____	_____ weeks Stipend: _____
Relocation Package	\$ _____ \$ _____	\$ _____ \$ _____

(Continue on next page)

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Health Benefit Package

Offer

Acceptable Terms

Health Insurance: Out of Pocket [Employee-monthly]	\$ _____	\$ _____
Life Insurance	\$ _____	\$ _____
Disability Insurance	\$ _____	\$ _____
Vacation	_____ weeks	_____ weeks
CME	_____ weeks	_____ weeks
Relocation Package	\$ _____ Stipend: \$ _____	\$ _____ Stipend: \$ _____

Malpractice Insurance

Offer

Acceptable Terms

Type of Malpractice Insurance? Circle the answer	Claims Made	Occurrence (covers tail)	
For Employers who have a Claims Made Malpractice Carrier [and does not include a tail if you leave your practice], some Employers will offer paying a percentage of the tail based on the number of years that you serve at the practice. For example: You leave after Year 1: you pay 100% of Tail; Year 2: 75% you/25% Employer; Year 3: 50%/50%; Year 4: 25% you/75% Employer; Year 5: 100% Employer. Place the Employer's % next to each of the years, if applicable.	_____	_____	
	Year 1: _____ %		Year 1: _____ %
	Year 2: _____ %		Year 2: _____ %
	Year 3: _____ %		Year 3: _____ %
	Year 4: _____ %		Year 4: _____ %
	Year 5: _____ %		Year 5: _____ %

Pension Plan

Terms & Facts

403B Pension Plan		
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Notable Contract Terms

Terms & Facts

Acceptable Terms

Length of term	_____ years	_____ years
Non-Compete	_____ miles	_____ miles
Track to partnership	_____ years Buy-in? \$ _____	_____ years Buy-in? \$ _____

Circumstances: If you are seeking to negotiate circumstances rather than terms of the offer, list the circumstances needed in order to accept the opportunity.

Sample: I am prepared to accept the opportunity if I can work a 4-day workweek, instead of 5-day work week

1	2
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Step 6: Know When You're Ready

Now that you have collected and analyzed all of the terms, it's time to decide whether it's a fair offer based on your specialty, region, and community market. Be careful not to compare apples with oranges. Other offers you've received may not be comparable.

- Ask yourself, "Under what terms or circumstances would I accept the opportunity?"** If the original offer is not acceptable and you cannot answer this question, wait until you can before negotiating. Knowing specifically what you're willing to accept going into the negotiation is one of your most-powerful negotiating strategies.
- Sleep on it before negotiating.** Give yourself time to think about whether you're committed to signing an agreement if the employer accepts your terms, and visualize the next steps in preparing to relocate and start the job.

Step 7: The Negotiation

Now that you've done your research, evaluated the offer, and know what you're prepared to accept, it's time to schedule the call and get down to business.

- Create a scripted outline of how you would like the call to flow.** Before you pick up the phone, have an outline in front of you that progresses through:
 - Small talk.
 - Thank them for their time, effort, and support.
 - Recap your journey.
 - Communicate your intentions.
 - Recap your value—why should the employer give you more?
 - Provide compensation research.
 - Communicate the terms needed for you to accept the opportunity.
 - Your commitment if the terms are acceptable.
 - Thank them for their consideration.
 - Next steps.

For a detailed example of a negotiation outline, go to www.physiciancareerplanning.com, type in S-07. into keyword field and click search.

- Negotiate. Think win-win.** Remember, employers are turned off by ego or a "sense of entitlement."

