CHAPTER 2

Benefits

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Benefits Philosophy

Employee benefits used to be called fringe benefits. They were on the edges, out of view, less visible than compensation. Benefit structures have become an integral part of employment packages, often adding 25 percent to 50 percent to the value of annual compensation for middle-income earners. They include required payroll taxes as well as a growing range of insurances, provisions for time off, and support services designed to engender security and loyalty.
Physician benefit structures have the same core purposes, but as demand for physicians increases, benefits can become a distinguishing feature between competing offers. There are core expectations about what is to be included, but a boundless range of creative possibilities for how they are offered and administered. Both the content and the administration of physician benefit structures can impact the quality of life within the organization. They can become tools for shaping organizational culture.

**Basic Considerations**

Physician benefits policies, like compensation policies, may be included in employment contracts or they may be integrated into corporate employee policy manuals. Larger medical groups may have a formal employee policy manual just for physicians, offering benefits that may be different from those offered to support staff. Retirement plans may have their own separate manuals detailing how physicians can save for retirement through a combination of pre-tax contributions matched by employer contributions. The manuals may also outline how funds can be invested, the vesting schedule, and how they can be withdrawn upon resignation or retirement.

Organizations may offer different benefits for specific types of employees. Physicians and executives may have access to certain benefits that may not be available to support staff, recognizing the need to attract and retain specialized talent in a competitive marketplace. Physicians and executives may have car allowances, for example, to enable them to work in multiple worksites with ease. They may also have different time-off policies to allow for continuing education and to balance the responsibilities of intense workloads and call coverage. Classifications should be developed with careful legal advice to avoid running afloat of federal or state restrictions. Administrators need to be aware of the classification differences and two specific implications they may have for organizational culture. First, the privileges can have the effect of widening the social gap and threatening trust between the “haves” and the “have-nots.” Second, administrators must implement the benefit plans consistently within each classification or risk internal jealousies and conflicts.

Some benefits, such as retirement plans, are subject to federal restrictions about how much difference can exist between high earners and their support staff. The details change as laws change, so policy writers should obtain current legal advice when structuring benefits policies. The social policy behind these restrictions is that employees deserve equal protection from social disasters brought about by illness and external economic crisis, and that benefits for those in power — executives and high-earning physicians — should be shared with their employees as well. The laws reflect a deep American value expressed in the Preamble to our Constitution to “promote the common welfare.”

Physician-owned groups may also design benefits policies with tax considerations in mind. Tax advisers may demonstrate cost-effective approaches to providing benefits pre-tax rather than post-tax. Tax-wise strategies might apply to the use of cars, cell phones, disability insurance, and healthcare expenses not covered by insurance. Complex tax laws are constantly changing, so it is important for administrators to seek advice from certified public accountants and tax lawyers to keep up with the changes.
Purpose

Benefits policies have a few basic purposes. They are designed to offer support, comfort, and security to employees, enabling them to be free to concentrate on their work and careers without worrying about basic social needs.

Benefits policies have become part of the social fabric of the American employment scene. The labor movement that began more than 100 years ago had its roots in the exploitation of workers. As workers united to demand better working conditions, employers gradually developed new philosophies that included protections for workers both on the job and at home. Social Security benefits emerged during the Roosevelt administration to protect the most vulnerable elderly and infirm segments of society. Social Security was to be paid for by a combination of employer and employee contributions, setting the stage for introducing more complex social benefits throughout the rest of the century. After World War II, employers introduced health insurance benefits as a way to attract able-bodied workers from a smaller employment pool. Insurance and other benefits were treated as tax-deductible costs of doing business while simultaneously attracting discerning employees with services that provided security and comfort for their growing families. Benefits policies became win-win propositions for both employers and employees.

While employers’ costs for benefits have increased, employees have come to expect them — even to take them for granted. Benefits are now an integral part of employment offers along with competitive salaries and desirable working conditions. In the highly competitive world of physician services, benefits have become creative bargaining chips in the hands of recruiting executives. American physicians now face a constant stream of offerings that include not only handsome salaries but also benefits ranging from signing bonuses to medical school debt retirement in exchange for a multiyear commitment to stay in the community. Benefits that distinguished employers a few decades ago are now considered traditional expectations. Cutting-edge employers are constantly searching for new distinctions to attract and retain talented physicians.

Benefits play another role in building loyalty, especially for those who commit their full-time efforts to the organization over a long period of time. Most organizations reserve their full range of benefit options for full-time employees only. Part-time employees may have access to some benefits, or they may have the option of purchasing benefits, but they are frequently not treated the same as full-time employees. Likewise, retirement plans often have vesting schedules, allowing employees to retain a greater portion of employer-paid contributions with each year of employment. Loyalty has its rewards.

Components

Competition for physicians is fueling dynamic changes in the field of benefits policies. Nonetheless, the following components should be foundational for every physician organization:
• **Insurances.** Health insurance has become a first-line expectation in physician employment. Most organizations provide insurance for both physicians and their families to protect them from the economic risks of illness. Other insurance policies may include life insurance, disability insurance, and dental and vision insurance. Professional liability insurance is a virtual requirement for practicing physicians. Some employers treat professional liability insurance as an employee benefit for physicians, while others treat it as a separate line item of overhead cost.

• **Time Off.** The rigors of being a physician are legendary. Medical school and residency training require long hours, sometimes marked by intense concentration and stress. Physicians need time off to recuperate and refresh, not only for their own sakes, but also for the sake of patient safety. Benefits policies need to address consistent rules for vacations, continuing education, sick time, holidays, and other special leaves of absence.

• **Credentials.** Physicians face legal requirements unique to the profession and distinct from other employees. In addition to maintaining a medical license in the state in which they practice, most physicians also need to maintain a controlled substance license and board certification in their specialty. Beyond the basics, many physicians also find benefit by staying active in a variety of professional associations for continuing education offerings and collegiality with their peers.

**Conclusion**

Physician benefit policies fortify professional loyalty and commitment by providing a measure of security, support, and comfort to physicians and their families. A solid benefit structure frees physicians to do what they do best in caring for their patients without nagging concerns about the economic risks of illness, time off, and sustaining professional credentials. Sound benefits need to be part of the package that enables physicians to perform at their highest levels.
Policy 2.1  Benefits and Eligibility Policy

The policy of the Practice is to provide full-time physicians with adequate economic and personal security benefits as part of their employment. Benefits have been designed to meet this goal in a fair and equitable manner consistent with the Practice’s objectives. The Practice protects the interests of benefits plan participants and beneficiaries by making full disclosure to physicians and administration of the physician benefits program.

The director of human resources (HR), in conjunction with senior management, is responsible for managing the benefits program as well as reviewing the current program and making recommendations to the governing body for approval of changes. Physician preferences are surveyed at least annually to ensure that current interests are considered. Proposed changes will be presented to the medical staff prior to any decisions to change the current program.

Procedure

1. HR is responsible for providing physicians with a summary description of benefits, including eligibility for participation.
2. In the event that a benefit is added or withdrawn, physicians are notified well in advance of any proposed change.
3. When allowed by the law, physicians may elect not to participate.
4. The plan description provides details regarding when a change is allowed and the process to effect such change.
5. Complete copies of the plan description are available upon request.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>When Eligible</th>
<th>You Receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time off (vacation, professional</td>
<td>Upon employment</td>
<td>A maximum of twenty-five (25) business days, accruing at the rate of 2.08 days per month. The accrual and maximum accrual increases to thirty (30) days, accruing at the rate of 2.5 days per month beginning the 37th month of employment, and the maximum accrual increases to a total of thirty-six (36) days, accruing at the rate of three (3) days per month, beginning the 61st month of employment.</td>
</tr>
</tbody>
</table>
### Sample: Summary of Physician Benefits (continued)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>When Eligible</th>
<th>You Receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holidays</td>
<td>Upon employment</td>
<td>The Practice recognizes and will be closed on the following holidays: • New Year’s Day; • Memorial Day; • Independence Day; • Labor Day; • Thanksgiving Day; • The Friday after Thanksgiving; • The afternoon of Christmas Eve; and • Christmas Day.</td>
</tr>
<tr>
<td>Professional liability insurance</td>
<td>Upon employment</td>
<td>The Practice will pay the premium.</td>
</tr>
<tr>
<td>Long-term disability insurance (specialty specific)</td>
<td>Upon employment</td>
<td>The Practice pays the premium. Coverage begins on the 91st day of disability.</td>
</tr>
<tr>
<td>Health insurance</td>
<td>Upon employment</td>
<td>Family coverage — the Practice pays [X] percent of the premium.</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>Upon employment</td>
<td>The Practice pays the premium for the physician.</td>
</tr>
<tr>
<td>Life insurance and accidental death and dismemberment insurance</td>
<td>1st of month following ninety (90) days of employment</td>
<td>The Practice pays 100 percent of the premium on the physician’s life. Benefit is equal to two (2) times annual compensation (W-2) to a maximum of $500,000.</td>
</tr>
<tr>
<td>Supplemental life insurance</td>
<td>1st of the month following eligibility</td>
<td>Physician pays the premium for any desired additional coverage.</td>
</tr>
<tr>
<td>Retirement plan</td>
<td>Physician is eligible to participate on the first of January or July, following twelve (12) continuous months of employment.</td>
<td>Plan provides for contribution (payroll deduction) by the physician and a matching amount from the Practice.</td>
</tr>
<tr>
<td>Deferred compensation plan</td>
<td>Upon employment</td>
<td>Annual election — post-income tax contribution to a nonqualified deferred compensation plan.</td>
</tr>
<tr>
<td>Bereavement</td>
<td>Upon employment</td>
<td>Up to five (5) days for the death of an immediate family member.</td>
</tr>
<tr>
<td>Jury duty pay</td>
<td>Upon employment</td>
<td>The difference between jury duty pay and the physician’s base pay for scheduled hours not worked.</td>
</tr>
<tr>
<td>Flex benefit plan Section 125</td>
<td>1st of the month following thirty (30) days of employment</td>
<td>Annual election for the payment of noninsurance-covered medical expenses, dependent-care expenses, and other allowable expenses.</td>
</tr>
</tbody>
</table>
Professional Development

The Practice shall pay on behalf of the physician, or reimburse upon submission of original receipts, costs associated with professional development (educational program expenses, registration, travel, lodging, meals), professional memberships, and professional subscriptions a maximum of $6,000 per calendar year, accruing at the rate of $500 per month. Should there be any unused funds in the physician’s account at the end of the calendar year, 50 percent of such unused balance may be carried forward to the next calendar year.

Complete plan descriptions for the benefits programs of the Practice (insurance, retirement, Section 125) are available from HR. The Practice shall pay the physician’s annual dues to the county and state medical societies, as well as annual membership dues to a maximum of two (2) hospitals.

Unless provided for elsewhere, at termination of employment, there shall be no payout for accrued but unused time off or professional development balances. The Practice contracts with [CELLULAR SERVICE PROVIDER] for service and provides monthly service as a benefit. The practice shall purchase/lease a cellular phone for the physician.

Policy 2.2 Time Off Policy (Illness, Injury, Vacation, Professional Development)

Policy considerations include:

- Who recommends the policy?
  - HR or practice executive
- Who approves the policy?
  - Governing body
- Who establishes the written policies and procedures?
  - HR
- Who communicates the policies and procedures to physicians (written and verbal)?
  - HR or practice executive
- Who manages the policy?
  - HR

Requesting Time Off

Physicians should complete a leave request form (see page 49) at least sixty (60) days in advance of the requested dates to allow adequate time for blocking schedules, reassigning call duties (when applicable), and rescheduling appointments. Because illness/injury cannot usually be predicted, any absence because of illness/injury should be reported immediately to allow as much time as possible for patient rescheduling, as well as adjustments to the call schedule. Holidays do not require a request form.

Personal Leave of Absence

The Practice may in its sole discretion grant physicians unpaid personal leaves of absence. Such requests must be submitted at least ninety (90) days in advance of the requested date(s).

Procedure

1. Unpaid personal leaves of absence may be granted to full- and regular part-time physicians who have completed at least twelve (12) continuous months of employment.
2. Management makes every effort to grant a leave of absence request when it is properly justified and in the best interests of the physician and the medical practice.
3. A formal leave request form must be completed by the physician, which includes an explanation for the requested leave of absence (see page 49). The leave request form is submitted to the medical director and/or the Practice administrator.
4. The medical director (or Practice administrator), in consultation with the other physicians in the specialty/service/division/department, will determine the ability of the Practice to grant the request. The Practice administrator makes the final decision concerning the request.
5. Requests for a leave of absence are granted for family and medical leaves governed by the Family and Medical Leave Act (FMLA) and for active and reserve military duty.
6. Extensions of a personal leave of absence for more than thirty (30) days are granted only in extenuating circumstances.
7. Request for the extension of an approved personal leave must be submitted at least thirty (30) days prior to the original start of the leave period.
8. A physician who returns to work at the conclusion of a family and medical leave or personal leave of absence is restored to his or her former position or to a comparable position at the same rate of pay.
9. If the physician fails to return to work at the conclusion of an approved leave of absence, the leave is cancelled and employment is terminated with an effective date of termination being the last day worked.
10. Under all circumstances, leave of absence requests are set at a maximum of one (1) per twelve- (12-) month period.
11. As provided for in the individual plan descriptions, benefits may continue during the leave of absence; however, there shall be no accrual of benefit amounts during the period of absence. To ensure continuation of insurance coverage during a leave of absence, and in accordance with the plan descriptions/policies, the physician may pay the premiums during an approved leave of absence.
Sample: Leave Request Form

Physician Name: ____________________  Date: ________________
Department: ____________________  Date of Employment: ________________

Type of Leave Requested

☐ FMLA
☐ Vacation
☐ Illness/injury
  • Projected return to work date: __________
☐ Court
☐ Disability
  • Projected return to work date: __________
☐ Military
  • Projected return to work date: __________
☐ Personal leave of absence
  • Projected return to work date: __________
☐ Other (explain) __________

Dates Requested

1st choice: From (month, date, year) __________ to (month, date, year) __________
2nd choice: From (month, date, year) __________ to (month, date, year) __________

Requesting physician’s signature: ______________________________

☐ Approved
☐ Disapproved

If disapproved, explanation for denial: ____________________________________________
________________________________________________________________________________

Signature: ______________________________
Date: ______________________________
Notes: __________________________________________________________________________
________________________________________________________________________________

Policy 2.3  Leave without Pay Policy

Extended Leave Policy

The Extended Leave Policy would allow the following for any physician-shareholder with the Practice. For the purposes of this policy, “extended leave” means leave time without any scheduled hours for the physician.

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Procedure

1. Requests may be submitted after the physician has completed twenty-four (24) continuous months of employment.
2. Time off is granted at the discretion of the governing body.
3. Requests must be for time off after all accrued time has been used.
4. The request must be submitted to the Practice administrator at least twelve (12) months in advance of the requested leave date.
5. The requests must be for a minimum of six (6) months and a maximum of twelve (12) months.
6. Compensation: There would be no salary or other compensation during the leave period.
7. Benefits: In accordance with the plan description and policy eligibility criteria, insurance benefits may continue in effect. Premium payments would be the responsibility of the physician.
8. Any commitments for repayment of loans, ownership purchases, or other obligations to the Practice will be required to be paid during the leave period.
9. Any “early cancellation” or other premium amounts for professional liability insurance, including tail coverage, during the period of absence will be the responsibility of the physician.
10. If the physician becomes disabled during the leave, he or she will be entitled to disability insurance proceeds in accordance with the policy’s provisions.

Family and Medical Leave Act (FMLA)

The Practice complies with FMLA.

Procedure

1. A physician may request leave from work for the purposes of:
   • A birth, adoption, or foster-care placement of a child;
   • Care for a spouse, child, or parent with a serious health condition; or
   • A serious health condition that renders the physician unable to perform his or her employment duties.
2. To be eligible for leave under FMLA, a physician must have been employed for more than twelve (12) consecutive months and must have worked at least 1,250 hours in the preceding twelve (12) months.
3. A leave of absence request must be completed for leaves, whether paid or unpaid. A physician intending to take leave is required to give advance notice in a reasonable and practical manner. In situations involving leave for a serious health condition, every reasonable effort to schedule medical treatment so that it does not unduly disrupt practice operations should be made before a leave is considered.
4. A physician requesting medical leave must provide medical certification that indicates a serious health condition exists and that provides other information as requested. A serious health condition means an illness, injury, impairment, or condition that will not allow the physician to perform the duties normally associated with his or her specialty and practice.
5. Eligible physicians are entitled to the following mandatory leaves of absence under the law:
   • A physician may take as many as twelve (12) weeks of leave in a twelve- (12-)
     month period for the birth of the physician’s natural child or the placement of a
     child with the physician for adoption or foster care;
   • Leave following birth or adoption is time off of work for physicians who
     are physically able to return to work but choose to stay home and care for a
     newborn or adopted child; and
   • Pregnancy leave is characterized by a physical disability because of childbirth
     or a related medical condition.
6. A physician must use accrued time off during a medical leave and before the
   requested time-leave period is effective.
7. Leaves are without pay.
8. During the period of leave, in accordance with the insurance policies’ provisions,
   participants in the group health insurance plan may continue coverage; however,
   the physician will be responsible for the payment of the premium to continue such
   coverage.
9. Any physician benefit that accrued before a family or medical leave began will
   be “frozen” and held in reserve. No further benefit will accrue during the leave
   period.
10. Physicians returning to work at the end of the leave period are returned to their
    same position or an equivalent position.

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**Policy 2.4**

**Holiday and Paid Time Off Policy**

**Holidays**

It is the policy of the Practice to observe certain holidays each year as established by the
group’s management. Each holiday observed by the practice is a day off with pay for
most physicians. The following holidays are observed by the medical practice annually:

- New Year’s Day;
- Memorial Day;
- Independence Day;
- Labor Day;
- Thanksgiving Day;
- Day after Thanksgiving Day;
- Christmas Day;
- Physician’s birthday; and
- Two (2) floating holidays.

Procedure

1. If there are any changes, HR will notify all physicians.
2. Full-time physicians receive their regular rate of pay for each holiday. Part-time physicians receive holiday pay only for holidays on which they normally would be scheduled to work and only for their regularly scheduled number of hours.
3. Temporary physicians are not eligible to receive holiday pay.
4. To receive holiday pay, an eligible physician must be at work or on authorized absence on the workdays immediately preceding and following the day on which the holiday is observed. If a physician submits a request for sick leave on these days, the physician must render a physician’s statement supporting this request. Management reserves the right to approve or disapprove the sick leave request.
5. A holiday that occurs on a Saturday will be observed on the preceding Friday. A holiday that occurs on a Sunday will be observed on the following Monday.
6. If the holiday occurs while a physician is away from the practice for vacation or professional development, that day will not be included as a time-off day nor charged against the physician’s accrued balance.
7. The Practice recognizes that some physicians may wish to observe certain days not included in the group’s holiday schedule, such as religious holidays. In these instances, a physician should request a floating holiday. Management makes every effort to accommodate these requests if such absences do not result in an undue business hardship on the medical practice.
8. A holiday is granted to each physician on his or her birthday. If not taken on the physician’s actual birthday, the birthday holiday must be taken in the month in which the birthday occurs.

Paid Time Off

The Practice provides paid time off (PTO) to compensate for holidays, vacations, short-term illnesses, and personal time off.

Procedure

1. PTO may be used for holidays, vacations, short-term illnesses, or personal needs. Physicians cannot borrow or lend PTO but can donate PTO using an approved process.
2. Physicians must request PTO at least two (2) weeks in advance by requesting such leave in writing. Before approving PTO requests, supervisors consider medical practice workload needs.
3. PTO is accumulated by full- and part-time physicians from the day they are hired. With the exception of agency-recognized holidays, physicians may not use PTO until they complete the ninety- (90-) day provisionary period.
4. Full-time physicians may accrue twelve (12) hours of PTO each calendar month of employment during their first twelve (12) months of employment; during the physician’s 13th and 59th months of employment, the physician will accrue at the rate of sixteen (16) hours each month; during the physician’s 60th and 120th months of employment, the physician will accrue at the rate of twenty (20) hours per month. Beginning with the 121st month of employment, the physician will accrue at a rate of twenty-four (24) hours per month.
Policy 2.5 Insurance Policy

The Practice furnishes an insurance program that includes the following.

Health Insurance

Individual medical insurance is provided for all members of the Practice. The insurance plan also provides a Prescription Drug Benefit. Family coverage is available by payroll deduction. The details of coverage, copay amounts, deductibles, and limits on coverage are outlined in the policy description, a copy of which is provided to each physician.

Dental Insurance

Individual dental insurance is provided for all members of the Practice. Family coverage is available by payroll deduction. The details of coverage, copay amounts, deductibles, and limits on coverage are outlined in the policy description, a copy of which is provided to each physician.

Disability Insurance

The Practice maintains a group disability policy. It is to be noted that this is a “Your Specialty” policy. The premium for these policies is paid by the Practice. The details of coverage, waiting periods, calculation of benefit, and limits on coverage are outlined in the policy description, a copy of which is provided to each physician.

Life Insurance

The benefit for group term life insurance is $250,000. The premium for these policies is paid by the Practice. The details of coverage, waiting periods, calculation of benefit, and limits on coverage are outlined in the policy description, a copy of which is provided to each physician.

Long-Term Care

The Practice maintains a long-term care policy for the physicians and their spouses. There is a ninety- (90-) day cumulative elimination period. The details of coverage are outlined in the policy description, a copy of which is made available to all physicians.

Policy 2.6 Disability Policy

The policy of the Practice is to provide short- and long-term disability insurance coverage in conjunction with benefits available through government sources.

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Procedure

1. Full- and part-time physicians are eligible for disability leave. Temporary physicians are not eligible.

2. Physicians are eligible for disability leave when they are physically unable to perform the duties of their position or another position within the medical practice due to injury or occupational disease incurred in the course of their employment. When such disability determination has been made, the insurance company the Practice has selected for disability insurance coverage will be notified.

3. Disability benefits are not awarded when the disability is an aggravation of a known medical condition that existed prior to employment with the medical practice. Such benefits are not awarded when the disability is the result of aggravation of a preexisting disability arising from another employment for which the physician has received a permanent partial award, nor are benefits awarded when the physician receives a civil judgment or settlement for permanent disability arising from a nonindustrial injury.

4. Every physician who sustains an injury in the course of his or her employment must notify the immediate supervisor within the time period specified by local law.

5. If the physician fails to report an injury, he or she may lose one day’s disability leave for each day’s failure to report.

6. Physicians on disability leave may be required to be examined periodically by their personal physician. Compliance with this requirement is a condition for continuing disability leave with pay.

7. Disability leaves are not granted beyond a physician’s mandatory retirement date.

Short-Term Disability

Short-term disability insurance (total and permanent) is provided at no cost to the physician beginning the first of the month coinciding with the physician’s first day of employment:

- During the first month of a disability, 100 percent of the physician’s salary is paid by the Practice; and
- During the second and third months of a disability, the short-term disability insurance pays 66²/³ percent of the physician’s salary up to a maximum of $2,500 per week after a thirty- (30-) day waiting period.

Long-Term Disability

Long-term disability insurance (total and permanent) is provided at no cost to the physician beginning the first of the month coinciding with the physician’s first day of employment. Individual “Your Specialty” disability policies (i.e., policy pays if you are unable to perform the duties of your specialty) for the maximum protection available at this time, utilizing a ninety- (90-) day waiting period, are provided to all of the physician-shareholders of the Practice.

The Practice maintains each physician-shareholder at full salary level for ninety (90) days following the onset of disability. Thereafter, the individual and group disability coverage should become effective and salary will cease.

The premium for these policies is paid for by the Practice as a benefit to the physicians.
**Professional Liability Insurance Policy**

Medical professional liability (MPL) insurance or medical malpractice insurance is necessary for asset protection from a patient claiming injury due to alleged negligence by a physician. The alleged deviation from the accepted standard of care can be due to an act of omission or an act of commission. This insurance, like other insurances, involves payment of a premium in exchange for defense and the payment of claims up to the liability limit for a certain period of time. The insurer spreads the risk, pays the losses, saves reserves, and invests them for a profit margin. An MPL policy pays for:

- The cost of investigating and defending any claims against the insured. There are, in general, no limits for these costs, although some policies may have an upper limit; and
- The indemnity cost of any legal settlement or a judgment against the insured up to the policy limit.

**Procedure**

1. The Practice will furnish and maintain malpractice and public liability insurance for protection of the physician for the performance of his or her duties on behalf of the Practice in reasonable amounts and in accordance with the customary professional standards in effect within the Practice’s practice area.
2. As a condition to such coverage, the physician must meet the eligibility requirements for coverage as set by the carrier used by the practice for the other professional physicians of the practice.
3. Coverage for the medical practice NOT on behalf of the Practice or the Practice’s patients is not included.

**Coverage through a Hospital as Medical Staff**

Obtaining MPL insurance through a hospital as a member of its medical staff is a complicated issue from a legal regulatory standpoint. Significant risks exist for hospitals in this area, unless these actions are specifically protected by safe harbors under the anti-kickback laws and exceptions under the Stark law. In general, if a hospital has a self-insurance trust, it may not write policies for nonemployed physicians, such as medical staff members. This action would require, among other problems, an insurance license. If the hospital is covered by an offshore or domestic “captive” insurance arrangement, it may consider covering nonemployed physicians. However, this may also constitute solicitation of insurance unless the arrangement is structured properly. The hospital then takes on the risk of the insured physician and must be careful that it does not violate its bond agreements. To then avoid Stark law violations, it has to charge the physician fair market value of the cost of the policy. To avoid these regulatory traps and the enormous premium increases of high-risk specialties, such as obstetrics and trauma surgery, physicians have increasingly resorted to full-time employment contracts with the hospital.

**Summary**

Whereas it may not be practical for a physician to review and comprehend all the legal language in a professional liability policy, it behooves the physician to ask some basic
questions. These questions should include (1) type of policy, (2) limits of coverage, (3) exclusions, (4) cancellation clauses, (5) company ratings, and especially (6) tail coverage. If a claim is filed against the physician, the expense of hiring an attorney at personal expense to review the judgment of the insurers’ legal counsel may be worth considering.

**Tail Coverage**

The physician agrees to maintain at his or her own expense insurance for claims made after he or she terminates employment with the Practice for acts or omissions by him or her during his or her employment. Regardless of the reason for termination of employment, the Practice has the right to purchase tail (prior acts) coverage, charge the amount of the premium to the physician, and deduct it from any amounts of compensation due to him or her under this agreement unless the physician presents satisfactory evidence of continuing coverage after his or her employment with the Practice ends.

**Procedure**

1. The physician and the Practice agree that, in the event that the physician’s employment is terminated for any reason whatsoever or upon expiration and nonrenewal of this agreement, the Practice shall be responsible for paying such premiums through the date of termination only, and upon such termination and nonrenewal, the physician shall be responsible for purchasing and paying the cost of a “claims made” professional liability policy covering the period of employment (also called “extended period” or “tail” or “prior acts” coverage), and the Practice shall have no responsibility to the physician, the physician’s surviving spouse or descendants, or the physician’s estate for purchasing or paying the cost of such coverage.

2. The physician shall provide the Practice with evidence of the physician’s full payment of the premiums for such tail coverage, also referenced as prior acts coverage. The physician may also be covered by his or her new employer, commonly called “nose coverage.” However, if such coverage for prior acts is not purchased, the Practice shall have the right to hold any compensation or other amounts due to the physician in escrow until the physician provides to the Practice evidence of the full payment of the premium for such tail coverage.

3. If the physician fails to pay the full premium for such tail (prior acts) coverage as may be available, then the Practice shall have the right to pay the premiums for such tail coverage and to immediately offset the expense against the compensation or other amounts due from the Practice to the physician hereunder.

4. If there is legal action as a result of the physician’s noncompliance with these provisions, the Practice shall recover all costs and fees connected with establishing such tail (prior acts) coverage from the physician.
Policy 2.8  **Interruption of Service Policy**

An “Interruption of Service” shall be defined as any working day during which the physician fails to perform, for any reason, the duties set forth in the Physician Employment Agreement (see Policy 1.3). This policy does not apply to time away from the practice for approved time off.

**Procedure**

1. **Compensation during Interruption of Service.** The physician’s compensation for any month including the Interruption of Service shall be withheld to be offset against expenses arising during the Interruption of Service. Any remaining sums will be paid when the physician returns to work at the Practice on a full-time basis.

2. **Return to Work.** In the event that the physician fails to return to work on a full-time basis within ninety (90) days of the beginning date of the Interruption of Service, this Agreement may be terminated by the Practice and no further compensation provided.

Policy 2.9  **Bereavement Leave Policy**

Bereavement leave is typically granted to physicians in the event of an immediate family member’s death. The leave is usually for a maximum of five (5) consecutive working days. Additional leave may be arranged by using available paid time off (PTO). Bereavement leave for anyone other than immediate family must be taken by using PTO and must be approved by the immediate supervisor. Proof of death may be requested.

Immediate family is defined as spouse/significant other, child, parent, or grandparent. In the case of married children, immediate family includes the married child’s spouse as well as any children of the marriage.

Policy 2.10  **Military Leave Policy**

Military leave, in peacetime, is mainly for training duty in the National Guard or reserves. Federal law prohibits employers from forcing physicians to use personal vacation leave for such mandatory duty. Employers are expected to accommodate requests for military leave or calls to active duty. A military leave policy helps physicians discharge their military obligations and gives employers an opportunity to demonstrate their patriotism.
If a physician enlists, is drafted, or is called to active duty, the statute states that physicians may spend as many as five (5) years on active duty. After discharge, the physician must apply for his or her previous position within ninety (90) days of his or her release from active duty, and the employer is required to reinstate the physician at a comparable job level (although there may be some exceptions). For more information on military leave, please review information on the Department of Labor Website.

The policy of the Practice is to grant military leave to eligible physicians who are required to attend annual military training encampment with the U.S. government or any political subdivision thereof or physicians who are called to active military duty.

Procedure

1. Physicians, except temporary physicians, are eligible for military training leave.
2. A single fifteen (15) calendar-day period of military training leave is granted annually.
3. In the event that the military training leave is optional, the physician is allowed vacation time for this purpose.
4. If the amount of pay, subject to income-tax provisions, received for military training is greater than the pay that would be earned by the physician, such leave is considered leave without pay. If the military pay, subject to income-tax provisions, received by the physician is less than he or she would earn from the medical practice, the practice pays the physician the difference between the military pay and his or her regular pay.
5. If a physician is inducted into active military service or the Armed Forces of the United States or is called from a Reserve or National Guard unit into active duty, or if emergency duty is declared by the proper authority of the state, then the physician is placed on military leave without pay.
6. Military leave without pay is granted for the duration of active military service, not to exceed five (5) years, plus ninety (90) days from the date of discharge. Extensions are granted if a physician is required to serve a longer period of time involuntarily because of war or national emergency.
7. Vacation and sick leave credits are not earned during military leave without pay.
8. Physicians must submit applications for return from military leave without pay within ninety (90) days of the date of discharge from military service.
9. A return from military leave without pay is conditional upon submitting a certificate of satisfactory completion of military service.
10. Failure to apply for a return to employment from military leave without pay within the time limit previously stated is considered a resignation.
11. A written request form must be submitted to the physician’s supervisor at least two (2) weeks in advance, indicating the starting and ending dates of the military training leave. To receive this benefit, the physician must furnish a copy of his or her military orders signed by an authorized military officer.
12. The length of military training leave granted to a physician depends on his or her military orders, not to exceed fifteen (15) calendar days annually.
13. If a physician is disabled while on military training leave or military leave with pay and rendered incapable of performing the duties of the position previously
occupied, the physician is offered the best available position for which he or she qualifies, providing the physician reapply within the previously stated time limit.

Policy 2.11 **Phones and Pagers Policy**

The physician is expected to maintain and carry a cellular phone as necessary to manage expected contact with patients and other physicians. For all practical purposes, the Practice will cover any expenses accrued by the physician that are associated with being in practice, including cellular phones and monthly service charges that are directly related to practice communication. The Practice may provide the physician with a cellular phone and participate in a cellular phone calling plan or program on behalf of the physician.

Policy 2.12 **Cars and Mileage Reimbursement Policy**

The physician is expected to have and properly maintain an automobile or other transportation suitable for the physician to fulfill his or her duties, including the provision of call coverage. As a result, the physician may lease an automobile and pay for its maintenance and upkeep at the Practice's expense. Any personal usage of the automobile shall then be treated as additional income to physician. On a monthly basis, the physician shall keep and submit to the Practice adequate records showing business and personal use of any such automobile.

**Automobile Use**

The Practice will reimburse the physician for an automobile to be used in the performance of the physician’s duties under the following conditions:

1. The physician shall pay all expenses attributable to the use of the physician’s assigned corporate automobile and shall carry and pay for automobile liability insurance of no less than one hundred thousand dollars ($100,000) for the injury or death of one person; three hundred thousand dollars ($300,000) for injury or death arising from one accident; and fifty thousand dollars ($50,000) for property damage; and

2. The physician shall be responsible for carrying excess liability insurance (“umbrella”) coverage of one million dollars ($1,000,000), and the Practice may reimburse the physician for these insurance costs.

**Mileage Reimbursement**

1. The Practice will reimburse the physician for any mileage accrued by the physician in driving from his or her primary practice office location to other practice locations where he or she is assigned from time to time or to hospitals where the
physician admits patients and/or provides services. No reimbursement shall be made for mileage accrued by the physician driving between his or her home and primary practice location.

2. Reimbursement will be at the currently approved mileage rate as set by the Internal Revenue Service (IRS).

3. Should the IRS or the [STATE] Department of Revenue disallow all or any part of the automobile expenses incurred by the physician or reimbursed to the physician as a deductible expense, the amount of such disallowed costs and expenses shall be deemed additional taxable compensation paid by the Practice to the physician.

Policy 2.13  
Retirement and Semi-Retirement Policy

Traditionally, retirement has been thought of as the end of a person’s career. Today, however, retirement is seen more as a transition to a new stage of life. More and more, people are starting new careers after their “retirement.” This trend reflects the fact that people are living longer, want to continue working, and need to supplement their income.

Prior to 1979, many organizations had retirement policies that made retirement mandatory at age 65. The Age Discrimination in Employment Act Amendments of 1978, and as amended in 1987, now prohibit involuntary retirement.

The prescribed age at which retirement benefits begin is outlined in both the provisions of an organization’s policies, benefit structure, and/or established by state/commonwealth statute/law. Practices can use age sixty-five (65) as the “normal” retirement age. The difference is that no physician may be forced to retire at any age. As of 1987, the age cap of seventy (70) was eliminated.

In some practices, the normal time for retirement is determined by adding the person’s age to his or her length of service. This calculation establishes a minimum number of points for retirement (often either eighty (80) or eighty-five (85) points). For example, a physician may be eligible for full retirement benefits when he or she reaches age fifty-five (55) with twenty-five years of service (eighty (80) points).

Some employers offer early retirement packages to encourage physicians to retire earlier than they would otherwise. The early retirement provisions normally include a “buyout” concept — an offer of cash inducements for early retirement. Usually, physicians have a certain time period during which to decide whether to accept or reject the offer. This approach allows the employer to downsize in a way that does not discriminate. However, the Older Workers Benefit Protection Act prohibits age discrimination in physician benefits and establishes minimum standards for waivers of
claims. Compliance with these requirements is critical in a buyout or other retirement option.

Another retirement option is semi-retirement. Under this approach, a physician reduces his or her normal working hours to a predetermined lower number of hours per week. These can be configured as a reduced number of days per week or hours per day.

A final option is full retirement, but with the retired physician continuing to work for the employer as an independent contractor. This arrangement can be beneficial for both the employer and the physician. Some physicians lose their productivity and enthusiasm for the job before reaching retirement age. Early retirement allows practices to recruit new physicians while simultaneously protecting their older physicians’ pensions and other benefits.

Retirement plan provisions outline the details of how the physician may receive his or her retirement benefits. Most retirement plans are “defined contribution” plans, whereby the physician and/or the Practice “define” the contribution to be made. The other common type of retirement plan is a “defined benefit” plan, where the “benefit” is defined. The Practice’s governing body shall establish through its benefits program retirement plan(s) and the specific details regarding eligibility to participate, funding, withdrawal of benefits, etc.

Complete information about the Practice’s retirement program is available from human resources.

The medical director and department chairs shall consult with the retirees in terms of a transition from patient care and other responsibilities. Options may include early retirement and/or partial retirement, especially when a disability may be involved.

**Pension Plan**

A noncontributory Pension Plan provides a benefit to eligible members based on annual base pay and vesting-service requirements. Each year, the Practice will credit the physician’s account with an amount equal to two (2) percent of the physician’s base pay up to a specified maximum. An account is established for each eligible member, and the Practice adds to the account each year. The account is portable, and members may take the vested portion at the time of retirement or termination.

**Definition of Terms**

**Break in Service:** A plan year in which a physician completes less than 501 hours of service.

**Compensation:** All amounts reported on the physician’s W-2 form each calendar (or plan) year should be recognized as compensation under the provisions of the plan.

**Hours of Service:** Each hour for which the physician is paid or entitled to payment for the performance of duties for the Practice or its affiliates.

**Plan Year:** The twelve- (12-) month period beginning on January 1 every year and ending on December 31 of the same year.
Vesting Schedule/Years of Vesting Service: The physician shall vest at zero (0) percent during his or her first fifty-nine (59) months of employment. Beginning with the 60th month of employment, the physician shall be 100 percent vested.

Vesting Service: A physician will be credited with one (1) year of vesting service for each year during which the physician has completed a minimum of 1,000 hours.

All physicians are eligible on the first day of appointment to staff.

Procedure

1. Vesting credit earned prior to December 31 will count toward the vesting requirements under the Pension Plan that became effective on January 1 of the next year.
2. Physicians who transfer from residency to staff status at the Practice shall receive vesting credit for years during residency.
3. The Practice physicians appointed to staff after age sixty (60) and working less than the five- (5-) year vesting requirements are automatically 100-percent vested at the time of retirement or termination.
4. At the time of retirement or termination, the eligible physician may select his or her preferred payment option.
5. Physicians planning to retire need to contact the staff services department at least three (3) months prior to their anticipated retirement date. Staff services will schedule a follow-up meeting to review the entire retirement benefits package.

Forms of Retirement

- **Normal Retirement.** A physician may retire on or after his or her normal retirement (the first of the month following or coinciding with age sixty-five (65).) Upon retirement, a physician may receive his or her account balance or may select a benefit payout as defined within the Pension Plan Document.

- **Early Retirement.** A physician may elect early retirement if he or she is at least age fifty-five (55) and has completed at least five (5) years of service. Upon retirement, a physician may receive his or her account balance or may select a benefit payout as defined within the Pension Plan Document.

- **Retirement Options.** Within a reasonable time prior to the commencement of retirement payments to a physician, the retirement committee shall give the physician a written notice of his or her right to elect not to receive his or her account balance and of his or her right to make an election; for example, 100-percent survivor annuity or 50-percent survivor annuity.

Retirement Savings Plan

All physicians are immediately eligible to participate in a contributory Retirement Savings Plan that enables the physician, along with the Practice, to provide income for retirement. The physician's decision is a one-time irrevocable decision, made at the time of joining the staff, to participate.

The contribution schedule will depend on the physician’s base pay and the Social Security taxable wage base. The Practice’s contributions shall equal 2.5 percent of the member’s base pay less than the Social Security taxable wage base and 5 percent of
the member’s base pay greater than the Social Security taxable wage base. Physicians’ contributions are made with before-tax dollars.

**Definition of Terms**

**Compensation:** Basic earnings paid by the Practice exclusive of maintenance, bonuses, membership units, and other forms of supplemental compensation, premiums, pay for overtime, or any other kind of extra or additional compensation.

**Vesting Schedule:** Members are 100-percent vested in money they contribute to the Plan. The Practice’s contributions are vested based on the physician’s length of service: less than 3 years, 0 percent; 3 years, 50 percent; 4 years, 75 percent; 5 years, 100 percent.

**Vesting Service:** A physician will be credited with one (1) year of vesting service for each year during which the physician has completed a minimum of 1,000 hours.

Your Retirement Savings Plan is portable. You can receive the vested portion of your account balance when you retire or leave the Practice for any other reason.

If you die, your beneficiary will receive the full value of your account. Under current tax law, your account balance will be subject to income and other applicable taxes when you receive it.

**Semi-Retirement Policy for a Shareholder**

**Procedure**

1. The option of semi-retirement in any form requires governing body approval.
2. **Notice.** Any shareholder considering semi-retirement must give written notice to the Practice board of directors [X] years prior to the expected effective date of semi-retirement. A written agreement defining the terms of semi-retirement must be executed at least ninety (90) days prior to the intended effective date.
3. **Minimum Age and Years of Service.** In order to be considered for semi-retirement, a physician must have a minimum of [X] years of service with the Practice, and the sum of a physician’s age in years plus his or her full years of service must equal at least seventy (70). For example, if a physician starts with the practice at age thirty-five (35), the earliest he or she may semi-retire is age fifty-three (53). If a physician is age forty (40) when he or she starts at the practice, semi-retirement will first be an option at age fifty-five (55).
4. **Severance Pay.** Severance pay will be fixed on the last day of the calendar quarter preceding the effective date of semi-retirement. For example, if semi-retirement begins on January 1, severance pay will be fixed as of December 31. Severance pay will be payable in three (3) annual installments with the first installment payable six (6) months after the effective date of semi-retirement, the second payment twelve (12) months later, and the third payment twelve (12) months after the second installment. For example, if the effective date of semi-retirement is January 1, 2013, the first installment will be on July 1, 2013, the second on July 1, 2014, and the third on July 1, 2015. No interest will be paid by the Practice on severance pay.
5. **Compensation and Benefits.** The governing body will negotiate a contract annually with the retiring physician, which stipulates specific responsibilities, base pay, and production bonus. However, for the physician who gives up call in its entirety, his or her base pay shall be 67 percent of his or her base pay as of the date formal notice of semi-retirement is given to the board and paid time off (vacation, continuing medical education (CME), etc.) shall be reduced by 25 percent. Any and all bonuses will be at the discretion of the governing body.

6. **Ownership.** The semi-retiring physician shall sell his or her ownership shares to the practice as of the effective date of semi-retirement. Payments shall be made in the same manner as for severance pay. If necessary, the Buy/Sell Agreement will be changed to be in compliance with this policy.

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**Policy 2.14 Retirement Planning Policy**

**Continued Employment of Partially Retired Physicians**

In an effort to address the needs of shareholder physicians who are in the process of slowing down their practices in preparation for retirement, the following plan has been implemented.

This plan is available to shareholder physicians with at least twenty (20) years of experience with the Practice and/or who have reached the minimum age of sixty (60).

All physicians who have reached age sixty-five (65) will be reviewed each year by the Practice governing body. The governing body will decide on a yearly basis to renew Option 1 or Option 2 for each physician falling into this category.

**Option 1**

Option 1 is simply to remain a shareholder in the Practice and remain a participant in the then-current Income Distribution Plan (IDP). (As one’s production declines, one’s income would decline commensurably under this option.) All shareholder privileges would remain (e.g., full voting privilege, ancillary services, profit sharing, participation in Practice committees and board).

Physicians who wish to slow down but continue to work more than 1,000 hours per year are subject to the then-existing IDP and call schedules of the department.

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Paid benefits will include:
- Medical insurance coverage for family and physician if not qualified for Medicare;
- Dental/vision assistance plan;
- Life insurance;
- Disability insurance;
- Retirement plan, if the physician meets qualification of hours;
- Vacation/holidays;
- Continuing medical education/dues and licenses, as per individual department policy; and
- Flex benefits.

Option 2

Option 2 is made available for individuals who meet the age and/or experience requirements previously stated and who wish to reduce their practice activities to less than 1,000 hours per year, and/or whose individual productivity is less than expenses. This reduction in activities includes elimination from call rotation. The decision to continue hospital work is left to the discretion of the department.

For the benefit of working less than full time, and being removed from night/weekend call schedules, the person in this category would receive 5 percent less than the department average. That is, if the departmental average is 45 percent (compensation to net revenue), said individual would be calculated at 40 percent of his or her net revenue. The 5-percent differential would be calculated monthly.

Individuals who choose Option 2 will relinquish their shareholder status and will be provided an Associate Physician Contract, which will delineate the terms of the agreement.

Slowdown of Practice

Each specialty and department, including branch offices, is unique in its practice patterns, call demands, and the technology skills required. Every individual is unique in his or her response to the demands of medical practice and to the aging process. It is not possible, therefore, to have rules that must be followed throughout the Practice. Instead, each department is meant to use the following guidelines as it develops its own plan.

Guidelines

1. Slowing down can be a means of gradually moving into retirement. It implies a decrease in workload, including the possibility of going part time, and a decrease in income. It may or may not include doing fewer technically difficult procedures. These decisions remain individual ones. Each department's plan will be designed to allow individuals to make these decisions with minimum impact on patient care. It is recognized that this could mean more work for others in the department or recruitment of a new partner or locums with a financial impact. However, for those physicians who make the Practice a career, their opportunity to slow down will also come.
2. Slowing down may include decreased requirements for taking calls. This will vary with the specialty and size of the department. The individual may not desire it. It may not be possible for the organization because of patient-care needs.

3. The seniority benefit of increased availability of vacation time will be honored. This does not imply decreased call time unless agreed to in the department’s plan.

4. It may be in the best interests of all concerned for a physician who is slowing down to have a negotiated compensation arrangement rather than the usual compensation plan.

5. If the need exists for the organization to utilize physicians to develop new programs or expand existing ones, initial consideration will be given to physicians already at the Practice, including those who desire to slow down. These positions may be salaried.

6. Opportunities for individual funding for the slowdown period and retirement years will be an ongoing benefits committee agenda item.

7. After a physician reaches age forty-five (45), an aspect of the periodic interviews between that physician and the medical director or president will be discussion of plans for slowing down and retirement.

8. A physician who wishes to be less than full time will formally request this through the chairman of his or her department to the section head committee and finally the board of directors.

**Departmental Responsibilities**

1. With the help of administration, each department will chart the number of physicians, their current age, and any individual thoughts about salary or late retirement.

2. This chart will be updated annually along with projected needs for new physicians as workload increases because an individual is slowing down and/or because of patient needs.

3. Each department will develop a program based on the guidelines of the group to deal with slowdown and retirement. This will be agreed upon by all current members and explained to all physicians who later join the Practice.

4. In the event that agreement cannot be achieved within a department, the section head committee will mediate.
Sample: Pre-Retirement/Slowdown Policy

WHEREAS Medical Group Physicians, LLC (hereafter referred to as “the Practice”), is a limited liability company organized to render professional medical services within [STATE]; and WHEREAS the Practice desires to adopt a “Slowdown Policy” and define the procedure by which a physician-member of the Practice may qualify for “slowdown”;

BE IT RESOLVED:

Slowdown

1. A physician who satisfies the following criteria may apply for “slowdown”:
   a. Member of the Practice;
   b. Age fifty-five (55) or older;
   c. Fifteen (15) years of association with the Practice; and
   d. Provides the Practice’s board of managers with a minimum of twelve (12) months’ notice of his or her intention to slow down.

2. Satisfying the previous conditions, slowdown will be granted by the board of managers.

3. The term of “slowdown” shall be for a minimum of twelve (12) and a maximum of twenty-four (24) months; after which the physician will be required to:
   a. Terminate association and retire; or
   b. Sell his or her ownership interest in the Practice and become a physician employee; with such employment, working hours, and compensation as set by the board of managers on a year-to-year basis.

4. The compensation to be received during slowdown will be per the written agreement between the physician and the Practice but will require a minimum allocation for expenses of the Practice. Further, his or her compensation may be reduced in accordance with the Practice’s Compensation Plan.

Policy 2.15 Succession Planning Policy

Senior Physician Status

A senior physician is defined as a physician who:

- Continues to maintain an active practice, which may include providing inpatient care and performing surgery within his or her personal skill level and under the review of the executive committee;
- Agrees to not perform certain procedures or surgeries as determined by the board of directors;
- Does not accept any new patients sixty (60) days prior to retirement except those specifically referred to him or her or that request him or her;
- Does not participate in group call rotation but may elect to continue taking calls for personal patients. In his or her absence, or if he or she elects to not take calls for his or her personal patients, the group will cover his or her personal patients, and he or she shall not be required to reciprocate call coverage. In the event that the senior physician has a post-op patient in the hospital, he or she shall be on call during the period the patient remains in the hospital;
• Works less than five (5) days per week and/or takes more than six (6) weeks off including CME meetings. The actual time to be worked shall be at the physician’s discretion subject to the compensation arrangement. The physician shall adhere to a regular schedule and provide adequate notice of schedule changes to allow the group to allocate physicians; and
• Has been approved and deemed by the board as a “senior physician.”
  – Senior status is available eighteen (18) months prior to retirement. At the completion of the senior status period, the physician shall retire in accordance with the Employment Agreement, Stock Transfer Agreement, and other corporate documents.

The board may withdraw senior status at any time. Upon such withdrawal, the physician may return immediately to full-time employment or give ninety (90) days’ notice of his or her intent to retire completely.

The board shall limit “senior physician” status to three (3) physicians at any time or two (2) physicians per call group.

The board shall not be required to grant “senior physician” status if requested.

A senior physician shall be compensated based on the following concepts:
• The physician under senior status is expected to maintain a level of production equal to or greater than that produced by the lowest level of production of any full-time shareholder physician. If the senior physician maintains that level of production, then he or she will continue to be paid on the same basis and calculation as is currently in effect for all shareholder physicians.
• The physician shall continue to have an expense account equal to other shareholder physicians, and the accounting shall be the same, except any overage remaining in the expense account at termination shall be prorated to reflect actual months worked in the fiscal year. Before any expense account overage is dispersed as additional salary, the overage may be adjusted to recoup any production shortages discussed as follows.
• If the senior physician’s total compensation from salary and bonus is less than $_________.00 (or the then-current IRS threshold for maximum compensation), the senior physician’s retirement contribution will be calculated with the normal plan’s formulas. The formulas will not be restated for him or her to achieve the maximum contribution unless the formulas need to be restated for all shareholder physicians to receive the maximum contribution. The senior physician can make a 401K contribution from his or her normal compensation to achieve the maximum contribution, but the group will not pay a bonus to achieve the maximum contribution.
• Any surgery fees for patients referred to other physicians shall be split between the senior physician and the surgeon. If the senior physician refers the case, provides pre- and post-op care, and serves as the assistant (if needed), then the total net fee shall be split fifty-fifty (50/50). If the senior physician refers the case, and the surgeon performs the surgery and provides all post-op care, then the surgeon’s net fee shall be split 75 percent to the surgeon and 25 percent to the senior physician. The assistant fee is credited to the physician providing the service.
• A physician or senior physician shall be eligible for all bonuses paid during the period, and his or her percentage of the bonus shall be based on his or her actual percentage of the total production during the time period. If the physician’s production tracking for his or her regular salary reflects a shortage, then the bonus shall be used to offset the shortage before any bonus is paid.

• If the group’s financial statements reflect a profit at retirement, then the group may elect to pay all physicians a bonus to reduce the profit, or the profit may be allowed to remain in the Practice, in which case, the retiring physician’s stock valuation shall reflect the profit.

• If the senior physician’s quarterly production is less than the lowest level of production of any full-time shareholder physician during that same quarter, then his or her compensation shall be changed to be calculated on a monthly basis. For this policy, it is agreed that 50 percent of the net production is allocated to overhead and 50 percent to physician salary, malpractice insurance, retirement contributions, and other benefits as funded from the expense account. For this policy, it is agreed that 8.5 percent of net production shall be allocated to malpractice insurance, retirement contributions, and other benefits as funded from the expense account. The board of directors may adjust these percentages at any time if the same percentages are applied to all full-time shareholder physicians.

• If the senior physician is switched to a monthly compensation formula, then the quarterly overhead contribution (50 percent) and the quarterly physician benefit component (8.5 percent) of the lowest full-time shareholder physician shall be calculated. These two amounts shall be divided by three (3) to get a monthly amount. The senior physician shall be paid a salary equal to his or her net production minus the overhead contribution amount and minus the physician benefit amount attributable to the lowest full-time shareholder physician. The senior physician’s salary shall be calculated each month, but the same contribution amounts for a quarter shall be used and then the contribution amounts will be recalculated for the next quarter. In order to provide adequate time for preparation of the data, the senior physician’s monthly salary amount will be based on the previous month’s net production. Any overage or underage of salary paid shall be recouped from the next month’s salary and/or any salary continuation paid upon retirement.

• In the event that a senior physician is changed to a monthly salary calculation as previously defined, if the executive committee approves, a fixed monthly salary can be negotiated that allows the physician to maintain a level minimum income, thus allowing the option to take an extended period of time off. If this is approved, the monthly calculation shall be computed as previously noted, but the physician shall be paid at the agreed-upon level. The physician will be allowed to be overdrawn against the monthly calculation for up to three (3) months of the agreed-upon salary. In the event a physician terminates while in a deficit situation as a result of overdrawing the salary, then the deficit shall be recouped against his or her salary continuation agreement as outlined in his or her Employment Agreement.

• The senior physician’s final check shall be on the 15th of the month following his or her retirement, for production during the previous month. If the final calculation results in a shortage, then salary continuation or any expense account overage shall be adjusted to recapture the shortage.
• It is the executive committee’s responsibility to monitor the senior physician’s production and overhead contribution and advise the board of directors if his or her production is inadequate to continue as senior physician.

• The senior physician continues to be subject to his or her Employment Agreement, the Stock Transfer Agreement, and all other corporate documents. The senior physician, if he or she remains a shareholder during that period, shall participate in any personal guarantees or indemnifications required of other shareholder physicians.

Notification Letters to Patients

Sample Letter 1: Physician Retirement

[DATE]

Dear Patient,

This letter is to inform you that after practicing as a(n) __________(SPECIALTY) for [X] years, I have made the decision to retire effective [RETIREMENT DATE].

I would like to express my gratitude to you for the trust and confidence you have placed in me as a physician. It has been a true privilege to provide care for you. I also sincerely appreciate your referrals of friends and family members over the years.

Your care will continue uninterrupted by my fellow physicians at the Practice. These very capable physicians will have your records and will be able to continue your treatment uninterrupted.

Thank you for trusting me to help you with your healthcare needs.

Sincerely,

__________, MD

Sample Letter 2: Physician Relocation

[DATE]

Dear Patient,

To begin, I would like to thank you for the trust you have given me over the years as your physician. Taking care of you and your family has been an honor for my staff and for me. Your wellness and health are priorities for us. I’m writing today to inform you that I am leaving __________(PRACTICE NAME) effective __________(DATE).

If you would like to follow me to my new location, __________(NEW PRACTICE NAME), please complete a medical release form. The staff will forward your records to me at my new location prior to your appointment.

If you would like to continue as a patient at __________(PRACTICE NAME), I would ask that you schedule an appointment with either Dr. __________ or Dr. __________.

Please call and talk with us about any of your concerns. Thank you again for allowing me to serve as your physician.

Sincerely,

__________, MD
Sample Letter 3: Physician Relocation

[DATE]

Dear Patient:

To begin, I would like to thank you for the trust you have given me as your [SPECIALTY]. Taking care of you has truly been an honor for me. Your wellness and health have always been and will continue to be a priority for my staff and for me. Regrettably, I’m writing today to inform you that I have decided to take another practice opportunity, and as such, I am relocating my practice as of [DATE]. I will be relocating to [NEW PRACTICE NAME].

While this transition is ongoing, I can be reached at [CONTACT NUMBER]. After [DATE], you may reach me at my new office number, [CONTACT NUMBER]. I am happy to speak with you at any time if you should have questions about your care, medical records, or any other healthcare matter where I can assist you.

Your medical records will continue to be housed in the practice of my former colleague, [MD]. If you should desire to transfer your records to another physician, you can simply call the office at [CONTACT NUMBER], and the staff will be happy to assist you.

To assist you in this transition, I have sought out several local physicians who are available to continue your care. Their names are listed below, as well as a national resource for [SPECIALTY].

• [enter practice name]
  [enter practice address]
  [enter phone number]

• [enter practice name]
  [enter practice address]
  [enter phone number]

• [enter practice name]
  [enter practice address]
  [enter phone number]

• [enter practice name]
  [enter practice address]
  [enter phone number]

• American Society of [enter specialty]
  [enter address]
  [enter phone number]

Thank you again for allowing me to serve as your [SPECIALTY]. I will miss my many patients and friends, and wish you all the best.

Sincerely,

[MD]
Sample Letter 4: Practice Notification of Physician Relocation

[DATE]
Dear Patient:

__________(PHYSICIAN NAME), MD, will be leaving __________(PRACTICE NAME) as of __________(DATE). He will be reestablishing his private __________(SPECIALTY) practice as of __________(DATE). If your specialist at __________(PRACTICE NAME) is Dr. __________ (PHYSICIAN NAME), you have the choice of remaining with Dr. __________(PHYSICIAN NAME), or you may change to another specialist within __________(PRACTICE NAME).

If you choose to remain a patient of Dr. __________(PHYSICIAN NAME), you will need to sign a release for your medical records. A records release form is enclosed for your convenience. Please return the release to our office as soon as possible so that we may transfer your records without delay.

Dr. __________(PHYSICIAN NAME)’s phone number will be __________(CONTACT NUMBER), and his address will be __________(CONTACT ADDRESS).

Sincerely,

__________, MD

Sample Letter 5: Physician Relocation

[DATE]
Dear Patient,

I am writing to tell you of a difficult decision that I have made. I have decided to move to __________(NEW LOCATION NAME) and begin practicing at __________(PRACTICE NAME) starting __________(DATE).

I have decided to make this move after careful consideration. I spent many years obtaining special training in __________(SPECIALTY). I need to be in a larger community where I can better put these skills to use to help more people.

I look forward to this new challenge, but it is difficult to leave the patients that I have worked with over the last few years.

My partners at __________(PRACTICE NAME) are ready to care for my patients until another physician is hired to take over my practice. __________(PRACTICE NAME) is actively looking for a physician to replace me.

In the meantime, if you need care, please call my nurse __________(NURSE NAME) at __________(CONTACT NUMBER) and you will be scheduled with one of the other providers at __________(PRACTICE NAME). Your medications can be refilled by calling your pharmacy.

If you prefer to see me at __________(NEW PRACTICE NAME), I encourage you to make those arrangements on your own. Copies of your medical records will be provided to you as necessary.

I am very sorry for any inconvenience to you. The office will do all they can to make the adjustment as smooth as possible.

Sincerely,

__________, MD
Sample Letter 6: Referring Physicians

[DATE]

[REFERRING PHYSICIAN]

[ADDRESS]

[CITY], [STATE] [ZIP]

Dear Dr. _________________,

This letter is to inform you that after practicing as a(n) __________(SPECIALTY) for __________ years, I have made the decision to retire effective __________(DATE).

I would like to express my gratitude to you for the trust and confidence you have placed in me. It has been a true privilege to be your colleague and care for your patients; I sincerely appreciate your referrals to my practice.

Your patient’s care will continue uninterrupted by my associates at the Practice. These very capable physicians will have your patient’s records and will be able to maintain treatment.

Thank you for entrusting the care of your patients to me over the last __________ years. I wish the best to you and your families.

Sincerely,

__________, MD

Policy 2.16  Professional Development/Education Policy

The board will annually approve a professional development plan and budget that meets the Practice’s mission of providing the highest level of patient care.

Procedure

1. Each year at budget time, the medical director and administrator will recommend a professional development budget based on input from department chairs and will include allowances for attendance at professional meetings.

2. Each physician will submit professional development requests to department chairs for individual approval.

3. Following the professional development program, the physician will complete reimbursement forms available from HR and have them signed by the department chair and will complete all travel/expense requirements.

4. The department chair and medical director shall review all professional development requests to ensure that adequate staffing is available at all times.

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Responsibility
The medical director, administrator, department chairs, and HR office shall take
necessary actions to ensure compliance with this policy.

Away Time
A maximum of eighteen (18) days away per calendar year shall be provided for
participant travel and nonparticipant leave.

1. Type/Description
   a. Professional Business Obligation: required as part of a contract or affiliation,
or the Practice work requirement. Professional Business Obligation is that
which is required by a contract, affiliation, or the Practice work assignment
(e.g., a research or educational project for which the physician is receiving
salary support), which includes meetings of study participants.
      • Source of travel reimbursement: sponsoring organization/program
      • Away-time limit does not apply.
      • Examples: research grant–related travel; lectures/committee work; required
        internal training
   b. Participant: activities in support of other organizations or medical profession(s).
      A participant is an attendee who is the primary author of a scientific paper
      or other scientific presentation (exhibits or invited discussants), invited and
      published panelist, moderator, officer, or professional society officer.
      • Source of travel reimbursement: the Practice or sponsoring organization
      • Away-time limit applies.
      • Examples: professional society meeting as presenter or officer; examiner for
        board examinations; site visitor for review committee or granting agencies
   c. Nonparticipant: personal professional development time. A nonparticipant
      is an attendee at a scientific meeting who does not meet the participant criteria.
      Reimbursement for nonparticipants is limited to an annual maximum as set forth
      in the Professional Development Allowance (PDA).
      • Source of travel reimbursement: professional development allowance
      • Away-time limit applies.
      • Examples: seminars, conferences to enhance attendee knowledge
   d. Types of travel for consideration:
      • The Practice travel supported by salary;
      • Research grant-related travel;
      • Committee work and lectures; and
      • Legal defense of the Practice cases.

2. Staff Eligibility
   a. Full-time physicians are eligible for full travel benefits. Regular part-time
      physicians are eligible for prorated travel benefits. A regular part-time physician
      is one who works at least 75 percent of the time or a minimum of thirty (30)
      hours per week. Part-time physicians working less than 75 percent of the time
      are eligible for prorated travel benefits.
b. Eligibility for participants' benefits shall be limited to one (1) author per publication, unless the presenter is in training, in which case a senior professional staff member may accompany him or her.

c. Saturdays, Sundays, and institutional holidays are not counted in the eighteen (18) travel-day allowance, provided reimbursement is not requested for these days, and provided the physician is not scheduled to work or required to be on call during the time away.

d. Travel time is calculated on the basis of air travel and included in the total meeting-time allotment. Travel time in excess of that required for air transportation will be charged against vacation time.

e. Request for professional travel and professional development time for chairs and medical directors must be approved by the chair of the board of directors. The chair/medical director or his or her designee is responsible for determining the appropriateness of each request and adherence to this policy.

Guidelines for Professional Time Exceeding the Eighteen (18) Away-Days Maximum

Periodically, physicians will require exceptional time to support national organizations or a medical profession(s) that, in combination with other obligations/opportunities, may require more than eighteen (18) away days. The affected physicians should prioritize their time, identify professional obligations and commitments, and develop an Education/Away Time Plan to manage within the eighteen (18) away-days allowance. Physicians are required to prepare a plan for professional time away for the entire year. This plan for the entire year should be reviewed and approved by the chair/medical director prior to its start.

Upon review of the Education/Away Time Plan, only the following honors may be considered for exception to the eighteen (18) away-days maximum:

- Appointment as professional/specialty society officer;
- Appointment to granting agency review boards and study sections;
- Appointment as board examiner;
- Appointment as site visitor or committee membership for residency review committees; and
- Appointment to national accreditation committee for voluntary certification.

Procedure

1. Chair/medical director or designees will be responsible for monitoring and approving all educational travel. Deviations beyond the eighteen (18) away days must be based on a prospective annual travel plan reviewed and approved by the chair/medical director. Deviations for chair/medical director must be approved by the chair of the board of the governors.

2. The absence of the physician beyond the eighteen (18) days must not seriously impair professional care of patients or require the employment or replacement of personnel.
Appropriate Meetings and Guidelines (Participant/Nonparticipant Travel)

1. Professional, medical, and scientific meetings that provide a forum for the presentation and discussion of scientific information that will enhance the professional growth of the individual are considered appropriate meetings for either participant or nonparticipant travel. It is the responsibility of the department chair/medical director to decide as to the appropriateness of any given request, and it is the responsibility of the applicant to provide adequate documentation of the education/scientific merit of a requested meeting.

2. A trip for the purpose of taking a specialty board exam is considered appropriate time away for either nonparticipant travel or vacation benefit.

3. Panelists, moderators, or discussants listed in an official program of a society are also eligible for participant benefits. The case of an invited discussant of a scientific paper whose name has not been listed on the formal program shall be reimbursed at the chair/medical director’s discretion. It is expected that the chair/medical director’s action will be based on proof that the discussion has exceptional merit.

4. Eligibility for officership in a national professional society shall be limited to no more than three (3) major societies for each specialty and subspecialty and include the following offices: president, president-elect, immediate-past president, vice president, secretary, treasurer, board of directors, or board of trustees.

5. Scientific exhibits and movies shall be shown during a period not to exceed twelve (12) consecutive months at national and regional society meetings. To be eligible for meeting funds, each scientific commitment and official position must be listed in the official printed program of the society meetings or, in lieu of a printed program, be documented in an official letter of invitation.

Reimbursement Process for Professional Development Travel

1. A request for professional travel shall be submitted to the chair/medical director for approval as far in advance as possible (minimum of two (2) weeks prior to the event).

2. Original receipts shall be required for all expenditures and shall be submitted with an itemized record of expenses upon completion of travel.

3. Reimbursement of travel expenses by medical societies, grant funds, or other sources shall be considered the first source of payment for travel expenses incurred. Expenses covered by other sources are ineligible for reimbursement by the Practice.

4. Completed professional travel forms, original receipts, and itemized record of expenses should be submitted to the Practice administration within thirty (30) days after the approved trip.

Travel Costs and Expense Limits

Subject to the previously outlined conditions, travel costs for all categories of education/away time (including nonparticipant and PDA expense) shall be reimbursed based on receipts and itemized records in accordance with the following limitations and classifications:

1. Travelers should use the lowest possible airfare available, taking advantage of any and all discounts offered by the airlines. Airfare reimbursement shall not exceed coach-class rates;
2. Automobile mileage will be compensated at a rate established by the IRS not to exceed the cost of coach airfare to the destination;
3. Lodging will be reimbursed at corporate discounted rates. Reimbursement for lodging expenses substantially greater than discounted rates will be subject to HR committee approval;
4. Conference registration fees will be covered;
5. Transportation costs from destination hotels to airports shall be reimbursed, as shall airport parking fees where commercial transportation is not used. Mileage to or from the airport and to or from home is reimbursable;
6. A per diem stipend to be annually determined by the HR committee shall be provided for meals. The physician is not responsible for maintaining reimbursement records for transportation and other approved expenses for IRS purposes; and
7. Reimbursement for rental-car-related expenses must be approved in advance by the chair/medical director. Approval should be granted only when the accomplishment of the travel purpose would require frequent long-distance travel (greater than twenty (20) miles) on a nonscheduled basis.

Foreign Travel

1. Reimbursement for coach airfare shall be at the lowest available (discounted) round-trip rate to the city in which the meeting is being held regardless of actual travel arrangements. Any expense above the lowest available rate is the personal responsibility of the traveler.
2. Reimbursement for other expenses associated with the meeting shall be based on the same guidelines and limitations as for other participant travel.
3. Reimbursement for foreign travel shall be at the U.S. exchange rate. The U.S. exchange rate should be recorded on the professional travel form prior to submitting it to the Practice’s travel office.

Professional Development Allowance

1. For each calendar year, the HR committee shall establish, with the operations council’s approval, a Professional Development Allowance (PDA) for each staff category. Such allowance shall be prorated based on the physician’s full-time equivalent (FTE) level as of January 1st of each year. Unused allotment of a PDA may be carried over to the subsequent year and cannot exceed more than one (1) year’s accumulation.
2. Each eligible physician may request reimbursement in any year for the following types of expenses to his or her PDA:
   a. Nonparticipant travel costs;
   b. Professional society dues for societies or organizations relating to the physician’s specialty, including the physician’s balance for the American Medical Association county and state annual membership dues; and
   c. Books, periodicals, videotapes, seminar materials or tuition, and other similar materials relating to the continuing education or other professional development of the eligible physician in his or her professional specialty. Books, periodicals, videotapes, audiotapes, etc., shall become the property of the Practice. Upon termination/retirement of the physician, any materials retained may be subject to taxable income as defined by the IRS.
3. Reimbursable continuing education or professional development expenses are those that assist the eligible physician in maintaining or improving his or her professional skills or meet the requirements of (1) the Practice for continued employment, (2) a professional specialty or society for membership, or (3) any law or regulation governing the eligible physician’s area of practice.

4. The requesting physician should submit a reimbursement request for nontravel expenses for continuing education or professional development materials to the Practice administration. Approval by the chair/medical director is not required if the item is on the approved eligibility list.