



Common methodologies to hire physicians

PHYSICIAN EMPLOYMENT AGREEMENT (PEA)

One of the most popular methods in which a physician is hired to work for an employer is through a physician employment agreement (PEA). Under this model a physician would have a contract that spells out the terms of his or her employment, and the physician would generally receive benefits such as health, dental and retirement savings plan options similar to other employees in the organization. Although certain expenses (such as reimbursement for a mobile phone) can be carved out of the contract, it is common under an employment model to cover all of the compensation, benefits, malpractice insurance and fringe benefits. Note that there may be state specific laws that impact how physicians can be employed.

PROFESSIONAL SERVICES AGREEMENT (PSA)

Another popular method for hiring a physician is through a professional services agreement (PSA). Under this model the physician is an independent contractor. Different types of compensation models are utilized for this contract, including RVUs with an established conversion rate. The hospital or practice would be responsible for the administrative duties, including billing/collecting. Benefits would not be covered by the entity that hired the physician outside of space, staff and supplies/equipment necessary for the physician to perform the job. Independent contractors are generally paid their gross wages without any withholdings on a 1099-MISC.

PARTNERSHIP AGREEMENT

A partnership agreement is for a group of two or more physicians who have partnered to form a business, typically under a professional corporation (PC), limited liability corporation (LLC) or limited liability partnership (LLP). This type of arrangement spells out the details of the partnership, which includes but is not limited to management, voting, compensation, benefits, expenses, buyouts and buy-ins, terminations, malpractice/tail coverage, and non-competes (restrictive covenants).

SOLE PROPRIETORSHIP AND INDEPENDENT PHYSICIANS

According to the IRS, a sole proprietor is someone who owns an unincorporated business by himself or herself. In most cases this is because the owner has chosen not to incorporate under a different type of business structure, such as an LLC. This is the most common business structure in the United States for small businesses, but it is best to work with an accountant or lawyer to determine if it's right for you from a liability and taxation standpoint.

FOUNDATION MODEL

Under a foundation model an independent business that employs physicians is contracted to provide services at a certain hospital or facility. There are specific rules for both governance and compensation spelled out in the contract. Payment is generally made on a wRVU conversion rate for worked performed on a monthly basis to the business that distributes it in accordance with its own contracts and operating agreements.