PHYSICIAN EMPLOYMENT AND RECRUITMENT: REQUIREMENTS, TOOLS AND DOCUMENTATION SAFEGUARDS

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OUTLINE OF OBJECTIVES:

• Justify why you want to recruit/employ physician
• Anti-Kickback Statute, Stark Act and Private Inurement/Intermediate Sanctions Issues
• Contract terms, including form contracts
• Fair market value analysis and documentation
• Recruitment issues
• Contract approval process and documentation
• Annual review
• Case Scenarios
WHY RECRUIT OR EMPLOY PHYSICIAN?

Organization needs to determine a justifiable business reason for employing/recruiting physician. Adequate business justifications can include the following:

- Established community need
- Conforms with business plan
- Needed as part of integrated delivery system
- Physicians are needed to “round out”
  - Services provided by a Physician Network
  - Services needed by organization
- Replace Physician who is:
  - Retiring
  - Moving
  - Quitting
WHY RECRUIT OR EMPLOY PHYSICIAN?

NEVER Employ/Recruit A Physician If The Only Reason To Employ/Recruit Is Based Upon:

• Physician demand
• Motivated by the referrals a physician will generate
• Threat by physician to switch referral patterns to a competitor
• Services not needed
• As a favor to a substantial referral source
ANTI-KICKBACK STATUTE

(42 U.S.C. § 1320a-7b)

It is illegal to knowingly or willfully:

• Offer, pay, solicit, or receive remuneration;

• Directly or indirectly;

• In cash or in kind;

• In exchange for:
  • Referring an individual; or
  • Furnishing or arranging for a good or service; and

• Payment may be made by Medicare or Medicaid.
Payments made by employer to employee under bona fide employment relationship with employer for employment in furnishing of any item or service for which payment may be made under Medicare or Medicaid are excepted from the Anti-Kickback Statutes’ prohibitions.

- Fair Market Value
- Arm’s Length Negotiation
- Reasonable
ANTI-KICKBACK STATUTE
SAFE HARBOR FOR PERSONAL SERVICES
AND MANAGEMENT CONTRACTS

• Written Agreement signed by parties
• Term of at least one year
• Agreement must specify aggregate payment and such payment must be set in advance
• Compensation must be reasonable, fair market value and determined through arms’ length negotiations
• Must set exact services required to be performed
• Compensation must not be determined in a manner that takes into account volume or value of referrals

• All arrangements must be in one contract.

• The arrangement must serve a commercially reasonable business purpose.
If the Agreement does not contemplate full-time services, it must also specify:

- The *exact* schedule of intervals;
- Their *precise* length; and
- The *exact* charge for such intervals.
ANTI-KICKBACK STATUTE

SAFE HARBOR FOR RENTAL OF OFFICE SPACE

• Written Agreement
• 1 Year
• *Fair Market Value*
Under the Stark Act, a physician is prohibited from making a **referral**: 

- to an entity;
- for the furnishing of a **designated health service**;
- for which payment may be made under Medicare or Medicaid;
- if the physician (or an immediate family member);
- has a **financial relationship** with the entity.
STARK ACT

Employment exception (applies to compensation relationships):

• employment is for identifiable services;

• amount of remuneration under employment is:
  • consistent with *fair market value, reasonable* and determined through *arm’s length negotiations*;
  • Not determined into a manner that takes into account volume or value of referrals by referring physician; and
  • remuneration is provided pursuant to an agreement that would be commercially reasonable *even if no referrals* were made to employer.
STARK ACT

Personal Services Exception (applies to compensation arrangements):

• written agreement;
• identify specific services to be performed;
• services are *reasonable and necessary*;
• term for at least 1 year; and
• compensation
  • Set in advance
  • Does not exceed *fair market value*
  • Does not consider volume or volume of referrals
STARK ACT

Rental of office space exception (applies to compensation arrangement):

- Written Agreement
- Space is necessary for legitimate business purposes
- 1 Year
- *Fair Market Value*
- *Commerially Reasonable*
## Contract Terms

### Saint Joseph Regional Medical Center, Inc. Contract Term Sheet

1. **Party's Proper Name:**
   - Party is a Physician/Physician Group

### SJRMC Entity:
- Saint Joseph Regional Medical Center – Inc.
- Saint Joseph Regional Medical Center – Plymouth Campus
- Saint Joseph Regional Medical Center – South Bend Campus
- Saint Joseph Regional Medical Center – Mishawaka Campus
- Saint Joseph Visiting Nurse Association
- Our Lady Of Peace
- Saint Joseph Care Foundation
- The Foundation of Saint Joseph Community Hospital – Mishawaka

2. **Type of Legal Agreement:**
   - Employee
     - Full Time
     - Part Time
     - PRN
     - Independent Contractor

3. **Term:**
   - 1 Year
   - 2 Year
   - 3 Year
   - 4 Year
   - 5 Year
   - Other

4. **Termination Provisions:**
   - Immediately, without cause
   - Immediately, with cause
   - ___ days notice, without cause
   - ___ days notice with cause
   - no opportunity to cure default
   - opportunity cure default
     - 15 days
     - 30 days
     - 45 days
     - 90 days
   - other

5. **Contract Renewal:**
   - No Renewal (without negotiation)
   - Automatic renewal unless either party gives the following written notice to terminate:
     - 30 days
     - 60 days
     - 90 days
     - 120 days
     - 150 days
     - 180 days

6. **Cost and Method of Payment:**
   - (attach additional sheets as necessary)
CONTRACT TERMS

Contracting Party:

- Are you contracting with a physician group or with a physician individually?
- Determine if the entity is a LLC, Inc., Corp, Ltd., P.C., L.L.P., etc.;
CONTRACT TERMS

Contracting Party (continued):

Even if the contracting party is not a physician or physician group, for Stark Act purposes, you need to determine whether any investor in the entity is a physician or a member of a physician’s family.
CONTRACT TERMS

Type of Legal Arrangement:

If you are contracting with a physician, you will need to determine whether the physician is:

• Employee
  • Full-time
  • Part-time
  • PRN
• Independent Contractor
CONTRACT TERMS

Type of Legal Arrangement

For employee vs. independent contractor analysis, you will need to determine if the employer will exercise the amount of control required by the IRS to make the physician an employee (regardless of whether the physician wants to be an employee!).
Employee v. Independent Contractor:

20 Common-law factors

(Rev. Rule 87-41, 1987-1 CB 296)
Employee v. Independent Contractor

1. Right to give Instructions
2. Requires Training
3. Services Integrated with Business
4. Personal Services Required
5. Hiring, Supervising and Payment of Assistants
6. Continuing Relationship
7. Set hours
8. Exclusive Full time
9. Work on Employer’s Premises
10. Required order or sequence of services
Employee v. Independent Contractor

11. Required periodic reports
12. Payment by hour, week or month (as opposed to by job)
13. Expense Account
14. Tools and materials supplied
15. Facilities furnished
16. Risk of loss
17. Number of “Employers”
18. Services Available to General Public
19. Right to fire
20. Termination Damages (Employees—usually none; Independent Contractor—may be liable for breach).
CONTRACT TERMS

Term:
Determine how long the parties desire to have the contract.

NOTE: Reasonableness of compensation/payment may depend upon length of contract.
CONTRACT TERMS

Termination Provisions:

• Immediately, without cause;
• Immediately, with cause;
• Without cause with # days notice
• With cause with # days notice
  • opportunity to cure default
    • 15 days
    • 30 days
    • 45 days
    • 90 days
• no opportunity to cure default
CONTRACT TERMS

Contract Renewal:

• No renewal (without renegotiations)

• Automatic renewal unless either party gives written notice to terminate.

Caution:

If contract automatically renews, the same documentation required to enter into the contract needs to be provided (i.e., fair market value documentation, legal review, etc.)
CONTRACT TERMS

Cost and Method of Payment:

Detail how physician will be paid:

• If full time
  • Salary
  • Bonus

• If Part Time/Independent Contractor:
  • Annual payment (must project how much time the physician will be providing services)
  • Hourly payment (may be interpreted to be an employee)
BILLING:

The contract should specify who will be billing for the services:

- Physician or physician group;
- Hospital entity (contract should require physician to i) assign right to receive payment for services rendered to Medicare/Medicaid patients; and ii) represent and warrant that physician will adhere to strict documentation standards).
Duties and Responsibilities:

Fully describe all duties and responsibilities to be performed by physician.
Duties and Responsibilities:

Do not include duties and responsibilities “just to make the contract look good.”
**CONTRACT TERMS**

**Duties and Responsibilities:**

If physician will be a medical director, require physician to complete a time card, (written statement of services rendered and amount of time dedicated to such services).

Example Included as **Exhibit B.**
Benefits:

Identify each benefit that will be provided to physician (health insurance, dental insurance, pension plan, life insurance, educational reimbursement for CMEs, etc.).
CONTRACT TERMS

Effective/Commencement Date:

Specifically identify when the contractual arrangements will begin;

- Specific date (i.e., January 1, 2003), or
- Upon fulfilling conditions precedent (obtaining valid license to practice in the state, becoming member of medical staff, etc.)

January 1, 2003
CONTRACT TERMS

Noncompete:

Covenant against competition must be reasonable to protect the business interest of the employer. All restrictions must be reasonable in:

• Time
• Geographic Territory
• Scope of Practice

NOTE: State law may not enforce noncompete provisions for certain specialties (i.e. ER, family practice, etc.)
CONTRACT TERMS

Noncompete:

For some service contracts with a physician, the parties may want the covenant against competition to be reciprocal (i.e. lithotripsy services, MRI services, etc.)
CONTRACT TERMS

Arbitration:

Do you really want to sue your physicians?
FAIR MARKET VALUE

Fair Market Value Documentation:

Is it an art or is it a science?
FAIR MARKET VALUE

For every physician contract, fair market value is the biggest issue.
Captain Integrity™

I want more money or I won't be your employed physician!

But that would be above fair market value.

I don't care! If you don't pay me what I want, I will never refer to you again!

All payments to physicians must be at fair market value. Fair market value should be well documented and be contained in a written contract.
FAIR MARKET VALUE

Legal Opinions:

Most law firms do not provide legal opinions on fair market value.
Legal Opinions:

Law firms should work with providers to establish a process to develop FMV information, and then opine that providers followed established process.
Structure of compensation (and underlying fair market value documentation) may depend upon legal status:

Employee vs. independent contractor
For employed physicians, the following compensation structures can be developed:

1. Equal compensation
2. Productivity-based compensation
3. Combination of equal pay and productivity-based compensation
4. Point System (a/k/a relative value method)
5. Fixed base periodic salary plus bonus
FAIR MARKET VALUE

Independent Contractor (i.e. Medical Director):

1. Hourly payment (with maximum number of hours in contract)

2. Annual payment (determined by projected number of hours multiplied by Fair Market Value hourly rate)

3. Incentive-based compensation (i.e. gain sharing)
FAIR MARKET VALUE

Market Data:

1. Determine what competitors are paying (anti-trust risks)
2. Opinion letter from compensation analyst
3. Third party surveys
FAIR MARKET VALUE

Typical third party surveys include:

• **Sullivan, Cotter & Associates, Inc.** - Physician Compensation and Productivity Survey;

• **HayGroup** - Physicians Compensation Survey;

• **Hospital and Healthcare Compensation Service** - Physician Salary Survey Report;

• **Medical Group Management Association** - Physician Compensation and Productivity Survey;

• **ECS Watson Wyatt** - Hospital and Health Care Management Compensation Report

• **William M. Mercer** - Integrated Health Networks Compensation Survey
Date: 
To: Hiring Vice President 
From: Director of Compensation and Benefits 
CC: Legal Department 
Re: FAMILY PRACTICE (WITHOUT OB) 
FAIR MARKET VALUE OF COMPENSATION 

Summarized below is the market survey data establishing the fair market value of pay for Family Practice Physician (without OB). This market data has been obtained from independent third party compensation surveys.

**SURVEY DATA**

**FAMILY PRACTICE (WITHOUT OB)**

<table>
<thead>
<tr>
<th>Survey</th>
<th>Survey Match</th>
<th>Region</th>
<th>Total cash compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>25th %ile</td>
</tr>
<tr>
<td>Sullivan</td>
<td>Family Practice without OB/GYN</td>
<td>National</td>
<td>124,304</td>
</tr>
<tr>
<td></td>
<td>Family Practice without OB/GYN</td>
<td>Regional</td>
<td>126,276</td>
</tr>
<tr>
<td>Hay</td>
<td>Family Practice</td>
<td>National</td>
<td>128,247</td>
</tr>
<tr>
<td></td>
<td>Family Practice</td>
<td>Regional</td>
<td>129,896</td>
</tr>
<tr>
<td>HHCS</td>
<td>Family Practice</td>
<td>National</td>
<td>131,527</td>
</tr>
<tr>
<td>MDMMA</td>
<td>Family Practice without OB</td>
<td>National</td>
<td>127,810</td>
</tr>
<tr>
<td>ECS</td>
<td>Family Practice physician</td>
<td>National</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
<td>127,795</td>
</tr>
<tr>
<td></td>
<td>approx/hour</td>
<td></td>
<td>61 $</td>
</tr>
</tbody>
</table>

**Additional information:**
A 20 to 30% premium can be applied to total cash in lieu of benefits. A 26% premium applied to the 50th percentile would equal approximately: 
$ 190,471 per year 
$ 92 per hour 
$ 73 per day 

**Surveys:** Regional data included where available. Data updated to 7/1/02. 
HayGroup - 2001 Physicians Compensation Survey 
Hospital and Healthcare Compensation Service - 2002 Physician Salary Survey Report 
Medical Group Management Association - Physician Compensation and Productivity Survey 2000 
ECS Watson Wyatt - 2001/2002 Hospital and Health Care Management Compensation Report 

Please include a copy with the master physician file. Call me if you have any questions.
Key Concepts with Exhibit C:

1. Range established (25%, 50%, and 75%)
2. Specialty is matched
3. Hourly rate is determined by percentile
4. Surveys are averaged to negate disparity
5. Premium added to base in lieu of benefits (assuming physician is independent contractor)
FAIR MARKET VALUE

PRODUCTION SURVEY

Can establish compensation through gross charges:
FAIR MARKET VALUE

Fair market value documentation should be developed and documented before offer is made.
FAIR MARKET VALUE

Another tool:

Physician Recruitment and Employment Checklist
FAIR MARKET VALUE
MEDICAL DIRECTORS

If Annual Payment method is used, need to track hours to make sure consistent with contract.
### SJRMC Medical Director Annualized Hourly Pay

<table>
<thead>
<tr>
<th>Last Name</th>
<th>Hourly Pay</th>
<th>Weeks</th>
<th>Total Hours</th>
<th>Cont. Annual Hours</th>
<th>Cont. Start</th>
<th>Cont.</th>
<th>Total Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Kilroy</td>
<td>$102.42</td>
<td>17</td>
<td>65.5</td>
<td>180</td>
<td>09/01/2001</td>
<td>08/31/2003</td>
<td>$20,520.00</td>
</tr>
<tr>
<td>Co-Director Acute Stroke Unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Bombay</td>
<td>$117.65</td>
<td>26</td>
<td>68</td>
<td>156</td>
<td>06/30/2002</td>
<td>06/30/2003</td>
<td>$16,000.00</td>
</tr>
<tr>
<td>Neurodiagnostic Services, Medical Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Doctor</td>
<td>$142.12</td>
<td>43</td>
<td>201.5</td>
<td>312</td>
<td>01/2002</td>
<td>02/11/2003</td>
<td>$34,632.00</td>
</tr>
<tr>
<td>Intensive Care and Intensive Intermediate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. I.M. ILL</td>
<td>$139.54</td>
<td>4</td>
<td>79</td>
<td>1640</td>
<td>11/30/2001</td>
<td>11/30/2003</td>
<td>$143,310.40</td>
</tr>
<tr>
<td>Gynecology and Oncology, Medical Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Feelgood</td>
<td>$134.77</td>
<td>26</td>
<td>321</td>
<td>884</td>
<td>06/30/2001</td>
<td>06/30/2003</td>
<td>$86,520.00</td>
</tr>
<tr>
<td>Medical Director of OLOP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thursday, January 09, 2003  

Hourly Pay = (Total Annual Compensation/52 Weeks)/Total Hours - Does not include call coverage.
Health care organization should establish a structured approval process for all physician contracts.
One example is using the Board of Trustees, or a committee of the Board of Trustees (i.e., Executive Committee). Documentation submitted for approval can include:

1. Fair Market Value Documentation (Survey, Checklist, Competing Offers)
2. Legal Review
3. Officer’s Certificate (see Exhibit G)
4. Copy of contract (or contract review memo [Exhibit H] disclosing the material components of the contract.)
OFFICER'S CERTIFICATION

I, __________, Vice President ___________ of Saint Joseph Regional Medical Center - South Bend Campus, Inc. hereby certify that to the best of my knowledge, the following matters are true for the Associate Director Agreement by and between Saint Joseph Regional Medical Center - South Bend Campus, Inc. and __________ dated __________, 2002 (the "Arrangement"):

1. There are no other arrangements, written or oral, with __________ except as written in the Arrangement;

2. The payments pursuant to the Arrangement represent the fair market value of the services to be rendered thereunder;

3. No payment has been or will be made, to the professional referenced herein outside of the terms and conditions of the Arrangement unless such outside payment is also consistent with Saint Joseph Regional Medical Center's policies; and

4. I, as the Vice President, shall ensure that the services required under the Arrangement are rendered prior to making each payment thereunder.

Date: ____________________       Signature: ____________________
PHYSICIAN CONTRACT REVIEW MEMO*

Name of Physician or Group with whom contract is being sought: 

Type of contract (i.e., Medical Director, Employment Agreement, Practice Location Agreement): ____________________ ("Contract")

Specialty: ____________________

SJRM Contracting Entity (check all that apply):

- Saint Joseph Regional Medical Center, Inc
- Saint Joseph Regional Medical Center-South Bend Campus, Inc.
- Saint Joseph Regional Medical Center-Mishawaka Campus, Inc.
- Saint Joseph Regional Medical Center-Plymouth Campus, Inc.
- Our Lady of Peace Hospital, Inc.
- Saint Joseph Visiting Nurse Association, Inc. (Saint Joseph VNA Home Care)

Name and Title of Administrator completing Physician Contract Review Memo:

__________________________

*Signature of above Administrator

Pursuant to the terms of the proposed contract, the physician/group will do the following:

__________________________

Term: The Contract will commence on ____________ end on ____________

Renewal terms, if any, are as follows:

__________________________

Describe i) why the Contract is Fair Market Value and ii) method of compensation. (Be very detailed, including a calculation as to how the annual compensation was determined. For example, if the documented Fair Market Value per hour rate is $100.00, and 100 hours are expected from the physician/group, then a $10,000 annual payment is warranted.) Attach all supporting Fair Market Value documentation, including Physician Recruitment Checklist if applicable. In addition to the Fair Market Value documentation, if Physician is to be compensated above the 50th percentile, attach a memo explaining why Physician should be compensated above the 50th percentile (relevant factors may include specialty, board certifications or eligibility, years in practice, etc.) NOTE: NO CONTRACT SHALL BE APPROVED IF DESIRED COMPENSATION IS ABOVE 90th PERCENTILE.

__________________________

*Must be completed by administrator (CEO, COO, SVP, VP) seeking to contract with physician.
Administrator responsible for monitoring performance of all aspects of Contract by physician/group (listed administrators are limited only to the following: CEO, COO, SVP, VP).

State why the Contract is needed for the SJRMC Entity (including those needs that further the SJRMC entity’s charitable purpose):

In addition to the above, this contract is needed and furthers the SJRMC entity’s charitable service because (initial all that apply): ___ the contract benefits the community by improving patient access to quality medical services; ___ the contract will further the SJRMC entity’s mission; ___ the contract will improve an existing area of service.

* * *

[Legal staff to complete the remaining portions of this memo]

Has the Contract been reviewed and approved by legal counsel?
Yes ___ No ___

If the contract was reviewed by outside counsel, did the outside counsel state that the contract satisfies, in all material respects, SJRMC’s policy on hospital/physician financial relationships and applicable laws governing such relationships?
Yes ___ No ___

If the contract was reviewed by in-house counsel, the signature that follows is a representation that SJRMC’s in-house counsel believes that the contract satisfies, in all material respects, SJRMC’s policy on hospital physician financial relationships and applicable laws governing such relationships.

_____(signature of SJRMC lawyer)

If the Contract is with SJRMC, SJRMC-SB or SJRMC-Ply, outside counsel review is required. Has outside counsel review been obtained?
Yes ___ No ___ N/A ___

If “No” is checked to any of the above questions, please explain why:

________________________________________________________

Has an Officer’s Certificate been executed and delivered to the legal office? (legal staff must initial one)
Yes ___ No ___

If not, please explain why:

________________________________________________________
Because of the inherent risk with physician contracts, the Board of Trustees should either i) be involved in the approval process, or ii) establish a process to be followed by the administration for approval of physician contracts.
RECRUITMENT

Financial incentives to relocate can be offered to a physician only when community need is documented.
RECRUITMENT

Indicia of Community Need Recognized by the IRS:

1. A population-to-physician ratio in the community deficient to the ideal ratio contained in the Graduate Medical Education National Advisory Committee (GMENA) or Longshore-Simmons Report.

2. Demand for a particular medical specialty in community for which the physician is being recruited, coupled with a documented lack of availability of the service or long waiting periods for the service;

3. A demonstrated reluctance of physicians to relocate to the community due to the hospital’s physical location (i.e., hospital is in a rural or economically disadvantaged inner-city area or the hospital has been designated to be in a “health professional shortage area,” “medically undeserved area,” or a “medically undeserved population”).
RECRUITMENT

Indicia of Community Need Recognized by the IRS (continued):

4. A reduction in the number of physicians is reasonably expected in the relevant specialty in the service area due to anticipated retirements during the next three years; or

5. A documented lack of physicians serving indigent or Medicaid patients within the hospital’s service area, provided that the recruited physician commits to serving a “substantial number” of Medicaid and low income patients.
RECRUITMENT

Once community need is established, incentives can be offered to the recruited physician.
RECRUITMENT

The relevant question should be: “What will it take for you to relocate to the market?”

Doctor, what will it take for you to relocate?
Never establish “common” recruitment packages.

What if physician would relocate for less than the “common” package?
Key opinions:

1. Examination Guidelines for Hospitals (Rev. Ann. 92-83) (restrictive)
2. Hermann Hospital Closing Agreement (September 16, 1994) (Very restrictive)
3. Revenue Ruling 97-21 (More permissive)
4. OIG Advisory Opinion No. 01-04
RECRUITMENT

OIG Opinion No. 01-4

Established four key questions:

1. Whether there is documented evidence of an objective need for the practitioner's services.

2. Whether the practitioner has an existing stream of referrals within the recruiting entity's service area.

3. Whether the benefit is narrowly tailored so it does not exceed that which is reasonably necessary to recruit a practitioner.

4. Whether the remuneration directly or indirectly benefits other referral sources.
RECRUITMENT

TRADITIONAL TYPES OF RECRUITMENT INCENTIVES

• Practice income guarantees
• Forgivable loans
• Non-forgivable loans
• Lines of credit and loan guarantees
• Office/equipment subsidies
• Interview, travel, moving and relocation expenses
• Continuing medical education expenses
• Medical malpractice insurance (claims made or tail coverage)
RECRUITMENT

TRADITIONAL TYPES OF RECRUITMENT INCENTIVES

• Private practice support/subsidies
  • Administrative (i.e., billing services, dictation)
  • Personnel (i.e., support staff)
• Payment of recruitment fees to outside consultants
• Signing bonuses
• Society dues or a licensing fee
Community Need, Recruiting Expenses and Incentives Flowchart

EXHIBIT I

The following flowchart can be used to determine whether Saint Joseph Regional Medical Center, Inc. can pay all or a portion of recruiting expenses or incentives.

Are you recruiting someone from outside the service area?

Does community need exist?

Business need?

Can pay recruiting expenses and/or incentives.

Will physician be employee/independent contractor?

No recruitment expenses or incentives

Will physician be full time employee/independent contractor?

No expenses/incentives paid.

Can pay all recruiting expenses. No recruiting incentives.

Can pay only percentage of recruiting expenses. No recruiting incentives.

NOTE: All payments must be consistent with Saint Joseph Regional Medical Center, Inc.'s Physician Recruitment Policy.

Recruiting expenses must be reasonable and all incentives must be established through arm's length negotiating in an amount reasonably required to obtain physician's services in market. Reasonable recruiting expenses can be shared with another unaffiliated entity in a proportion equal to the amount of time physician will provide service to each entity (i.e., 50/50, 60/40, etc.).
RECRUITMENT

After Recruitment arrangement is consummated, the arrangement must be monitored.
RECRUITMENT

Monitoring Examples

• Forgivable Loans

  1. Make sure physician remains in the area.

  2. Physician continues to provide medical services.

  3. Forgiven amount of loan is included on W-2 or 1099.
RECRUITMENT

Monitoring Examples

• Income Guaranty

  1. Financial Statement is timely submitted.
  2. Financial Statement is reviewed for accuracy.
  3. Payment made is included on W-2 or 1099.
Monetary Examples

• Moving Expenses
  1. Documentation of cost.
  2. Assurance that cost is reasonable.
RECRUITMENT

Monitoring Examples

• **Continuing Medical Education**
  1. Documentation of expenses incurred.
  2. Review of amounts paid so that reimbursement does not exceed maximum amount in contract.
If a forgivable loan is being provided, recruiting entity must make sure physician is providing services in the geographic territory during term of forgivable loan.

Note: Strict compliance must be monitored!
For every contract, the following documents should be maintained in a central file:

- Executed copy of contract
- Fair market value documentation that formed the basis for the contract
- Documentation of legal review
- Officer’s certificate (see Exhibit G)
ANNUAL REVIEW

FIRST:

Each year, healthcare organizations should identify every payment made to a physician or physician group.
SECOND:

After all physician payments are identified, the legal/compliance department should determine that there is a valid contract for every payment.
THIRD:

All payments must be reflected on a W-2 (for employees) or 1099 (for independent contractors).
ANNUAL REVIEW

W-2 or 1099

CONTRACT

FMV
SCENERIOS

Out of Town Recruitment

Attachment B
SCENERIOS

In Town Recruitment

Attachment C
SCENERIOS

Employment

Attachment D
QUESTIONS?
PHYSICIAN EMPLOYMENT AND RECRUITMENT: REQUIREMENTS, TOOLS AND DOCUMENTATION SAFEGUARDS

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