

***CONTRACT***  
***NEGOTIATION***  
***FOR***  
***NURSE***  
***PRACTITIONERS***



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# Contract Negotiation for Nurse Practitioners

Preparation is very important to the nurse practitioner hoping to conduct a successful interview and negotiate an employment contract. When preparing for an interview, it is helpful to utilize one's personal, professional and community network to gather information about health care practices in the area. It is important to be prepared to discuss the financial benefits a nurse practitioner can offer to the practice as well as improved quality of care, higher patient satisfaction and more flexibility for the physician. Spending a day observing a practice site can help you make decisions regarding your participation in that practice.

A professional resume should be prepared and submitted at the time of the interview. Written employment contracts are important, providing protection for both the nurse practitioner and the employer. Prior to signing a final agreement, the services of an attorney with experience writing medical or nurse practitioner contracts should be retained. In addition, the following factors should be considered.

## 1. Nurse Practice Act

Do your homework first regarding the state practice act.

- a) Make sure you are familiar with the scope of practice in the state and the steps needed to be legally licensed and to renew your license.
- b) Be familiar with the regulations pertaining to nurse practitioner practice in your state where you will be practicing.
- c) Know the parameters of prescriptive authority in your state.
- d) Know the collaboration (if any) requirements with physicians.

## 2. Practice Setting

Before scheduling an interview seek answers to the following questions:

- a) What type of practice is this? Family? Specialty? Rural health?
- b) Does this practice employ other nurse practitioners?
- c) Does the practice accept Medicaid patients, Medicare Patients?
- d) Is this practice supportive of the role of the nurse practitioner?
- e) What is the reputation of the practice in the community?

Questions to be considered during interviews or negotiations are:

- a) How much autonomy will you as a nurse practitioner have?
- b) Will the nurse practitioner be recognized as a primary care provider?
- c) Will you be able to practice at your full scope of practice?
- d) What is the practice mix? Physicians, other providers, support staff?
- e) What is the practice's philosophy of patient care? Does the practice support patient education, health promotion, and disease prevention? Does it participate in community outreach?
- f) Is the practice site supportive of clinical research? Precepting students? Participation in teaching or presenting papers or posters at conferences?
- g) Will there be opportunities for hospital admissions? What is the reputation of the hospital where you would be admitting patients?
- h) What percent of your time will be directed toward administrative duties and what will they entail?
- i) Are there organization policies in place such as grievance procedures?
- j) What are the expectations for taking call? Working evenings or weekends? Making hospital rounds?
- k) Are there any special skills or training required for this job? (e.g. suturing, ACLS)
- l) Is patient satisfaction evaluated?
- m) What method of performance evaluation is in place for the NP?
- n) What kind of support staff would be suitable for you?

## Personal Inventory

The following is a comprehensive tool that may be used to evaluate your needs and desires in an employment or contractual arrangement.

### PERSONAL EMPLOYMENT ASSESSMENT

1. I plan to join a Family practice.  
(Type)
2. I prefer a payment plan of salary only \_\_\_\_\_, salary with productivity based pay , hourly contract \_\_\_\_\_.
3. I am willing to take call , willing to work evenings , willing to work week-ends , willing to make hospital rounds .
4. I am willing to travel 10-15 miles to my practice site.
5. Rate the following in order of importance from 1-9 with 1 being the most important and 9 being the least:
  - a. Autonomy of Practice 3
  - b. Ready access to physician 5
  - c. Ready access to laboratory 4
  - d. Rural Setting 8
  - e. Urban Setting 7
  - f. Working with other NPs 6
  - g. Working alone 9
  - h. Autonomy of Patient Scheduling 1
  - i. Compensation 2
6. Rate the following (1) must; (2) would like to have; (3) not necessary
  - a. Benefits 1
  - b. CEU Allotment 2
  - c. Paid time off for attending professional meetings 2
  - d. Malpractice Insurance 2
  - e. Retirement 2
  - f. Profit Sharing 1
  - g. Professional dues paid 2
  - h. Flexible scheduling 1
  - i. Disability insurance 1
  - j. Paid personal days 1
  - k. Paid sick day 1
  - l. Paid vacation 2 weeks \_\_\_\_\_ 3 weeks \_\_\_\_\_ 4 weeks
  - m. Paid health insurance Personal  Family \_\_\_\_\_
7. I am most comfortable working with those who exhibit the following characteristics:  
Flexible, friendly, responsible and motivated.
8. My greatest strength is Time management and accuracy.
9. An area of weakness that I plan to change to a strength is Data entry speed.
10. I plan to renegotiate my contract in 1-2 yrs.

Modified with permission from Wilson, Shala, ANP-C, CS (2001) Personal Employment Plan

### 3. Negotiation Tips

Negotiation Strategies include the following:

- a. The goal to negotiation is to create a “win-win” situation. Each of you has something to offer they a job, and you, your expertise. Look to see how you both can mutually benefit. That way each of you wins.
- b. If possible don’t make the first offer; it is better to know what they’re offering in order to present a counter offer.
- c. If the first offer seems generous and it is to your liking, take time to think it over.
- d. Know what will be the least you need in order to accept the job and what is considered your walk away point.
- e. Salary negotiations go hand in hand with your benefit package and hours of employment.

### 4. Negotiating Compensation

**Determining Worth of Service:** When negotiating contracts, it is important to determine both the amount of income that the nurse practitioner may bring into the practice and the associated cost to the practice. While there will be variability among practices due to the specialty, the location and the outstanding debts of the practice, the following guidelines will help you determine what compensation you might be able to contract.

The federal government focuses on three elements when determining compensation for medical services provided: cost of service (the cost of compensating the clinician providing the service); the practice overhead (includes utilities, rent, supplies, payment to support staff etc); malpractice insurance. While the formula used for Medicare reimbursement has been based on a percentage of 48% service, 48% overhead and 4% malpractice insurance, these percentages may vary from practice to practice. (See attached example from one primary care practice)

- a. Ask for the percentage of practice income that goes for overhead expenses. Be sure to ask what the practice includes in the category of “overhead” expenses.
- b. Generally a private practice will wish to net some profit from you participation. A general figure is 15-20%. Determine if that is the case in the practice you are considering. Is this included in the overhead cost quoted to you?
- c. Determine if a percentage of your gross receipts are expected to be used for physician consultation. (Seasoned nurse practitioners may expect to pay 10-15% of their gross receipts for this service.) Is it included in the overhead cost quoted to you?
- d. It will be important to be able to access your productivity data within the practice. Determine how this will be accomplished in the practice site you are considering.

### **DETERMINING ARNP WORTH OF SERVICE**

The data in this example was provided by a nurse practitioner employed in an internal medicine practice in a small city in Kentucky. The income projected is based on the amount actually received by the practice for the nurse practitioner visits. Twenty five percent of the patients have Medicare; 65% have a HMO or PPO; and 10% have commercial insurance.

The nurse practitioner saw 18 patients per day. Two were new patients; sixteen were established patients. Of the established patients, two were Level 2 visits, seven were Level 3, three were Level 4, and four were annual physicals (Level 5). There were also charges for two EKGs and three microscopic urinalyses.

The nurse practitioner generated income of \$1075 per day - \$5375 per week – and \$258,000 per year (assuming 48 weeks worked).

The following chart illustrates the costs incurred by the internal medicine practice to employ the ARNP. Overhead costs include additional supplies and equipment needed, plus two full-time employees at \$10 per hour to support the nurse practitioner (a nursing assistant and clerical help).

**COST TO PRACTICE TO EMPLOY ARNP**

Salary	\$80,000
FICA	6,120
Health Insurance	4,000
Malpractice Insurance	504
Continuing Education	2,000
401K	3,200
Professional org/license	<u>150</u>
	95,974
Overhead	<u>54,446</u>
Expense to Practice	150,420
Income Generated by ARNP	<u>258,000</u>
<b>Profit to Practice</b>	<b>\$107,580</b>

Patient Care/Practice Expectations

- a. Determine the number of patients the nurse practitioner is expected to see, remembering that a new graduate will need more time in the first six months of practice. It will also help to find out what the most frequently billed CPT codes are for the practice and the amount received for those codes.
- b. If you are expected to take call or make hospital rounds, determine what percent of the other practice provider’s salaries are attributed to this activity. You would expect to receive a like percentage if you take rotation with other providers.
- c. If you are to be salaried and your clinical and administrative schedule requires longer days or evening hours, you may wish to negotiate a half-day off/week to compensate for this time.

Bonus/Productivity Payment

- a. Negotiating a bonus payment system may be important, particularly as the nurse practitioner develops a large patient base. Bonus formulas can be based on productivity, quality, profit or patient satisfaction. If a patient satisfaction based formula is agreed upon, using a satisfaction tool is helpful in determining the bonus formula.
- b. A productivity-based bonus may be appropriate if the nurse practitioner is on at least a 50% fee-for service system. Formulas are usually based on number of patient visits per year. Quality based bonus payments may be more practical under a capitated system where profit is measured by maintaining high quality care in as few visits as possible. In this case bonuses should be awarded for meeting or exceeding quality standards.

Profit Sharing

When negotiating profit sharing, it is important that the language regarding the determination of the profit share is clear. It is important to negotiate the right to access the company audit and a method for handling disputes.

## **5. Benefit Negotiations**

The following benefits as a salaried employee should be included:

- a. **Health Insurance.** Health insurance is an ever-rising cost of business. If you need family coverage make sure that it is a part of your benefits, even if you would have to pay the additional costs. Some employers also have dental and eye coverage for their employees.
- b. **Vacation.** Vacation benefits should include at least three to four weeks a year.
- c. **Sick Leave.** Sick leave is generally two weeks or one day per month per year.
- d. **Travel.** Ask about travel allowance if house calls or travel to other clinics is expected.
- e. **Continuing Education.** Continuing education allowance and paid leave (one to two conferences per year is not inappropriate; be sure to include enough in allowances to allow for airfare, room and food for at least one national conference. (An allowance of \$1500 to \$2500 for this purpose is not unreasonable.)
- f. **Malpractice Insurance.** With malpractice insurance coverage, ask if it is an occurrence or claims made type of policy and ask the amount of coverage. Negotiate for a malpractice policy that is an occurrence policy for at least \$1 million per claim and \$3 million aggregate.
- g. **Fees.** Membership in professional organization; licensure, and DEA fees should be paid.
- h. **Subscriptions.** Office subscription to appropriate nurse practitioner journal.
- i. **Retirement Plans.** Retirement plans including employer's contribution and years when vested needs to be determined.
- j. **Disability Insurance.** Disability insurance is a benefit you may want to negotiate, especially if you are the major income producer in your family.

## **6. Contract Restrictions**

- a. Some employment contracts include a clause regarding restrictions on competition. A restrictive covenant restricts an employee from setting up a practice within a specified geographic area for a specified number of years. After leaving the practice the concerns of losing business if an NP moves to another practice nearby has made this inclusion a greater demand.
  - 1.) Restrictive covenants are considered legal and can be enforced as long as they are reasonable. If this covenant is challenged in a court of law, the judge will determine the outcome. The judge will consider the needs of the public versus the harm to the employer.
  - 2.) The restrictive covenant may be a fact of life, so decide if this is an area that as a NP you may be willing to give up realizing that you may have to trade-off other practice opportunities in order to get a reasonable contract.
- b. A contract may include language regarding termination clauses. A contract may list specific reasons for termination with cause such as should the NP become disable, lose their license, be convicted of a felony, etc. A termination without cause contract doesn't give the NP any job security and is not considered prudent for a NP.
- c. Avoid contract that include clauses that give the employer or contractor the right to make modifications at their discretion without notice.
- d. Avoid contracts that do not have renewal clauses.
- e. A lawyer knowledgeable in contract law should be consulted.

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