



Practice Management Curriculum

Key Contract Points - Group Practice

Some specific issues that a contract should address include:

1. **Terms of agreement and notice of termination.** These clauses address the duration of the agreement and what procedures will be followed if a partner or associate wishes to leave the group. They also outline the obligations of the outgoing member and may include restrictions to future activities (a non-competition clause, for example).
2. **Individual obligations.** This outlines the responsibilities (clinical, on-call, financial, administrative) of each member.
3. **The group's obligations.** This specifies the benefits each member is to receive; for example, clinical coverage, expense sharing, shared staffing, administrative support.
4. **Office lease.** Is this a sublet or a new lease? Are there negotiated options to renew? How do you get your name on the lease? Do you want your name on the lease? Have your lawyer review the lease to verify that existing group members have negotiated the best deal possible and have anticipated all obligations.
5. **Billing and expense responsibility.** Who does the billing? Who is responsible for administration? How will shared expenses be allocated?
6. **Authority regarding business decisions.** This determines how decisions will be made; for example, majority vote, two-thirds or unanimous. This is particularly important when major capital expenditures are being considered.
7. **Staffing issues.** When you join a group, interview the shared staff as if you were hiring them in the first place. Negotiate to have the ability to replace staff if existing personnel do not work out. Negotiate to have an equal say in performance evaluations, office policies and staffing plans
8. **Basis for profit-sharing.** The formula for distributing revenues among the members of a partnership must be detailed in the agreement
9. **Financing the practice.** The financial responsibilities of each partner or associate regarding expenses and capital purchases (e.g., building and expensive equipment) must be detailed.
10. **Liabilities and debt.** The potential debt responsibilities, shared expenses and personal expenses assumed by each member individually, as well as the group as whole, must be delineated.
11. **Insurance.** The contract should specify how much disability, practice overhead and life insurance each member of the association or partnership requires to cover potential financial obligations in the event of disability or death. Will members be required to insure each other?
12. **Potential buyouts.** Can an individual member be bought out? How will the value and security of a share or "partnership interest" be calculated?

These are just some of the issues to address in the association or partnership agreement. It is essential to seek the expertise of a lawyer who has experience in contract law and who has worked with physician groups.