

How to Create a Successful Contract With an Associate

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To help you enhance your practice and increase your bottom line, *Dynamic Chiropractic PracticeINSIGHTS* asks practicing doctors of chiropractic, like you, for ideas and solutions that have been tested in real-world environments. In this issue, we asked: "What are the key elements of a successful contractual agreement with an associate, and how should income and patient responsibilities be allocated?"

In a time when more and more practitioners are moving away from the solo practice model, this particular question is on the minds of many in the profession. Here's what some of you had to say.

Clarity in the Relationship

"The key elements of a successful contractual agreement with an associate are trust, honesty, ethical behavior, a fair agreement, and a demand for chiropractic services. It is essential that both doctors are patient-centered and ethical health care providers," said Dr. James Lehman, an associate professor at the University of Bridgeport College of Chiropractic. "They must trust each other to provide high-quality care with kindness.

"Doctors seeking a successful contractual agreement must discuss their wants and needs prior to the writing of the contract. It is essential for both parties to hire lawyers to counsel them prior to signing on the dotted line. Yet, an agreement will only be successful if both parties are honest," he said. "The hiring doctor must have a valid reason for hiring an associate. For instance, the doctor unable to meet the patient demands of a growing practice has a valid reason to hire another provider. The doctor wanting to retire or semi-retire needs an associate to reduce [their] workload and possibly sign a buy-out agreement.

"The most sensible agreement involves an hourly salary with full benefits. A properly managed business with a successful marketing strategy is capable of paying an equitable salary that serves both parties and maximizes profitability.

"The owner of the practice is responsible for developing the work schedule, but each doctor is responsible for determining patient care needs. It is unethical and/or illegal for the senior doctor to mandate the type of care provided by the associate doctor. Licensed chiropractors are responsible for determining medical necessity and providing high-quality care."

Echoing the need for legal counsel, Michael Blackman, DC, of Dover, N.H., related that he has employed associate doctors for the past 15 years and has used a variety of contract models. The contract should be reviewed by both attorneys. It should be very specific as to hours, rate of pay, restrictive covenants, and responsibilities.

Dr. Blackman wrote that he "[b]oth doctors should see all the patients. I start with a base salary for year one and then add incentives for year two. I would be happy to give additional info." He wrote that he would provide interested readers with a sample contract and could be contacted at 603-661-4465.

Responsibilities and boundaries need to be clearly defined before entering into any formal agreements, said Dr. Eileen Machida of Oregon. "What matters most in an associate relationship is a clearly defined business relationship: what is shared, what is not and for shared resources, like the CA or office equipment, a clearly stated policy on what charges an associate can expect," she said. "If the relationship is muddled, or the responsibilities cross to patient management, then the associate should be an employee.

"If the relationship is defined such that the associate is responsible for [their] own credit-card billing, gets charged for paper on a copier, gets charged rent for the treatment room(s), which includes the CA, marketing, spinal care classes and screenings, then the associate can safely be called an independent contractor. Merely asserting that an associate is one does not make it so," she said. "Income allocation can be anything agreed upon by the two parties, although in a true IC relationship, the room and use fees associated with the space with no other fees implied or owed is most likely the safest way to keep the unemployment insurance goons out of the chiropractor's office.

"A chiropractor who wishes to take on an associate and wants an IC (as opposed to an employee), [is] best advised to consult with the relevant IRS publications and if still in doubt, consult an employment attorney," Machida asserted.

Based on his long experience with associate doctors, Dr. Victor Rizzo of Altoona, Pa., has found subleasing a useful way to bring in good people who stay longer.

"After having five associate doctors in a 17-year span, I developed a sublease agreement that allowed me to keep sublease doctors much longer and with a better relationship, since I am not responsible for their patients, hours of work or lifestyles" he said.

[pb]"My first sublessee lasted three years and he only left after her got married and his father-in-law helped him with an empty building he had," Dr. Rizzo said.

"My second and current sublessee has been with me for seven years and it has been wonderful. I believe the average associate stays two years? My agreement is a base rent plus a commission on income received and I have a low base rent for the first year as the new doctor attempts to build his own clientele."

The Intangibles

Strong documentation is important, noted Dr. John Stump of Fairhope, Ala., but intangibles also should be considered when setting up a successful associate contract:

"The key elements of successful contractual agreements are based upon honesty and professionalism," he said. And money, of course, does matter: "Come to terms during the contract negotiation over expectant income. However, show the associate you are amenable by using bonuses for outstanding work done with and for patients that are up to and beyond your expectations."

Dr. Chandan Brar, of Ottawa, Ontario, Canada, commented that associates should not be "seen merely

as a business investment, rather than a person; the 'investment' will flee as soon as another opportunity slightly better passes along. Hence begins the hiring-rehiring process again.

"In my opinion, a successful contractual agreement always slightly favours the associate, rather than the principal chiropractor of the practice," Dr. Brar said. "This can improve the relationship in the sense that the associate can understand that the principal chiropractor is looking after [them] and has a sincere interest in their success. It also creates a void [whereby] the associate chiropractor now may feel a desire to work that little bit 'extra' to sort of 'fill in the gap.' It may also decrease associate turnover since not many associates would want to leave the practice where they are respected enough for their skills and efforts. Naturally there should be some safety clause in the contract to assure that this scenario does not take the principal chiropractor for a ride. As much as we would like to be idealists; realism is also necessary to apply from a smart business point of view," Dr. Brar said.

Associate's Point of View

"As an associate chiropractor who has provided services for 15 different offices in four states, I think the key elements of a successful contractual agreement should address salary, bonus incentives, malpractice and health benefits package, responsibilities, hours/days of operation, and a commitment on the part of both the hiring DC and the associate to work, learn, and share in patient management and provide a continuity of care expected by the patients and the staff," asserted Dr. Frank Polverino of Basking Ridge, N.J.

"This will ensure a win-win situation with satisfaction between the lead chiropractor, associate DC, staff, and patients. Contractual agreements should be a minimum of one year with evaluations every three months and final review before the end of the contract date, with the proper feedback and proposals to either end the agreement or renew for another year, or lead to a more permanent position or partnership. Both parties should show mutual respect and conduct themselves in a professional manner, remembering that they are both *doctors* bringing their own unique set of skills and work experience to the chiropractic table."

There is a clear pattern that finds newly graduated chiropractors choosing the associate route over the solo practice approach. In a February *DCPI* story "The Chiropractic Future," Dr. Fabrizio Mancini, president of Parker College of Chiropractic, said that this is not surprising since the average age of a chiropractic graduate these days is roughly 26 years old. Dr. Mancini said his school often recommends students associate themselves with well-established businesses so they can gain experience before going out on their own. With many graduates getting their DC degrees at a younger age, many do not have experience in business or finance, and may not be able to stay financially afloat.

"We are seeing a lot of our graduates going to work as independent contractors and there are still some who go into business themselves," he said. "We recommend they associate with a place where they can gain from that experience, but not stay too long."

In his comments to this story, Dr. Thomas Broadar of Delphi, Ind., said that all chiropractic colleges need to recognize this trend: "What is missing from the discussion is the chiropractic college input. Where are the alumni that are operating successful practices with associates? Where are the colleges looking out for the new graduates by promoting "proper" associateship-level practices? Where are the college-sponsored CE credit classes dealing with this topic? Why has there been such a void in this area? Why isn't the leadership taken by those that have figured out the solution? Why don't we have a creative sharing experience that helps both the established practice and the newly graduated?"

"Aren't there some that are working for both parties? Let the chiropractic colleges be the common ground for their older, established alumni and their newly minted graduates. Why do we 'eat our young?'"