

HOW TO EVALUATE A NEUROSURGERY PRACTICE OPPORTUNITY

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Any young neurosurgeon looking for a permanent position these days will find a tremendous variety of opportunities and a very favorable hiring market. The Journal of Neurosurgery™ has recently featured 10 to 14 pages of job opportunity advertisements in each issue. Many residents report that they receive solicitations from recruiters as early as PGY-2. Advertisements from recruiters and hospitals frequently promise \$800,000 to over \$1,000,000 first year income, or boast about a “90th percentile income opportunity”. Are these claims real, or too good to be true?

How can you evaluate which of the many opportunities are worthy of the time and effort involved in traveling for an interview? As much money as is being advertised, how should you evaluate the financial aspects of an opportunity to be sure that you know what you are getting? As precious as your time is, it is critical that you not waste your time going to visit practices that are unlikely to be of interest to you. This article will help you learn how to evaluate a neurosurgery practice opportunity.

FACTORS IN EVALUATING A NEUROSURGERY PRACTICE OPPORTUNITY

To successfully evaluate a neurosurgery practice opportunity, consider:

1. Geography
2. The Current Practice
3. Your Ability To Develop The Type of Practice You Want
4. Support from the Local Hospital
5. Income

GEOGRAPHY

Would you be happy living there?

It is important to choose a practice in a location that is good for you and your family. Take into account the proximity of the practice to your immediate family and your spouse’s immediate family, if you are married. Before having children, many couples underestimate the importance of being near grandparents. Similarly, when your parents are young, it is easy to overlook how difficult it may be to take care of your parents as they age if they live far away. During your first few years, you will put a great deal of effort into building your practice. If you need to relocate after a few years for family reasons, you will be starting over.

You will hear of many fine practices with attractive features in locations you might not have previously considered. You should not waste time visiting practices in locations that you or your spouse absolutely would not consider living. Your time is too precious.

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However, if there are specific aspects to a practice that are very important to you, for example, the ability to develop a substantial practice in your area of clinical subspecialty, you might need to be flexible with your geographic interests. While it is important to take family into account, it is also important not to be overly limited in where you will consider living. The practice opportunity you want may not be in the location you most desire. This is especially true if your desired location is in a saturated market already over-populated with neurosurgeons.

The Medical Draw Area

The traditional rule of thumb is that a medical draw area (i.e. total population) of 100,000 people per neurosurgeon is necessary to sustain a successful neurosurgery practice. However, if orthopedic spine surgeons have an active complex spine practice in the area, then a substantially larger medical draw area may be necessary due to that competition. On the other hand, if the practice has the ability to do work that may be performed by other specialties, such as endovascular neurosurgery and pain management, then a smaller medical draw area may support a busy practice.

Due to the large number of practice opportunities available, many young neurosurgeons complete residency training with the false assumption that a successful practice can be created anywhere. In reality, local competition and the politics of neurosurgery and orthopedic surgery in any particular location may greatly impact your ability to develop a successful practice. Despite the high demand nationwide for neurosurgeons, I receive calls on a fairly regular basis from neurosurgeons who cannot develop enough patient volume to sustain a busy practice because they are in saturated markets.

The payor-mix in the area you are considering may affect your practice. If the payor-mix is poor, a hospital-employed position may be advantageous, because a hospital can choose to compensate you using a salary or RVU-based production bonus that will assure that your income is not affected by the financial and insurance status of your patients.

Local Competition and Politics

Find out about the other neurosurgeons practicing in the area. Learn which hospitals they primarily serve and whether any of the neurosurgeons in the area were previously in practice with others in the area. A past breakup of a practice may indicate a conflict between groups or difficult local politics if former members of a group are still practicing in the same area. Ask whether there are issues with trauma coverage, especially if you are considering a position as a hospital-employed neurosurgeon at a hospital which does not have full coverage for trauma call.

Find out how many orthopedic surgeons there are in the area, whether they do complex spine, and how this will impact your ability to develop a successful elective practice.

One neurosurgeon who accepted hospital employment with promises of a strong elective spine practice recently called me six weeks into his new position. After moving, he discovered that the

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orthopedic spine surgeons in the area had a very strong and virtually unapproachable referral network for the complex spine cases. Even worse, the orthopedic spine surgeons had recently entered into an exclusive relationship with the competing hospital in town. Despite all the demographic data the hospital had shown him, he had virtually no ability to develop a successful elective practice. These types of problems can be avoided if you do your due diligence and learn about the medical community and competition before you accept an offer.

THE CURRENT PRACTICE

Members of the Practice

Learn about the current neurosurgeons in the practice, their ages, where they trained, and if anyone is near retirement. If someone is near retirement, find out how that may affect the call schedule. Ask whether anyone has recently left the group and why. If there were problems, find out whether they have been resolved.

Find out whether there are other medical specialists employed by the practice, such as neurologists, PM&R or pain management specialists. Find out whether the group employs PA's, RN's, NP's or similar practitioners, and the role of each in the practice. Don't assume they will be used in the manner with which you are familiar, or that they will take first call for trauma, or you may find you are in for a surprise! Before joining a practice, ask whether mid-level providers will be available to you if they are available to other members of the group. Some groups believe that a neurosurgeon who has just completed residency training should be fully responsible for patient care for at least one full year before having a mid-level provider assigned to assist with patient care.

Clinical Mix and Volume

Ask about both the current distribution of cases and what your anticipated distribution of cases will be, especially if you are being brought in to develop a subspecialty area that is not currently being provided. You must know the numbers and types of cases the current neurosurgeons are doing each year.

Trauma Call

Find out what the call schedule will be for the successful candidate, whether there are neurosurgeons outside the practice who take ER call, and how many neurosurgical trauma admissions are seen each year. You must ask for specifics about how the trauma service is run. Many neurosurgeons seem to think that the best indicator of trauma call is whether the practice services a Level I or Level II trauma center. However, other factors are just as important. Are there PA's or other mid-level providers who take first call? Are there hospitalists or mid-level providers who handle requests relating to pain medication, diet and similar non-neurosurgical issues? A very busy but well-run, efficient trauma service that is primarily consultative may be less taxing than a poorly-run trauma service with fewer admissions where there is no buffer between you and every patient need.

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Core Values of the Practice

Like every business or institution, a neurosurgery practice is defined and shaped by the core values, or mission, of its principals. Practices are as different as the individual surgeons. A “perfect” practice in a perfect location may not be so perfect after all if your professional goals are different than those of other members of the group. Some practices are primarily focused on the business aspects of running a neurosurgical practice. These practices are geared towards increasing remuneration for its principals. Some practices are community-minded, emphasizing the responsibility of its members to serve the entire community, even if the payor-mix is poor. Some practices are highly progressive, working continually to remain on the cutting edge of neurosurgical practice and technique, and often developing extensive partnerships with the hospitals they serve to develop very sophisticated neuroscience institutes. Some are highly entrepreneurial and focused on developing ancillary income-sources. **There is no one formula for a successful practice. What is important is that your professional goals and priorities fit well with the practice you choose.**

Financial Structure of the Practice

The financial relationship between the partners in a group may greatly impact their personal and professional relationships. Depending on your personality and your sense of fairness, you will invariably fit better in one type of practice or employment arrangement than another. Find out if the practice in which you are interested is an income-sharing practice, where all the partners split the income evenly between themselves regardless of their differences in production, or if partners are compensated on a production-basis. If your sense of fairness dictates that you should “eat what you kill,” you will be much happier in a practice where the compensation is based on production than in an income-sharing group, even if your income in either practice would be exactly the same. On the other hand, if you are a very team-oriented person who believes that an individual’s value to the group is not necessarily reflected in RVU’s, you might be very happy in an income-sharing, incredibly team-spirited practice. I find that the partners I have represented in income-sharing groups often describe to me the great respect they have for each other’s unique talents, and they seem to scrub in together with some frequency to enjoy the camaraderie. On the other hand, partners in expense-sharing arrangements who share their overhead but operate strictly on a production basis laud the merits and simplicity of their “no marriage, no divorce” relationship.

Development of Ancillary Income Sources

With reimbursements for neurosurgical procedures continuing to decline, many private practices are developing ancillary income sources through the development of spine hospitals, physical therapy, occupational therapy, imaging equipment, and radiosurgery equipment. If you are considering a traditional private practice as opposed to a hospital-employed arrangement, inquire as to whether the practice is developing ancillary sources of revenue outside of professional billings. You should find out at what point you will be allowed to “buy-in” to such ventures and how the buy-in will be calculated.

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YOUR ABILITY TO DEVELOP THE TYPE OF PRACTICE YOU WANT

The Practice as a Dynamic Entity

A neurosurgery practice is a dynamic, not static, entity. Just as you develop as a professional, your practice will develop over time. You will have a significant hand in shaping your practice in the future. Evaluate your professional goals and determine whether you can develop the practice you want with the group you are considering. If there are things about the practice in its current form that you would like to change, discuss your thoughts frankly with the current members of the practice to gauge their reactions.

Your Role in the Practice

Practices recruit for many different reasons. Sometimes they recruit in anticipation of the retirement of a partner in the group, sometimes to develop a new service line that they do not currently provide, and sometimes to simply provide additional manpower to deal with the patient volume and trauma call. Investigate why the practice is recruiting and what your role in the practice will be.

Anticipated Clinical Mix and Volume

Ask how many cases you should anticipate being able to do your first year, and where the referrals will come from. There is a tremendous difference between coming into a practice where the referral patterns are already well-established and you might even inherit the practice of a retiring partner, and coming into a practice where you will need to go out into the community and develop your own referrals.

If you have a subspecialty, find out to what extent you can develop that interest within the practice. Even the clinical mix for a general neurosurgeon may not match well with a specific practice. If the practice is mostly spine but you wish to do a wide variety of cranial cases, will you be able to do that within the practice? If you prefer conservative pain management to surgery, will your philosophy be accepted and respected within the practice?

SUPPORT FROM THE LOCAL HOSPITAL

Are the Hospital and the Local Group on the Same Team?

Whether you are being recruited by an independent practice group or by a hospital as a hospital-employed neurosurgeon, it is critically important to know whether the local hospital is recruiting in opposition to the group.

This dynamic is especially important if you are considering a hospital-employed position. A hospital may choose to recruit in opposition to the local group when the hospital and the local group have a falling out, which may occur for many reasons. The group may refuse to provide

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sufficient trauma coverage to satisfy the hospital. The group may do “too much” business with competing hospitals. It may compete directly with the hospital by opening its own spine hospital and/or developing other ancillary revenue sources that are in direct competition with services provided by the hospital. While hospitals often have good reasons for wanting to hire their own, hospital-employed neurosurgeons, it can be quite a challenge to establish a new practice at a hospital that is recruiting in opposition to the local group. The local group typically has well-established referral patterns and may put up substantial resistance to any new neurosurgeons in the community.

You will also be impacted if you consider joining an independent group where the local hospital is recruiting in opposition to the group. Find out the size of the medical draw area and whether the hospital recruitment will result in an overly saturated market in neurosurgery.

Other Hospital Support

You should find out if the hospital offers the practice other means of support, including block OR time, compensation for trauma call, updated imaging equipment, navigational system, radiosurgery equipment and other newer technologies. It is also critical that other significant medical colleagues are available to support the practice as necessary. For example, if the hospital has trouble with anesthesia support, you may find it difficult or impossible to do elective cases. If the hospital has no interventional neuro-radiologist, you might feel that the hospital cannot meet standard of care in admitting aneurysms. If there is insufficient support by hospitalists, intensivists, or trauma surgeons, the trauma call may be impossible to manage, or it may not be possible to accept admissions.

INCOME AND EMPLOYMENT CONTRACTS

Money Isn't Everything...

Compensation is an important factor in any employment decision. While compensation is often highly advertised and frequently asked about, I believe that all the other factors are more significant for a successful long-term match. Money can buy happiness only for a short time, and your love affair with your paycheck will not last if you hate your new living or working environment. In my experience, money cannot buy loyalty, talent, or retention. The critical factors in achieving long-term happiness are satisfaction with the area in which you are living, affinity and respect for those with whom you work, and satisfaction with the type of practice you are developing.

The Importance of Focusing on the Long-Term

The tremendous competition for candidates right now has led many hospitals to bid up the amount they will pay to attract a neurosurgeon. It is becoming difficult for some well-established practices to recruit on their own and compete against hospitals for candidates. In nearly all instances a hospital can offer more to a candidate in the early years than an

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independent private practice.

Not every income guarantee reflects the long-term sustainable income for a practitioner. In a highly competitive market, there is great temptation to offer an income guarantee that is in excess of what the successful candidate will earn over the long term, just to secure the commitment of a neurosurgeon. While you might find the resulting incredible offers very appealing in the short term, you would find it far less appealing when the income-guarantee period is over and your income may drop, sometimes precipitously. You might find your “sweet deal” turns very, very sour if your income guarantee exceeds your sustainable income and your contract has a forgivable loan component. The typical contract treats the difference between what you were paid and the revenue you generated as a loan which is forgiven pro-rata each year if you remain in the area to service the community after the income-guarantee period is over. In such an instance, the hospital that sponsored your income guarantee may have little incentive to continue to assist you in developing your practice, because the hospital knows you are tied to the area for a certain time period. While most hospitals are eager to make sure the local neurosurgeons thrive in practice, I do receive occasional unhappy calls from neurosurgeons whose practices are floundering and who are tied to their area by the terms of their income guarantee.

The important lesson is that the income guarantee should reflect your anticipated sustainable income. You do not want your income to drop once the guarantee period is over.

What is a “Reasonable Offer?”

A “reasonable offer” is an offer in an amount that can reasonably be earned. Hospitals and practices often ask me what others are offering, hoping for guidance on how much to offer a new neurosurgeon. Candidates often ask me what their “fair market value” is. Such questions view a neurosurgeon as an interchangeable, tradable commodity and assume that their earning potential among various practices is relatively equal. This is not true. I encourage candidates to look for, and practices to offer, what can reasonably be earned and sustained over time in the particular practice they are considering.

How can you tell what this is? If you are joining an established practice, the best guide to the long-term sustainable income is the demonstrated income of the current members of the group. Your offer should be no more than that amount. It is best to start by earning a reasonable income (i.e. one that can be legitimately earned in your first year, rather than one that is unrealistically inflated) that will grow with time as you develop your practice.

If you are considering hospital employment, you should look carefully at how compensation will be determined. Your income may be a straight salary, or it may have a production component. Be careful if you are considering a production bonus based on collections— if the hospital does a poor job at billing and collections, you may find you are not compensated fairly for your work. If your bonus is based on collections, examine carefully the hospital’s track record in this area. A less-risky method of compensation is an RVU-based production schedule, which might be based on total RVU’s or may be based on work RVU’s. It is important to understand the

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difference. Work RVU's cover all aspects of clinical care including surgery and post-operative care for 90 days. Total RVU's includes work RVU's plus malpractice expense plus "overhead". Overhead is a general term for practice related expenses (secretaries, nurses, office space, etc.). Note that the malpractice expense component does not reflect actual cost. It is an infrequently adjusted index which rarely keeps up with reality.

Hospital-Sponsored Income Guarantee vs. Practice-Sponsored Recruitment

When a practice recruits on its own, without the assistance of a hospital, the practice should offer what can reasonably be earned in the first year in the form of a base salary plus a production-bonus. If a hospital is offering an income guarantee on behalf of a practice, the hospital should offer the amount that can reasonably be earned after the practice has been established for the duration of the income guarantee. In other words, both should offer what can reasonably be earned, but at different points in time. In exchange for the guaranteed income, a hospital-sponsored income guarantee typically has a "forgivable-loan" component and an associated "payback period." The contract typically requires that you remain in the community for a certain number of years after the income guarantee period. If you choose to leave the community before that time period is up, you may be required to pay back any difference between what you were paid and what you generated in revenue while on the income guarantee.

A hospital-employed position does not typically have the same forgivable loan provisions and associated payback period. For this reason, many practices are now using an "incubator" model of recruitment, in which a neurosurgeon is brought into the community initially as a hospital-employee, and then "leased" to the practice for the hospital-employed period. To avoid the forgivable loan provisions, inquire whether an incubator model can be used in lieu of a traditional income guarantee. Such relationships can have problems, but this relatively new model of recruitment is becoming more common. Another alternative is to request that the practice bring you in on a base salary with a production bonus in lieu of accepting a higher guaranteed amount under an income-guarantee. You may make a little less (or more, depending on your production!) but you will gain independence and freedom from those potentially undesirable contract terms as a result.

The Relative Importance of a Contract

Occasionally a resident will ask me which of two contracts is more favorable as a way of deciding which of two offers to accept. I do not believe that any decision should be made mostly on the basis of the terms of the offered contract. A contract more accurately reflects the style of the lawyer that the practice or hospital hired to draft the agreement than anything important about the practice itself. It is more important to focus on the people, the practice and the location. Only if all those other things are equally appealing should the terms of the contract be a deciding factor. A contract can be negotiated or changed, while the people, practice and location are all non-negotiable things you accept when you accept an offer.

The hospital or practice has hired a lawyer to draft a contract, and you should hire a lawyer to review it. Be sure you make your negotiating position clear to the lawyer. Some lawyers can be

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very focused on proving their abilities by nitpicking an agreement to death. This is different than protecting your best interests. Be sure your lawyer points out any major issues, however, and helps you understand any potential problems. Review your contract with your lawyer and be sure that you understand all the provisions. Make sure that all your questions are answered to your satisfaction before you sign.

If you are considering accepting an offer from someone you know you do not trust, do not think you can protect yourself with an “iron-clad” contract. Stop. Think. This cannot be a smart move. Find a different position...Fast. No contract can truly protect you from someone you know you can't trust. A contract is evidence of an agreement, but it can't force someone to live up to their promises. It only gives you the right to sue the contracting party after promises are broken. The only real “winners” in a lawsuit are the lawyers, and the broken relationships that lead to a lawsuit will not help you progress in your career!

Summary

The current job market is very favorable to neurosurgeons looking for permanent positions. You will have more practices wanting to speak with you than you will have time to visit. You must prioritize. Look for the best match in terms of the location, your prospective partners, and the type of practice. Consider whether your professional goals are compatible with the core values of the practice. Be aware of local politics within the medical community that may affect your practice. Learn about competition within the community, both from other neurosurgeons and also from ortho-spine. If you are certain that you have a quality practice opportunity in all these aspects, look for a reasonable offer, not an unrealistically inflated offer that does not reflect long-term sustainable income. If you find yourself having doubts about the integrity of your prospective partners during the contracting process, pay attention to your feelings and continue looking. You are in a generous market with ample opportunities—Enjoy!

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