

### **An Explanation of Income Guarantees**

by Judy Rosman

(216-256-9020 or [jrosman@rosmansearch.com](mailto:jrosman@rosmansearch.com))

#### ***What is an Income Guarantee?***

An “income guarantee” is a forgivable loan that a hospital may extend to you if you are joining or starting an independent practice to help you financially while you are getting your practice established.

- If your production is high enough, you earn the guarantee amount and the hospital does not need to pay anything.
- If not, the hospital has to make up the difference between your earnings and the guarantee amount.
- Two kinds:
  - “Net Income” guarantee targets income comparable to straight salary, based on expected revenues minus expenses.
  - “Gross collections” guarantee targets revenue number before subtracting expenses. If expenses are higher than expected, your income may be less than you expect!

#### ***How does the “forgivable loan” part of an income guarantee work?***

Federal law permits the hospital to provide aid to you based on a demonstrated “community need” for a neurosurgeon.

If the hospital needs to loan you money for you to make the guarantee amount, the hospital will forgive the loan if you continue practicing in the community for a certain period of time.

The forgiveness period is usually 2 years for every 1 year you were on the guarantee. The forgiveness period may be negotiable.

Example based on 2 year forgiveness for each guarantee year:

Year 1: Hospital loans you \$100,000 for you to earn guaranteed amount

Year 2: Hospital loans you \$60,000 for you to earn guaranteed amount

Year 3: Hospital forgives \$40,000 of loan

Year 4: Hospital forgives \$40,000 of loan

Year 5: Hospital forgives \$40,000 of loan

Year 6: Remaining \$40,000 of loan is forgiven. You are free and clear!

***Questions? Call anyone on our recruiting team. If you aren't sure who to call, then call Beth at 216-287-2302 and she will be happy to help!***

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