

An Explanation of Income Guarantees

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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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