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Checklist: Reviewing Physician Contracts for Compliance

By Nina Youngstrom

During due diligence of an acquisition target, buyers should review physician contracts for potential risk.^[1] This checklist was prepared by PYA. Contact Kristen Davidson, a senior manager at PYA, at kdavidson@pyapc.com.

Physician Contract Review Checklist

1. Acquire the physician's contract.	
Establish how the physician is classified – employee, independent contractor, other.	☐
Determine all of the duties the physician is providing – clinical services, medical director, professional services, on-call, administrative, teaching.	☐
Confirm that the physician and hospital/health system authority have both signed the contract in accordance with authority limits and applicable policies and procedures.	☐
Verify that hospital/health system legal counsel approves all contracts.	☐
Comments:	

2. Review the process and controls for payment.	
Establish that the contract describes the methodology for compensation.	☐
Determine whether a fair market value assessment has been completed for the arrangement and that it includes all sources of payment.	☐

Evaluate all types of supplemental compensation included in the contract.

Loans o Practice Support (equipment, staffing, stipend, etc.) o Sign-On Bonus o Grants o Relocation Expenses o Miscellaneous o

Determine whether a commercial reasonableness analysis (including a needs assessment) has been completed for the arrangement and documented in the file.

o

Comments:

3. Identify the physician's duties.

Confirm that the contract defines the specific duties of the physician based on the type of arrangement, including any and/or all limitations for the provision of outside services or employment.

o

Examine all contracts for each physician to determine whether there are duplicative duties for which the physician will be compensated.

o

Determine whether the term of the contract is for at least one year, and whether it can be terminated without notice within one year.

o

Review the contract for supervisory duties and the method for allocating compensation for supervised services.

o

Comments:

4. Identify a performance evaluation process.

Verify that the contract includes an annual performance evaluation to validate the physician's professional capabilities and productivity.

o

Determine if the contract includes functional metrics to ensure that care, treatment, and services provided through the contractual agreement are administered safely and effectively.

o

Identify the frequency of the performance evaluation and the functional metrics review.	o
Comments:	

5. Review contract documentation.	
Determine whether the contract requires the physician to provide documentation of delivered services and hours spent performing duties as applicable.	o
Review documentation of time spent, and compare to contract and payment terms.	
On-Call Coverage – Document on-call response and that the response was consistent with contract requirements.	
Medical Directorship – Document time spent for required duties. Compare submitted documentation to contract and payment terms.	o
All Contracts – Document fair market value assessment, commercial reasonableness, and needs assessment.	
Comments:	

6. Review all forms of supplemental compensation.	
Evaluate supplemental compensation to determine if the compensation is provided within the terms of the agreement (e.g., compensation terminated on the appropriate date as defined by the contract).	o
Determine whether there is a forgiveness or repayment plan included in the contract.	o
Evaluate the documentation utilized to track the schedule of forgiveness or repayment.	o
Comments:	

7. Review the payment rate.	
Determine if payment to the physician aligns with the contract: Review payroll information for employed physician, including hours and payments. Review accounts payable (A/P) information for contracted physicians, including invoices, check requests, and A/P entries. Review non-monetary compensation for all physicians, including gifts, gratuities, entertainment, meals, etc.	0
Comments:	

8. Identify and prioritize physician compensation risks, including, but not limited to:	
Stacked agreements – one physician with multiple agreements that provide compensation	0
Unsigned contracts or contracts that do not define accountability for monitoring the terms and conditions	0
Contracts for services that are performed by another physician or employee	0
Any implication the physician is compensated for volume or value of referrals	0
Longstanding evergreen contracts	0
Compensation rates which may be inconsistent with fair market value	0
Agreements that do not include an assessment of fair market value	0
Questionable timesheets – e.g., multiple timesheets completed and provided on the same date, timesheets with the same work performed during the same hours each month	0

Missing physician signature and executive approval on timesheets	o
Hours worked less than or greater than the terms of the contract	o
Duties submitted for compensation not included in the contract	o
Comments:	

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