— PRACTICE & CAREER GUIDE — EPISODE 2

Reading Your First Physician Contract

The five clauses that matter most — and the ones people skip.

COMPANION GUIDE TO SUNDAY PRACTICE ROUNDS, EP. 2

THE NUMBER AT THE TOP ISN'T THE DOCUMENT

Most surgeons sign their first contract having read the salary figure closely and everything else loosely. That number is genuinely the least important part of the document — it doesn't tell you what happens when a guarantee period ends, whether you can leave if the job isn't what you expected, or what a single clause you skipped might cost you on the way out. Five clauses do most of that work. This guide walks through each one.

FIVE CLAUSES AT A GLANCE

Clause	What to Check	Why It Matters
Compensation change	What formula replaces the guarantee, and when	Where most surgeons discover their real market
Restrictive covenant	Radius, duration, measured from which sites	Determines whether leaving is actually possible
Malpractice coverage	Claims-made vs. occurrence; who pays tail	Tail coverage can run five to six figures
Termination without cause	Notice period; effect on guarantee, bonus, tail	Either side can usually walk in 90–180 days
Partnership track	Buy-in amount, valuation method, timeline	“Partner” means different things everywhere

CLAUSE 1

Compensation & the Guarantee Cliff

Most first contracts offer a salary guarantee for the first one to two years, then transition to production-based compensation — typically a rate per work RVU, sometimes with a base plus bonus above a threshold. The guarantee is a training wheel, not a permanent arrangement, and the contract should spell out exactly what replaces it.

WHAT TO CHECK

The precise formula that takes over: the conversion rate per RVU, whether there's a base salary floor underneath production, and how often the rate is revisited. Ask for the math in writing, not a verbal description.

THE REAL-WORLD TRAP

The cliff arrives quietly. A surgeon builds a panel over two years assuming the guarantee reflects market reality, then the formula kicks in and the actual number is meaningfully different — because payer mix, patient volume, or block time didn't match what was modeled at signing.

CLAUSE 2

The Restrictive Covenant

Your non-compete determines whether taking this job forecloses your next one in the same city. It's defined by a geographic radius, a duration, and — critically — the location(s) it's measured from.

WHAT TO CHECK

If the practice has multiple sites, the radius may be measured from every site, not just the one you work at — which can functionally mean leaving the metro area entirely, not just changing neighborhoods. Confirm the duration (commonly one to two years) and whether it survives termination without cause the same way it survives resignation.

> **WORTH KNOWING**
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> Non-compete enforceability varies substantially by state, and the law in this area has been shifting. Tennessee has historically enforced reasonable restrictive covenants for physicians, but “reasonable” is doing a lot of work in that sentence — this is a clause to have a healthcare attorney actually review, not just read.

CLAUSE 3

Malpractice: Claims-Made vs. Occurrence

An occurrence policy covers any incident that happened during the policy period, regardless of when a claim is filed. A claims-made policy only covers you if the policy is still active when the claim is filed — which means leaving a job with claims-made coverage requires either tail coverage or the new employer accepting the risk.

WHAT TO CHECK

Which type you're being offered, and — if it's claims-made — who pays for tail coverage if you leave. This is frequently silent in early drafts and needs to be pinned down explicitly.

THE REAL-WORLD TRAP

Tail coverage can run into five or six figures depending on specialty and years in practice. Surgeons who assume it's included, or don't think about it until they're already leaving, can find themselves paying it personally at the worst possible time — while negotiating a new job.

CLAUSE 4

Termination Without Cause

Almost every physician contract allows either party to walk away with 90 to 180 days' notice, no cause required. This clause is easy to skim past because it feels symmetrical and low-stakes — it isn't always either.

WHAT TO CHECK

What specifically happens to your salary guarantee, any earned but unpaid bonus, and your tail coverage obligation if the employer exercises this clause. These terms should be spelled out, not left to assumption.

CLAUSE 5

The Partnership Track

If the offer references a path to partnership, that word carries very different meanings at different practices — from a straightforward buy-in with clear valuation, to a vague future conversation with no defined terms at all.

WHAT TO CHECK

The buy-in amount or formula, how the practice is valued, the timeline to eligibility, and what you're actually acquiring — equity in real estate and ancillaries can matter more than the headline partnership itself.

QUESTIONS TO ASK BEFORE SIGNING

- What happens to compensation when the guarantee period ends? Show me the formula.
- What is the restrictive covenant's radius, duration, and which locations is it measured from?
- Is malpractice claims-made or occurrence, and who pays tail coverage?
- What's the notice period for termination without cause, and what does it do to my guarantee and tail?
- If partnership is on the table: what's the buy-in, how is it valued, and what's the timeline?

Before You Sign Anything

Hire a healthcare attorney — someone who reads physician contracts for a living, not a general practitioner or a family friend. It costs a fraction of what one missed clause costs. Read this guide first so the conversation with them starts further along, not so it replaces the conversation.

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