Anatomy of a Complex Physician Contract Negotiation

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I was recently asked an interesting question by one of my blog readers. (I’ve changed everything to keep the details private, but the important points will remain the same.) The edited question is this:

“I work for a practice that has not changed or increased their annual salary for the last 10 years. There is a bonus, but the structure is such that it represents no more than 10% of baseline and has not increased either. When I ask the boss, he tells me that ‘All practices are the same. No one raises the salary.’ I am concerned that with the loss of value due to inflation, my compensation is being reduced and will continue do so in the future.”

This is one complex negotiation! You have a relationship with your boss that is paramount. You are losing value. You are being offered a “standard policy” of a “regional norm” as a counterargument. And, if you can’t come up with a solution, you are left with the option of losing compensation value year after year. Certainly the sort of thing that leads to stress and physician burnout!
Your Three Critical Skill Sets

To be a truly successful physician you need three complementary skill sets. Obviously, you will need your clinical training and outstanding patient care skills. As a reader of White Coat Investor, you understand the need for financial knowledge. Finally, there are the “professional business skills” that lack an ideal formal name. They are often called communicative or “soft” skills. Other professions like business executives and attorneys focus heavily on these topics, but physicians rarely receive any training on this skill set. The list includes skills such as interviewing, public speaking, contracts, and conflict management. Of all the physician professional business skills, the most valuable is negotiation.

The Best Contract Deal Requires Negotiation

To reach your financial and personal goals, you must become an effective physician negotiator. You cannot get the best possible deal on a physician contract without negotiating. As a physician, you have several education options available. This includes CME courses designed for physicians, self-study, or non-medically oriented negotiation seminars. Most Physicians require at least 4 practice negotiation simulations to get up to speed, so seek seminars that offer medical practice based training seminars.

Typically, most articles about physician salary negotiation cover basic bargaining on starting compensation. These scenarios tend to be straightforward and elements such as relationships do not come into play. In this circumstance, the
issues are complex and require a far more specialized approach. I will touch upon some of the more intricate aspects as an introduction to advanced medical negotiation, but please understand that this cursory overview is just touching the surface.

**Step One: Develop a BATNA**

A **BATNA or “best alternative to negotiated agreement”** is your fallback position. This is the minimum you are willing to accept. If you cannot reach this agreement, you are “deadlocked” and you will pursue your other options. Your BATNA should be based on an already available option (maybe a private job search) or one that would be reasonably attained with minimal effort. What should your BATNA be in this case? That’s based on your personal goals as well as some reality. A reasonable BATNA here might be that in the next budget cycle you will get a raise of your total compensation package by 2% with a clearly defined plan for future increases. If that can’t be reached, you may be better served looking elsewhere.

**Step Two: Problems Not People**

Complex negotiations often take on the characteristics of “interest based negotiation” or “win-win” scenarios. I will be borrowing heavily from **Fischer and Ury** who helped pioneer this concept. The use of interest based negotiation protects relationships and leads to innovative solutions that grow value for all parties concerned.

Unfortunately, focusing on problems and not on people is where Doctors often go wrong. We are trained to blame people first. **Look at any M&M conference** for an example- we seldom look beyond individual error as a cause. A conflict-laden, blame based approach will kill the negotiation before it starts and
sour your long-term relationship. Keep focused on the issues and not on personal attacks. Don’t succumb to the temptation to accusingly say “You’re the fools who can’t budget a raise every year!” In the same vein, don’t take the bait when your bosses say, “The problem is that you’re so lazy and that’s why we can’t give out raises!” Stick to the problem— the lack of annual increase in compensation— and deftly handle the personal attacks to stay on tract.

**Step Three: Interests Not Positions**

Ask questions and listen to understand the reasons why your bosses have not given raises in the past. Maybe they never felt the need since they felt so well compensated in the past. Possibly, they decided years ago that they would curtail raises to hire new staff or buy new equipment and the idea just stuck as dogma. Maybe they give raises only to senior staff and you’ve not been vested or they question your long-term plans and don’t want to invest in you. Do not make assumptions. Let them know your interests—you want to increase your compensation in the face of inflation and to keep up with other practices. Listen to your partner in negotiation and understand their logic, concerns, fears, and interests.

**Step Four: Collaborate Together to Come Up With Mutually Beneficial Solutions**

Now that you understand your negotiating partner’s stance, it’s time to work together to come to a solution. This is where the master negotiators shine. Maybe you’ll get lucky and your bosses will accept your plea as reasonable and give you
the raise. More likely than not, you’ll need to find a solution that benefits you and the other party. A few possible examples:

A: Your bosses need someone to act as director at the new hospital. You accept this position for an additional $60,000 annually, partly supplemented by the hospital administration.

B: Your practice pays a locum tenens doctor for weekend coverage at great expense. You make an agreement with a colleague to cover the shift, splitting the saved outlay.

C: You review staffing and develop more efficient processes to reduce costs and earn those saved expenses as salary.

The possibilities here are multiple, but the final outcome is the same. Both parties find a solution that increases shared value. You both achieve a win.

**Step Five: Use Objective Criteria to Solve Disputes**

There may be issues where you and your negotiating partner don’t agree. They may insist you are getting paid well above the average. You may insist that most physicians increase their salaries as their career advance. Agree beforehand that you will accept objective evidence as the standard to judge. This may be a stretch for several fields, but in medicine it is standard to believe in data over hearsay.

Here is a chance for you to get the best deal through legwork. Think through the negotiation and all of the possible arguments that both parties can raise. Next, preemptively obtain the data and have it available in an easily digestible form at the time of negotiation. By doing your homework and preparing in advance, you’ll get the chance to present what you want and with the spin that best serves you. As long as you do not lie or deceive, this is considered fully ethical in
negotiation— you are expected to present your arguments in the best light.

We advise that you obtain an accurate market value report to have the best data available. In this scenario, you’d likely compare your compensation to regional norms, or salary ranges for number of years in practice to show an average rate of annual salary increase. The need for accurate and useful information makes a market value report an excellent investment. You could even ask your group if they’d be willing to cover the costs of the report.

**Wrapping it all up**

Be respectful and polite during your negotiation. When your partner gives you a concession be certain to thank them. When the negotiation is over, tell them how well they did and how much you appreciate their hard work and honest approach. Maintain a strong relationship throughout and use this process to build your next successful negotiation.

Certainly, this type of complex mediation requires more intensive formal training than your typical used car or flea market haggling session. Hopefully, this introduction raises awareness of the evidence based aspect of negotiation and inspires you to seek further education. Your success as a physician requires your mastery of the professional business skill set. Negotiation is the shining jewel in that crown. With the proper training, you’ll be able to achieve your dreams and succeed... really succeed.

Bonus Hint: Be sure to use a “nibble” to get your raise guaranteed next year.
What do you think? What have you done to improve your soft skills, including negotiation? Why do you think doctors don’t negotiate, and when they do, suck at it? Comment below!