

### Sample Three: Physician Employment Contract With a Medical Group

THIS EMPLOYMENT CONTRACT ("Employment Contract"), is made and entered into this DATE day of MONTH, YEAR by and between MEDICAL GROUP NAME ("Employer") and PHYSICIAN NAME ("Employee").

1. Employment. The Employer employs the Employee as a physician specializing in PHYSICIAN SPECIALTY, and the Employee accepts such employment by the Employer upon the terms and conditions of this Employment Contract.
2. Term. The Employee's employment under this Employment Contract shall commence on or about MONTH, DAY, YEAR, when the Employee actually starts to work with the Employer and continue thereafter, unless terminated as provided in Section 10 (Termination"). After two years the Employee will be eligible to buy into the corporation and become a full partner.
3. Compensation. During the Term, the Employer shall pay to the Employee as compensation for the Employee's employment under this Employment Contract an annualized salary of \_\_\_\_\_ ("Base Compensation"). In addition to the Base Compensation, the Employer shall pay the Employee as additional compensation ("Additional Compensation") an amount equal to 40% the Employer's Gross Receipts attributable to the Employee services under this Employment Contract less the sum of (i) the Employee's Base Compensation, (ii) the Direct Expenses of the Employee for such calculation period, and (iii) that portion of the Overhead Expenses that the Employer's Net Receipts attributable to the Employee's services bears to the Employer's total Net Receipts for such calculation period.

For purposes of this Agreement, the following terms shall have the following meanings:

- (a) "Gross Receipts" shall mean the gross receipts collected by the Employer during the Term which are attributable to physician services after patient or payer refunds and adjustments.
- (b) "Direct Expenses" shall mean the expenses of the Employer directly benefiting and allocable to such Employee, such as the costs for medical insurance, cellular phone, long range pager, travel expense as authorized by IRS rules, life insurance, disability insurance, comprehensive professional liability/malpractice insurance coverage ("Malpractice Insurance"), dues, journals and subscriptions, attendance at professional meetings or conventions ("CME") and any contribution attributable to such Additional Compensation made on behalf of the Employee to the Employer's qualified retirement plan or plans based upon the percentage of (i) such Additional Compensation to (ii) the Employee's total compensation, times the total contribution made on behalf of the Employee to the Employer's qualified retirement plan or plans for such period.
- (c) "Overhead Expenses" shall mean all of the expenses incurred by the Employer in operating its business and practice (including without

limitation all of the compensation, benefits and other costs attributable to the employment of all non-physician/shareholder employees, rent, utilities, telephone, professional fees, equipment repairs, maintenance expenses, depreciation and amortization, and purchases which are expensed rather than capitalized on the Employer's books) but not including compensation (current and deferred) and Direct Expenses for physician/shareholder employees of the Employer.

4. Vacation. The Employee shall be entitled each year to four weeks for vacation and attendance at professional meetings or conventions ("CME"), to be taken in accordance with the Employer's policies in effect. Any vacation or CME time not used within a 12 month period may not be carried over to a future 12 month period nor be converted to additional compensation.
5. Disability In the event of the inability of the Employee to perform the Employee's duties pursuant to this Employment Contract for a period of up to one month during any 12 month period due to sickness or accident ("disability"), the Employee shall receive 100% of the Employee's Base Compensation for such period.  
The term "disability" shall mean the inability of the Employee to perform his reasonable duties pursuant to this Employment Contract due to sickness or accident in accordance with reasonable standards within the profession.
6. Fringe Benefits. During the Term, the Employee shall be entitled to participate in any plans or agreements maintained by the Employer relating to retirement, health, disability and life insurance, and other related benefits in accordance with their terms and requirements of insurability at standard rates. In addition, the Employer shall purchase Malpractice Insurance with such carrier as the Employer shall deem appropriate, covering the acts or omissions of the Employee in the normal course of the Employee's employment. Such Malpractice Insurance shall have the same coverage limits as are in effect for the other physician employees of the Employer. Upon the Employee's termination of employment, the Employee shall pay to the Employer the prorated amount of any Malpractice Insurance premium paid by the Employer for a period during which the Employee is not an employee of the Employer and for which the Employer does not receive a refund. The Employee shall pay for the cost of any needed extended endorsement premium on the Malpractice Insurance policy to cover the time the Employee was employed by the Employer. The Employer shall have the right to withhold amounts owed by the Employee to the Employer from any compensation or other amounts owed by it to the Employee.
7. Assigned Duties and Responsibilities. During the Term, the Employee shall (i) perform such duties that may be reasonably assigned to the Employee from time to time by the Employer (the "Assigned Duties"), (ii) maintain his license to practice medicine in STATE and active medical staff privileges at such hospitals at which the Employee practices medicine, (iii) be able to acquire Malpractice Insurance, (iv) become a participating provider in all third party payer plans that the Employer shall direct the Employee to participate, (v) comply with the rules and regulations adopted by the Employer from time

to time, and (vi) have and maintain all necessary narcotics and controlled substances permit numbers and licenses, a provider number for Medicare issued by the United States Department of Health and Human Services and a provider number for Medicaid issued by the state of STATE NAME. Any revocation or suspension of any required licenses shall be treated as a failure to maintain such license. The Employer shall also have the right to require the Employee to refrain from performing medical services on behalf of the Employer from and after written notice of termination has been given pursuant to Section 10.

The Employee shall devote substantially all of the Employee's professional time and attention to the discharge of the Assigned Duties, using the Employee's best efforts for the success of the Employer's business and practice. Accordingly, the Employee shall actively and industriously pursue the Employee's profession in the Employer's best interest, shall faithfully adhere to the principles of medical ethics of the American Medical Association, any specialized practice association, and the hospitals in which the Employee engages in the practice of medicine, and shall carefully avoid any and all personal acts, habits and usages which might injure in any way, directly or indirectly, the Employee's professional reputation, that of any other employee of the Employer or of the employer, or which might otherwise be detrimental to the interests of the Employer.

The Employee shall become Board Certified in PHYSICIAN SPECIALTY within two years of becoming eligible therefore.

During the Term, the Employee shall be required to maintain and have available an automobile at all times during the Employee's business hours. The Employee shall carry liability insurance on such automobile with basic limits of at least \$100,000/\$300,000 and excess limits of \$2,000,000 at the Employee's expense.

The Employee shall not, during the Term, except with the written consent of the Employer, engage in any activities, whether alone, or as a partner or member, or as an officer, director, employee or shareholder of any other corporation, or otherwise, if such activities (i) materially interfere with the Employee's performance of the Assigned Duties, (ii) involve the rendering of professional services to or for any other person or firm for compensation, or (iii) involve any activity competitive with and adverse to Employer's business or practice

All fees received by the Employee for professional services rendered by the Employee shall inure to the benefit of and be the property of the Employee. The Employee shall promptly pay or deliver to the Employer all such fees if they are received directly by the Employee. The Employee expressly agrees and covenants that the compensation and benefits received by the Employee pursuant to this Employment Contract shall satisfy and discharge in full all of the Employee's claims upon Employer for Compensation with respect to the Employee's employment under this Employment Contract.

8. Authority and Control of Employer. Subject to national and state canons or rules of ethics, the Employee recognizes that the Employer shall have

complete authority with regard to the acceptance for treatment of/or refusal to treat any patient, and that the Employer shall have complete authority with regard to the establishment of the appropriate fee for professional services. The performance of professional services by the Employee on behalf of the Employer shall be performed at such times and at such places as shall be determined by the Employer; provided, however, that the hours of employment of the Employee shall be determined by the Employer within reasonable standards within the profession. All work performed by the Employee shall be subject to the review and study of the Employer.

9. Expenses. The Employee may be reimbursed for the Employee's reasonable business expenses for the benefit of the employer, but only in accordance with the general policy of the Employer as adopted from time to time. The employer shall reimburse the Employee \$2,000 for CME expenses for each 12 month period. The Employee shall provide the Employer with any documentation for such expenses as the Employer may require for federal income tax purposes.
10. Termination. This Employment Contract shall be terminated upon the happening of any of the following events:
  - (a) Whenever the Employer and the Employee shall mutually agree in writing to a termination;
  - (b) Upon the death of the Employee;
  - (c) Immediately upon notice by the Employer to the Employee upon the Employee's breach of any of the terms or provisions of this Employment Contract or for cause as determined by the Employer in good faith;
  - (d) Notwithstanding any of the above provisions, upon 60 days prior written notice by either the Employer or the Employee to the other without reason or cause.
11. Patient Files. All records contained in the Employer's patient files shall be the property of the Employer, and the Employee shall not remove or copy such records upon the termination of the Employee's employment except pursuant to a specific request in writing from a patient.
12. Restrictive covenant. Because of, but not limited to, the significant investment by the Employer to further train the Employee, to introduce the Employee to the local medical community and to the referral sources of the Employer, and of other efforts to integrate the Employee in the Employer's practice and the medical community, all of which have substantial benefit to the Employee and which would be impossible to obtain without the Employer's assistance, and to protect the goodwill of the Employer's practice, the Employer needs the protection of the provisions of this Section. Accordingly, if the Employee terminates his employment with the Employer for any reason, or the Employer terminates the Employee's employment for breach or other cause, then the Employee shall not, without the express written consent of the Employer, for a period of one year from and after the date of the Employee's termination of employment, compete with the Employer, either directly or indirectly, individually, or as an agent, employee,

officer, director, shareholder, partner or member of any other entity or in any other capacity whatsoever, by practicing PHYSICIAN SPECIALTY within a 10 mile radius of HOSPITAL NAME or our ADDRESS office.

Employee acknowledges (a) that the Employer has a large investment in obtaining its referral sources, (b) that the Employer's success depends in large part upon its developing and maintaining such relationships, (c) that such relationships constitute an asset and property of the employer, and (d) that the Employee's performing services for the Employer constitutes a position of trust by the Employee to the Employer. Accordingly, the Employee shall not breach the Employee's position of trust with the Employer, and the Employee shall not, individually or in concert with any other person or entity, do anything to adversely influence or interfere with any relationships between the Employer and the Employer's patients and referral sources.

If the Employee so competes with the Employer or otherwise violates the provisions of this Section, then the Employer shall have the right to institute and action to restrain the Employee from so competing with the Employer, since such competition by the Employee with the Employer will result in immediate and irreparable damage and harm to the Employer that should be restrained.

Alternatively, if the Employee wishes to so compete with the Employer, then the Employee shall pay the Employer the sum of \$50,000. Such payment shall be as liquidated damages, and not as a penalty, for the irreparable damage and harm that such competition will cause the Employer. Upon the Employer's receipt of such payment, the Employee shall no longer be bound by the foregoing agreement not to compete.

In addition, upon the Employee's termination of employment with the Employer, the Employee agrees that the Employee shall not, directly or indirectly, induce other employees and/or associates of the Employer to terminate his or her employment with the Employer.

The Employer's remedies for breach of provisions of this Section shall be cumulative, and the seeking or obtaining of injunctive relief shall not preclude a claim for damages or other relief. In the event of breach of any of the provisions of this Section, the Employer shall also be entitled to recover all costs and expenses ( including reasonable attorneys' fees) incurred by it in seeking to enforce the provisions of the Section and/or in seeking damages for breach thereof.

The Employee represents and warrants that the covenants contained in this Section are reasonable and that the enforcement thereof would not preclude the Employee from earning a living.

13. Confidential Information. In the course of the Employee's employment with the Employer, the Employee will become familiar with confidential information of the Employer, such as, but not limited to, patient lists, referring physicians, charges for services, employee information and other information of a confidential nature which is required to be maintained as such for the success of the Employer and its business and practice ("Confidential Information"). Accordingly, the Employee shall hold in trust and confidence both during and

following the Employee's employment with the Employer all such Confidential Information and shall not, without the written consent of the Employer, (a) use or disclose any such Confidential Information outside the Employer, or (b) except in the performance of the Employee's services, remove or aid in the removal from the premises of the Employer any such Confidential Information or any property or material which relates thereto.

14. Severability. In the event that any word, phrase, clause, sentence, paragraph, section or other provision of this Employment Contract shall violate any applicable statute, ordinance or rule of law in any jurisdiction which governs this Employment Contract, such provisions shall be ineffective to the extent of such violation without invalidating any other provision of this Employment Contract.
  15. Benefit. This Employment Contract shall bind the Employee and shall bind and inure to the benefit of the Employer and its successors and assigns.
  16. Notice. Any notice required or permitted to be given under this Employment Contract shall be in writing, and shall be delivered personally, or sent by a nationally recognized overnight courier service or by U.S. certified mail, return receipt requested, postage prepaid, to the Employee's residence in the case of the Employee, or to its principal office in the case of the Employer.
  17. Entire agreement; Amendments; No Waiver. This Employment Contract contains the entire agreement between the parties with respect to the matters contemplated by this Employment Contract and supersedes all prior representations, negotiations and agreements, whether oral or in writing. This Employment Contract may not be amended, altered or modified except by written instrument signed by the parties. No provision of this Employment Contract may be waived except by an agreement in writing signed by the waiving party; a waiver of any term or provision shall not be construed as a waiver of any other term or provision.
  18. Additional Clause. (Sign on Bonus) A one payment of \$AMOUNT will be made to the Employee upon signing of this contract. This payment is contingent on completion of one year of service as outlined in signed contract. If this contract is terminated before completion of 12 months of service, the employee will refund this money to NAME OF MEDICAL GROUP.
  19. Governing Law. This employment Contract shall be governed by the laws of the State of NAME OF STATE without regard to its conflicts of law principles.
- IN WITNESS WHEREOF**, the parties have signed this Employment Contract as of the date first above written.

MEDICAL GROUP NAME

\_\_\_\_\_  
GROUP PRESIDENT'S NAME

\_\_\_\_\_  
EMPLOYEE NAME