

STARK RECRUITMENT CASE STUDIES

February 14, 2008

Case Study – Individual Recruit

Urban Hospital is facing stiff competition from the gastroenterologists on its Medical Staff, who have joined together in a group practice and opened an endoscopy center. Urban Hospital wishes to recruit additional gastroenterologists to its Medical Staff who will replace the procedure volume lost to the competing facility. Hospital plans to recruit the following individual physicians.

Recruit #1 – Experienced Medical Director

Hospital wishes to attract Recruit #1, a seasoned GI specialist who currently practices 35 miles from the Hospital in an office located outside Hospital's service area. Hospital will provide Recruit #1 with a relocation package that includes payment of his office rent for 1 year, moving expenses, a 1-year income guarantee, and 1-year free malpractice insurance that covers Recruit #1's actions in his office and in Urban Hospital. Recruit #1 will not be required to repay any portion of this support to Hospital, even if Recruit #1 leaves the Hospital's service area at the end of the support period. In addition, Hospital will offer Recruit #1 a part-time (.25 FTE) employment contract to serve as medical director of Hospital's endoscopy program. The employment agreement will prohibit Recruit #1 from having an ownership interest in or performing cases at the physician-owned endoscopy center in town or at another hospital.

Recruit #2 – New Sub-specialist

Recruit #2 is a general internist who is an existing member of Hospital's Medical Staff. Recruit #2 was an owner of General Internal Medicine, P.C., but he has sold his interest in the PC to his colleagues, taken a 1-year leave of absence from Hospital's Medical Staff, and enrolled in a 1-year GI fellowship program at an academic center 1,000 miles from Hospital. Recruit #2's wife (who is an orthopedic surgeon on Hospital's Medical Staff) and children will remain in the family home while Recruit #2 participates in the out-of-state fellowship program. Hospital plans to offer Recruit #2 an income guarantee during his first year in practice in Hospital's service area following completion of the fellowship. Upon his return, Recruit #2 will sublet office space from General Internal Medicine, P.C., but will not be an owner or employee of the PC. The amount of Recruit #2's income guarantee is significantly higher than the guarantee offered to Recruit #1.

Case Study – Recruit Joins Existing Physician or Practice

Eighteen months after Recruit #1 (the Medical Director) relocates to Urban Hospital's service area, the Hospital still needs additional gastroenterologists. After much effort, Hospital succeeds in convincing Recruit #3, an experienced GI specialist who currently practices on the other side of the state, to relocate to Hospital's service area, along with the physician's assistant from his practice. Recruit #3 and his PA will be employed by Recruit #1. Hospital will agree to "make up the difference" between (a) Recruit #1's

professional fee collections for Recruit #3's and the PC's services and (b) the salary, benefits and other direct costs incurred by Recruit #1 to employ Recruit #3 and his PA, plus Recruit #1's other "actual incremental costs" attributable to hiring Recruit #3 and the PA.

To accommodate the increase in the size of his practice from 1 practitioner to 3, Recruit #1 needs to take on additional office space. No space is available adjacent to his current suite, so Recruit #1 will sign a lease for a larger suite in the more luxurious (and expensive) building across the street from his current location.

Recruit #1 is concerned by the potential loss of business if the arrangement with Recruit #3 does not work out but Recruit #3 stays in the community and competes with Recruit #1. Therefore, Recruit #1 has offered Recruit #3 an employment agreement containing the following restrictions that would apply upon termination of their relationship: (1) Recruit #3 may not solicit patients he treated while an employee of #1; (2) Recruit #3 must take a 1-year leave of absence from Urban Hospital's Medical Staff; and (3) for a period of 5 years, Recruit #3 may not practice in an office located within 5 miles of Recruit #1's office.

Hospital's Medical Director employment agreement with Recruit #1 includes a performance bonus of \$50,000 for each gastroenterologist acceptable to Hospital who is added to Hospital's Medical Staff during the term of the employment agreement.

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