



How to Evaluate a Letter of Offer or Contract

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Introduction

The letter of offer or contract documents the intent of a hiring institution to engage a candidate. The process of making a good decision regarding any offer starts long before the candidate receives the document. Decisions are made within the broad context of one's cumulative life experiences, education, and work experiences and are influenced by family and mentors, travel and cultural experiences, and even one's spiritual and religious background. All of these factors frame the priorities that the academic physician brings to the decision-making process. In this chapter, we focus on the approach for a typical clinician educator agreement, as an illustration of an academic letter of offer.

The candidate must recognize that he or she is often influenced by more immediate experiences, potentially to the detriment of seeing

things from a broader perspective. If the candidate only considers his or her experiences at a recent job or during a recently completed residency or fellowship, the candidate will likely not make the most informed decision. The candidate must also consider work–life balance, income expectations, and desires for a blended career or a more focused career. As noted by Harolds [1]:

Before entering into a contract negotiation, it is important for the job seeker to carefully analyze whether the job and the area it is located in are right for him/her and the family. Income, fringe benefits...time off, how hard and fast one is expected to work...whether the job will likely help the individual achieve his/her career goals, whether the type of practice is of high quality and professionally satisfying, the friendliness and likability of the atmosphere and team members, the retirement package, the type of health and malpractice insurance, whether there is mentoring, and whether or not teaching or research is available or required are all important factors.

The clearer these priorities are for the candidate, the greater the likelihood that a good decision will be made regarding a new position as a faculty member. Clarity on these issues is helpful not only during the search for a new position but also throughout the academic faculty member's career. These priorities can be a touchstone to which the academic faculty member returns during the critical phases throughout his or her career.

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Using the Search Process to Prepare for Reviewing a Letter of Offer or Contract

Throughout the process of searching for, interviewing for, and considering a new position, the candidate must prepare for the next phase of the job acquisition process, namely, the review and negotiation of a letter of offer or contract. Scientists and physicians in academic medicine typically feel overwhelmed and underprepared for negotiation, especially early in their careers [2]. For this reason, candidates should explore potential openings at an array of institutions and should seek to learn what they can about the kinds of roles that may exist and optimal approaches to negotiation (see Chapter “[How to Negotiate](#)”). Moving on to negotiate and develop a shared understanding about a position with the hiring institution – an understanding that will be captured in a written letter of offer – should be viewed as an opportunity to explore the position and possibilities for growth and career advancement. Rather than viewing negotiation as a difficult or even adversarial process, candidates will be well-served to view the activity as positive. Negotiation can be seen as a process that places great emphasis on fairness and shared accountability, as two parties communicate and identify shared interests and mutually agreed-upon options [2]. The negotiation process that leads to a letter of offer and, at times, iterative revisions of the letter will serve as the foundation of the relationship with the hiring institution.

The letter of offer is the official declaration of intent by the hiring institution. Before receiving such a letter, the candidate should be well along in the mental process of deciding whether the institution is right for him or her. The candidate’s due diligence during the interview and negotiation process will go a long way to ensuring a good fit. The goal of any recruitment process is for the candidate and the hiring institution to find their best match. By the time the candidate receives a letter of offer, he or she should have a basic understanding of the hiring institution, including its organizational structure and its employment environment, and the role the candidate will play within the

institution. Thoughtfully accumulating specific employment-related information throughout the interview process will facilitate this phase of the process. A 2×2 decision grid listing the institutions that one is considering and some of their key characteristics is an example of a simple tool to use throughout the interview process. Whether or not this is one’s first experience with a letter of offer, this phase of the job selection process is important and warrants thoughtful and deliberate effort over enthusiasm to close the deal.

The more a candidate knows about an institution before the interview, the more information the candidate will glean about the institution during the interview. Specific questions, prepared in advance, can increase one’s confidence that one has adequate information available for the deliberation phase of the hiring process. The candidate will find it much easier to gather information about an institution during site visits, where the structured and spontaneous opportunities are numerous. Trying to find information after the interview is more challenging.

Before beginning the interview process, the candidate would benefit from meeting with 2–3 senior faculty members or mentors to receive their thoughts and guidance on the interview and selection process, job characteristics, employment models, and so on. Ideally, these advisors would have insight into the candidate’s skills and career aspirations and their advice would be specifically tailored to the circumstances. If one is working with a recruitment firm, utilize the firm’s expertise in outlining the key characteristics of the institutions being considered. The decision about whether to use legal counsel to review a letter of offer or contract should be made before starting the interview process. If the candidate decides to use legal counsel, the candidate should hire and meet with the individual before the interview process begins. The perspectives of legal counsel will help prepare the candidate to get even more out of the interview. The candidate should be sure to hire an attorney with considerable academic or health-care experience, who knows the unique issues related to higher education and/or health-care institutions and scientist or physician employment and compensation.

Use the entire interview process to prepare for reviewing a letter of offer. Careful assessments of one's personal goals, accumulation of external input from experts, careful accumulation of information to compare and contrast opportunities, and thoughtful discussions of life goals with people one cares about are all essential elements of the process. The use of checklists and decision grids will make the process easier. Recognize that components of the recruitment process—interviews, second visits, and offers—are often overlapping, which makes clearly defining key decision criteria all the more important. The candidate may find his or her schedule full or time limited at the critical phase of the process when deciding whether or not to accept a job offer. While the interview process itself will help in creating some clarity, the candidate should not use the interview process alone in making a decision. When considering multiple job offers, each with its own time limit for a response, there will often not be adequate time for deliberate introspection.

Be sure to ask for an official employee handbook at the time of the initial interview. Often these are not offered during the initial interview without special request. The information in an employee handbook can be invaluable and easily perused during the trip back home. During the immediate post-interview period, take the time to review any materials obtained during the interview, update the decision grid, and develop specific follow-up questions to be answered during a second interview or letter of offer review. This is also the time to jot down the key characteristics of the institution, both positive and negative, to serve as a reference for subsequent site visits and discussions with institution leaders.

The use of social media in the recruitment process has become commonplace. Institutional websites can certainly provide basic information. Web-based services such as LinkedIn and Monster may provide networking opportunities, content resources, answers to frequently asked questions, and so on. Be aware that prospective employers can, and likely will, access significant professional and personal information about a candidate that is available on the Internet.

Once the Offer Is Made

After a verbal offer has been made and accepted pending the review of a letter of offer or contract, one may feel excited, enthusiastic, and impatient to get started. However, it is important to take adequate time during this phase to be sure that one understands all the elements of the employment agreement. The signed letter of offer or contract, as well as any referenced employee handbooks, codes of conduct, and standards of care, makes up the legally binding employment agreement, which supersedes any verbal offers or commitments made during the recruitment process.

During the negotiation phase, keep lines of communication open and active with the hiring chair or chief. There is often a lag between the time that the verbal offer is made and the time that the written letter of agreement or contract and employee handbook materials are received. One can use this window of time to send a carefully constructed email message or a letter to one's new boss that describes, in one's own words, what one believes the job elements and expectations to be. This correspondence represents an opportunity to communicate what one has heard as it relates to the job elements and expectations and what one thinks is most important. Be certain to watch grammar, spelling, and tone in this critical email message or letter. Highlight the key deliverables expected to be covered in the written contract or letter of offer. Taking this proactive step will often shorten the negotiation process and bring clarity to key elements of the job opportunity.

Recognize that there will be negotiable and nonnegotiable components of the letter of offer or contract. Leaders in larger institutions may have less ability to negotiate certain components of the contract, such as health and insurance benefits, some aspects of compensation, restrictive covenants, and issues around retirement. Ask for clarification about what components of the letter of offer or contract are negotiable. If an attorney has been engaged, set up time now to sit down and review the letter of offer or contract.

The Contract/Letter of Offer

The format of the written employment agreement will vary by institution. The agreement may be a formal contract or a letter of offer. Either will be supplemented with legally binding amendments as articulated in employee handbooks or similar vehicles. There is no legal difference between a written contract and a letter of agreement; both carry the weight of a formal contract. The amount of detail in these documents will vary. Some may not have enough specificity and will require a request for further detail and specifics in writing. Some of these documents will be developed at a central institutional contracts-and-human-resources level; others will be created at the hiring-department level. What is critical is whether one feels that one has adequate detail in these documents for the purposes of negotiation and ultimately acceptance of the offer.

The key components of the letter of offer/contract include terms, terminations, and restrictive covenants; academic rank; duties and responsibilities; and compensation. Each is discussed in turn in the subsequent text.

Terms, Terminations, and Restrictive Covenants

Most academic contracts are annual and self-renewing on the basis of reasonable performance. It is critical to understand the elements of performance assessment and the bilateral obligations for contract termination. In some states, employees may be terminated without cause. In some institutions, tenure does not actually confer guaranteed employment for life. In many institutions, confidentiality policies and procedures related to termination of employment may not exist [3]. Although it may seem grim to think about termination at the start of an employment relationship, it is wise to understand one's rights and responsibilities prior to joining a new employer.

Causes for termination are typically outlined in the employee handbook. Often not articulated in adequate detail are the review process, due process obligations, and access to fair hearing com-

ponents. Resignation by the employee typically will require 3–6 months of advance notification to allow for transfer of patient care and academic and research obligations. There can be a financial penalty for inadequate notice for the costs of this responsibility transfer. Many contracts and employment relationships include a process by which the institution can initiate a nonrenewal or a termination process outside of a grievance process, such as in the form of a nonrenewal clause in the contract typically with 1-year notice. This process would be used if a faculty member had performed adequately but was not felt to be a good fit for a long-term faculty position. Academic rank, tenure, and specific clauses in individual contracts may affect the institution's latitude in such a nonrenewal process. As a result, many medical centers do not have severance agreements, although these can be negotiated in individual circumstances.

Employment agreements are commonly applied to all new faculty members and are used to protect the business interests of the hiring academic institution, while the faculty member is employed or after the employment relationship ends. Such agreements usually have three components: a confidentiality provision, a non-solicitation clause, and a restrictive covenant. The confidentiality provision prevents postemployment solicitation of other employees and/or patients, and the restrictive covenant outlines restrictions on postemployment competition with the academic center. Understanding these agreements in detail is critical, and legal authorities feel that these agreements are enforceable if reasonable. Although considering termination and restrictive covenant issues in the excitement of starting a new job can feel uncomfortable—as if one were anticipating a negative outcome—the reality of these issues warrants adequate review and understanding before signing a contract, not when faced with the need to use such components.

Academic Rank

The academic rank that the department chair or division chief will recommend on a candidate's appointment to the faculty will not typically be

a point of contention or negotiation, especially for an initial faculty position. In the case of an academic physician making a midcareer position change, however, it will be important to clarify academic rank criteria at the new institution and come to an agreement with the hiring chair or chief as to the academic rank for which the candidate will be recommended. In most institutions, the final decision will be made by the rank and tenure committee, notwithstanding the proposed academic rank by the hiring chair or chief. If maintaining one's current rank or moving up an academic rank is critical in the selection of a new position, be sure to raise that issue during the recruitment process.

Duties and Responsibilities

The candidate should expect and request the most detail about the duties and responsibilities section of the letter of offer or contract. As previously recommended, the candidate can facilitate this section by sending an email message or letter to the hiring official with details about the candidate's understanding of the duties and responsibilities. Specifics matter. For example, the distribution of work effort should be defined, including both floor and ceiling, as well as expectations regarding average work hours (e.g., no less than 20% of time will be spent in clinical care, not to exceed 50% of an average work week of 55 hours).

The more common components of duties and responsibilities for academic clinicians will include the following items:

- Distribution of work effort: Determine clinical, educational, research, and administrative work, academic service (membership on committees), and community service. Who determines the distribution of work, what influence does the candidate have on it, and what are the intervals between reallocations?
- Lines of communication and authority: Clarify with the division chief or department chair who specifically one's superior is and to whom one must account for job responsibilities in each of these areas. Although most often one will be accountable to the division chief or department chair, be aware of co-management environments such as clinics that have medical directors; research laboratories and core laboratories that have directors; and hospital services in which responsibility is shared with hospital directors. Each of these could create confusion regarding time allocations, measurement of accountabilities, and resource allocations.
- Measurement of performance: For academic clinicians, measurements could include clinical productivity, clinical outcomes, patient satisfaction, clinical utilization, and expense management (expense/RVU). For researchers, typical measures would include obtaining grant support, with timelines and financial amounts explicitly defined; publications; participation in national study groups; evaluations from postdoctoral students; and participation in academic service. For educators, measurements would include learner evaluations, publications, and curriculum development. Knowing if any of these measures of performance are linked to compensation or incentives is critical. Who determines performance measures, who completes the evaluations, and how often performance measures are reviewed and updated should be outlined.
- Infrastructure and support expectations: These will differ depending on the clinical, research, administrative, or educational focus of the candidate, but they need to be spelled out in adequate detail, including office, lab, or clinical space; support staff (administrative, research, or clinical); and technical support, including IT. For clinicians, issues such as call, vacation, or illness coverage should be understood. Finding out after starting a position that one's clinical workload has gone up by 50% because a clinical colleague has broken a hip and needed surgery can be an unexpected and unwelcome surprise. To maximize efficiency, productivity, compensation, and satisfaction, adequate support staff in the clinical environment is as critical, as are adequate lab space and research associates for the researcher. Check if clinic or lab overhead is linked to compensation.

Compensation

Compensation includes base salary, incentives, and bonuses. Compensation strategies will vary depending on the academic role in the institution. Common forms of compensation for academic clinicians include the following:

- **Fixed salary:** The benefit is predictability. The downside for the hiring institution is accountability for performance and productivity. The downside for the faculty member is the lack of incentives or bonuses based on exceptional performance.
- **Base salary with a variable component:** This increasingly common compensation method blends a level of predictability with the ability to set performance-based metrics that link to compensation, including productivity, patient satisfaction, clinical outcomes, and expense management.
- **Production-based compensation based on total clinical collections minus a fixed expense rate.**

Be sure to understand the formulas by which incentives and bonuses are determined, timelines for payout, and who is in charge of setting the incentives and determining the metrics and how often they are adjusted. National benchmarks for salaries and benefits can be obtained from groups such as the Association of American Medical Colleges (AAMC) and the Medical Group Management Association (MGMA).

There are a number of reimbursements and fees that should be spelled out in the letter of offer or contract. Fees could include parking fees, use of campus services such as core labs, video services, and data analysis/statistical support. Reimbursement for items such as computer and IT support, practice-related expenses such as license fees and professional association dues, work-related travel, continuing medical education, and professional society expenses should be explained. These are typically negotiable. Transition expenses including relocation

expenses, both personal and research lab related, should be negotiated. In some institutions, tuition support for employees and dependent children and/or housing benefits may be included with some faculty roles, but not others. These issues should be made explicit in the letter.

If it is possible that the candidate may generate intellectual property through his or her academic work, he or she should fully understand the intellectual property policies of the hiring institution—clearly, an area that requires special expertise. The institution may, however, consider this policy a nonnegotiable area of the employment relationship.

Employee Handbooks

Employee handbooks are a key component of the overall employment package and should be carefully reviewed. The handbook will be referenced in the letter of offer or contract and is considered a binding part of the agreement between hiring institution and the faculty member. The handbook is developed at the institutional level, and questions for clarification should be directed to the human resources department. If the handbook is obtained during the interview visit, the candidate will have time to review it in detail and identify areas for clarification during subsequent visits or during the contract negotiation phase.

Key components of the handbook are as follows:

- Health insurance
- Wellness incentives, including health club discounts
- Life insurance
- Disability, both short- and long-term
- Malpractice insurance
- Vacation and sick time benefits
- Retirement plan options, including times of vesting
- Child care and elder care provisions
- Other benefits, such as tuition support or housing assistance
- Employer policies and procedures

It is worth spending a little time reviewing the key components of the institution's policies and procedures on such diverse issues as grievance and due process, Health Insurance Portability and Accountability Act (HIPAA) information and other confidentiality agreements, and codes of conduct or related professional behavioral policies. The academic physician will be held to these standards, and it is the appropriate expectation of the hiring institution that the candidate be aware of them, understand them, and apply them in the work environment.

It is often these key elements of an employment relationship that are least understood by the department chair or chief who will be guiding the candidate through the recruitment process. Department administrators and members of the central human resources office of the institution are excellent resources on the specifics of the employment relationship. Asking for a scheduled time with a human resources representative as part of the interview process will be helpful in one's final review of the letter of offer or contract.

Finally, a few comments on whether to obtain legal advice: Contractual language may be nuanced. Lawyers will help with important clarifications and legal elements of the letter of offer or contract. In this context, attorneys do not typically negotiate for higher compensation – rather, they are helpful in identifying ambiguous or problematic aspects of a letter or contract that may lead to future issues. When is it appropriate to hire a contract lawyer? It depends on the complexity and duration of the contract, issues such as employment agreements that include restrictive covenants and control over intellectual property, and the legal expertise and comfort of the physician.

Words to the Wise

- Preparation matters. Spending time understanding one's personal and career objectives, key components of job satisfaction, and criti-

cal employment requirements before beginning the interview process is important.

- Categorize the key components of employment (e.g., work responsibilities, benefits, compensation, call coverage), and keep a comparison grid that allows one to look at the various opportunities in a systematic and organized way.
- Once given a verbal offer, and before receiving a formal letter of offer, prepare and send a written summary of the job and its key elements as one understands it, which will help set a framework for the formal letter of offer and negotiations of key points.
- Spend time with the employee handbook and understand key areas of basic employee benefits (e.g., health insurance, disability insurance, malpractice coverage).
- Be willing to negotiate key elements and to ask for clarification in writing of key elements such as compensation, distribution of work effort, work expectations, and bonus programs.
- Be sure to speak with the human resources staff members at your hiring institution in order to understand the implications and nuances of the institution's policies and procedures around hiring, evaluation, termination, retirement, and other elements of the employment agreement.

Ask Your Mentor or Colleagues

- What is the greatest lesson learned from your own recruitment and employment experiences?
- What components of your employment agreement do you wish you had had a better understanding of during the recruitment process? What effect has that had on your career, finances, and/or satisfaction?
- What is the one thing you wish you had known in advance of your first job search that you would like me to know?
- Can you recommend any specific resources that I should use?

Appendix: Sample Letter of Offer for an Academic Physician

[Date]

Dear Dr.:-----

We are pleased to extend to you an offer of appointment to the full-time faculty in the Department of-----, anticipated to commence on-----.

Your appointment will be proposed at the rank of Assistant Professor. Policies governing faculty appointments are contained in the enclosed *Information for Faculty* handbook.

Your initial contributions to college and departmental missions in the areas of patient care, teaching, research, and administration/service will be as follows:-----.

Patient care: Your primary clinical assignment will be----- . In addition to this inpatient work, you will devote approximately six (6) hours per week to the Department’s-----Program-----directed by----- . You will be expected to participate in the on call rotation, with duties consistent with your team members. We anticipate this will be-----.

Teaching: In your role, you will be expected to participate in the multidisciplinary educational programs of the Department, to include-----.

Research: In your role, you will be expected to collaborate with faculty involved in clinical trials and other clinical research protocols on average for four (4) hours per week.

Administration/Service: You will be expected to participate, to the extent that you may be reasonably called upon, in administrative and/or service functions of the Department and the Medical School.

Your salary for the ----- academic year will be at the annual rate of \$ ----- . Thereafter, your compensation will be reviewed at least annually, and sources of funding and FTE allocations may change that may affect your salary.

The Department will cover the registration fee for the-----board certification examination should you choose to take it. We encourage you to do so. This reimbursement may be considered taxable income to you.

Faculty Practice Plan; Clinical Services Agreement; Compliance with Medicare and Medicaid Laws and Regulations; Mandatory Education: You will become a member of the-----and be subject to its rules and the Faculty Practice Plan. You will also be required to enter into a Clinical Services Agreement and Restrictive Covenant with-----and to comply with and attend educational sessions on Medicare and Medicaid laws and regulations. All patient care performed by you will be billed through the Faculty Practice Plan, and the resulting income will be the property of----- . A Faculty Practice Plan billing number will be issued to you prior to your engaging in any patient care activities.

The-----has adopted a Code of Conduct, a copy of which is enclosed. As a condition of employment, you must acknowledge that you have received, read, and understood the Code of Conduct. The acknowledgement form is also enclosed and must be signed and returned.

Additional Conditions of Appointment. This offer of appointment is also subject to the following:

1. Your agreement to comply with the bylaws, policies, and procedures of-----, including the *Information for Faculty* handbook, and the Code of Conduct
2. Your obtaining and maintaining an unlimited-----medical license and DEA registration
3. Your acceptance by the-----for professional liability (malpractice) insurance coverage
4. Your obtaining and maintaining medical staff membership and clinical privileges at the hospital(s) where you will be assigned
5. Your eligibility to participate in the Medicare and Medicaid programs, and your ability to be credentialed for treatment of managed care patients; and-----

Your anticipated start date is dependent on the satisfaction of all conditions specified in this letter. Because the process is time sensitive, it is important that you complete and return all required forms promptly. If you accept the terms

and conditions of the appointment contained in this letter of offer, please sign and return one copy of the letter within the next 2 weeks, accompanied by the Code of Conduct acknowledgement form, Clinical Services Agreement, Professional Liability Self-Insurance Questionnaire, and Credentialing Application completed according to the enclosed instructions.

Upon receipt of your signed acceptance of this offer and other required materials, and the satisfaction of all other conditions of appointment, we will forward our recommendations to our Dean’s office for consideration.

Very truly yours,

Chair,

Department of-----

Enclosures

ACCEPTANCE OF OFFER OF APPOINTMENT

I accept the offer of appointment described in this letter subject to all its terms and conditions.

Signature

Print name: -----

Date: -----

References

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3. Poses RM, Smith WR. How employed physicians’ contracts may threaten their patients and professionalism. *Ann Intern Med.* 2016;165(1):55–6.

Suggested Reading

Harolds JA. Tips for a physician in getting the right job, part xix: introduction to employment contracts. *Clin Nucl Med.* 2015;40(2):128–30.

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