Contract Negotiation: Partnerships, Employment Agreements and More

John T. Ramey, MD
James L. Sublett, MD
Robert J. Holzhauer, MD, MBA

Disclosure Information
Learning Objectives

• Discuss contract negotiations from the vantage point of both the hiring practice and potential partner/employed physician
• List the basic elements of a physician contract and partnership agreement
• Describe the steps to take before buying a practice

Contract Negotiations

John Ramey, MD
National Allergy and Asthma
Charleston, SC
Contract Negotiations

- Most important to find a place that you will “fit” in
  - Similar practice style
  - Allergy testing/immunotherapy philosophy
  - Patient philosophy
  - Call/vacation philosophy
  - Hospital coverage philosophy
  - Reimbursement philosophy
  - Collection philosophy

Contract Negotiations From Employee Perspective

- Try not to decide just based on location of practice
- Try not to decide just based on benefits
- Do you want to be an employee or partner?
- You want to be happy and passionate about your job
Contract Negotiations From Owner Perspective

- Don’t just hire to fill a position
- Find someone with similar values
- Are you looking for an employee or partner?
- Find someone who has a long term vision for the practice

Long Term Prospects

<table>
<thead>
<tr>
<th>Will you be there &gt;3 years?</th>
<th>Practice</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>78%</td>
<td>48%</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Not Sure</td>
<td>15</td>
<td>39</td>
</tr>
</tbody>
</table>
Evaluating a Contract

• Don’t take a position because it MIGHT change
• If it isn’t negotiated before the contract is signed, it isn’t going to happen!
• Discreetly find out about those who have left the practice/institution
  – Why did they leave?
  – Are the problems corrected?
  – Will they limit your satisfaction?

Contract Negotiations

• Start early
  – 1-2 years before starting job
  – Competing against other applicants
  – Call or write letters to practices
• Update your resume
Ease of Job Hunt

<table>
<thead>
<tr>
<th>Did you have a difficult time finding a satisfactory position?</th>
<th>Practice</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41%</td>
<td>47%</td>
</tr>
<tr>
<td>No</td>
<td>59</td>
<td>53</td>
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</tbody>
</table>

Contract Negotiations

- Know what’s important to you & discuss it
- What support will I get for growing my practice?
- Buy in?
  - Good will
  - Fixtures
  - Building
  - Research
Contract Negotiations

• How are you planning for the future?
  – Business plan; new practice development
• What’s the business structure?
• Are there regular business meetings?
• Who reviews contracts?
• Are business tasks rotated among physicians?

Contract Negotiations

• What is the third party payer mix like?
• What has the historic financial performance of the practice been?
• What are the plans for full partnership opportunities? (and is there a “buy-in”)
• Real estate partnership?
• What are the expectations about my productivity?
Evaluating a Contract

- Hire an experienced contract attorney
- A good contract balances the interests of both physician and employer
- Understand the time of equity ownership
- Understand the buy in

Understanding the Buy-In

- Is “Good Will” dead or alive?
- What is a reasonable buy-in?
  - 1 million to buy-in
  - What are you willing to pay?
  - Supply vs demand
- Be wary of practices that won’t answer your questions
Understand Your Restrictive Covenants

• “Don’t sign a restrictive covenant”
  – If it is in the contract, then it will likely stay in some form
• May or may not be enforceable
• Different in each state
• More restrictive less likely to be enforceable
• May be enforceable with limited geography and time

Understand Your Restrictive Covenants

• Costly to defend
  – Attorneys will benefit
• Unlikely to be decided by a court
• Consider a buy-out amount to forgive the restrictive covenant
• Consider
  – Type of practice limitation
  – Geographic area
  – Duration
Evaluating a Contract

- Partnership compensation more important than employee
- Base salary +/- annual pay increases
- Productivity bonus
  - Can you achieve productivity bonuses?
- Signing bonus
- Relocation expenses

Evaluating a Contract

- Benefits
- Work hours and call schedule
- Incentive clauses
- Types of activities allowed?
  - Moonlighting
  - Speaking
  - Research/publishing
  - Outside financial activities
Partnership Agreement

- Expectation of achieving partner or shareholder status
- Specified in a separate agreement
- Usually after a fixed period of time and/or with qualifying performance
- There may be a junior vs. full partner level
- There may be a buy-in vs. sweat equity model
- Practice may offer financing
- There may be a pay-out when you retire

Evaluating a Contract

- Bad career choices are costly both monetarily and emotionally
- This should be a long term commitment, so “Will I fit in??”
### Private Practice Base Compensation

<table>
<thead>
<tr>
<th>Base Salary</th>
<th>Practice 2008</th>
<th>Practice 2009</th>
<th>Practice 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $80,000</td>
<td>6%</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>$80,000-99,999</td>
<td>8</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>$100,000-119,999</td>
<td>2</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>$120,000-139,999</td>
<td>30</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>$140,000-159,999</td>
<td>30</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>$160,000-179,999</td>
<td>13</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>$180,000-199,999</td>
<td>8</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>$200,000-219,999</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>$220,000+</td>
<td>2</td>
<td>11</td>
<td>6</td>
</tr>
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</table>

### Academic Base Compensation

<table>
<thead>
<tr>
<th>Base Salary</th>
<th>Academic 2009</th>
<th>Academic 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $80,000</td>
<td>15%</td>
<td>31</td>
</tr>
<tr>
<td>$80,000-99,999</td>
<td>3</td>
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<tr>
<td>$100,000-119,999</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>$120,000-139,999</td>
<td>32</td>
<td>27</td>
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<tr>
<td>$140,000-159,999</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>$160,000-179,999</td>
<td>--</td>
<td>-</td>
</tr>
<tr>
<td>$180,000-199,999</td>
<td>--</td>
<td>-</td>
</tr>
<tr>
<td>$200,000-219,999</td>
<td>--</td>
<td>-</td>
</tr>
<tr>
<td>$220,000+</td>
<td>--</td>
<td>-</td>
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</table>
## Incentive Compensation

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>None</td>
<td>40%</td>
<td>46%</td>
<td>35%</td>
<td>65%</td>
<td>60%</td>
</tr>
<tr>
<td>&lt;$10,000</td>
<td>26</td>
<td>22</td>
<td>37</td>
<td>6</td>
<td>28</td>
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<tr>
<td>$10,000-$19,999</td>
<td>9</td>
<td>19</td>
<td>12</td>
<td>16</td>
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<tr>
<td>$20,000-$29,999</td>
<td>13</td>
<td>8</td>
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<td>13</td>
<td>--</td>
</tr>
<tr>
<td>$30,000-$39,999</td>
<td>4</td>
<td>2</td>
<td>--</td>
<td>--</td>
<td>4</td>
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<tr>
<td>$40,000-$49,999</td>
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<td>--</td>
<td>2</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>≥$50,000</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>--</td>
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</table>

## Signing Bonus

<table>
<thead>
<tr>
<th>Signing Bonus</th>
<th>Practice 2009</th>
<th>Prac 2010</th>
<th>Academic 2009</th>
<th>Acad 2010</th>
</tr>
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<tbody>
<tr>
<td>None</td>
<td>75%</td>
<td>66</td>
<td>77%</td>
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<td>11</td>
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<td>$10,000-$19,999</td>
<td>8</td>
<td>--</td>
<td>--</td>
<td>4</td>
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<tr>
<td>$30,000-$39,999</td>
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<td>2</td>
<td>3</td>
<td>--</td>
</tr>
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<td>$40,000-$49,999</td>
<td>2</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>≥$50,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
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</tbody>
</table>
## Practice Type Comparison (Preliminary)*

<table>
<thead>
<tr>
<th>Compensation Type</th>
<th>Small Single Specialty (n=21)</th>
<th>Large Single Specialty (n=5)</th>
<th>Multispecialty (n=9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$134 K</td>
<td>$142 K</td>
<td>$161 K</td>
</tr>
<tr>
<td>Incentive</td>
<td>12</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Signing Bonus</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>$149 K</td>
<td>$148 K</td>
<td>$181 K</td>
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* Ranges were extrapolated to point values for the purposes of these estimated calculations

## Benefits

<table>
<thead>
<tr>
<th>Work Setting</th>
<th>Practice</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Insurance for Self</td>
<td>70%</td>
<td>68%</td>
</tr>
<tr>
<td>Medical Insurance for Spouse/Dependents</td>
<td>55%</td>
<td>74%</td>
</tr>
<tr>
<td>Dental Insurance</td>
<td>64%</td>
<td>81%</td>
</tr>
<tr>
<td>Disability Insurance</td>
<td>53%</td>
<td>87%</td>
</tr>
<tr>
<td>Malpractice Insurance</td>
<td>87%</td>
<td>90%</td>
</tr>
<tr>
<td>Paid Vacation</td>
<td>87%</td>
<td>94%</td>
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<tr>
<td>Retirement Plan</td>
<td>45%</td>
<td>68%</td>
</tr>
<tr>
<td>CME/Professional Meetings</td>
<td>83%</td>
<td>71%</td>
</tr>
<tr>
<td>Car Allowance</td>
<td>15%</td>
<td>--</td>
</tr>
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</table>
Tao-PC, 1/9/2009
Ownership/Partnership?

<table>
<thead>
<tr>
<th>Clinical Practice</th>
<th>%</th>
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<tbody>
<tr>
<td>Yes</td>
<td>69</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
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<tr>
<td>Not Sure</td>
<td>12</td>
</tr>
<tr>
<td>Starting My Own Practice</td>
<td>7</td>
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</tbody>
</table>

Timing of Equity Ownership

<table>
<thead>
<tr>
<th>Clinical Practice</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>At starting (eg, buying in to the practice)</td>
<td>3%</td>
<td>--</td>
</tr>
<tr>
<td>At or before first anniversary</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>At or before second anniversary</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>At or before third anniversary</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>After third anniversary</td>
<td>15</td>
<td>29</td>
</tr>
</tbody>
</table>
### 2010 Compensation Satisfaction

<table>
<thead>
<tr>
<th>Compensation Satisfaction</th>
<th>Practice</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Somewhat Satisfied</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td>Somewhat Dissatisfied</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Very Dissatisfied</td>
<td>--</td>
<td>14</td>
</tr>
</tbody>
</table>

### Partnerships, Employment Agreements and More

James L. Sublett, MD  
Managing Partner, Family Allergy & Asthma  
Louisville, Ky
Physician Contracts

- An employment agreement is the most important document that a physician entering practice will sign.
- Vary in length and content.

Physician Contracts

- Are legally enforceable, and can result in the paying of damages if the employed physician breaches the contract.
- Attorneys typically have drafted the contract to favor the employer.
Contract Issues

• Can be a single-page document offering you a position for a set period of time at a designated salary with a line for you to acknowledge receipt and acceptance via a signature
• As a signed, returned document, it has the same legal effect as a 20- or 30-page contract and will require you to fulfill the obligations specified in the document

Contract Issues

• Oral promises typically are non-binding on the part of the employer
• In addition to outlining salary and job expectations, contracts contain several other components that can affect a potential employee’s future
Benefits and Other Considerations

- Immediate or is there a waiting period?
- Bonuses
- Ownership prospects
- Board certification
- Maintenance of certification

Benefits

- Licensure and credentialing fees
- Professional memberships (AAAAI, ACAAI, JCAAI, etc.)
- Cell phones (type and who pays the bills)
- On call arrangements
- Personal/family health insurance
Benefits

- Disability/life
- Malpractice insurance
- CME allowances
- Journal allowances
- Paid time off (vacation/sick/PTO)

Noncompete Agreements

- A restrictive covenant ("noncompete" clause) refers to language in the contract (or it may be a separate document) that restricts you from practicing near your employer’s office for a specified distance and period of time if you decide to leave your employer.
- Your employer has a right to protect the practice that he or she has spent years developing.
- Courts typically are willing to enforce a restrictive covenant provided that it is reasonable regarding the time and geographic restriction.
Noncompete Agreements

- Noncompete agreements are prohibited in some states and unenforceable in others.
- They also generally cannot restrict hospital practice.
- A restrictive covenant is unenforceable if a physician is recruited to join a physician practice and the practice receives remuneration from a hospital to help the recruitment process, according to new Stark II regulations that went into effect in July 2004 (Federal Register: March 26, 2004, pages 16054, 16096).

Medical Liability Insurance

- Since young physicians are more mobile than prior generations, medical liability insurance “tail coverage” is a critical issue that should be addressed in the contract.
- The two major types of malpractice insurance are
  - “Claims made” (covers lawsuits only if the insurance policy is in force at the time the lawsuit is filed).
  - “Occurrence” (covers lawsuits filed at any time as long as the physician had an insurance policy in force at the time of the alleged malpractice).
Medical Liability Insurance

- Most policies issued today are “claims-made”
- A “claims-made” policy typically is less expensive than an occurrence policy
- “Tail coverage” must be purchased if you terminate coverage for any reason (e.g., change insurance carriers or switch to an employer that uses another insurer)

Medical Liability Insurance

- Tail coverage will cover lawsuits that may be filed after you terminate a “claims-made” policy
- Tail coverage can be expensive, often costing multiples of the last annual premium
- Specify in the contract whose responsibility it will be to purchase it
Medical Liability Insurance

- The employer may base paying for tail coverage to a specified minimum length of employment
- Insurance coverage of moonlighting should be determined if it is permitted by the employer
- Should be extremely diligent when selecting an insurance company for malpractice coverage
- Malpractice insurance costs vary among states and even within geographic regions within an individual state (e.g., Dade County is among the highest in Florida)

Termination

- Two types of termination clauses
  - “For cause” (e.g. medical incompetence, moral turpitude)
  - “Without cause” (where reasons for termination need not be given but the physician is usually given sufficient notice with possible salary for a specified time)
Termination

- A three-year contract with a 60-day “termination without cause” clause is, in effect, a 60-day contract
- Some contracts will require the physician-employee to give written notice within a specified period of time before leaving the position
- A financial penalty may be incurred if notice is not given

Employment Agreement Regarding Future Partnership

- Years of service before partnership
- Attainment of certain productivity measurements (receipts, new patients)
- Expectation to maintain a certain level of productivity after attaining partnership status
- Partnership may not be automatic but must be agreed to by existing partners
How Are Buy-ins Typically Calculated?

- Some combination of:
  - Book value
  - AR
  - Goodwill (typically calculated from net profits)
- Buy-outs
  - Earn out of AR typically for one year; plus sell back shares typically valued the same way selling out as buying in

Keys to Entering Into a Successful, Sustainable Partnership

- Know that it’s as good as a marriage, or if it goes south, as ugly as a divorce
- Trust between partners is paramount on every level – financial, ethical, moral, personal
- Having similar values is important – do you value longevity of partnership, value certain income level, value investing for growth, value quality staff in lieu of cheap labor, value small vs. large practice, etc.
- **Good and regular communication**
Pitfalls: Where Partnerships May Stumble

- Not being prepared financially for disassociation of a partner
- Differing values on key issues like investments, cash flow/expenses, debt
- Poor communication in practice
  - Too much independence – not rowing in the same boat
  - Lack of interaction/discussion between partners
  - Governance issues

Discussion
Steps to Take Before Buying A Practice

Robert J. Holzhauer, MD, MBA
Allergy Partners
Central Coast of California
San Luis Obispo, CA

Reasons for Buying a Practice

• To start out in practice (probably very uncommon)
• To move out of current position as employed or owner MD
• To expand a group practice into adjacent territory (perhaps most common reason)
Example: Northeast Allergy Practice

- 4 shareholder physicians
- 1 long-term employed physician
- 2 newly trained allergist/rheumatologists
- 1 nurse practitioner
- 2 full-time offices and shared space in primary care office in NW suburb

Patterns of Practice Growth

- “Same store sales”
  - Add providers
  - Grow practice of existing providers
- Contiguous growth
  - Add satellite locations
- Strategic growth
  - Regionally focused for contracting
- Opportunistic growth
  - “Home Run” practices
Demand vs. Need

- Demand = the number of allergists that a geographically defined market, or catchment area, is statistically able to support
- Need = unmet demand or the delta between the allergists practicing within a defined catchment area and the number of allergists that the area can statistically support

Defining the Catchment Area

- Geographically defined by:
  - County
  - Census tract
  - Zip code
- Demographically defined by:
  - Population
  - Growth projections
  - Socio-economics
- Consider physical barriers:
  - Waterways
  - Bridges
  - Mountains
  - Major roadways
Defining the Catchment Area

Sources of Data

• Generally available data sources
  – US Census Bureau
  – State Department of Budget and Planning
  – US Department of Commerce
  – US Department of Labor
  – Federal Financial Institutions Examination Council (FFIEC)

• Proprietary sources
  – Solucient Data
  – DataFirst Corporation

Determining the Need “By the Numbers”

• Step 1: Determine Demand Within the Catchment Area
  – Current population
  – Projected population growth
  – Apply allergist to population ratio “norms”
    • 1.76 per 100,000 population (National Ambulatory Medical Care Survey, 1999)
    • 1.26 per 100,000 population (US Supply of Physicians AMA Survey)
  – “Norms” are adjusted regionally
Determining the Need “By the Numbers”

• **Step 2**: Determine the **Need** Within the Catchment Area
  – Identify other physicians (FTEs=Full-Time Equivalents) practicing allergy in the area
  – Subtract existing FTEs from demand to determine need

Assessing the Competition

• Provider demographics
  – “Up and Comer” or “On the Way Out”
  – “Core” (i.e., fully trained) vs. “Non-Core” (eg, ENT) allergist

• Word of mouth within local medical community

• Competition’s patients transferring to your practice

• Time to next appointment for competitor(s)
Valuation:
Expected Return on Investment
Reward for Assuming Risk

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Money market funds (low risk)</td>
<td>0.3%</td>
</tr>
<tr>
<td>T-bills</td>
<td>3.0%</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3.5%</td>
</tr>
<tr>
<td>S&amp;P 500 (long-term)</td>
<td>8.0%</td>
</tr>
<tr>
<td>S&amp;P (smallest 10% of companies)</td>
<td>13.0%</td>
</tr>
<tr>
<td>S&amp;P (smallest 1%)</td>
<td>20.0%</td>
</tr>
<tr>
<td>Licensed non-medical firms</td>
<td>25-30%</td>
</tr>
<tr>
<td>Medical practices (high risk)</td>
<td>60-70%</td>
</tr>
</tbody>
</table>

Valuation:
Expected Return on Investment
Reward for Assuming Risk
Why High Risk?

- Risk of government reducing payments
- Risk of commercial insurers reducing payments
- Malpractice risk
Valuation Methods
Discounted Cash Flow

- Uses net present value formula
- Projects multiple years’ net practice income discounted for loss of value of money over time
- Formula less useful today because of risk of expected reduction in practice’s net income over time
- Must adjust for expected changes in practice when under new ownership

Valuation Methods
Value Formula (Keith Borglum)

- Return on investment of 60-70%
- Corresponds to 1.5x net income above fair market value (FMV) of labor
- If current job pays $200,000 and compensation from owned practice (without seeing more patients) is $300K, then value of practice is 1.5x $100K, or $150,000
Valuation Methods
Allergy Partners Approach
(Larry Armor)

• AP typically does not buy a practice’s accounts receivable but allows seller to collect the AR him/herself
• AP pays for hard assets (furniture, fixtures & equipment) at fair market value (purchase price minus accumulated depreciation)
• AP pays for leasehold improvements (allocated over expected remaining term of the lease)
• AP pays for goodwill by creating income stream after retirement based on patients remaining on allergen extracts

Due Diligence: Clinical

• Clinical reputation
  – Ask referring physicians
  – Ask allergists in nearby towns and counties
• Patient records: Insist on looking at records for:
  – Legibility (you may have to read them some day)
  – Accuracy
  – Compatibility (is how he/she practices similar to how I want to practice?)
Due Diligence: Clinical

- Skin test records
  - Be certain that you understand and can interpret them
- Immunotherapy: Look at record and vials
  - Look for compatibility with your way of building and maintaining
  - Most importantly, make sure his/her concentrates are not “water”

Due Diligence: Financial

- Professional guidance absolutely necessary
  - Have your CPA review the practice in detail OR
  - Hire a practice management consultant
- Long list of items to review in detail
- Information should be from his/her CPA to assure accuracy
Determining Need By The Numbers

Step 1 . . .

Determine “Demand” within Catchment Area
1. Current Population
2. Projected Population Growth
3. Apply Physician to Population Ratio “Norms”
   - Nat’l Ambulatory Medical Care Survey (1999) 1.76 per 100,000 population
   - U.S. Supply of Physicians – AMA Survey 1.26 per 100,000 population

Regionally Adjusted . . .

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Total Allergists per 100,000</th>
<th>Core Allergists per 100,000</th>
<th>Max Core Allergists per 100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>New England</td>
<td>12,471,282</td>
<td>2.25</td>
<td>1.58</td>
<td>0.62</td>
</tr>
<tr>
<td>Middle Atlantic</td>
<td>20,621,263</td>
<td>2.35</td>
<td>1.45</td>
<td>0.66</td>
</tr>
<tr>
<td>East North Central</td>
<td>41,914,756</td>
<td>1.87</td>
<td>1.24</td>
<td>0.43</td>
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<tr>
<td>West North Central</td>
<td>38,984,009</td>
<td>1.94</td>
<td>1.37</td>
<td>0.49</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>40,940,978</td>
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<td>1.36</td>
<td>0.42</td>
</tr>
<tr>
<td>East South Central</td>
<td>35,641,621</td>
<td>2.11</td>
<td>1.41</td>
<td>0.47</td>
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<tr>
<td>West South Central</td>
<td>30,853,257</td>
<td>1.79</td>
<td>1.20</td>
<td>0.56</td>
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<tr>
<td>Mountain</td>
<td>26,301,727</td>
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<td>1.04</td>
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<tr>
<td>United States</td>
<td>318,704,274</td>
<td>1.76</td>
<td>1.23</td>
<td>0.52</td>
</tr>
</tbody>
</table>
### Determining Need “By The Numbers”

**Step 2 . . .**

- **Determine “Need” within Catchment Area**
  - Identify Other Physicians Practicing Allergy in the Catchment Area
  - Derive “Need” within Catchment Area

**Extrapolating Visits . . .**

- Using AP data, a physician with a “mature” practice averages about 2,400 total visits per year.
- 0.25 FTE MD Need would equate to approximately 600 annual visits.

### Example . . .

**New Satellite Catchment Area**

Zip Codes 99910 through 99920 and 99922

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>99910</td>
<td>12,666</td>
<td>13,050</td>
<td>15,425</td>
</tr>
<tr>
<td>99911</td>
<td>8,766</td>
<td>11,000</td>
<td>13,200</td>
</tr>
<tr>
<td>99912</td>
<td>5,347</td>
<td>6,500</td>
<td>7,200</td>
</tr>
<tr>
<td>99913</td>
<td>4,355</td>
<td>5,000</td>
<td>7,350</td>
</tr>
<tr>
<td>99914</td>
<td>11,998</td>
<td>13,240</td>
<td>13,700</td>
</tr>
<tr>
<td>99915</td>
<td>1,205</td>
<td>1,250</td>
<td>1,300</td>
</tr>
<tr>
<td>99917</td>
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<td>13,000</td>
<td>14,500</td>
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<tr>
<td>99918</td>
<td>10,876</td>
<td>13,450</td>
<td>15,700</td>
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<tr>
<td>99919</td>
<td>12,455</td>
<td>16,000</td>
<td>18,750</td>
</tr>
<tr>
<td>99920</td>
<td>9,050</td>
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</tr>
<tr>
<td>99922</td>
<td>20,235</td>
<td>23,250</td>
<td>24,550</td>
</tr>
</tbody>
</table>

**TOTAL POP.**

- **108,181**
- **127,990**
- **142,520**

**year . . . .**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.08181</td>
<td>1.2799</td>
<td>1.4252</td>
</tr>
<tr>
<td><strong>DEMAND</strong></td>
<td>1.76</td>
<td>1.76</td>
<td>1.76</td>
</tr>
<tr>
<td><strong>PRACTICING MDs</strong></td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>NEED (0.10)</strong></td>
<td>0.25</td>
<td>0.25</td>
<td>0.51</td>
</tr>
</tbody>
</table>