Factors to Consider in Compensating a New Associate

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As a speaker for the American Academy of Podiatric Practice Management, I am frequently asked how much to pay an associate. My answer is almost always the same… “it depends”. The compensation of a new associate depends upon a number of economic, personal and geographic factors.

Since the geographical location often affects salary issues, you should be aware of the variations that exist. This factor is usually well understood by most associates and employers.

I will therefore start with the economic factors that you need to consider. Each practice is a unique entity, complete with its own set of financial data. Obviously, paying an associate 50% of their individual receipts may be acceptable for a practice with a 30% overhead, but it is not feasible for a practice with a 75% overhead. For this reason, it is necessary to become very familiar with the important financial data of your practice before trying to establish a fair salary for a new associate.

It is important that you predict the profit (or loss) that a new associate will bring to your practice. This is accomplished through the examination of some important data. Start by determining your average **revenue/patient** ratio. Divide your collected receipts for a given period (i.e., 2001) by the total number of patients seen in that time period. You must also calculate your total **costs/patient** ratio by dividing your operating costs (minus your salary/perks), by the total number of patients seen in that time period.

Once you have these figures, you must factor in your personal considerations with regards to your new hire. What are the duties and responsibilities of this associate according to the contract, and what purpose are they to serve in your employment? Are you hiring an associate to allow you more free time, or is their function to promote themselves and increase volume for your practice? If they will be increasing patient volume, you need to be able to estimate the cost/patient that you will incur as a result. To do this, you need to differentiate between your ***fixed expenses*** and your ***variable expenses*** for a given time period. Any additional patients will likely add to your variable expenses only, since your fixed expenses are most likely already paid for and independent of volume.

Once you have determined your variable expenses per patient, you can begin to predict how many patients a new associate must see per day or per hour in order for you to break even. From there, it becomes a lot easier to establish and rationalize a fair compensation package for the associate. During the initial start up period, the associate will undoubtedly be seeing some of your patients, thereby reducing ***your*** revenue pool. This may be part of your plan, according to your personal factors. If it's not, don't panic. This initial revenue loss should be viewed as an investment in the growth of your practice. If the associate is right for your office, then he or she will eventually begin working to increase the overall practice volume and revenue.

Once a salary is agreed upon and the duties of the new associate are outlined, consult legal and accounting professionals in order to draw up a contract. With a solid agreement that is beneficial to both your associate and your practice, you can begin working together to achieve your common goals.

Dr. Guiliana is nationally known lecturer and author on topics pertaining to practice management. He is a Fellow and a Trustee of the American Academy of Podiatric Practice Management and a Diplomate to the American Board of Podiatric Surgery. He holds a Masters in Health Care Management and practices in Hackettstown, New Jersey.

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