

Understanding locums contracts.

As a healthcare recruiter, you have a lot to juggle on a daily basis. So when your organization has locum tenens staffing needs, it is essential that you not only partner with a trusted agency, but that you also get all the details agreed upon in a formal contract.

When working with locums agencies, there are generally two legal documents you will encounter: the master agreement and the confirmation letter.

The master agreement.

A locum tenens master agreement (sometimes called a standard or service agreement) allows you to establish a solid relationship with an agency that aligns with your priorities and needs. Contracts across agencies tend to be similar, especially if the agency is part of the [National Association of Locum Tenens Organizations \(NALTO\)](#).

There is no financial commitment associated with signing a master agreement, and it does not prohibit you from working with other agencies. However, an agreement does need to be signed before an agency can present

you with potential providers for your locums needs.

The master agreement outlines the relationship between your organization and the locums agency, including the responsibilities of each party. (For additional details, see Key Terms below.)

Typical agency responsibilities include:

- Presenting provider names for clearing
- Providing malpractice coverage for its providers
- Arranging travel and housing for providers

- Paying the provider for work performed
- Assisting with credentialing and privileging providers at the facility
- Enforcing a provider's compliance with your facility's policies and procedures

Typical healthcare organization responsibilities include:

- Clearing providers' names in a timely manner as stipulated by the contract
- Respecting the agency's claim to a pre-existing relationship with a provider (procuring cause)
- Providing notice for cancellations (typically 30 days), except in the case of clinical or patient safety concerns
- Paying for providers' housing and transportation
- Providing the necessary equipment, supplies, and support staff required for a provider to complete an assignment
- Buying out a providers' contract if you decide to hire them during the ownership period
- Overseeing the work of the provider and verifying work is being completed



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The master agreement also often defines the following:

- The non-compete term for cleared providers. Typically, this period is 24 months but can vary depending on the terms of the agreement.
- The status of the provider as an independent contractor
- Indemnification terms

The confirmation letter.

After you have signed a master agreement with an agency and selected a provider to work at your facility, a confirmation letter is used to formalize the details about the provider's work.

only sign an agreement when it meets your organization's needs.

Most items in a master agreement are negotiable, but here are the things that experienced recruiters say they most often negotiate:

- Payment terms: This can range from 15 to 90 days depending on how your organization operates. A facility that sends paper checks may need more time than one that pays via electronic transfer.
- Contract buy-out terms: Some organizations prefer to pay half of the negotiated amount upon hire and half 60 days later. Additionally,

make inbound sales calls only to designated contacts.

In the confirmation letter, the most commonly negotiated item is a provider's rate. For this reason, it's important to be aware of how to determine fair rates. Here are some helpful ways to do so:

- Go to the agencies that you have a trusted relationship with and ask them to give you a range of rates
- Ask for agencies to provide you with an annual rate sheet, so you can judge whether they are in the right range
- Check in with colleagues about their experiences

Be sure to review the confirmation letter once you receive it to ensure all information is correct. Incorrect or incomplete letters may not be an eligible reason to cancel an assignment once it has been confirmed.

The confirmation letter will:

- Outline the specific details of the assignment, including dates, shifts, worksite, and provider
- Specify the agreed-upon rate for the assignment
- Include a contract buyout amount
- Identify the dates for the non-compete period

Be sure to review the letter once you receive it to ensure all information is correct. Incorrect or incomplete letters may not be an eligible reason to cancel an assignment once it has been confirmed.

Contract negotiation.

While most locums contracts you come across will be similar, keep in mind that you can negotiate terms with the agency. Every staffing situation is different, and it's important that you

some agencies may agree to decrease buy-out amounts if a provider continues working locums for several more months before starting a permanent position.

- Name clearing terms: Most agencies require names to be cleared within 24-48 hours of presentation. However, smaller organizations with only one individual clearing names may require additional time.
- Expense limits: Some organizations have limits on how much they will pay for provider housing or transportation, and these can be added to the contract. This may also go into the confirmation agreement.
- Inclusion of a rate sheet: Rate sheets are typically not included in master agreements, but some organizations ask for them to be included as an addendum.
- Solicitation limits: Organizations can ask agencies they work with to

- Use the Locumstory Trends by Specialty tool on locumstory.com

Once you have a budget from leadership and you know the fair range for rates, you will be better positioned to negotiate with the agency. You will also be able to share with your organization whether the budget provided is reasonable for the coverage required.

As you negotiate with an agency on the rates for a provider, be honest. Tell the agency what you can pay and ask them if they can still help you fill the need. A reputable agency will help you and most likely deliver because they want you to keep coming back.

There are a few items that are typically non-negotiable in locums contracts. These include:

- Cancellation of assignment terms: 30 days is typical in the industry, but organizations can include language in the contract about waiving this



requirement in the case of patient safety violations.

- Malpractice coverage amounts
- Employment status of the provider as an independent contractor
- Indemnification policies

In some cases, organizations that use locums frequently create their own master agreement rather than accepting the agency's to ensure their needs are being met.

It's also good practice to review all locums agreements every two years to ensure no changes are needed. While most agreements are evergreen and don't expire, a periodic review can help keep the agency focused on your organization's needs.

Knowledge is power.

Whether you are a seasoned recruitment professional or new to the role when you begin to recruit locum tenens providers, knowing how locums tenens contracts work is essential.

Never be afraid to ask your agency contact questions about a contract or confirmation letter. A reputable agency

will always address your concerns in an open manner and work to create a contract that all parties are comfortable with.

Being knowledgeable about locums contracts allows you to negotiate terms that are favorable to your facility, as well as create better relationships with locums agencies, which ultimately leads to better care for patients.

Key Terms:

Name Clearing:

The process a healthcare organization undertakes to determine if a particular provider has been presented to them in the past by another agency. If an agency sends you the name of a provider who has previously been presented by another agency, and the non-compete term has not expired, the provider cannot be represented by the new agency. For this reason, it's essential that each healthcare organization maintain detailed records on which providers have been presented to them previously.

Procuring Cause:

Once a provider has been presented to a healthcare organization and their

name has been cleared (see Name Clearing above), the agency is said to have procuring cause for that provider. This means if another agency presents the same provider for an opening in the future, you will only be able to work with the provider through the agency that has procuring cause.

Non-compete Term:

This term determines the period of time an agency can claim procuring cause (see above) for a provider. It also limits the healthcare organization from hiring the provider for a permanent position unless it agrees to pay the agency a contract buy-out fee (see Confirmation Letter, p. 2). Typically, this term is 24 months, but the time period may be negotiated before signing the master agreement.

Indemnification:

Because locum tenens physicians work as independent contractors, agencies don't indemnify providers for errors they may make while on assignment. While these terms stipulate that the agency is not responsible for damages or fees incurred due to a provider's actions, the agency does procure malpractice insurance coverage for all providers.

