

1 | THE SITUATION | WHAT A DEPARTING PARTNER IS PAID

The exit follows the formula — what the pay formula charged decides what the payout includes

3 months

a common run-out window — the departing partner's own A/R collected for a stated period after the last clinical day (illustrative; agreements vary)

\$280 → \$300

one HPV vaccine dose — what the practice paid for it, what the payer paid the practice (illustrative)

2 paths

the payout includes vaccine drug and lab revenue, or it does not — nothing in between works

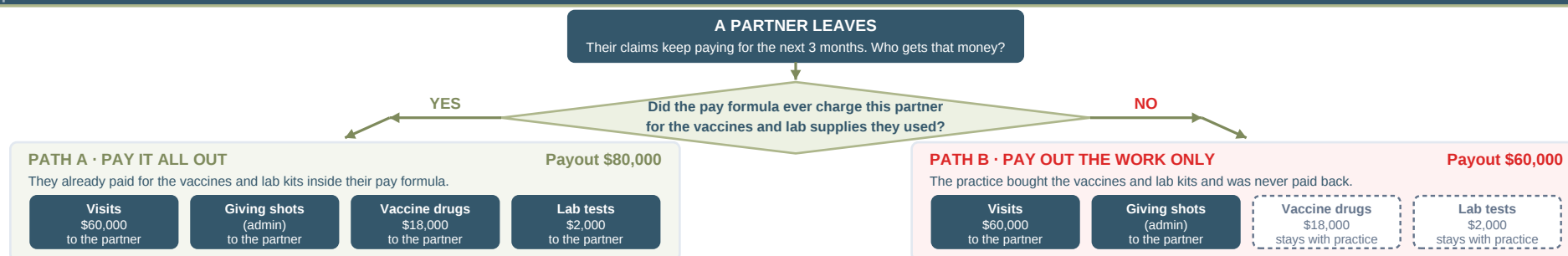
1 question

did the compensation formula ever charge this partner the cost?

Many agreements pay a departing partner their initial investment or capital account balance plus their own accounts receivable collected for a stated window after they leave. Visit revenue in that window is straightforward — the partner did the work; vaccine drug and lab revenue is different, because the practice bought the product, and whether it belongs in the payout turns on one question: did the pay formula ever charge the partner the cost?

2 | THE TWO PATHS

Read the compensation formula, then read the payout off it



Giving the shot is the physician's work and is paid out on both paths. Only the purchased product changes sides.

3 | THE TEST | WORKED EXAMPLE

Six questions, then the arithmetic · every dollar figure below is illustrative

THE TEST • SIX QUESTIONS, IN ORDER

- **1. Pull the compensation formula.** The partnership agreement or compensation exhibit, not memory.
- **2. Ask about vaccine drugs.** Did the formula assign vaccine product cost to the individual physician? Yes → drug revenue is in the payout. No → it is out.
- **3. Ask about lab supplies.** Same question for in-office lab supply cost (molecular and antigen strep tests carry thin margins, so the dollars are smaller — the rule is identical). Yes → in. No → out.
- **4. Leave administration in.** Vaccine administration (90460–90474) is the physician's work and stays in the payout on either path.
- **5. Pay collections, not charges.** The run-out pays what the practice actually receives on the partner's claims during the window, by rendering provider, after offsets the agreement names.
- **6. Write the answer down once.** The same treatment for every exit trigger — retirement, resignation, disability, death.

WORKED EXAMPLE • ILLUSTRATIVE

ONE DOSE (HPV) • WHAT THE LINE IS WORTH ON EACH PATH

Practice cost	\$280	What the practice paid for the dose
Payer paid	\$300	Collected on the departing partner's claim
Margin	\$20	\$300 – \$280
Path A payout	\$300	The \$280 was already charged to the partner in the formula
Path B payout	\$0	The practice spent \$280 the partner never bore — paying \$300 out loses \$280

THREE-MONTH RUN-OUT • ONE DEPARTING PARTNER • ROUND NUMBERS

Visits, admin, procedures	\$60,000	
Vaccine drugs	\$18,000	
Lab	\$2,000	
Total collected	\$80,000	\$60,000 + \$18,000 + \$2,000
Path A payout	\$80,000	Everything collected on the partner's claims
Path B payout	\$60,000	The \$20,000 of drug and lab revenue stays with the practice, which already paid roughly \$18,000 for the product behind it

Round numbers. The practice's own formula, run-out window and product costs set the real figures.

4 | TRAPS | 5 | DRAFT IT ONCE

Where practices get this wrong · and what the agreement should name

TRAPS • WHERE PRACTICES GET THIS WRONG

- **"Whatever A/R comes in."** Paying out every dollar collected without checking the formula. Under Path B it hands the departing partner revenue on product the practice bought — PMI sees this often, and the payout is too high every time.
- **The flat percentage haircut.** "Pay 80% of A/R to cover overhead" is not a substitute for the exclusion. Percent of what — charges, payments, units? And vaccine volume varies by physician: fewer newborns, fewer shots. A flat cut overpays one partner and underpays the next.
- **Deciding at the exit.** A payout rule invented in the month a partner leaves is a dispute, not a formula. It belongs in the agreement, in advance, the same for every trigger.
- **Paying billed charges.** A/R is worth what it collects, not what was billed — pay the run-out on collections.

DRAFT IT ONCE • WHAT THE AGREEMENT NAMES

- **The window.** How long after the last clinical day the partner's collections are paid out.
- **The basis.** Collections received on the partner's own claims, by rendering provider.
- **The code families.** Under Path B: vaccine product codes and clinical lab codes excluded; vaccine administration, E&M, preventive and procedure codes included. Under Path A: all included.
- **The offsets.** Advances, practice debt, tail-coverage allocation, property not returned.
- **The gate.** Charts closed and property returned before the first installment.
- **Symmetry with the pay formula.** If the bonus base excludes vaccine drugs and lab, the expense pool excludes the matching costs — and the exit reads off the same rule.