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Understanding the Real Costs of Recruiting and Retaining Physicians

Source: Lori Schutte, MBA, president of Cejka Search, a national physician recruitment and executive search firm serving health care organizations exclusively for more than 30 years.

Today's physician recruiters must juggle higher costs of turnover and tighter budgets for recruitment in addition to the ever-present challenges of finding, hiring, and retaining well-qualified physicians who will fit well and thrive within an organization.

In an industry increasingly driven by evidence-based outcomes, it is important to understand the real costs of an inefficient hiring process and physician turnover. Actively managing hiring and turnover will lower the risk of lost revenue due to prolonged vacancies, increase control over hidden drivers of recruitment costs, and build a business case for retention initiatives.

While it may be counterintuitive to medical groups that successful hiring rates can increase as the number of interviews declines, a health care organization can achieve significant improvement in hiring efficiency and results over time by (a) increasing the effectiveness of pre-interview candidate screening, and (b) engineering the interview process to culminate with a timely and competitive offer to the right candidate.

Turnover Today — The Landscape

As the Cejka Search and American Medical Group Association *2011 Physician Retention Survey* reports, on a combined, adjusted basis, there was little change in overall physician turnover from 2010 (6.1%) to 2011 (6.0%).*

However, the 2010–2011 static turnover trend appears to track with general conditions in the economy and housing market. The 2008 retention survey indicated that a worsening economy and plummeting home sales were causing physicians to delay retirement and relocation, which are key drivers of turnover. A decline in the turnover rate in 2008 and 2009 was followed by an uptick in 2010 and maintained at that level in 2011, tracking modest economic recovery and leveling declines in the housing market. Current improving investment and real estate values may signal a return to higher turnover as more physicians retire or relocate.

The Business Case for Efficient Recruitment and Retention

The consensus from the medical groups responding to the 2011 retention survey indicates that hiring of physicians and advanced practice providers will accelerate through 2012. Nearly three-quarters (74%) of the responding groups reported that they would hire more or significantly more primary care physicians in the next 12 months than they did in the prior year.

A more competitive market can drive up costs and the time required to fill vacancies, fundamentally linking retention and recruitment. Groups that invest in hiring for cultural fit, invest in a proactive retention program, and maintain an efficient process will be well positioned in an increasingly competitive environment.

The on-site candidate interview, a key step in recruitment, can become the single largest driver of expense when valued for hard costs, recruiting team time, and lost revenue due to the position vacancy, which increases as the interview process is protracted.

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The 2011 retention survey found that the total interview cost per vacancy averages more than \$30,000. Based on the reported data and survey assumptions, medical groups can identify areas where greater efficiency and effectiveness could significantly reduce the number of interviews, increase the value derived from each interview, and lower the overall cost of filling a vacancy. For example, respondents reported data and insights about their interview processes relevant to recruiting costs that produced a blended hourly rate of \$250 for human resources and lost productivity during the actual interview, as well as an average of two additional hours spent per interview in preparation, interaction, and debriefing.

Interview Cost Model

Candidates Interviewed × Visits per Candidate (3.1 × 1.7)	
Average Number of Interviews per Vacancy	5.3
Travel/Lodging + Entertainment (\$2,205 + \$911)	\$3,116
Average FTEs Involved × Projected Average Hourly Rate x 2 Hours (5.5 × \$250 × 2)	\$2,750
Average Cost per Interview	\$5,866
AVERAGE INTERVIEW COST PER VACANCY (5.3 × \$5,866)	\$31,090

The added benefit of implementing best practices for screening, interviewing, and hiring is reflected in debriefs with physician candidates who report that a focused, efficient recruitment experience is a future indicator of the operational and cultural reality of practicing with a group.

Considering the significant resources needed to hire, onboard, and start up new physicians, it is surprising that only one in four medical groups quantify the cost of turnover, according to the 2010 survey. Without understanding the cost of turnover, it is impossible to measure the return on investment in retention initiatives, and engaging in this calculation

can provide a clear operating advantage over competitors who neglect it.

All of the groups who quantify the cost of turnover consider direct costs, such as sourcing and advertising expenses and interview travel costs. However, not all groups incorporate indirect costs, such as the human resource cost involved in recruitment, interviewing, and onboarding, not to mention lost revenue while the position remains vacant.

There are various components medical groups take into account when calculating the cost of turnover. Doing so reveals the economic benefit — or significant cost — that can result from an incremental change in the turnover rate.

Sample Cost Assessment

Loss of Downstream Revenue/FTE	\$990,034
Estimated Recruiting Cost/FTE	\$61,200
Average Annual Start-Up Cost/FTE	\$211,063
TOTAL TURNOVER COST/FTE	\$1,262,297

Improving Hiring Efficiency

With estimated turnover costs as much as \$1 million per physician when all recruitment, start-up, and lost revenue costs are factored in, investment in retention becomes a critical strategic priority for the financial health of an organization.

The majority of survey respondents indicated that they were changing the way they recruit. Overall, many were taking action to adjust to economic conditions, implementing more competitive incentives, and using more interactive sourcing activities through channels that are fast, efficient, and more relevant to physicians today. Medical groups also appear to be focused on becoming more competitive and creative with their offers.

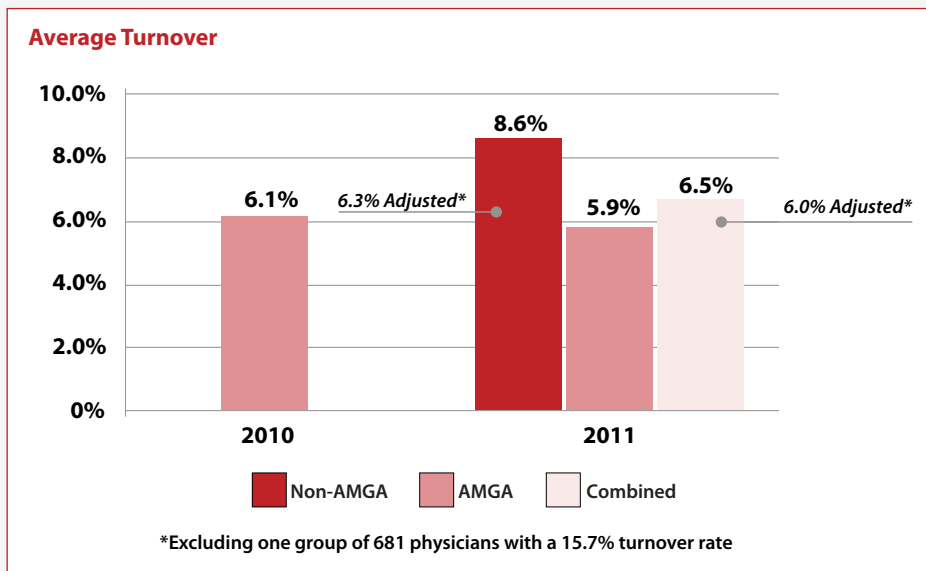
The 2011 retention survey reinforced a key finding from previous surveys and from anecdotal reports: physicians are at greatest risk for turnover during their first

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MARKET WATCH

AMGA groups reported average turnover of 5.9% compared with 6.1% in 2010 and average turnover of 6.3% reported by non-AMGA members (adjusted to exclude 15.7% turnover reported by a 681-physician emergency medicine group). The higher turnover rate among non-member groups may be evidence of the migration of physicians to larger, employed models or due to fewer resources available to small groups to invest in retention initiatives.

On a combined, adjusted basis, there was little change in turnover, comparing 6.0% in 2011 to 6.1% in 2010.



Source: American Medical Group Association/Cejka Search 2011 Physician Retention Survey

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years in practice. This trend correlates to the significant cost of turnover, given the investment in recruitment, relocation, and practice start up. Past surveys have highlighted that fit and family are the key drivers of voluntary separation. The persistence of high turnover in the first years of practice indicates that many physicians and hiring organizations may lack an accurate assessment of culture, career motivations, and satisfaction with the location on the part of the spouse or significant other.

The Payoff

Physician recruiters can build a strong case for investing in retention when the organization completely understands the full

cost of turnover and the impact of an inefficient recruitment process. Organizations that build a culture of “intentional retention” through creative and competitive recruitment produce a tangible return on these investments through the increased loyalty of their workforce, patients, and community.

Physician recruitment and retention will become increasingly important, and those groups who develop a best-practice process will have a competitive advantage in attracting and keeping talented physicians. ■

**AMGA Groups reported average turnover of 5.9% compared with 6.1% in 2010, and average turnover of 6.3% reported by non-AMGA members (adjusted to exclude 15.7% turnover reported by a 681-physician emergency medicine group). On a combined, adjusted basis, there was little change in turnover comparing 6.0% in 2011 to 6.1% in 2010.*

What's New at NEJM?

NEJM RELEASES iPad App!

On March 12, 2012, NEJM released its first iPad application. NEJM iPad Edition combines the best of print and digital to deliver a truly enhanced, unique reading experience. Physicians can enjoy all the content that appears each week in NEJM print issues, plus tap into the power of the iPad with access to video, audio, and expandable images. Users are able to bookmark, notate, and share articles — all with the touch of a finger.

The iPad app features a NEJM CareerCenter page that promotes your job listings and the valuable career-related content featured on the site. Users are able to access the NEJM CareerCenter site through the app, expanding the reach of your jobs!



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**UPCOMING
RECRUITER
MEETINGS
AND MEDICAL
CONVENTIONS**

**American Society of
Clinical Oncology***
June 2–4, 2012
Chicago, IL
<http://chicago2012.asco.org>

**Association of Staff
Physician Recruiters
Annual Meeting**
August 11–15, 2012
Los Angeles, CA
www.aspr.org

**Interscience Conference
on Antimicrobial Agents
and Chemotherapy**
September 9–12, 2012
San Francisco, CA
www.icaac.org

**3RNet Annual
Conference**
September 18–20, 2012
Tacoma, WA
www.3rnet.org

*Contact (800) 635-6991 or ads@nejmcareercenter.org for more details on bonus convention distribution of your paid recruitment ad in selected NEJM issues at these physician conventions.

PROMOTIONAL NOTES/NEWS

Reach Top Residents, Fellows, and New Physicians!

This fall, you can recruit in the publication that physicians trust most — and receive valuable discounts and extras with our three fall special issues.

Simply run your paid line or display recruitment ad of any size in any of the three issues listed below, and your ad will be reprinted in a special booklet to be mailed to more than 30,000 young physicians.*

You can also have your ad posted to the searchable part of NEJMCareerCenter.org for a small processing fee.† Registered physicians receive alerts for jobs that match their search criteria either by email or via the NEJM CareerCenter iPhone app.

Contact us at (800) 635-6991 or ads@nejmcareercenter.org for complete details and to reserve your ad space for these special fall issues.

PROMOTION	ISSUE	CLOSING DATE	SPECIALTIES	AUDIENCE
<i>Specialty Delivery</i>	9/13/12	8/24/12	CD, D, END, FM, GE, HEM/ONC, HOSP, ID, IM, NEP, N, ORS, ENT, PUD, DR, RHU, and U	Final-year residents and fellows and doctors in practice one to three years
October <i>Resident Reach</i>	10/11/12	9/21/12	All specialties — about 100	Final-year residents and fellows
November <i>Resident Reach</i>	11/15/12	10/26/12	All specialties — about 100	Final-year residents and fellows

*Please refer to the chart for specifics on audience and specialties for each special issue. Each booklet will be mailed to over 30,000 physicians. In order to have your ad appear in all three booklets, you must run a paid print ad in each designated issue of NEJM. Direct mail counts are based on counts provided by the AMA and are subject to change.

†Processing fees apply to posting your ad to the searchable part of NEJM CareerCenter.

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