PHYSICIAN RECRUITMENT TRENDS THAT CAN HELP SHAPE A SUCCESSFUL STRATEGY

By John Gramer, President, Cejka Search

The physician shortage abounds, as the U.S. population ages and millions of newly insured patients enter the health care system. As a result, effective physician recruitment and retention is more imperative than ever. The 2013 Physician Retention Survey conducted by Cejka Search and the American Medical Group Association uncovered three major trends that can help shape a successful strategy for hiring and retaining physicians.

**Trend 1: Twenty-Five Percent of Physicians Quit within the First Three Years**

Voluntary turnover is highest during the first three years of a physician joining a practice. On average, the turnover rate during year one is 5% and climbs to nearly 10% in years two and three, respectively. This amounts to an aggregate turnover rate of 25% in the first three years of physicians’ employment. With the cost of hiring approximately $30,000 per physician and the cost of vacancy on average $4,000 to $6,000 per physician, per day, the financial impact is significant.

To help protect your investment in new physician hires:

- Hire for cultural fit, which is one of the leading causes of voluntary turnover among physicians, in addition to clinical competency.
- Be accurate and honest in your description of the responsibilities and challenges that come with the role to avoid “surprises.”
- Aid in the assimilation process by pairing new physicians with experienced ones, as a go-to person for questions on systems and procedures.
- For many relocating physicians with spouses, children, or elderly parents, have a point person available to help families acclimate to a new city or town.

**Trend 2: Work Expectations Shift with Changes in Physician Demographics**

The study found that retirement among physicians was on the rise, jumping in 2013 to 18% as the cause of turnover. That is the highest percentage ever reported since the survey began in 2004, and a 50% increase from 12% in 2012. The increase correlates with the rising value of real estate and investment portfolios, which may provide physicians with greater financial flexibility. It also correlates with growing industry consolidation that has moved many senior physicians out of private practice and into hospital employment.

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As a generation of physicians retires, so does the notion of a 70-hour work week and correlating patient workload. The younger generation of physicians places higher importance on work-life balance and aging doctors seek reduced work schedules as an alternative to retirement. As a result, 92% of medical groups surveyed offered the option of working a less than full-time schedule. Furthermore, anecdotal evidence shows that when an older physician retires facilities are backfilling with more than one clinician in order to maintain adequate coverage. This may explain why demand for advanced care professionals remains high, with 69% of those surveyed planning on hiring “more” or “significantly more” physician assistants and nurse practitioners.

In response to changing demographics and work expectations, many health care facilities choose to:

- Offer flexible work schedules in the form of compressed work weeks, reduced work hours, job sharing — and for surgeons, guaranteed blocks of operating room time.
- Reduce physician on-call duty by making more use of nurse triage phone services and/or advanced practitioners.
- Increase internal emphasis on succession planning and organizational design for maximum physician utilization.
- Analyze admissions data and census patterns to help identify staffing patterns and changing needs within physician specialties.

Trend 3: Physician Incentive Compensation

Research shows that a physician’s belief that he or she is being fairly compensated is one of the drivers of career satisfaction and retention, an increasingly complex matter as many organizations determine how to align physician compensation with reimbursement models based on quality and outcome.

Despite the fundamental shift away from fee-for-service models, the survey found that physician incentive pay is still largely based on productivity (see chart in Market Watch on the following page). While variations exist, on average across all specialties 58% of bonus pay was determined by revenue production followed by 14% for clinical quality and 10% for patient satisfaction. Citizenship and efficiency determined 5% and 2%, respectively; and practice profitability, coding compliance and EMR adaptation each represented less than 2%.

Several reasons why physician compensation is lagging reimbursement models were uncovered during Cejka Search Roundtable discussions with health care executives. These complexities include the following:

- As per capita, risk-based contracts become more pervasive, health care providers must move towards disease population management. Driven by data analytics, this approach requires high standardization among care plans and limits the physician’s autonomy in determining treatment. Tremendous effort and investment must be put forth in order to determine and effectively communicate standard protocols of care that will be embraced by physicians in terms of both compliance and incentive pay.
- Patient satisfaction, which can be viewed as subjective and influenced by a large number of variables, is now a requirement for reimbursement via the HCAHPS. While patient satisfaction impacts profitability, it is not easily controlled by physicians, and therefore more challenging to incorporate as a requirement for compensation.
- Aligning compensation with practice profitability creates an atmosphere in which physicians have a vested interest not only in their own patient care but in how efficiently their colleagues are practicing medicine, which may have certain unintended consequences related to the cultural environment of an organization.

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**MARKET WATCH**

**Physician’s Bonus Allocations (by Percentage)**

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<tr>
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<th>Primary Care</th>
<th>Emergency Medicine</th>
<th>Urgent Care</th>
<th>Hospital Medicine</th>
<th>Other Specialty</th>
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<tr>
<td>Revenue production</td>
<td>49.28</td>
<td>74.30</td>
<td>59.12</td>
<td>48.52</td>
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<td>Patient satisfaction</td>
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<td>5.70</td>
<td>11.52</td>
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<td>Clinical quality</td>
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<td>Citizenship</td>
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<td>5.52</td>
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<td>Efficiency</td>
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<td>.12</td>
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<td>EMR adoption</td>
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<td>Practice profitability</td>
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<td>Other practice goals</td>
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<td>2.10</td>
<td>11.96</td>
<td>8.64</td>
<td>3.87</td>
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Percentage of bonus allocated to each of the above categories — equal to 100%.

*Source:* 2013 *Physician Retention Survey* conducted by Cejka Search and the American Medical Group Association

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**Six Best Practices for Implementing Physician Compensation Changes**

Some of the best practices observed among leading health care organizations when it comes to creating and communicating new compensation models are:

1. Engage well-respected physicians in the design and communication of standard care protocols that will have an impact on patient care and physician compensation.

2. Ensure that highly accurate data analytics that will stand up to ongoing scrutiny are being used in the design of new compensation plans.

3. Have a financial leader in place that is not only numbers savvy, but also an excellent communicator, capable of coaching physicians on ways to manage their incentive plans.

4. Provide detailed pro-forma analysis and examples of how compensation will be calculated, including various contingencies.

5. Take a phased approach, introducing higher percentages associated with new standards over time. Remain open to feedback and to making adjustments, as needed.

6. Maintain a fair and transparent approach to resolving compensation discrepancies or plan changes.

**In Conclusion**

The health care industry is under tremendous transformation. Shifting payer systems, provider business models, industry consolidation, and technology adaptation are just a few. The one constant, however, is that clinicians are the key to making change possible and quality patient care sustainable. With working knowledge of the changing demographics and expectations of physicians and the factors that influence their satisfaction and retention, physician recruiters can play an important role in securing the talent health care providers need to succeed.

*Cejka Search 2010 Physician Retention Survey*

†2014 National Economic Impact of Physicians
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