THE HIGH COSTS OF HIRING THE WRONG PHYSICIAN

By Tony Stajduhar, president of Jackson Physician Search

Making a bad hire in any profession negatively impacts finances and employees, but it’s especially painful in a medical environment where continuity of patient care, cost control, medical staff morale, and productivity are paramount concerns. All told, the cost of hiring a physician who doesn’t fit and then leaves can easily exceed $1 million when you consider the expense of recruiting, onboarding, and yet another vacancy and hiring situation.

Recruiting the right physician for long-term retention is a particular challenge given the time and expense involved, as well the current physician shortage in the United States, which is projected to potentially grow to 122,000 open positions by 2032. Also, our aging population requires more health care resources, while one out of three doctors is now over age 65, and doctors across all age groups are working fewer hours.

The previously mentioned factors mean that medical organizations should embrace effective, comprehensive steps to avoid physician turnover and vacancies, which are very real problems. In a 2018 survey by the Association of Physician Recruiters, or ASPR (now the Association for Advancing Physician and Provider Recruitment), 40 percent of vacancies had gone unfilled by the end of 2017. And openings may be even higher, depending on the medical specialty. For example, 66.4 percent of hospitalist positions were unfilled at adult-care medicine groups, according to a 2018 report from the Society of Hospital Medicine survey.

The pressure to fill a vacant position in a physician-shortage environment might drive health care administrators to make a faster or less-informed hiring decision than in more optimal circumstances — or be tempted to inefficiently “throw money” at filling a vacancy. However, the costs associated with turnover are significant, both financially and professionally. It’s important to understand these costs, as well as best practices that help you hire and retain the right physician.

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Recruiting and Onboarding: Take Money, Time

From the moment a position is identified, there may be up to $250,000 invested in a single candidate, including marketing, interview expenses, sign-on bonus, and relocation stipend. With interview expenses alone ranging upward of $30,000 for each candidate, not to mention the average sign-on bonus of $30,000, the costs add up quickly.

There is also the lost productivity for existing employees who help interview and select the candidate. For example, in one survey, respondents reported that their interview processes relevant to recruiting costs 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.

Once the contract is signed, onboarding begins. The costs incurred include hospital credentialing, health-plan enrollment, occupational health requirements, EHR training, coding education, and system orientation, as examples. One company that offers credentialing and analytics placed “the cost to train, credential, market and onboard a physician” at $200,000 to $300,000.

The Wrong Fit Impacts Morale

Despite all of the investment in recruiting and onboarding, it may become obvious, either sooner or later, that the physician you hired isn’t the right fit. Studies show that voluntary turnover is highest during the first three years of a physician joining a practice, amounting to an aggregate turnover of 25 percent. This occurs at an especially critical time when a practice is trying to recoup recruiting and onboarding expenses.

The new doctor may not be happy with the location or work culture or is underperforming due to work ethic or personal problems, which could include individual or family unhappiness with the community where recruited. Whatever the reason, the physician’s attitude or lack of engagement can drag down the morale and productivity of what should be a well-oiled hospital or practice environment, potentially deterring patient visits and their referrals and even impacting quality of care — all of which results in lost revenue.

Vacant Positions Risk Revenue, Patient Satisfaction

If your physician hire isn’t a fit and leaves, you basically lose the time, money, and effort that went into his or her recruiting and onboarding. Plus, recruiting costs begin to occur all over again, while at the same time, your medical group or hospital begins losing revenue from the vacancy.

With family medicine physicians generating $1.5 million annually in indirect revenue and a urologist generating $1.8 million, for example, a hospital can easily lose $130,000 to $150,000 in revenue each month. The ASPR reports

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the median number of days to fill family medicine searches as 4.3 months — and between 5 and 10 months for a medical or surgical specialist, so the stakes are high.\(^2\)

In addition, the absence of a physician can result in patient migration. You may lose not only patients already loyal to that doctor, but also future referrals from that patient. The long-term impact is even worse if patients seek treatment outside your market or turn to competitors because your facility lacks important services or they experience scheduling issues during the vacancy.

There are also more intangible issues associated with the open position, such as a higher workload, lower morale, and efficiency of staff, which may again deter patients. Furthermore, a vacant position can impact quality improvement initiatives that will affect your facility efficiency goals over the long term.

Smart Hiring Avoids Vacancies

With the combined costs of hiring a physician who doesn’t fit and leaves potentially exceeding $1 million, not to mention many intangible impacts, it’s important to take proactive steps for hiring the right doctor. To hire and retain the best fit for your position, remember that simply spending money to recruit and retain isn’t enough; you should make sure smart processes are in place, from interviewing to onboarding.

Don’t treat a physician vacancy as a one-off occurrence. Instead, adopt a continuous recruitment philosophy to keep the candidate pipeline full. Maintain relationships with candidates so that when you have a vacancy, you aren’t starting from scratch and can also quickly adjust to unforeseen issues during the hiring process.

The investment in a tailored recruitment and retention process is the best way to avoid the high cost of hiring the wrong physician. Recruiting, hiring, and retaining a top-performing physician guarantees continuity of care, reimbursable revenue, patient satisfaction, and quality health care delivery. By doing so, you earn the reputation as an effective organization with a healthy culture for both patients and their physicians.

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