



Physician Recruitment and Compensation: **Rethinking Your Bedside Manner**

As primary care physicians become greater revenue sources, hiring is more competitive than ever. Healthcare employers need to diagnose new ways to secure top quality MDs.





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- Jim Stone, Medicus Firm

The traditional role of the physician as solo practitioner may be going the way of the house call.

As healthcare reform approaches, doctors in private practice are increasingly choosing to become salaried employees at hospitals and larger medical institutions. Some of this is driven by hospitals swallowing up practices and subsequently hiring physicians as in-house employees. More often, private physicians see seismic changes coming to the healthcare industry, along with tremendous pressures to cut costs while maintaining the same high quality of care. Suddenly, life as a hospital employee doesn't seem so bad.

This transition comes at a time when the revenue generated by primary care physicians – those practicing family medicine, general internal medicine and pediatrics – is higher than ever, even surpassing the revenue generated by specialty care physicians. If that isn't enough, today's healthcare system is shifting from one that values volume of services to one in which quality outcomes and “value” metrics are more highly prized. The biggest rewards will be given to those providers who can deliver quality within a budget.

To employers, these sweeping changes mean a tight labor pool for providers. The first impression an organization makes is critical to shaping a positive long-term relationship. To thrive in this white-hot arena, physician recruiters need to understand the rapidly changing role of physicians, their most pressing career concerns and their compensation needs, then develop an effective system for attracting and retaining the best physicians.

From Private Practice to St. Elsewhere

The industry is in transition, but it's still in the initial stages. For now, volume remains the name of the game in payments for healthcare services, and the volume of services continues to be largely driven by physicians. Little takes place in medicine that is not ordered by, reviewed by, or performed by a doctor.

What's changing faster is the financial impact of physicians as initiators and providers of care. [According to the 2013 Physician Inpatient/Outpatient Revenue Survey](#) by Merritt Hawkins, a national physician search and consulting firm, a single physician generates an average of \$1,448,458 a year in net revenue on behalf of his or her affiliated hospital.

However, for the first time since the periodic survey began in 2002, primary care physicians generated more annual revenue on average for their hospitals than did specialists. Primary care providers generated an average net revenue of \$1,566,165 during calendar year 2012. This includes revenue from direct admissions, procedures, lab tests, and it marks a 13% increase from the 2010 survey findings.

In comparison, specialty care providers generated \$1,424,917 in revenue for their affiliated hospitals, a drop from \$1,577,764 in 2010.

Survey authors believe the increases in revenue generated by family medicine and internal medicine physicians result from the recent trend toward hospital employment of doctors. In the 2004 survey, only 11% of search assignments revealed hospital employment of physicians. By 2012, that number had risen to 63%. If the trend continues, Merritt Hawkins projects that by 2013, 75% of all newly hired physicians will be hospital employees.

In light of this trend, hospital administrators must develop a system to improve the physician recruitment process and establish a positive relationship during the prehire, hiring, and onboarding process. Several best practices are already emerging, as reported in May 2012 by [author Jason Crepeau in HFM Magazine](#) (published by the Health Care Financial Management Association). They include the following:

Lay the groundwork by nurturing relationships with a pool of potential candidates.

Because of a tight labor pool, physician recruiters and hospital leaders are often forced to hire physicians if they have the right technical skills, even if their behavior and core values do not align with those of the health system.



What are the reasons behind the shift? As you'd guess for an industry under national scrutiny, they include:

- » Hospital employment eliminates concerns about the financial viability of a practice.
- » Paying salaries and maintaining an adequate income are no longer daily concerns.
- » Caring for the underinsured and the uninsured is not an issue for salaried employee physicians, since they are compensated regardless of the patient's ability to pay.



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To address this predicament, health systems should start by looking beyond the usual prospects to build and nurture a large candidate pool. Having an internal resource allows a health system to focus on potential candidates likely to share the organization's core values and be a good fit for the community.

Focus on the physician's emotional needs and wants.

Once an opportunity has been created, the physician recruitment department and hospital leaders should screen candidates by taking into account the physician's emotional needs and wants. Provide a well-organized outline of the job requirements, details on the health system structure and goals, an overview of its culture, mission, and core values, and a snapshot of the greater community. Focus on the little things that leave a lasting impression. Draft versions of contracts should be made available to physicians to allow both sides to quickly work through any issues.

Invest in physician recruitment as a core competency.

With the dramatic increase in physicians employed by health systems, the shortage of physicians available to be recruited has worsened. According to the 2011 Association of Staff Physician Recruiters' In-House Physician Recruitment Benchmarking Report, a typical healthcare organization conducts an average of 18 searches per year (including physicians and advanced practice providers). This number is comparable to the average number of searches performed annually by physician recruiters, which range from 13 to 23.

Other ideas for making a strong first impression include:

- » Use innovative recruitment techniques, such as video interviewing and electronic reference checking, to better coordinate recruitment, follow-up, and mentoring.
- » Make a new hire's job satisfaction and home life a top priority during the first 90 days of employment; plan regular follow-ups and gather feedback to maintain a positive relationship.

Physician Compensation: Show Me the Money

Compensation and reimbursement and work/life balance represent the most pressing career concerns for both practicing physicians and physicians in training, according to The Medicus Firm's 2013 "Physician Practice Preference & Relocation Survey," an annual survey of 2,500 doctors conducted by the national physician recruiting firm.

Respondents were told to select two of 17 items that most accurately described their most pressing concerns for 2013. The top five career concerns for practicing physicians consisted of the following:

1. Compensation and/or reimbursement: 53.9%
2. Work/life balance: 45.2%
3. Work-related burnout and stress: 22.1%
4. Impact of healthcare reform: 16.6%
5. Lack of autonomy or control in my practice: 11.8%

The 2013 survey also revealed that physicians were generally dissatisfied with incomes in 2012, and blame declining reimbursements and administrative hassles as major factors in their stagnant compensation.

“In an era when hospitals are competing on a national level for every physician they hire, practice preferences can be very helpful in composing a recruiting strategy and compensation package that will stand out and attract doctors,” explained Jim Stone, Medicus Firm president.

“With the majority of the nation’s more than 5,000 hospitals currently recruiting doctors, physician recruiting trends impact the general patient population in addition to hospitals, as physicians choose where to settle and provide health care that is in higher demand than ever before.”

Trends in Hospital-Employed Physician Compensation

Salaries and compensation packages of hospital-employed physicians have become a burning topic in recent years, writes Bob Herman in a January 2013 story in Becker’s Hospital Review.

As more physicians become hospital and health system employees, he notes, the industry has begun to tackle the sometimes difficult process of benchmarking physician pay. With that in mind, Herman’s story lists several trends regarding hospital-employed physician compensation that have emerged over the past several years.

1. For physicians, earning power is greater in a hospital-based setting than private practice.

Tom Flannery, PhD, partner with consulting firm Mercer, says there is a general belief in the healthcare environment that physicians in private practice can earn higher incomes than those who decide to become hospital employees.

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-Becker’s Hospital Review

Yet after factoring out malpractice costs, health insurance, overhead and other operating expenses, Dr. Flannery believes hospital employment offers greater earning potential for physicians, especially those looking for more stability.

2. Benefits for physicians mirror the general hospital employee base, not the C-suite.

Physicians who are added to the hospital payroll are increasing the hospital’s operating expenses with higher benefit plan costs. Yet Mercer’s Highly Compensated Physician Survey showed most physicians — even those who become department heads — receive the same health benefit plans and retirement options as nurses, frontline staff and other frontline hospital employees.

3. Hospitals are emphasizing value over productivity.

In order to combat increased financial pressures such as the aforementioned boost in benefit plan costs, hospitals have traditionally encouraged higher levels of productivity. However, the fee-for-service environment is becoming a thing of the past. Therefore, in compensation plans, hospitals are incentivizing physicians to focus their energy and efforts on high-level cases instead of “churning numbers.”



4. Hospital-affiliated primary care physicians will eventually see their salaries increase more.

Primary care is a major emphasis within the healthcare reform law, and Dr. Flannery predicts primary care physicians will receive higher pay in the process. For example, primary care physicians in the specialties of family medicine, general internal medicine or pediatric medicine will be paid Medicare rates for Medicaid primary care services for 2013 and 2014. In addition, qualifying physicians will receive higher payments if primary care services are rendered by nurse practitioners and others under the physicians' supervision.

5. The highest-paid physicians at hospitals have the highest expectations, especially those in administrative roles.

Hospital-employed physicians who earn the most — such as CMOs, department heads and other physicians who have additional administrative roles — are now saddled with higher expectations. For example, if a physician is making more than \$700k per year and is a department chair, he or she will be expected to maintain clinical quality and also become a “manager” who helps operate the department.

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-Becker's Hospital Review

6. Compensation arrangements between hospitals and physicians involve quid pro quo elements.

Compensation negotiations between hospitals and physicians may be viewed as a Wild West showdown, but that's generally not the trend. Of course, hospitals must pay physicians fair market value, but there are certain quid pro quo elements. For example, physicians will receive various benefits outlined in the hospital benefit plan, but it may not be as extensive as benefit plans in other industries. On the other hand, hospitals can free physicians from being on call 24/7 (as they would be in private practice) and offer perks such as tuition and student loan forgiveness.

Total Compensation: Just What the Doctor Ordered

As physicians leave their private practices for in-house employment, one novel approach to recruitment and hiring is the use of total compensation communication programs, which are being adapted by hospitals across the nation.

An example is Hoag Hospitals in California's Orange County, which needed to fill critical jobs and convey the full value of a salary and benefits package. Hoag began offering print and web-based total rewards statements to their current employees in 2011. In summer 2012, Hoag slowly began to roll out a personalized candidate solution for highly specialized positions. The system typically sends candidates an email link to view an online statement, but if a candidate has flown in for an interview, they can leave with a printed offer in hand.

The Southern California healthcare network is already enjoying a healthy dose of cost savings — a 500% ROI after only the first month of use — and a speedier hiring process. Even better, the program's recruiter dashboard provides tracking and analytics reporting that covers how many times a candidate logged in, plus the time and length of their visit. This "digital body language" allows the Hoag recruiting team to glean valuable information as to what compensation and benefit programs are valued most by candidates.

Effective total compensation communication is one of many tools to make that allimportant first impression with physician candidates and stand apart from other employers amid a tightening labor pool. Physicians will only continue their ascent as greater sources of revenue to hospitals, but many are still unaccustomed to being viewed as an employee. Beginning the relationship on a positive note will set the proper tone for a healthy, long-term future.

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