Business is growing
I need help!
Hiring new physicians

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Learning objectives

• Developing a new physician business plan
• Establish recruitment process
• Creating a retentive environment
• Discuss the costs of an improper selection
What’s out there today

• **Baby Boomers pre 1964**
  – Consider late in career
  – Good team players
  – Generally second career

• **Generation X 1964-1980**
  – Large diversity in race, ethnicity, sexual orientation
  – Highest level of education achievement
  – Comprise most of workforce

• **Generation Y 1980-current**
  – Known as the trophy generation
  – Very accepting of change
  – Not concerned about change
  – Looking for larger meaning of life
Developing a new physician business plan

• A new physician is an investment and should be treated as a capital expense.
• Must perform due diligence
  – Do we need a new physician?
  – What will the cost us?
  – What will they make?
  – What is the ROI?
Developing a new physician’s business plan

• Determine a physician to population ratio for your specialty using Graduate Medical Education National Advisory Committee
  – PMR is 1:76000 to 105000
Developing a new physicians business plan

• Inventory your current community physicians
  – How many current providers are in your area
  – What practices are closed
  – Length of time needed to get appointment
  – Anticipated physician retirements, change in activity
Developing a new physicians business plan

• Calculate the following
  – Charges per full time equivalent (FTE)
  – Charges per patient visit
  – Collections per FTE provider
  – Collections per patient visit
  – Overall costs per FTE
  – Staff costs per FTE
  – Medical and office supply cost per FTE
Developing a new physicians business plan

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>ETC</th>
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</thead>
<tbody>
<tr>
<td>Patient visits</td>
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<tr>
<td>Charges/pt vt</td>
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<tr>
<td>Collection %</td>
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<tr>
<td>Total net revenue</td>
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<td>Physician salary</td>
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<td>Physician benefits costs</td>
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<td>Staff salaries</td>
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<td>Staff benefits</td>
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<td>Med/office supply cost</td>
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<tr>
<td>Building/occupancy cost</td>
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<tr>
<td>Gen/admin cost</td>
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<tr>
<td>Total cost</td>
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<tr>
<td>Profit/(loss)</td>
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</table>
Developing a new physicians business plan

• Remember
  – demand for physicians is outgrowing supply
  – Population is growing older so demand could double visits rates
  – Current physician population growing older
  – Medical school enrollments are flat
Establishing a recruitment process

• In-house recruiter vs. independent search firm
• Interview process
• Closing the deal what new physicians want
What new physicians want

<table>
<thead>
<tr>
<th>Physicians less than 35 (early)</th>
<th>Physicians 36-40 (mid career)</th>
<th>Physicians &gt; 41 (later)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic location</td>
<td>Geographic location</td>
<td>compensation</td>
</tr>
<tr>
<td>Call schedule</td>
<td>Compensation</td>
<td>Practice setting</td>
</tr>
<tr>
<td>Practice setting</td>
<td>Practice setting</td>
<td>Geographic location</td>
</tr>
<tr>
<td>Compensation</td>
<td>Professional growth/opportunities</td>
<td>Professional growth/opportunities</td>
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<tr>
<td>Professional growth/opportunities</td>
<td>Spouse/ family opportunities</td>
<td>Spouse/ family opportunities</td>
</tr>
</tbody>
</table>

Zeldis Research Associates 2004
The interview process

• Recruiting visit
  – First impressions are key for both sides. Remember everyone’s a doctor
  – Establish a lead individual
    • Responsible for the interactions with everyone throughout the day
  – Establish a visit agenda for everyone involved
  – Establish time to meet everyone in the practice
    • Remember not are you recruiting the individual but you are selling your practice
The interview process

• Structured interview
  – This is the formal interview were all questions should be addressed
    • Physician contracts, call, record keeping, policies and procedures and expectations
  – Attendees
    • Partners and new hired physician, admin, spouse, recruit
  – Assign questions to attendees

• Post visit interview
  – Readdress any further questions
The employment contract checklist

- Term
  - Fixed or evergreen
- Physician duties
- Standard of care
- Work schedule
- Representations
- Compensation
- Benefits
- Malpractice
- Expense reimbursement
- Office facilities, equipment, staff
- Third party credentialing
- Termination
- Indemnification
- Confidentiality
- Restrictive covenant
- Dispute resolution
Creating a retentive environment

- An effective retention plan respects work life balance and must be flexible to understand this might be different for each physician even though the job is the same
  - 47% of newly hired physicians will leave within the first year
  - 60% will leave within the first 5 years
  - Sink or swim environment does not work with generation Y
Creating a retentive environment

• Satisfied Physicians
  – Relationships with patients
  – Relationships with colleagues
  – Family peace
  – Personal growth
  – Freedom to provide quality care
  – Availability of hospital and office resources
  – Prestige for the role of the physician

• Dissatisfied physicians
  – Cost containment
  – Inadequate amount and quality of personal time
  – Inadequate opportunities for research and teaching
  – Lack of autonomy
  – Income

Creating a retentive environment

• Orientation
  – Structured in nature
    • Introduce to all staff individually
    • Have each administrator meet with physician
    • Schedule hospital orientation

• On-boarding
  – Promotes high level of care technical competence
  – Help physicians with connections to community
Mentoring

• Do not assign a mentor
  ▪ Assign a mentor and formalized program

Example: For every 100 physicians, the 1% change in turnover = Loss of 1 physician = $88K
Retention Strategies Throughout Career Stages

- **Security (Early Career)**
  - Guaranteed compensation
  - Advanced technology
  - Loan repayment

- **Opportunity (Mid-Career)**
  - Productivity-based compensation
  - Partnership/shareholder
  - Leadership development

- **Flexibility (Late Career)**
  - Quality of life
  - Flexible schedule
Creating a retentive environment

• Buy in and ownership is essential to practice success
• Provide nurturing program for physicians and family
  – Name and phone numbers of referring physicians
  – Name and phone number of consulting physicians
  – Meetings that they must attend without pay
  – Meetings they can attend for pay
  – Active membership in professional state and county societies
  – Billing and coding education
  – Compliance education
  – Written policy education
    • Call, incentives, vacation, document completion, dress code, community participation
• REMEMBER THIS IS AN INVESTEMENT IF PHYSICIAN AND/SPOUSE DO NOT FEEL WANTED THEY WILL LEAVE
Creating a retentive environment

• Measure success
  – Obtain recruit feedback from new physician initially monthly then quarterly
  – Obtain leadership feedback
  – Obtain peer feedback
  – Monitor patient satisfaction surveys on new physician
  – Monitor productivity
  – Inform new physician of any problems and discipline as appropriate.
Cost of replacing a physician

- Hiring a physician is a long term investment for a practice and just like any other capital expenditure needs to be looked at it as such.
Why physicians leave.

- Excessive call requirements
- Incompatible work schedule
- Community
- Compensation
- Desire to be closer to physicians own or his or her spouse's family
- Poor cultural fit

Percentage
Cost of Replacing a Physician

<table>
<thead>
<tr>
<th>Recruiting Costs per Vacancy</th>
<th>“Hard cost”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency recruiting fees</td>
<td>$0 - $30,000</td>
</tr>
<tr>
<td>Sourcing/Advertising</td>
<td>$0 - $10,000</td>
</tr>
<tr>
<td>Interview: Travel cost(^1)</td>
<td>$0 - $2,205</td>
</tr>
<tr>
<td>Interview: Entertainment(^1)</td>
<td>$0 - $911</td>
</tr>
<tr>
<td>Signing bonus</td>
<td>$0 - $30,000</td>
</tr>
<tr>
<td>Moving cost</td>
<td>$0 - $15,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Up to $88,116</strong></td>
</tr>
</tbody>
</table>

\(^1\) Average Interview Cost per Vacancy
Source: 2011 Cejka Search and AMGA Physician Retention Survey
<table>
<thead>
<tr>
<th>Twelve Month Start-Up Practice Cost</th>
<th></th>
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<tbody>
<tr>
<td>PCP</td>
<td>$156,164</td>
</tr>
<tr>
<td>Specialist</td>
<td>$253,360</td>
</tr>
<tr>
<td>Average Start-Up Cost Per Physician FTE</td>
<td>$211,063</td>
</tr>
</tbody>
</table>

Source: Trinity Mother Francis Hospitals and Clinics
Hiring a new physician - conclusion

- Developing a new physician business plan
  - A new physician is a long term investment and should be treated as such - ROI may be 3 years
- Establish recruitment process
  - Recruitment should be structured, analytical and comprehensive
  - They are all doctors
- Creating a retentive environment
  - Reassess their needs both physician and family
  - Mentor new physicians
- Discuss the costs of an improper selection
  - Improper selection has a cost on average of 250K
  - Following steps 1 to 3 should reduce this factor
References

• In-house physician recruiters focus on primary care physicians. April 20, 2010, www.mgma.com

