

# Physician Recruitment

## The Costs to Hire and Return on Investment



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Physician Search

By Tony Stajduhar  
President, Jackson Physician Search

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Healthcare organizations depend on recruiting and retaining physicians and advanced practice providers to support their mission to offer quality patient care. A critically important vacancy can be costly to the organization, patients and the community as a whole, impacting healthcare delivery, quality of life and the local economy.

Maintaining continuity of quality care is of chief importance. Yet, a sense of urgency to fill a costly vacancy must be combined with a clear understanding of how investing in a strategic recruitment process can accelerate the fill and reduce the risk of making a poor hire.

Return on investment is a straight-forward concept that is familiar to leaders in healthcare's outcomes-driven environment. Yet, in the area of recruitment, many organizations lack a structured method and accountability for measuring recruitment success, efficiency and return on investment. Too frequently, recruiters do not know if their definition of recruitment success is the same as their boss's or the board's. As a result, there is no formalized process to measure efficiency and maximize results.

$$\text{Benefit (-) Cost} = \text{ROI}$$

## **The return on investment in hiring a top physician is driven by both costs and benefits:**

- The cost of physician vacancies due to lost revenue and patient loyalty
- The cost of an inefficient or ineffective recruitment process through waste and duplication
- The benefit of long-term financial and cultural contributions of physicians who fit and stay

Examining each of these drivers will provide a more informed discussion of how medical facilities can be successful in attracting and keeping high-caliber physicians and advanced practice providers who make a significant contribution to the mission of the organization.

## The Physician Shortage and Cost of Vacancies

### *Loss of Revenue and Patient Loyalty*

The growing physician shortage in the United States raises the stakes and the cost of recruitment. In tracking the physician shortage, the Association of American Medical Colleges (AAMC) projects shortages that vary in degrees of magnitude depending on the location, specialty and population served. Demographics, well outside the control of organizations, are the primary driver of the shortage. In addition to an aging population requiring greater healthcare resources, the physician workforce is aging. By 2020, one out of three active physicians will be over 65 years old. A decline in the number of hours that physicians work is also a reality. AAMC recently recalibrated the projected shortage to reflect new data showing declines in physician working hours across all age groups, not just millennials.<sup>1</sup>

The pipeline of new physicians and the longevity of those in the prime of practice are vulnerable to other mounting pressures. At one end, students are deterred from entering medicine by the burden of educational debt, now averaging nearly \$200,000 at graduation.<sup>2</sup> At the other end, the burdens of regulatory compliance, complexity of reimbursement and administrative overload are prompting practicing physicians to seek non-clinical work and early retirement.<sup>3</sup>

High demand and low supply increases competition and makes producing return on investment for recruiting programs more challenging than ever. The 2018 Association of Physician Recruiters' (ASPR) annual survey studied 6,379 recruitment searches, 44% of which were to replace a departing provider. More than 60% of active searches were filled by year-end 2017, but 32% remained open and 8% were cancelled or on hold. With 40% of vacancies unfilled, access and revenue gaps widen.<sup>4</sup>

Organizations reported that **40% of vacancies remain unfilled**, leaving gaps in many in hard-to-fill subspecialties, as well as in Primary Care.

Among physician specialties, the largest volume of searches in 2017 was for physicians specializing in family medicine, hospital medicine, internal medicine, neurology, and urgent care. Three out of four responding organizations searched for physicians in family medicine (75%), followed by internal medicine (searched by 58%) and neurology (searched by 55%).

**The High Cost of Prolonged Vacancies**

Where physician vacancies are concerned, time literally is money. The time required to fill a vacancy is a key determinant of return on investment. On an annualized basis, a family medicine physician can generate \$1.5 million in indirect revenue; a urologist can generate \$1.8 million of gross charges. So, for each month a key position is vacant, a hospital can easily lose \$130,000 to \$150,000 in revenue.<sup>5</sup> Furthermore, the absence of an established, well-regarded physician inevitably results in some amount of patient migration. The hospital or medical group loses not only patients already loyal to that doctor, but also future referrals that might have developed from that continuing relationship between patient and doctor. The potential long-term impact is even more significant if patients are forced to seek treatment outside of the market or visit competitors because your facility lacks important services while waiting for a new physician.

**Each month a key physician position is vacant, a hospital can easily lose \$130,000 or more in revenue.**

ASPR reports that there is tremendous variability in the length of time it takes organizations to fill searches. For example, the median number of days to fill family medicine searches has remained stubbornly at 4.3 months for over five years. But organizations report that it takes twice as long to fill a family medicine search. Likewise, the median length of a search for a medical or surgical specialist may range between five to 10 months, depending on the specialty and location.

To avoid the high cost of a prolonged vacancy, identify and eliminate barriers to recruitment. Then move quickly to market with the search when it is optimally positioned and ready to fill.

**Evolution of Days to Fill for Physicians**

	<i>Primary Care</i>			<i>Specialty</i>			<i>Surgery</i>		
	2012	2016	2017	2012	2016	2017	2012	2016	2017
<i>Median</i>	131	125	130	148	149	153	184	151	139
<i>Average</i>	195	192	221	223	219	252	283	213	238
<i>25th</i>	62	60	48	80	52	57	90	61	70
<i>75th</i>	246	258	273	282	291	324	336	299	316

Source: In-House Physician Recruitment Benchmarking Report. Executive Summary. Association of Staff Physician Recruiters. 2013, 2017 and 2018 Executive Summary.

\*Average and percentile data for 2017 available for purchase 2018 via the Association of Staff Physician Recruiters

## Cost of Recruitment

### *Inefficiency Reduces Return on Investment*

In addition to the cost of the vacancy due to loss of revenue, expenses incurred during the recruitment process impact return on investment. From the moment a position is identified until the contract is signed, there may be up to \$250,000 invested in a single candidate, including marketing, interview expenses, sign-on bonus, and relocation stipend. Add to this an allocation for full-time equivalent cost of staff and/or professional recruiter fees.

The nuts and bolts of an organization's **recruitment process** holds the **key to improving overall performance.**

Stewardship of this investment requires careful planning and tracking key metrics over time. The “nuts and bolts” of an organization's recruitment process holds the key to improving overall performance and raising the return on investment by lowering the cost side of the equation.

### Performance Benchmarks

Benchmarking the current performance of the recruitment process isolates the true costs of recruitment, revealing inefficiencies, gaps, and duplications. Organizations that routinely assess and measure their performance discover opportunities for quick wins, critical course corrections and long-term improvement.

## Use these Standard Metrics to Measure Your Progress and Success

 Time to Fill	 Physicians' Satisfaction Scores
 Interviews to Hire	 Team Satisfaction Scores
 Acceptance Rate	 Number of new and returning patients
	 Three- and five-year retention rates

### Sourcing Effectiveness

Many organizations cannot quantify the value of their investment in marketing outreach. They may continue to rely on traditional advertising and direct mail, while struggling to implement social and digital recruiting technology. Part of the challenge is that their volume of searches is too small to effectively allocate the cost of multiple sources needed to deliver the required visibility. It is like purchasing a high-end toolbox that includes expensive power tools, but then using them too infrequently to develop proficiency and justify the cost.

Search marketing has developed as an art and a science. Measurable feedback and tracking the effectiveness of sources leads to greater sourcing efficiency and return on investment. However, over-used tactics lose their effectiveness. For example, a study<sup>6</sup> found that that 95% of physicians want job information by email, but there is too much volume and not enough value. More than one-half of physicians report high frequency of contact:

- 16% receive one solicitation per week
- 39% are contacted *multiple times per week*

Physicians also report that these job opportunities are NOT relevant to their interests.<sup>7</sup> In fact:

- They receive *relevant* contact less than 10% of the time.

Many recruiters are not taking the time to segment and efficiently target their audience. This is a costly mistake, doubling the potential negative return on investment from email: 1) inefficiency wastes time and money, and 2) physicians will tune it out completely, prolonging the search.

The proliferation of social media offers another avenue for engagement, as physicians become “digital omnivores.” The majority of physicians in all career stages are using social networking platforms for peer-to-peer communication.<sup>8</sup> Technology keeps them connected 24/7, both personally and professionally, through multiple devices, including laptops, tablets, smartphones, and even wearables. The key to leveraging social media to reach the sought-after, passive candidates is to become a trusted source of fresh, relevant and useful content delivered in a consistent – and non-commercial – manner within their trusted communities.

**87%**

of physicians ages 26-55  
are using social media

### Interview Optimization

The on-site interview is where missed opportunities and hidden expenses lurk for many organizations. Some organizations do not invest enough time or resources in creating a first-class, personalized and memorable experience for candidates and their families. Others may attempt an elaborate site visit that fails because of a disorganized itinerary, unprepared interview team or delayed follow-up. These mistakes necessitate multiple follow-up visits or risk derailing the candidacy entirely.

## The Value of the Physician’s Contribution

### *Recruiting is an Investment in Future Revenue*

On the individual-physician level, revenue production based on personal productivity remains the key driver of a physician’s contribution. Compensation and can be benchmarked against national medians for expected return on investment, but local variables such as quality incentives, payer mix, clinician supply/demand and cost of living are important factors to consider.<sup>9</sup>

### Compensation and Revenue

	Median Compensation MGMA 2018	Estimated Revenue (Gross Charges) (2017 data)
Cardiology, Non-invasive	\$479,882	\$141,0798
Emergency Medicine	\$354,350	\$1,072,282
Family Medicine without OB	\$236,935	\$742,932
Gastroenterology	\$525,003	\$2,008,103
General Surgery	\$415,146	\$1,335,972
Hematology / Oncology	\$468,224	\$881,499
Hospitalist: Internal Medicine	\$289,138	\$480,156
Internal Medicine: Ambulatory Only	\$250,964	\$818,015
Neurology	\$302,827	\$853,018
Obstetrics/Gynecology: General	\$322,900	\$1,192,476
Occupational Medicine	\$239,652	\$563,430
Orthopedic Surgery: General	\$597,914	\$1,811,304
Otorhinolaryngology	\$452,450	\$1,676,746
Pediatrics: General	\$231,539	\$735,367
Psychiatry: General	\$368,868	\$504,855
Pulmonary Medicine: General	\$374,146	\$1,090,562
Radiology: Diagnostic	\$494,584	\$1,950,805
Urology	\$450,000	\$1,825,258

Benchmarks only tell part of the story. A primary care physician, for example, can generate \$1,566,165 in indirect revenue. This number includes all hospital revenue including labs, imaging, and hospital admissions. Primary care providers also generate indirect hospital revenue through referrals to loyal specialists. Five to ten percent of all primary care visits result in a specialist referral. Gastroenterology, orthopedics, physical therapy, dermatology, and otorhinolaryngology are the most common. Apply specific referral ratios to the direct revenue generated by each of these services to calculate the indirect revenue impact of each primary care provider.<sup>10</sup> Viewed this way, the potential for a physician's revenue contribution can range up to six times their compensation.

Non-monetary benefits also are part of a physician's contribution. When a hospital department is fully staffed, administrators generally observe an improvement in staff morale and overall patient satisfaction. Consequently, there is less likelihood of patient migration because patients are assured that their medical needs will be met by well-qualified specialists and sub-specialists in a timely, efficient manner.

It is also noteworthy that adding a "premier physician" to the medical staff enhances a hospital's reputation and strengthens the overall physician recruitment effort. Hospitals benefit from the public and professional recognition associated with doctors who are well-regarded in their specialty. In short, the public relations value of hiring a notable physician is an important component of return on investment.

Doctors don't work in a vacuum. Their **contributions extend to downline service lines and revenue generation.**

The reputation for a healthy culture that supports physician retention leads to successful recruitment. A stable medical staff results from establishing trust and maintaining transparency, from top leadership through the entire organization. Such an environment supports faster fills, shorter vacancies, lower turnover and a measurable return on investment. The positive impact of recruiting into a healthy culture shouldn't be underestimated. Gallup research<sup>11</sup> shows a direct link between how well employees understand their organization's purpose and culture, and performance metrics that are critical in healthcare. When eight out of 10 employees understand that their role is valued – organizations achieved significant improvements in key performance metrics:

- 33% improvement in quality
- 41% reduction in absenteeism
- 50% drop in patient safety incidents

Incoming physicians contribute to the physical health of residents and the overall health of the local economy. This is especially true in rural communities. Adding one physician to a community of 10,000 people is associated with a 5.3% reduction in average mortality. A primary care physician supports 26.3 local jobs and nearly \$1.4 million in economic input<sup>12</sup>. They also contribute to the local economy by buying a home, paying taxes, and using local goods and services. The availability of quality healthcare is among the top criteria that attract and keep employers in a community.

## What Recruiters Can Do Now

### *Implement Key Best Practices*

The sense of urgency to hire is important as the physician shortage intensifies. But, it is also important to balance the cost of a vacancy with the cost of a broken process and risk of a poor hire, which are more expensive in the long run. By investing in key best practices, organizations become more efficient, effective and strategic in hiring. Their overall return on investment increases as a result.

### **Continuously Recruit**

Once candidates are identified and interviews are being scheduled, the natural instinct is to stop recruiting in that specialty. But we caution: keep recruiting until a signed contract is in hand with full assurance the physician is coming on board. Letting the engine “go cold” at that point in the process can prove to be far more costly than the investment in continued sourcing.

The reason is two-fold. First, it is practical. Any number of unforeseen events can derail even the most promising candidate and place the recruitment process back at square one. Second, there is a psychological component. When a candidate of choice sees recruiting efforts have stopped, their negotiating leverage goes up and their sense of urgency goes down. Continuing to engage candidates is a smart move for other reasons. Even if a candidate does not advance to finalist, their positive and memorable experience with an organization expands your referral network for future needs and in other specialties.

### Avoid Fixating on Cost Per Hire

The days of open-ended recruitment budgets are long past. Recruitment is *not* exempt from the need for transparency and accountability. Viewing a best-practice recruiting process as a “cost” rather than a strategic investment adversely influences thinking and behavior. Measuring the cost but not the quality of a hire, prioritizes cost as more important than quality. This can be extremely expensive over the long term due to turnover, disruption to the practice and loss of patient loyalty.

### Engage Resources that Drive ROI

Engage resources that can increase your efficiency. For example, it may be too costly for a single hospital or community health center to invest in an extensive array of job board postings plus new digital, social and mobile technology platforms that reach passive candidates effectively. However, a trusted recruitment partner can cost-effectively deploy these tools. Their resources allow organizations to cast a wide net for qualified candidates and benefit from their experience and finely honed “fit for hire” candidate assessment skills. Meantime, the internal team is free to focus on the quality of the interview process, engage key decision-makers, and keep the contract and credentialing details on track.

### Onboarding versus Orientation

The recruitment experience should help the candidate and their family envision their future in the practice and the community. It should be a preview of the organization’s proactive approach and seamlessly transition into an equally effective onboarding process. With the clock ticking toward a start date, too many physicians receive a packet of orientation paperwork instead of the dedicated resources they need to prepare their practice and engage actively into the community. Keep the lines of communication and information flowing throughout the interview and negotiation process to accelerate the hire and enhance the potential for long-term retention.

Once they are signed, be sure they are assigned a navigator who guides them through a holistic onboarding program that includes mentorship and family integration into the community. There is a correlation between long-term retention and onboarding programs that start early and last up to one-year, with a mentor assigned.

In the race against time, the winning strategy leverages efficiency and focuses on fit and retention. A best-practice approach enables organizations to measure value per hire over time and deliver a sustainable return on their recruitment investment.

## How to Diagnose and Cure Low Recruitment ROI

Symptom	Treatment
<p><b>Prolonged vacancy</b></p> <p><i>Time kills deals</i></p>	<p><i>To accelerate filling the vacancy:</i></p> <ul style="list-style-type: none"> <li>Objectively identify recruitment barriers and do the hard work of removing them</li> <li>Structure a competitive compensation and benefits package</li> <li>Deploy multi-channel marketing on a rapid timeline to ensure your position is seen not only by active lookers, but by passive candidates</li> <li>Be responsive to candidates from first screening through signed contract and beyond</li> </ul>
<p><b>Inefficient process</b></p> <p><i>Multiple interviews waste time and money</i></p>	<p><i>To focus interviews on top candidates:</i></p> <ul style="list-style-type: none"> <li>Position the opportunity competitively and clearly to attract the right candidates for the right reasons</li> <li>Assess candidates effectively to remove the “B” candidates</li> <li>Uncover and address issues in advance</li> <li>Do not bring a physician in for an interview if deal-killers exist</li> </ul>
<p><b>Missed Opportunities</b></p> <p><i>Differentiate yours above all others’</i></p>	<p><i>To differentiate your organization:</i></p> <ul style="list-style-type: none"> <li>Tailor the site visit – including the interview team – to create the most favorable and memorable experience possible</li> <li>Remember to address the professional, educational, social and personal interests of the candidate and their family</li> <li>Ensure that the top leader sells the vision, which is reinforced by the team</li> <li>Leave no questions unanswered, and prepare to make an offer to the candidate of choice within 48 hours of the site visit interview</li> </ul>
<p><b>High Turnover</b></p> <p><i>Hire for fit and retention</i></p>	<p><i>To improve retention:</i></p> <ul style="list-style-type: none"> <li>Adopt a “hire for fit” approach that includes an objective assessment of cultural fit</li> <li>Go beyond technical orientation with a robust onboarding program that includes practice ramp-up, mentorship and family engagement with the community</li> <li>Check in with new physicians often and ensure that promises made in the course of the recruitment process are being fulfilled</li> <li>Provide work/life balance, as well as opportunities for professional development</li> </ul>

## Conclusion

What's a doctor worth? Recruiting, hiring and retaining a top-performing physician guarantees continuity of care which will sustain reimbursable revenue, maintain patient satisfaction and contribute to quality healthcare delivery. When measured against the hard and soft costs of not having such a physician in place, the return on investment certainly offsets the expense of bringing the physician on board.

That said, resist the temptation to “throw money” at the problem of filling a vacancy. To maximize return on investment, leaders must fully engage and ensure that the recruitment and retention strategy is aligned with an organization’s mission and financial model.

The investment in an intentional, outcomes-based, efficient recruitment process applies the highest and best use of resources, achieves higher retention and delivers a healthy financial return. Most importantly, the organization will earn the reputation as an effective organization with a healthy culture - the best recruitment tool of all.

## Key Takeaways

### Reduce

**Reduce your Interview-to-Hire Ratio from 5:1 to 3:1  
for Cost Savings of  
\$12,000**

*Estimating \$6,000 per interview in travel and team hours*

### Improve

**Improve your Acceptance Rate from 60% to 90%  
for Cost Savings of  
\$16,800**

*Estimating \$30,000 to restart search and resume interviews*

### Shorten

**Shorten the Length of a Vacancy by 60 days  
for Revenue Gain of  
\$191,357**

*Based on \$1,164,088 average annual revenue of 18 key specialties*

### Prolong

**Prolong Physician Retention by Five Years  
for Revenue Gain of  
\$5,820,438**

*Plus the immeasurable contribution of a stable practice with loyal patients*

### About the Author

Tony Stajduhar is a nationally recognized leader and innovator in the recruitment of physicians. His experience started at Jackson & Coker in 1986, and he later developed his own physician recruitment firm into a national presence. He subsequently worked with HCA to launch an in-house recruitment team. Upon reuniting with Jackson Healthcare CEO Rick Jackson, Tony returned to Jackson & Coker with the intent to bring it back to the number one position in the industry. Under his guidance, the company revolutionized the industry, eliminating ineffective mail strategies and implementing an all-digital sourcing strategy.

As president of Jackson Physician Search, he leads the fastest growing, most well-respected recruitment firm which is also known for exceptional customer service and proven results. As a recognized expert, he was instrumental in changing the image of healthcare recruitment and speaks to national healthcare industry groups, including Medical Group Management Association, Society for HealthCare Strategy and Market Development, and numerous regional organizations and state medical associations.

Based in Atlanta, Tony can be reached at [tstajduhar@JacksonPhysicianSearch.com](mailto:tstajduhar@JacksonPhysicianSearch.com) or (678) 690-7908.

### About Jackson Physician Search

Jackson Physician Search specializes in permanent recruitment of physicians and advanced practice providers to hospitals, health systems, academic medical centers and medical groups across the United States. The company is recognized for its track record of results built on their clients' trust in the skills of their team and the transparency of their process.

Jackson Physician Search attracts and retains the most talented and motivated recruitment professionals in the industry. The company has been recognized as one of the Best Places to Work by Modern Healthcare and Fortune, and is certified as a great workplace by the independent analysts at Great Places to Work®.

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