Evaluation of Physician Recruitment & Compensation Package in a Rural Community

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Submitted in partial fulfillment of the requirements for election to Fellow
Case Study
Evaluation of Physician Compensation Package in a Rural Community

The Hospital in this case study is a non-profit facility, located in a very rural community and listed as a health professional shortage area. The Hospital is the largest employer in the town and other industries include manufacturing and farming. The town in which the Hospital is located has a population of 5,500 and the entire service area has a population of 99,000. There are two facilities located forty-five minutes to the east and to the west, which are both owned by for-profit organizations. Neither is considered competition for the Hospital.

The Hospital medical staff consists of primary care and specialist providers. Currently the specialist include urology (one), gynecology (one), pain management (one physician and one nurse practitioner), surgery (one), orthopedics (two physicians and one physician assistant), ophthalmology (one), gastroenterology (one), neurology (one), otolaryngology (one), cardiology (one), and radiology (one). The medical staff also consists of the following primary care providers: family practice (six physicians and ten mid-level providers), pediatrics (one physician and one mid-level provider), internist (two), hospitalist (three), and emergency physicians (four). At this moment, the Hospital is recruiting for additional hospitalists and emergency physicians. Seventy-five percent of the providers are employed and twenty-five percent are independent.

From a recruitment standpoint, the Hospital can feel the effects of the national shortage of healthcare providers. Through the years it has become more difficult to attract physicians to a small town and small Hospital. The most success has been with
locals that returned to the area to practice. To remain competitive and to obtain the
needed specialist for the community, the recruitment/compensation package required an
extensive review, which also included a national review of offers and packages for
comparison.

The Hospital can choose to continue with the current recruitment plan, adjust the
package to meet the current market needs, perform the research in house, or hire a
consultant to conduct the research and make a recommendation. They have established a
comfort level with the current package and it has been successful in the recruitment of
some physicians to the area. The current package is also functional and affordable from a
budgeting standpoint. Being a non-profit organization, operating within the budget is
crucial. At the same time, the Hospital recognizes that the market has changed and the
current recruitment plan has not been revised or updated in many years. The current
package is also not very competitive, even in the local market, as the Hospital has lost
physicians to local hospitals within forty-five minutes of the facility. Another major flaw
with the plan is related to consistency. There was no formula or calculation to arrive at
the salary for a position. This caused many inconsistencies within the same specialty.

The Hospital began performing market research to determine how the current plan
rated with the market. Part of the research was conducted on line through the Medical
Group Management Association (MGMA) website and The Physician Compensation and
Production Survey published by MGMA. In addition, the Hospital contacted various
contacts through other organizations and received samples of other offerings. One of the
Hospital’s retained search recruitment firms was able to share data also from their
experiences and placements.
By conducting the research, the Hospital was able to see how unattractive the package was when compared to other facilities. In addition, the Hospital gained useful knowledge on the recruitment of high demand specialists, and realized that the package must be tailored to the specialty and the national demand for that specialty. For example, the Hospital had always offered a signing bonus of twenty-five thousand dollars ($25,000) to everyone recruited. This was a trend that started about 10-15 years prior and initiated by a previous Chief Executive Officer (CEO). During the research the Hospital found that this process was part of the reason for the ineffectiveness in specialist recruitment. For example, a signing bonus of twenty-five thousand ($25,000) was attractive for a family practice physician, but not for an orthopedic surgeon. To be competitive in the orthopedic market, the minimum signing bonus needed to be fifty thousand dollars ($50,000).

In addition to signing bonuses, the salary required extensive attention. There were many inconsistencies in pay and benefits, which could not be explained. Basically, if a physician was a good negotiator, then his/her contract and benefits could be extremely different from a physician that was not such a good negotiator. Obviously, in the long run, this had a huge impact on physician satisfaction and retention. For example, one physician negotiated for medical coverage for his entire family and another negotiated for long term disability premium coverage. When physicians share this information with their colleagues (and they will) then it results in a physician feeling cheated or receiving a “bad” deal from the Hospital. With this type of perception, trust issues develop, and it is very hard for a relationship/partnership to recover from those concerns.
The third item that required extensive research was the benefit package. As stated above, each provider who was recruited was receiving different perks. In one instance, one provider negotiated an eight percent (8%) contribution annually to retirement, while his/her colleagues received only three percent (3%). During this stage of the research, most of the information came from other organizations. The Hospital surveyed those who were willing to share information on their packages. Again, our outside recruiter was able to offer some insight on packages also. We were able to see some of the trends in the market and determine what we were financially able to offer. Again, we are competing with national packages and large academic centers, but we are still restrained to the budget of a non-profit organization.

During the research, it was also discovered that many organizations were paying production incentives and quality incentives. This consisted of bonus payments to the physicians for meeting various goals. Physicians at other organizations were earning anywhere from twenty-five thousand dollars to seventy-five thousand dollars ($25,000 to $75,000) in addition to the base salary. Basically, they were given an incentive to work harder and make the salary desired.

The Assistant Vice President of Practice Management and Physician Relations presented some of the findings to the President/CEO. At this point, there was a lot of information to interpret at one time. The Hospital explored the idea of hiring a consultant that specialized in physician recruitment and physician compensation plans to review the plan and make necessary recommendations. If this route was taken, then the Hospital would receive experienced input from a consultant with access to an unlimited amount of data. This would also save lots of staff time on additional research and writing the entire
plan if needed. However, as the Hospital quickly discovered, those services come with a hefty price tag ($30,000-$100,000). As mentioned, being a non-profit organization, there’s not a lot of room for luxury services. In addition to the expense, consultants really do not know your true community and market. The only information they have access to is from research online and perhaps a visit and tour. There are some things about the area and the facility that only a local or an employee would understand fully. The Hospital decided that the review would be conducted internally by current Hospital staff and a recommendation would be presented to the Board of Directors.

Armed with all of this information, a special committee was formed to evaluate and determine the course of action. The committee consisted of the Hospital President/CEO, Assistant Vice President of Practice Management and Physician Relations, and the Director of Human Resources. The committee met a total of six times. Information was shared and reviewed by the Assistant Vice President of Practice Management, and the Director of Human Resources conducted additional research from his/her colleagues. Notes from previous interviews were also gathered to determine why some searches ended without a placement. In some instances, we found comments from the applicants such as “continuing education funds are too low” or “my family lives in another country and there is not enough vacation time to allow me to have an annual visit.” All of these comments were composed into a spreadsheet for review and discussion.

The committee reached a decision that in order to be competitive, the current physician recruitment/compensation package needed to be updated including salary, benefits, signing bonuses, and incentives. To offer consistency, the committee agreed
that for the market and the budget available, MGMA 50\textsuperscript{th} %tile data would be used for salary offerings. The annual MGMA Physician Compensation & Production Survey would be used as the guide. In addition, the Hospital was comfortable with offering a base recruitment fee of twenty-five thousand dollars ($25,000) and fifty thousand dollars ($50,000) for the high demand specialties. This would be reviewed on a per recruitment basis and approved by the President/CEO before fifty thousand ($50,000) could be offered. The committee also decided that if physicians were going to be compensated at the 50\textsuperscript{th} %tile, then the production should be at that level also. It was decided that an additional twenty-five thousand dollars ($25,000) could be earned by all physicians based on production and quality standards. Quality standards included timely arrivals to the operating room, timely arrivals to the outpatient clinic, complication rates, infection rates, medical record chart competition, and patient satisfaction scores. A sample scorecard is listed below. Based on this scorecard, a physician could earn up to twenty five (25) points for production and up to seventy five (75) points for quality for a total of one hundred percent (100\%). The incentive payment can be from $0 - $25,000.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Performance Measure</th>
<th>Point Value for Bonus Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>WRVU Production: % MGMA Median\textsuperscript{1}</td>
<td>Target: 10% above Median (8,932 WRVUs)</td>
<td>10 Points</td>
</tr>
<tr>
<td></td>
<td>Target: 20% above Median (9,744 WRVUs)</td>
<td>15 Points</td>
</tr>
<tr>
<td></td>
<td>Target: 30% above Median (10,556 WRVUs)</td>
<td>20 Points</td>
</tr>
<tr>
<td></td>
<td>Target: 40% above Median (11,368 WRVUs)</td>
<td>25 Points</td>
</tr>
<tr>
<td></td>
<td>Actual annual WRVUs _____</td>
<td></td>
</tr>
<tr>
<td>Timely arrival to the OR</td>
<td>Target: \textbf{90} %</td>
<td>12.5 points</td>
</tr>
</tbody>
</table>

\textsuperscript{1} MGMA = Medical Group Management Association
<table>
<thead>
<tr>
<th>Quality : Procedure Complication Rate</th>
<th>Actual _____% (Non-patient related delays)</th>
<th>12.5 Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infection Rate</td>
<td>Target: <strong>less than 3%</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Actual: _____%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Target: <strong>less than 1.5%</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Actual: _____%</td>
<td></td>
</tr>
<tr>
<td>Medical Record/Chart Completion w/ 24 hours of patient visit or procedure</td>
<td>Target: <strong>100 %</strong></td>
<td>12.5 Points</td>
</tr>
<tr>
<td></td>
<td>Actual _____%</td>
<td></td>
</tr>
<tr>
<td>Patient Satisfaction scores for outpatient practice</td>
<td>Target: <strong>95 %</strong></td>
<td>12.5 Points</td>
</tr>
<tr>
<td></td>
<td>Actual: _____%</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL POINTS EARNED BY PHYSICIAN: _____ OUT OF 100 = _____

1 2012 MGMA Median WRVUs for _____________.(list specialty)
Maximum incentive = $25,000

The Hospital also evaluated the benefit package and decided to offer the package below to every physician, as is, no exceptions.

**Practitioner Benefits**

**Medical & Vision:**

- Employer Paid - Family Coverage

**Dental:**

- Employer Paid - Family Coverage

**Flexible Benefit Plan**

- Tax-free insurance premiums
- Tax-free reimbursed spending
  - Health Care Reimbursement Account
  - Dependent Care Reimbursement Account
  - Private Insurance Reimbursement Account

**Long Term Disability:** Employer Paid

**Short Term Disability:** Employee Paid
Paid Time Off (PTO):

- 0 ~ 3 Years: 26 Days per year – 8.01 hours per pay period
- 3 ~ 8 Years: 31 Days per year – 9.55 hours per pay period
- 8 + Years: 34 Days per year – 10.47 hours per pay period

Employee Illness Bank (EIB):

- 0 ~ 3 Years: 4 Days per year - 1.23 hours per pay period
- 3 + Years: 5 Days per year - 1.54 hours per pay period

Life & Accidental Death Insurance: Employer Paid

- 1 x Annual Salary up to $300,000
- Additional Term Life Available at Group Rates

Retirement Plan:

- Yearly contribution to 403(b) at discretion of CMH
  Employee must work minimum 1000 hours in Payroll Calendar Year (Jan - Dec)
- 457 plan option available

CME Allowance for approved programs = $5,000 CME Days = 5

Professional Dues Allowance - Up to $1000/ year for approved professional societies or organizations.

Leave

- Education Leave: After 1 year of employment
- Military Leave: Up to 2 weeks pay per calendar year

Bereavement leave:

- 3 days pay for spouse, parent, children, brother, sister, spouse’s parent
- 1 day pay for grandparent, grandchild, brother/sister-in-law

Employee Assistance Services (EAS):

Provides free short term counseling to employees and their family members to include:

- Family Relation Issues
- Depression
- Alcohol/Drugs
- Stress/Anxiety
- Finance
- Grief/Loss

Other Benefits Include:

- Jury Duty
The President/CEO presented the revised recruitment/compensation package to the Board of Directors at its regularly scheduled meeting. There was some discussion relating to the adjustments, but overall the Board understood the reasons for the changes and the need to remain competitive. Once approved by the Board of Directors, the President/CEO and the Assistant Vice President of Practice Management met with all employed physicians and reviewed the new plans. It was made very clear, that if the current physician contract/compensation package contained anything different from above, then it would be revised/updated at contract renewal, effective July 1 (the beginning of the fiscal year). For the majority of the physicians, the revised plan was positive and they gained additional perks and benefits. The plan did reduce some benefits for two providers, but when compared to the additional gains there were receiving from other perks, they really did not “lose” anything financially.

It was agreed that the recruitment/compensation plan must be reviewed on an annual basis to prevent “falling” behind again in the future. The information will be presented to the Board on an annual basis for final approval. They will be presented with the current salary and a comparison from up to six other sources for comparison (see Exhibit A).

In addition, the revision of this plan will also lead to changes in the Hospital retention policy, as far as seeking regular input and feedback from the physicians on the satisfaction with the current compensation package.

Through this process, the Hospital learned a valuable lesson in terms of remaining competitive and realizing they were not just competing on a local level, but also on a
national level. With the current healthcare shortage, most providers are presented with several offers. The Hospital learned that even though they were located in a small rural area, they still had to compete with large inner city hospitals in terms of recruitment of qualified physicians. In some cases, with high demand specialist, the Hospital needed to be more appealing and offer additional perks that would entice a new provider to the area.

Another outcome of significant importance related to the annual physician satisfaction survey. With the revision of the physician recruitment/compensation and benefit package, the Hospital noticed an increased satisfaction of two percent in this particular category. The feedback received by the President/CEO and the Assistant Vice President of Practice Management was also positive. Several of our outside recruiters commented that our revised package was one of the best packages they had reviewed and complimented us for taking the initiative to address.

From this case study, other managers should realize the importance of doing the homework and research on the front end to address this issue. Ignoring the market will only hurt your recruitment efforts and result in wasted travel fees, staff time, and potential revenue. By offering a package that the physicians consider fair and attractive it will reduce physician turnover, increase moral, and satisfaction which in turn, will improve patient satisfaction scores. Take the initiative to contact other facilities and share information. Surprisingly enough, several places that were contacted during this research were actually going through the same scenario and were more than willing to exchange information.
By adjusting salary from around the 25th %tile to the 50th %tile, offering an incentive package, adjusting signing bonuses based on demand, and improving the overall benefits relating to vacation time and continuing education, the Hospital noticed an immediate improvement in recruitment. As an example, the Hospital searched for a Urologist for over ten years. Within one year of these adjustments, a full-time Urologist was hired. Positions that had not sparked interest in some time suddenly received hits resulting in on-site interviews (ENT, Emergency Medicine, Hospitalist, and Orthopedics, Urology).

By updating the physician recruitment and compensation plan, the Hospital was able to attract and obtain highly qualified and educated physicians and position the hospital to be better prepared to compete on a national level. In addition, physician satisfaction and moral improved and the Hospital has not experienced any physicians migrating to the neighboring hospitals for employment. Although time consuming, the research proved to be valuable and this topic will receive the dedication and attention needed on a regular basis going forward.
### Exhibit A

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Annual</th>
<th>Hourly</th>
<th>50th%tile</th>
<th>Average</th>
<th>Median</th>
<th>Average</th>
<th>Average</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesiology</td>
<td>$404,996</td>
<td>359,000</td>
<td>$355,000</td>
<td>$370,500</td>
<td>$405,000</td>
<td>$334,916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anesthesiology/Pain</td>
<td>$436,099</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Mgt</td>
<td>$370,631</td>
<td>329,000</td>
<td>$359,000</td>
<td>$368,777</td>
<td>-</td>
<td>294,586</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENT</td>
<td>$196,742</td>
<td>180,000</td>
<td>$178,000</td>
<td>$208,861</td>
<td>$188,000</td>
<td>$191,885</td>
<td></td>
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</tr>
<tr>
<td>Family Practice</td>
<td>$343,958</td>
<td>309,000</td>
<td>$336,000</td>
<td>$357,091</td>
<td>$365,000</td>
<td>$313,665</td>
<td></td>
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</tr>
<tr>
<td>General Surgery</td>
<td>$225,000</td>
<td>-</td>
<td>-</td>
<td>$232,075</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gyn</td>
<td>$277,297</td>
<td>254,000</td>
<td>$255,000</td>
<td>$267,593</td>
<td>$300,000</td>
<td>$247,350</td>
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</tr>
</tbody>
</table>

(Salary information was obtained from the following websites: [www.mgma.com](http://www.mgma.com); [www.medicus.com](http://www.medicus.com); [www.merritthawkins.com](http://www.merritthawkins.com); [www.cejka.com](http://www.cejka.com); [www.martinfletcher.com](http://www.martinfletcher.com); [www.hhcs.com](http://www.hhcs.com))