

**SUMMARY REPORT
 2005 Survey of Hospital Physician Recruitment Trends**

Overview

Merritt, Hawkins & Associates (MHA) is a national physician search and consulting firm that periodically conducts surveys regarding a wide range of physician staffing issues. Prior surveys conducted by MHA have examined the types of recruiting incentives offered to physicians, the amount of revenue physicians generate for their affiliated hospitals, the practice patterns of older physicians and the practice preferences of final-year medical residents.

This report summarizes the results of MHA's second survey of hospital recruiting trends and procedures. The survey is intended to provide benchmarking data regarding the percentage of hospitals currently recruiting physicians, types of physicians being recruited, and the methods hospitals are using to recruit physicians. The survey also indicates to what extent physician recruiting is a strategic priority for hospitals and the relative ease or difficulty hospitals are experiencing in recruiting various types of physicians.

The survey may prove useful to hospitals assessing their physician recruiting strategies, to medical staff planners interested in physician demand issues and to physicians curious about hospital recruiting practices and trends.

Methodology

The 2005 Survey of Hospital Physician Recruitment Policies and Trends was mailed to 3,000 in-house hospital physician recruiters in 47 states in March, 2005. Names of in-house hospital physician recruiters were provided to MHA at random by a national health care database company.

By April 20, 2005, 312 completed surveys had been received, for a response rate of 10%. Survey results were tabulated over the following weeks and the Summary Report of results was completed in May, 2005. Merritt, Hawkins & Associates conducted a similar survey in 2002. The 2002 survey, however, was mailed to hospital chief executive officers, and not all of the questions asked in 2005 corresponded to questions asked in 2002. Though some of the responses from 2002 have been included in this report by way of comparison, the disparities in the two surveys should be considered by those seeking to track hospital physician recruiting trends over time.

2005 SURVEY OF HOSPITAL PHYSICIAN RECRUITING TRENDS

	<i>Surveys mailed</i>	<i>Responses received</i>	<i>Response rate</i>
2005	3,000	312	10%
2002	3,000	280	9%

QUESTIONS ASKED AND RESPONSES RECEIVED (all numbers rounded to the nearest full digit)

1. What is the size of your hospital?

	2005	2002
100 beds or less	39%	60%
101-200 beds	29%	22%
201 beds or more	32%	18%

2. Is your hospital currently recruiting physicians?

	2005		2002	
	Yes	No	Yes	No
100 beds or less	75%	25%	78%	22%
101-200 beds	95%	5%	99%	1%
201 beds or more	98%	2%	96%	4%
Overall Total:	88%	12%	85%	15%

3. If yes, what types of physicians are you now recruiting? (of 277 hospitals currently recruiting)

	100 beds or less	101-200 beds	201 beds or more	2005 Total	2002 Total
Allergist	-	2%	8%	3%	>1%
Anesthesiologist	9%	15%	24%	15%	20%
Cardiologist	9%	35%	48%	29%	>1%
Dermatologist	5%	12%	16%	10%	7%
Endocrinologist	3%	12%	26%	13%	6%
Family Practitioner	42%	37%	47%	43%	45%
Gastroenterologist	6%	20%	35%	19%	14%
General Surgeon	27%	19%	38%	30%	27%
Geriatrician	-	2%	10%	4%	1%
Hematologist/Oncologist	3%	14%	28%	14%	11%
Hospitalist	12%	31%	43%	28%	10%
Infectious Disease	-	5%	7%	4%	5%
Internal Medicine	25%	44%	54%	40%	32%
Maternal/Fetal Medicine	-	2%	10%	4%	>1%
Neurologist	6%	25%	31%	20%	12%
Neurosurgeon	2%	8%	35%	14%	1%
Nuclear Medicine	-	-	2%	1%	1%
OB/GYN	16%	29%	32%	25%	21%
Occupational Medicine	-	6%	7%	4%	1%
Ophthalmologist	-	2%	4%	2%	1%

	100 beds or less	101-200 beds	201 beds or more	2005 Total	2002 Total
Orthopedic Surgeon	27%	53%	42%	40%	33%
Pathologist	1%	2%	6%	3%	4%
Pediatrician	9%	14%	17%	13%	14%
Pediatric Subspecialties	-	-	15%	5%	2%
Psychiatrist	7%	13%	50%	23%	14%
Plastic Surgeon	2%	6%	13%	8%	1%
Pulmonologist	6%	15%	24%	14%	9%
Radiologist	8%	18%	24%	16%	14%
Rheumatologist	3%	7%	14%	8%	8%
Urgent Care	3%	1%	7%	4%	1%
Urologist	9%	21%	27%	19%	15%
Vascular Surgeon	4%	15%	19%	12%	6%

4. Based on your most recent recruitment efforts, please rate how difficult the following specialties are to recruit:

	Not particularly difficult (1-2)		Somewhat difficult (3)		Very difficult (4-5)	
	2005	2002	2005	2002	2005	2002
Allergist	30%	-	40%	-	30%	-
Anesthesiologist	25%	14%	33%	37%	42%	49%
Cardiologist	8%	9%	15%	44%	77%	47%
Dermatologist	N/A	25%	N/A	34%	N/A	41%
Endocrinologist	11%	-	27%	-	62%	-
Family Practitioner	58%	68%	32%	19%	10%	13%
Gastroenterologist	8%	18%	17%	46%	75%	36%
General Surgeon	20%	20%	35%	55%	45%	25%
Geriatricians	35%	-	30%	-	35%	-
Hematologist/Oncologist	13%	11%	30%	48%	58%	41%
Hospitalists	37%	-	40%	-	13%	-
Infectious Disease	40%	-	27%	-	33%	-
Internal Medicine	18%	42%	45%	45%	37%	13%
Maternal/Fetal Medicine	21%	-	12%	-	67%	-
Neurologists	13%	-	24%	-	63%	-
Neurosurgeons	10%	N/A	7%	N/A	83%	N/A
Nuclear Medicine	22%	-	48%	-	30%	-
OB/GYN	33%	17%	31%	46%	36%	37%
Occupational Medicine	44%	-	41%	-	15%	-
Ophthalmologist	40%	-	31%	-	29%	-
Orthopedic Surgeon	11%	8%	11%	34%	78%	58%
Pathologist	51%	-	32%	-	17%	-
Pediatrician	57%	44%	26%	45%	17%	11%
Pediatric Subspecialties	20%	12%	19%	45%	61%	43%
	2005	2002	2005	2002	2005	2002

	Not particularly difficult (1-2)		Somewhat difficult (3)		Very difficult (4-5)	
Psychiatrist	20%	-	20%	-	60%	-
Plastic Surgeon	26%	-	25%	-	49%	-
Pulmonologist	13%	-	23%	-	74%	-
Radiologist	12%	8%	15%	-	73%	63%
Rheumatologist	16%	10%	27%	44%	57%	46%
Urgent Care	68%	-	16%	-	16%	-
Urologist	11%	7%	15%	42%	74%	52%
Vascular Surgeon	17%	-	24%	-	79%	-

5. Where does physician recruitment stand as a priority for your hospital?

A top priority	62%
Important, but not a top priority	30%
Somewhat important	8%
Relatively unimportant compared to other issues	0%

6. What methods do you currently use to recruit physicians?

	100 beds or less		101-200 beds		201 beds or more	
	2005	2002	2005	2002	2005	2002
Advertising in medical journals	31%	40%	52%	40%	71%	20%
Advertising on job web sites	33%	53%	55%	28%	73%	19%
Direct Mail to physicians	24%	%	52%	%	52%	%
Contingent physician recruiting firms	70%	54%	79%	27%	76%	19%
Retained physician recruiting firms	41%	53%	56%	25%	43%	22%
Exhibiting at physician conventions	15%	49%	17%	22%	31%	29%
Networking with residency programs	53%	58%	57%	23%	69%	19%
Networking with medical staff/ community	61%	56%	79%	26%	81%	18%

7. Rate the effectiveness of any of the recruiting methods you use:

	Least effective (1-2)	Somewhat effective (3)	Most effective (4-5)
Advertising in medical journals	55%	29%	16%
Advertising on job web sites	30%	32%	48%
Direct Mail to physicians	41%	38%	21%
Contingent physician recruiting firms	35%	26%	39%
Retained physician recruiting firms	22%	33%	45%
Exhibiting at physician conventions	63%	23%	14%
Networking with residency programs	25%	30%	45%
Networking with medical staff/ community	14%	23%	63%

8. Do you currently pay physician specialists to cover your hospital's emergency department?

Yes 37%
 No 63%

9. In the last 12 months, has physician recruitment at your facility become:

More difficult and time consuming 24%
 Less difficult and time consuming 3%
 Stayed the same 69%
 N/A 4%

10. Consider your hospital's working relationship with its physician staff. In the last 12 months, have physician/hospital relations at your facility:

Improved 40%
 Become worse 14%
 Stayed the same 46%

11. Please rate the physician recruiting challenges facing your hospital:

	Least difficult (1-2)	Somewhat difficult (3)	Most difficult (4-5)
Geographic location to our facility	33%	17%	50%
Ability to offer competitive incentives	46%	25%	29%
Overall shortage of physicians	23%	42%	35%
Finding physicians who fit our facility's parameters	18%	27%	55%
Meeting requirements of the physician's spouse	29%	28%	43%

12. Has your hospital changed or revised physician recruiting contracts in light of the indictment of a national health system for alleged violations of physician recruiting laws?

Yes 29%
 No 71%

13. Is your hospital concerned by the fact that Stark II limits the financial assistance hospitals can provide to established groups seeking to recruit another physician?

Yes	54%
No	42%
Not aware of Stark II recruiting limitation	4%

14. The association of American Medical Colleges is holding a seminar to consider physician supply. Do you believe the U.S. medical education system needs to train more physicians?

Yes	92%
No	8%

TRENDS AND OBSERVATIONS

Merritt, Hawkins & Associates' 2005 Survey of Hospital Physician Recruiting Trends reveals a variety of physician recruitment patterns and policies currently prevalent in hospitals of various sizes located nationwide.

The great majority of in-house hospital physician recruiters surveyed -- 88% -- indicated that their facilities are actively recruiting physicians. The percentage is higher for larger hospitals. Ninety-five percent of in-house recruiters at hospitals of 101-200 beds indicate their facilities are recruiting physicians, as do 98% of recruiters at hospitals of 201 or more beds. Several types of physicians are being recruited with particular frequency. More hospital recruiters (43%) indicated their facilities are actively involved in searches for family practitioners than for any other kind of medical specialist. Other frequently recruited specialists include general internists, who the survey indicates are being recruited by 40% of hospitals, orthopedic surgeons, also being recruited by 40% of hospitals, general surgeons, who are being recruited by 30% of hospitals surveyed, and cardiologists, who are being recruited by 29% of hospitals surveyed.

Types of physicians being recruited varies by hospital size. Fifty-percent of hospitals of 201 beds or more report recruiting psychiatrists, compared to 13% of hospitals of 101-200 beds and 7% of hospitals of 100 beds or less. For hospitals of 201 beds or more, psychiatry trails only general internal medicine as the most frequently recruited specialty. Larger facilities are more likely to include psychiatric wards than smaller ones and the high rate of psychiatry recruitment in these facilities reflects what Merritt, Hawkins & Associates views as the increasing demand for a wide range of mental health services nationwide.

There are a variety of other medical specialties more commonly available at larger hospitals than smaller hospitals, and these are being recruited with greater frequency at larger facilities than smaller ones. These specialties include dermatology, endocrinology, gerontology, hematology/oncology, hospitalists, maternal/fetal medicine specialists, neurologists, neurosurgeons, pediatric sub-specialists, plastic surgeons, rheumatologists, urologists and vascular surgeons.

Among smaller hospitals of 101 beds or less, family practitioners, general surgeons and orthopedic surgeons are the most sought after types of specialists, the survey indicates, followed by general internists. At least 25% of recruiters at smaller hospitals indicated their facilities are recruiting these types of physicians. By contrast, no more than 16% of recruiters at smaller hospitals indicated they were recruiting any other type of physician. In many instances, smaller hospitals are located in rural areas where shortages of primary care physicians persist. These hospitals also often focus on basic services, such as general surgery, obstetrics and orthopedic surgery and rarely offer surgical subspecialties such as neurosurgery, plastic surgery and other services.

Which physicians are the most difficult to recruit?

The survey indicates that while family practitioners and general internists are being recruited more frequently than other types of doctors, they are not the most difficult types of physician to recruit.

Recruiters were asked to rate which types of doctors are the most difficult to recruit on a scale of 1-5, with 5 being the highest degree of difficulty. Eighty-three percent of recruiters surveyed indicated that neurosurgeons rated a 4 or a 5 on the scale, suggesting that neurosurgeons are more difficult to recruit today than any other type of physician.

A variety of other specialists also were rated as very difficult to recruit, including cardiologists, gastroenterologists, orthopedic surgeons, pulmonologists, radiologists, urologists and vascular surgeons. At least 73% of recruiters surveyed rated these specialties as a 4 or a 5 on the scale of difficulty. Increases in demand for these services and a relatively limited supply combine to make recruitment in these areas difficult.

By contrast, two types of primary care physicians, family practitioners and pediatricians, were rated as relatively easy to recruit. Fifty-eight percent of those surveyed rated family practitioners as a 1 or a 2 of the scale of difficulty, while 57% rated pediatricians as a 1 or a 2. In primary care (defined by Merritt, Hawkins & Associates as family practice, pediatrics and internal medicine), only general internists were consistently rated as somewhat difficult or very difficult to recruit. This may be explained to some extent by the supply situation in primary care. For much of the 1990's, the number of primary care residents increased dramatically, helping to keep supply and demand in relative balance for the near term. We anticipate this will change in coming years as fewer medical graduates currently are training in some areas of primary care -- family practice in particular. The delayed effect of this drop in supply is likely to be felt in the next four to five years.

Recruiting methods and challenges

Hospital physician recruiters surveyed employ a variety of methods to recruit doctors. The methods recruiters use vary somewhat by size of hospital, but in some cases patterns are consistent. At least 40% of recruiters in hospitals of all sizes indicate that they use contingent search firms, networking with the hospital's medical staff/community, networking with residency programs and retained physician recruitment firms to recruit physicians.

In some cases, methods hospital use to recruit physicians do vary by size of hospital. For example, 71% of recruiters in hospitals of 201 beds or more indicated that they use advertising in

medical journals as a recruitment method, compared to only 31% of recruiters in hospitals of 100 beds or less. In addition, 73% of recruiters in hospitals of 201 beds or more indicated they use job web sites to recruit, compared to 33% of recruiters in hospitals of 100 beds or less.

The frequency by which certain recruiting methods are used may be tied to their relative cost. Contingent recruitment firms and networking are both widely used by hospitals of all sizes. No payment is required to contingent firms unless a placement is made and networking also may entail activities such as meeting with physicians that generate few costs. Smaller hospitals in particular appear to favor those recruiting methods that require relatively little costs, while larger facilities appear to embrace a wider variety of recruiting methods regardless of costs.

Recruiters at hospitals of all sizes appear to agree that networking with the facility's medical staff is the most effective method of physician recruitment. Over 60% of recruiters surveyed indicated that this type of networking was the most effective. Forty-five percent or more of those surveyed also rated advertising on job web sites, retained physician recruiters and networking with residency programs to be most effective.

The most difficult challenge in physician recruitment, as rated by those surveyed, is finding physicians who fit the facility's parameters. This challenge was rated more difficult than the facility's geographic location, its ability to offer competitive incentives, the physician shortage or the challenge of meeting the requirements of the physician's spouse. This suggests that regardless of national trends in physician supply and regardless of economic considerations, physician recruiting remains essentially a matchmaking process in which the basic challenge is to find the right physician for a particular facility.

Federal regulations and the physician shortage

The majority of hospital physician recruiters surveyed (71%) indicate that the high profile indictment of a for-profit facility for alleged physician recruitment violations has not caused their hospitals to revise their physician recruiting contracts. However, over one quarter of those surveyed (29%) indicate that their hospitals have changed their physician contracts in light of the indictment. This suggests that a significant number of facilities have concerns regarding the types of incentives they are offering to recruit doctors or the recruitment and retention methods their facilities are employing.

In addition, the majority of recruiters surveyed (54%) are concerned about Stark II regulations limiting the ability of hospitals to offer financial assistance to established medical groups seeking to recruit physicians. Combined, these responses reflect the widespread effect that recent federal activity is having on the physician recruitment market.

The survey also suggests that the majority of hospital physician recruiters would like to see steps taken to address the physician shortage. Ninety-two percent of those surveyed indicated that they believe the U.S. medical education system needs to train more physicians.

For additional information about this and other Merritt, Hawkins & Associates' surveys, please contact:

