

2006 SURVEY OF PRIMARY CARE PHYSICIANS

Career Opportunities, Financial Goals, Practice Projections

INTRODUCTION

Merritt, Hawkins & Associates is a national physician search and consulting firm. Periodically, we conduct surveys of physicians and other health care professionals focusing on issues having to do with compensation, career satisfaction and related matters.

This survey marks our first examination of primary care physicians, defined as family physicians, general internal medicine practitioners, and pediatricians. The goal of the survey is to learn more about the current job market for primary care physicians, their financial goals and expectations, and their assessment of the future of primary care practice.

The survey was conducted for *Physicians Practice*, a leading national medical practice management publication with a readership of over 300,000 physicians, most of them in primary care.

METHODOLOGY

Merritt, Hawkins & Associates mailed the survey to 10,000 primary care physicians selected at random from a national physician data base. Four thousand surveys were mailed to Family Practitioners, 4,000 to General Internal Medicine Practitioners, and 2,000 to Pediatricians. The survey was mailed in mid-February, 2006, and 508 completed surveys were received by March 2, 2006. Respondents had the option of taking the survey anonymously or of providing their name and address.

Number of Surveys Mailed Per Medical Specialty

Family Practice:	4,000
General Internal Medicine:	4,000
Pediatrics:	2,000

Total Number of Surveys Mailed: 10,000

Surveys Received by Specialty:

Specialty	Percent
Family Practice	45.6%
General Internal Medicine	28.2%
Pediatrics	23.5%
Other	0.8%
N/A	1.8%

ABOUT YOUR PRACTICE:

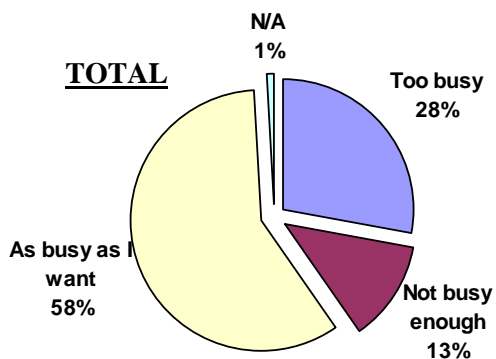
1. How long have you been in medical practice?

<u>Specialty</u>	<u>0-5 yrs.</u>	<u>6-10 yrs.</u>	<u>11-15 yrs.</u>	<u>16-20 yrs.</u>	<u>21+ yrs.</u>	<u>N/A</u>
Family Practice	11.1%	22.2%	17.0%	21.3%	28.4%	0%
Internal Medicine	15.8%	21.6%	16.5%	20.1%	26.0%	0%
Pediatrics	13.8%	20.7%	15.5%	15.5%	33.6%	.9%
Total:	13.0%	21.7%	16.2%	19.7%	28.8%	.6%

2. What type of practice are you in?

<u>Specialty</u>	<u>Solo</u>	<u>Two-Physician</u>	<u>Three or More</u>	<u>N/A</u>
Family Practice	21.8%	9.8%	67.6%	.8%
Internal Medicine	33.1%	12.2%	54.0%	.7%
Pediatrics	24.1%	6.9%	69.0%	0%
Total:	25.4%	9.7%	63.9%	1.0%

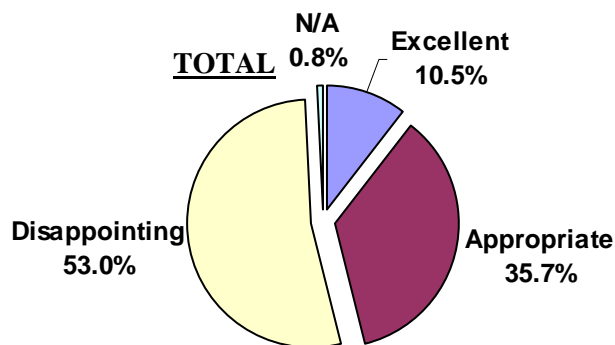
3. Which of the following best describes your current practice? "I am:"



<u>Specialty</u>	<u>Too busy</u>	<u>Not busy enough</u>	<u>As busy as I want</u>	<u>N/A</u>
Family Practice	29.8%	12.0%	58.2%	0.0%
Internal Medicine	31.7%	13.7%	53.2%	1.4%
Pediatrics	24.1%	14.7%	61.2%	0.0%
Total:	28.8%	13.0%	57.4%	0.8%

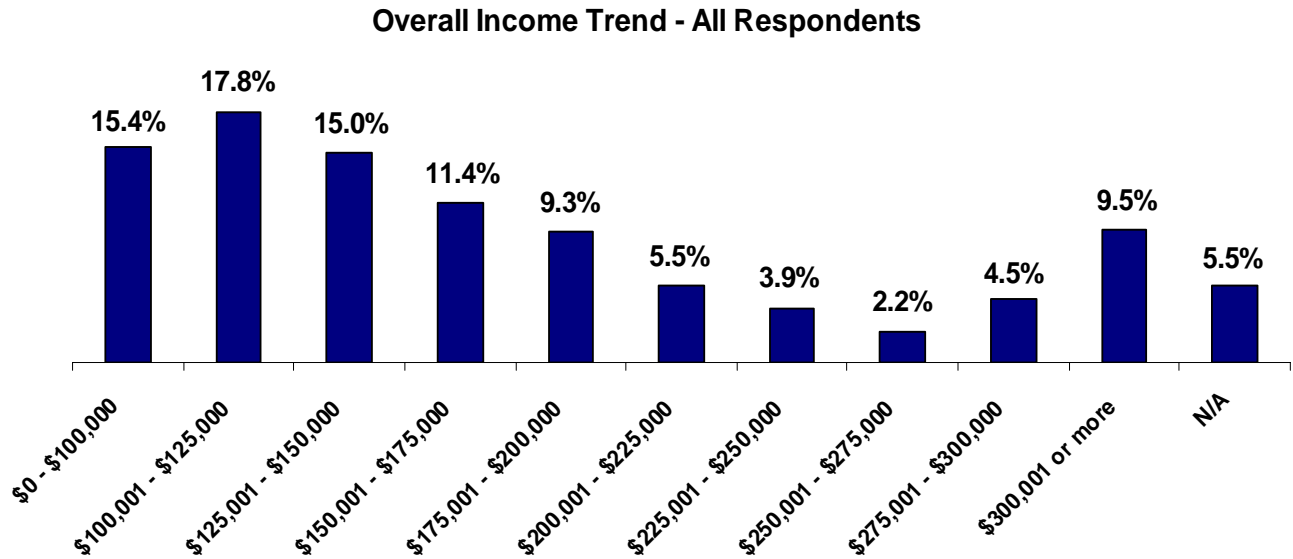
4. Given your level of effort and time, which of the following best describes net income from your practice?

<u>Specialty</u>	<u>Excellent</u>	<u>Appropriate</u>	<u>Disappointing</u>	<u>N/A</u>
Family Practice	10.2%	39.6%	49.3%	0.9%
Internal Medicine	8.6%	30.2%	61.2%	0.0%
Pediatrics	12.1%	36.2%	51.7%	0.0%
Total:	10.5%	35.7%	53.0%	0.8%



ABOUT INCOME:

5. What was net income for your practice in 2005?



2005 Income Trends by Specialty

Income Range	Family Practice	Internal Medicine	Pediatrics
\$0 - \$100,000	14.7%	15.8%	17.2%
\$100,001 - \$125,000	18.2%	18.7%	17.2%
\$125,001 - \$150,000	16.4%	14.4%	12.1%
\$150,001 - \$175,000	14.2%	10.1%	7.8%
\$175,001 - \$200,000	8.4%	11.5%	7.8%
\$200,001 - \$225,000	6.2%	5.8%	3.4%
\$225,001 - \$250,000	4.0%	2.2%	6.0%
\$250,001 - \$275,000	1.8%	2.2%	3.4%
\$275,001 - \$300,000	2.7%	4.3%	6.9%
\$300,001 or more	6.7%	9.4%	14.7%
N/A	6.7%	5.6%	3.4%

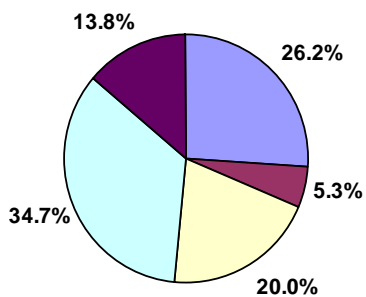
ABOUT OVERHEAD:

6. What does overhead in your practice currently run as a percent of income?

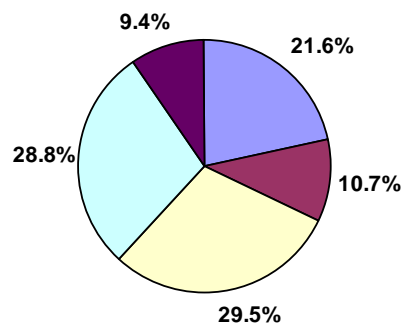
	0-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-100%	101% or more	No Answer
Family Practice	4.0%	3.6%	4.4%	5.3%	16.0%	25.3%	20.9%	2.7%	0.0%	1.3%	1.8%	14.7%
Internal Medicine	3.6%	2.2%	5.0%	13.7%	20.9%	23.0%	14.4%	5.8%	0.0%	1.4%	0.7%	9.3%
Pediatrics	1.7%	1.7%	4.3%	8.6%	14.7%	25.0%	16.4%	5.2%	3.4%	2.6%	1.7%	14.7%
No Answer	0.0%	0.0%	0.0%	22.2%	0.0%	44.4%	22.2%	0.0%	0.0%	0.0%	0.0%	11.1%
TOTAL	3.4%	2.6%	4.5%	8.7%	16.8%	24.9%	18.1%	4.1%	0.8%	1.6%	1.4%	13.1%

7. Projecting over the next five years, will you be able to support overhead in your practice?

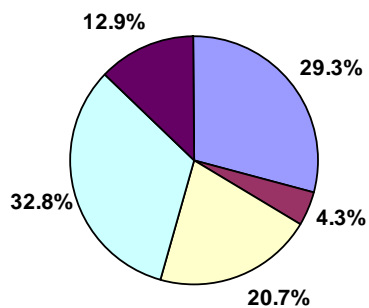
Family Practice



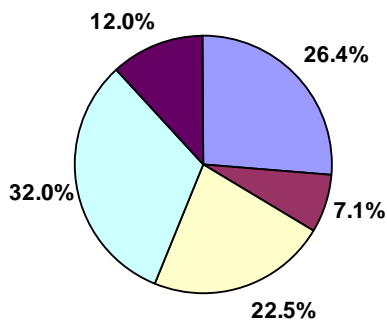
Internal Medicine



Pediatrics



Total



ABOUT PRIMARY CARE PHYSICIANS:

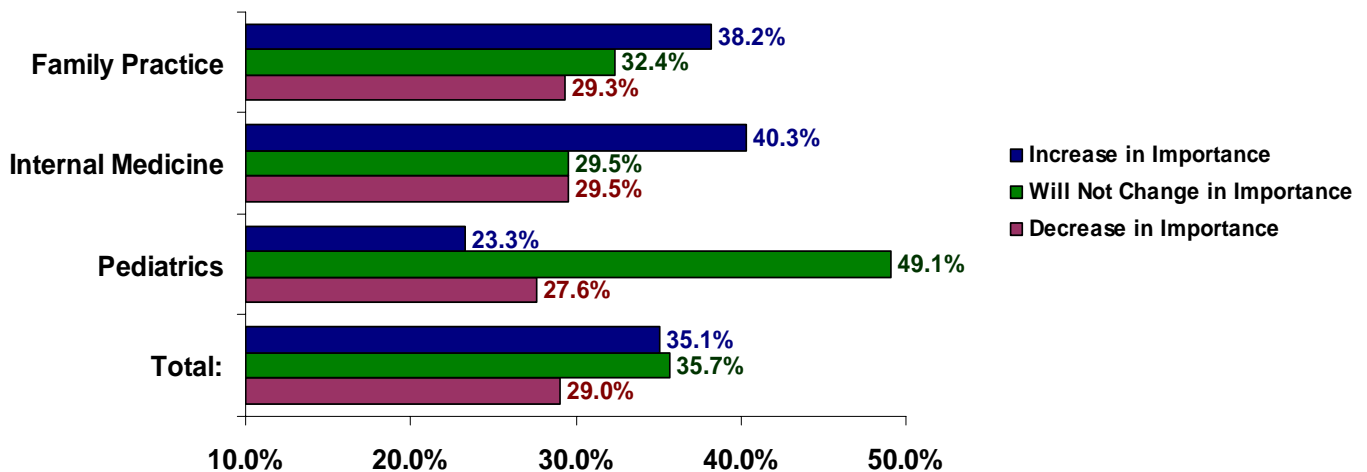
8. Which of the following best describes your current social/economic standing?

	Lower middle class	Middle class	Upper middle class	Upper class	No Answer
Family Practice	4.9%	29.3%	55.1%	9.3%	1.4%
Internal Medicine	7.2%	25.2%	54.7%	11.5%	1.4%
Pediatrics	2.6%	30.2%	56.9%	10.3%	0.0%
No Answer	0.0%	33.3%	55.6%	11.1%	0.0%
TOTAL	4.9%	28.4%	55.4%	10.3%	1.0%

9. Relative to surgical and diagnostic specialists, which best describes primary care physicians in the medical hierarchy?

	Top Dogs	Equal partners	Junior partners	2nd class citizens	No Answer
Family Practice	1.8%	18.2%	31.1%	48.0%	0.9%
Internal Medicine	0.7%	18.7%	29.5%	51.1%	0.0%
Pediatrics	0.9%	16.4%	36.2%	44.0%	2.5%
No Answer	0.0%	33.3%	22.2%	44.5%	0.0%
TOTAL	1.2%	18.3%	31.6%	47.9%	1.0%

10. Which best describes your attitude toward primary care practice? In five to ten years Primary Care will:



THE JOB MARKET:

11. Approximately how many times are you contacted by physician recruiters per month, including all recruitment letters, phone calls and email contacts?

	<u>0 to 3</u>	<u>4 to 6</u>	<u>7 to 10</u>	<u>11 to 14</u>	<u>15 or more</u>
Family Practice	43.6%	28.9%	16.4%	7.1%	4.0%
Internal Medicine	43.9%	25.2%	23.0%	5.8%	2.1%
Pediatrics	75.0%	19.0%	5.1%	0.9%	0.0%
No Answer	66.7%	22.2%	0.0%	11.1%	0.0%
TOTAL	51.3%	25.8%	15.0%	5.5%	2.4%

12. Compared to two years ago, I am being recruited:

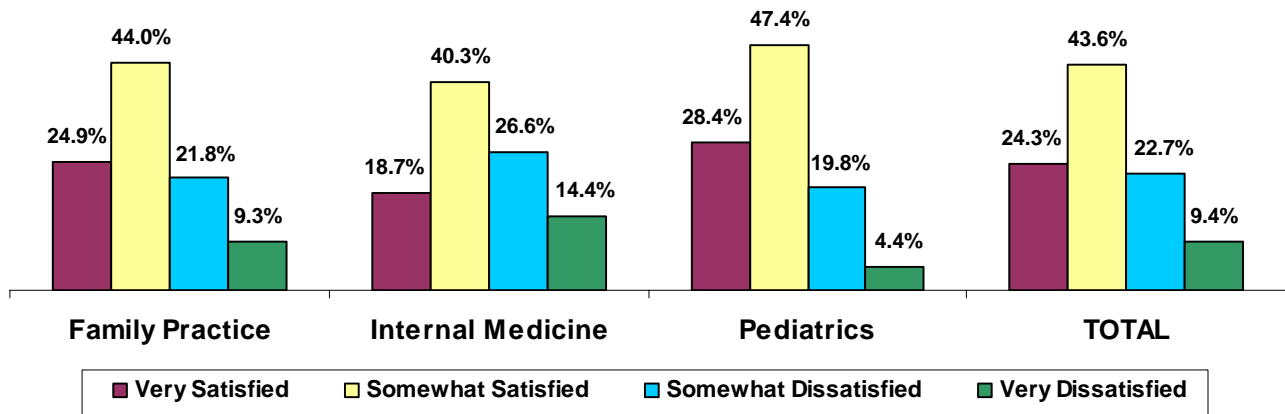
	More Frequently	Less Frequently	Same Frequency	No Answer
Family Practice	16.4%	26.2%	56.4%	0.8%
Internal Medicine	27.3%	11.5%	59.0%	2.2%
Pediatrics	7.8%	33.6%	57.8%	0.8%
No Answer	22.2%	33.3%	44.4%	0.0%
TOTAL	17.8%	23.7%	57.3%	1.2%

13. What will the job market be like for primary care physicians in five years?

	More robust	Less robust	Same as today	No Answer
Family Practice	22.7%	38.2%	37.3%	1.8%
Internal Medicine	23.0%	40.3%	32.4%	4.3%
Pediatrics	6.0%	54.4%	37.9%	1.7%
No Answer	22.2%	55.6%	22.2%	0.0%
TOTAL	18.7%	43.2%	35.7%	2.4%

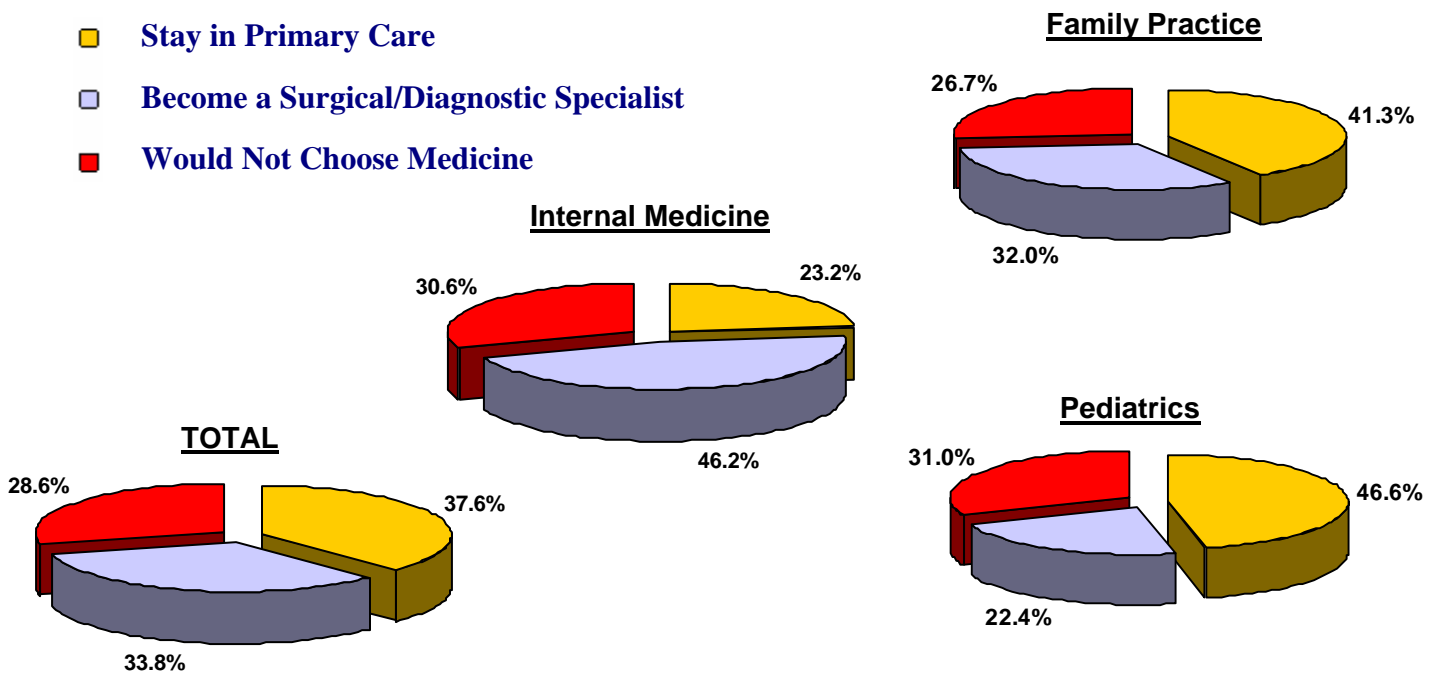
CAREER SATISFACTION:

14. What is your current level of career satisfaction?



15. If you could complete your medical education/training over again, which would you choose?

- Stay in Primary Care
- Become a Surgical/Diagnostic Specialist
- Would Not Choose Medicine



16. If you had the financial means to retire today, would you? Or would you maintain your practice for at least a few more years?

	<u>Retire today</u>	<u>Maintain for a few years</u>
Family Practice	44.0%	56.0%
Internal Medicine	51.1%	48.9%
Pediatrics	46.6%	53.4%
No Answer	33.3%	66.7%
TOTAL	46.5%	53.5%

TRENDS AND OBSERVATIONS:

Introduction:

The last decade has seen dramatic fluctuations in the role primary care physicians play in health care delivery. It also has seen a change in the status of primary care physicians in the medical job market.

In the mid-1990s, family physicians, general internists, and pediatricians were poised to occupy the central role in health care delivery. It was widely assumed that the managed care “gatekeeper” system would become the predominant model for health care delivery in the United States. Primary care physicians would control patient access to the system, managing care in a way that would reduce the amount of services provided by surgical and diagnostic specialists, reducing the need for such specialists.

It was common during this period to read articles explaining why radiologists, neurosurgeons and other medical specialists would need to re-train as primary care physicians in order to find a place in the new system of health care delivery. Around this time, the Accreditation Council for Graduate Medical Education recommended that the number of medical specialists being training be reduced by 50%. There was a vigorous push among medical educators and policy analysts to ensure that at least half of all new physicians be trained in primary care. Many medical students heeded this call and the ranks of primary care residents grew significantly during the mid to late 1990s.

For several years, the demand for primary care physicians greatly exceeded supply, as hospitals, physician practice management groups, health maintenance organizations, and other entities sought the primary care gatekeepers needed to secure managed care contracts. In 1996, 76% of the nationwide physician search assignments Merritt, Hawkins & Associates conducted were for primary care physicians. The competition for primary care physicians – particularly family physicians – was extremely intense.

In the last five to six years, however, market conditions altered again. The gatekeeper system in its most pronounced form (pre-paid capitation) virtually vanished. Patient preferences, demographic changes, and technological innovation have greatly increased demand for specialist physicians. Indeed, in 2005, 85% of the physician search assignments Merritt, Hawkins & Associates conducted were for surgical and diagnostic specialists, a complete reversal of a decade ago.

MHA Physician Recruiting Assignments

	<u>1996</u>	<u>2005</u>
<i>Primary Care</i>	76%	15%
<i>Specialists</i>	24%	85%

TRENDS AND OBSERVATIONS:

These changes have left many primary care physicians feeling insecure about their place in the medical hierarchy. Merritt, Hawkins & Associates conducted this survey on behalf of *Physicians Practice* magazine to get a better sense for how primary care physicians view the practice of medicine today – their satisfaction levels, how they see themselves relative to surgical and other specialists, how busy they are, how frequently they are being recruited and what they think about the future of primary care practice in the United States.

The results of the survey paint a somewhat schizophrenic picture of primary care practice as viewed by primary care practitioners themselves.

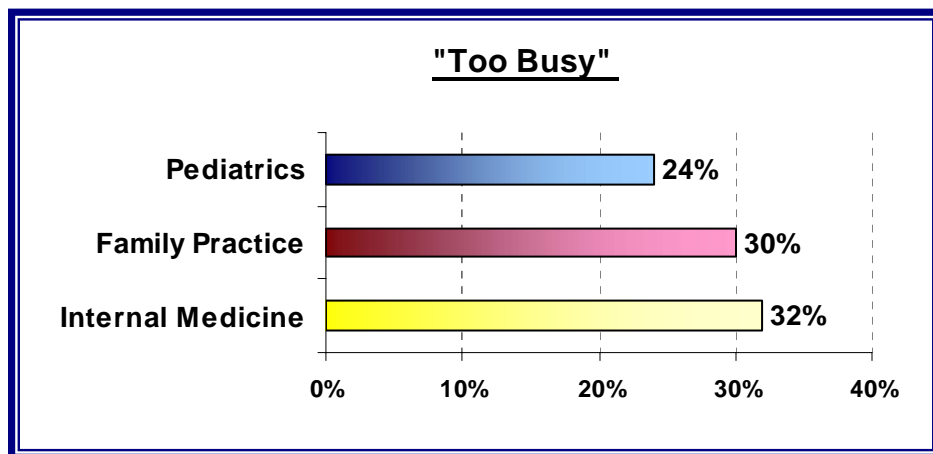
Busy But Poorly Paid

All physicians selected for the survey have been in practice for at least two years – 89% of those who responded have been in practice for six years or more. Physicians surveyed therefore have had a chance to develop some perspective on their profession based on multiple years of medical practice beyond residency.

The majority of those surveyed (about 68%) practice in groups of three physicians or more, while 10% practice in two-physician offices and 29% are in solo practice.

While the demand for primary care physicians has declined relative to peak levels that existed in the heyday of managed care, the great majority of physicians surveyed indicated that they are busy. When asked to describe their current practice, 29% of physicians surveyed indicated they are “too busy,” while 57% indicated they are “as busy as they want to be.” Only 13% indicated that they are “not busy enough.”

There were some variations among these responses based on the specialty of physicians surveyed. About 32% of internal medicine practitioners indicated they are “too busy,” compared to 24% of pediatricians and 30% of family physicians. About 15% of pediatricians indicated they are “not busy enough,” compared to 12% of family physicians and 14% of general internists.

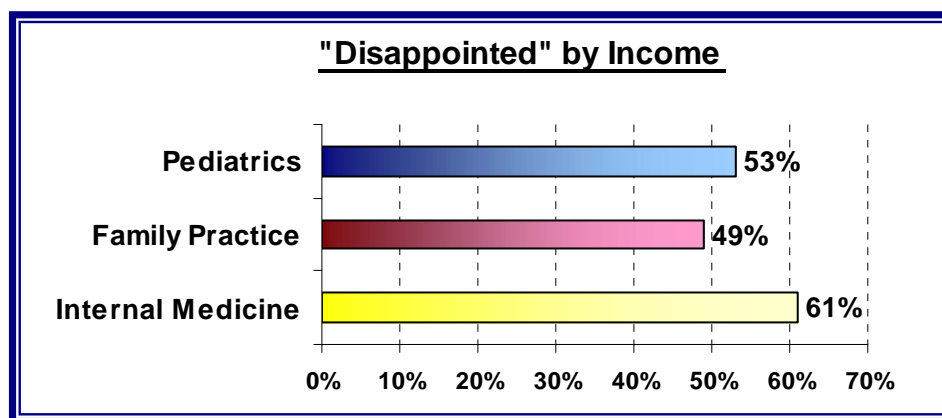


TRENDS AND OBSERVATIONS:

Though more pediatricians surveyed indicated that they are “not busy enough” than did internists or family physicians, more pediatricians also said they are “as busy as they want to be” than did physicians in the other two specialties surveyed. Sixty-one percent of pediatricians indicated they are “as busy as they want to be” compared to only 53% of internists and 58% of family physicians. While some primary physicians appear to be short of patients, the general consensus of those surveyed is that demand for their services is either appropriate or too high for their comfort.

The story is somewhat different when it comes to income. When asked to describe net income in their practices relative to the effort they expend, only 10.5% of physicians surveyed characterized their income as “excellent.” About 36% indicated their income is “appropriate” given their level of effort, while 53% indicated their income is “disappointing” given their level of effort. Though the majority of physicians surveyed (86%) see themselves “too busy” or “as busy as they want to be”, most (53%) are disappointed by their incomes based on the effort they are putting into their practices.

Internists seem to be the most discouraged about their incomes. Over 61% of internists surveyed indicated they are disappointed with their incomes, compared to 49% of family physicians and 53% of pediatricians. Only 8.6% of internists characterized their incomes as “excellent” compared to 12% of pediatricians and 10% of family physicians.



Have and Have Nots

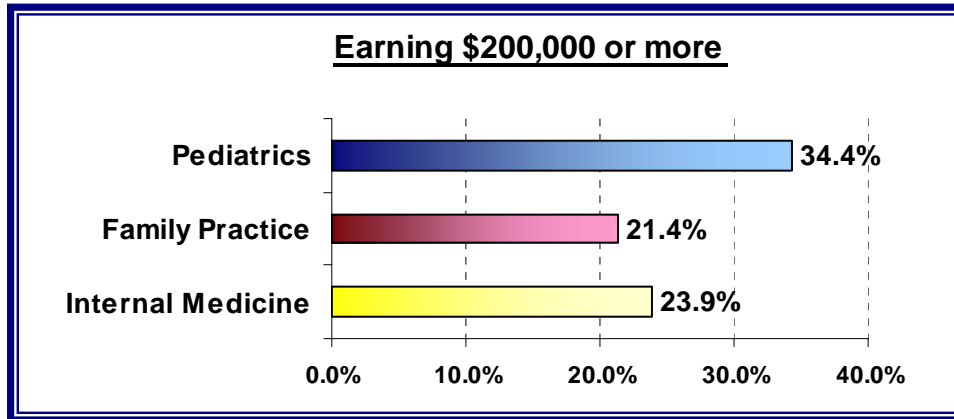
Physicians were asked to indicate their net incomes in 2005. Respondents were close to evenly split between those who made \$150,001 or more and those who made \$150,000 or less. Just over 48% of physicians surveyed made \$150,000 or less in 2005, while slightly over 46% of physicians surveyed made \$150,001 or more (the remainder did not answer this question.)

Just over 15.4% of physicians surveyed were at the lowest end of the economic scale, having made \$100,000 or less in 2005, while 9.5% were at the highest end of the scale, having made \$300,000 or more. More pediatricians (17.2%) were at the lowest end of the scale than were family physicians (14.7%) or internists (15.8%). However, more pediatricians (14.7%) also were at the highest end of the scale (\$300,000 or more) than were family physicians (6.7%) or

TRENDS AND OBSERVATIONS:

internists (9.4%). The likely explanation for this is that some of those pediatricians surveyed are doing sub-specialty work.

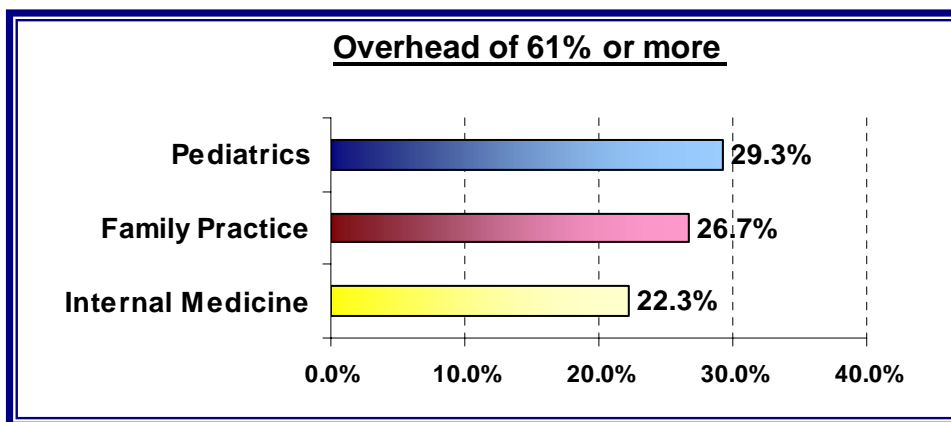
While many surgical and diagnostic specialists net \$300,000 or more in their practices, according to the Medical Group Management Association’s annual Physician Compensation and Production Survey and other surveys, a minority of primary care physicians (25.6%) responding to this survey earn \$200,000 or more. The status of primary care physicians as financial “have-nots” relative to specialists has been clearly established and is reinforced by this survey.



In addition to income levels, physicians were asked to indicate what overhead is in their practices as a percent of income. Only 36% of physicians indicated overhead in their practices is 50% of income or less, while 51% indicated it is 51% or more (the remainder did not respond to this question.) Overhead for 60% of respondents was between 40% and 70%.

According to Merritt, Hawkins & Associates’ practice evaluation standards, practice overhead of 50% or less is considered favorable from a physician recruiting perspective. Practices with 50% overhead or less are generally assumed by physician recruiting candidates to be well run and likely to allow physicians to earn a positive income.

However, the majority (51%) of primary care physicians surveyed have practice overhead of 51% or more, a fact likely to diminish their ability to earn a positive income and attract new physician partners or associates. Over one quarter (26%) of physicians surveyed have practice overhead of 61% or more, and a very small minority (1.4%) have practice overhead exceeding their income.



TRENDS AND OBSERVATIONS:

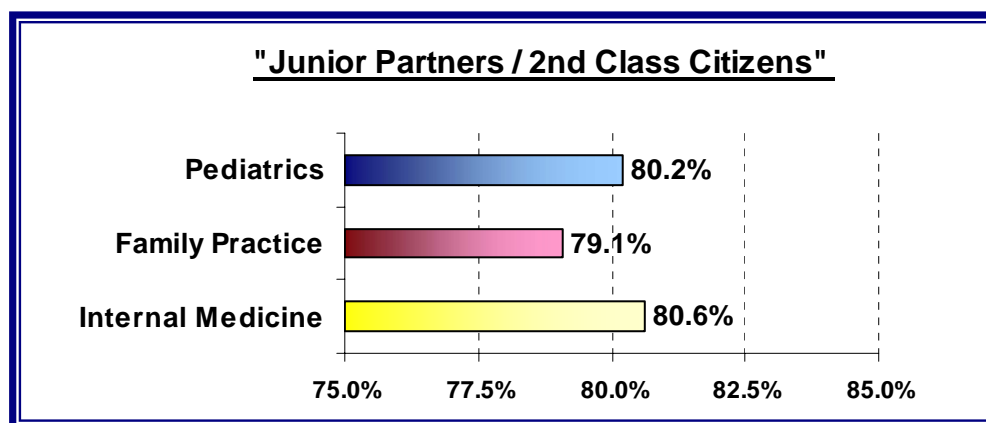
The survey asked physicians how they felt about overhead in their practices as they project out over the next five years. About one quarter (26.4%) indicated they “will be able” to support overhead in their practices five years from now and 32% said they “are hopeful” they will be able to sustain overhead in their practices five years from now. Seven percent said that they “will not be able” to sustain practice overhead in five years and 22.5% indicated they “are doubtful” that they will be able to support practice overhead in five years.

Pediatricians appear to be relatively more optimistic about their chances of sustaining overhead in five years. Over 29% of pediatricians indicated they will be able to support overhead in five years, compared to 21.6% of internists and 26.2% of family practitioners. Only 4.3% of pediatricians indicated they will not be able to sustain overhead in five years, compared to 10.8% of internists and 5.3% of family physicians.

Upper Middle Class Yet Second Class

Physicians were asked to identify their social/economic standing. Unlike some questions in the survey, physicians were generally united in response to this question. The majority (55.4%) identified themselves as “upper middle class,” while 28% identified themselves as “middle class.” Just under 5% described themselves as “lower middle class,” while 10.3% described themselves as in the “upper class.” A significant majority (84%) see themselves as either “upper middle class” or “middle class.”

Though most physicians surveyed see themselves as in the “upper middle” or “middle” part of society as a whole, they generally do not see themselves as standing in the middle or upper middle of the medical pecking order. When asked to describe the place of primary care physicians in the medical hierarchy relative to surgical and diagnostic specialists, the majority of physicians surveyed indicated they are either “junior partners” (31.6%) or “second class citizens” (47.9%). Only 18.3% identified themselves as “equal partners,” while a very small minority (1.2%) identified themselves as “top dogs.”



In Merritt, Hawkins & Associates’ experience, there are a variety of reasons why primary physicians may feel less than equal to specialists, including disparities in income, the collapse of the gatekeeper system, and the relatively high premium third party payers place on surgical procedures relative to the diagnostic work usually done by primary care physicians.

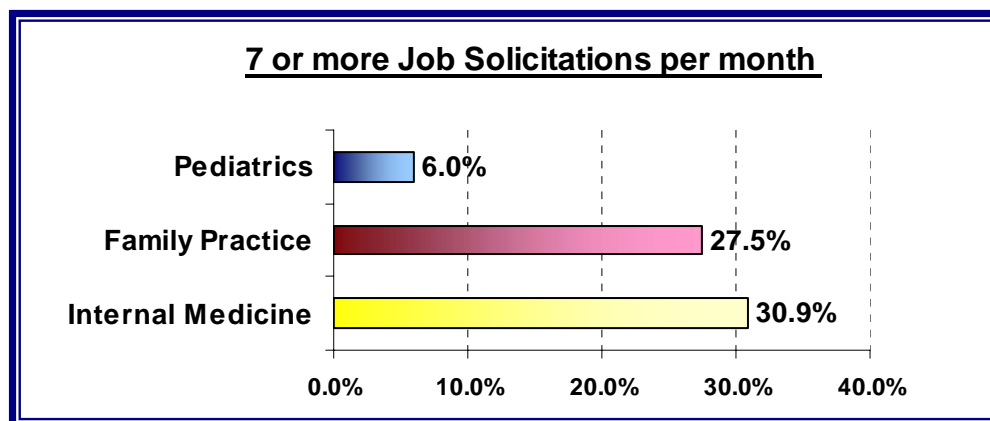
TRENDS AND OBSERVATIONS:

Pediatricians Seeing Fewer Recruitment Offers

As mentioned in the Introduction, Merritt, Hawkins & Associates has seen a decline in the number of searches it conducts for primary care physicians over the last decade. However, in the last two years this trend has started to reverse itself in two of the three primary care specialties – family practice and internal medicine. The number of search assignments Merritt, Hawkins & Associates conducts for family practitioners and internists has steadily increased over the last 24 to 26 months and continues to grow. By contrast, the number of search assignments we conduct for pediatricians continues to decline.

The survey generally supports these trends. Physicians were asked how many times they are contacted by hospitals, physician recruiters or others regarding job opportunities each month. Seventy-five percent of pediatricians indicated they are only contacted 0 – 3 times a month, compared to 43.9% of general internists and 43.8% of family physicians receiving 0 – 3 recruitment contacts.

Most family physicians and general internists surveyed receive multiple recruitment contacts each month. About 56% of family physicians indicated that they receive 4 or more contacts from recruiters per month, while 27% indicated they receive 7 or more contacts from recruiters per month. General internists also are the object of significant recruitment activity. Over 56% of general internists indicated they receive 4 or more recruitment contacts a month and 31% indicated they receive 7 or more contacts from recruiters per month.



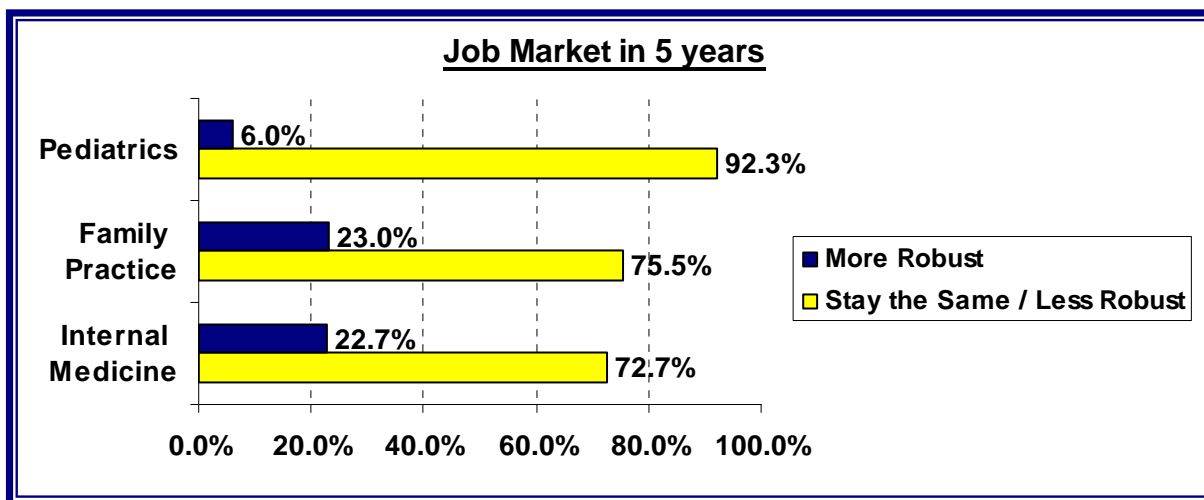
Close to half of physicians surveyed are receiving significant recruitment activity – at least 48 job solicitations a year. About 23% of those surveyed indicated they receive seven or more job solicitations a month, or 84 a year. Excluding pediatricians, demand for primary care physicians appears to be fairly robust, if not as overwhelming as it was a decade ago.

The majority of physicians surveyed (57.2%) indicated that the frequency with which they are being recruited has not changed over the last two years. Close to 18% indicated that they are being recruited more frequently and aggressively than they were two years ago, while 23.7% indicated they are being recruited less frequently and aggressively than they were two years ago. For three quarters of those surveyed (75%), the frequency with which they are being recruited has either not diminished over the last two years or has increased.

TRENDS AND OBSERVATIONS:

Again, pediatricians appear to be seeing less recruitment activity than family physicians or internists. Over one-third of pediatricians (33.6%) indicated that they are experiencing less recruiting activity than they did two years ago, compared to only 11.5% of internists and 26.2% of family physicians. In addition, 27.3% of internists indicated they are being recruited more frequently than they were two years ago, compared to only 7.8% of pediatricians and 16.4% of family physicians.

Most physicians surveyed do not foresee any positive changes in the job market for primary care taking place any time soon. The majority (77.8%) indicated that in five years the job market for primary care physicians will either remain the same as it is now or become less robust. Pediatricians appear to be particularly pessimistic about the job market. Over 54% of pediatricians indicated that the job market for primary care will be less robust in five years, compared to 40.3% of internists and 38.2% of family practitioners. Only 18.7% of physicians surveyed believe the job market in primary care will be more robust in five years than it is now.

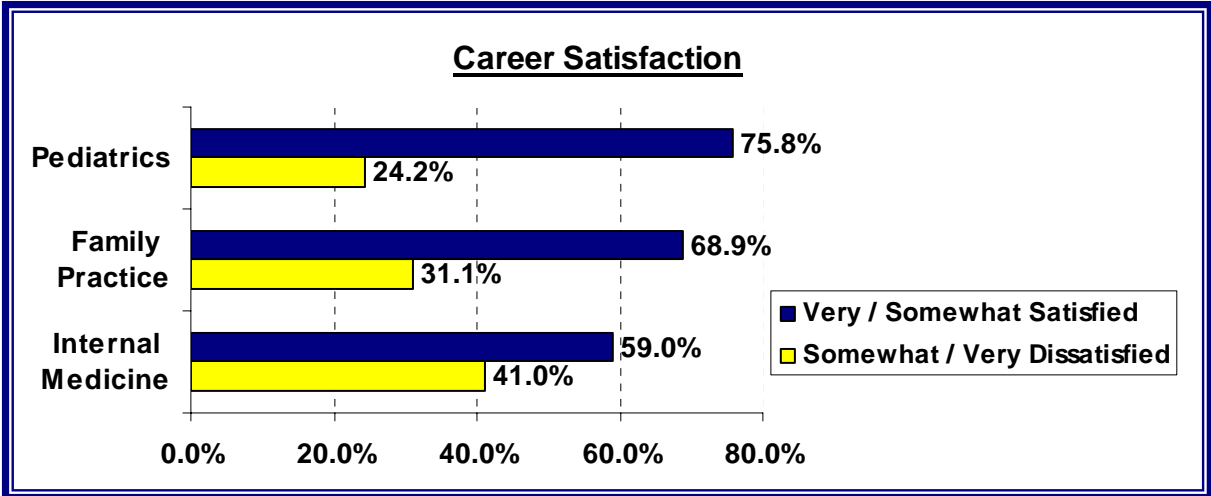


However, physicians surveyed are not necessarily convinced that primary care is on the way out. When asked to describe their attitude toward primary care practice, 35.1% of respondents indicated that primary care will increase in importance in the next five to ten years, while 35.7% indicated it will not change in importance. Only 29.0% indicated that primary care will decrease in importance over the next five to ten years.

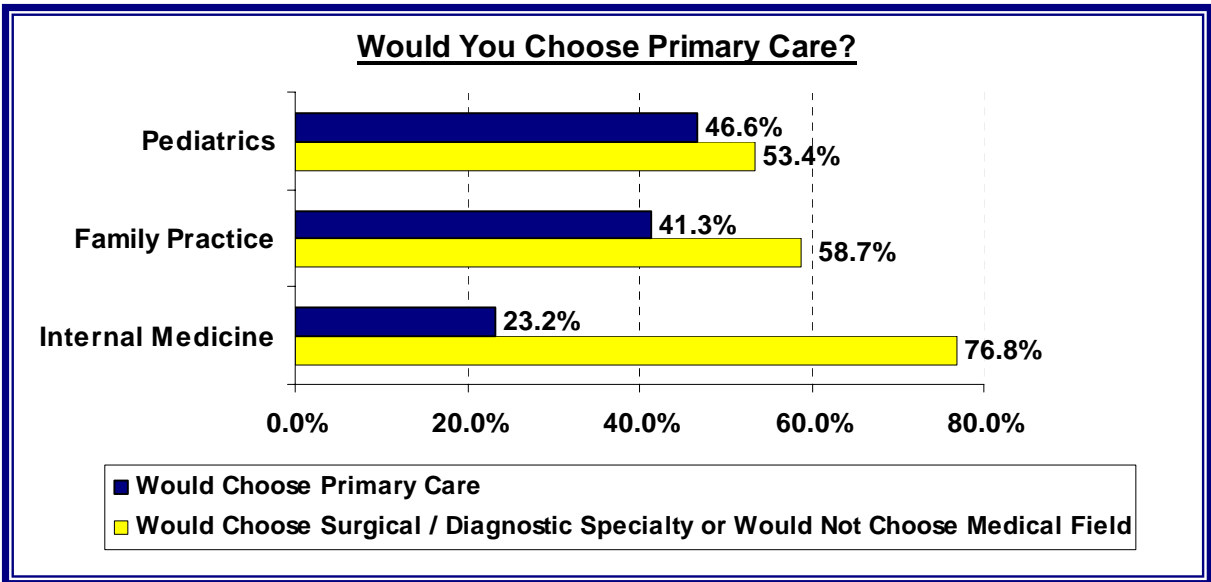
Mostly Satisfied – But Many Would Change

The survey indicates ambivalence among primary care physicians regarding their level of career satisfaction and their choice of a career. The majority (67.9%) indicated that they are either “very satisfied” or “somewhat satisfied” with their careers, while only about one-third (32%) indicated that they are either “somewhat dissatisfied” or “very dissatisfied” with their careers. Interestingly, pediatricians, though in less demand than the other two primary care specialties, appear to have a higher level of career satisfaction. Over 28 percent of pediatricians indicated they are “very satisfied” with their careers, compared to 18.7% of internists and 24.9% of family practitioners. Only 4.3% of pediatricians indicated they are “very dissatisfied” with their careers, compared to 14.4% of internists and 9.3% of family practitioners.

TRENDS AND OBSERVATIONS:



Even though the majority of physicians surveyed indicated they are very satisfied or somewhat satisfied with their careers, many would make changes if they could. When asked what choices they would make if they could complete their education again, only 37.6% indicated they would choose primary care. Over one-third (33.8%) indicated they would choose a surgical or diagnostic specialty, while 28.6% indicated they would not choose to go into medicine at all.



Pediatricians appear to be relatively more content with their career choices than internists or family physicians. Close to 47% of pediatricians indicated they would choose primary care again, compared to only 23% of internists and 41.3% of family physicians. Only 22.4% of pediatricians would choose to become surgical or diagnostic specialists, compared to 46% of internists and 32% of family physicians.

Physicians surveyed are more or less evenly split about whether they would keep practicing medicine if they could afford not to. A slight majority of physicians (53.5%) indicated that they would keep practicing for a few more years, even if they had the financial means to retire today. Over 46% said they would retire immediately if they had the financial means to do so.

Conclusion

The survey suggests that if this is not the best of times for primary care physicians it also is not the worst. The majority of primary care physicians surveyed indicate that they are busy in their practices – some of them say they are too busy – which generally can be taken as a positive sign. Most primary care physicians appear to have plenty of work and have not become forgotten or irrelevant players in today’s health care delivery system. On the other hand, many primary care physicians are disappointed with their incomes relative to the effort they expend, though the same might be said of many surgical and diagnostic specialists.

About one-third of primary care physicians surveyed indicated they earned \$125,000 or less in 2005. This is far from an extravagant income for people with seven years or more of post-college education and training, and it is low compared to national averages for primary care physicians who have been in practice for two years or more. However, close to half of primary care physicians surveyed earned \$150,000 or more in 2005 and the majority of physicians surveyed consider themselves to be in the upper middle class.

In addition, many primary care physicians are receiving multiple recruitment solicitations every month and the majority indicate they are being recruited with more frequency or as much frequency as they were two years ago. Nevertheless, a significant number believe the job market for primary care physicians will be less robust in five years than it is now.

While ambivalent about some issues, the survey indicates that there is little question that most primary care physicians see themselves as lower on the totem pole than surgical and diagnostic specialists. Yet the majority are very satisfied or somewhat satisfied with their medical careers.

Though the picture for primary care as revealed by the survey is not entirely gloomy, one result is particularly telling and sobering. Only about one-third of physicians surveyed would choose primary care if they had their education and training to do over again.

For more information about this survey, contact:

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