

2010 Physician Inpatient/Outpatient Revenue Survey



A survey showing net annual revenue generated by physicians in various specialties on behalf of their affiliated hospitals

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INTRODUCTION:

Merritt Hawkins is a national physician search and consulting company specializing in the recruitment of physicians in all medical specialties as well as advanced practice allied healthcare professionals. Established in 1987, Merritt Hawkins is a company of AMN Healthcare, the largest healthcare staffing organization in the United States as ranked by *Staffing Industry Analysts*, and the leader in all its service lines, including permanent physician search, temporary physician search, temporary nurse staffing, and permanent and temporary allied professional staffing.

Merritt Hawkins conducts an ongoing series of surveys covering a range of physician staffing issues including physician recruiting incentives, physician practice patterns, hospital recruiting patterns and related topics. This report summarizes Merritt Hawkins' fourth survey of the revenue physicians in various specialties generate for their affiliated hospitals. This periodic survey was conducted previously by Merritt Hawkins in 2002, 2004 and 2007.

The survey is intended to provide benchmark data hospitals can use to develop a "quantitative analysis" of their physician recruiting programs. A quantitative analysis as defined by the U.S. Internal Revenue Service (IRS) establishes the financial benefits that newly recruited physicians may bring to a hospital. These benefits may support the hospital's mission of providing quality care to the community by creating revenue streams necessary to its continued or its enhanced operation. A quantitative analysis therefore may serve as part of a hospital's physician recruiting plan by demonstrating the financial benefits to the hospital of physician recruitment. It should be noted, however, that a physician recruiting plan also should include a "qualitative analysis" demonstrating how newly recruited physicians will enhance quality of care in the community.

Survey data also may be used in setting physician compensation levels or recruiting incentives through a cost/benefit analysis comparing the aggregate expense of recruiting physicians to the average revenue generated by physicians in various specialties.

METHODOLOGY

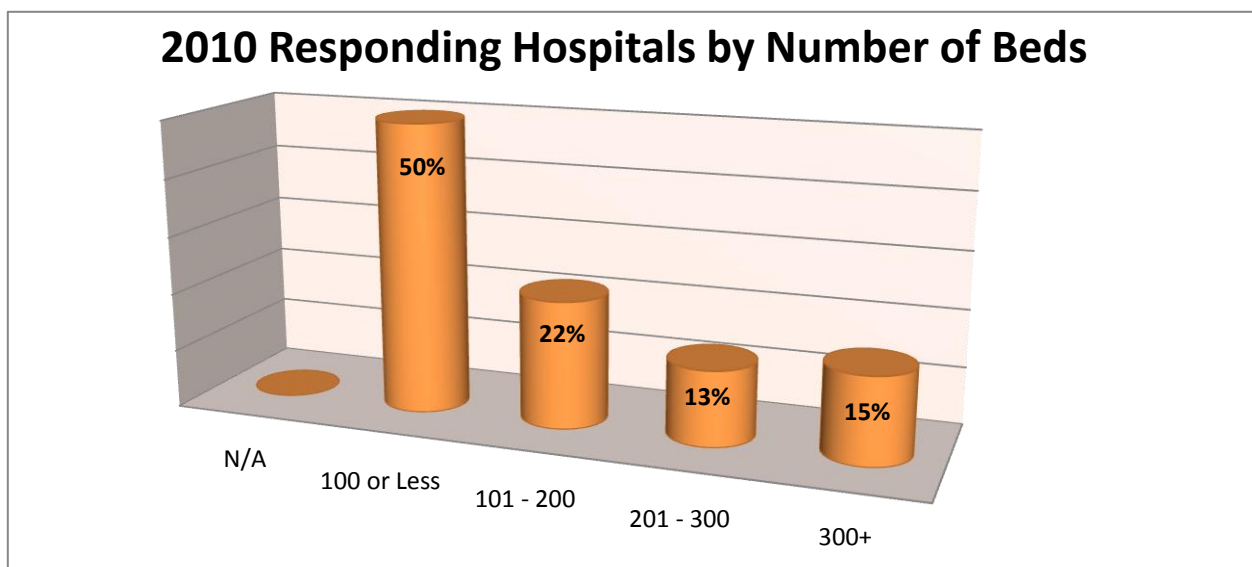
Merritt Hawkins mailed the Physician Inpatient/Outpatient Revenue Survey to 5,000 hospital chief financial officers (CFOs) nationwide. The survey form was mailed once in October, 2009 and additional surveys were mailed in January, 2010. The survey could be taken anonymously or those CFOs requesting survey results could identify themselves and their facilities. The survey asked hospital CFOs to indicate the combined **net** inpatient and outpatient revenue generated annually for their facilities by a single, full-time equivalent (FTE) physician (employed by the hospital or in independent practice) in a variety of specialties through procedures performed at the hospital, tests and treatments ordered, etc. In the case of primary care physicians (defined as family practitioners, general internists, and pediatricians), survey respondents were asked to determine revenue from direct admissions, procedures performed, lab tests, etc., not indirect revenue primary care physicians may have generated from patient referrals to specialists utilizing the hospital.

The survey form listed various revenue ranges and allowed CFOs to select the most appropriate range for each specialty. In lieu of indicating a range, CFOs also had the option of indicating on the survey form the specific amount of revenue generated annually for their hospital per a single FTE physician in various specialties.

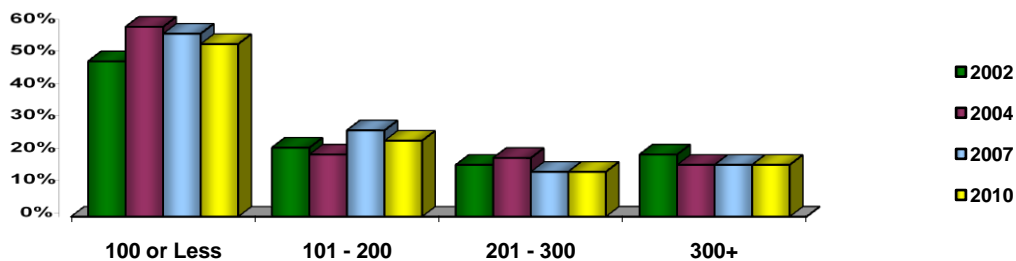
In cases where a range was indicated, the survey takes the midpoint of this range to determine a weighted average for each specialty. A total of 114 completed surveys were received. It should be noted that the volume of categorical responses varied by specialty. Not all returned survey forms included data for all specialties. In addition, the survey was self-selecting. Given these factors, average revenue generated per medical specialty cannot be expected to reflect the experiences of all hospitals.

RESPONDING HOSPITALS BY NUMBER OF BEDS

Questionnaires were mailed to 5,000 chief financial officers (CFOs) at acute care hospitals throughout the United States in October, 2009. An additional 3,000 questionnaires were mailed to hospital CFOs in January, 2010. Responding hospitals in 2010 by number of beds are indicated in the first chart below. The second chart shows a year-to-year comparison of hospital respondents by number of beds.



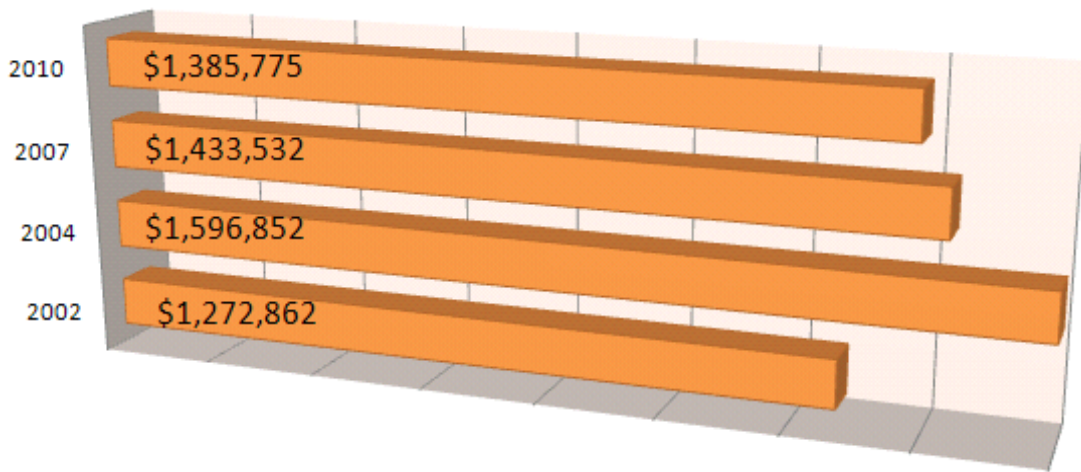
RESPONDING HOSPITALS BY NUMBER OF BEDS (YEAR-TO-YEAR COMPARISON)



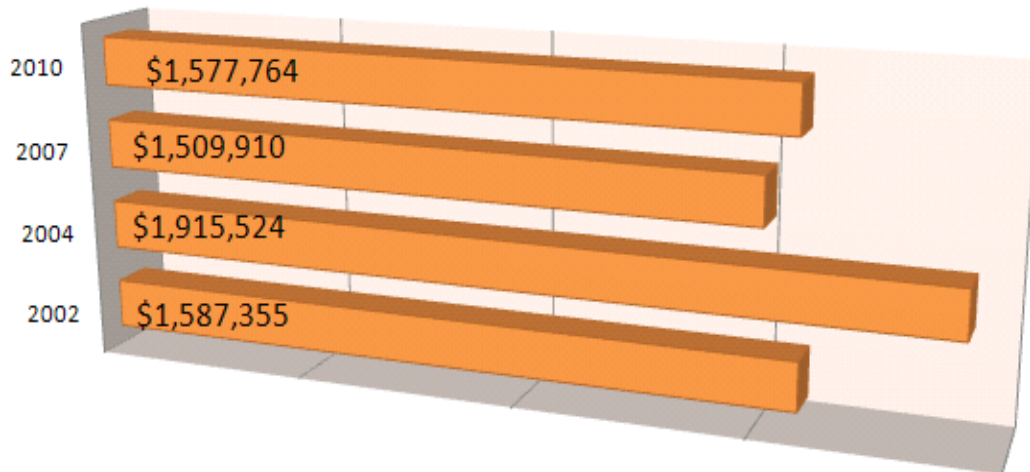
AVERAGE REVENUE GENERATED BY PRIMARY CARE PHYSICIANS, SPECIALISTS, AND ALL PHYSICIANS

The first graph below indicates average net annual revenue generated by primary care physicians on behalf of their affiliated hospitals in 2010, with comparisons to survey data from previous years. Primary care is defined in this survey as family practice, general internal medicine, and pediatrics. The second graph indicates average net revenue generated by specialist physicians on behalf of their affiliated hospitals in 2010, with comparisons to survey data from previous years. The third graph indicates net annual revenue generated by all physicians on behalf of their affiliated hospitals in 2010, with comparisons to data from previous years.

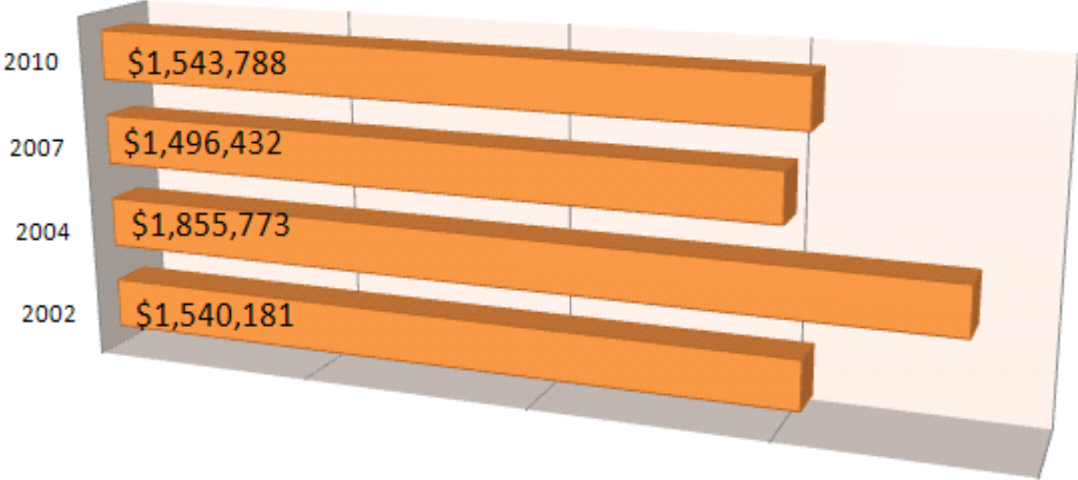
Primary Care Physicians



Specialist Physicians

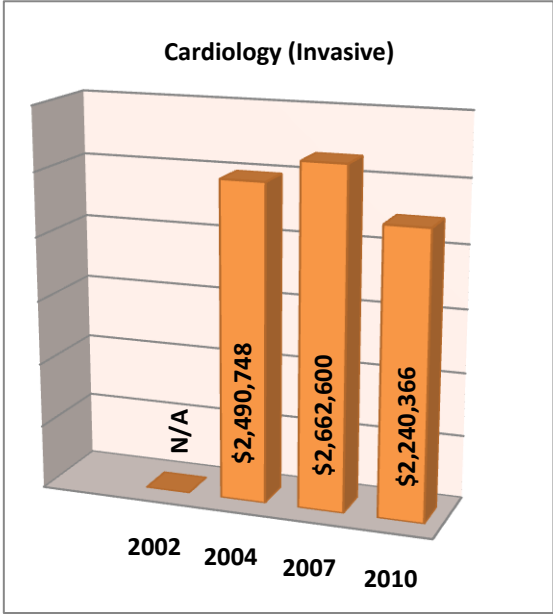
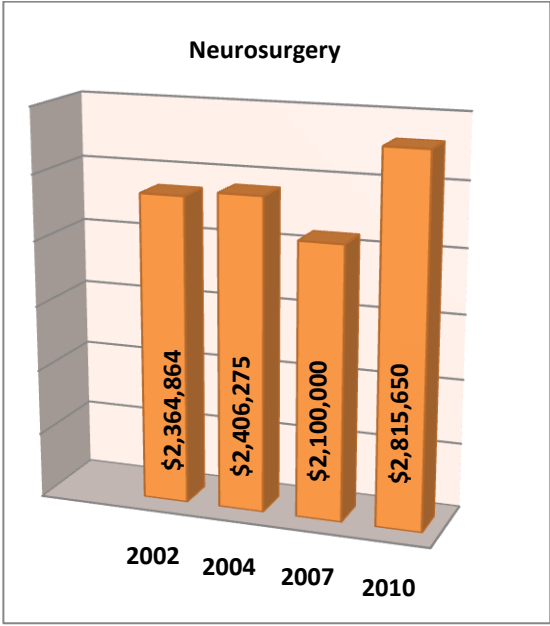


All Physicians

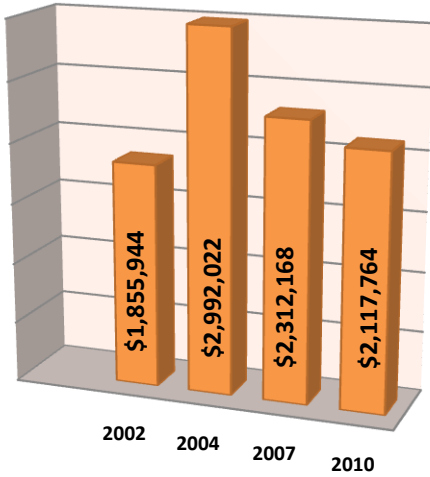


SPECIALTY REVENUE COMPARISON

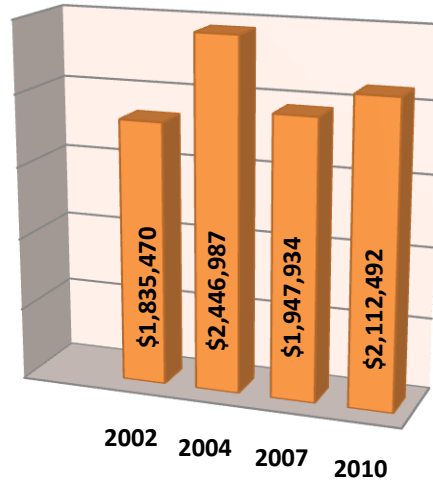
The following graphs indicate average annual revenue generated by physicians in various specialties on behalf of their affiliated hospitals in 2010, with comparisons to data from surveys conducted in previous years.



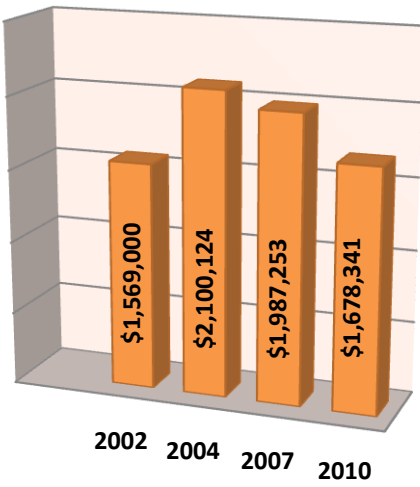
Orthopedic Surgery



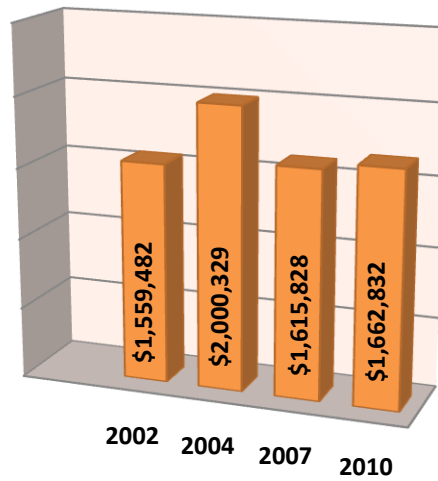
General Surgery



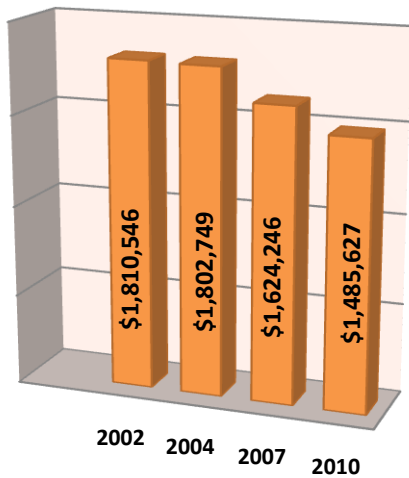
Internal Medicine



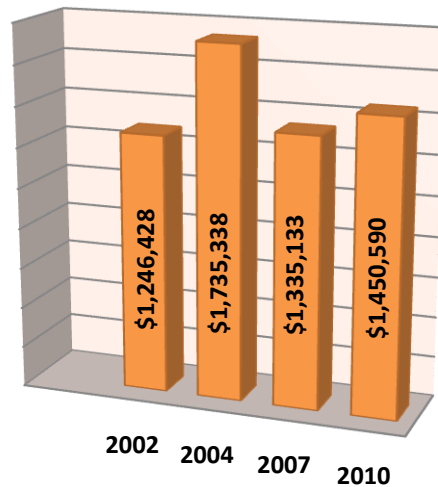
Family Practice



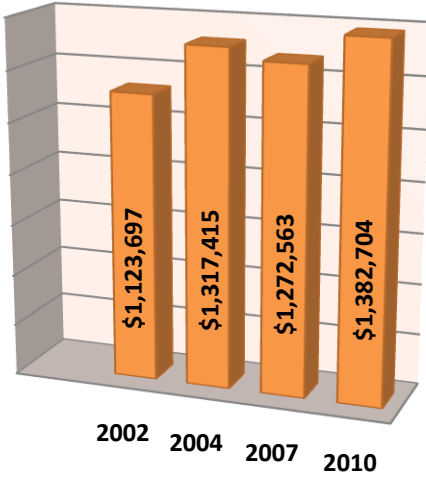
Hematology / Oncology



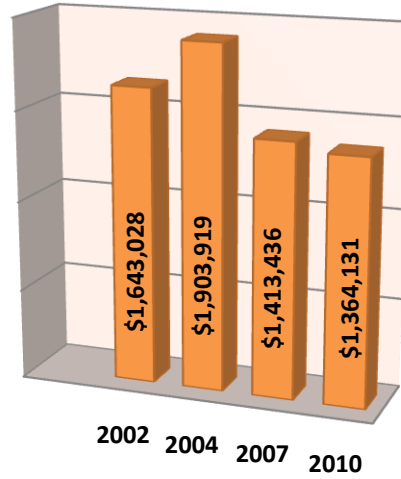
Gastroenterology



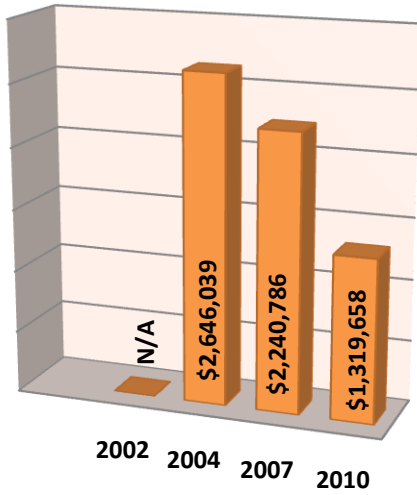
Urology



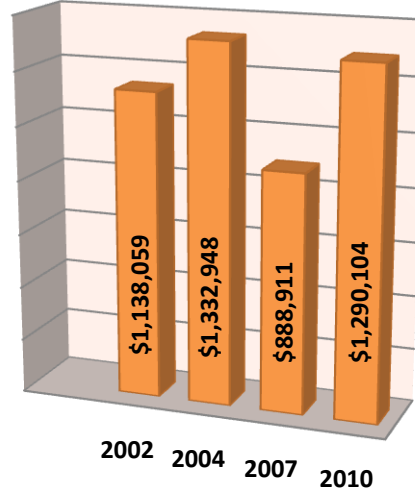
Obstetrics / Gynecology



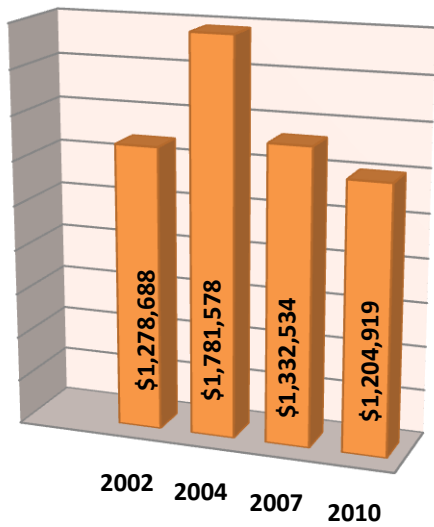
Cardiology (Non-Invasive)*



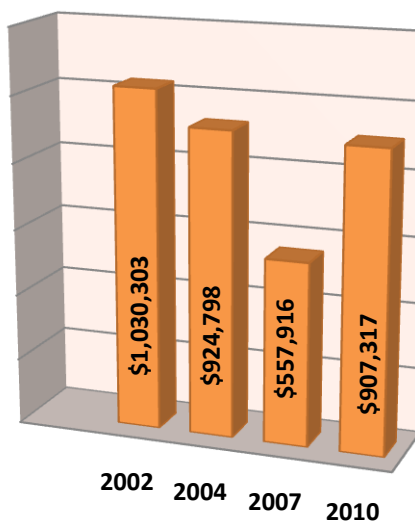
Psychiatry

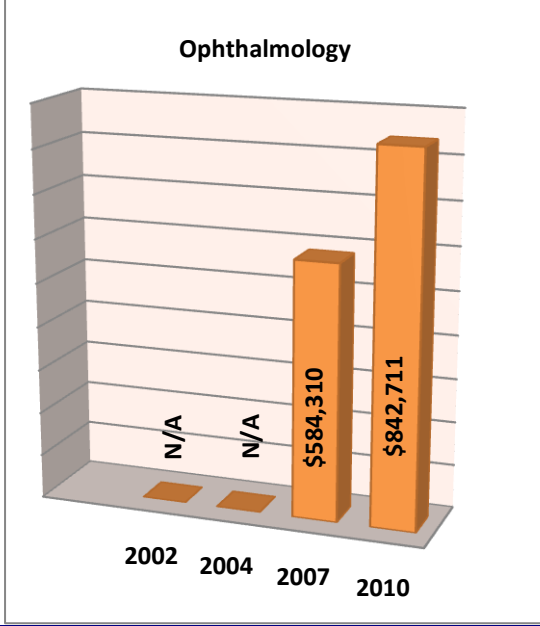
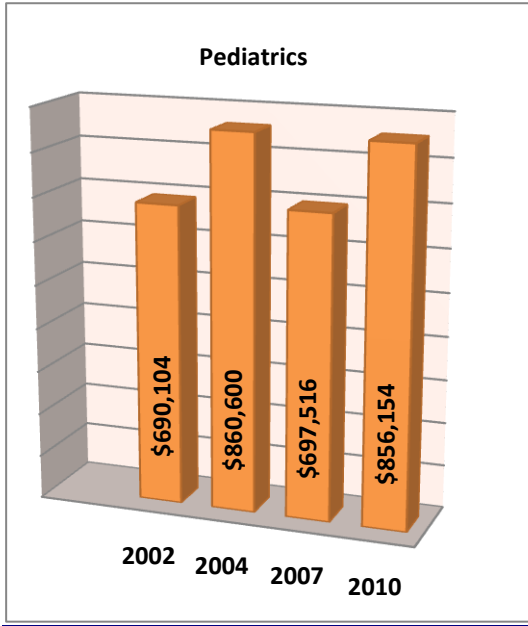


Pulmonology

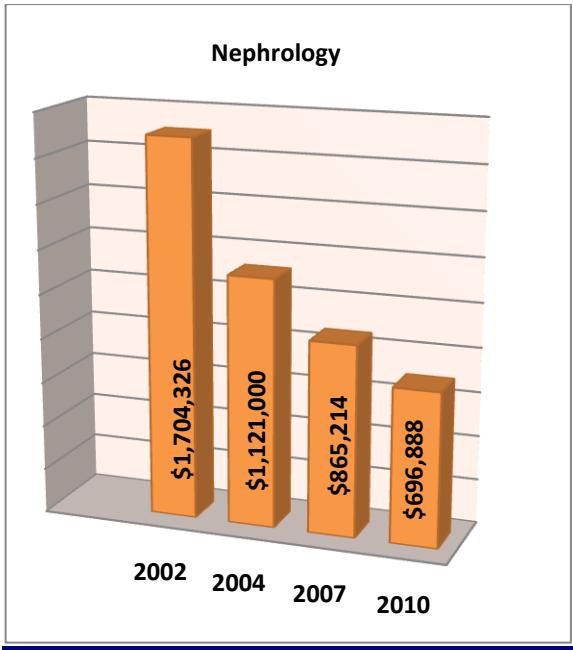


Neurology



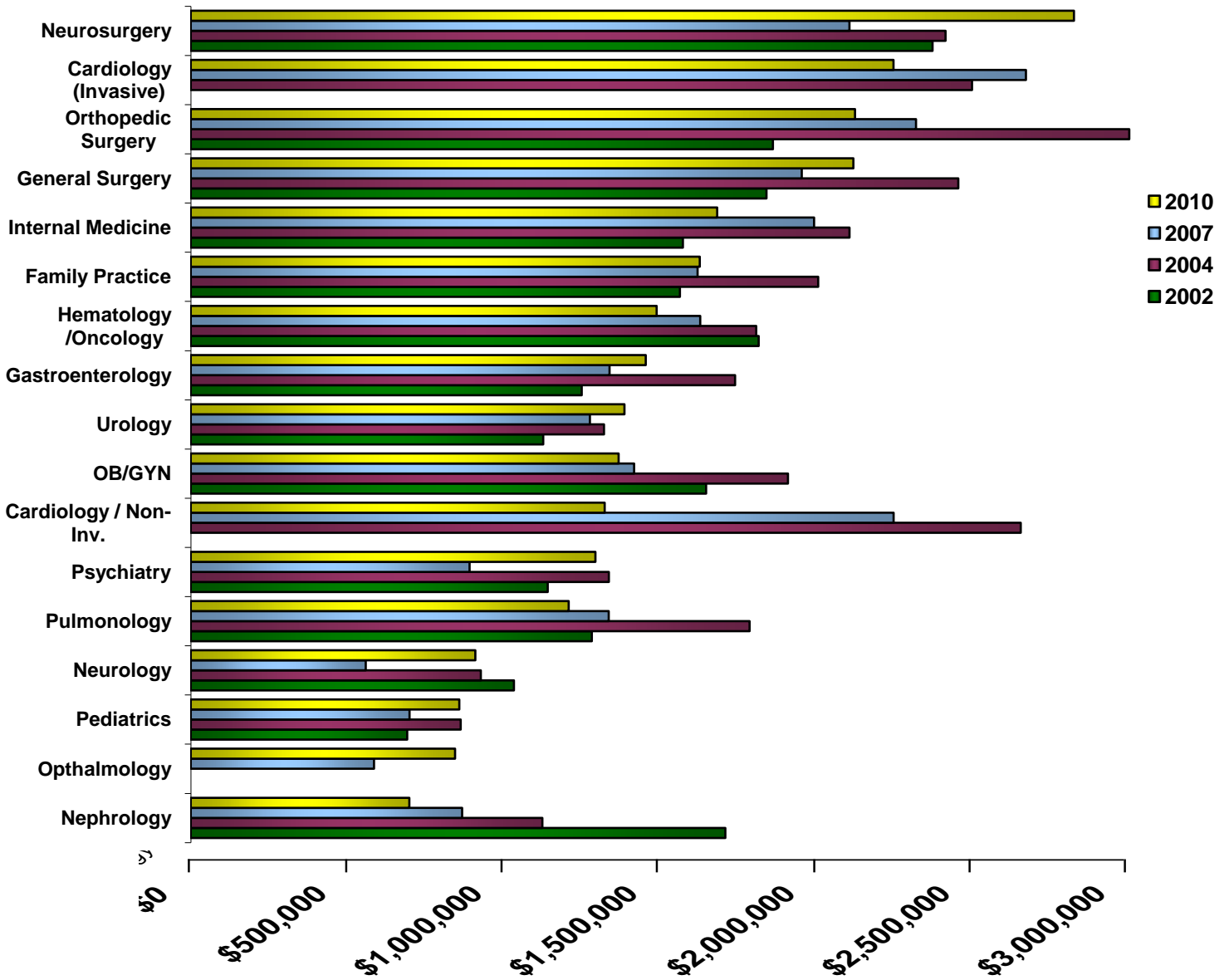


*Ophthalmology included for the first time in 2007



SPECIALTY COMPARISON YEAR TO YEAR

The graph below shows average annual revenue generated per specialty for the four years the survey has been conducted.



*Ophthalmology included for the first time in 2007

COST/BENEFIT ANALYSIS

The numbers below compare the average annual inpatient/outpatient revenue generated by physicians in various specialties for their affiliated hospitals with average salaries or income guarantees offered to recruit physicians. Average salaries and income guarantee figures are derived from Merritt Hawkins' 2009 Review of Physician Recruiting Incentives and indicate the financial incentives offered to physicians in some 3,288 physician search assignments Merritt Hawkins conducted from April 1, 2008 to March 31, 2009. The numbers below may be used as part of a "quantitative" physician recruiting cost/benefit analysis showing costs of recruiting physicians relative to the revenue physicians generate for their affiliated hospitals. A "qualitative" analysis also will factor in the quality of care benefits that new physician services may bring to a given community.

PHYSICIAN GENERATED REVENUE VS. AVERAGE SALARIES

<u>Specialty</u>	<u>Average Revenue</u>	<u>Average Salary*</u>
Neurosurgery	\$2,815,650	\$571,000
Cardiology (Invasive)	\$2,240,366	\$475,000
Orthopedic Surgery	\$2,117,764	\$481,000
General Surgery	\$2,112,492	\$321,000
Internal Medicine	\$1,678,341	\$186,000
Family Practice	\$1,622,832	\$173,000
Hematology/Oncology	\$1,485,627	\$335,000
Gastroenterology	\$1,450,540	\$393,000
Urology	\$1,382,704	\$401,000
OB/GYN	\$1,364,131	\$266,000
Cardiology/Non-Inv.	\$1,319,658	\$419,000
Psychiatry	\$1,290,104	\$200,000
Pulmonology	\$1,204,919	\$293,000
Neurology	\$907,317	\$258,000
Pediatrics	\$856,154	\$171,000
Ophthalmology	\$842,711	\$282,000
Nephrology	\$696,888	\$240,000

*Source: 2009 Merritt Hawkins Review of Physician Recruiting Incentives

TRENDS AND OBSERVATIONS

Merritt Hawkins' 2010 Physician Inpatient/Outpatient Revenue Survey provides benchmark data indicating the amount of net inpatient and outpatient revenue physicians in 17 specialties generate annually on behalf of their affiliated hospitals through patient referrals, admissions, procedures, treatments, and tests.

The average annual net revenue generated by all 17 specialties examined in the 2010 survey was \$1,543,788. This is a small increase of 3% over average annual net revenue generated by all specialties in 2007 (\$1,496,432), a decline of 19% from the average annual net revenue generated by all specialties in 2004 (\$1,855,773), and virtually the same as the average annual net revenue generated by all specialties in 2002 (\$1,540,181). For three of the four years examined by the survey, therefore, average net annual revenue generated by all specialties was close to \$1.5 million dollars. Over time, \$1.5 million has proven to be a benchmark number established by the survey, with one outlier (2004.)

Revenues Up, Despite Recession

That average net revenue generated by all medical specialties was up slightly in 2010 over 2007 is significant. Hospital CFOs participating in the 2010 survey were asked to provide revenue numbers generated by physicians during a period of severe economic recession. It could be anticipated that lower utilization of hospital services driven by the recession would have an inhibiting effect on revenue generated by physicians for hospitals, and this may have been the case in certain specialties. For example, revenue generated by general internal medicine practitioners declined in 2010 relative to 2007, which may have been driven by decreased access to medical coverage among the patient population. General internists typically have a patient payer mix that includes a relatively high percentage of indigent, geriatric, and other poor paying patients. They often can compensate for a poor payer mix by doing procedures and providing preventive services. This type of work often declines in a recession, inhibiting the amount of income general internists make and reducing the amount of income they generate for their affiliated hospitals.

Fewer visits to general internists can lead to fewer direct hospital admissions made by internists and to fewer patient referrals made by internists to other specialists, cardiologists in particular. General internists typically see a high percentage of older patients, many of whom have heart conditions and are referred by internists to cardiologists. Income generated by cardiologists, both non-invasive and invasive, also declined in 2010 relative to 2007, as might be expected based on the decline in revenue generated by general internists. Income generated by orthopedic surgeons also declined in 2010 relative to 2007, which could be a response to a recession-driven drop in elective surgeries such as joint replacements.

Revenue generated by other types of specialists increased, however. One of the largest increases was seen in psychiatry. Income generated by psychiatrists increased from \$888,911 in 2007 to \$1,290,104 in 2010. Serious mental problems tend to be exacerbated by economic recessions and this may have caused more psychiatric hospital admissions, tests, etc. in the last 12 months than in previous years. Income generated by pediatricians also increased, a possible result of the expansion of health insurance for children. General surgeons generated more revenue in 2010 than in 2007, which could be attributable to the growing shortage of this specialty. General surgery, considered by many doctors to be the "primary care of surgery," is declining in popularity among medical students because of income disparities with other surgical areas. A shortage of general surgeons may be increasing per-physician caseloads at hospitals and driving up per-physician generated revenue.

Evolving Physician/Hospital Relations

A further reason why overall revenue generated by physicians for their affiliated hospitals in 2010 did not decline relative to 2007, despite the recession, could be the evolving nature of the physician/hospital relationship. A growing number of physicians today are employed by hospitals. Many physicians in independent, private practice are seeking the financial security and the comparatively “hassle-free” option of hospital employment. This includes both primary care physicians and specialists. In 2005, 23% of the physician search assignments Merritt Hawkins conducted featured hospital employment of the physician. In 2009, that number grew to 45%.

Increasing physician/hospital alignment through employment and other means could be one factor leading physicians to direct more patients and more work to the hospital. This would also help to explain why physician generated revenue did not decline overall in 2010 relative to 2007, even though reimbursement for hospital-based services generally was flat or increased only marginally in the last year. As physicians and hospitals become more aligned, revenue is more likely to flow to hospitals and less likely to flow to physician-owned ambulatory surgery centers

Conclusion

Though healthcare delivery continues to evolve technically and in many others ways, physicians remain the key initiators and providers of medical care. Little takes place in medicine that is not ordered by, reviewed by, or performed by a physician. Merritt Hawkins’ 2010 Physician Inpatient/Outpatient Revenue Survey quantifies the financial impact physicians have on hospitals as the initiators and providers of care – an average, per physician, of \$1,543,788 in revenue generated per year. The data included in the survey may be of assistance to hospital executives preparing a “quantitative analysis” of the impact of physician recruiting on their facilities. Such an analysis should be accompanied by a “qualitative analysis” documenting the impact on quality of care provided to the community of newly recruited physicians.

For additional information about this or other surveys conducted by Merritt Hawkins and other companies of AMN Healthcare, contact:



5001 Statesman Drive
Irving, Texas 75063
(800) 876-0500 toll free
(469) 524-1400 local
merritthawkins.com

ADDITIONAL INFORMATION FROM MERRITT HAWKINS AND AMN HEALTHCARE

Merritt Hawkins and AMN Healthcare are committed to providing survey data and other information of use to healthcare executives, physicians, policy makers and members of the media.

Other surveys conducted by Merritt Hawkins or other companies of AMN Healthcare include:

- * Clinical Workforce Issues: Survey of Hospital Chief Executive Officers
- * Review of Physician and CRNA Recruiting Incentives
- * Survey of Patient Appointment Wait Times
- * Review of Temporary Physician Staffing Trends
- * Survey of Registered Nurses
- * Survey of Temporary Therapist Staffing Trends
- * Survey of Final Year Medical Residents
- * Survey of Physician Practice Trends

In addition, AMN Healthcare offers speakers to address healthcare industry trends in staffing, recruiting and finance. Topics include:

- * Physician and Nurse Shortage Issues and Trends
- * New Strategies for Healthcare Staffing
- * Healthcare Reform and Workforce Issues
- * Economic Forecasting for Clinical Staffing
- * Allied Staffing Shortages
- * Vendor Management
- * Recruitment Process Outsourcing
- * Other topics Upon Request

For more information or to schedule a speaking engagement, please contact:

Falon Mitchell

E-mail: falon.mitchell@amnhealthcare.com

Toll free: (800) 876-0500



For further information about this survey and other health care staffing trends, contact:

Merritt Hawkins
5001 Statesman Drive
Irving, Texas 75063
(800) 876-0500 toll free
merritthawkins.com

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