

2010 REVIEW OF PHYSICIAN RECRUITING INCENTIVES



SUMMARY REPORT 2010 REVIEW OF PHYSICIAN RECRUITING INCENTIVES

OVERVIEW

Merritt Hawkins is a national healthcare search and consulting firm specializing in the recruitment of physicians in all medical specialties as well as select allied health professionals. Established in 1987, Merritt Hawkins is an AMN Healthcare company. AMN Healthcare is the nation's largest healthcare staffing organization and the leading nationwide provider in all four of its business lines: travel nurse staffing, locum tenens staffing, physician permanent placement services and allied healthcare professional staffing.

This report marks Merritt Hawkins' 17th annual review of the search and consulting assignments we conduct on behalf of our clients.

The 2010 Review is based on the 2,813 permanent physician search and advance allied professional search assignments that Merritt Hawkins/AMN Healthcare's physician staffing companies were engaged to conduct during the 12-month period from April 1, 2009, to March 31, 2010.

The intent of the Review is to quantify financial and other incentives offered by our clients to physician candidates during the course of recruitment. The range of incentives detailed in the Review may be used as a benchmark for evaluating which recruitment incentives are customary and competitive in today's physician job market. The Review is based on a national sample of search assignments and provides an indication of which medical specialties are currently in the greatest demand.

All of the following numbers are rounded to the nearest full digit.

Total Number of Physician and CRNA Search Assignments Represented

<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
2,813	3,288	3,146	3,016

Medical Settings of Physician Search Assignments

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
Hospital	1,430 (51%)	1,481 (45%)	1,416 (45%)	1,297 (43%)
Group	674 (24%)	953 (29%)	1,170 (37%)	1,058 (35%)
Solo	114 (4%)	362 (11%)	159 (5 %)	244 (8 %)
Partnership	338 (12%)	428 (13%)	226 (7%)	238 (8%)
Association	58 (2%)	4 (>1%)	29 (1%)	99 (3%)
Other	195 (7%)	66 (2%)	134 (4%)	74 (2%)
HMO	4 (<1%)	0 (0%)	12 (1%)	6 (1%)

Forty-eight States Where Search Assignments Were Conducted

AL, AR, AZ, CA, CO, CT, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MO, MN, MS, MT, NC, ND, NE, NH, NJ, NM, NY, NV, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY

Number of Searches by Community Size

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
0-25,000	730 (26%)	1,281 (39%)	973 (31%)	935 (31%)
25,001-100,000	901 (32%)	1,153 (35%)	851 (27%)	878 (29%)
100,001+	1,182 (42%)	854 (26%)	1,322 (42%)	1,203 (40%)

Top 20 Physician Searches by Medical Specialty

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
Family Practice (Includes Family Practice/OB)	375	595	492	303
Internal Medicine	246	391	314	273
Psychiatry	179	122	106	81
Hospitalist	124	169	208	194
Emergency Medicine	116	86	90	91
Orthopedic Surgery	88	147	145	172
Pediatrics	84	93	72	63
OB/GYN	69	137	159	159
Radiology	63	74	109	187
General Surgery	61	152	81	121
Cardiology	58	103	69	163
Neurology	49	87	84	58
Urology	44	78	74	63
Gastroenterology	41	78	68	78
Anesthesiology	37	48	52	46
Pulmonology	32	83	48	29
Otolaryngology	32	54	47	56
Dermatology	23	45	35	45
Hematology/Oncology	21	57	46	59
Endocrinology	15	24	23	25

Other Specialty Recruitment Assignments
(Physician only, does not include allied professionals)

Allergy/Immunology	Orthopedic Foot & Ankle Surgery
Bariatric Surgery	Orthopedic Hand Surgery
Bone Marrow Transplant	Orthopedic Spine Surgery
Breast Surgery	Orthopedic Total Joint
Cardiac Anesthesiology	Orthopedic Trauma
Cardiothoracic Surgery	Pain Management
Cardiovascular Surgery	Pathology
Child Psychiatry	Pediatric/Anesthesiology
Colon & Rectal Surgery	Pediatric/Gastroenterology
Critical Care/Pediatrics	Pediatric/Endocrinology
Critical Care/Pulmonology	Pediatric/Neurology
Dermatology/Pathology	Pediatric/Intensivist
Geriatrics	Pediatric/Nephrology
Gynecology	Pediatric/Otolaryngology
Gynecology/Oncology	Pediatric/Orthopedic Surgery
Infectious Disease	Pediatric/Pulmonology
Intensivist	Pediatric/Surgery
Internal Medicine/Pediatrics	Physiatry
Mammography	Plastic Surgery
Maternal/Fetal Medicine	Podiatry
Mohs Surgery	Radiation Oncology
Musculoskeletal	Rheumatology
Nephrology	Sleep Medicine
Neurological Surgery	Surgicalist
Neurointensivist	Surgical Oncology
Neuropsychiatrist	Surgical Pathology
Neuroradiology	Transplant Surgery
Nocturnist	Trauma Surgery
Nuclear Medicine	Urological Gynecology
Occupational Medicine	Vascular Surgery
Ophthalmology	
Oral Maxillofacial Surgery	

Administrative, Academic and Executive Titles Include:

Assistant Professor	Chief Medical Officer	Full Professor
Associate Department Chair	Clinical Director	Medical Director
Associate Professor	Department Chair Executive	

Income Offered to Top 20 Recruited Specialties

(Base salary or income guarantee only, does not include production bonus or benefits)

	<u>Low</u>	<u>Average</u>	<u>High</u>
Family Practice			
2009/10	\$140,000	\$175,000	\$255,000
2008/09	\$120,000	\$173,000	\$245,000
2007/08	\$120,000	\$172,000	\$275,000
2006/07	\$120,000	\$161,000	\$250,000
Family Practice with Obstetrics			
2009/10	\$155,000	\$200,000	\$320,000
2008/09	\$140,000	\$184,000	\$275,000
2007/08	\$140,000	\$184,000	\$275,000
2006/07	\$145,000	\$159,000	\$200,000
Internal Medicine			
2009/10	\$145,000	\$191,000	\$250,000
2008/09	\$140,000	\$186,000	\$300,000
2007/08	\$125,000	\$176,000	\$330,000
2006/07	\$135,000	\$174,000	\$275,000
Psychiatry			
2009/10	\$150,000	\$209,000	\$310,000
2008/09	\$160,000	\$200,000	\$300,000
2007/08	\$120,000	\$189,000	\$230,000
2006/07	\$160,000	\$186,000	\$230,000
Hospitalist			
2009/10	\$165,000	\$208,000	\$295,000
2008/09	\$160,000	\$201,000	\$300,000
2007/08	\$150,000	\$181,000	\$300,000
2006/07	\$145,000	\$180,000	\$250,000
Emergency Medicine			
2009/10	\$185,000	\$247,000	\$380,000
2008/09	\$185,000	\$244,000	\$302,000
2007/08	\$190,000	\$240,000	\$258,000
2006/07	\$150,000	\$239,000	\$300,000
Orthopedic Surgery			
2009/10	\$300,000	\$519,000	\$825,000
2008/09	\$300,000	\$481,000	\$1,000,000
2007/08	\$250,000	\$439,000	\$750,000
2006/07	\$250,000	\$413,000	\$650,000
Pediatrics			
2009/10	\$145,000	\$180,000	\$265,000
2008/09	\$120,000	\$171,000	\$350,000
2007/08	\$120,000	\$159,000	\$265,000
2006/07	\$115,000	\$159,000	\$200,000

	<u>Low</u>	<u>Average</u>	<u>High</u>
OB/GYN			
2009/10	\$175,000	\$272,000	\$350,000
2008/09	\$150,000	\$266,000	\$655,000
2007/08	\$160,000	\$255,000	\$405,000
2006/07	\$200,000	\$247,000	\$345,000
Radiology			
2009/10	\$225,000	\$417,000	\$650,000
2008/09	\$300,000	\$391,000	\$500,000
2007/08	\$230,000	\$401,000	\$750,000
2006/07	\$250,000	\$380,000	\$500,000
General Surgery			
2009/10	\$175,000	\$314,000	\$410,000
2008/09	\$175,000	\$321,000	\$616,000
2007/08	\$240,000	\$321,000	\$450,000
2006/07	\$225,000	\$301,000	\$350,000
Cardiology (non-invasive)			
2009/10	\$315,000	\$420,000	\$600,000
2008/09	\$180,000	\$419,000	\$880,000
2007/08	\$250,000	\$392,000	\$1,000,000
2006/07	\$250,000	\$391,000	\$500,000
Cardiology (invasive)*			
2009/10	\$325,000	\$495,000	\$680,000
Neurology			
2009/10	\$180,000	\$281,000	\$460,000
2008/09	\$180,000	\$258,000	\$375,000
2007/08	\$150,000	\$230,000	\$325,000
2006/07	\$170,000	\$234,000	\$275,000
Urology			
2009/10	\$250,000	\$400,000	\$550,000
2008/09	\$230,000	\$401,000	\$550,000
2007/08	\$300,000	\$387,000	\$550,000
2006/07	\$275,000	\$400,000	\$500,000
Gastroenterology			
2009/10	\$300,000	\$411,000	\$600,000
2008/09	\$250,000	\$393,000	\$600,000
2007/08	\$250,000	\$379,000	\$475,000
2006/07	\$200,000	\$365,000	\$450,000
Anesthesiology			
2009/10	\$250,000	\$331,000	\$475,000
2008/09	\$250,000	\$344,000	\$500,000
2007/08	\$250,000	\$336,000	\$480,000
2006/07	\$220,000	\$300,000	\$425,000

*2009/10 is the first year non-invasive and invasive cardiology income offers are listed separately in this survey.

	<u>Low</u>	<u>Average</u>	<u>High</u>
Pulmonology			
2009/10	\$200,000	\$305,000	\$430,000
2008/09	\$215,000	\$293,000	\$400,000
2007/08	\$200,000	\$283,000	\$525,000
2006/07	\$225,000	\$266,000	\$350,000
Otolaryngology			
2009/10	\$230,000	\$349,000	\$450,000
2008/09	\$280,000	\$377,000	\$450,000
2007/08	\$275,000	\$362,000	\$600,000
2006/07	\$200,000	\$312,000	\$400,000
Dermatology			
2009/10	\$244,000	\$314,000	\$400,000
2008/09	\$200,000	\$297,000	\$400,000
2007/08	\$250,000	\$315,000	\$400,000
2006/07	\$200,000	\$318,000	\$400,000
Hematology/Oncology			
2009/10	\$300,000	\$385,000	\$500,000
2008/09	\$250,000	\$335,000	\$450,000
2007/08	\$225,000	\$365,000	\$500,000
2006/07	\$300,000	\$339,000	\$500,000
Endocrinology			
2009/10	\$200,000	\$219,000	\$270,000
2008/09	\$180,000	\$222,000	\$305,000
2007/08	\$158,000	\$205,000	\$250,000
2006/07	\$180,000	\$205,000	\$250,000

Type of Incentive Offered

	<u>Salary</u>	<u>Salary with Bonus</u>	<u>Income Guarantee</u>	<u>Other</u>
2009/10	339 (12%)	2,082 (74%)	367 (13%)	25 (<1%)
2008/09	460 (14%)	2,138 (65%)	526 (16%)	164 (5%)
2007/08	694 (22%)	1,854 (59%)	598 (19%)	N/A
2006/07	362 (12%)	2,010 (67%)	644 (21%)	N/A

Type of Income Guarantee Offered (of 367 searches offering guarantees during 2009/10)

	<u>Net Collections Guarantee</u>	<u>Gross Collections Guarantee</u>
2009/10	324 (88%)	43 (12%)
2008/09	421 (80%)	105 (20%)
2007/08	500 (84%)	98 (16%)
2006/07	501 (78%)	143 (22%)

Term of Income Guarantee Offered (of 367 searches offering guarantees during 2009/10)

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>Other</u>
2009/10	202 (55%)	130 (36%)	35 (9%)	0 (0%)
2008/09	289 (55%)	216 (41%)	0 (0%)	21 (4%)
2007/08	342 (57%)	198 (33%)	58 (10%)	N/A
2006/07	411 (64%)	200 (31%)	33 (5%)	N/A

Searches Offering “Forgiveness” of Income Guarantee (of 367 searches offering guarantees during 2009/10)

	<u>Forgiveness</u>	<u>No Forgiveness</u>
2009/10	314 (86%)	53 (14%)
2008/09	447 (85%)	79 (15%)
2007/08	426 (71%)	172 (29%)
2006/07	613 (95%)	31 (5%)

Time Period of Forgiveness (of 314 searches offering forgiveness during 2009/10)

	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>Other / N/A</u>
2009/10	32 (10%)	126 (40%)	146 (46%)	10 (4%)
2008/09	38 (8.5%)	156 (35%)	215 (48%)	38 (8.5%)
2007/08	31 (7%)	72 (17%)	167 (39%)	156 (37%)
2006/07	24 (4%)	244 (40%)	308 (50%)	37 (6%)

Searches Offering Relocation Allowance

	<u>Yes</u>	<u>No</u>
2009/10	2,671 (95%)	142 (5%)
2008/09	3,222 (98%)	66 (2%)
2007/08	2,896 (92%)	250 (8%)
2006/07	2,954 (98%)	62 (2%)

Amount of Relocation Allowance

	<u>Low</u>	<u>Average</u>	<u>High</u>
2009/10	\$1,000	\$10,035	\$30,000
2008/09	\$2,500	\$10,427	\$25,000
2007/08	\$1,500	\$9,807	\$20,000
2006/07	\$1,000	\$9,808	\$75,000

Searches Offering Signing Bonus

	<u>Yes</u>	<u>No</u>
2009/10	2,135 (76%)	678 (24%)
2008/09	2,795 (85%)	493 (15%)
2007/08	2,326 (74%)	820 (26%)
2006/07	2,173 (72%)	843 (28%)

Amount of Signing Bonus Offered (of 2,135 searches offering signing bonus during 2009/10)

	<u>Low</u>	<u>Average</u>	<u>High</u>
2009/10	\$2,000	\$22,915	\$100,000
2008/09	\$5,000	\$24,850	\$75,000
2007/08	\$4,000	\$24,800	\$200,000
2006/07	\$5,000	\$20,000	\$100,000

Searches Offering to Pay Continuing Medical Education (CME)

	<u>Yes</u>	<u>No</u>
2009/10	2,618 (93%)	195 (7%)
2008/09	3,158 (96%)	130 (4%)
2007/08	2,863 (91%)	283 (9%)
2006/07	2,746 (91%)	270 (9%)

Amount of CME Pay Offered (of 2,618 searches offering to pay CME during 2009/10)

	<u>Low</u>	<u>Average</u>	<u>High</u>
2009/10	\$500	\$3,335	\$15,000
2008/09	\$1,000	\$3,121	\$6,500
2007/08	\$700	\$3,924	\$35,000
2006/07	\$1,000	\$3,312	\$15,000

Searches Offering to Pay Additional Benefits

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>
Health Insurance	98%	91%	95%	91%	91%
Malpractice	99%	94%	96%	91%	92%
Retirement	90%	85%	91%	72%	70%
Disability	84%	75%	79%	69%	70%
Educational Loan Forgiveness	38%	31%	35%	26%	34%

TRENDS AND OBSERVATIONS

Merritt Hawkins' annual Review of Physician Recruiting Incentives, now in its 17th year, tracks three key physician recruiting trends. First, based on the physician recruiting assignments Merritt Hawkins is retained to conduct, the Review indicates which types of physicians are in the greatest demand and which are the most challenging to recruit. Second, the Review indicates what types of communities are recruiting physicians based on population size and the types of practice settings into which physicians are being recruited. Third, the Review indicates the types of financial and other incentives that are being used to recruit physicians.

WHO IS IN DEMAND?

Merritt Hawkins' 2010 Review of Physician Recruiting Incentives examines a 12 month period (April 1, 2009 to March 31, 2010) during which the nation was in economic recession. In its 22 year history, Merritt Hawkins has experienced several economic

downturns, none of which saw a decline in the number of physician search assignments the firm conducted year over year.

The most recent recession has proven to be the exception, however. A widespread decrease in utilization of medical services, combined with tight capital markets, significantly reduced the financial resources that hospitals, medical groups and other health care providers have been able to commit to physician recruiting in the last 12 to 18 months.

As a result, the number of physician search assignments Merritt Hawkins represented during the 12 month period referenced above decreased from 3,288 in 2008/09 to 2,813 in 2009/10, a decline of over 14 percent. Many health care facilities have been in a holding pattern during the last year or more, waiting for an economic turnaround before engaging external physician recruiting resources. The recession also has affected the willingness and/or the ability of many physician candidates to relocate. Given the financial climate, some physicians have chosen to ride out the recession where they are rather than embracing new opportunities, while others are restricted in their ability to move because of unfavorable real estate positions. Some older physicians, their financial portfolios downgraded by the recession, have chosen to postpone retirement, obviating the need to recruit to replace them. These factors have contributed to a nationwide lull in physician recruiting in which many health care facilities with an acknowledged need for physicians have postponed their recruiting efforts.

In cases where health facilities have proceeded with physician recruiting, the strongest area of demand remains primary care, defined in this Review as family medicine, general internal medicine, and pediatrics. For the fourth consecutive year, family medicine was Merritt Hawkins' most requested search assignment, with general internal medicine second (also for the fourth consecutive year). In the last several years, pediatrics has risen up the list of Merritt Hawkins' most requested search assignments and was the seventh most requested assignment this year (by contrast, in 2005/06 pediatrics was not in the top 20).

Primary care physicians have become a particular focus of recruiting efforts for several reasons. In the 1990s, many medical school graduates gravitated toward primary care residencies, enhancing supply, while today medical graduates are largely avoiding primary care (this is particularly true of U.S. medical graduates). Many residency programs, particularly in family medicine, fall well short of filling their available positions. According to a recent survey published in the *Journal of the American Medical Association*, only two percent of U.S. medical students plan to pursue a career in general internal medicine.

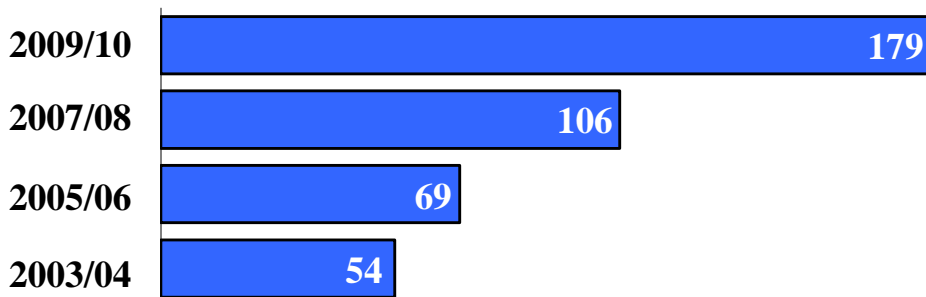
This contraction in supply coincides with the renewed focus that hospitals and medical groups are putting on primary care after several years of neglect in the early part of this decade. In the case of internal medicine, population aging is driving demand. General internists often manage the care of middle-aged to elderly patients, the fastest growing population segment. These patients often have multiple chronic illnesses and typically visit a physician at three times the annual rate of younger patients. The current number of general internists being trained is insufficient to meet the demand generated by an aging population.

General population growth also is a factor. The U.S. Census Bureau indicates the nation's population will grow by 49 million people from 2000 to 2020. This growth will be generated by new births and by an influx of immigrants, most of whom are comparatively young and require the services of both family physicians and pediatricians. The number of physicians being trained in the U.S., meanwhile, has remained virtually static for over 20 years.

Demand also remains robust for hospitalists who provide inpatient care in a hospital setting. Hospitalists, who are largely comprised of general internal medicine practitioners, were the fourth most requested search assignment this year. Hospitalists have been among Merritt Hawkins' top four requested specialties for four consecutive years. Hospitalists are proving a popular and effective way of enhancing quality of care, reducing medical errors and managing costs. In addition, by relieving office-based physicians of inpatient work, hospitalists can increase medical staff retention and satisfaction rates. However, because so many internal medicine practitioners are choosing to practice as hospitalists, largely to enjoy the lifestyle benefits of defined shifts, the supply of general internists has become constrained, making internal medicine one of the most difficult search assignments to fill today.

The 2010 Review confirms the continued steep increase in demand for psychiatrists, a specialty where supply is increasingly unable to keep up with demand. More than 50 percent of psychiatrists are 50 or older and many are at or near retirement age. Psychiatry is attracting fewer medical school graduates, particularly American-trained graduates, and more than 30 percent of active psychiatrists are international medical graduates (IMGs). Meanwhile, the incidence of behavioral health problems in the United States continues to increase, with the Bureau of Health Professions projecting that demand for general psychiatry services will increase 19 percent between 1995 and 2020, while demand for child and adolescent psychiatric services will increase 100 percent in the same timeframe. Psychiatric problems related to stress are particularly prevalent during periods of high unemployment and economic downturn such as we are currently experiencing. Consequently, the number of psychiatry search assignments Merritt Hawkins conducts has increased in each of the last six years, and was the third most requested search in 2009/10 (see chart below).

Growth in Psychiatry Search Assignments



The 2010 Review indicates that demand persists for various types of specialists, with demand for emergency medicine physicians showing a particular increase over last year. The increase in hospital emergency room visits may in part be a reaction to the dearth of primary care physicians. Recent studies indicate that growth in emergency room visits is being driven by insured patients who may not have timely access to a primary care doctors and turn to hospital emergency rooms instead. Other specialty areas experiencing

continued demand include orthopedic surgery, obstetrics/gynecology, general surgery, urology, pulmonology, gastroenterology, otolaryngology, hematology/oncology, dermatology, and neurology

Demand for certain specialties, anesthesiology and radiology in particular, has been somewhat inhibited by the economy or by reimbursement changes. A decrease in both elective procedures and non-elective procedures has eroded demand for anesthesiologists at a time when many medical school graduates are choosing to specialize in anesthesiology. Medicare reimbursement cuts to radiologists, decreased utilization, and continued interest in radiology among medical graduates have helped to balance out the demand for radiologists and available supply.

While demand for physicians in various specialties tends to run in cycles, the general trend in physician recruiting today is characterized by a continued demand for physicians in both primary care and surgical specialties, coupled with a limited supply. The ability of many health facilities to recruit the physicians they need has been inhibited by the recession, but recruiting activity can be expected to increase as the economic climate improves.

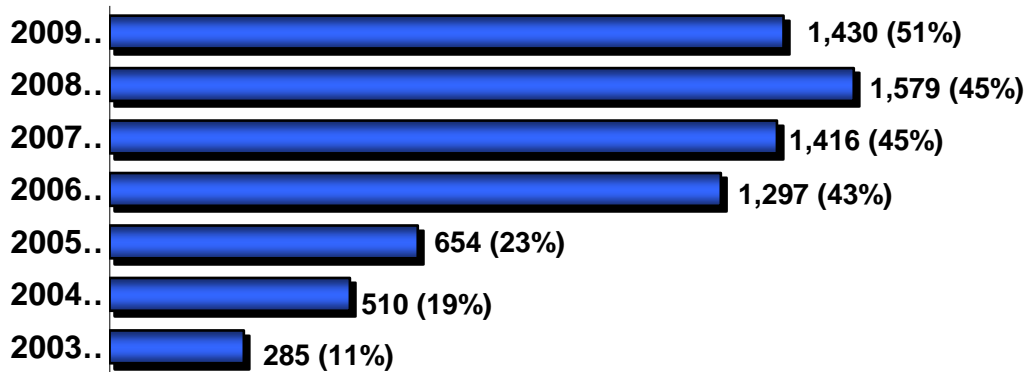
In addition, in the next several years, the new health reform law will provide insurance to over 30 million patients who now lack medical coverage. Many of these patients will be seen at Community Health Centers (CHCs) which are assuming a larger role in providing care for traditionally underserved populations. This influx of newly insured patients can be expected to increase demand for physicians in multiple specialties nationwide.

WHERE ARE THEY RECRUITING? INTO WHICH SETTINGS?

The 2010 Review confirms another physician recruiting pattern that has become apparent over the last several years: An increasing number of hospitals are employing physicians. Direct employment of physicians by hospitals was one hallmark of managed care in the 1990s, but the practice was largely dropped as hospitals found the physician employment model problematic. The 2010 Review shows that 51 percent of Merritt Hawkins' 2009/10 physician search assignments were for settings featuring hospital employment of the physician, up from 45 percent last year and up from 23 percent in 2005/06.

The following graph shows Merritt Hawkins' search assignments that featured settings in which the hospital is employing the physician.

Hospital-Based Search Assignments



The current trend toward hospital employment of physicians is different from the 1990s, when hospitals typically approached physicians about employment opportunities rather than the reverse. Today, many physicians, specialists in particular, are seeking hospital employment to relieve them of the stress of high malpractice rates, the struggle for reimbursement, administrative duties and the general risks and hassles of private practice. Hospital employment is viewed favorably by many physicians today and, in our experience, hospitals offering employed positions may enjoy an advantage over those that do not. In addition, Stark laws pertaining to physician recruitment can create scenarios where it is more practical for hospitals to employ physicians than to assist them in establishing independent practices. Employing physicians also represents one way that hospitals can address the issue of physician/hospital competition that may arise when physicians open their own specialty hospitals or surgery centers and of ensuring emergency room coverage. In a climate of uncertainty created by passage of health reform, hospital employment provides physicians with a safe harbor where they can ride out the changes reform is likely to bring to healthcare delivery. In addition, employment provides physicians and hospitals with an opportunity to implement the bundled payment systems health reform is expected to generate.

The 2010 Review indicates that Merritt Hawkins represented physician search assignments in 48 states (all states except Delaware and Alaska) during the 12-month period from April 1, 2009, to March 31, 2010. Hospitals, medical groups and other organizations in almost every state found it necessary or desirable to retain the services of a physician search firm such as Merritt Hawkins, suggesting that physician recruitment challenges still exist nationwide, even in a recession.

Moreover, 42 percent of Merritt Hawkins' 2009/10 search assignments took place in communities of 100,000 or more, while 26 percent took place in communities of 25,000 or fewer. Medical organizations in communities of all sizes now require the services of physician search firms such as Merritt Hawkins, suggesting that the challenge of recruiting physicians is not limited to traditionally underserved rural areas.

WHAT ARE THEY OFFERING?

The 2010 Review indicates that continued demand for family practitioners, internists and pediatricians is having an upward trending effect on financial incentives. Average salaries or income guarantees offered to family physicians increased from \$161,000 in 2006/07 to \$175,000 in 2009/10 (an 8.7 percent increase), while average salaries or income guarantees offered to general internists increased from \$174,000 in 2006/07 to \$191,000 in 2009/10 (a 9.8 percent increase). Average income offers for pediatricians also have seen gains, from \$159,000 in 2006/07 to \$180,000 in 2009/10 (a 13.2 percent increase). The demand for primary care physicians also is underscored by the fact that the low income offer made to primary care physicians increased in 2009/10, indicating that even outlier opportunities that may be located in particularly attractive areas have had to increase their financial offers to be competitive.

Though many health care facilities scaled back their recruiting efforts during the recession, they nevertheless found it necessary to increase income offers to physicians in certain specialties that remain in relatively high demand and are still difficult to recruit, including both primary care and some specialty areas.

The 2010 Review indicates that some average income offers increased for specialists such as orthopedic surgeons, hospitalists, obstetrician/gynecologists, psychiatrists, neurologists, emergency medicine, pulmonologists, gastroenterologists, hematologist / oncologists, dermatologists, and radiologists. The chart below indicates which specialties saw the largest increases in average income offers year over year.

Specialties Showing Highest Gain in Income Offers from 2008/09 – 2009/10

	<u>2008/09</u>	<u>2009/10</u>	<u>% Increase</u>
Hem/Onc.	\$335,000	\$385,000	14.9%
Neurology	\$258,000	\$281,000	8.9%
Orthopedic Surgery	\$481,000	\$519,000	7.9%
Radiology	\$391,000	\$417,000	6.6%
Dermatology	\$297,000	\$314,000	5.7%

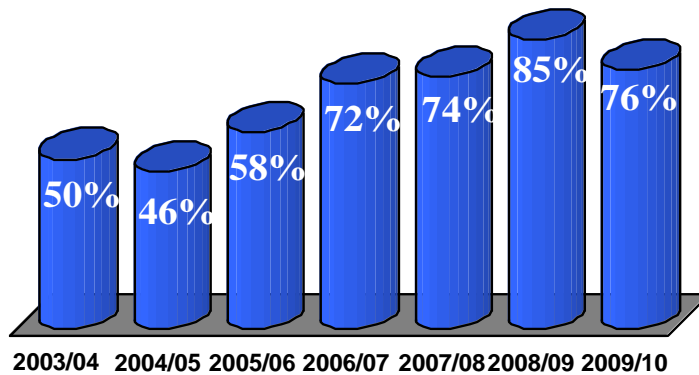
Most income packages offered to physicians today are structured as salaries or salaries with production bonuses, reflecting the growing number of employed physicians. Income guarantees, which typically are offered in independent practice settings, have become progressively less utilized in recent years. A salary or salary with production bonus structure was offered in 86 percent of Merritt Hawkins' recruiting assignments in 2009/10, while income guarantees were offered in only 13 percent of assignments.

Current and past Reviews indicate that the number of hospitals, medical groups and other organizations offering physicians signing bonuses has steadily increased over the last 10 years. In the 1990s, searches offering signing bonuses were the exception; the 2010 Review indicates that they are now generally the rule. Signing bonuses were offered in 76 percent of the recruiting assignments Merritt Hawkins conducted in 2009/10, down from 85 percent in 2008/09 but up from 75 percent and 72 percent in 2007/08 and 2006/07.

Despite the recession, most facilities recruiting physicians “sweetened” the incentive package with a signing bonus.

The following graph illustrates the use of signing bonuses over the last several years.

Searches Offering Signing Bonuses



Signing bonuses offered in 2009/10 averaged \$22,915, down marginally from \$24,850 in 2008/09.

Certain other incentives, such as paid relocation, paid CME, health insurance and malpractice insurance are standard in the majority of Merritt Hawkins’ physician search assignments. The average relocation allowance offered in 2009/10 was \$10,035; down slightly from \$10,427 the previous year, while the average CME allowance in 2009/10 was \$3,335, up from \$3,121 the previous year. In addition, 38 percent of Merritt Hawkins’ 2009/10 search assignments featured medical education loan forgiveness, up from 31 percent the previous year.

SUMMARY

Merritt Hawkins’ 2010 Review of Physician Recruiting Incentives underscores the fact that the recession has an inhibiting effect on physician recruiting activity at many hospitals, medical groups and other healthcare organizations. Nevertheless, competition for physicians in certain specialists remains intense, causing average income offers to increase year over year. Demand for primary care physicians remains particularly strong. Hospital employment of physicians also appears to be increasing as many physicians seek the security and relative simplicity of an employed position. The 2010 Review indicates that recruiting physicians is a national challenge, as Merritt Hawkins conducted search assignments in 48 states in 2009/10. Health reform, which will add millions of insured patients to the mix, significantly increasing demand for physician services, is likely to exacerbate these trends.

MERRITT HAWKINS' ADDITIONAL SURVEYS

Merritt Hawkins is an AMN Healthcare company. AMN Healthcare is the largest healthcare staffing organization in the United States. Other surveys conducted by Merritt Hawkins or other AMN companies include:

- Survey of Physician Appointment Wait Times
- Medical Practice: The Physicians Perspective
- Survey of Physicians 50 to 65 Years Old
- Physician Inpatient/Outpatient Revenue Survey
- Survey of Final Year Medical Residents
- Survey of Primary Care Physicians
- Review of Temporary Healthcare Staffing Trends & Incentives
- Review of Temporary Healthcare Staffing Trends & Incentives (Mid-level Providers)
- Survey of Chief Nursing Officers
- Survey of Men in Nursing
- Survey of Travel Nurses
- Survey of Nurse Students

BOOKS WRITTEN BY MERRITT HAWKINS:

Will the Last Physician in America Please Turn Off the Lights?
A Look at America's Looming Physician Shortage, Fourth Edition
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Merritt Hawkins Guide to Physician Recruiting, Second Edition
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In Their Own Words: 12,000 Physicians Reveal Their Thoughts on Medical Practice in America.
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SPEAKING PRESENTATIONS 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.

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

- *Valuing Physician Staffing Models
- *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

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