

SUMMARY REPORT

2011 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 a company of AMN Healthcare (NYSE: AHS) the nation's largest healthcare staffing organization and a 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' 18th annual review of the search and consulting assignments the firm conducts on behalf of its clients.



The 2011 Review is based on the 2,667 permanent physician and advanced 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, 2010, to March 31, 2011.

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. In addition, 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 and the types of medical settings into which physicians are being recruited.

Following are several key findings of the Review.

KEY FINDINGS

Merritt Hawkins' *2011 Review of Physician Recruiting Incentives* reveals a number of trends within the physician recruiting market, including:

*Demand for physicians remains strongest in primary care. For the 6th consecutive year, family practice and general internal medicine were Merritt Hawkins' top two most requested physician search assignments.

*Hospitals continue to employ physicians in ever greater numbers. 56% of Merritt Hawkins, physician search assignments in 2010/11 featured hospital employment of the physician, up from 51% the previous year and up from 23% in 2005/06. Physicians are seeking the stability of employment, while hospitals are seeking to align with physicians in response to healthcare reform, which is promoting the use of Accountable Care Organizations (ACOs), bundled payments and other physician-aligned and integrated delivery mechanisms.

*In a sign of increased physician employment, salaries have almost entirely replaced income guarantees (traditionally used to recruit private practice physicians) as a compensation model. Only 9% of physician search assignments Merritt Hawkins conducted in 2010/11 featured income guarantees, down from 21% in 2006/07 and down from 41% in 2003/2004.

*The majority of search assignments (74%) Merritt Hawkins conducted in 2010/11 featured a salary with production bonus. Most such bonuses (52%) are based on a Relative Value Units (RVU) formula. Though health reform encourages the use quality or cost based compensation metrics, few search assignments Merritt Hawkins conducted in 2010/11 featured such metrics. Volume/production remains the standard.

*Reimbursement cuts and declines in elective procedures have significantly reduced volume of search assignments for certain specialists. Radiologists, cardiologists and anesthesiologists, all among Merritt Hawkins' most requested search assignments four to five years ago, were the firm's 17th, 18th, and 19th most requested assignments in 2010/11.

*Patient aging, a stagnant economy, two wars, and a limited supply of practitioners continues to drive demand for psychiatrists. Psychiatry was Merritt Hawkins' 4th most requested search assignment in 2010/11, up from 10th four years ago.

*Signing bonuses, relocation and continuing medical education allowances remain standard in most physician recruitment incentives packages, rather than the occasional "carrot" they were in years past.

*Housing allowances are a new form of recruiting incentive that some facilities are offering to assist physicians. Due to the volatile real estate market, some physician candidates are unable to relocate without such assistance, which was offered in 6% of the recruiting assignments Merritt Hawkins conducted in 2010/11, up from less than 1% in previous years.

*Demand for physicians is not confined to traditionally underserved rural areas. A plurality of search assignments Merritt Hawkins conducted in 2010/11 (44%) took place in communities of 100,000 or more while 22% of assignments took place in communities of 25,000 or less.

***For additional discussion or a copy of the complete survey please contact
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