

5 Compensation Considerations for Entry-Level Physicians

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Newly-minted physicians are in high demand. A [2015 survey](#) by Merritt Hawkins found that almost two-thirds of final-year medical residents has been approached more than 50 times by recruiters. Moreover, demand among patients and healthcare organizations continues to outstrip the supply of entry-level physicians, according to a [report](#) issued by the Association of American Medical Colleges in April 2016, indicating competition will only increase. With all this competition, how can hospitals and health systems improve their ability to recruit the physicians they need and want?

Five areas of focus can help in this endeavor.

Identify competitors and differentiate the health system or hospital accordingly. Depending on a new physician's specialty, the physician will likely be approached with recruitment offers by private practices, hospital-owned physician groups, urgent care centers, ambulatory surgery centers, and/or large specialty staffing companies. It is important for an organization's recruiters to make clear to new physicians how the organization differs from others in terms of workload, compensation, benefits, and professional opportunities.



Make compensation packages flexible so it is possible to accommodate each physician's priorities. A new physician may, for example, be worried about student debt and be attracted to a compensation package with loan repayment/forgiveness over a one- to three-year period, even if the overall value of the package is the same as one without that provision. Other helpful tools include flexible work arrangements and desirable fringe benefits.

Set compensation guarantees at reasonable levels to avoid the “cliff.” For example, consider a productivity-driven compensation package for internists set at \$50.00 per work relative-value unit (WRVU) with a one-year guarantee of at least \$250,000. If a physician hasn't built his or her practice to 5,000 WRVUs by the end of Year 1, that physician will see a large drop in income in Year 2. New physicians often are more focused on the guarantee figure than the underlying factors and may not see the drop coming. Setting temporary guarantees at reasonable levels, supporting recruits in building their practices, and giving them lots of data on compensation-related performance can prevent dissatisfaction.

Understand the factors that affect compensation within a given specialty. Certain specialties have greater differentials in compensation related to experience than other specialties. According to the Medical Group Management Association, the median hospitalist with 3 to 7 years in practice makes roughly 10 percent more than his counterpart with 2 years or less in practice, while the median family practitioner experience makes roughly the same amount whether he or she has 3 to 7 years or less than 2 years of experience. Moreover, physicians in certain specialties (e.g., gastroenterologists) may be better suited to productivity incentives, while others (e.g., urgent care) tend to be paid using a shift-based rate.

Focus on retention. Physician turnover has become a larger issue as more new physicians choose hospital employment over private practice and demand for new physicians outstrips supply. A [report](#) by the healthcare data provider SK&A notes that the average physician move rate was 12 percent in 2015. Healthcare organizations can structure their compensation packages to incentivize longevity using mechanisms such as base pay that increases with tenure or annual retention bonuses. These tend to be much less expensive than the cost of recruiting a replacement. ●

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