What If Your In-House Physician Recruiting is Not Working?

The Benefits of Recruitment Process Outsourcing for Healthcare Organizations

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Let’s start with an area of agreement: the growing physician shortage depicted in Figure 1, coupled with an aging physician supply, have combined to create a perfect storm of challenges for physician recruiters. The American Medical Association estimates that more than a third of the nation’s 900,000 practicing physicians are 55 and older, with most expected to retire in the next decade.¹

Meanwhile, the Association of American Medical Colleges (AAMC) Center for Workforce Studies warns that with the 30 million new patients healthcare reform is expected to bring into the system, we are already short nearly 14,000 physicians. By 2025, that gap will rise to 130,600.²

Another alarm comes from the Council on Graduate Medical Education, which predicts a shortage of 96,000 physicians by 2020. And yet, the Bureau of Health Professions estimates that the growth and aging of the population will lead to a 22 percent increase in demand for physician services by 2020.³ Even the recession has not slowed the need for physicians at hospitals and other healthcare organizations.⁴

Finding and hiring those doctors is no easy task, as recent surveys reveal:

- The Medical Group Management Association’s (MGMA) In-House Recruitment Benchmarking Survey 2010, based on 2008 data, found it took an average of 180 days to fill positions for internal medicine or family practice physicians.⁵

- A 2010 survey of members of the Association of Staff Physician Recruiters (ASPR) found that 61% of recruiters felt that physician recruiting was “more difficult” than the previous year, a four percent increase over the previous year.⁶ They also said that their greatest challenge was sourcing enough qualified candidates.

Meanwhile, declining housing values and the high unemployment rate also contribute to recruiting challenges, making it more difficult to entice physicians and their families to relocate.

Figure 1 Predicted Physician Shortage

Current shortage is approximately 15,000 full-time physicians; by 2025, that is projected to climb to 124,000-159,000.

Source: American Association of Medical Colleges
Physician Recruitment as a Revenue Generator vs. Cost Center

Too often, recruitment efforts are viewed as cost centers. That is a backwards approach. In reality, the average physician generates an average of $1.5 million in revenue each year (Figure 2).

Just a four-month lag in recruiting an orthopedic surgeon could cost nearly $706,000 in lost revenue. The six months the MGMA survey found was required to recruit a primary care physician? A loss of $811,000. Obviously, physician groups and health systems cannot afford to fall behind on physician recruitment.

In-House Department, Outsourced Firm, or RPO Service?

Given the tremendous challenge hospitals and physician groups face today in recruiting doctors, it is important to identity the most successful—and cost effective—recruitment strategy. Which begs the question: In-house, outsourced firm, or, a new paradigm, recruitment process outsourcing (RPO)?

It appears that more multi-specialty groups and hospital systems are going the in-house route. One clue: membership in the Association of Staff Physician Recruiters (ASPR) has jumped from 400 just a few years ago to 1,660 today.

One reason is cost. While it costs an average of $18,000 to $35,000 per physician recruited through a third-party search, a single in-house recruiter costs about $70,000 a year in salary and benefits.

Thus, facilities that have an in-house system that works well have good reason to stick with that model. However, we find that only a handful of large hospital systems have the necessary resources and knowledge to go that route.

Oftentimes, the typical in-house physician recruiter is only able to spend slightly more than a third of his or her time actually recruiting doctors.

Figure 2 2010 Average Annual Revenue Generated by All Physicians Specialties

![Figure 2](source: 2009 Merritt Hawkins Review of Physician Incentives)
The rest, as Figure 3 demonstrates, is spent recruiting other healthcare and administrative professionals and completing administrative tasks, such as attending meetings, training for non-recruitment tasks, etc.ix

Within the time devoted to physician recruitment are 13 separate tasks, ranging from sourcing research, which requires about a quarter of the time recruiters devote to physician recruitment, to CV mining (17%), managing advertising (15%), and teleprospecting viable candidates (10%).

On average, in-house recruiters report that they must interview five physicians for each hire and require 180 days to fill an opening.

Many in-house physician recruiting departments find they must supplement their internal methods with third-party search firms. The ASPR found in its 2010 survey that “regular” use of such firms increased from 20 percent in 2009 to nearly 27 percent.viii A third of respondents said they used search firms on difficult searches. Meanwhile, the percentage of in-house recruiters who said they infrequently used search firms dropped from 42.2 percent in 2009 to 30.7 percent in 2010.

However, respondents’ perceptions of and experiences with such firms are less than ideal, as shown in Figures 4 and 5 (next page). In a 2010 survey by MedicusFirm of ASPR members, 72.5 percent of respondents indicated that the fee structures are what they like best about contingency firms. Only 2.9 percent said they liked the quantity best.

The same was true for the quality of physicians as well as the success rate. In fact, nobody who completed the survey indicated that the proven search process was what they liked best. And 14.5 percent of respondents answered the question with “not applicable.”

In the same survey, ASPR members were asked what they like best about retained search firms. Only 12.9 percent were impressed with the quality of candidates, and 47.1 percent of respondents answered “not applicable.”

Figure 3: Typical Duties of In-House Recruiter

Source: ASPR and internal surveys
Luckily, third-party search firms are not the only option open to in-house physician recruiters.

Recruitment process outsourcing has been used by other industries for years. Through RPO, a third-party vendor provides a turnkey recruitment program, including management, staff, technology, job validation, metric reporting, and presentation of final candidates for hiring.

Some versions of RPO include managing the recruitment process from within the organization,

Figure 4  “If you work with contingency firms, what do you like BEST about them?”

Source: MedicusFirm. 2010 Corporate Contributor ASPR Member Survey.

Figure 5  “If you work with retained firms, what do you like BEST about them?”

Source: MedicusFirm. 2010 Corporate Contributor ASPR Member Survey.
in much the same way that an emergency physician practice contracts to run an emergency department in a hospital, providing a seamless integration with existing resources.

Table 1 depicts some of the advantages and disadvantages of typical in-house departments and those that utilize recruitment process outsourcing.

Recruitment process outsourcing offers a new paradigm for provider recruitment. The trade organization for the RPO industry, RPO Alliance, defines RPO as occurring when an “employer transfers all or part of its recruitment processes to an external service provider . . . (who may) provide its own or may assume the company’s staff, technology, methodologies and reporting.”

### Table 1 In-House Versus Outsourced Versus RPO Physician Recruitment

<table>
<thead>
<tr>
<th>Typical In-House Recruitment</th>
<th>Recruitment Process Outsourcing</th>
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<tbody>
<tr>
<td>• Time split between recruiting and other roles</td>
<td>• Complete focus on recruitment process</td>
</tr>
<tr>
<td>• Robust database, but limited time to use it</td>
<td>• Robust database and expert database management</td>
</tr>
<tr>
<td>• Control over interview process, but no time to train staff on interviewing skills and techniques</td>
<td>• Complete control over interviewing process</td>
</tr>
<tr>
<td>• Limited advertising budget, or budget spent on a couple of third-party search firms</td>
<td>• Economies of scale for national advertising that results in greater national access to potential recruits</td>
</tr>
<tr>
<td>• Viewed as cost center rather than revenue generator</td>
<td>• Less expensive than typical in-house program</td>
</tr>
<tr>
<td>• Data collection and metrics often an afterthought</td>
<td>• Data collection and benchmarking metrics incorporated</td>
</tr>
<tr>
<td>• Competing priorities</td>
<td>• Focused on search; no competing priorities</td>
</tr>
<tr>
<td>• Compensation that does not align with retention</td>
<td>• Contract based on placements/retention</td>
</tr>
<tr>
<td>• Reliance on third-party search firms for some or all openings</td>
<td>• Better hires, resulting in less strain on retention</td>
</tr>
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In all cases, RPO differs greatly from providers such as staffing companies and contingent/retained search providers in that it “assumes ownership of the design and management of the recruitment process and the responsibility of results.”

The goal of RPO is to improve an organization’s time to hire, increase candidate quality, and reduce costs while increasing revenue by filling critical physician positions quicker. It can also help centralize physician recruiting for large healthcare organizations.

A major driver of RPO in other industries is the need for talent in areas in which a ‘war for talent’ is occurring. Interviews with 35 RPO providers by market intelligence company NelsonHall found that in addition to such talent competition, companies turned to RPO for several other reasons, including the need to:

- Fill positions more quickly
- Reduce costs
- Shift risk/accountability to third-party providers
- Enable the organization to focus on patient care
- Bring in high-quality, diverse employees
- Provide process improvement, foster innovation, and a more streamlined approach to recruiting

Overall, the NelsonHall analysis found, companies that used RPO reduced their time to hire by 43 percent and their recruitment costs by 24 percent.

While other industries recognized the benefits of outsourcing a task not aligned with its core competencies and objectives, the healthcare industry, as in so many other areas, has been slow to follow.

Given the perfect storm now facing the industry in physician recruitment, however, it may have just reached the tipping point.
RPO in the Healthcare Industry: A Case Study

In 2005, the Fallon Clinic, a large, private multi-specialty group practice in central Massachusetts, turned to RPO for its physician recruiting needs. The clinic employs more than 250 physicians who practice in more than 20 locations and handle more than 1.2 million patient visits per year.

During the first two years of the program, the RPO company placed its own employee within the healthcare organization to provide sourcing expertise. The goal was to create an in-house recruiting operation as depicted in Table 2.

Table 2: Tasks Involved in Creating In-House Recruitment Operation for Fallon Clinic

- Tracking progress and results of vendor candidate sourcing activity
- Developing an initial candidate screening protocol and progress monitoring system
- Establishing a protocol to match candidates both professionally and personally to each opportunity
- Developing a protocol to identify professional or cultural barriers to recruitment for each opportunity
- Creating a platform to address and resolve identified barriers to recruitment with each opportunity
- Establishing a process to include existing providers in the recruitment process
- Incorporating the third-party supplied recruiter to the clinic’s staff environment
- Empowering the third-party recruiter to communicate with stakeholders in the recruitment process
- Establishing a protocol for pass off of first-phase sourced and matched candidates to the on-site recruiter
- Developing an interview pathway to portray an accurate presentation of the practice opportunity
- Developing a positive introductory presentation of the local communities for candidate families
- Developing a process to pass off interviewed candidates to the final negotiation team when appropriate
- Creating a two-way debriefing process for all candidates interviewed regardless of outcome
- Developing an end-to-end management tracking system to tie in all components of the total process
Midway through the five-year contract, the clinic switched vendors, choosing one that could reduce costs further and improve production. Overall, the program resulted in a 40 percent cost reduction while filled searches increased from an average of 29.3 to 42, a 44 percent increase. The clinic spent $1 million less on recruitment while experiencing significantly improved results.

The increase in number of physicians hired and speed of sourcing and hiring enabled Fallon Clinic to increase its revenue by $24 million over a four-year period. This revenue was directly related to both the timely recruiting and retention efforts that the RPO model afforded the clinic. The retention rate at Fallon Clinic over the last four years has improved dramatically. The clinic’s rate of turnover is 2.5 percent, compared to the national average of 5.9 percent.

In addition, Fallon Clinic created a culture of recruitment that involved existing physicians in recruiting new physicians. This helped raise rates of retention and increased support services available for new physicians.

The Fallon Clinic program validated the need for the following key elements of any RPO program:

1. A reliable and consistent flow of candidate sourcing
2. Milestone-based monitoring of every aspect of the process
3. A driving philosophy of matching professional and personal requirements
4. Senior level involvement by the organization and RPO company
5. Onsite concierge-style coordinator who is task focused and not distracted by non-recruitment related tasks

The reality is that as physician recruitment becomes more challenging with greater competition, healthcare systems need to examine their current processes to ensure that they are maximizing their resources and receiving the return on investment they deserve. If not, it is time—actually, past time—to consider other options, including RPO.
REFERENCES


v In-House physician recruiters focus on primary care physicians. MGMA. Available at: http://www.mgma.com/press/default.aspx?id=33432


viii MedicusFirm. 2010 Corporate Contributor ASPR Member Survey.

ix ASPR and internal surveys


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