

Summary Report

2005 Review of Temporary Physician Staffing Trends

Overview

Staff Care, Inc. is a national physician staffing firm specializing in matching temporary (i.e., *locum tenens*) physicians in all specialties with hospitals, medical groups, government facilities and other health care organizations requiring temporary physician services. Staff Care, Inc. is a member of The MHA Group of health care staffing companies.

This report marks Staff Care's fourth Review of Temporary Physician Staffing Trends. The purpose of the Review is to quantify trends and attitudes in temporary physician staffing and to provide benchmark data that may be useful to health care professionals and others who monitor developments in the health care staffing industry.

Methodology

The 2005 Review is based on telephone surveys conducted by Staff Care, Inc. marketing and recruiting professionals and on a review of the firm's 2004 temporary staffing assignments.

Part I of the Review examines trends among the users of temporary physician services, including traditional acute care hospitals, state-supported facilities such as behavioral health centers and correctional facilities, and medical groups.

Part II of the Review examines trends among physicians working on a temporary (*locum tenens*) basis, including how they select opportunities, how they are perceived by colleagues, etc.

Part III of the survey is a review of the temporary physician staffing assignments Staff Care, Inc. conducted in calendar year 2004 and projections of Staff Care temporary staffing activity for 2005. The breakdown of assignments by specialty, location and other factors is offered as an indicator of current physician supply and demand trends in *locum tenens*. Part III includes estimates of the current size of the temporary physician staffing market based on an extrapolation of Staff Care's market share of the industry.

The telephone surveys were conducted over the three month period from February 1, 2005 to April 30, 2005. Respondents were self-selected and included both Staff Care, Inc. clients and non-clients and both physicians who have been matched to assignments by Staff Care, Inc. and those who have not.

PART I

Survey of Users of Temporary Physician Staffing Services

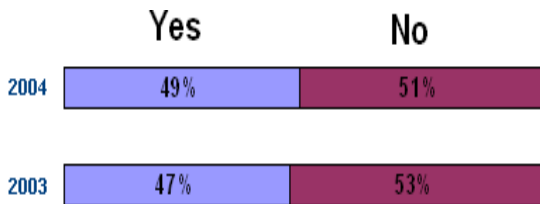
Number of Surveys Completed = 602

Types of Facilities

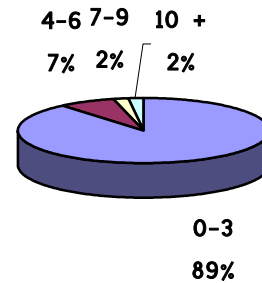
Acute care hospitals.....	61%
Government facilities (correctional, behavioral, military)....	19%
Medical Groups.....	15%
Other.....	5%

Questions Asked and Responses Received

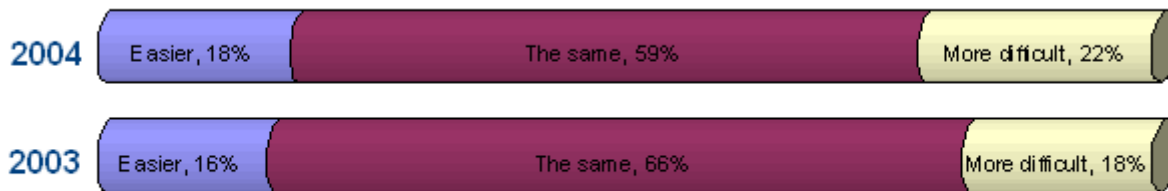
Looking for Locums?



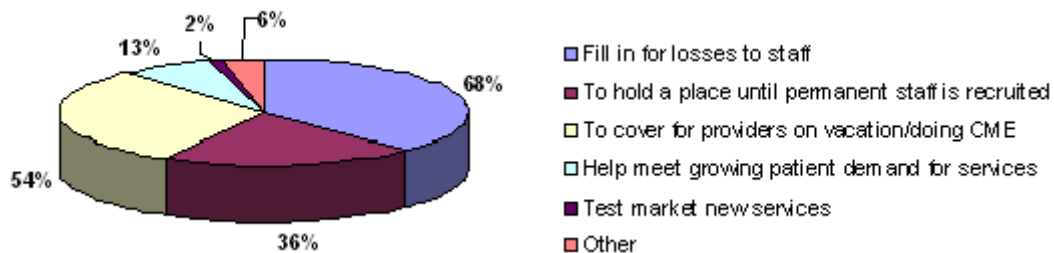
Monthly Locums Use



The Process Compared To Last Year



Why Use Locum Tenens?



Benefits of Locum Tenens

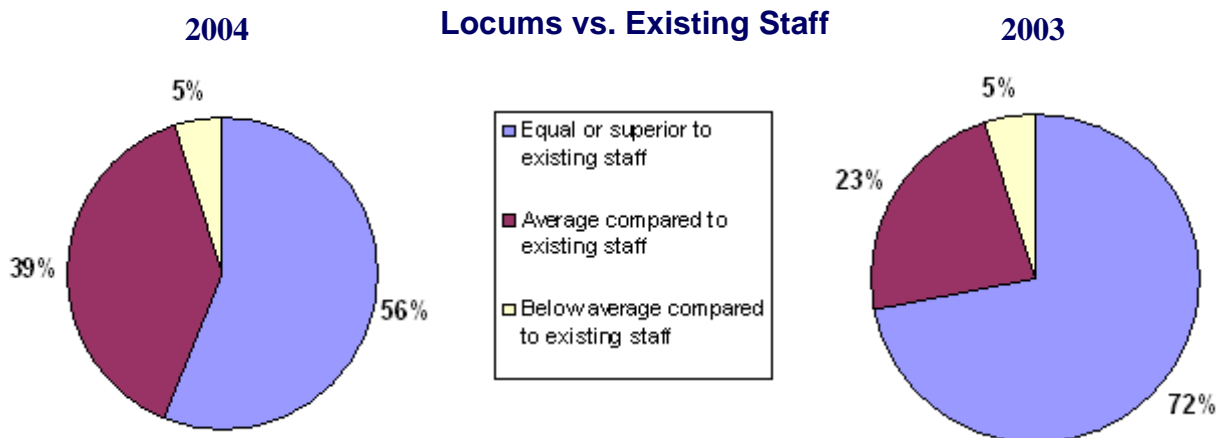
PROs

CONs

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Prevent loss of revenue	44%	36%	38%	16%
Maintain continuity of care	76%	72%	74%	59%
Prevent "burn-out" of staff physicians	27%	27%	16%	6%
Immediate availability	44%	44%	40%	n/a
Cost	4%	2%	1%	n/a
Other	5%	7%	1%	5%

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cost	82%	80%	74%	55%
Unfamiliar with practice	45%	49%	48%	18%
Learning curve with equipment and procedures	22%	n/a	n/a	n/a
Other	12%	4%	7%	8%

What is YOUR perception?



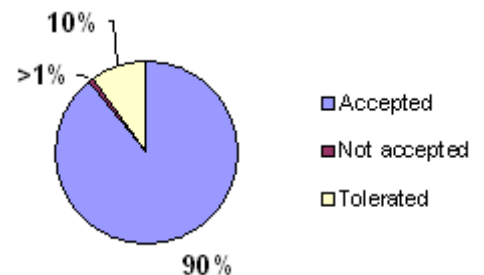
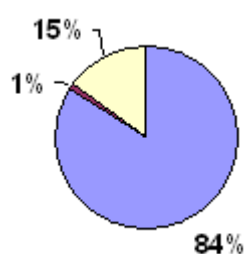
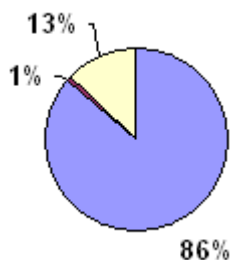
What is THEIR perception?

At your facility, how are locum tenens providers viewed by:

Existing providers

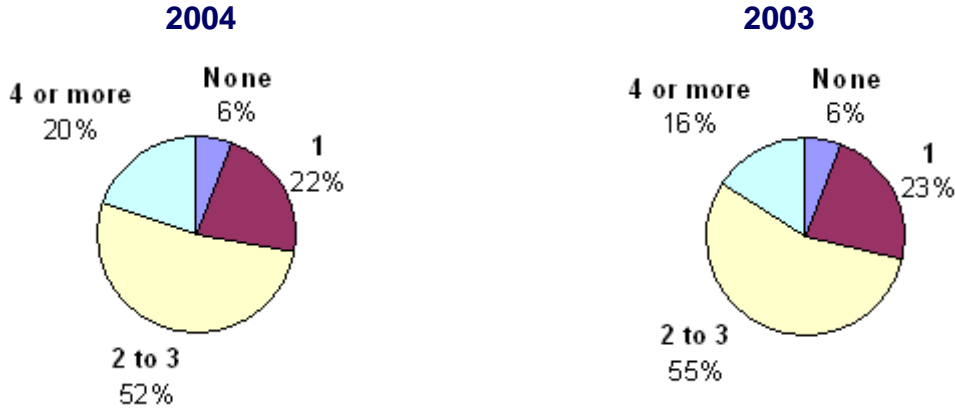
Administration

Patients



During The Search

How many temporary staffing firms do you generally work with?

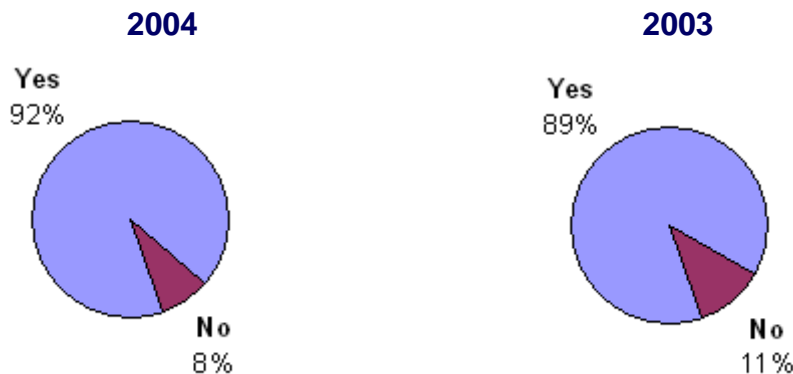


What is the most important factor in selecting a temporary staffing firm?

	<u>2004</u>	<u>2003*</u>	<u>2002*</u>	<u>2001*</u>
Quality of candidates presented	37%	61%	58%	43%
Cost	19%	39%	45%	30%
Promptness/availability of candidate	32%	53%	49%	36%
Customer service	7%	26%	21%	16%
Malpractice insurance	1%	10%	23%	1%
Contract flexibility	2%	8%	12%	9%
Other	3%	3%	3%	7%

**Multiple responses possible in 2003, 2002, 2001*

Are they worth the cost?



Compared to your staff physicians

How do Locum Tenens Physicians Stack Up?

Patients treated per day

	<u>2004</u>	<u>2003</u>
More	5%	2%
Fewer	26%	30%
Same	69%	68%

Time spent with patients

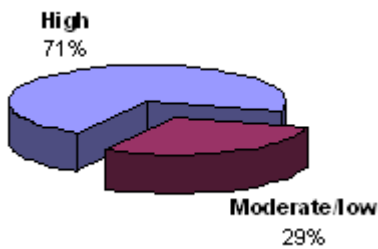
	<u>2004</u>	<u>2003</u>
More	10%	15%
Less	11%	6%
Same	79%	79%

Gross charges generated per day

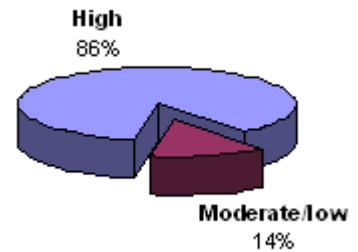
	<u>2004</u>	<u>2003</u>
More	3%	2%
Fewer	27%	26%
Same	70%	72%

What Concerns You About Locum Tenens?

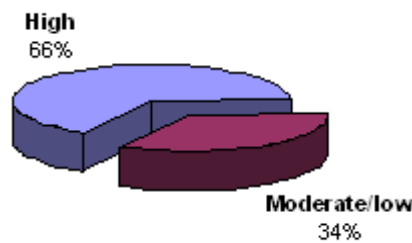
Malpractice



State Medical License



Reimbursement



Trends and Observations

Part I of the Review underscores several trends among the users of *locum tenens* physician services, including managers at hospitals, government facilities and medical groups.

Almost half (49%) of those surveyed indicated that they are currently seeking, *locum tenens* physicians to supplement their existing staffs. This is up slightly from 47% in 2003, indicating that the need for locum tenens services remained widespread in 2004. In addition, 89% of those surveyed indicated they used between 0 and 3 locum tenens physicians in a typical month, suggesting that the use of locum tenens physicians is a regular practice at most facilities.

The majority of those interviewed (68%) indicated that they use locum tenens physicians to fill in for losses to their existing staff. As physicians become more mobile in their careers, switching practice locations more frequently, and as a growing number of physicians retire, loss of staff is likely to remain a key reason why many facilities use locum tenens providers.

Over half of those surveyed (54%) indicated that they use locum tenens physicians to cover for providers on vacation/CME. A “controllable lifestyle” has become increasingly important to physicians, and many are seeking more regular vacation time than doctors often received in the past. This creates gaps in the medical staff, which many facilities are using locum tenens physicians to fill.

Over one-third (36%) of those surveyed use locum tenens physicians to hold a place while permanent staff are being recruited. The national shortage of physicians is making permanent physician search more difficult, further enhancing the need for temporary physicians to fill openings while permanent doctors are being sought.

Those surveyed were not definitive regarding whether or not locum tenens coverage was easier to find in 2004 relative to 2003. Eighteen percent of those surveyed indicated locum tenens coverage was easier to find in 2004 than it was in 2003, while 22% indicated that finding locum tenens coverage was more difficult in 2004 than it was in 2003. The majority (59%) indicated that finding locum tenens coverage in 2004 was neither more nor less difficult than in 2003. While demand for locum tenens services appears to be strong, the number of physicians working on a locum tenens basis is increasing (see Part III.) Finding locums coverage is a challenge because of rising demand, but not completely problematic due to a rising supply of locum tenens physicians.

Most of those surveyed (76%) indicated that the benefits of using locum tenens physicians include maintaining continuity of patient care. Forty-four percent cited preventing a loss of revenue as a benefit of using locum tenens physicians. The principal drawback of using locum tenens physicians, cited by 82% of those surveyed, is cost. However, the great majority (92%) rated locum tenens physicians as being “worth the cost.”

PART II

Survey of Physicians Working On A Locum Tenens Basis

Number of Providers Surveyed = 570

Types of Providers

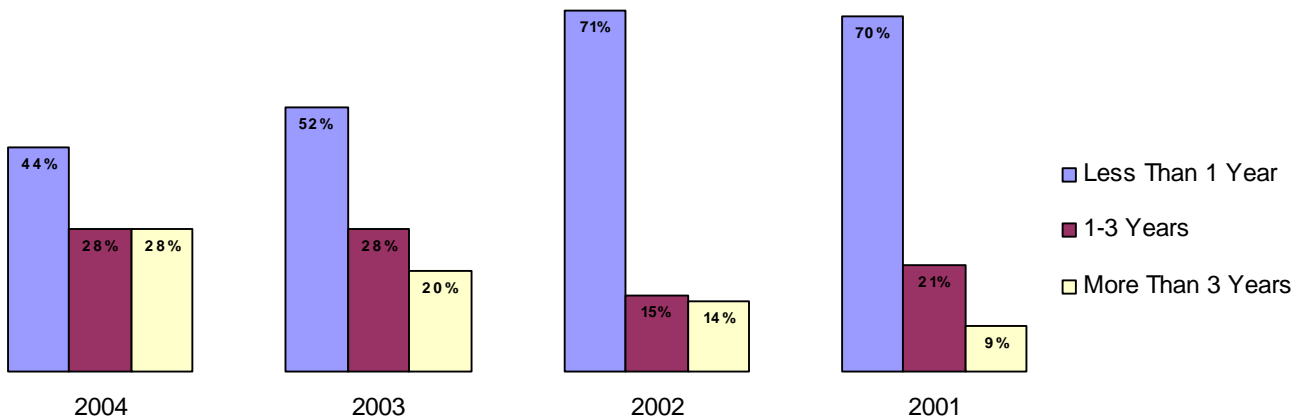
Primary care (family practice, internal medicine, pediatrics)...40%
 Surgical specialists.....38%
 Behavioral health.....15%
 Other.....7%

Questions Asked and Responses Received

How Many Years As A Physician?

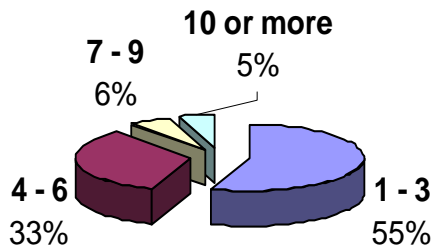


Locum Tenens Experience

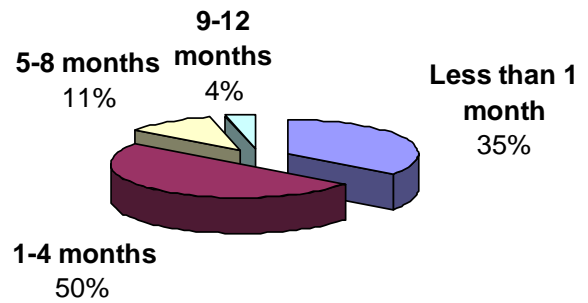


What Works for Locums Providers

Locum Tenens Assignments Per Year



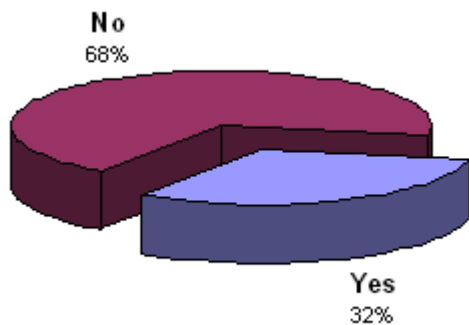
Ideal Assignment Length



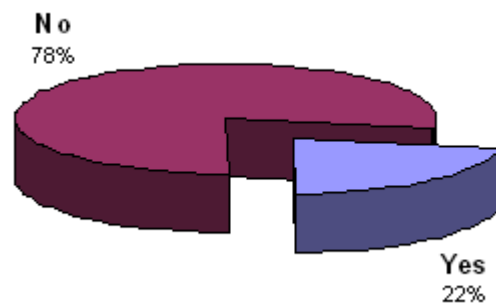
How long do you intend to practice on a temporary basis?

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Until I find a permanent position	18%	28%	30%	33%
Less than 1 year	6%	8%	9%	25%
1-3 years	33%	25%	35%	20%
More than 3 years	43%	39%	26%	22%

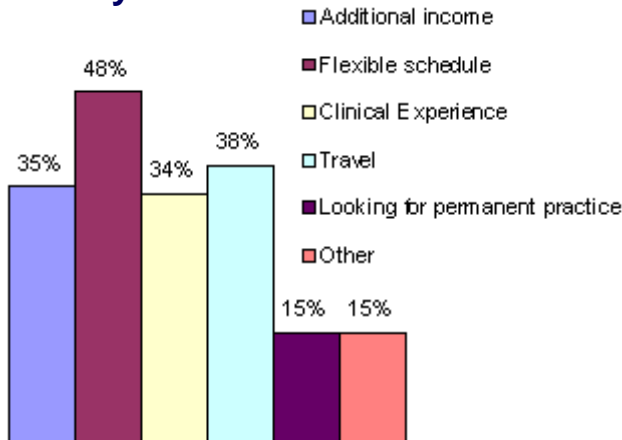
Are You In a Permanent Position?



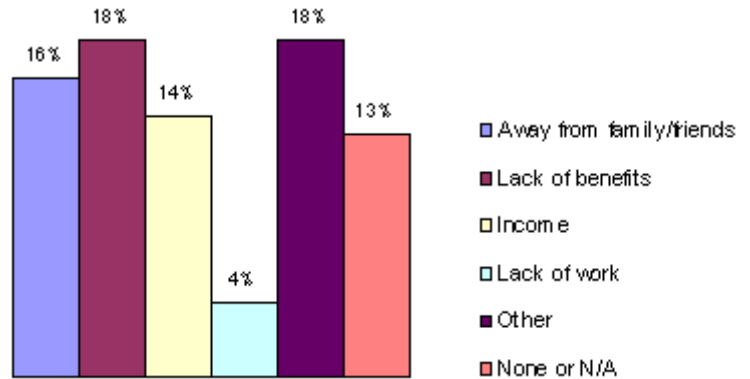
Are You looking For Perm?



Why Practice Locums?



What Are The Drawbacks



**Asked to indicate all that apply*

How many staffing firms do you work with?

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
None	9%	5%	7%	7%
1	40%	35%	46%	30%
2-3	45%	54%	33%	45%
or more	7%	6%	14%	18%

How do you choose a firm?

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Pay rate	49%	61%	45%	40%
Reputation/name recognition	28%	31%	33%	34%
Malpractice insurance	21%	24%	37%	27%
Number of opportunities	28%	49%	36%	12%
Location of opportunities	63%	71%	75%	9%
Customer service	45%	n/a	n/a	n/a
Advertising/Marketing	4%	5%	2%	7%
Other	15%	3%	5%	5%

How do you select temporary opportunities?

	<u>2004</u>	<u>2003</u>
Location	84%	80%
Pay	55%	68%
Type/size of facility	28%	22%
Length of opportunity	45%	60%
Patient load	15%	16%
Other	10%	8%

**Asked to indicate all that apply*

What is your greatest value to the hiring facility?

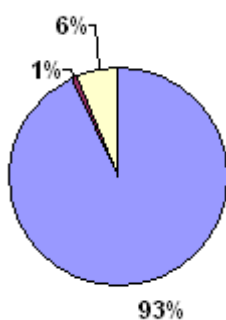
	<u>2004</u>	<u>2003</u>
To generate revenue	15%	36%
To maintain patient care	56%	71%
Prevent staff burnout	8%	21%
Uncertain, N/A	14%	12%
Other	7%	0%

**Multiple responses possible in 2003*

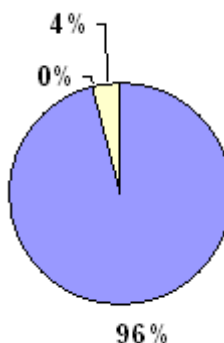
What is YOUR perception?

As a locum tenens provider, how do you feel you are viewed by:

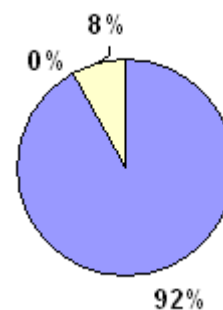
Full Time Physicians



Patients



Administration



■ Accepted
■ Not accepted
■ Tolerated

Trends and Observations

Part II of the Review allows for some general comments about physicians practicing on a locum tenens basis. The majority of locum tenens physicians surveyed (72%) have been working on a temporary basis for three years or less. Many physicians now working on a locum tenens basis are relatively new entrants to the field of temporary practice. This supports Staff Care, Inc.'s estimates showing that the number of locum tenens physicians is growing (see Part III.) Of those surveyed, 65% had 11 or more years of experience as physicians, indicating that the majority of doctors working locum tenens are older, more experienced practitioners.

For the first time, Staff Care, Inc. asked locum tenens physicians how many temporary assignments they work in a typical year. The majority (55%) indicated they work 1-3 assignments per year, while 33% said they work 4-6 assignments. About one-third of those surveyed (32%) are currently in a permanent practice. These physicians, in particular, are likely to only work one or two temporary assignments during the year, "moonlighting" from their permanent practices. The majority of those surveyed (68%) are not in permanent practices and are free to work as many or as few temporary assignments as they prefer.

Fifty-percent of those surveyed indicated that their ideal temporary assignment length is one to four months, while 35% indicated their ideal assignment length is less than one month. Those physicians in permanent practice are likely to have more interest in shorter assignments, while those who are working on a strictly locum tenens basis may prefer longer assignments. The majority of those surveyed (76%) plan to work on a temporary basis for at least one year, while 43% indicated they plan to work on a temporary basis for more than three years. This suggests that a significant number of physicians are electing to make locum tenens a full-time career option.

Locum tenens physicians surveyed pointed to a variety of reasons why they work on a temporary basis. A "flexible schedule" was the most frequently cited reason, though "travel," "additional income," and "clinical experience" also were frequently cited reasons. In general, Staff Care incorporates these reasons under the heading of "practice enrichment," which we believe is the most typical reason physicians work on a temporary basis. However, 15% of those surveyed indicated that they practice on a temporary basis in order to find a permanent practice. Typically, these are younger physicians "test driving" various practice settings through locum tenens until they find the type of setting and location they prefer.

The drawbacks of working locum tenens cited by those surveyed were various. The most frequently cited drawback, "lack of benefits," points to the fact that locum tenens physicians work as independent contractors and are not employees. As such, they are responsible for their own health insurance, though most staffing agencies (including Staff Care, Inc.) will cover their malpractice costs.

The majority of locum tenens physicians surveyed (84%), cited "location" as a reason for selecting a temporary practice opportunity. As independent contractors, locum tenens physicians are not directed to particular locations through staffing agencies. Instead, staffing agencies present physicians with a variety of practice locations. Physicians choose the one they prefer, or they may not choose to select any of the locations offered.

In the early stages of locum tenens practice, dating from the mid-1970's, physicians working locum tenens were not necessarily approved of by their peers, by health care administrators, or by patients. That does not appear to be the case today, however. The great majority of locum tenens physicians interviewed (93%) indicated they are accepted by permanent physicians they work with at their temporary assignments, while 96% said they are accepted by patients, and 92% said they were accepted by administrators.

As the use of locum tenens physicians has become more common, and as privileging requirements and practices have become more stringent, concerns about the quality of care provided by locum tenens physicians are fading.

PART III

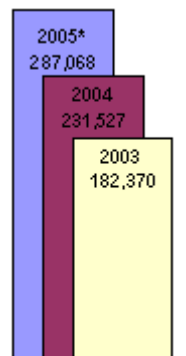
Review of Staff Care, Inc.'s 2004 Temporary Physician Staffing Assignments

In the course of a calendar year, Staff Care, Inc. conducts thousands of temporary physician search assignments for its clients, seeking to match independent contractor physicians in multiple specialties with hospitals, medical groups, government facilities and other organizations requiring the services of *locum tenens* physicians.

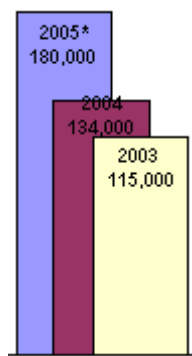
Following is a review of the temporary physician staffing assignments Staff Care, Inc. conducted in calendar year 2004 and projections for staffing activity for 2005. The Review reflects current trends in the locum tenens industry, such as which medical specialties are in the greatest demand and where the demand for temporary physician services appears to be greatest.

States Where Assignments Were Conducted = All 50 states and Washington, D.C.

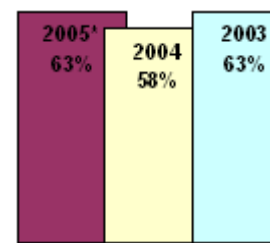
“Physician Days” Requested



Net Number Filled



Assignment fill rate

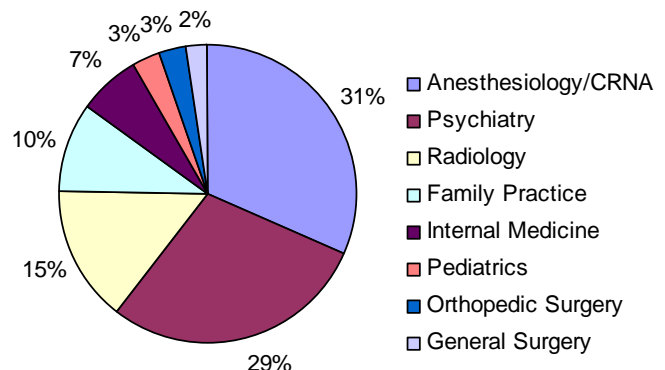


*projected

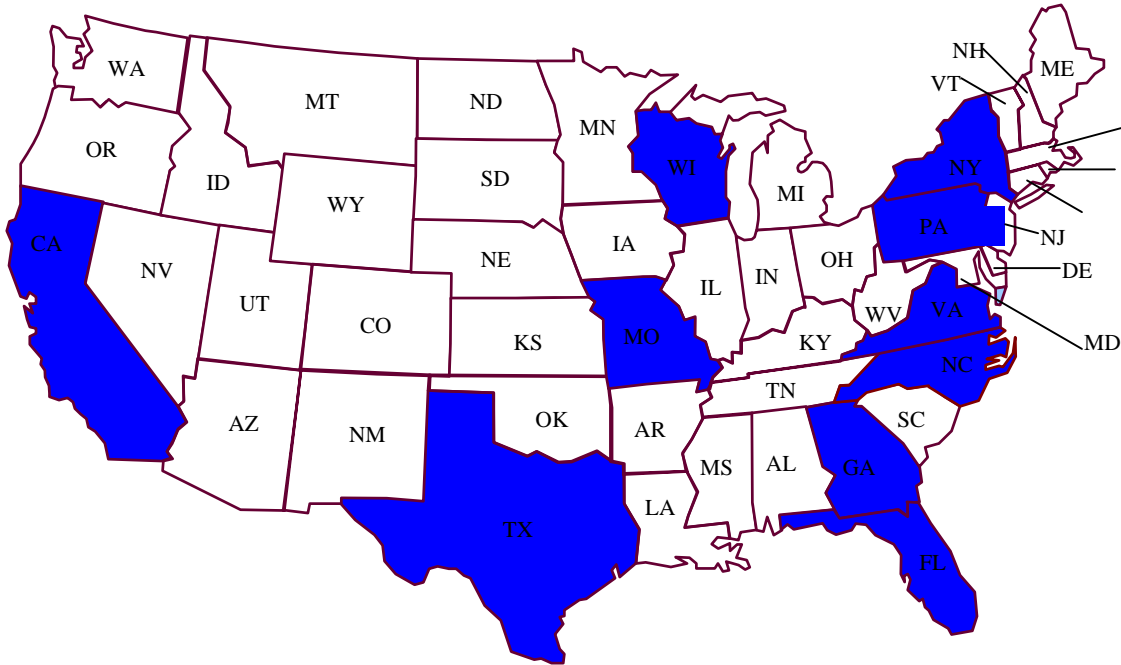
Top Temporary Physician Staffing Assignments By Specialty

Days Requested in 2004

Anesthesiology/CRNA	64,105
Psychiatry	58,113
Radiology	30,114
Family Practice	19,803
Internal Medicine	13,588
Pediatrics	6,297
Orthopedic Surgery	6,206
General Surgery	4,362



Top 10 States by Spending on Temporary Physician Staffing



Total Number of Temporary Providers Matched by Staff Care, Inc.

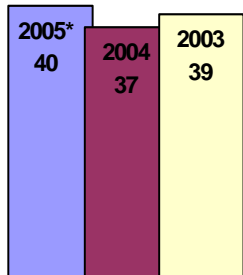
2005*
7,500

2004
6317

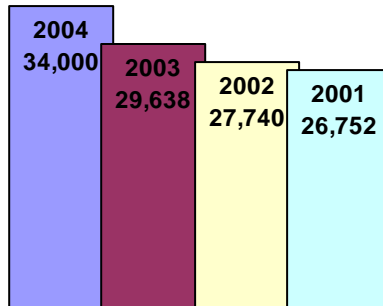
2003
5673

**projected*

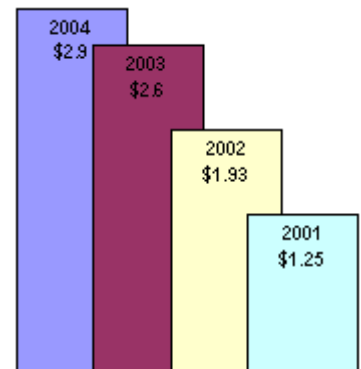
Average Length of Assignment (in days)



Estimate of Physicians Working Locums Nationally



Total Spending Nationally (billions) On Temporary Physician Staffing



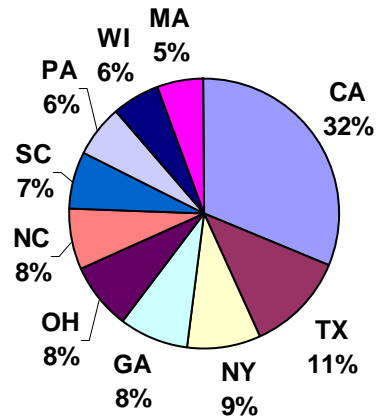
**projected*

Demand for Temporary Physician Staffing Services by State for Specific Specialties

(Based on Physician Days Requested 2004)

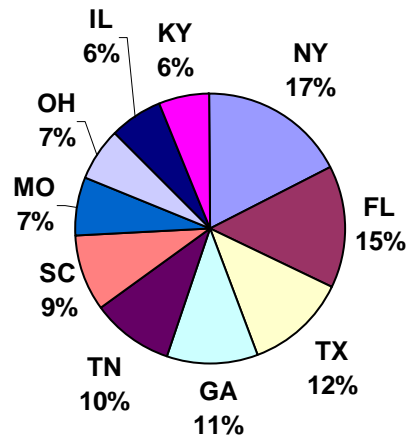
Psychiatry

California	10,745
Texas	3,921
New York	3,019
Georgia	2,874
Ohio	2,677
North Carolina	2,590
South Carolina	2,316
Pennsylvania	2124
Wisconsin	2007
Massachusetts	1,851



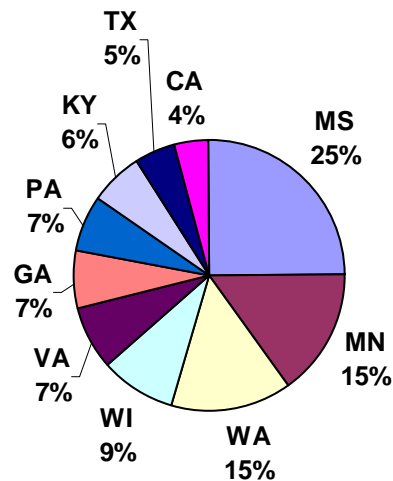
Radiology

New York	2,082
Florida	1,729
Texas	1,394
Georgia	1,301
Tennessee	1,156
South Carolina	1,096
Missouri	812
Ohio	775
Illinois	755
Kentucky	716



Orthopedic Surgery

Mississippi	880
Minnesota	526
Washington	517
Wisconsin	312
Virginia	261
Georgia	247
Pennsylvania	243
Kentucky	229
Texas	161
California	148

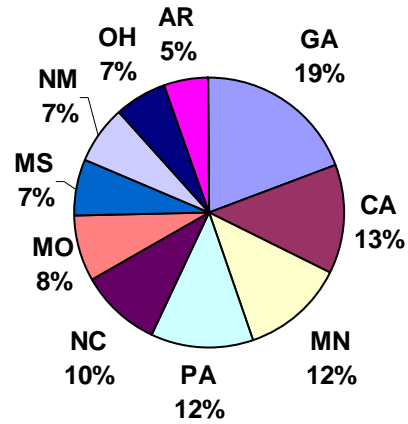


Demand for Temporary Physician Staffing Services by State for Specific Specialties

(Based on Physician Days Requested 2004)

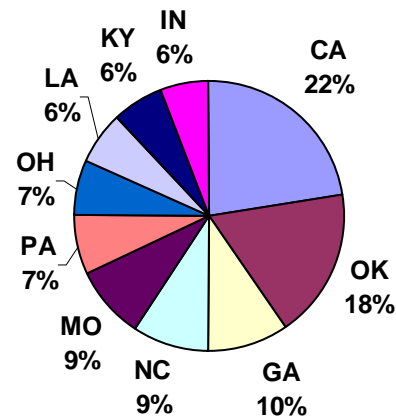
Internal Medicine

Georgia	1,332
California	893
Minnesota	854
Pennsylvania	836
North Carolina	667
Missouri	525
Mississippi	488
New Mexico	462
Ohio	454
Arkansas	353



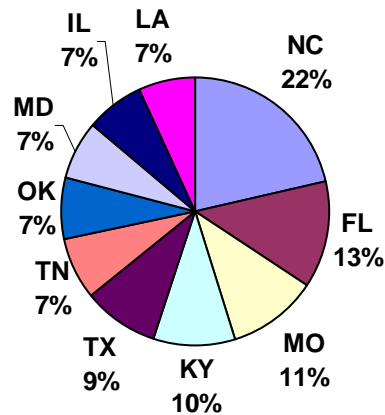
Family Practice

California	2,059
Oklahoma	1,630
Georgia	909
North Carolina	847
Missouri	789
Pennsylvania	653
Ohio	616
Louisiana	582
Kentucky	564
Indiana	534



Anesthesia/CRNA

North Carolina	6,042
Florida	3,703
Missouri	2,996
Kentucky	2,741
Texas	2,601
Tennessee	2,113
Oklahoma	2,093
Maryland	1,998
Illinois	1,979
Louisiana	1,925



Trends and Observations

The Review of Staff Care, Inc.'s 2004 temporary physician assignments signals several trends of note to health care administrators, health care providers, and others tracking developments in physician staffing.

Demand for temporary "physician days" requested by Staff Care, Inc. clients grew from 182,370 in 2003 to 231,527 in 2004, an increase of 21%. Based on numbers compiled through June of 2005, Staff Care projects that the number of physician days requested by clients in 2005 will be approximately 287,000, an increase of approximately 19% over days requested in 2004.

Increase in demand for temporary physicians is linked to the prevailing shortage of physicians nationally, to changing physician practice styles, and to changing physician demographics. Physician shortages are creating gaps in medical staffs that some facilities are filling with locum tenens providers. The growing preference among physicians today for more regular hours and set vacations also is fueling the need for locum tenens physicians.

The Review indicates that anesthesiologists and certified registered nurse anesthetists (CRNAs) are the temporary providers in greatest demand. Part of this demand is driven by the factors referenced above. Other factors include the growing volumes of surgery being conducted in hospitals, clinics, surgery centers and other facilities, and the fact that anesthesiology services are required at most hospitals 24-hours-a-day. This creates "open shifts" that some facilities fill through the use of locum tenens providers.

Psychiatry is another specialty in particular demand. Demand for locum tenens psychiatrists is enhanced by the fact that an increasing volume of psychiatry services are being delivered at correctional facilities. These facilities traditionally have a hard time attracting permanent physicians and often may rely on temporary physicians to maintain services.

The demand for locum tenens providers varies by region and specialty, the survey indicates. California, for example, exhibits a particularly strong demand for psychiatric services and generates three times more requests for temporary psychiatrist days than any other state. The California prison system, taken into Federal receivership in 2005, has system-wide challenges in permanent physician recruitment and uses a high number of locum tenens specialists to supplement existing medical staff.

While demand for locum tenens services is rising, so is the number of physicians who work on a locum tenens basis. The number of locum tenens providers (physicians and CRNAs) Staff Care, Inc. matched with temporary assignments grew from 5,673 in 2003 to 6,317 in 2004, an increase of 10%. Based on numbers compiled through June, 2005, Staff Care, Inc. projects it will match approximately 7,500 providers with temporary assignments in 2005, an increase of 16% over 2004. The increasing number of locum tenens physicians is one reason Staff Care, Inc. projects an assignment "fill rate" of 63% in 2005, up from 58% in 2004.

Based in part on the growing number of providers Staff Care, Inc. is assisting to find temporary assignments, and an understanding of the approximate number of providers other temporary staffing agencies are working with, we estimate some 34,000 physicians practiced on a temporary basis in 2004. This includes an estimate of the number of providers who are arranging for their own temporary assignments directly with hospitals and other health care organizations.

Staff Care, Inc. further estimates that total annual spending on temporary physician and CRNA services nationwide is now approaching the \$3 billion mark. This estimate is based on an understanding of Staff Care's market share in the temporary staffing industry and on an approximation of the number of "physician days" being filled both by agencies and by physicians making direct arrangements with hospitals, medical groups, and other health care organizations. Included in this estimate is spending on "contract management" physician services, such as emergency medicine management or anesthesiology management.

Since 2001, spending on temporary physician services has more than doubled, an indication of the growing demand for temporary physician services and the growing number of physicians practicing on a temporary basis.

For more information about this survey, please contact:

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