

2002

Review of Temporary Healthcare Staffing Trends and Incentives





Summary Report

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Overview

This report marks the first Review of trends in temporary healthcare staffing presented by Staff Care, the nation's largest locum tenens staffing firm. Much of the information presented in the past regarding the locum tenens industry was based upon anecdotal evidence. The purpose of this and future annual Reviews is to quantify trends and attitudes in the temporary healthcare staffing industry and provide a useful benchmark for physicians and healthcare executives alike.

The 2002 Review is based on search assignments and phone interviews with 1,130 administrators at healthcare facilities nationwide and 1,563 locum tenens physicians. The data from search assignments was gathered during the 2001 calendar year, with follow-up interviews conducted between January 28 and February 15, 2002. The sample size for the physician-response portion of the Review represents an estimated 6% of the physicians working on a temporary basis during 2001.

The search assignments and survey responses included in this Review come from all medical settings, including hospitals, groups, solo practices, partnerships, and managed care organizations. The location of search assignments/survey respondents included facilities and providers in all regions, both rural and urban. The breakdown by region and population:

Healthcare facilities surveyed

Northeast (79) Middle Atlantic (130) Southeast (270) Southwest (136)
Midwest (248) West (267)

Rural 576
Urban 554

Physicians surveyed

Northeast (250) Middle Atlantic (188) Southeast (281) Southwest (328) Midwest (203) West (313)

Part I - The Locum Tenens Industry

The modern locum tenens industry took shape less than 25 years ago. In 1987, according to research conducted at the time, only 4% of all physicians ever worked on a temporary basis. By 2000, however, some 15% of all physicians practiced on a locum tenens basis at some point during their career.

Opportunities vary in duration and setting. Several physicians may fill one opportunity. Conversely, one physician may fill several opportunities. The dramatic shortage of physicians is represented by the nationwide fill rate—the percentage of vacant days actually filled by a temporary physician—and number of vacant days at patient care facilities that remain unfilled. The fill rate figure represents an industry average, which includes all specialties and regions. Fill rates vary greatly between specialties and regions. For example, healthcare facilities successfully fill over 80 percent of Family Practice vacancies. Due to high demand and a shortage of physicians willing to practice on a temporary basis, however, Child Psychiatry sees fill rates of less than 20 percent.

The information establishing the size of the locum tenens industry in 2001 represents our best estimate, based upon staffing industry activity and an assessment of independent hiring activity conducted by healthcare facilities. Note that all of the percentages presented in this report are rounded to the nearest full digit.

Physicians Working Locum Tenens 2001 (estimate): 26,752

Locum Tenens Opportunities 2001 (estimate): 65,789

Days Unfilled 2001 (estimate): 585,556

Opportunities/Physician: 2.46

Fill Rate: 41%

Top 10 Locum Tenens Specialties by Demand

The following specialties represent 77 percent of global demand for locum tenens physicians. Demand is measured by days requested for each specialty by employers of physicians, such as hospitals, medical groups, clinics, managed care organizations, solo practices, etc. Radiology made up just over 16 percent of all requests for locum tenens support in 2001.

Specialty	Demand	Opps/Phys.	Rate Change
Radiology	16%	2.91	+23%
Psychiatry	16%	2.54	+15%
Family Practice	13%	1.63	NC
Anesthesiology	10%	2.89	+20%
Internal Medicine	8%	1.61	NC
Child Psychiatry	4%	8.64	+29%
ER	4%	2.01	+6%
ORS	2%	4.11	+20%
Cardiology	2%	2.72	+18%
Pediatrics	2%	1.53	NC

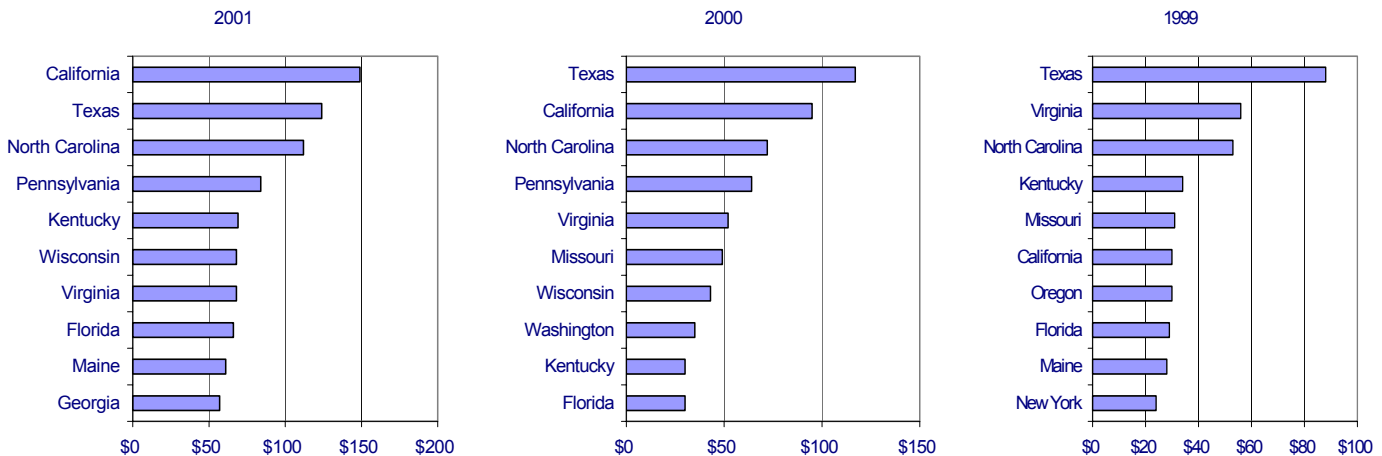
**Rate change measure increase/decrease of locum tenens pay between 6/01 and 12/01*

Trend Toward Specialization, by Demand

The figures suggest, at first glance, rapid erosion in demand for Primary Care physicians. However, we contend that the locum tenens staffing industry expanded to meet a dramatic increase in demand for specialists. This trend toward specialization is mirrored in the permanent physician staffing industry, which reports a similar transition in demand.

	2001	2000	1999	1998	1997
Primary Care	21%	31%	45%	61%	65%
Radiology	16%	13%	11%	4%	3%
Psychiatry	16%	10%	6%	4%	3%
Anesthesiology	10%	10%	9%	3%	2%
ER	4%	5%	7%	10%	10%
Other	33%	31%	22%	18%	17%

Locum Tenens Usage: Top Ten States by Locum Tenens Services Spending (estimate)



**in millions*

Locum Tenens Usage: Total Spending On Locum Tenens Services (estimate)

2001	2000	1999	1998	1997
\$1.93 bill.	\$1.25 bill.	\$899 mill.	\$684 mill.	\$479 mill

The following portion of the 2002 review is based on search assignments and phone interviews with 1,563 locum tenens physicians.

Who works locum tenens?

Gender		Training	
Male	74%	U.S.	82%
Female	26%	Foreign	18%

Years Experience

	Total	Male	Female	US	FMG
Just out of residency/fellowship	11%	11%	10%	9%	20%
1-5 years	26%	25%	29%	25%	30%
6-10 years	15%	11%	28%	17%	6%
11-20 years	21%	23%	14%	18%	32%
More than 21	27%	30%	19%	31%	12%
Ten or fewer	52%	47%	67%	51%	56%
11 or more	48%	53%	33%	49%	44%

How long have you worked on a locum tenens basis?

	Total	Male	Female	US	FMG	-10yrs	11+yrs
Less than 1 year	70%	75%	57%	68%	81%	86%	52%
1-3 years	21%	18%	29%	22%	15%	12%	31%
More than 3 years	9%	7%	14%	10%	4%	2%	17%

How long do you intend to work on a locum tenens basis?

	Total	Male	Female	US	FMG	-10yrs	11+yrs
Until I find a permanent position	33%	40%	14%	34%	33%	40%	26%
Less than 1 year	25%	21%	33%	22%	33%	33%	15%
1-3 years	20%	24%	10%	20%	20%	19%	21%
More than 3 years	22%	15%	43%	24%	14%	8%	38%

Are you currently looking for a permanent position?

	Total	Male	Female	US	FMG	-10yrs	11+yrs
Yes	33%	38%	19%	33%	33%	44%	21%
No	67%	62%	81%	67%	67%	56%	79%

How many firms do you work with?

	Total	Male	Female	US	FMG
None	18%	21%	10%	18%	19%
One	30%	30%	29%	27%	42%
2-3	45%	43%	52%	49%	31%
4 or more	3%	2%	5%	2%	5%
No answer	4%	4%	4%	4%	3%

How do you select a firm? (more than one answer possible)

	Total	Male	Female	US	FMG	-10yrs	11+yrs
Pay rates/incentives	40%	36%	52%	39%	47%	39%	43%
Reputation/name recognition	34%	30%	43%	33%	35%	31%	36%
Malpractice insurance/benefits	27%	26%	29%	28%	21%	27%	27%
Number of opportunities	12%	15%	5%	12%	14%	12%	12%
Location of opportunities	9%	7%	15%	9%	8%	13%	4%
Advertising	7%	8%	2%	5%	16%	7%	6%
Other	5%	5%	4%	5%	4%	5%	4%

By region:

	NE	MA	SE	SW	MW	W
Pay rates/incentives	58%	58%	20%	42%	57%	22%
Reputation/name recognition	42%	31%	21%	13%	53%	49%
Malpractice insurance/benefits	21%	23%	26%	41%	34%	16%
Number of opportunities	16%	11%	18%	2%	18%	13%
Location of opportunities	2%	1%	15%	12%	16%	6%
Advertising	8%	5%	6%	13%	3%	2%
Other	9%	6%	7%	2%	1%	4%

Which states/regions do you wish to work in? (more than one answer possible)

	Total	Male	Female
Home state	22%	14%	45%
Home region	46%	47%	44%
Open	24%	28%	13%
Specific state/region	27%	26%	31%

Which states/regions do you wish to avoid? (more than one answer possible)

	Total	Male	Female
All others	13%	9%	24%
Rural	3%	3%	2%
Specific states	12%	15%	4%
Specific regions	34%	28%	48%
None/non-specific	57%	60%	55%

Part I - Trends and Observations

Staff Care's 2002 Review of Temporary Healthcare Trends and Incentives reveals several significant trends shaping locum tenens recruitment.

Demand for specialists continues to alter the shape of an industry once securely focused on Primary Care staffing. 2001 marks the first year since we began tracking demand data that requests for Family Practice physicians failed to dominate locum tenens searches. In 2001 Radiology and Psychiatry searches outpaced FP requests. A mere five years ago, Primary Care searches absorbed 65 percent of all locum tenens staffing efforts. Now that figure stands at 21 percent.

This dramatic shift does not imply a severe decrease in the number of Primary Care physicians practicing on a temporary basis, nor does it suggest a drop in actual demand. It results from the industry's expansion into Radiology, Anesthesiology, Urology, Psychiatry, and other specialties in response to the growing physician shortage. Five years ago, the locum tenens industry neared the half-million dollar mark. In 2001 healthcare facilities spent close to \$2 billion on locum tenens services.

Several factors drive demand for Radiologists: the supply of physicians decreased over recent years as medical graduates were directed toward Primary Care and away from the

specialties; the diversification of imaging modalities and their availability; patient aging; and Medicare reimbursement approval for imaging services. Similar factors affect the supply and demand for Anesthesiologists. As a result, daily rates for both specialties increased dramatically, jumping 23 percent and 20 percent respectively over a six month period in 2001.

The industry is changing in other ways, as well. For the first time, according to our records, physicians with less than 10 years of patient care experience outnumbered their older colleagues in temporary practice. Indeed, physicians just out of residency or fellowship programs represent the fastest growing segment—making up only one percent of the locum tenens population five years ago versus 11 percent in 2001. Much of this increase is due to younger physicians “test driving” opportunities before settling into a permanent practice setting or location. The report also suggests that female physicians find a locum tenens practice more attractive than in the past. Female physicians tend to remain in the industry longer than their male counterparts, express a greater interest in locum tenens as a career, and work with more staffing firms. They now make up just over a quarter of all physicians filling locum tenens positions.

Regulations and malpractice insurance issues continue to affect the locum tenens industry. Malpractice costs in certain states—West Virginia and Pennsylvania, for example—soared in 2001. This in turn generated overwhelming demand for locum tenens as staff physicians fled those areas. Yet licensure regulations in Kansas, Mississippi, and other states hindered recruitment of locum tenens physicians there. Malpractice coverage for temporary physicians forced staffing firms to change their operations, as well.

Part II - The Need For Locum Tenens: Demand and Hiring

Healthcare facilities spent an estimate \$1.9 billion on locum tenens services in 2001. Data reflecting overall spending for traveling imaging technologist services may exceed that figure.

Clearly facilities have developed a level of reliance on temporary physicians and technologists. Administrators recognize that locum tenens and travelers offer strategic benefits—test marketing the need for a new position or specialty, for example—yet comparatively few seek temporary providers for reasons other than recruiting or vacation coverage.

The following portion of the 2002 Review is based on search assignments and phone interviews with 1,130 administrators, directors, and physicians responsible for recruiting.

Why consider locum tenens physicians? (More than one answer possible)

	Total
Hiring permanently	50%
Vacation coverage	42%
Increase in census	13%
CME coverage	8%
Tourism	5%
Test marketing need	3%
Other	5%

What are the benefits of using locum tenens physicians?

	Total
Staffing shortage coverage	59%
No lost revenue	16%
Increased census coverage	10%
Prevent staff burnout	6%
No lost referrals	4%
Other	5%

What are the drawbacks of using locum tenens physicians?

	Total
Cost	55%
Familiarity with practice	18%
Continuity of care	11%
Licensure delays	8%
Team commitment	4%
Other	4%

What times of year do you typically use locum tenens services?

	Total
Summer	21%
Holiday (winter)	18%
Spring	15%
Fall	5%
Year-round	41%

How much time does it usually take to fill a temporary need? (measured from first day advertised to first day filled)

	Total
Less than 2 weeks	8%
3-4 weeks	26%
1-2 months	37%
More than 2 months	3%
Depends on season	26%

The following questions illustrate some of the differences in demand and hiring between communities and regions

How much time do you allow in your hiring process before you consider temporary physicians?

	Total	Rural	Urban
Consider immediately	33%	32%	35%
Less than 1 month	21%	15%	27%
1-3 months	26%	34%	17%
More than 3 months	20%	19%	21%

By region:

	NE	MA	SE	SW	MW	W
Consider immediately	34%	37%	39%	41%	29%	25%
Less than 1 month	11%	21%	23%	20%	24%	19%
1-3 months	33%	16%	32%	10%	32%	25%
More than 3 months	22%	26%	6%	29%	15%	31%

What is your perception of the skill level of temporary physicians?

	Total	Rural	Urban
Extremely well qualified	42%	40%	44%
Equal to current staff	43%	45%	40%
Below average	7%	8%	7%
No opinion	8%	7%	9%

By region:

	NE	MA	SE	SW	MW	W
Extremely well qualified	47%	53%	25%	34%	52%	46%
Equal to current staff	50%	23%	60%	39%	30%	46%
Below average	3%	3%	9%	10%	10%	6%
No opinion	0%	21%	6%	17%	8%	2%

How many staffing firms do you work with when recruiting temporary physicians?

	Total	Rural	Urban
None	17%	17%	17%
One	11%	12%	11%
2-3	54%	56%	51%
4 or more	18%	15%	21%

By region:

	NE	MA	SE	SW	MW	W
None	1%	5%	3%	29%	18%	35%
One	4%	11%	8%	29%	9%	11%
2-3	58%	37%	69%	36%	64%	43%
4 or more	37%	47%	20%	6%	9%	11%

What are the most important factors in selecting a firm? (More than one answer accepted)

	Total	Rural	Urban
Quality of candidates	43%	45%	41%
Cost	30%	31%	29%
Prompt Placements	23%	18%	28%
Customer Service	16%	15%	17%
Availability of candidates	13%	7%	19%
Credentialing	11%	12%	11%
Reliability of firm	11%	8%	15%
Contract flexibility/parameters	9%	14%	4%
Individual recruiter	6%	4%	9%
Local candidates	5%	6%	4%
Other	7%	9%	5%

(Reputation of firm 3% Malpractice insurance 1%)

Part II - Trends and Observations

Part two of the 2002 Review illuminates important changes in the attitude toward locum tenens physicians and their importance to healthcare facilities.

When considering a search for temporary physicians, many facilities concentrate on cost. This is due in part to the rapid increases in daily rates as recruiters sought high-demand specialists. Some of that concern has subsided, however. Cost ranks second to quality of provider presented when facilities select a staffing firm, and promptness in placing a physician ranks a close third. This clear sense of urgency, and the fact that 59 percent of administrators surveyed consider coverage of staffing shortages as the key benefit of using temporary physicians, underscores the recruiting difficulties facing many facilities. Depending upon the specialty, facilities may spend six months or more recruiting a permanent physician. The market for Radiologists and Anesthesiologists is highly competitive. As a result, 54 percent of those surveyed consider using temporary providers within a month of any vacancy, and often within days. It has become routine for facilities to request temporary services far in advance of vacations, continuing medical education, or known peak periods.

Despite the emphasis on immediate coverage, 41 percent of survey respondents recognize the strategic value of locum tenens physicians, citing benefits such as maintaining revenue or patient flow, preventing any loss of referrals, and easing staff burnout. Yet the overwhelming majority of facilities continue to recruit temporary staff primarily to cover immediate shortages, including those resulting from vacations and continuing medical education.

Twenty years ago, many facilities were reluctant to employ locum tenens, especially from outside of their regions. Locum tenens physicians were considered mediocre solutions, at least according to anecdotal reports. The survey, however, shows a complete departure from old notions. The overwhelming majority—85 percent—of administrators rate temporary physicians as equal or even superior to existing staff. This transition occurred as the temporary staffing industry matured, added quality assurance and credentialing professionals, and developed expedited licensure procedures. In addition, more qualified physicians became aware of the temporary career option.

One discouraging item of note: when asked the most important factors when selecting a staffing firm to assist locum tenens recruitment, only one percent of administrators cited malpractice insurance. Beginning in the fall of 2000, medical malpractice carriers began reevaluating their coverage of locum tenens. The trend continued through 2001, as firms changed policies and insurers dropped out of the industry. The assurance of continued coverage is critical in an industry where healthcare facilities, physicians work through several firms during the course of a year.

For more information regarding this survey, please contact:



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