

***Trend* – The Growing Use of Locum Tenens Providers as a Supplement To Permanent Medical Staff**

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Overview

Healthcare facilities and medical practices nationwide are functioning in an environment that requires flexibility and creativity when it comes to implementing clinical staffing plans. In an era of physician and other provider shortages, comprehensive, multi-layered staffing plans which incorporate numerous types of resources are required to meet ongoing staffing challenges. Such plans help organizations address:

- Growing shortage of healthcare professionals nationwide
- Evolving nature of clinical practice
- Implementation of healthcare reform which will likely create increased access to care for tens of millions of Americans

Among the strategies many organizations are incorporating into their staffing plans is the use of locum tenens professionals. "Locum tenens" is Latin for "holding a place" and is now a commonly used term in healthcare staffing circles when referring to physicians, dentists and advanced practice healthcare professionals who work temporary assignments. Today, healthcare facilities and practices are using locum tenens personnel for:

- Call-only coverage
- Fill in for vacancies lasting a few days to a few months (sometimes longer)
- Test the need for a new doctor, specialty or service within an organization or community
- Help implement "open access scheduling"

The potential benefits of locum tenens include:

- Continuity of care
- Forestalling patient migration
- Continuation of revenue streams during key vacancies
- Reduced strain on permanent staff, increasing morale and decreasing turnover
- Cost effectiveness when strategically employed

Growing Demand, Shrinking Supply

There is a growing physician shortage in this country that is being driven by the simple dynamics of supply and demand. The United States has been training approximately the same number of physicians for more than 20 years. Roughly 25,000 medical residents finish training and join the physician workforce annually, including some 18,000 graduates of U.S. medical schools and about 7,000 graduates of international medical schools. This number has been virtually fixed by the 1997 cap Congress placed on federal spending for graduate medical education. Supply has been further constricted by a growing number of retiring or near retirement doctors choosing to reduce hours worked, the addition of more women into medicine (women typically work fewer hours than their male counterparts) and the emphasis younger doctors place on a “controllable lifestyle” have further constricted supply.

While the supply of physicians entering medicine has not appreciably changed in two decades, demand for physicians has rapidly accelerated. The U.S. population is projected to grow by 50 million people between 2000 and 2020, according to the Census Bureau. In 2011, the first of over 75 million baby boomers will begin turning 65. Population growth, an aging population and rising levels of obesity and other health conditions have caused demand for medical services to rise dramatically. Americans now visit the doctor an average of more than three times per year compared to about two times per year just a decade ago, according to the U.S. Department of Health and Human Services Bureau of Health Professions.

There have been multiple studies projecting physician deficits that will occur over the next 10 to 15 years, all of which preceded the passage of healthcare reform. Health reform is estimated to provide insurance coverage to more than 30 million patients who previously were uninsured, further driving demand for doctors. Numbers from one pre-reform study are cited on page 3.

Projected Shortages of Physicians By 2025

by Specialty Group

Primary care	46,000	(37% deficit)
Surgery	41,000	(33% deficit)
Other patient care	29,000	(23% deficit)
Medical specialties	8,000	(7% deficit)

Source: Association of American Medical Colleges Report, The Complexities of Physician Supply and Demand; Projections Through 2025, Center for Workforce Studies.

Locum tenens are playing a larger role in America's healthcare landscape today because more physicians, dentists and other healthcare professionals are embracing this emerging practice style. A key factor in this trend is the growing dissatisfaction physicians in particular are expressing with the current medical practice environment. This environment is characterized by continuous reimbursement challenges, rising malpractice rates, onerous government regulations and other "hassle factors".

How are healthcare professionals responding to current practice conditions? In a number of cases, they are seeking to opt-out of traditional patient care or to modify their style of practice. In a recent survey conducted for The Physicians Foundation (www.physiciansfoundation.com) by Merritt Hawkins, an AMN Healthcare company involved in physician permanent placement, almost half of all doctors said they plan to either opt-out of patient care in the next one to three years or take steps that would reduce the number of patients they see. Significantly, 7.5 percent of physicians surveyed said that in the next one to three years they plan to work locum tenens. Locum tenens offers physicians a method by which to maintain their skills and the ability to see patients, while greatly reducing the less favorable aspects of medicine, such as reimbursement challenges, malpractice and the pressures of running a business.

Based on the number of physicians that Staff Care, the leader in locum tenens® works with and its knowledge of the market, the company estimates that currently some 38,000 physicians are engaged on a locum tenens basis each year, up from 26,000 only six years ago. Should 7.5 percent of all physicians choose to work locum tenens, as suggested by the Merritt Hawkins survey, an additional 58,000 doctors would become part of the temporary physician workforce. The number of physicians working locum tenens could then approach 100,000, or about 13 percent of all doctors. This represents a significant resource of physicians, many of whom might otherwise have retired if the option of working locum tenens was not available.

Thousands of healthcare facilities and medical practices around the country are using this growing source of physicians and other providers to supplement their staffs.

Locum Tenens: Cost Considerations

While locum tenens healthcare professionals are an increasingly important source of manpower, they are sometimes perceived to be prohibitively expensive.

Daily rates for locum tenens physicians currently range from less than \$1,000 to over \$2,000 depending on medical specialty. These rates are obviously not nominal, but revenue retained or generated by locum tenens providers is one of many factors that must be taken into account when considering the use of temporary medical personnel.

There is an opportunity cost for each day physicians are not in place seeing patients and generating revenue. This cost can be calculated based on a survey of hospital chief financial officers (CFOs) conducted every other year by Merritt Hawkins. The survey indicates the amount of inpatient and outpatient revenue that physicians in various specialties generate on behalf of their

affiliated hospitals each year. The chart below indicates how these numbers break out for six different medical specialties over monthly increments.

Net Revenue Lost

Over a Period of Physician Vacancy

Specialty	1 month	2 months	3 months	4 months	5 months
Orthopedic surg.	\$176,480	\$352,961	\$529,441	\$705,921	\$882,402
Cardiology (inv.)	\$186,697	\$373,394	\$560,092	\$746,789	\$933,486
General surg.	\$176,041	\$352,082	\$528,123	\$704,164	\$880,205
Family practice	\$135,236	\$270,472	\$405,708	\$540,944	\$676,180
Internal medicine	\$139,862	\$278,724	\$419,585	\$559,447	\$699,309
Psychiatry	\$107,509	\$215,017	\$322,526	\$430,035	\$537,543

Source: Merritt Hawkins' 2010 Survey of Physician Inpatient/Outpatient Revenue

Another yardstick by which to measure the opportunity cost of not having a physician in place is provided by the Medical Group Management Association's annual Physician Compensation and Production Survey. This survey tracks gross daily charges generated by physicians practicing in medical groups. Sample numbers from the survey are listed below.

Average Gross Daily Charges

By Physician Specialty in a Group Practice

Specialty	Gross Daily Charge
Orthopedic surgery	\$7,150
Cardiology (non inv.)	\$4,524
General surgery	\$5,067
Internal medicine	\$1,396
Family practice	\$2,354
Psychiatry	\$1,580

Source: 2009 Medical Group Management Association's Physician Compensation & Production Survey

The opportunity cost of an open physician staff position may be compounded by patient migration. Patients unable to see a physician at one practice or facility may look elsewhere, and there is some probability that those patients will not return. In addition, physicians in understaffed facilities may be obliged to work long hours and be subject to unfavorable call schedules. This may lead to further staff attrition and further erosion of revenue and services that the use of locum tenens physicians could prevent.

Clearly, the long-term answer to open staff positions is to fill them with permanent staff. The permanent option promotes continuity of patient care, collegial staff relations and creates a sense of stability that is important to internal and external perceptions. However, what can be done when permanent personnel are not immediately available?

When permanent clinician vacancies exist, locum tenens can be a cost-effective alternative until such time as a permanent professional is in place. Costs associated with employing full-time personnel often are similar to what facilities invest in comparable locum tenens professionals. For example, a family physician who is paid \$190,000 annually costs approximately \$760 a day based on five days worked per week during a 50-week year. This excludes the costs associated with benefits, malpractice premiums, the employer's portion of FICA and continuing medical education expenses – all of which can add close to \$50,000 to a family physician's total compensation package. The standard per diem rate for a locum tenens family physician (including malpractice, travel and housing), by comparison, is only minimally higher than \$760.

The principle is further illustrated in the graph below which compares the cost of permanent physicians in several specialties to locum tenens physicians as well as revenue generated by physicians.

SPECIALTY	PERM DOCTOR INCOME ¹ (Mean)	PERM BENEFITS ²	PERM MALPRACTICE COSTS ³	PERM DAILY RATE ⁴ (Salary + Benefits) / 250 DAYS	DAILY RATE + TRAVEL HOUSING, MALPRACTICE ⁵	DOCTOR DAILY CHARGES ⁶	DOCTOR MONTHLY HOSPITAL REVENUE ⁷
Family Med, No OB	\$196,808	\$38,070	\$10,120	\$979	\$850	\$2,354	\$135,236
Anesthesiology	\$410,311	\$67,833	\$15,996	\$1,976	\$1,890	\$4,260	N/A
Cardiology, Invasive	\$446,801	\$66,187	\$11,745	\$2,098	\$1,450	\$4,524	\$186,697
General Surgery	\$350,290	\$57,359	\$48,748	\$1,825	\$1,550	\$5,067	\$176,041
OB/GYN, General	\$313,631	\$51,165	\$63,290	\$1,712	\$1,595	\$4,446	\$109,971
Ortho Surgery, General	\$505,640	\$72,163	\$40,199	\$2,472	\$1,860	\$7,150	\$176,480
Psychiatry, General	\$206,992	\$38,930	\$6,333	\$1,009	\$1,200	\$1,580	\$107,509
Radiology, Non-Inv Diag	\$469,397	\$73,342	\$19,300	\$2,248	\$2,150	\$7,648	N/A

Sources: 1. 2009 Medical Group Management Association Physician Compensation and Production Survey. 2. American Medical Group Association 2009 Group Compensation and Financial Survey. 3. AON Corporation, [national insurance brokers]. 4. Based on 250 days per year. 5. Staff Care – Rate based on comparable perm physician shown, \$150 per day average travel and accommodations costs and 250 days per year. 6. Medical Group Management Association 2009 Physician & Production Survey (Average Gross Daily Charges based on 250 practice days). 7. Merritt Hawkins' 2010 Survey of Physician Inpatient / Outpatient Revenue.

While permanent personnel are the optimum long-term answer, covering short-term vacancies with locum tenens professionals is a viable option that can yield a positive return on investment (ROI) when used during the permanent recruiting process.

Today's Staffing Plans: Multi-Layered

Personnel shortages, evolving practice styles and the fear of lost revenue have caused many healthcare facility administrators to adopt multi-layer staffing strategies. For example, Staff Care health facility clients are combining various physician practice models into their staffing plans, including:

- Part-time physicians
- Inpatient physicians such as hospitalists

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- Remote physicians, such as teleradiologists and other telemedicine physicians
 - Employed physicians
 - Traditional private practice physicians
 - Locum tenens physicians

It may be necessary to utilize all types of physician staffing strategies in order to best cope with both the dearth of doctors and the changing practice preferences of today's physicians. Many physicians today are seeking alternative practice styles – not only locum tenens – but part-time practices, employment by hospitals, medical groups and other entities, and inpatient only work. By using a variety of practice models, health facilities can ensure patients have high quality healthcare, team members remain satisfied, quality of care remains high, and revenue keeps flowing.

Beyond The Financials: Quality Considerations

In Staff Care's 2009 Survey of Temporary Physician Staffing Trends, hospital and medical group administrators were asked to rate the value of locum tenens physicians to their facilities. Four out of five administrators indicated that locum tenens physicians were worth the investment.

Just as important, the great majority of administrators surveyed were positive about the quality of locum tenens physicians. Seventy-six percent of administrators rated the quality of locum tenens physicians as either good or excellent. Twenty-two percent rated the quality of locum tenens physicians as adequate, and only two percent rated the quality of locum tenens physicians as unsatisfactory. In today's staffing market, locum tenens physicians are rigorously screened by both healthcare staffing firms and the facilities that utilize the services of locum tenens doctors. As locum tenens has evolved into a "mainstream" practice style it is attracting a group of physicians that is well-trained, experienced and motivated to provide quality patient care. With thousands of additional

doctors embracing the “locum life” every year, locum tenens is becoming a key feature of the multi-layered approach to clinical staffing that is rapidly gaining traction in today’s market.

Learn More

Read more in-depth information about locum tenens in the book *Have Stethoscope, Will Travel: Staff Care’s Guide To Locum Tenens*. The book may be ordered from the publisher, Practice Support Resources, at www.practicesupport.com or by calling 800-967-7790.

About The Author

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Staff Care is the leader in locum tenens staffing[®] and is an AMN Healthcare company. AMN Healthcare is the nation’s largest healthcare staffing and management services company (NYSE: AHS). Staff Care works with all types of organizations and practices nationwide that require temporary physicians (all specialties), dentists, physician assistants, CRNAs and/or Nurse Practitioners. Assignments can be call-only coverage, a few days, a few weeks, and up to a year.

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