

Your practice can hire the best candidates  
by knowing its needs and anticipating theirs.

# Recruiting *and* Retaining *the* Right Physicians

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**I**n his book *Good to Great*, author Jim Collins describes how highly successful corporations are adept at hiring and retaining great employees. As Collins puts it, great corporations get the right people on the bus.

When applied to family medicine practices, Collins' concept can help build a productive and committed medical staff. It can also help avoid big turnover expenses for your practice. The income lost after a physician's departure, the ensuing recruiting costs and the new physician's startup expenses can easily top \$200,000.<sup>1</sup>

This article describes how to recruit and retain the right physicians for your practice.

## What do physicians want?

If your practice is struggling to retain physicians, it's worth trying to figure out why they're leaving. A 2006 survey identified some of the most common reasons a physician voluntarily resigns from a practice (respondents were provided with a list of reasons and allowed to select up to three answers):

- 51 percent cited a poor cultural fit with the practice.

- 42 percent relocated to be closer to their own or their spouse's family.
- 32 percent sought higher compensation.
- 22 percent cited their spouse's job requirements.
- 20 percent left to find a better community fit.
- 17 percent pointed to an incompatible work schedule.
- 17 percent cited excessive call requirements.<sup>2</sup>

Forty-six percent of physicians who leave their practices are most likely to do so within the first three years, according to the survey.

Although low compensation is a source of dissatisfaction, income does not drive practice satisfaction for most physicians. While physicians with lower incomes tend to be less satisfied, physicians with increased incomes do not become more satisfied over time.<sup>3</sup>

Physicians with a degree of clinical autonomy and control over their work environment tend to be more satisfied than physicians who have little autonomy and control.<sup>4</sup>

Four major areas affect physician job satisfaction: patients and cases; culture, colleagues and career choices; location and lifestyle; and compensation. (For more on these issues, see "Finding the Perfect Job," *FPM*, July/August 2006.)

Recruiting and retaining the right physicians for your practice requires that you respond to their needs. If you ignore the needs of the physicians you're recruiting, you risk hiring the wrong physicians, who in turn will lose money for your practice whether they stay or go.

### What does your practice need?

Your goal is to hire a physician who will be a good fit with your practice. Consider your practice's needs and the key attributes of your ideal candidate. Begin by answering two questions:

#### 1. What qualities are we looking for in a physician?

Clearly, you are looking for a physician who is willing to perform the duties of the position, according to its work schedule and at the designated locations. Does your ideal candidate have particular skills or credentials? Do you prefer a physician with roots in your community or region? Are you looking for a physician who is driven to become highly productive? Are you looking for a physician who will remain with your practice for just a few years or for the rest of his or her career?

**2. What does our practice offer a physician?** Does your practice offer interesting patients, collegial colleagues and a positive culture? Are there significant internal or external issues that might affect the new physician's success, such as staffing difficulties, financial challenges or strong competition? How do you expect the practice's patient base to grow? Do you plan to eventually offer the

new physician the opportunity to become a shareholder? Does your community offer an attractive lifestyle? Are you offering competitive compensation?

### Attract candidates

Word-of-mouth referrals are most likely to generate strong candidates because the referrer knows both parties. Let your colleagues know that you are looking for a new associate. Tell your hospital's administrators and in-house physician recruiters. Ask if they will help you recruit candidates locally and nationally. Often, they will do this by listing the open position on PracticeLink (<http://www.practicelink.com>), an online physician job bank. Your hospital may also offer physician recruiting incentives. (See "Hospital physician recruiting incentives" on page 30.)

Contact residency programs in your area and the program directors where you and your colleagues trained. AAFP's Placement Services (<http://www.aafp.org/careers>) matches family physicians with employers looking for the right candidate for clinical and faculty jobs. Consider advertising in national medical journals.

You could also use an independent physician-search firm. Expect to pay \$20,000 to \$30,000 per search. Quality varies among search firms, as does the quality of the candidates they recruit, so be sure to interview at least two potential firms before contracting with one to conduct your search. Better yet, speak with each firm's client references.



### Hold initial discussions

When you've identified one or more viable candidates, schedule a mutually convenient time to talk for at least an hour by phone (or in person if the candidate is already in the area). Your goal is to learn about the physician's key career issues and how those align with your practice's needs. Start the interview by saying, "Tell me about yourself." Most people will respond by talking about what is most important to them. Ask follow-up questions to draw out the candidate: What types of patients and cases do you like? What would you rather *not* do? What type

of practice setting do you prefer? Are you familiar with our community and region? What about our practice appeals to you? Is there anything else I should know?

Next, describe your practice. Describe the types of patient care you offer and typical office, hospital and call schedules. Determine whether the candidate is looking for a full- or part-time position. Ninety percent of practices in a recent study offered part-time or flexible work options.<sup>2</sup> Talk about your practice's setting and culture. Describe the practice's physicians and why you are recruiting now. Talk about your community and the lifestyle

the physicians enjoy. Describe the position's potential, including, if appropriate, the opportunity to become a shareholder in the practice. Outline the compensation package you are offering. Respond to questions candidly.

With the information you gather during this initial discussion, you should be able to assess the candidate's fit in your practice. Consider these questions: Does he or she have the required qualifications? Does he or she prefer the type of duties, schedule and practice locations you offer? Does he or she seem to fit with your practice's culture? Will he or she be likely to remain in your community? Are there influences that may draw him or her elsewhere? Does the opportunity you might be offering meet the candidate's expectations?

## HOSPITAL PHYSICIAN RECRUITING INCENTIVES

Your hospital may offer recruiting incentives to attract a physician to your community because it hopes the physician will join its medical staff and refer patients. Here's how it works:

The hospital offers your new physician a loan, typically expressed as an "income guarantee," to join your practice. (Alternatively, it can offer the recruited physician a "collections guarantee" to start a new practice.)

Each month during the support period, your practice pays the new physician the amount he or she actually earns. For months when he or she earns less than the income guarantee, the hospital sends the new physician a check to make up the difference. If the new physician earns more than the income guarantee for the month, he or she refunds the excess amount to the hospital. The hospital also writes checks to reimburse your practice for actual recruiting costs and actual incremental direct expenses (but not indirect or reallocated existing expenses). At the end of the support period (typically one year), the physician owes the hospital the net amount it has paid. The hospital forgives the physician's monthly repayment amount if he or she is still practicing in the community (even if he or she is not at your practice). Otherwise, he or she repays the loan as the payments come due. The repayment period is typically two years.

A recruiting incentive agreement shifts much of your practice's financial risk to your new physician and comes with strings attached, thanks to federal Stark II laws. Notably, your practice's employment agreement may not include a restrictive covenant that prevents your new physician from practicing in the community should he or she leave your practice while the recruiting incentive agreement is in effect (i.e., during the support and repayment periods).

Although a hospital recruiting incentive agreement can be a win-win-win situation for your practice (by reducing the financial risk of hiring a new physician), your new physician (by reducing a barrier to a rewarding career) and your hospital (by recruiting a new referring physician), it will not hold together a bad employment relationship. Before entering such an arrangement, consider whether you would hire the physician even without the hospital's financial support. If not, the potential long-term costs of a bad hiring decision may outweigh the short-term benefits.

## Do an on-site interview

Invite strong candidates for an interview at your practice. You may suggest that the physician make the first visit alone, then return for a second look with his or her spouse or partner if you decide to move forward with the interview process. Offer to pay their travel and lodging expenses.

Plan the candidate's itinerary, tailoring it to his or her individual needs. Be sure to allow plenty of time for each activity. The itinerary should include introducing the candidate to each of his or her prospective colleagues and giving your staff the opportunity to meet the candidate. Ideally, offer the candidate the opportunity to shadow one of the physicians in the practice for a day. Arrange meetings with key people at your hospital.

Include the physician's spouse and family in the interviewing process. Identify and address their concerns about employment for the spouse, schools for their children and activities for the entire family. Single physicians have social needs, too, so be prepared to discuss their concerns. In short, look for a good cultural and family fit.

## Word-of-mouth referrals are most likely to generate strong candidates because the referrer knows both parties.

### Negotiate a fair employment agreement

When you find a candidate who is likely to succeed in your practice, negotiate an employment agreement that is fair to both parties. The agreement should be clear and concise, describing all issues precisely and evenhandedly.

Pay special attention to five potential areas of disagreement:

**1. Duties, schedule and location.** Describe your new physician's duties. Will your new family physician be practicing obstetrics, performing procedures or specializing in a particular area such as sports or adolescent medicine? Describe his or her regular and call schedules. Will they be equal to the schedules of the practice's other physicians? If the agreement specifies a minimum number of work hours per week, then be sure to specify a maximum as well. Identify your new physician's practice locations. If the practice has more than one site, specify the offices where the physician will practice. Can he or she be reassigned? Which hospitals will the physician serve? Will he or she be practicing in nursing homes or other locations as well?

**2. Compensation.** Describe the new physician's compensation package. State the base salary, if any. For incentive compensation, define terms, include formulas and provide realistic sample calculations. Will your practice's new physician be paid for productivity? Is the formula based on collections, charges, relative value units (RVUs), profitability or some combination of these? Will the new physician be eligible for participation in pay-for-performance programs,

or will he or she have the potential to earn bonuses for patient satisfaction or good physician citizenship, such as serving on committees? Will the new physician's compensation method change during the term of employment?

Signing bonuses and relocation expense reimbursement are increasingly popular recruiting incentives. Hold them in reserve until you need to respond to a candidate's request or to close a deal with a wavering candidate.

**3. Malpractice tail insurance premium.** Malpractice tail insurance extends indefinitely the professional liability coverage after a physician leaves a practice and discontinues a claims-made malpractice insurance policy. (By contrast, occurrence malpractice insurance extends protection, making a tail policy unnecessary.) The tail policy's one-time premium typically costs from half to twice as much as the annual premium of the discontinued malpractice policy.

Of course physicians and employers have strong opposing views about which of them should pay the malpractice tail insurance premium upon expiration or termination of the physician's employment. The employer is ethically obligated to insure the physician against liabilities that arise from the physician's employment. Hence, the employer should pay the malpractice tail insurance premium. What difference does it make if a patient files a malpractice legal action on the last day of the physician's employment or the following day? (Note: Your practice is not responsible for providing tail insurance protection for liabilities arising from your new physician's previous practices.)

**4. Restrictive covenants.** While the practice is entitled to be protected from competition from a departing physician, its restrictions should be reasonable. In my opinion, "reasonable" would be limited to one to two years and encompass the area from which the physician's practice location(s) (not all practice locations) receives 75 percent to 80 percent of its patients. Define the

■ Your practice can avoid big turnover expenses by recruiting and retaining the right physicians.

■ Before your search for a new physician begins, your practice should determine what qualities it wants in a physician and what it offers a physician.

■ Give word-of-mouth referrals a long look; they're likely to be strong candidates because the referrer knows both parties.

### About the Author

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# Welcome your new physician by helping him or her become part of your practice from the moment the employment agreement is signed.

■ After narrowing down your list of candidates, conduct phone interviews to learn about each candidate's key career issues.

■ Invite the strongest candidates for an in-person interview, making sure that there's enough time in their itineraries to meet each of their prospective colleagues.

■ If you find an ideal candidate, the next step is working out an employment agreement that covers potential areas of disagreement, including duties, compensation and malpractice insurance.

restricted area in terms of established borders or geographic features (e.g., county lines, zip codes, streets). Formerly employed physicians may challenge, and courts may invalidate, long restricted periods and large or ambiguous restricted areas. Note that Stark regulations prohibit noncompete agreements when the physician and practice receive hospital recruiting incentives. (See "Hospital physician recruiting incentives" on page 30.)

Include restrictions prohibiting the departing physician from soliciting the practice's patients or recruiting its employees for a year or two. Finally, define the circumstances under which the practice will waive the restrictive covenants (e.g., if the practice terminates employment without cause, or if the physician terminates employment with cause).

**5. Potential shareholder status, if appropriate.** If your private practice may eventually offer the physician the opportunity to become a shareholder, explore this issue with each candidate. While you are not promising shareholder status, and the new physician is not promising to accept your offer, it's best to articulate each party's expectations before employment begins to reduce the risk of unpleasant surprises. The new physician's employment agreement should note whether he or she is on the shareholder track. If so, outline when the physician can expect the opportunity to buy in, what shareholder status includes (e.g., the medical practice, the medical office building, expensive equipment), how the shares will be valued, an estimate of the buy-in price and how the physician will pay for his or her share.

## Get off to a fast start

Welcome your new physician by helping him or her become part of your practice from the moment the employment agreement is signed. Put the physician in touch with his or her physician chief, nursing supervisor, and administrator or office manager. The physician chief's active mentoring can positively influence the new physician's long-term practice success.<sup>2</sup>

Get started on credentialing right away, assist with relocation to the community and begin preparing for his or her first day in the practice. Cover the following six areas:

**1. Building the new practice.** Describe what the practice and the physician will do to build the practice. How will your staff refer new patients? Will your new physician treat patients currently being seen by other physicians in the practice? How can he or she do this without stepping on colleagues' toes? Will your new physician cover the hospital emergency department or other areas, and if so, how may he or she solicit patients?

I suggest helping your new physician build his or her practice and get off to a fast start by developing a marketing plan. Introduce him or her to referring physicians and other colleagues in your community, including key hospital staff. Update your practice's brochure and Web site. Line up public speaking and writing opportunities for the new physician. Announce the new physician's practice in your local newspaper.

**2. Internal communications.** Review formal and informal communication channels. How does the practice's telephone system work? What are the practice's formal and informal policies and procedures? How do the physicians interact with each other and the practice staff? To whom should the physician bring problems and requests? Do physicians hold regular meetings? What types of issues are referred to the office manager or nursing supervisor?

**3. Patient care systems.** Describe how physicians and staff work together to care for patients. How are medical records maintained? How will the new physician learn how to use the practice's electronic health record system and other computer applications? Does the practice have formal clinical protocols? Are there guidelines for making referrals within and outside the practice? How do physicians order tests? How are prescription refills handled? How do the physicians handle call? How does the practice's answering service work? How do the physicians admit patients

to the hospital and handle rounds? How does the practice handle medical emergencies?

**4. Coding and billing.** While important for all physicians, coding and billing is the most significant adjustment issue for new physicians.<sup>2</sup> Teach proper billing and coding techniques. How are charges for office services processed? What about charges for services provided in the hospital and elsewhere? How does the practice work with patients who have inadequate insurance coverage? How are patients with financial difficulties accommodated?

**5. Daily, weekly and monthly practice management routines.** Review your practice management routines. How do physicians use the office after hours without setting off the security system? Do physicians maintain time records? How can physicians request supplies or equipment? What happens if their cell phone or pager breaks? How do they get clean lab coats?

To give the new physician a sense of control over his or her work environment, offer some choices in setting up his or her appointment schedule. Ask how he or she prefers the clinical staff to prepare patients for their visits. Be receptive to your new physician's suggestions and sensitive to his or her concerns.

**6. Welcome your new physician and family to your community.** Enlist one or more physicians in your practice to help your new physician and his or her family become part of your community. Try to match physicians with common ages, interests and family situations. When appropriate, invite spouses to help, especially with families who have school-age children. The practice should pick up the tab for a few welcoming activities such as dinner or a trip to a ball game.

### Hold the new physician accountable

The new physician's chief should monitor his or her performance and offer frequent informal feedback. During the first few days, ask how he or she is adapting to the practice. Schedule formal monthly performance reviews. Let the new physician know whether he or she is meeting expectations and is on track to receive a bonus. Together, review patient visit statistics, office and hospital CPT coding distributions, and his or her charges, collections and practice expenses. Together, establish measurable, challenging and achievable performance goals.

Solicit your new physician's comments,

complaints and problems. Really listen, especially to his or her ideas on how to improve the practice. Develop and implement solutions together. Give the new physician the resources he or she needs and the freedom to use them. Hold the physician accountable only for things he or she can control.

### Get the wrong people off the bus

If all has gone well, your new physician will be a good fit for your practice. If not, make every reasonable effort to resolve the problems that are causing a bad fit. If you cannot resolve the issues satisfactorily, it may be time for the practice and physician to part company. Try to make this process amicable. If the situation is tolerable, have the physician complete the current employment term, and do not renew the employment agreement.

If the situation is intolerable, refer to the employment agreement to see how you may terminate the physician's employment with or without cause. Consult with a qualified attorney for guidance on your rights and obligations, and to minimize the risk of legal challenges. Decide whether you wish to enforce the non-competition provisions of the agreement.

### One physician at a time

Recruiting and retaining the right physician begins with understanding your practice's needs and matching them with what your practice can offer. Recruit high-quality candidates and interview them carefully to find a good fit. Negotiate an employment agreement that is fair to both parties. Get your new physician off to a fast start, even before his or her first day. Monitor performance and hold the physician accountable. And build a productive committed medical staff one physician at a time. **FPM**

Send comments to [fpmedit@aafp.org](mailto:fpmedit@aafp.org).

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2. Cejka Search and American Medical Group Association. 2006 Physician Retention Survey.

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■ As soon as the employment agreement is signed, get started on credentialing, assist with the new physician's relocation and begin preparing for his or her first day in the practice.

■ Sit down with the new physician monthly to review whether he or she is meeting expectations and is on track to receive a bonus.

■ If it becomes clear that the recent hire is not a good fit, try to figure out an amicable way for the physician and the practice to part company.