

SEPTEMBER

2017

PHYSICIAN COMPENSATION DHW MARKET ANALYSIS

PREPARED BY HUMAN RESOURCES

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PHYSICIAN COMPENSATION

INTRODUCTION

Human Resources conducted a salary review on physician compensation within DHW, other state agencies and the market in general. This was an effort to see what other employers pay and what salary adjustments, if any, might be needed within the DHW to increase competitiveness in this very difficult market as well as retain our current physicians.

For this analysis, numerous sources were reviewed to obtain a larger sample size of data, thereby providing a broader compensation evaluation. Sources include Idaho state agencies, surrounding state government agencies, the Idaho Department of Labor, the US Bureau of Labor Statistics and several national salary surveys.

HR completed a similar market analysis July 2016. Since then, the physician shortage has continued to increase and employers are spending more to fill physician vacancies. There has also been an increase in physicians becoming locum tenens and contractors due to the higher pay and the flexibility it affords. As a result, many employers, including DHW, have seen higher employee turnover and have increased usage of locums.

Below is a summary of the market analysis including recommended pay ranges for Department physicians.

MARKET ANALYSIS – STATE GOVERNMENT

The Department currently employs eight physicians who work in the below classifications. All physician classes are in pay grade V. The policy rate is \$85.25 and the maximum of the pay grade is \$106.56.

- ❖ Physician, Public Health
- ❖ Physician/Epidemiologist, State
- ❖ Physician, Medical Clinic – Institution
- ❖ Physician, Medical Director – Institution
- ❖ Physician, Psychiatric Specialty

DHW

The Division of Public Health employs two classified physicians, one in the Physician/Epidemiologist, State and one in the Physician Public Health class. Both positions are located in Boise.

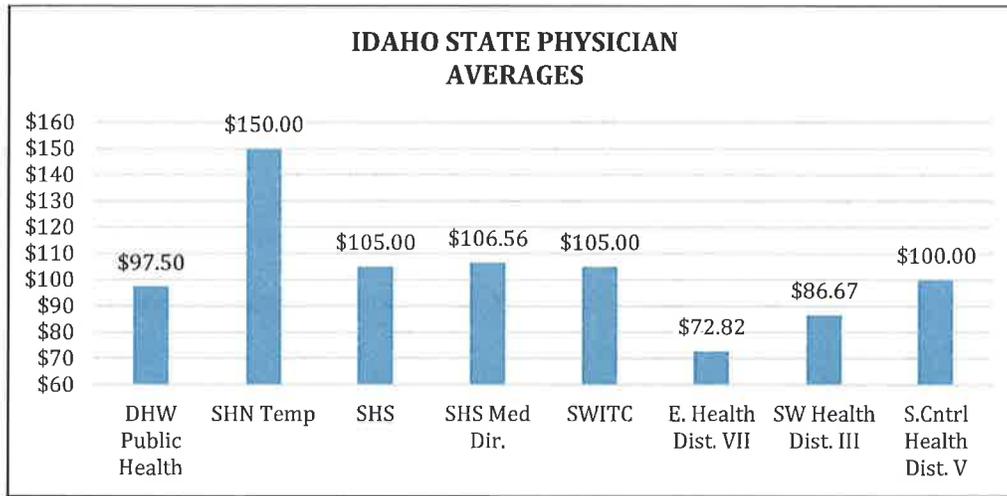
The Division of Behavioral Health employs six physicians who work at either State Hospital North or State Hospital South. State Hospital North has one part-time temporary staff physician and one vacant medical director position. State Hospital South has one medical director, two general physicians and two psychiatrists.

During the 2017 legislative session, funding was approved to increase DHW staff physicians to \$105 per hour and medical directors to \$106.56. The only exception is the Physician Public Health, who earns \$90 per hour; she was hired in 2017.

Health Districts

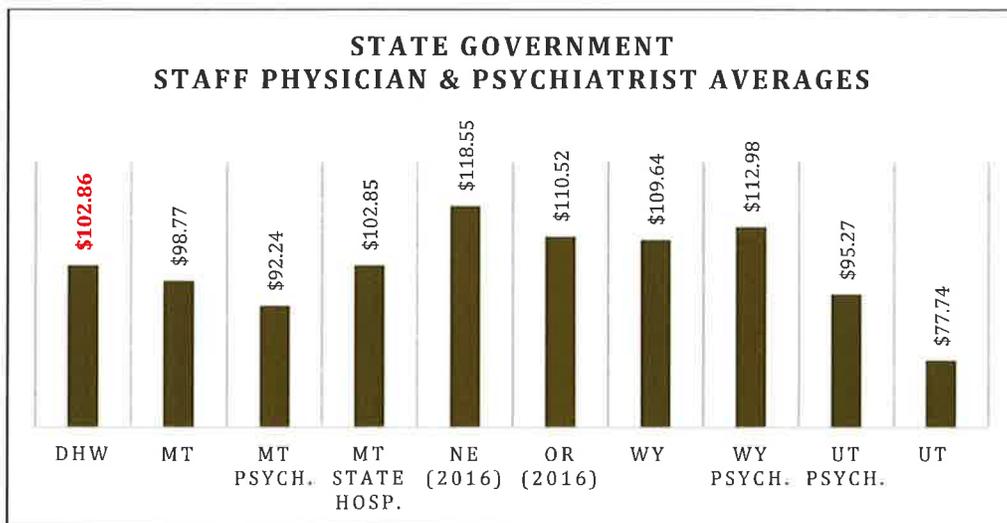
Three Public Health Districts also utilize physicians as temporary employees. There are six physicians between three Health Districts, all of whom are in temporary positions. Due to limited need, the physicians generally work 1-3 hours per month to order medications, review charts or facilitate monthly clinics.

- ❖ Southwest Health District III has three temporary physicians. Two are paid at \$100.00 and one, a dentist, is paid \$60.00.
- ❖ South Central Public Health District VI has one temporary physician who is paid \$100.00.
- ❖ Eastern Idaho Health District VII has two physicians; one earns \$68.00, and the other \$73.63.



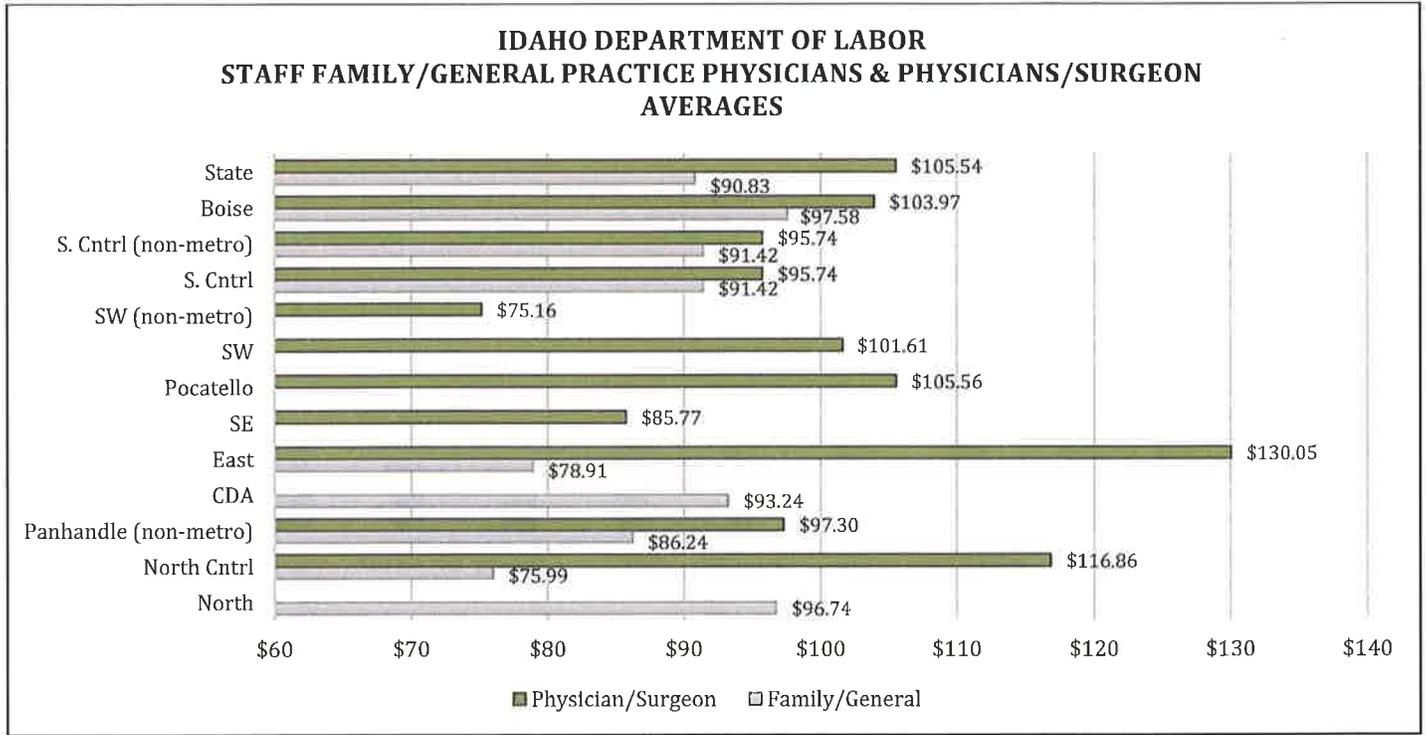
Idaho and Neighboring/Other States

The below graphs show average hourly rates for physicians and psychiatrists ("Psych"). Information was gathered from individual states on staff physicians. DHW's average rate for classified staff physicians is \$102.86 and is an average of the seven physician's pay rates. This does not include the SHS Medical Director and SHN's temp.

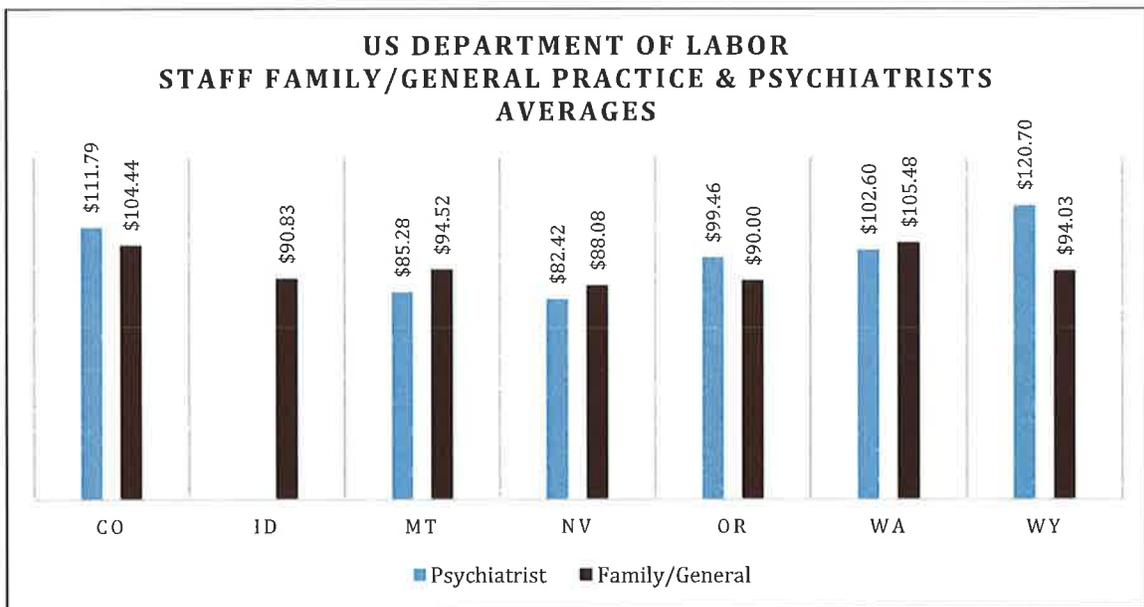


MARKET ANALYSIS – DEPARTMENT OF LABOR

The below graphs includes data from the Idaho Department of Labor’s 2017 wage survey and the US Bureau of Labor Statistics 2017 wage survey. The Idaho Department of Labor graph includes family/general practice physicians and physician/surgeons. Psychiatrist data was not available.

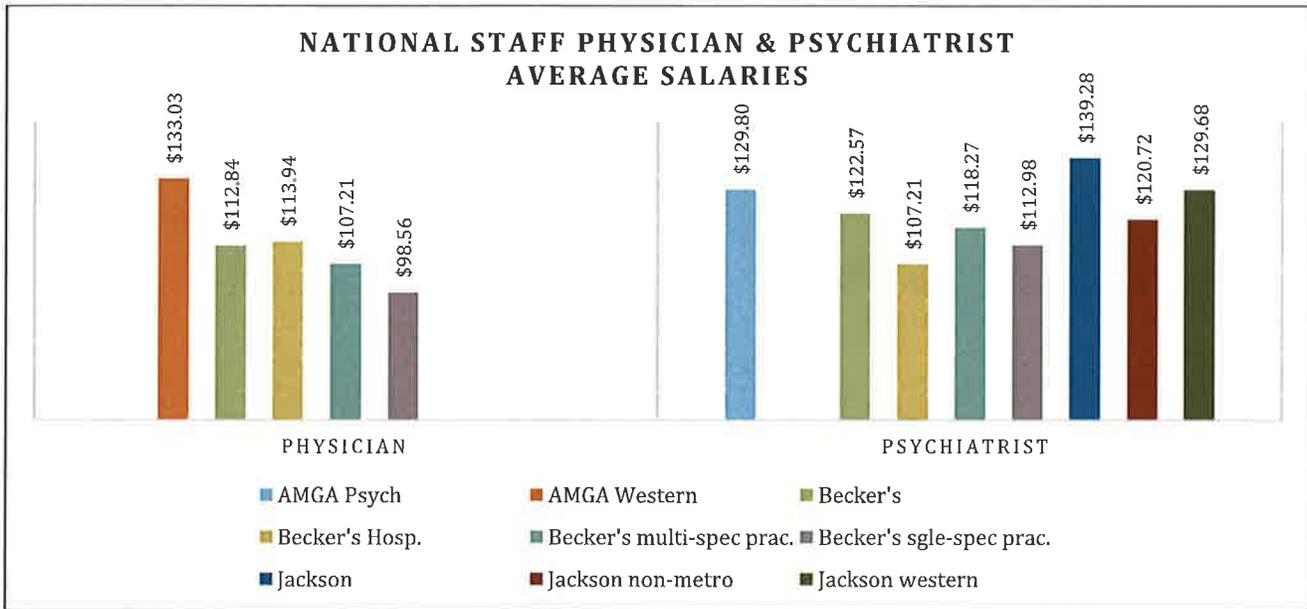


The US Department of Labor includes psychiatrists and family/general physicians.



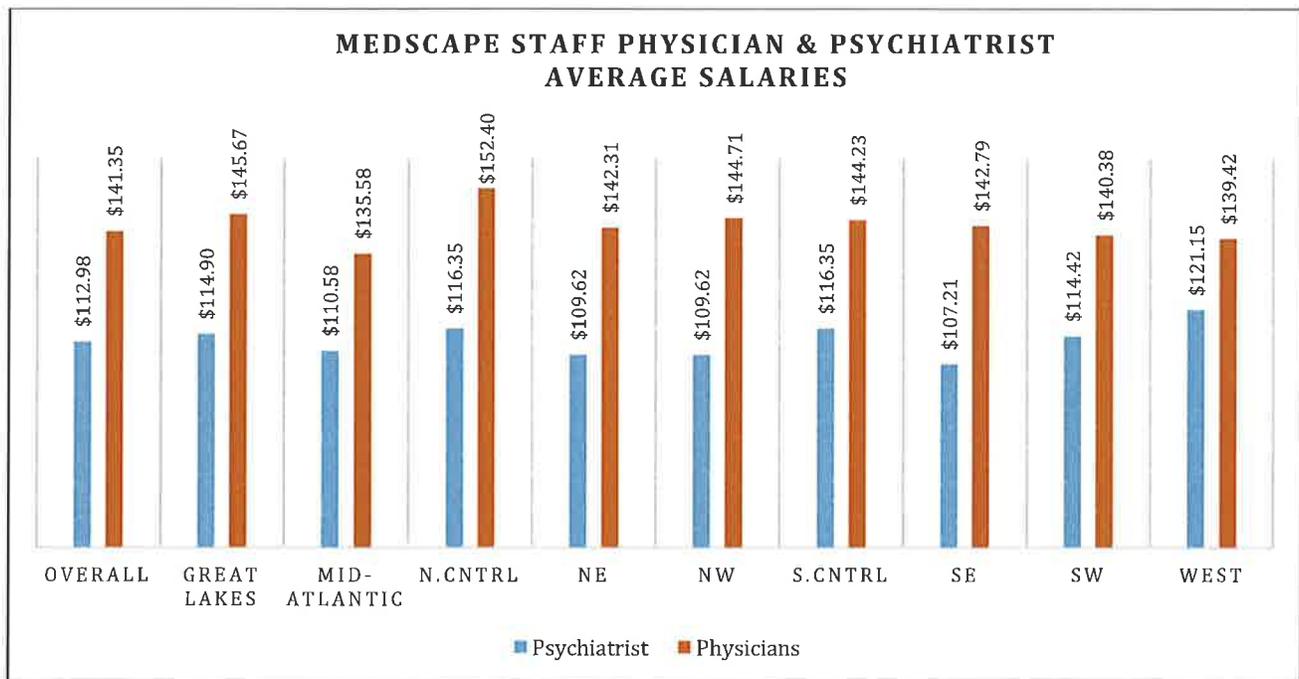
NATIONAL DATA

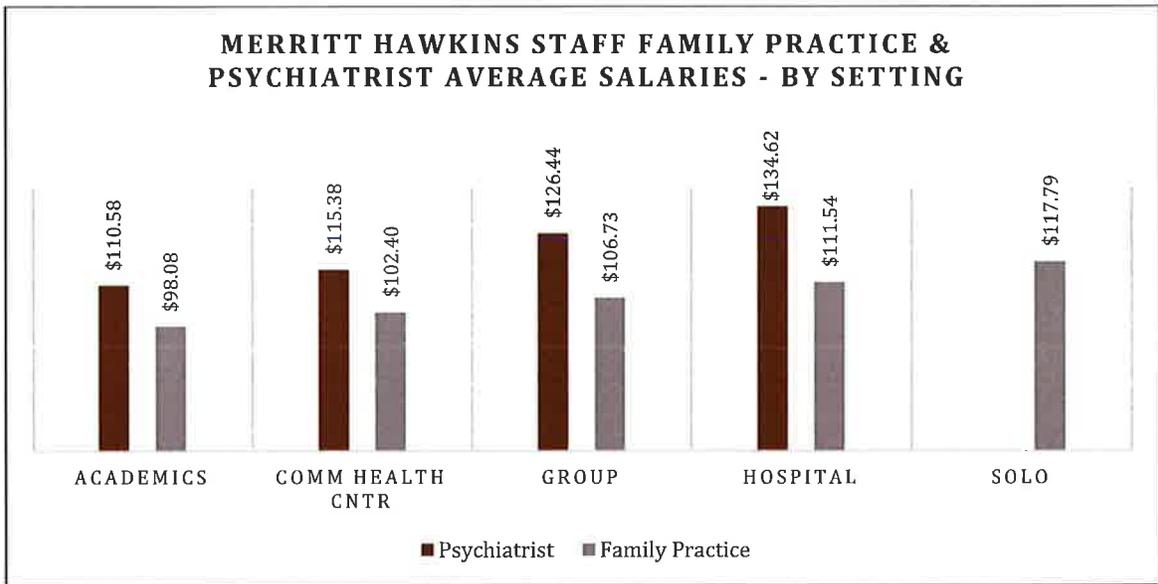
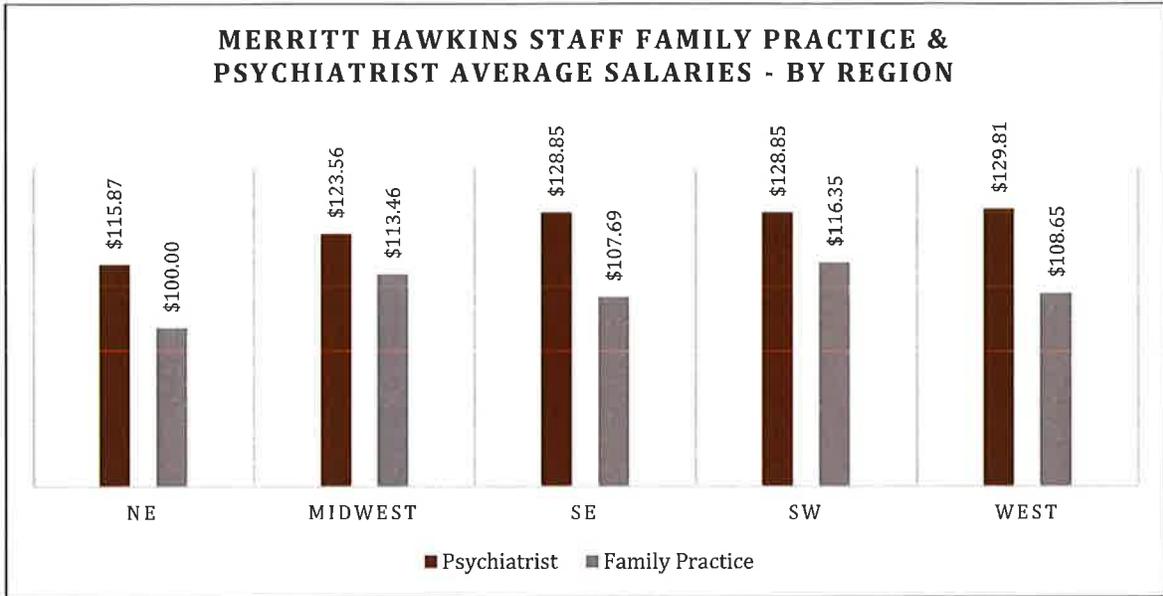
Additional sources of market information included salary survey and research conducted by physician recruitment firms such as Merritt Hawkins and industry publications including the "Medscape Physician and Psychiatrist Compensation Reports 2017."



AMGA – American Medical Group Assoc.
 Jackson – Physician Recruitment Firm

Becker's – Becker's Hospital Publication
 Merritt Hawkins – Physician Recruitment Firm





PUBLICATIONS

- ❖ **Becker's Hospital Review's article "207 Statistics on Physician Compensation 2017"** published July 20, 2017 cites:
 - Seventy-seven percent of physician specialties saw median increases from 2016 to 2017, with the overall average physician pay increase of 2.9%.

- ❖ **Weatherby Healthcare's article "Physician Salary 2017: Doctor's Earnings on the Rise,"** published May 10, 2017 cites:
 - Geographic area plays a significant role in compensation. This year's report revealed that, for the second year in a row, doctors earned the most in the mostly rural northern Great Plains (average income \$317,000).

- ❖ **Pacific Companies** (Physician Recruitment Firm) provided DHW psychiatrist information in April 2017.
 - "There has been an upward pressure on compensation. In the past, if clients were close to the nationwide median of the Medical Group Management Association (\$255,543, 2016 Report), in a suburban location, we would have a good chance of securing the candidate. However, in the past year, we have found our clients have been offering in the \$280K - \$300K range to secure those same candidates. For smaller communities in need of a psychiatrist, we have seen initial salaries over \$300K. We have started to see signing bonuses approaching \$40K. We have seen an increase in retention bonuses that are paid at the end of years 2, 3 and 4."

- ❖ **Modern Healthcare's article "Competition for New Docs Pushing Pay Higher,"** published July 16, 2016 states:
 - In response to a question: "What are the toughest specialties to recruit?" five of our participating head hunter firms and group practice organizations said internal medicine; four picked psychiatry; and three chose family medicine.
 - Dr. Munger (interim CEO of St. Lukes in Kansas) stated "the competition for those half-dozen family practitioners was fierce. "We've actually increased our starting offer by 20% to 25% over the past year."
 - The trend ups the ante for rural healthcare organizations, which have traditionally faced difficulty recruiting physicians. Salaries are already higher and "virtually everyone is offering a signing bonus, virtually everyone is giving loan forgiveness," the article cited. "That was the only arrow in a quiver for some rural areas." But as those inducements become commonplace in metro areas, "it's getting difficult" for rural areas to compete, he said.
 - The article also states there has been a movement to close the divide between behavioral and general health, which is also pushing up the pay for psychiatrists.

- ❖ **Medscape's article "Use of Locum Tenens Physicians Keeps Growing,"** published January 20, 2017 states:
 - Of the 206 managers of healthcare facilities who participated in their 2016 survey, "94% said they had employed locum tenens physicians within the past 12 months, compared to 91% in 2014 and 74% in 2012."

- The increased use of locum tenens doctors is being driven by the nationwide physician shortage and the employed physician model, "which for many healthcare facilities increases physician turnover."
- Sixty-five percent of locum tenens physicians have more than two decades of practice experience.
- The article cites a locum would like to join a private practice someday, "but for now, I like the high pay rates and the ability to practice in and experience different areas of the country. "She also likes not being under the thumb of an employer.

RECOMMENDED PAY RANGES

Physician recruitment, especially at the hospitals, has repeatedly proven difficult mainly due to pay and location. For State Hospital North and State Hospital South, compensation should account for the hospital's rural locations to increase the overall attractiveness of those positions. By providing a competitive salary as well as loan repayment, the Department will find itself in a better position to compete for talent, in a particularly challenging environment.

In consideration of the analysis and aforementioned challenges, a recommended range to pay staff physicians would be \$105 - \$115 ¹per hour and \$120 - \$130 for medical directors.

¹ Pay grade V maximum is \$106.56. IDHR approval required to increase maximum for increases beyond this rate.