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Health Care Solutions

How poor compensation practices weaken your ability to recruit and retain physicians in a staffing shortage.

Do your existing recruitment and compensation practices position you for successful provider retention in a future of severe physician shortages? Don’t be so sure.

A physician shortage is looming over the U.S. healthcare industry, with serious implications for organizations that fail to effectively recruit and retain physicians. How well hospitals and medical groups recruit will dictate how well they retain providers; and how well they do both will determine how well they handle the shortage.

To what extent is the seriousness of the shortage likely to reach? The Association of American Medical Colleges (AAMC) projects a shortfall of up to 104,900 physicians by 2030. “There is going to be a significant workforce shortage under all of the likely projections,” says Janis Orlowski, MD, AAMC’s Chief Health Care Officer. “We see that, quite frankly, only getting worse as the population ages.”[i]

Because several different factors are converging to drive this shortage, it will be difficult to forestall. While the U.S. population is already expected to experience sustained rapid growth (estimated 12% by 2030), the increase in the number of older Americans (population of people aged 75 and older) is predicted to skyrocket exponentially by up to 73% in the same time span.[ii] Combined with a flood of near-future physician retirements – more than one-third of all active physicians will be 65 or older in the next 10 years – ergo the industry faces the perfect storm for a staffing crisis.

Yet the issues making physician recruitment and retention more difficult aren’t just tomorrow’s problems; existing pressures are directly complicating them *today*. Hospitals and medical groups are already being forced to respond to demands from prospective hires, and some of these can feed into a vicious cycle.

For example, one of the most common incentives being offered today is loan repayment, but if that’s how you acquire and hold onto a provider, how do you keep them after the loan has been repaid? This can create a cycle of new doctor, loan repayment, new doctor, loan payment, new doctor, etc.

So, how can organizations recruit the best providers and then continue to retain them over the long-term, and how can organizations prepare themselves for success in the face of a massive provider shortfall?

Those are the questions this paper will answer.

In recruitment, today's desultory approach to compensation is setting the stage for tomorrow's inability to retain providers.

Today, many medical groups are dealing with these issues and the nascent shortage by a variety of means. One way is by increasing pay. "Our clients had to pay primary care on average about 10% more than they wanted to get them in the door," says Travis Singleton, executive vice president at Merritt Hawkins, a physician recruiting and clinical staffing firm. "And that just shows you how competitive it is."[iii]

Organizations are also throwing out an increasingly wider array of employment incentives and pay elements "outside the normal array of perks," writes *Modern Healthcare Magazine*.[iv] An analysis of over 136,000 providers in more than 5,800 organizations by the Medical Group Management Association (MGMA) also found that physician practices offered additional benefits to attract and retain providers, including higher signing bonuses; continuing medical education stipends; car allowances; relocation expense reimbursements; loan repayment; housing allowance; free child-care assistance; concierge and financial planning services; and more.

This creates an incredible amount of complexity that the hiring organization must then successfully manage and administer.

Imagine that a hospital hires ten Orthopods (orthopedists). In today's market, that hospital likely made ten different commitments. The basics may be similar – salary, vacation – but one provider may require relocation assistance, another child-care, etc. The hospital succeeded in recruiting them but now must manage ten times as many plans.

Further, it's not just what pay elements are offered, but how the organization treats and deals with each provider. Imagine all providers are offered base salaries plus a stipend for supervising a midlevel, but certain groups (e.g., family doctors) must meet productivity requirements, while others (harder-to-recruit Orthopods) do not, before being awarded the stipend. Even if an organization manages to only have four or five main pay elements, if they treat main specialties differently, the differences in compensation multiplies exponentially.

Worse, many organizations don't have any tools to comprehensively track this kind of information.

As a result, administering compensation means navigating between multiple systems and constantly revisiting each provider's contract or agreement. Even then, the language in these documents can vary – one surgeon gets the standard language, while another doesn't. This approach imposes a double-whammy of complexity: to start, the organization must track an array of different agreements to ensure they compensate each doctor correctly; and then, they have to track their compensation plans in aggregate to ensure they're treating everyone fairly. Now, imagine the organization must manage that complexity across dozens, hundreds, or even thousands of providers, while holding each arrangement compliant from a legal perspective.

This complexity leaves organizations more vulnerable to compensation errors and provider turnover.

Managing a variety of distinct compensation plans cobbled together from different sources can lead to delays, errors, and other problems. The more plans, the more of a nightmare compensation management becomes.

This complexity can affect accuracy as errors are made, while simultaneously obscuring *why* each physician is paid whatever they're paid, creating fertile ground for providers to distrust their own compensation. Look at it from their point of view: fewer than half of physicians (41% to 47%) earn most of the incentive dollars they potentially could. As much as one-third (22% to 32%) earn 20% or less of the incentives they *could* take home.[v]

Why? There are many potential points of failure here, but regardless of the specific causes, physicians who routinely fail to earn their expected incentives – and then struggle to get clear answers from administrators about why – will grow frustrated with their employer and mistrustful of how their compensation is being handled. In other words, the organization's expansive recruitment efforts got them in the door, but the inconsistent and heavily manual approach to managing compensation comes at the cost of being unable to retain them over the long run.

You cannot successfully **retain** providers over the long-term if they don't **trust** your handling of their compensation.

Most contracted pay elements are prohibitively difficult to track. That makes most compensation plans impossibly difficult to manage effectively.

Once the compensation plan is offered and accepted, the organization must manage and administer it consistently, accurately, and clearly. If physicians don't get everything they anticipated and expected, they will not stay past their original contract.

And if there's not a level of automation in managing these relationships, organizations will inevitably find themselves unable to stay on top of everything all the time.

Unfortunately, most contracted pay elements end up living in disparate places that are hard to track: email, a Google calendar, perhaps nothing more than a sticky note in a file. Some organizations may have built some or all the compensation models into a spreadsheet, but even that still places administration of the plan in a siloed, third-party system and creates an entirely manual process for administrators to manage.

Additionally, leveraging a tool like Microsoft Excel for such a critical business process leaves administration with a completely un-auditable mechanism. How will anything that is incorrectly calculated be caught, discussed, rectified or improved upon? With compensation data trapped in Excel, often the only alert to error comes from the provider, not the system, after they have viewed their check. If the error turns out to be "not enough," you perpetuate the "Culture of Distrust." Perhaps even worse, what if they don't mention it at all?

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It doesn't help that most current payroll systems obscure what's happening with compensation. Traditionally, groups have relied on the payroll system to communicate with the provider, but the payroll system limits the amount of pay codes, which forces the organization to combine multiple pay elements into single codes. As a result, when a medical director looks at their payment information, they only see a lump sum amount. Perhaps it looks like enough money to satisfy them, but they have no way to break it down; and even administrators would be forced to jump through hoops to do so themselves.

From a record-keeping and communication standpoint, providers need to be able to see all of the different pay elements in real-time, in a dashboard format, and be able to know quickly how they're tracking towards them. Essential metrics and KPI's include what have they've achieved already, what they haven't achieved, and what percentage of goal their effort to date has gained them. They should be able to have their questions answered quickly and directly and – ideally – without ever having to contact an administrator.

Complete and accurate communication is critical to retention. In its absence, a culture of distrust will fester.

The inability of providers to get the information they want in a timely way creates a culture of distrust between provider and administrator. Providers are left confused, and then skeptical, as to whether their compensation is commensurate with their performance and agreements. Communication breakdowns can lead to dissatisfaction, turnover, separation, and even – in extreme cases – litigation.

In other words, if the organization cannot track and report on provider compensation in detail, down to the individual pay element level in a transparent manner, a culture of distrust will take root.

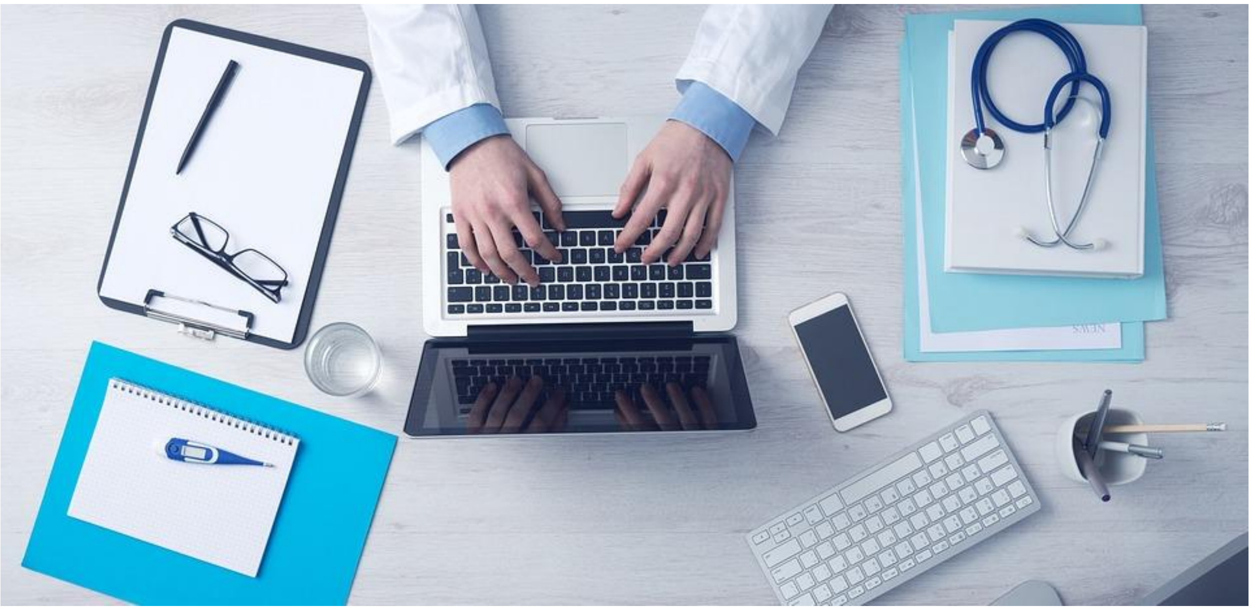
This distrust is itself corrosive to physician satisfaction and, consequently, retention.

In fact, its impacts can compound in other ways as well. Researchers from the University of California, Davis, studied trust and workplace morale and wrote, "It's clear that when there is distrust, there are financial consequences. When you have a large percentage of employees wanting to leave, there will be more voluntary turnover, which means more recruiting and training. Turnover combined with disruption in work can be very expensive. For the people remaining, reduction in morale affects the quality of work."[vi]

"It's clear that when there is distrust, there are financial consequences."

We already know these issues are at play. According to the MGMA, fewer than half (48%) of providers are satisfied with their compensation.[vii] With a looming staffing shortage, this question becomes existential, and that statistic should be extremely worrisome to any group that foresees employing providers in a future where there may not be enough providers to go around.

Those doctors who want to understand their pay will be able to demand clarity and transparency, or else they'll leave for another organization where they can get this information tracked.



You can *both* strengthen **recruitment** + **retention** *and* lay a strong foundation for operational improvements with **automation**.

The fulcrum of success is automation with a single-source system.

The solution to these issues is straightforward: the disparate elements that govern provider compensation must be aggregated so that they can be managed from within a single "source of truth" system; and exist within a system of automation.

The intense reliance on manual labor and data manipulation makes traditional compensation management difficult, error-prone, opaque, and potentially unreliable. By contrast, an automated solution simplifies and streamlines the whole process. In fact, with such a solution at hand, hospitals and medical groups can realize several benefits immediately.

Benefit #1: Organizations can eliminate disconnects in compensation.

Consider this prototypical lapse in compensation: a hospital promises a sign-on or other incentive bonus after X months of service to a new provider. That month arrives, but nothing happens.

The provider approaches the administrator, who says, "I don't know anything about a sign-on bonus." Even if the physician has a signed letter or contract notating the bonus, which is subsequently paid, the damage is done: how can the physician trust an organization that struggles to uphold its promises?

With an automated single-source solution that provides a "closed loop" system of contract – one that captures discrete pay element level data and calculation in the first place – can ensure everything is tracked and paid out accurately and on time with no need for human intervention. Thus, it can significantly reduce the risk of human error.

In other words, when the contract or agreement lives in the same place that pay elements are tracked and calculated, a "closed loop" or "single source" system which can handle the tracking itself eliminates disconnects, decreases error, increases compliance and drive data transparency.

Benefit #2: Organizations and providers can communicate better and thus foster trust.

To replace a culture of distrust with a culture of success requires clear, consistent, and credible communication. Success in retention is ultimately about how well organizations can communicate transparently with providers.

When compensation is managed via some tangle of PDF document, Excel spreadsheet, Electronic Health Record (EHR) reports, and back-end accounting software, getting clear answers can be all but impossible, and any information will be out-of-date by the time it is produced.

By contrast, a system that alleviates concerns about payment fairness and accuracy, yielding clear data and explanations more easily, can contribute to a newfound culture of trust.

Transparency is fundamental to this, of course. In fact, a self-service solution in which providers can access a dashboard breakdown of their own pay is ideal. When it comes to compensation, the best communication is less communication, because questions and concerns means the provider is unclear or unhappy about their pay. A solution that gives both provider and administrator the ability to get immediate, real-time answers to any question about their compensation serves both equally.

Benefit #3: Organizations can standardize their compensation models.

Returning to those Orthopods recruited earlier, all on different compensation plans: with an automated system managing those separate payment plans, it becomes possible to model out scenarios that could be standardized.

For example, if Providers #2, #3, and #4 were all on the same model as Provider #1 (instead of their own idiosyncratic models), would they have earned more or less? What if the medical group could put all providers on the same model, increasing their (potential) earnings in the next year but significantly streamlining administration?

In fact, such modeling is straightforward to perform in a system that captures all relevant pay data. The organization can then calibrate any new models to ensure any additional payouts are supported by more successful outcomes (reduced readmissions, higher patient satisfaction, and other value-based pay metrics).

This creates a win-win. Organizations gain efficiencies and better outcomes, while providers are happier with compensation – boosting satisfaction and retention.

Benefit #4: Organizations can streamline operations and gain efficiencies.

Compensation requires an enormous amount of effort from administrators in collecting, consolidating, and validating information so they can then articulate it to a provider.

That's a constant drag on their time, and that gather-validate-communicate time takes away from analysts being analysts and managers managing.

An automated single-source system allows organizations to redeploy their resources back into their actual jobs as opposed to the minutiae of managing what they're having to manage because of how their system works.

The single best way to stand out in staffing is to use **smarter, automated management** of provider compensation processes.

Increasing pay and offering unusual incentives, as many hospitals and medical groups have already begun to do, works up to a point.

However, a severe provider shortage means there simply won't be enough bodies for the number of seats, and medical groups need to think about how to tackle the problem not just with a frontal assault (throw more money at them) but also with smarter solutions that empower these groups to be more successful with no added effort.

Managing compensation better – in a way that is more transparent, more accurate, and more reliable – can strengthen both initial recruitment and longer-term retention. It enables organizations to fill open seats with physicians not just because they showered prospects with money, incentives, and perks, but because the experience of working with the organization is pleasing, satisfying, and appealing.

And at the same time, organizations make their own job easier, by giving administrators access to real-time, accurate information they can use to streamline operations, generate efficiencies, and ask questions about payroll and performance that were previously unanswerable.

Ultimately, the single best way to stand out in staffing – and navigate challenging recruitment/retention situations – is to enable consistent, mutually beneficial arrangements driven by sound organizational processes.

It's implementing the optimal outstanding compensation management solution technology that will ensure your organization will have the credibility to succeed in the future's incredibly competitive marketplace.

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With 20+ years' experience in healthcare and finance, Dave has been largely focused on technology and bringing greater efficiency to effective resource allocation through process automation. His experience focuses on understanding the design, development, and implementation of physician-hospital enterprise solutions at the strategic, financial, and operational levels. He has led the introduction and alignment of the HHS proprietary software solution, Heisenberg II nationally since its inception.

Hallmark Healthcare Solutions is a global healthcare solution and IT firm with offices located in New Jersey, New York, Michigan, and India. Hallmark offers a unique approach inclusive of both strategy and technology to achieve the desired outcome. The technology component positions organizations to use real-time data for improved decision making with regard to leveraging human capital.

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With more than a decade of experience in health care, finance, operational processes and analytics, Trey Strecker is a dynamic leader who believes a strongly aligned relationship between executive leadership and health care professionals will shape the success and overall longevity of health care organizations.

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