MERRITT HAWKINS
an AMN Healthcare company

2021
REVIEW OF PHYSICIAN AND ADVANCED PRACTITIONER RECRUITING INCENTIVES

An Overview of the Salaries, Bonuses, and Other Incentives Customarily Used to Recruit Physicians, Physician Assistants, Nurse Practitioners And CRNAs

28th Edition 1994-2021

Overview

Merritt Hawkins is a national healthcare search and consulting firm specializing in the recruitment of physicians in all medical specialties, physician leaders, and advanced practice professionals. Now celebrating our 34th year of service to the healthcare industry, Merritt Hawkins is a company of AMN Healthcare (NYSE: AMN), the nation's largest healthcare staffing organization and the industry innovator of healthcare workforce solutions.

This report marks Merritt Hawkins' 28th annual *Review* of the search and consulting assignments the firm conducts on behalf of its clients. Over the past 28 years the *Review* has become a standard benchmarking resource throughout the healthcare industry used by hospitals, medical groups and other healthcare facilities to determine which incentives are customary and competitive in physician and advanced healthcare professional recruitment. The *Review* also has become a resource widely utilized by healthcare journalists, analysts, policy makers and others who track trends in physician supply, demand and compensation

Ongoing Thought Leadership

The *Review* is part of Merritt Hawkins' ongoing thought leadership efforts, which include surveys and white papers conducted for Merritt Hawkins' proprietary use, and surveys, white papers and analyses Merritt Hawkins has completed on behalf of prominent third parties, including The Physicians Foundation, the Indian Health Service, the American Academy of Physicians Assistants, Trinity University, Texas Hospital Trustees, the North Texas Regional Extension Center/Office of the National Coordinator of Health Information Technology, the Society for Vascular Surgery, the Maryland State Medical Society, the American Academy of Surgical Administrators, the Association of Managers of Gynecology and Obstetrics and Subcommittees of the Congress of the United States.

The *Review* is based on extrapolations of a representative sample of 2,458 permanent search and advanced practitioner search engagements that Merritt Hawkins/AMN Healthcare's physician staffing companies had ongoing or conducted during the 12-month period from April 1, 2020, to March 31, 2021.

The intent of the *Review* is to quantify financial and other incentives offered by our clients to physician and advanced practitioner candidates during the course of recruitment. Incentives cited in the *Review* are based on contracts or incentive packages used by hospitals, medical groups and other facilities in real-world recruiting engagements.

A Key Differentiator

Unlike other physician compensation surveys, *Merritt Hawkins' Review* tracks **physician starting salaries** and other recruiting incentives, rather than total annual physician compensation. It therefore reflects the incentives physicians and advanced professionals are *offered* to attract them to new practice settings rather than what they may actually earn and report on their tax returns.

The range of incentives detailed in the *Review* may be used as benchmarks for evaluating which recruitment incentives are customary and competitive in today's market. In addition, the *Review* is based on a national sample of search assignments and provides an indication of which medical specialties are currently in the greatest demand, as well as the types of medical settings into which physicians are being recruited.

The Impact of COVID-19

The coronavirus pandemic has had a profound impact on the economy and on all aspects of healthcare, including physician compensation and recruiting. Hospitals have lost billions of dollars in revenue as a result of the pandemic and medical groups also have been negatively affected.

These losses suppressed demand for physicians and advanced practitioners during much of the last year, consequently reducing the number of search engagements Merritt Hawkins typically is retained to conduct in a given 12-month period. The representative sample of 2,458 search engagements on which the 2021 *Review* is based is down from a representative sample taken from 3,251 engagements in 2020 and 3,131 engagements in 2019.

It should be considered that the 2021 *Review* reflects physician and advanced practitioner supply, demand and recruiting trends that were prevalent during the COVID-19 pandemic, a time in which the dynamics of the physician recruiting market were atypical.

Following are several key findings of the 2021 *Review*.

Key Findings

Merritt Hawkins' *2021 Review of Physician and Advanced Practitioner Recruiting Incentives* reveals a number of trends within the physician and advanced practitioner recruiting market, including:

- Nurse practitioners (NPs) topped the list of Merritt Hawkins' most requested search engagements for the first time, underscoring the accelerating demand for these professionals. In 27 previous years, the top position has always been held by physicians.
- 18% of Merritt Hawkins' search assignments were for advanced practitioners, including NPs, physician assistants (PAs) and certified registered nurse anesthetists (CRNAs), up from 13% the previous year. This is the highest percentage in the 28 years the *Review* has been conducted.
- The majority of Merritt Hawkins' search engagements (64%) were for physician specialists, including radiologists, psychiatrists, gastroenterologists and others, highlighting the robust demand for specialty physicians.
- Only 18% of Merritt Hawkins' search engagements were for primary care physicians, down from 20% in 2020 and 22% in 2019, signaling a relative decline in demand for primary care doctors.
- Family practice physicians dropped to second on Merritt Hawkins' list of most requested search engagements, after being first for the previous 14 consecutive years.
- Psychiatrists placed fourth on the list of most requested search engagements, signaling a continued strong demand for mental health professionals that is likely to be accelerated by COVID-19.
- Average starting salaries for NPs showed strong growth, increasing 12% year-over-year, from $125,000 to $140,000.
- Average starting salaries for PAs also showed strong growth, increasing by 14% year-over-year, from $112,000 to $128,000.
- Interventional cardiologists are offered the highest average starting salaries of physicians tracked in the *Review* at $611,000, followed by orthopedic surgeons at $546,000.
- Pediatricians are offered the lowest average starting salaries of physicians tracked in the *Review* at $236,000.
- Only 3% of Merritt Hawkins' search engagements were for solo practice or partnership settings, underscoring the decline of physician private practice.
- 67% of Merritt Hawkins' search engagements were located in communities of 100,000 people or more, indicating that demand for physicians and advanced practitioners is not limited to small and/or rural communities.

Following is a breakout of the characteristics and metrics of Merritt Hawkins' 2020/21 recruiting engagements.

Merritt Hawkins' 2021 Review of Physician Advanced Practitioner Recruiting Incentives:

Recruiting Engagement Characteristics and Metrics

1.

Total Number of Physician/Advanced Practitioner Search Assignments Represented

The *Review* is based on a representative sample of the 2,458 permanent physician and advanced practitioner search assignments Merritt Hawkins/AMN Healthcare's physician staffing companies had ongoing or were engaged to conduct during the 12 month period from April 1, 2020 to March 31, 2021 (numbers rounded to the nearest full digit).

2.

Settings of Physician Search Assignments

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
Hospital	813 (33%)	1,168 (36%)	1,065 (34%)	1,230 (40%)	1,415 (43%)	1,639 (49%)
Group	714 (29%)	1,042 (32%)	877 (28%)	798 (26%)	886 (27%)	628 (19%)
Solo/partnership/Concierge	70 (3%)	92 (3%)	31 (1%)	45 (2%)	34 (1%)	181 (5%)
CHC/FQHC/IHS	197 (8%)	199 (6%)	282 (9%)	363 (12%)	497 (15%)	434 (13%)
Academics	493 (20%)	591 (18%)	626 (20%)	464 (15%)	374 (11%)	367 (11%)
Other (Urgent Care, HMO, Association, Home Health, etc.)	171 (7%)	159 (5%)	250 (8%)	145 (5%)	81(3%)	93 (3%)

If Academics, what type of position? (of 493 Academic setting positions)

Research Faculty	6 (1%)	25 (4%)	21 (3%)	19 (4%)	19 (5%)	1,639 (49%)
Leadership/Administration	105 (21%)	168 (28%)	143 (23%)	155 (37%)	101 (27%)	628 (19%)
Clinical Faculty	382 (78%)	398 (68%)	462 (74%)	250 (59%)	254 (68%)	181 (5%)

3.

States Where Search Engagements Were Conducted

Merritt Hawkins conducted search engagements in all 50 states during the 2021 *Review* period, as well as Washington, D.C. and the U.S. Virgin Islands.

4.

Number of Searches by Community Size

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
0-25,000	294 (12%)	549 (17%)	534 (17%)	612 (20%)	755 (23%)	870 (26%)
25,001-100,000	515 (21%)	588 (18%)	530 (17%)	545 (18%)	742 (22%)	766 (23%)
100,001+	1,649 (67%)	2,114 (65%)	2,067 (66%)	1,888 (62%)	1,790 (55%)	1,706 (51%)

5.

Top 20 Most Requested Searches by Specialty

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
1. Nurse Practitioner	335	270	169	205	137	150
2. Family Medicine	284	448	457	497	607	627
3. Radiology	136	163	148	132	80	40
4. Psychiatry	124	182	199	243	256	250
5. Internal Medicine	117	146	148	150	193	233
6. Obstetrics/Gynecology	108	122	161	118	109	112
7. Anesthesiology	78	72	70	40	43	28
8. Hematology/Oncology	74	91	53	31	22	16
9. Gastroenterology	67	65	85	102	66	58
10. CRNA	64	71	47	23	N/A	N/A
11. Cardiology	63	56	97	57	61	101
12. Neurology	63	115	84	61	62	63
13. Orthopedic Surgery	45	55	73	85	61	81
14. Dermatology	42	43	60	66	83	71
15. Pulmonology	34	37	56	40	62	46
16. Oral/ Maxillofacial Surgery	32	N/A	N/A	N/A	N/A	N/A
17. Physician Assistant	32	84	41	40	87	60
18. Pediatrics	28	54	85	63	76	76
19. Hospitalist	27	71	143	118	94	228
20. Endocrinology	21	N/A	N/A	N/A	N/A	N/A

6.

Other Specialty Recruitment Engagements

Addiction Medicine
Adolescent Medicine
Adult Medicine
Allergy & Immunology
Anesthesiology, Cardiac
Anesthesiology, Pediatric
Cardiology - Advanced Cardiac Imaging
Cardiology - Electrophysiology
Cardiology - Heart Failure
Cardiothoracic Surgery
Clinical & Laboratory Immunology
Clinical Pharmacology
Critical Care-Intensivist Medicine
Dentist
Dermatology,MOHS-Micrographic Surgery
Dermatology,Pediatric Dermatology
Emergency Medicine
Emergency Medicine,Pediatric Emergency Medicine
Family Medicine,Geriatric Medicine
Family Medicine,Hospice and Palliative Medicine
Family Medicine,Obstetrics
Family Medicine,Sports Medicine
Geriatric Medicine
Geriatric Psychiatry
Gynecologic Oncology
Hematology & Oncology - Bone Marrow Transplantation
Hospice and Palliative Medicine
Infectious Disease
Laborist
Maternal Fetal Medicine
Medical Oncology
Medical Genetics
Nephrology
Neurological Surgery
Neurology,Behavioral Neurology & Neuropsychiatry
Neurology,Child Neurology / Pediatric Neurology
Neurology,Headache & Neuropathic Pain
Neurology,Hospitalist
Neurology,Neuro-Critical Care
Neurology,Oncology
Neurology,Sleep Medicine
Neurology,Stroke
Neurology,Vascular Neurology/Stroke
Neuromusculoskeletal Medicine & OMM
Nocturnist
Obstetrics & Gynecology,Gynecologic Oncology
Obstetrics & Gynecology,Gynecology
Obstetrics & Gynecology,Maternal & Fetal Medicine
Occupational Medicine
Ophthalmology
Ophthalmology,Glaucoma
Ophthalmology,Oculoplastic
Ophthalmology,Retina Surgery
Optometry
Orthopedic Surgery,Adult Reconstructive Orthopedic Surgery / Total Joints
Orthopedic Surgery,Foot and Ankle Surgery
Orthopedic Surgery,Hand Surgery
Orthopedic Surgery,Oncology
Orthopedic Surgery,Pediatric Orthopedic Surgery
Orthopedic Surgery,Spine
Orthopedic Surgery,Sports Medicine
Orthopedic Surgery,Trauma
Otolaryngology
Otolaryngology,Pediatric Otolaryngology
Pain Medicine
Pain Medicine,Interventional Pain Medicine
Pathology
Pathology,Anatomic Pathology
Pathology,Anatomic Pathology & Clinical Pathology
Pathology,Dermatopathology
Pathology,Forensic Pathology
Pediatrics, Child Abuse
Pediatrics, Developmental & Behavioral
Pediatrics,Pediatric Cardiology
Pediatrics,Pediatric Critical Care Medicine
Pediatric Emergency Medicine
Pediatric Endocrinology
Pediatric Gastroenterology
Pediatric Hematology-Oncology
Pediatrics,Neonatal-Perinatal Medicine / Neonatology
Pediatrics, Nephrology
Pediatric Pulmonology
Pediatrics,Sleep Medicine
Pediatrics, Urology
Physical Medicine & Rehabilitation &,Pain Medicine
Plastic Surgery
Preventive Medicine, Occupational Medicine
Psychiatry,Addiction Psychiatry
Psychiatry,Child & Adolescent Psychiatry
Psychiatry,Forensic Psychiatry
Psychiatry,Geriatric Psychiatry
Psychology
Public Health
Radiology,Diagnostic Neuroimaging
Radiology,Mammographer
Radiology,Musculoskeletal
Radiology,Neuro-Interventional
Radiology,Neuroradiology
Radiology,Nuclear Radiology
Radiology,Pediatric Radiology
Radiology,Radiation Oncology
Radiology,Teleradiology
Reproductive Endocrinology
Rheumatology
Vascular & Interventional Radiology
Surgery, General
Surgery,Bariatric
Surgery,Breast
Surgery,Burn
Surgery, Female Pelvic Medicine and Reconstructive Surgery
Surgery,Colon & Rectal Surgery
Surgery,Plastic and Reconstructive Surgery
Surgery,Surgical Oncology
Surgical Trauma Surgery (Critical Care)
Surgery,Vascular Surgery
Thoracic Surgery
Urgent Care
Urology
Urology,Neurology
Urology, Oncology

Academic Medical Center Search Engagements

Academic Medical Center Search Engagements
Assistant Dean
Assistant Dean for Diversity and Inclusion
Associate Chief of Perioperative Anesthesiology
Associate Dean
Associate Dean for Admissions and Student Life
Associate Dean for Clinical Education (GME)
Associate Dean for Clinical Integration
Associate Chair for Clinical Affairs
Associate Dean for Clerkship and Core Site Development
Clerkship Director of Anesthesiology
Clerkship Director of Family Medicine
Clerkship Director of Physical Medicine and Rehabilitation
Clerkship Director of Psychiatry
Chair of Bio-Chemistry
Chair of Biomedical Informatics
Chair Emergency Medicine
Chair of Internal Medicine
Chair of Machine Learning
Chair,Obstetrics & Gynecology
Chair of Osteopathic Practices and Principles
Chair, Department of Osteopathic Manipulative Medicine (OMN)
Chair, Osteopathic Principles and Practice
Chair of Physical Medicine and Rehabilitation
Chair of Population Health
Chief Breast Medicine
Chief Dermatology
Chief Endocrinology
Chief Geriatrics
Chief Cardiovascular Medicine
Chief Clinical Research Officer
Chief Dental Officer
Chief Hematology and Oncology
Chief Infectious Diseases
Chief, Pathology: Microbiology
Chief, Internal Medicine: Pulmonary Medicine
Chief, Internal Medicine: Medicine
Chief, Ophthalmology
Chief Pathology: Breast Imaging
Chief Surgery: Surgical Oncology
Chief, Pediatrics: Emergency Medicine
Chief, Anesthesia; pediatrics
Chief, Anesthesia
Chief of Ped EM
Chief General Pediatrics
Chief Pediatric Critical Care Medicine
Chief Pediatric Gastroenterology
Chief Pediatric Hematology/ Oncology
Chief Pediatric Nephrology
Chief Pediatric Neurology
Chief Pediatric Surgery
Chief Gastroenterology
Chief Hematology and Oncology
Chief Nuclear Medicine Radiology
Chief Non-Invasive Cardiology
Chief of Rheumatology
Chief Medical Officer
Chief Pediatrics
Chief Pediatrics: Allergy, Immunology and Rheumatology
Chief Pediatrics: Anesthesiology
Chief Pediatrics: Cardiology
Chief Pediatrics: Cardiac Anesthesiology
Chief Pediatrics: Critical Care
Chief Pediatrics: Endocrinology
Chief Pediatrics: Hematology/ Oncology
Chief Pediatrics: Neonatal Perinatal Medicine
Chief Pediatrics: Neurology
Chief Pediatrics: Otolaryngology
Dean School of Medicine
Designated Institutional Official
Director of Age Friendly Health Systems
Director of Clinical Genetics
Director of Cytopathology
Director of Dermatology Contact Dermatitis
Director of Gastroenterology Oncology
Director of Graduate Medical Education
Director of General Internal Medicine
Director of Immuno-Oncology
Director, Hematology & Oncology
Director of Immunotherapy
Director, Maternal-Fetal Medicine
Director of Molecular Pathology and Cytogenetics
Director Neurology, Brain Health
Director Otolaryngology
Director Cell Therapies
Director Student Health
Director Cytopathology
Director of Palliative Care
Director Pediatric Neurosurgery
Director of Student Health
Division Chief, Anesthesia, Multispeciality Anesthesia
Executive Medical Oncology Director
Fellowship Director
Medical Director Heart Failure
Medical Director Hospitalist
Medical Director Pulmonary Critical Care
Medical Director, Radiology
Medical Director Cardiac Surgery
Residency Program Director Family Medicine
Residency Program Director Internal Medicine
Residency Program Director Emergency Medicine
Residency Program Director, General Surgery
Residency Program Director Psychiatry
Residency Program Director General Surgery
Senior Associate Dean for Academic Affairs
Senior Faculty Anatomy
Senior Faculty Pharmacology
Site Director for Dentistry
Vice Chair, Anesthesia
Vice Chair for Diversity, Equity and Inclusion, Department of Anesthesia
Vice Chair of Diversity, Equity and Inclusion, Department of Surgery
Vice Chair for Research
Vice Chair Research, Medicine
Vice Chair Molecular Pathology
Vice Chair of Research, Anesthesiology
Vice President of Health Affairs

7.

Income Offered to Top 20 Recruited Specialties

(Base salary or guaranteed income only, does not include production bonus or benefits)

Nurse Practitioner	LOW	AVERAGE	HIGH
2020/21	$90,000	$140,000	$300,000
2019/20	$90,000	$125,000	$234,000
2018/19	$90,000	$124,000	$200,000
2017/18	$85,000	$129,000	$205,000
2016/17	$85,000	$123,000	$181,000
2015/16	$92,000	$117,000	$197,000

YOY change +12%

Family Medicine	LOW	AVERAGE	HIGH
2020/21	$180,000	$243,000	$400,000
2019/20	$140,000	$240,000	$325,000
2018/19	$130,000	$239,000	$400,000
2017/18	$165,000	$241,000	$400,000
2016/17	$110,000	$231,000	$400,000
2015/16	$135,000	$225,000	$340,000

YOY change +1%

Radiology	LOW	AVERAGE	HIGH
2020/21	$150,000	$401,000	$825,000
2019/20	$275,000	$423,000	$577,000
2018/19	$245,000	$387,000	$550,000
2017/18	$309,000	$371,000	$650,000
2016/17	$300,000	$436,000	$725,000
2015/16	$275,000	$475,000	$750,000

YOY change -3%

Psychiatry	LOW	AVERAGE	HIGH
2020/21	$185,000	$279,000	$400,000
2019/20	$185,000	$276,000	$400,000
2018/19	$184,000	$273,000	$400,000
2017/18	$200,000	$251,000	$465,000
2016/17	$120,000	$263,000	$450,000
2015/16	$195,000	$250,000	$370,000

YOY change +1%

Internal Medicine	LOW	AVERAGE	HIGH
2020/21	$170,000	$244,000	$500,000
2019/20	$175,000	$276,000	$400,000
2018/19	$184,000	$273,000	$400,000
2017/18	$200,000	$261,000	$465,000
2016/17	$120,000	$263,000	$450,000
2015/16	$195,000	$250,000	$370,000

YOY change -12%

Obstetrics/Gynecology	LOW	AVERAGE	HIGH
2020/21	$207,000	$291,000	$750,000
2019/20	$200,000	$327,000	$600,000
2018/19	$200,000	$318,000	$475,000
2017/18	$200,000	$324,000	$550,000
2016/17	$175,000	$225,000	$700,000
2015/16	$210,000	$321,000	$500,000

YOY change -11%

Anesthesiology	LOW	AVERAGE	HIGH
2020/21	$245,000	$367,000	$750,000
2019/20	$280,000	$399,000	$535,000
2018/19	$281,000	$404,000	$450,000
2017/18	$325,000	$371,000	$540,000
2016/17	$249,000	$376,000	$520,000
2015/16	$360,000	$397,000	$450,000

YOY change -8%

Hematology/Oncology	LOW	AVERAGE	HIGH
2020/21	$180,000	$385,000	$1,000,000
2019/20	$220,000	$403,000	$612,000
2018/19	$200,000	$393,000	$450,000
2017/18	N/A	$391,000	N/A
2016/17	N/A	$388,000	N/A
2015/16	N/A	$405,000	N/A

YOY change -4%

Gastroenterology	LOW	AVERAGE	HIGH
2020/21	$125,000	$453,000	$750,000
2019/20	$300,000	$457,000	$600,000
2018/19	$350,000	$495,000	$650,000
2017/18	$355,000	$487,000	$725,000
2016/17	$300,000	$492,000	$800,000
2015/16	$300,000	$458,000	$600,000

YOY change -1%

CRNA	LOW	AVERAGE	HIGH
2020/21	$158,000	$222,000	$353,000
2019/20	$170,000	$215,000	$260,000
2018/19	$154,000	$197,000	$250,000
2017/18	N/A	$194,000	N/A
2016/17	N/A	$202,000	N/A
2015/16	N/A	$190,000	N/A

YOY change +3%

Cardiology (non-inv.)	LOW	AVERAGE	HIGH
2020/21	$350,000	$446,000	$700,000
2019/20	$300,000	$409,000	$575,000
2018/19	$325,000	$441,000	$620,000
2017/18	$300,000	$427,000	$580,000
2016/17	$300,000	$428,000	$580,000
2015/16	$250,000	$493,000	$700,000

YOY change +9%

Cardiology (Interventional)	LOW	AVERAGE	HIGH
2020/21	$400,000	$611,000	$1,000,000
2019/20	$500,000	$640,000	$750,000
2018/19	$575,000	$648,000	$725,000
2017/18	$480,000	$590,000	$810,000
2016/17	$480,000	$563,000	$810,000
2015/16	$475,000	$545,000	$700,000

YOY change -5%

Neurology	LOW	AVERAGE	HIGH
2020/21	$215,000	$332,000	$850,000
2019/20	$255,000	$295,000	$450,000
2018/19	$250,000	$317,000	$400,000
2017/18	$255,000	$301,000	$395,000
2016/17	$220,000	$305,000	$400,000
2015/16	$220,000	$285,000	$308,000

YOY change +13%

Orthopedic Surgery	LOW	AVERAGE	HIGH
2020/21	$300,000	$546,000	$1,000,000
2019/20	$425,000	$626,000	$850,000
2018/19	$350,000	$536,000	$850,000
2017/18	$340,000	$533,000	$985,000
2016/17	$192,000	$579,000	$1,000,000
2015/16	$350,000	$521,000	$800,000

YOY change -13%

Dermatology	LOW	AVERAGE	HIGH
2020/21	$200,000	$378,000	$1,000,000
2019/20	$300,000	$419,000	$850,000
2018/19	$250,000	$420,000	$850,000
2017/18	$280,000	$425,000	$985,000
2016/17	$250,000	$421,000	$1,000,000
2015/16	$250,000	$440,000	$800,000

YOY change -10%

Pulmonology	LOW	AVERAGE	HIGH
2020/21	$250,000	$385,000	$650,000
2019/20	$350,000	$430,000	$500,000
2018/19	$325,000	$399,000	$460,000
2017/18	$355,000	$418,000	$725,000
2016/17	$225,000	$390,000	$530,000
2015/16	$275,000	$380,000	$500,000

YOY change -10%

Oral Maxillofacial Surgery	LOW	AVERAGE	HIGH
2020/21	$275,000	$349,000	$1,200,000

YOY change N/A

Physician Assistant	LOW	AVERAGE	HIGH
2020/21	$100,000	$128,000	$350,000
2019/20	$90,000	$112,000	$145,000
2018/19	$90,000	$110,000	$140,000
2017/18	$89,000	$101,000	$141,000
2016/17	$99,000	$115,000	$180,000
2015/16	$92,000	$114,000	$180,000

YOY change +14%

Pediatrics	LOW	AVERAGE	HIGH
2020/21	$180,000	$236,000	$400,000
2019/20	$170,000	$221,000	$300,000
2018/19	$140,000	$242,000	$400,000
2017/18	$189,000	$230,000	$355,000
2016/17	$170,000	$240,000	$400,000
2015/16	$165,000	$224,000	$308,000

YOY change +7%

Endocrinology	LOW	AVERAGE	HIGH
2020/21	$200,000	$241,000	$325,000

YOY change N/A

8.

Average Salaries for Top Five Most Requested Physician Specialties by Region

	NORTHEAST	MIDWEST/GREAT PLAINS	SOUTHEAST	SOUTHWEST
Nurse Practitioner	$127,879	$182,500	$145,200	$127,826
Family Medicine	$231,284	$252,214	$237,545	$251,944
Radiology	$410,400	$375,000	$383,511	$433,888
Psychiatry	$313,222	$293,000	$224,333	$316,666
Internal Medicine	$220,500	$275,000	$256,428	$275,000

9.

Type of Contract Offered

	SALARY	SALARY WITH BONUS	INCOME GUARANTEE	OTHER
2020/21	856 (35%)	1,503 (61%)	47 (2%)	52 (2%)
2019/20	809 (25%)	2349 (72%)	21 (<1%)	72 (2%)
2018/19	686 (22%)	2,198 (70%)	61(2%)	184 (6%)
2017/18	515 (17%)	2,285 (75%)	89 (3%)	156 (5%)
2016/17	723 (22%)	2,359 (72%)	121 (4%)	84 (2%)
2015/16	767(23%)	2,512 (75%)	32 (1%)	31(1%)

10.

If Salary Plus Production Bonus, on Which Types of Metrics Was the Bonus Based? (of 1,503 searches offering salary plus bonus, multiple responses possible)

	RVU BASED	NET COLLECTIONS	GROSS BILLINGS	PATIENT ENCOUNTERS	QUALITY	OTHER
2020/21	57%	23%	2%	10%	23%	0%
2019/20	73%	13%	2%	12%	64%	0%
2018/19	70%	18%	3%	9%	56%	0%
2017/18	50%	10%	1%	4%	43%	4%
2016/17	52%	28%	6%	14%	39%	9%
2015/16	58%	22%	2%	8%	32%	8%

11.

If Quality Factors Were Included in the Production Bonus, About What Percent Of Physician's Total Compensation Determined by Quality?

2020/21	10%
2019/20	11%
2018/19	11%
2017/18	8%

12.

Searches Offering Relocation Allowance

	YES	NO
2020/21	1,821 (74%)	637 (26%)
2019/20	3,147 (97%)	104 (3%)
2018/19	3,064 (98%)	67 (2%)
2017/18	2,999 (98%)	46 (2%)
2016/17	3,132 (95%)	155 (5%)
2015/16	3,173 (95%)	169 (5%)

13.

Amount of Relocation Allowance (Physicians only)

	LOW	AVERAGE	HIGH
2020/21	$2,000	$10,634	$75,000
2019/20	$1,000	$10,553	$40,000
2018/19	$2,000	$10,393	$30,000
2017/18	$2,500	$9,441	$25,000
2016/17	$2,500	$10,072	$44,000
2015/16	$2,500	$10,226	$30,000

14.

Amount of Relocation Allowance (NPs and PAs only)

	LOW	AVERAGE	HIGH
2020/21	$2,000	$8,363	$15,000
2019/20	$2,000	$7,114	$15,000
2018/19	$2,500	$7,067	$15,000
2017/18	$1,500	$6,250	$25,000
2016/17	$2,500	$8,063	$25,000
2015/16	$2,500	$8,649	$25,000

15.

Searches Offering Signing Bonus

	YES	NO
2020/21	1,505 (61%)	953 (39%)
2019/20	2,344 (72%)	907 (28%)
2018/19	2,220 (71%)	911 (29%)
2017/18	2135 (70%)	910 (30%)
2016/17	2,501 (76%)	786 (24%)
2015/16	2,576 (77%)	766 (23%)

16.

Amount of Signing Bonus Offered (Physicians only)

	LOW	AVERAGE	HIGH
2020/21	$1,000	$29,656	$240,000
2019/20	$2,500	$27,893	$100,000
2018/19	$3,000	$32,692	$225,000
2017/18	$2,500	$33,707	$180,000
2016/17	$2,500	$32,636	$275,000
2015/16	$1,000	$26,889	$350,000

17.

Amount of Signing Bonus Offered (NPs and PAs only)

	LOW	AVERAGE	HIGH
2020/21	$3,000	$7,233	$50,000
2019/20	$2,500	$8,500	$35,000
2018/19	2,500	$9,000	$25,000
2017/18	$5,000	$11,944	$30,000
2016/17	$2,500	$8,576	$25,000
2015/16	$2,500	$10,340	$40,000

18.

Amount of Signing Bonus Offered for Top 5 Most Requested

	LOW	AVERAGE	HIGH
Nurse Practitioner	$990	$6,939	$20,000
Family Medicine	$2,500	$34,644	$240,00
Radiology	$10,000	$23,235	$50,000
Psychiatry	$1,000	$33,260	$75,000
Internal Medicine	$5,000	$22,861	$100,000

19.

Searches Offering to Pay Continuing Medical Education (CME)

	YES	NO
2020/21	2,306 (94%)	152 (6%)
2019/20	3,124 (96%)	127 (4%)
2018/19	2966 (95%)	154 (5%)
2017/18	3243 (97%)	99 (3%)
2016/17	3,116 (95%)	171 (5%)
2015/16	2,984 (98%)	61 (2%)

20.

Amount of CME Pay Offered (Physicians only)

	LOW	AVERAGE	HIGH
2020/21	$1,000	$3,695	$50,000
2019/20	$800	$4,166	$20,000
2018/19	$1,000	$3,620	$35,000
2017/18	$250	$3,888	$50,000
2016/17	$500	$3,613	$30,000
2015/16	$100	$3,633	$35,000

21.

Amount of CME Pay Offered (NPs and PAs only)

	LOW	AVERAGE	HIGH
2020/21	$1,000	$2,956	$30,000
2019/20	$1,000	$2,313	$5,000
2018/19	$1,000	$2,862	$5,000
2017/18	$650	$2,280	$5,000
2016/17	$400	$2,126	$5,000
2015/16	$400	$2,140	$3,950

22.

Searches Offering to Pay Additional Benefits

	2020/21	2019/20
Health Insurance	78%	67%
Malpractice	76%	67%
Retirement /401K	68%	63%
Disability	70%	58%
Educational Forgiveness	21%	24%

23.

If Educational Loan Forgiveness was Offered, What Was the Term (of 514 searches offering loan forgiveness)

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
One Year	45 (9%)	72 (9%)	NA	18 (3%)	40 (5%)	45 (5%)
Two Years	109 (21%)	184 (24%)	NA	104 (19%)	191 (23%)	155 (18%)
Three Years Plus	360 (70%)	528 (67%)	NA	425 (78%)	592 (72%)	671 (77%)

24.

If Education Loan Forgiveness Was Offered, What Was the Amount? (Physicians only)

	LOW	AVERAGE	HIGH
2020/21	$2,500	$104,630	$800,000
2019/20	$40,000	$101,590	$300,000
2018/19	$10,000	$101,571	$300,000
2017/18	$10,000	$82,833	$300,000
2016/17	$10,000	$80,923	$260,000
2015/16	$10,000	$88,068	$300,000

25.

If Education Loan Forgiveness Was Offered, What Was the Amount? (NPs and PAs only)

	LOW	AVERAGE	HIGH
2020/21	$60,000	$80,000	$100,000
2019/20	$40,000	$68,323	$90,000
2018/19	$20,000	$61,250	$100,000
2017/18	$25,000	$33,333	$37,500
2016/17	$35,000	$56,442	$100,000
2015/16	$30,000	$61,667	$100,000

Trends And Observations

Merritt Hawkins' annual *Review of Physician and Advanced Practitioner Recruiting Incentives*, now in its 28th year, tracks three key physician and advanced practitioner recruiting trends:

1. Based on the recruiting engagements Merritt Hawkins is contracted to conduct, the *Review* indicates which types of physicians and advanced practitioners are in the greatest demand and which are the most challenging to recruit.
2. The *Review* also indicates the types of practice settings into which physicians and advanced practitioners are being recruited (hospitals, medical groups, solo practice etc.) and the types of communities that are recruiting physicians based on population size.
3. The *Review* further indicates the types of financial and other incentives that are being used to recruit physicians and advanced practitioners.

Each of these trends is discussed below, following an overview of the current market in which physician and advanced practitioner recruiting is taking place.

The Current Recruiting Market: COVID–19 was a Game Changer

For years, healthcare has been one of the most robust if not the most robust sectors of the economy, a fast-racing engine driving growth and employment.

In 2016, healthcare surpassed retail as the number one employment sector, and by the end of 2018 more than 16 million people worked in healthcare jobs, according to the Bureau of Labor Statistics.

Physicians, in particular, have been the beneficiaries of an extraordinarily favorable job market. In Merritt Hawkins' *2019 Survey of Final-Year Medical Residents*, the majority of final-year residents (66%) indicated they received 51 or more recruiting offers during the course of their training. Close to half of final-year residents (45%) received 100 or more recruiting offers (see chart below).

HOW MANY RECRUITING OFFERS DID YOUR RECEIVE DURING YOUR TRAINING?	
0-10	8%
11-25	10%
26-50	16%
51-100	21%
100 or more	45%

Source: Merritt Hawkins 2019 Survey of Final-Year Medical Residents

In the course of its 34-year history, Merritt Hawkins has never seen a market in which physicians did not have abundant practice opportunities from which to choose or in which they struggled to find jobs.

This longstanding dynamic changed in 2020 as a result of COVID-19. During the height of the pandemic, the number of physician search assignments Merritt Hawkins was engaged to conduct dropped by 30% as a result of an unprecedented decline in healthcare utilization and spending.

The 2020 *Survey of America's Physicians*, completed by Merritt Hawkins every other year on behalf of The Physicians Foundation, highlights ways in which physicians were affected by COVID-19 in their practices (see chart below):

HAVE YOU DONE OR EXPERIENCED ANY OF THE FOLLOWING IN YOUR PRACTICE AS A RESULT OF COVID-19?	
Closed my practice	8%
Reduced staff	43%
Experienced a reduction in income	72%
Moved to a new employment situation	6%
Moved from a direct patient care role to a non-patient care role	5%
Switched to a primarily telemedicine position	12%
Moved from a permanent practice to locum tenens	2%

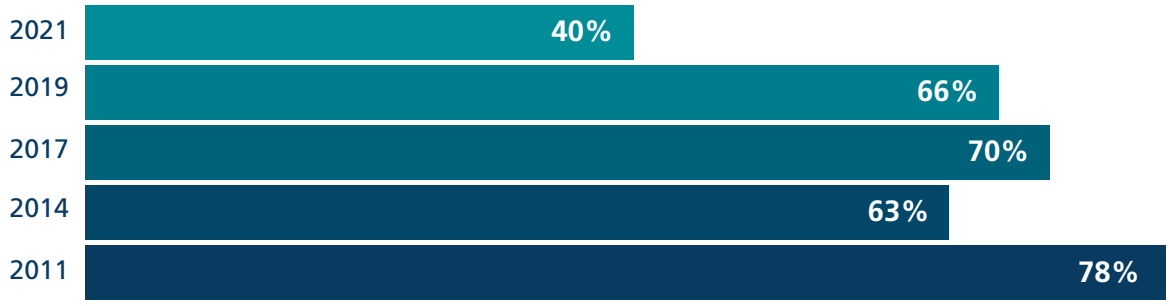
Source: 2020 Survey of America's Physicians: COVID-19 Impact Edition. The Physicians Foundation/Merritt Hawkins. September 2020.

As these numbers indicate, many physicians were negatively impacted financially by the pandemic, some changed jobs, others opted out of patient care roles and thousands switched to a primarily telemedicine practice.

The number of physicians contacting Merritt Hawkins regarding job opportunities increased and some physicians reported difficulty in securing a practice opportunity. These included physicians coming out of training as well as in-practice physicians who had been furloughed or laid off, occurrences that were next to unknown pre-pandemic.

Merritt Hawkins' *2021 Survey of Final-Year Medical Residents* illustrates how the number of recruiting offers new physicians received declined relative to 2019 and other recent years.

NUMBER OF FINAL-YEAR MEDICAL RESIDENTS RECEIVING 51 OR MORE RECRUITING OFFERS DURING THEIR TRAINING



Source: 2021 Survey of Final-Year Medical Residents. Merritt Hawkins. May 2021

In relative terms, the last year has been a negative one for physicians seeking jobs – though in absolute terms, physicians are still more likely to have job opportunities than many other types of professionals.

Physician Well-Being and Burnout

In addition to affecting their financial and job prospects, COVID-19 has had a profound impact on the personal well-being of many physicians (see chart below).

HAVE YOU PERSONALLY DONE OR EXPERIENCED ANY OF THE FOLLOWING AS A RESULT OF COVID-19?	
Sought medical attention for a physical problem	24%
Sought medical attention for a mental health problem	13%
Began use of medication, alcohol and/or illicit drugs	10%
Withdrew from friends and family	43%
Had inappropriate feelings of anger, tearfulness or anxiety	50%
Had thoughts or actions about self-harm	8%

Source: 2020 Survey of America's Physicians: COVID-19 Impact Edition. The Physicians Foundation/Merritt Hawkins. September 2020.

The majority of physicians surveyed (58%) said they often experience feelings of burnout. More than one-third (38%) said they would like to retire in the next year. This includes 43% of physicians 46 or older, but also one-fifth (21%) of physicians 45 or younger who still are at the front-end of their careers.

On the Rebound

The coronavirus pandemic has changed the trajectory of the historically robust physician job market and exacerbated feelings of burnout among physicians themselves. However, there are reasons to anticipate that more customary physician supply, demand and recruiting conditions are likely to be restored.

One is the uptick in healthcare spending. Including all health services other than prescription drugs and social services, revenue from healthcare services was down a precipitous 8.9% in the second quarter of 2020 year-over-year. By contrast, in the third quarter of 2020, healthcare services revenue was up 0.9% year-over-year and was up 3.4% year-over-year in the fourth quarter. (*How have health system spending and utilization changed during the coronavirus pandemic? Peterson-Kaiser Family Foundation Health System Tracker. March 21, 2021*).

U.S economic growth also should propel demand for physicians as more people obtain employer-based healthcare insurance. The International Monetary Fund (IMF) projects 6.4% U.S. economic growth in 2021 and 3.5% growth in 2022, after years in which growth was limited to about 2% (I*MF projects 6% global growth. Market Place. April 6, 2021*).

Widespread COVID-19 vaccinations and the adoption of safety protocols have made patients less reluctant to seek needed care. Utilization of physician services should increase as patients become more confident they can visit physician offices, hospitals and other sites of service at minimal risk.

Factors Driving the Physician Shortage Remain in Place

Virtually all of the factors driving a growing physician shortage will remain in place in a post COVID-19 environment. Some, including increased levels of ill health (physical and psychological) caused by COVID-19 and the economic disruption it has created, will be exacerbated. Added to this will be a spike in physician utilization as patients seek surgeries, tests, and routine treatments that they put off during the pandemic.

COVID-19 Likely to Increase Physician Turnover and Retirement

COVID-19 also is likely to increase volatility in the physician workforce, leading to higher rates of turnover and retirement. Eleven percent of physicians responding to the *2020 Survey of America's Physicians* indicated they either switched jobs due to COVID-19 or moved into a non-clinical role. Thirty-eight percent indicated they would like to retire in the next year, including 43% of physicians 46 years old or older. This includes as 21% of physicians 45 or younger who are still in the relatively early stages of their careers.

The U.S. already faces a physician "retirement cliff" as close to 30% of active physicians are 60 or older. The fallout from the coronavirus pandemic is likely to accelerate this trend.

New Funding for GME Not Enough

Due to the 1997 cap Congress placed on federal funding for physician graduate medical education (GME) the number of new physicians being trained has been limited. Funding for 1,000 additional residency positions was included in 2020 COVID-19 relief spending, far short of the number the Association of American Medical Colleges (AAMC) has called for. Congress is set to consider significantly increased funding for GME in 2021, but even if such funding is approved, it will be years before residencies can be expanded and more physicians brought into the workforce.

A Growing Demand

According to the U.S. Census Bureau, there will be more seniors in the U.S. (78 million) by 2032 than children 17 and under, the first time this has occurred in U.S. history

Though they account for only 15% of the population, seniors generate 37.4% of diagnostic tests and 34% of inpatient procedures, according to the Centers for Disease Control (CDC). They also generate three times the annual physician visits of younger people. Population aging is consequently the single most important factor driving demand for physicians.

In addition, six in 10 adults in the U.S. have a chronic illness such as heart disease or diabetes, while 4 in 10 have more than one, the CDC reports. Pervasive ill-health caused by poverty, lifestyle choices and the impact of COVID-19 will further drive demand for doctors. The maldistribution of physicians remains a challenge, as the Health Resources and Services Administration (HRSA) now designates over 7,000 Health Care Professional Shortage Areas (HPSAs) nationwide, 60% of them rural.

For these and related reasons, the AAMC projects a shortage of up to 124,000 physicians by 2034, including a shortage of over 47,000 primary care physicians and a shortage of over 77,000 specialist physicians (*The Complexities of Physician Supply and Demand. Association of American Medical Colleges. June 2021*).

An imbalance between physician supply and demand was the status quo prior to COVID-19 and, given the underlying factors cited above, is likely to remain the status quo once the coronavirus pandemic has been resolved.

2021 Incentive Review: Findings And Metrics

Based on a national sample of recruiting engagements, Merritt Hawkins' *Review of Physicians and Advanced Practitioners* reveals which types of physicians and advanced practitioners are in the greatest demand.

NPs Hold the Top Spot

The 2021 *Review* indicates that nurse practitioners (NPs) remained in particularly strong demand during the pandemic. Due to the impact of the pandemic, the total number of search engagements Merritt Hawkins conducted during the 12-month *Review* period declined by 25% year-over-year. Nevertheless, the number of NP searches Merritt Hawkins conducted increased (see chart below).

NUMBER OF MERRITT HAWKINS NP RECRUITING ENGAGEMENTS BY YEAR					
2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
335	270	169	205	137	150

Merritt Hawkins conducted more search engagements for NPs in the 2021 *Review* period than for any other type of advanced practice professional or physician. This is the first time in the 28 years that the *Review* has been conducted that a physician of one specialty type or another has not held the top spot.

The Expanding Role of NPs and PAs

There are over 270,000 NPs practicing in the U.S. today, according to the American Association of Nurse Practitioners (AANP), 78% of them delivering primary care. There are over 120,000 PAs practicing in the U.S., about one-third of them in primary care and two-thirds in specialty areas, according to the American Academy of Physician Assistants (AAPA).

NPs and PAs are playing a growing role in team-based care (many were trained in this model), in some cases handling 80 percent or more of the duties physicians perform, allowing doctors to focus on the most complex patients and procedures. Their ability to educate patients, ensure patient compliance, reduce costs and enhance patient satisfaction makes them an ideal resource for value-based delivery systems operating in global payment structures.

Increasingly, NPs and PAs are viewed as appropriate leaders of the team-based care model, capable of coordinating the efforts of all members of the team, from physicians to community care coordinators. They also are being groomed for those leadership positions considered critical to the transition to quality-based care, including chief quality officer, director of population health management, and others.

PAs have prescriptive authority in all 50 states, while NPs now can practice independently of physicians in over 20 states and the District of Columbia, with scope of practice expected to expand.

Convenient Care Driving the Use of NPs and PAs

As of November 2019, the number of urgent care centers in the U.S. stood at 9,616, up from 6,100 in 2013, according to a report from the Urgent Care Association (*Now more than 9,000 urgent care centers in the U.S. Fierce Healthcare. February 26, 2020*). Both the number of urgent care centers and retail clinics has continued to grow across the U.S. as patients look for convenience and affordability. In some cases, convenient care clinics compete directly with hospitals and physician practices for patients.

NPs and PAs provide the bulk of care at the growing number of urgent care and retail centers nationwide. For years, they also have been fixtures at the growing number of Federally Qualified Health Centers (FQHCs) that provide care for underserved populations across the country. Their role will expand as these types of services proliferate, as will demand for their services.

NPs, PAs and COVID-19 Back to Work Efforts

As the nation emerges from the coronavirus pandemic, NPs and PAs are likely to play an even more active role in COVID-19 related patient testing, monitoring, compliance and education. The pandemic saw an influx of NPs and PAs to COVID-19 hot spots, and their active role in treating virus patients may support ongoing efforts to enhance NP and PA scope of practice laws. Expanded scope of practice would be likely to further drive demand for NPs and PAs, particularly in rural areas where direct physician supervision may be impractical.

In addition, thousands of businesses, from real estate offices to factories to distribution centers, now require systems for getting employees back to work while ensuring their safety. NPs and PAs can help design, implement and staff these efforts, ensuring employee screenings, temperature checks, quarantining efforts and overall management of the process.

However, a significant recruiting challenge is arising in this area as many NPs and PAs are choosing to specialize, making it more difficult to find providers to fill primary care roles.

For more information on this subject see Merritt Hawkins' white paper, *NPs and PAs: Supply, Distribution and Scope of Practice*.

A Changing Primary Care Model

Prior to the 2021 *Review*, family medicine was Merritt Hawkins' most requested type of search engagement for 14 consecutive years.

Despite this fact, demand for family medicine physicians has declined. In the 2014/15 *Review* period, Merritt Hawkins conducted a record high of 734 family medicine searches. That number declined to 284 searches as tracked in the in 2021 *Review* (see below).

MERRITT HAWKINS FAMILY MEDICINE SEARCH ENGAGEMENTS BY YEAR						
2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
284	448	457	497	607	627	734

Part of this decline over the last year can be attributed to the inhibiting effect COVID-19 had on physician office visits. However, this trend predates COVID-19 and is tied to a shift in primary care utilization patterns away from the traditional office-based model.

According to a November 2018 report from the Health Care Cost Institute, visits to primary care physicians dropped by 18% between 2012 and 2016. In 2012, 51% of office visits for patients under 65 were to primary care physicians. That number declined to 43% in 2016, according to the report. Young people, in particular, appear less inclined to see a primary care physician (see chart below):

ADULTS WHO HAVE NO PRIMARY CARE PHYSICIAN	
18-29	45%
30-49	28%
50-64	18%

Source: Health Care Cost Institute/ Kaiser Health News/Washington Post. 10/8/2018

There was a corresponding 129% increase in office visits to NPs and PAs from 2012 to 2016, according to the report, indicating that the manner in which patients access the healthcare system is evolving. Convenient care venues such as urgent care centers and retail clinics, commonly staffed by NPs and PAs, are becoming key entry points into the health system. A growing number of younger people are using these sites (as well as telemedicine) as their main source of primary care, eroding market share for traditional, office-based primary care physicians.

The Rising Use of Telemedicine

COVID-19 has spurred the use of telemedicine among primary care and other types of physicians. Twelve percent of physicians responding to the *2020 Survey of America's Physicians* indicated COVID-19 caused them to switch to a primarily telemedicine position. Pro-rated over the entire workforce of 840,000 physicians in active patient care, this equates to more than 100,000 physicians.

It is uncertain, however, whether this level of telemedicine services can be maintained. Seventy-two percent of physicians responding to the *2020 Survey of Physicians* agreed that the widespread use of telemedicine will not continue unless reimbursement rates for telemedicine and in-person rates remain comparable. If they do, office-based primary care physicians will have a better opportunity to compete with urgent care centers and purely telemedicine-based providers and demand for their services could increase.

Primary Care Still Relevant

There are additional reasons why demand for primary care physicians is likely to rebound.

Primary care physicians play a critical role in the care coordination of older patients, many of whom have multiple chronic illnesses that need to be tracked and managed. This aspect of their role will increase significantly as the population ages.

Primary care physicians also are essential to the implementation of value-based reimbursement models and to the integrated systems built on these models, such as accountable care organizations (ACOs). In these models, primary care physicians are the quarterbacks of the care delivery team, ensuring tasks are allocated appropriately and resources are managed efficiently. Rather than focus on individual transactions, ACOs and other primary care led delivery models promote disease prevention and the care of large population groups. The principles of value-based care and population health management cannot be applied without a robust network of primary care doctors.

These principles include continuity of patient care, which is vital to achieving better outcomes and to ensuring population health. Care continuity will become even more important as a result of COVID-19, since the pandemic will require more patient monitoring, more care coordination and therefore more primary care physicians.

The Market for Physician Specialists

As was noted above, the majority of Merritt Hawkins' search engagements (64%) during the 2021 *Review* period were for specialist physicians.

Merritt Hawkins determines demand for physicians and advanced practitioners in part on how many search engagements we conduct for various types of providers. As noted above, prior to the 2021 *Review*, Merritt Hawkins conducted more search engagements for family physicians than for any other type of provider for 14 consecutive years.

Who Leads in "Absolute Demand?"

It is to be expected, however, that specialties that have a comparatively high number of practicing physicians, such as family medicine, will generate a comparatively high number of search engagements. But how does the picture look if specialties are ranked by number of search assignments/job openings as a percent of all active physicians in a given specialty or by what Merritt Hawkins calls "absolute demand?"

The list below ranks demand for physicians in this manner.

2021 MERRITT HAWKINS TOP 10 SEARCH ENGAGEMENTS AS A PERCENT OF ALL PHYSICIANS IN VARIOUS SPECIALTIES (PATIENT CARE ONLY)
1. Hematology/Oncology
2. Radiology
3. Neurology
4. Gastroenterology
5. Psychiatry
6. Dermatology
7. Endocrinology
8. Cardiology
9. Family Medicine
10. Obstetrics/Gynecology

In terms of "absolute demand," hematologists/oncologists were the most in demand type of physician during the 2021 *Review* period, while family medicine physicians were 9th. By this standard, it can be argued that specialist physicians now are more highly sought after than are primary care physicians.

Demographic Destiny

Approximately 10,000 Baby Boomers turn 65 every day. The number of Americans 65 and older will reach 80 million in 2040, according to the Census Bureau, while the number of adults ages 85 and older is projected to nearly quadruple between 2000 and 2040. Many older Americans will have multiple, complex health problems and will need primary care physicians to coordinate their care.

Many elderly physicians also will need a variety of specialists to treat and repair specific body parts and organ systems – cardiologists, orthopedic surgeons, gastroenterologists, neurologists, dermatologists and many others. Population aging is the primary driver of demand for medical specialists, and demand will only increase as the nation ages.

There is an additional reason driving demand for medical specialists, however, and that is their role as revenue generators.

Specialists Drive Revenue

Payment models in healthcare are evolving, with a growing amount of reimbursement tied to value and outcomes rather than volume of services provided. Despite these changes, a basic fact of healthcare economics remains. Physicians still drive revenue to hospitals through the volume of patient admissions they generate, the procedures they perform, the tests and treatments they order, and the drugs they prescribe. According to

Merritt Hawkins' *2019 Physician Inpatient/Outpatient Revenue Survey*, physicians generate an average of $2.4 million in net revenue for their affiliated hospitals each year, with the amount varying by specialty. Specialist physicians remain the highest revenue generators (see chart below):

AVERAGE NET ANNUAL HOSPITAL REVENUE GENERATED BY PHYSICIANS BY SPECIALTY	
Cardiology (interventional)	$3,484,375
Orthopedic Surgery	$3,286,764
Gastroenterology	$2,965,277
Family Medicine	$2,111,931
Ob/Gyn	$2,024,193

Source: Merritt Hawkins 2019 Physician Inpatient/Outpatient Revenue Survey

The coronavirus pandemic caused an abrupt reduction in demand for many types of specialists. Hospitals and health systems put elective procedures on hold to prepare for a surge of COVID-19 cases, while many patients were reluctant to enter hospitals and other environments where they might contract the virus. By mid-May, 2020, 94 million adults had delayed medical care as a result of COVID-19, according to the Census Bureau (*Washington Post, June 2, 2020*).

However, as safety conditions and the economy improve, Merritt Hawkins is seeing demand for physician specialists increase in areas such as gastroenterology, oncology, cardiology, endocrinology, and others.

Radiology/Anesthesiology Demand Reflect Rising Utilization

Demand for both radiology and anesthesiology also are increasing, a clear sign that volume of medical procedures is growing. Whether it is a diagnosis or a procedure, little happens in healthcare without an image. Radiology ranked third among Merritt Hawkins' search engagements during the 2021 *Review* period, up one spot from the previous year, signaling continued utilization of both inpatient and outpatient imaging tests and procedures. Anesthesiology ranked 7th, up from 10th the previous year, and CRNA ranked 10th, up from 13th the previous year, also further reflecting growing utilization of procedures requiring anesthesia.

COVID-19 Exacerbating the Shortage of Psychiatrists

Psychiatry was Merritt Hawkins' fourth most requested search engagement during the 2021 *Review* period, third among physician search engagements, and fifth in absolute demand.

For well over 10 years, Merritt Hawkins has been noting in these *Reviews* the critical shortage of psychiatrists nationwide, a theme expanded upon in our white paper *Psychiatry: The Silent Shortage*.

Demand for psychiatrists and other behavioral health workers is likely to spike considerably as a result of COVID-19, exacerbating what already was a nationwide shortage of these professionals.

An April, 2020 survey by the Kaiser Family Foundation found that almost half of all U.S. adults (45%) say the pandemic has affected their mental health, while 19% say it has had a "major impact." (*The Impact of Coronavirus on Life in America. Kaiser Family Foundation. April, 2020*).

Prescriptions for anti-anxiety drugs spiked 34% between February 16 and March 15, and also increased for antidepressants (18.6%) and anti-insomnia drugs (14.8%), according to a report from Express Scripts (*America's State of Mind: U.S. Trends in Medication Use For Depression, Anxiety & Insomnia*). Companies like Ginger and TalkSpace that deliver virtual mental health care have seen a massive surge in demand for services during the pandemic, with increases of 50% to 65% in February and March, 2020 (*Open Minds/Strategy and Innovation Institute. April 23, 2020*).

Today it is widely acknowledged that the shortage of mental health professionals, including psychiatrists, has developed into a public health crisis.

In March, 2017, the National Council of Behavioral Health (NCBH) released a report indicating that 77% of U.S. counties are experiencing a severe shortage of psychiatrists. (*HealthLeaders, March 30, 2017*). In Texas, 185 out of 254 counties lack a general psychiatrist, according to a study completed by Merritt Hawkins on behalf of the North Texas Regional Extension Center.

Maintaining and expanding access to psychiatric services will be one of the primary challenges facing healthcare policy makers and providers in the post-COVID-19 environment.

HRSA Specialist Shortage Projections

Given the physician supply and demand factors outlined above, particularly population aging, specialists will be needed to perform everything from skin biopsies to heart surgeries, none of which can be put off indefinitely without disastrous consequences.

The Health Resources and Services Administration (HRSA) report *National and Regional Projections of Supply and Demand for Internal Medicine Subspecialty Practitioners* and its similar report on supply and demand for surgical specialist physicians projected that a variety of specialists will be in short supply by 2025.

The chart below indicates HRSA's shortage projections in several of these specialties.

NATIONAL ESTIMATES OF PHYSICIAN SUPPLY, DEMAND AND DEFICITS/INTERNAL MEDICINE SUBSPECIALTIES AND SURGICAL SPECIALTY PHYSICIANS BY 2025			
	SUPPLY	DEMAND	DEFICIT/2025
Allergy and Immunology	4,140	4,620	-480
Cardiology	28,560	35,460	-7,080
Dermatology	13,100	13,530	-430
Gastroenterology	15,540	17,170	-1,630
Hematology/Oncology	18,100	19,500	-1,400
Pulmonology	14,110	15,510	-1,400
General Surgery	30,760	33,730	-2,970
Neurological Surgery	4,930	5,130	-1,200
Ophthalmology	16,510	22,690	-6,180
Orthopedic Surgery	24,350	29,400	-5,050
Cardiothoracic Surgery	3,600	5,410	-1,800
Urology	8,830	12,460	-3,630
Vascular Surgery	3,410	3,930	-520

Source: HRSA Regional Projections of Supply and Demand for Internal Medicine Subspecialty Practitioners/Surgical Specialty Physicians. December, 2016.

These projections pre-date the coronavirus pandemic and may have to be revised to incorporate the economic damage done by COVID-19, which likely will reduce the ability of patients to pay for specialty services in the short to mid-term. Nevertheless, they underline the growing distance between the demand for specialty physicians generated by an aging population and the supply of such physicians, which will continue to be a long-term trend.

More information on the shortage of specialty physicians is included in the Merritt Hawkins white paper *Physician Supply Considerations: The Emerging Shortage of Specialists*.

Types of Healthcare Facilities Currently Recruiting Physicians

Following is a review of the types of settings into which Merritt Hawkins recruited physicians during the 2020/21 *Review* period.

Hospitals

The 2021 *Review* indicates that 33% of Merritt Hawkins' search engagements over the last year featured a hospital setting, down from 36% the previous year.

Hospitals lost some $200 billion dollars over the first quarter of 2020 directly or indirectly as a result of the coronavirus pandemic. Hospital visits as of May 2020 were down by 40% year-over-year (*Washington Post, June 2, 2020*). Consequently, "cash in hand" and patient and staff safety were the key priorities of hospitals during the pandemic, ahead of physician recruiting or any other consideration.

However, hospital admissions had picked back up to about 95% of expected utilization (based on historical patterns) by July 2020. After dropping again to 90% of expected admissions by August, overall admissions for the year rebounded to 94% of expected admissions as of December 5, 2020 (*How have health system spending and utilization changed during the coronavirus pandemic? Peterson-Kaiser Family Foundation Health System Tracker. March 21, 2021*).

Due to COVID-19 variants and other factors, the factors driving hospital admissions remain volatile and subject to regional variations. Despite this volatility some hospitals have proceeded with their physician recruiting efforts during the pandemic, in some cases successfully identifying and signing candidates through virtual channels, forgoing traditional on-site interviews. For more information on this topic see Merritt Hawkins' guidance paper, *Maintaining Physician Recruiting Efforts in the Wake of the Coronavirus*.

COVID-19 Hitting Rural Hospitals Hard

Larger hospital systems with the most diversified network of physicians, inpatient and outpatient venues, integrated electronic health records (EHR), stable management and relatively robust financial resources are in the best position to weather the COVID-19 storm and to ramp up recruiting efforts once the virus is contained.

Rural hospitals, however, are more exposed to the negative financial impact of COVID-19. According to a February 2021 study from the Chartis Center for Rural Health, close to half of rural hospitals are operating in the red with a least 450 facilities at risk of closure. The Chartis study indicates 86% of rural hospitals suspended outpatient services for at least one to three months. This is a particular challenge as median outpatient revenue at rural hospitals is 77% of total revenue (*Nearly half of rural hospitals face negative operating margins as COVID-19 hits outpatient revenue. Fierce Healthcare. Feb. 10, 2021*).

More than 80% of rural hospitals in the study indicated outpatient volume reductions resulted in up to $5 million per month in lost revenue. Though $175 billion in funding from the CARES Act kept some rural hospitals afloat, it can be anticipated that more rural hospitals may have to merge with larger hospital systems to help address their various challenges. Physician recruiting efforts could therefore become more consolidated with large, corporate entities supervising a range of search engagements on behalf of multiple rural hospitals.

Medical Groups

Twenty-nine percent of Merritt Hawkins' search engagements tracked in the 2021 *Review* were conducted for medical groups, down from 28% the previous year.

As is the case with hospitals, larger medical groups, such as Kaiser Permanente and Cleveland Clinic, which resemble hospital systems in that they employ thousands of physicians operating in both clinics and hospitals, may have the best chance of remaining viable in the post-COVID-19 environment.

Smaller, independent physician practices may be in a less tenable position. Physician practice revenue

declined by 55% in the first quarter of 2020, according to the Medical Group Management Association. According to the *2020 Survey of America's Physicians* cited above, 8% of physicians closed their practices at least temporarily last year due to the coronavirus.

Many solo and small group practice physicians have struggled during the pandemic and some applied for financial relief through the Paycheck Protection Program (PPP). Of those who applied and received PPP funding, 75% said the funding was enough for their practices to stay open, 14% said funds were insufficient for them to stay open and 11% said they applied or PPE funding but did not receive it (*2020 Survey of America's Physicians. The Physicians Foundation/Merritt Hawkins. October, 2020*). These numbers suggest that PPP was an important asset to medical groups and that many would have closed without it.

As with rural hospitals, it can be expected that COVID-19 will further drive consolidation of independent physician practices with larger entities, such as major medical groups, hospital systems and investment companies. The process of recruiting physicians, advanced practitioners and other healthcare professionals also may become more consolidated.

Academic Medical Centers

Twenty percent of Merritt Hawkins' search engagements tracked in the 2021 *Review* were conducted for Academic Medical Center (AMC) settings, up from 18% the previous year.

Seventy-eight percent of these assignments were for clinical faculty positions, 21% were for leadership/administrative positions, and 1% were for research faculty positions.

AMCs are hospitals and health systems with a close affiliation with a medical school. AMCs feature residency and often fellowship training programs and pursue clinical research in addition to direct patient care. They are also often considered to be tertiary care centers, because of their ability to treat a full range of complex conditions, in many cases by providing subspecialty care.

COVID-19 Creates Debt Service Challenge for AMCs

Some AMCs have been central to providing services during the pandemic, particularly in large urban centers that have been COVID-19 hot spots and where AMCs serve as safety-net facilities. Despite an influx of virus patients, however, AMCs have experienced revenue losses as elective and other procedures have been delayed or cancelled.

The most severe challenge this may pose to AMCs is debt service. Many AMCs incurred debt as they expanded in recent years, in part to accommodate a 30% increase in medical school enrollment since 2006. Events such as COVID-19 that disrupt cash flow used for making debt payments may place a significant financial strain on some AMCs. AMCs may disproportionately be affected by COVID-19 cash flow interruptions due to their safety net responsibilities, lower operating margins, higher percentage of government payer mix, supply chain challenges for necessary equipment and supplies, and higher debt relative to their net assets and investments (*COVID-19: Financial stress test for Academic Medical Centers. National Library of Medicine/National Institutes of Health. April 13, 2020*).

However, given their size and diversity of service offerings, AMC's, like hospital systems, may be better positioned to weather the pandemic than smaller, less diverse entities. They typically also have other sources of funding besides patient volume, such as research grants and endowments, that can help sustain hiring efforts during economic downturns.

More Residency Positions, More Diversity

Long-term, AMCs are likely to experience increases in demand for clinical services as they are typically hubs for specialized care in their service areas. As is noted above, demand for specialty care, driven by patient aging and other factors, is likely to increase in coming years.

AMC also are likely at the same time to expand their teaching and training capabilities. Federal funding was recently provided for 1,000 new residency positions, and the number of such positions could greatly increase should Congress approve proposed further funding. These trends could continue to drive aggressive recruiting programs at many AMCs, as will the simultaneous effort to increase AMC leadership and faculty diversity.

Merritt Hawkins Academic Advisory Council

To help address these needs, Merritt Hawkins' Department of Academics expanded its resources, forming an Academic Advisory Council of nationally prominent academic medicine leaders to help set strategic goals and to source top candidates for academic leadership positions and to provide executive coaching. **The Advisory Council is composed of Tom Lawley, MD, former Dean of Emory Medical School; Philip Pizzo, MD, former Dean of Stanford Medical School; and Arthur Rubenstein, MD, former Dean of the University of Pennsylvania School of Medicine.**

Federally Qualified Health Centers

Eight percent of Merritt Hawkins' search engagements tracked in the 2021 *Review* were conducted for Federally Qualified Health Center/Community Health Center or Indian Health settings, up from 6% the previous year.

With over 50 years of service, Federally Qualified Health Centers (FQHCs) have expanded rapidly in recent years and now include approximately 1,400 centers providing services at over 10,000 sites nationwide.

Using a primary-care driven, preventive model now being adopted by other types of providers, FQHCs see over 28 million patients annually, while offering affordable, accessible care and seeing all patients regardless of their ability to pay. **Merritt Hawkins is proud to be the sole provider of permanent physician search services for the National Association of Community Health Centers (NACHC) and to support the vital mission of FQHCs in addressing the needs of medically underserved populations.**

A COVID-19 Life Saver

FQHCs have been a key resource during the coronavirus pandemic, providing tests, triaging patients, and reducing the burden on hospitals. Ninety percent of FQHCs were providing COVID-19 tests last year, with 67% offering walk-up or drive-through testing as of May 8, 2020 (*Impact of Coronavirus on Community Health Centers. Kaiser Family Foundation. May 20, 2020*).

FQHCs provide care to patient populations most likely to suffer from COVID-19. Over 90% of their patients are low income while 63% are ethnic minorities. Of patients tested at FQHCs, 28% have tested positive, double the national rate, according to the Kaiser Family Foundation. FQHCs also play a role in addressing the accelerated need for mental health services during the pandemic.

The importance of FQHCs in helping to treat COVID-19 patients is underlined by federal funding. A three-year extension of the Community Health Center Fund was initiated in 2021. Combined with discretionary funding, spending on FQHCs now is budgeted at more than $5.7 billion a year, up from $3.7 billion in 2013. (*NACHC CHC Funding Chart. NACHC.org*).

These funds will be needed as FQHCs reported an initial drop in patient visits of 43% after the coronavirus pandemic hit, while close to 2,000 health centers experienced temporary closures. Funding and staffing shortages have traditionally been the two most commonly cited challenges facing FQHCs. Given the impact of COVID-19, these challenges are likely to continue.

Solo Practice/Partnerships/Concierge

Three percent of Merritt Hawkins' search engagements tracked in the 2021 *Review* were conducted for solo practice, partnership or concierge practice settings, the same as the previous year.

These settings generally feature practice ownership, in which physicians are being recruited to set up their own solo practice or to join another physician as an owner/partner in a private practice. In some cases, these may be concierge/direct pay practices in which physicians contract directly with patients, bypassing third party payers, though not all concierge practices feature practice ownership.

COVID-19 Another Threat to Private Practice

COVID-19 has created financial and operational difficulties for many small, independent practices, further eroding the viability of this traditional practice model. Few physicians today express a preference for this practice style. According to Merritt Hawkins' *2021 Survey of Final-Year Medical Residents*, 0% of physicians in their last year of training would prefer a solo practice, while only 10% would prefer to join another physician as a partner in private practice.

While it is hard to be precise given the hybrid nature of some physician contacts, the 2021 *Review* suggests that the great majority of physicians accepting new positions today – more than 90% -- will practice as employees and not as independent practice owners/partners. By contrast, in 2001, the number was approximately 60%.

Recruiting Not Limited to Rural Areas

Physician shortages, and, by extension, physician recruiting efforts, are often thought to be concentrated in smaller communities and rural areas. Merritt Hawkins' 2021 *Review* underscores how this dynamic continues to change.

For the first 22 years Merritt Hawkins completed the *Review*, the number of search assignments we conducted in communities of 100,000 or more never exceeded 50%. That has not been the case over the last six years (see chart below):

PERCENT OF MERRITT HAWKINS' SEARCH ENGAGEMENTS IN COMMUNITIES OF 100,000 OR MORE					
2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
67%	66%	66%	62%	55%	51%

As these numbers indicate, during the 2021 *Review* period, two-thirds of Merritt Hawkins' search engagements (67%) were for communities of 100,000 people or more.

This trend further underscores how demand for medical specialists, who typically practice in larger communities, is driving a growing number of recruiting efforts. Physician shortages have by no means diminished in rural areas, but recruiting challenges and efforts have expanded into larger communities as well, particularly those seeking specialists.

Merritt Hawkins worked for clients in all 50 states, the District of Columbia and the U.S. Virgin Islands during the 2021 *Review* period, underlying the national presence of physician recruiting needs and challenges.

Average Starting Salaries and Contract Structures

Merritt Hawkins' *Review* tracks the starting salaries offered to recruit physicians and advanced practitioners, as well as other types of recruiting incentives.

Average starting salaries represent the base only and are not inclusive of bonuses or other incentives. This is in contrast to physician compensation numbers compiled by the Medical Group Management Association (MGMA), the American Medical Group Association (AMGA) and other organizations, which track overall average physician incomes rather than starting salaries.

Merritt Hawkins' salary ranges are therefore indicators of the financial incentives needed to attract physicians and advanced practitioners already established in a practice or those coming out of training to a practice opportunity, rather than indicators of physician and advanced practitioner average incomes.

Starting Salaries in Primary Care

Salaries for primary care physicians as tracked by Merritt Hawkins' *Review* displayed an upward trajectory for a number of years, reflecting the extremely strong demand for primary care doctors. Average salary offers made to family medicine physicians grew from $185,000 as tracked in the 2013 *Review* to $231,000 in 2017, an increase of 25%.

Similarly, average salaries for internal medicine physicians grew from $208,000 to $257,000 in the same period, an increase of 24%. Average salaries for pediatricians also grew, from $179,000 in 2013 to $240,000 in 2017, an increase of 34%.

By contrast, in the last four years, average starting salaries for family medicine physicians tracked in the *Review* are flat. The 2021 *Review* indicates an average starting salary for family medicine physicians of $243,000, up from $240,000 in 2020, an increase of 1%. This is only a minor increase from an average of $239,000 as reported in the 2019 *Review* and an average of $241,000 in 2018.

As demand for family physicians has levelled, so have starting salaries. Starting salaries for family medicine physicians as tracked by the 2021 *Review* may have avoided a year-over-year decline caused by COVID-19 in part because of the widespread adoption of telemedicine, which allowed family physicians to maintain revenue during the pandemic.

The *Review* indicates that internal medicine physicians saw average salary increases over the last several years. Average starting salaries for internal medicine physicians increased from $261,000 in 2018 to $273,000 in 2019 and further increased to $276,000 in 2020. However, average starting salaries for internal medicine physicians dropped to $244,000 as tracked in the 2021 *Review*, a decline of 12%.

Internal medicine physicians generally treat older patients, many of whom are vulnerable to COVID-19 and may have put off seeing their physicians during the pandemic. Older patients also are less likely to obtain care through telemedicine, reducing demand for internists and their ability to generate revenue.

Starting salaries for pediatricians as tracked in the 2021 *Review* increased by 7% year-over-year, from $221,000 in 2020 to $236,000 this year. Children have experienced the least risk of contracting COVID-19 and parents may have been less reluctant to take their children to a physician than others.

In addition, the great majority of children in the U.S. are covered by health insurance. There are 77 million children in the United States. Approximately 95% are insured through a variety of programs, including Medicaid, the Children's Health Insurance Program (CHIP), TRICARE, individual commercial health insurance sold through Affordable Health Act (ACA) Exchanges and employer sponsored insurance (*Health Care Coverage Sources for America's Children. www.childrenshospitals.org*). This widespread coverage helps sustain patient access to pediatricians, allows them to maintain revenue, and increases demand for their services.

Starting Salaries for Specialists

Over the last five years, starting salaries for medical specialists as tracked by Merritt Hawkins' *Review* have generally increased, though not always on a year-over-year basis. These increases have reflected the growing demand for specialty services driven by population aging and other factors as cited in the *Review*.

COVID-19, however, led to the suspension of elective procedures and consequently had an inhibiting effect on starting salaries for most specialists tracked in the *Review* (see chart below):

YEAR-OVER-YEAR SALARY INCREASES/DECREASES BY SPECIALTY			
	2020/21	2019/20	INCREASE
Neurology	$332,000	$295,000	+13%
Cardiology (non-inv.)	$611,000	$409,000	+9%
Psychiatry	$279,000	$276,000	+1%
			DECREASE
Orthopedic Surgery	$456,000	$626,000	-13%
Obstetrics/Gynecology	$291,000	$327,000	-11%
Dermatology	$378,000	$419,000	-10%
Pulmonology	$385,000	$430,000	-10%
Anesthesiology	$367,000	$399,000	-8%
Cardiology (inv.)	$611,000	$640,000	-5%
Radiology	$401,000	$423,000	-3%
Hematology/Oncology	$385,000	$403,000	-4%
Gastroenterology	$453,000	$457,000	-1%

Year-over-year starting salary fluctuations may sometimes result if Merritt Hawkins conducted an unusually large number of searches for a given specialty in a market where physician compensation is either atypically low or high. Overall changes in Medicare or other payer reimbursement rates also can be a factor.

Long-term, many specialists are likely to move some services, particularly consultative services, to telehealth. Many specialty services, however, such as surgeries, cannot be conducted through telehealth, and specialists will have to rely on continued increased volumes to see corresponding increases in starting salaries. Given the supply and demand dynamics referenced earlier in the *Review*, increased volumes for specialists can be expected, provided that the coronavirus pandemic is resolved and further widespread interruptions to care do not occur.

Physician Contract Structures

Typically, physicians are offered employment contracts that feature a starting base salary that can be supplemented through a production bonus. Sixty-one percent of the search engagements Merritt Hawkins conducted in the 2021 *Review* period featured this type of contract structure, down from 72% in 2020. An additional 35% featured a straight salary, up from 25% in 2020, while 2% featured an income guarantee, up from 1% in 2020.

Salaries with production bonuses are commonly offered by hospitals and medical groups, whereas the straight salary model is more frequently used by urgent care centers, FQHCs and academic settings. Merritt Hawkins has observed in the last year to 18 months that fewer large medical groups are offering the salary with production bonus model than have done so in the past, and more are offering a straight salary. This may in part account for the year-over-year decline in the use of salary with production bonuses cited above. Some medical groups have found that the straight salary model entails less ambiguity and is less likely to cause friction with physicians and so have stopped offering production bonuses.

In addition, last year Merritt Hawkins conducted a relatively high percent of searches for academic medical centers, FQHCs and other facilities that typically do not offer the salary with production bonus model, which also may account for the year-over-year decline in the use of this model.

Income guarantees, which are essentially loans that must be repaid (but may be forgiven over time) generally are used to establish physicians in solo or small independent practices. Income guarantees were once the standard contract model, when private practices were more prevalent than they are now, but they are rarely used today.

Production Bonus Structures

Production bonuses determine the maximum income that physicians can potentially earn beyond their base salary. These bonuses are calculated using a variety of metrics, including:

- Relative Value Units (RVUs)
- Net Collections
- Gross Billings
- Patient Encounters
- Quality

All of these metrics, with the exception of quality, are volume-driven. The more work units (RVUs) physicians generate, the more net reimbursement they collect or gross billings they generate, the more patients they see, the higher their bonus. Today, RVUs are the primary way that employers measure physician volume-based productivity. RVUs were featured in 57% of physician employment contracts offering a salary and production bonus as tracked by Merritt Hawkins' 2021 *Review*.

The widespread use of RVUs highlights the extent to which physician compensation remains volume-based.

Twenty-three percent of contracts tracked in the 2021 *Review* that featured a production bonus included one or more quality metrics, such as patient satisfaction scores, down from 64% year-over-year. This decline may in part be accounted for by the relatively high number of search engagements Merritt Hawkins conducted in the 2021 *Review* period for radiologists, anesthesiologists and CRNAs. Often, these types of providers do not have extensive patient interaction and may not be evaluated on patient satisfaction scores.

In addition, measuring the quality of care physicians provide can be a subjective process and a point of contention with some physicians. Merritt Hawkins saw a growing number of medical groups in the 2021 *Review* period using net collections, a less ambiguous metric than quality, to determine physician production bonuses.

Quality as a Percent of Total Compensation

While the 2021 *Review* indicates that quality can be a factor in determining physician production bonus amounts, a question arises as to the amount of *total* physician compensation that is tied to quality.

In instances where the production bonus includes quality metrics, the 2021 *Review* indicates that, on average, 10% of the physician's total compensation will be determined by quality, down from 11% in 2020. The majority of income for many physicians, including those paid on quality, therefore is still determined by their base salary and by volume-driven production bonuses.

Signing Bonuses and CME

Signing bonuses were offered in 61% of the recruiting assignments Merritt Hawkins conducted in the 2021 *Review* period, down from 72% percent the previous year. Signing bonuses remain a common recruiting incentive among hospitals and medical groups, though they may not be part of incentive packages offered by academic medical centers, direct pay/concierge practices, urgent care centers, some FQHCs, Indian Health and other settings. As noted above, Merritt Hawkins conducted a relatively high number of search engagements for these type of facilities in the 2021 *Review* period, which may account for the year-over-year decline in the use of signing bonuses.

COVID-19, which generally reduced demand for physicians during the last year or more, also may have led to a corresponding decline in the use of production bonuses year-over-year. Health facilities may have been less aggressive about offering signing bonuses in a market where candidates were relatively abundant.

Signing bonuses offered to physicians tracked in the 2021 *Review* averaged $29,656, up from $27,893 in 2020, indicating that those facilities that did offer signing bonuses kept the amount competitive. The use of signing bonuses, and signing bonus amounts, may remain fluid in coming months, depending on the continuing impact of COVID-19. Signing bonuses offered to NPs and PAs as tracked in the 2021 *Review* averaged $7,233, down from $8,500 the previous year.

Certain other incentives, such as paid relocation, paid CME, health insurance and malpractice insurance are common in the majority of Merritt Hawkins' physician search engagements. Relocation allowances were offered in 74% of the recruiting engagements Merritt Hawkins conducted in the 2021 *Review* period, down from 97% in 2020. This decline may in part be attributed to the growing number of telemedicine searches Merritt Hawkins conducts, in which candidates generally do not relocate and therefore may not need a relocation allowance. In addition, Merritt Hawkins is conducting a growing number of searches in large communities and often sources candidates from those communities who also do not need to relocate.

The average relocation allowance offered to physicians as tracked by the 2021 *Review* was $10,634, up slightly from $10,533 in 2020. The average relocation allowance offered to NPs and PAs was $8,363, up from $7,067 in 2020.

Virtually all of the incentive packages tracked by the 2021 *Review* (94%) offered a continuing medical education (CME) allowance. The average CME allowance for physicians tracked in the 2021 *Review* was $3,695, down from $4,166 in 2020. The average CME allowance for NPs and PAs was $2,956, up from $2,313 in 2020.

Medical Education Loan Repayment

Twenty-one percent of Merritt Hawkins search engagements tracked in the 2021 *Review* featured medical education loan repayment, down from 24% in 2020. Educational loan repayment entails payment by the recruiting hospital or other facility of the physician's medical school loans in exchange for a commitment to stay in the community for a given period of time. This can be an effective incentive since average medical school debt now exceeds $190,000, according to the Association of American Medical Colleges (AAMC).

The average amount of loan forgiveness offered to physicians was $104,630, up from $101,590 in 2020. The average amount of loan forgiveness offered to NPs and PAs was $80,000, up from $68,333 in 2020. In 9% of contracts featuring educational loan forgiveness, the term was one-year, while 21% featured two-year terms and 70% featured three-year terms.

Conclusion

During the majority of Merritt Hawkins' 34 years of service to the healthcare industry, demand for physicians has steadily increased as physician shortages have grown more pervasive. COVID-19 interrupted this longstanding dynamic, suppressing utilization of healthcare services and reducing demand for physicians. As a result, the number of search engagements Merritt Hawkins conducted during the 2021 *Review* period decreased by 25% year-over-year. Demand for advanced practice professionals, however, remained robust, and NPs ranked number one on the list of Merritt Hawkins' most requested search engagements for the first time.

In general, demand for primary care physicians has declined from previous years, while demand for specialists remains comparatively strong. Starting salaries for family physicians remain flat relative to previous years, while staring salaries for internal medicine physicians saw a year-over-year decrease. Starting salaries for the majority of specialists tracked in the *Review* were down year-over-year, primarily as a result of COVID-19, with some exceptions.

Long-term, the dynamics of physician supply and demand, including an aging population and an aging physician workforce, remain in place. Over time, physician shortages are likely to once again emerge, stimulating demand for physicians and advanced practitioners and exerting upward pressure on their starting salaries and other recruiting incentives.

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