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REPORT: HOSPITALS EMPLOYING PHYSICIANS IN GREATER NUMBERS

Demand Continues to Rise for Primary Care Doctors

IRVING, TEXAS -- A growing number of hospitals are employing physicians, according to a new report tracking physician recruiting trends.

The 2007 Review of Physician Recruiting Incentives, prepared by Merritt, Hawkins & Associates, a national physician search and consulting firm, examines over 3,000 recruiting assignments the firm conducted from April 1, 2006 to March 31, 2007. Hospitals offered employment to physicians in 43 percent of the searches the firm conducted during that time, up from just 23 percent the prior year and 19 percent the year before that. Traditionally, executives with the firm note, physicians have practiced as independent contractors or as employees of medical groups that are physician owned. The growing number of hospitals employing physicians signals a shift in this traditional practice paradigm.

“Physicians have long prized their independence,” observes Joseph Hawkins, chief executive officer of Merritt, Hawkins & Associates. “But today they are more willing to exchange independence for the security and convenience of hospital employment.”

According to Hawkins, physicians are accepting employed positions with hospitals in order to avoid the hassles of private practice, which include high malpractice premiums and struggles for reimbursement. Younger physicians in particular, he notes, are less willing to “hang up a shingle” and practice on their own. Hospitals, which went through a phase of employing mostly primary care physicians in the 1990s, are employing both primary care doctors and specialists today. Employment helps secure physician loyalty to hospitals, Hawkins says, and reduces direct competition between physicians and hospitals for medical procedures and tests.

Merritt, Hawkins & Associates’ 2007 Review of Physician Recruiting Incentives also reflects a steady increase in demand for primary care physicians, including general internists, family practitioners and pediatricians. The number of searches the firm conducted for general internists increased by 120 percent from 2003 to 2007. Searches

for family practitioners increased by 84 percent in the same time frame while searches for pediatricians increased by 21 percent. Hawkins attributes openings in primary care to the fact that fewer medical students are choosing to practice family medicine and internal medicine, diminishing supply. Meanwhile, a growing and aging population is driving up demand for medical services performed by primary care doctors.

The report indicates that the financial incentives offered to recruit physicians continue to increase, reflecting robust demand for doctors in most specialties. Specialties seeing the greatest increase in income offers over the past year according to the report include urologists, otolaryngologists, cardiologists, orthopedic surgeons, emergency medicine physicians and family practitioners. The report also shows that signing bonuses have become a standard incentive offered in 72 percent of the searches Merritt, Hawkins & Associates conducted last year, up from 46 percent two years ago. Signing bonuses can range from as little as \$5,000 to as much as \$100,000, the report shows.

Merritt, Hawkins & Associates' 2007 Review of Physician Recruitment Incentives represents the 14th annual report the firm has completed tracking physician recruiting trends. The report may be viewed online by visiting the firm's Web site, www.merrithawkins.com.