

STATEMENT OF RECORD

To the House Committee on Veterans' Affairs Subcommittee on Health and
Subcommittee on Economic Opportunity Legislative Hearing on Draft legislation to
Improve the Authority of the Secretary of Veterans Affairs to Hire and Retain Physicians
and other Employees of the Department of Veterans' Affairs.

STATEMENT OF:

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Overview:

We would first like to thank Dan Benishek, M.D., Chairman of the Committee of Veterans' Affairs Subcommittee on Health, and Brad Wenstrup, Chairman, Subcommittee on Economic Opportunity, for the opportunity to submit this statement of record concerning draft legislation to improve the ability of VA healthcare facilities to effectively recruit and retain qualified physicians and other employees.

Merritt Hawkins is the largest physician search and consulting firm in the United States, carrying out over 3,100 physician and advanced practitioner search assignments annually for healthcare facilities located in all 50 states. Established in 1987, Merritt Hawkins is a company of AMN Healthcare (NYSE: AHS), the largest healthcare staffing organization in the country and the innovator of healthcare workforce solutions.

Over the course of 27 years of providing physician search services to the healthcare industry, Merritt Hawkins has worked with VA healthcare facilities in all regions of the country. Most recently, we have partnered with VA facilities on physician or advanced practitioner search assignments at VISN 20, VISN 4, VISN 16, VISN 23, VISN 1, and VISN 20. We are currently the only permanent placement physician search firm that has a GSA number and is listed on 738X.

In addition, we have worked with hundreds of other government sponsored or supported healthcare facilities where the physician recruiting dynamics are similar to those typically present at VA facilities. These include numerous Federally Qualified Health Centers (FQHCs), Indian Health Service (IHS) facilities, and Department of Defense facilities.

In December, 2015, Merritt Hawkins submitted a Statement of Record for a roundtable discussion regarding how to improve the ability of the Department of Veteran's Affairs to efficiently and effectively recruit and retain high quality physicians and other employees. Based on our knowledge of physician staffing and physician practice patterns, Merritt Hawkins' president, Mark Smith, was invited in July, 2012, to provide testimony before the House Committee on Small Business on the decline of solo and small physician practices.

In addition to our work with VA and other government sponsored facilities, Merritt Hawkins has worked with thousands of private sector healthcare systems, community hospitals, academic centers, medical groups, urgent care centers, retail clinics, and other facilities. We therefore have an extensive background from which to draw in comparing the best physician recruiting practices of government facilities, such as the VA, to those of a wide range of other facilities in the private sector.

We will make such comparisons further in this statement but will first briefly address prevailing conditions in today's physician recruiting market.

Medical Professional Recruitment: Market Context

In the previous Statement of Record Merritt Hawkins submitted to the Subcommittees in December, 2015 we outlined prevailing physician recruiting market conditions in today's rapidly evolving healthcare system. We will not repeat this entire discussion here, but will state that both the government and the

private healthcare sectors are challenged by prevailing physician shortages which are projected to worsen.

The Association of American Medical Colleges (AAMC) projects a shortage of up to 91,000 physicians by 2025 (see *The Complexities of Physician Supply and Demand*, Association of American Medical Colleges, March 2015). The shortage is being driven by a growing and aging population, advances in medical technology, and the increased availability of health insurance through the Affordable Care Act. Fueling the shortage is the fact that residency training positions for medical graduates have grown only incrementally over the last 18 years, as federal funding for physician training was capped by Congress in 1997.

The effect of these shortages is apparent in Merritt Hawkins' 2014 *Survey of Physician Appointment Wait Times and Medicaid and Medicare Acceptance Rates*. The survey examines the time needed to schedule a new patient appointment in five medical specialties in 15 major metro markets

The chart below shows average wait times to schedule a new patient appointment with a family physician in the 15 metro markets examined in the survey:

Wait Time in Days to Schedule a New Patient Appointment With a
Family Physicians in 15 Metro Markets

City	Shortest Time to Appointment	Longest Time to Appointment	Average Time to Appointment
Boston, 2014	12 days	152 days	66 days
Boston, 2009	6 days	365 days	63 days
New York, 2014	14 days	38 days	26 days
New York, 2009	6 days	61 days	24 days
Atlanta, 2014	1 day	112 days	24 days
Atlanta, 2009	3 days	21 days	9 days
Seattle, 2014	3 days	129 days	23 days
Seattle, 2009	2 days	14 days	8 days
Philadelphia, 2014	1 day	98 days	21 days
Philadelphia, 2009	3 days	15 days	9 days
Los Angeles, 2014	1 day	126 days	20 days
Los Angeles, 2009	1 day	365 days	59 days
Houston, 2014	1 day	178 days	19 days
Houston, 2009	1 day	29 days	17 days
Denver, 2014	1 day	62 days	16 days
Denver, 2009	1 day	45 days	14 days
Detroit, 2014	1 day	74 days	16 days
Detroit, 2009	3 days	31 days	14 days
Wash., D.C., 2014	1 day	62 days	14 days
Wash., D.C., 2009	3 days	365 days	30 days
Portland, 2014	3 days	45 days	13 days

Portland, 2009	3 days	16 days	8 days
Miami, 2014	1 day	56 days	12 days
Miami, 2009	1 day	25 days	7 days
Minneapolis, 2014	1 day	30 days	10 days
Minneapolis, 2009	2 days	23 days	10 days
San Diego, 2014	1 day	17 days	7 days
San Diego, 2009	1 day	92 days	24 days
Dallas, 2014	1 day	10 days	5 days
Dallas, 2009	1 day	27 days	8 days
Total, 2014	2.87 days	79.3 days	19.5 days
Total, 2009	2.47 days	99.6 days	20.3 days

As these numbers indicate, average family physician appointment wait times exceed 14 days in ten of the markets, and equal or exceed 21 days in five of the markets. In other markets with fewer physicians per capita, it is likely that wait times may be more protracted. It is therefore not just VA patients who are experiencing protracted physician appointment wait times.

Today, a proliferating number of sites of service are competing for a limited pool of physicians, PAs and NPs, as healthcare delivery transitions from a hospital based model to an outpatient and “convenient care” based model. Thousands of urgent care centers, ambulatory surgery centers, retail clinics, FQHCs, free-standing emergency rooms, major employers, and insurance companies are actively recruiting physicians, along with more traditional types of employers, including hospitals, hospital systems, academic medical centers, and government facilities such as the VA.

The type of physicians that VA facilities historically have been able to recruit, including active military and former military physicians, are increasingly being contacted and recruited by a wide range of private sector facilities.

Due to this competitive climate, it is important for healthcare facilities to have a strategic recruiting plan, to accurately forecast their needs, to be nimble and responsive, to offer competitive incentives, an attractive work environment, and, of most importance, to bring a consistent sense of urgency to the recruiting process.

VA Facility Recruiting Methods and Challenges

In Merritt Hawkins’ 2015 Statement of Record referenced above we outlined various physician recruiting challenges faced by VA facilities.

To recap, the first and most challenging is the recruiting process itself, as administrated by the various VA facility human resource departments. A sense of urgency and the ability to be agile is critical in today’s physician recruiting market.

Physician candidates being sourced by the VA typically also are receiving job offers from many other organizations. The great majority of VA facilities with which we work are handicapped by the prolonged time needed to process candidates who have been selected for VA employment through security and

other bureaucratic requirements. Processing times at VA facilities to receive clearance on hiring candidates often can run as long as six months. By contrast, efficiently run private hospitals typically turnaround the same level of paperwork in no longer than four weeks. In the private sector, this process often occurs concurrently with the recruiting process.

These waiting times do not include the process required to approve candidate interviews before a job offer is made. The process to approve candidate interviews may be channeled through four or five individuals who have a variety of duties and may not appreciate the urgency of approving physician interviews quickly. In Merritt Hawkins' experience, it may take up to three months to schedule two to three interviews for the same position. It also may be difficult for candidates to submit required information, and their applications may be rejected for lacking certain basic information without the candidate's knowledge. They simply do not hear back and assume they did not get the job.

In recent physician recruitment efforts in Alaska that Merritt Hawkins conducted on behalf of the VA, we were successful in placing 10 physicians in the Wasilla, Anchorage and Fairbanks areas. All ten physicians accepted offers with the VA but the contract approval process was so protracted and laborious that nine of the ten physicians withdrew from consideration.

A key part of the problem in Merritt Hawkins' experience is that VA facilities tend to follow the same recruiting process for all types of personnel. The same HR systems and processes used to recruit an administrative support position are used to recruit a neurosurgeon, though the urgency of recruiting a neurosurgeon may be considerably greater than the urgency of recruiting other positions. As a third party, Merritt Hawkins is unable to contact VA HR personnel to help facilitate interviews or help ensure candidates have the information they need to make a decision. Moreover, the same person at the VA managing the recruitment of administrative personnel also may be managing the recruitment of highly trained medical professionals, despite the fact that the skill sets required for these two disparate tasks vary considerably.

Without an efficient, timely method for screening, credentialing and responding to candidates, the VA is losing well qualified and motivated physicians and other professionals to employers who do have such systems in place.

This is particularly unfortunate as the VA offers a style of practice that is appealing to many of today's physicians. The VA typically offers set hours, generous vacation times, the security of government employment, an absence of reimbursement and other practice management challenges physicians face in the private sector, freedom from the stress of malpractice, a rewarding sense of mission and various attractive locations. Many physicians are not aware of this, as a stigma about VA practice still is prevalent among some doctors, but these perceptions can be overcome. Indeed, ***none of the key physician recruiting challenges facing the VA are related to an inability to persuade candidates to accept VA employment.*** The key challenges lie in candidate sourcing and processing.

Compensation and Incentives

It also may be necessary for the VA to allocate resources to enhance physician compensation packages. In the private sector, base salaries for primary care physicians, including family physicians and internists, average approximately \$200,000, not including signing bonuses, production bonuses, relocation allowances, and benefits. At VA facilities, compensation for primary care physicians varies, but can be

considerably less than what is common in the private sector. In addition, due to VA policies, it often is difficult to be clear with candidates regarding the level of compensation being offered. Primary care salaries may start with a baseline of \$70,000, which immediately creates a negative impression, then move up base on merits, but obtaining clarity on compensation often is difficult.

When an offer is made, there are many logistical obstacles in place before an offer letter or other documentation confirming the offer/terms can be obtained, which can undermine the process.

While VA physician salaries may never equal those to be found in the private sector, and it is not necessary that they do so given the other incentives the VA can offer, it is important that they at least be competitive in today's evolving physician market. It also is necessary to communicate effectively to candidates that VA opportunities have advantages that make them attractive even if salaries are not always commensurate to those in the private sector.

Statement Regarding the Draft Bill

The draft legislation to improve the authority of the Secretary of Veterans Affairs to hire and retain physicians and other employees dated February 26, 2016 includes new language that appears to address some of the VA's physician recruiting challenges cited above.

In particular, Section 15 (B) "Information on Hiring Effectiveness" includes language that addresses the need for "special hiring authorities and flexibilities to recruit most qualified applicants." Though these authorities and flexibilities are not defined, we take this language to mean appropriate personnel at the VA will be given the authority to reduce candidate processing times and needed clearances and possibly reduce the number of individuals who now currently vet physician candidates. We see increased flexibility in VA recruiting processes as an essential step in allowing the VA to become more nimble in response to a market where physicians are receiving multiple job offers and commonly move on if not communicated within a timely manner.

We also believe the language in Sec. 15 (G) authorizing the capture of data regarding "the length of time between the date on which a first offer of employment for a position is made and the date on which a new hire starts in the position" is constructive. This will allow the VA to track its relative success in reducing candidate processing times and increasing process flexibility and effectiveness.

Similarly, Sec. 15 (I) in which the legislation mandates that the VA track "the number of offers accepted compared to the number of offers made for permanent positions" may have the constructive outcome of allowing the VA to measure its recruiting success internally and compared to private sector standards. Tracking this data should help determine whether the VA is, in fact, becoming more nimble in its candidate vetting processes and therefore securing a higher percent of candidates to whom it has made offers.

Further positive new language is included in Sec. 15 (3) in which the VA is charged with tracking the "Satisfaction of employment applicants with the hiring process including...user-friendliness of the application process, communication regarding status of application, and timeliness of hiring decision." Tracking this data will further allow the VA to determine if it is streamlining its processes and identify barriers that may be preventing it from doing so.

New language in Sec. 14 regarding a “General Study on Succession Planning” also may prove useful in requiring VA facilities to be more proactive in their physician recruiting, anticipating needs and marshalling the resources needed to address them on the front end. This strategy has proven effective for many of the private sector healthcare facilities with which Merritt Hawkins works.

Not currently addressed in the draft legislation is the need to reassess physician compensation amounts and structures in order to put VA facilities on a more equal footing with the private sector facilities with which they compete.

In addition, language may be needed to more clearly define the VA personnel assigned to the task of physician recruitment and their required training. In today’s market, “physician recruiter” is a specialized position and the great majority of private sector hospitals (excluding some Critical Access Hospitals) use both in-house physician recruiting personnel dedicated to that activity and outside resources such as recruiting firms like Merritt Hawkins. The skill set and knowledge level needed to recruit physicians, as noted above, is different from those needed to recruit other types of personnel.

Merritt Hawkins also recommends that the draft legislation (or implementing regulations) more specifically define how physician candidates will be processed throughout the recruiting effort, specifying who the decision makers are (and limiting their number) and the time frame in which they are required to turnaround candidate applications.

CONCLUSION

As stated in our December, 2015 Statement of Record, while the institutional challenges the VA is facing in physician recruitment are daunting, they are not confined to the VA. Academic medical centers and increasingly large and consolidated healthcare systems in the private sector also struggle with implementing streamlined systems for processing physician candidates. The healthcare facilities that are able to do so are the most likely to achieve consistent physician recruiting success, which is attainable even in today’s rapidly evolving healthcare system.

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