



The Cost of Physician Turnover and the Economic Impact of Physicians

Introduction

AMN Healthcare, the nation's leading healthcare workforce solutions company, produces a wide range of thought leadership resources on various healthcare workforce related topics. These resources include surveys, reports, podcasts, speaking presentations and white papers.

In this white paper, **AMN Healthcare's Physician Solutions division** (formerly known as Merritt Hawkins) examines the cost of physician turnover and the economic impact physicians have both on their affiliated hospitals and on the communities in which they practice.

Physicians: The Economic Engines of Healthcare

As leaders of the healthcare delivery team, physicians play a decisive role in maintaining and enhancing the quality of care patients receive in medical offices, hospitals, urgent care centers, government facilities, community health centers and other sites of service nationwide.

Each year, physicians handle approximately 1.3 billion patient encounters at medical offices and hospital emergency rooms throughout the country, at a rate of 4.3 physician visits per person, according to the Centers for Disease Control (CDC). Through these encounters, physicians administer or direct much of the care patients receive, enhancing quality of life and, in many cases, saving the lives of their patients. There is no dollar value that can be placed on the clinical services physicians provide.

However, physicians also play a central role in healthcare economics. Through the patient admissions they make, tests they order, prescriptions they write, procedures they perform and other activities, physicians direct much of the healthcare spending in the United States. It is not unreasonable to state that physicians are the economic engines of healthcare.



The Cost of Physician Turnover

Losing a physician through turnover can have a direct effect on quality of care and access to care in the physician’s service area. In addition to reducing physician availability, physician turnover comes with an economic cost.

One aspect of this cost is related to lost finances invested to recruit the physician, which can run into the hundreds of thousands of dollars. Combined, these factors can drive the potential cost of one physician search to well **over \$500,000 or more**, as illustrated in the table that follows.

Potential Cost of a Gastroenterology Search

Physician base salary	\$531,000*
Signing bonus	\$46,000
Benefits/perks	\$50,000
Recruiters fees (in-house or agency)	\$30,000
Candidate sourcing	\$15,000
Candidate/spouse interview	\$3,000
Physician Relocation	\$10,000
Practice Marketing	\$3,000
Total	\$656,000



The recruiting costs will vary by type of physician, but regardless of the physician’s specialty the cost will be considerable and will include the time and labor required to find a new physician. Added to this is the potential migration of patients to competitors that may take place as a new physician is being sought.

Quantifying Lost Revenue

The revenue-generating potential of physicians is captured in AMN Healthcare’s 2023 Physician Billing Report, which tracks annual billing by physicians in 18 medical specialties to commercial payors. The annual average for all specialties tracked in the report is \$3.8 million, though billing varies by specialty (see below):

Average Annual Physician Billing By Specialty to Commercial Payors

1. General Surgery	\$11,669,016	6. Otolaryngology	\$4,190,555
2. Orthopedic Surgery	\$9,809,514	7. Obstetrics/Gynecology	\$3,761,777
3. Critical Care (Intensivist)	\$6,677,319	8. Rheumatology	\$3,410,281
4. Urology	\$5,886,763	9. Cardiology	\$3,406,027
5. Gastroenterology	\$5,530,221	10. Anesthesiology	\$3,329,020

Source: Physician Billing Report. AMN Healthcare. 2023

The numbers cited above could be considerably larger if government payors such Medicare were included in the data, and will need to be adjusted for each facility’s collection rate. However, even given a collection rate of 50%, it is clear that physicians often generate millions of dollars in net revenue annually on behalf of their practices or employers.

Perhaps the most consequential economic loss resulting from physician turnover is the cessation of potential revenues generated by the physician. This loss can be pro-rated on a monthly basis using numbers from AMN Healthcare’s Physician Billing Report.

POTENTIAL GROSS BILLINGS LOST PER MONTH Due to Physician Turnover in Various Specialties



Source: AMN Healthcare Physician Billing Report. 2023

As these number illustrate, the monthly opportunity cost of an open physician position caused by turnover or other reasons can be considerable.

The National Economic Impact of Physicians

In addition to impacting the revenue streams of the hospitals and medical groups with which they are employed or affiliated, physicians have a broader economic impact on the communities in which they serve. The American Medical Association periodically sponsors research that quantifies this impact.

In its most recent report conducted in 2018 (see <https://www.physicianseconomicimpact.org/>) the AMA estimates the total economic impact of office-based physicians in active patient care in the U.S., using as barometers physician output, jobs, wages and benefits and state and local tax revenue. Highlights of physician economic contributions include:

- **Total economic output:** The combined economic output of office-based physicians in the United States is \$2.3 trillion.
- **Per capita economic output:** Each office-based physician supports a per capita economic output of \$3.1 million.
- **Jobs:** On average, each office-based physician supports about 17 jobs.
- **Wages and benefits:** On average, each office-based physician pays a total of \$1.4 million in wages and benefits.
- **Tax revenues:** On average, each office-based physician supports \$126,129 in local and state tax revenues, based on 2015 data, up from \$90,449 based on 2012 data.

The chart below indicates the average economic output of physicians by state as cited in the AMA report (numbers do not include economic output physicians contribute to the national economy, only the output in their states):



Average Per Capita Economic Output of Patient Care Physicians By State

State	Number of Physicians	Output (in billions)	Output per Physician
Alabama	8,723	\$16.70	\$1,914,479
Alaska	1,492	\$3.80	\$2,546,917
Arizona	13,993	\$33.50	\$2,394,054
Arkansas	4,989	\$9.10	\$1,824,013
California	89,933	\$232.00	\$2,579,698
Colorado	12,840	\$31.10	\$2,422,118
Connecticut	10,443	\$24.10	\$2,307,766
Delaware	2,286	\$4.80	\$2,099,738
District of Columbia	4,528	\$8.00	\$1,766,784
Florida	45,399	\$113.80	\$2,506,663
Georgia	19,443	\$44.40	\$2,283,598
Hawaii	3,732	\$8.50	\$2,277,599
Idaho	2,738	\$5.20	\$1,899,196
Illinois	30,258	\$73.20	\$2,419,195
Indiana	13,306	\$26.40	\$1,984,067
Iowa	5,324	\$9.80	\$1,840,721
Kansas	5,285	\$10.40	\$1,967,833
Kentucky	8,106	\$15.40	\$1,899,827
Louisiana	10,062	\$19.90	\$1,977,738
Maine	3,090	\$6.40	\$2,071,197
Maryland	17,633	\$39.50	\$2,240,118
Massachusetts	25,111	\$58.20	\$2,317,709
Michigan	23,591	\$51.90	\$2,199,992

State	Number of Physicians	Output (in billions)	Output per Physician
Minnesota	13,401	\$30.50	\$2,275,950
Mississippi	4,670	\$8.20	\$1,755,889
Missouri	13,797	\$29.20	\$2,116,402
Montana	1,856	\$3.70	\$1,993,534
Nebraska	3,653	\$7.00	\$1,916,233
Nevada	5,056	\$10.90	\$2,155,854
New Hampshire	3,614	\$8.00	\$2,213,614
New Jersey	22,697	\$55.40	\$2,440,851
New Mexico	4,184	\$8.00	\$1,912,046
New York	60,444	\$141.20	\$2,336,047
North Carolina	20,876	\$44.90	\$2,150,795
North Dakota	1,441	\$2.70	\$1,873,699
Ohio	28,795	\$63.50	\$2,205,244
Oklahoma	6,915	\$13.40	\$1,937,816
Oregon	10,411	\$22.40	\$2,151,570
Pennsylvania	33,984	\$77.30	\$2,274,600
Rhode Island	3,259	\$7.40	\$2,270,635
South Carolina	9,660	\$18.90	\$1,956,522
South Dakota	1,709	\$3.30	\$1,930,954
Tennessee	14,096	\$29.10	\$2,064,415
Texas	51,333	\$117.90	\$2,296,768
Utah	5,489	\$12.30	\$2,240,845
Vermont	1,538	\$3.10	\$2,015,605
Virginia	17,758	\$37.20	\$2,094,830
Washington	16,880	\$37.10	\$2,197,867

State	Number of Physicians	Output (in billions)	Output per Physician
West Virginia	3,579	\$6.30	\$1,760,268
Wisconsin	12,598	\$25.80	\$2,047,944
Wyoming	875	\$1.50	\$1,714,286

As these numbers indicate, office-based physicians on average often generate over two million dollars for their state economies, not including what they add to the national economy. They provide a significant economic benefit not only to their employers or practices, but to their communities.

Conclusion

Given their profound impact on patient care and on healthcare economics, physicians are a key asset that every hospital, medical group or other healthcare organization employing them or affiliated with them should seek to retain.

Recommendations regarding physician retention strategies are outlined in detail in AMN Healthcare’s white paper Ten Keys to Physician Retention.

For more information about this or other AMN Healthcare thought resources or services, contact:

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