

Executive Summary:

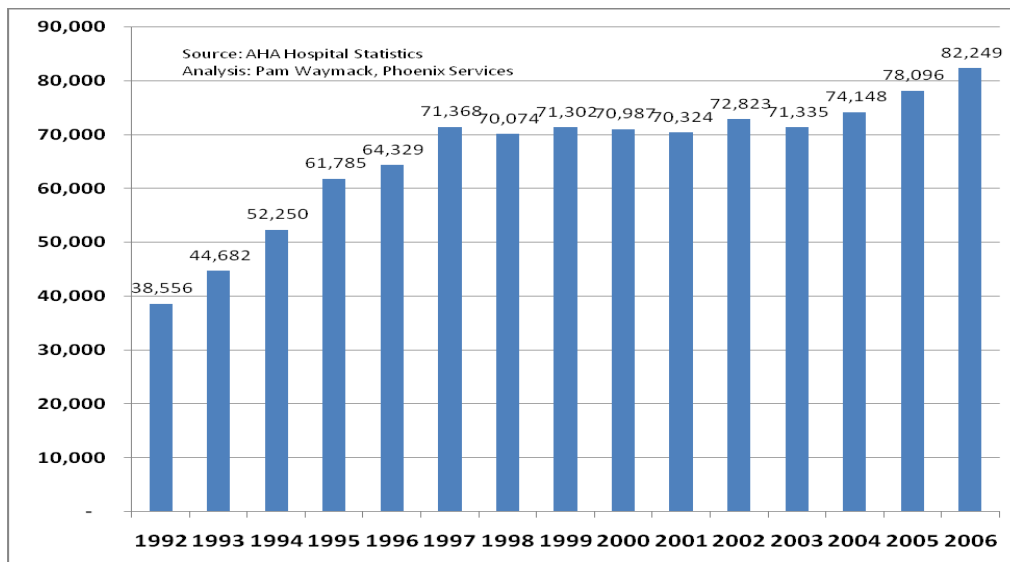
Community hospitals across America increased the number of physicians they employ by 11% based on most recent data available for analysis by Pam Waymack and Phoenix Services. In Illinois, 1 in 10 physicians is now employed by a community hospital.

U.S. Hospitals Are Increasingly Employing Physicians

Hospitals across America are employing an increasing number of physicians. Based on analysis conducted by Pam Waymack and Phoenix Services in Evanston, IL, the number of physicians employed by community hospitals in 2006 (the most recent year for which data is available) topped 80,000 physicians and dentists (see Table 1 below). This number grew by 11% over the prior year and has doubled over the past twenty years. Waymack notes, “Hospitals have been quietly accumulating physician practices over the past few years. As a group hospitals now employ a sizeable portion of the physician workforce.”

Data available from the American Hospital Association’s Hospital Statistics 2008 show a total of over 113,000 physicians and dentists employed by hospitals across America. These physicians represent about 13% of all physicians in the country in 2005 based on the Phoenix Services analysis using the AHA data and manpower projections from the Bureau of Health Professions.

Table 1: Growing Number of Physician/Dentist FTEs Employed by U.S. Community Hospitals



Illinois Hospitals Employ Over 10% of Practicing Physicians in the State

Over 4,400 physicians and dentists were employed by community hospitals in Illinois in 2006 and that number is growing. Based on analysis by Pam Waymack and Phoenix Services, community hospitals in Illinois employ over 10% of all practicing physicians in the state. Over the past 20 years, the number of physicians employed by community hospitals in Illinois has grown by 150%, more than doubling the number of physicians employed by hospitals in the state.

The 78 community hospitals in the Chicago metropolitan area employ over 3,700 of the physicians in the state. Looking at the trend over time, Waymack observes “Area hospitals bought primary care practices in the early 1990s as a managed care defensive strategy to lock in referrals. Today these same hospitals are buying specialty practices as an offensive strategy to build their depth of services. Many of our clients are suddenly realizing that by acquiring a practice here and employing a physician there, they suddenly have over 60 physicians and a dozen or more practices that they are managing.”

Implications to Health Care Landscape

Fewer physicians today are choosing to run their own practice. This is a result of the financial pressures on physicians, the complexity of running a physician business today and changing lifestyle demands of today’s physician workforce. The re-emerging trend of hospital employment of physicians is indicative of strategies by community hospital executives across the country and here in Illinois to expand their profitable, specialty service lines.

Community hospitals can be expected to continue to employ a growing percent of the primary care and specialty physician workforce to meet the business needs of hospitals. But these hospitals must develop the infrastructure to manage the practices they acquire. In the not too distant future, they will need to demonstrate to physicians that they have a core competency in managing practices. The real challenge according to Waymack has yet to be reached, “With deep pockets, anyone can play in the physician employment market today. But given physician manpower shortages, to effectively compete for productive physicians, hospitals will need to provide productive and professionally satisfying practices while meeting the lifestyle demands that physicians want today.”

Phoenix Services

Phoenix Services is a healthcare consulting firm focused on improving performance, operationally, financially and strategically. Pam Waymack, MBA, FHFMA, is managing director of the firm. Prior to consulting, Pam managed and launched hospital employed physician practices, faculty practice plans and risk organizations at Johns Hopkins, the University of Maryland, Northwestern Memorial and Children’s Memorial. Her consulting work includes evaluations of physician practice workflows, patient flows and cash flow issues. She is currently conducting research on physician satisfaction with hospitals for a national hospital association.