

Overview

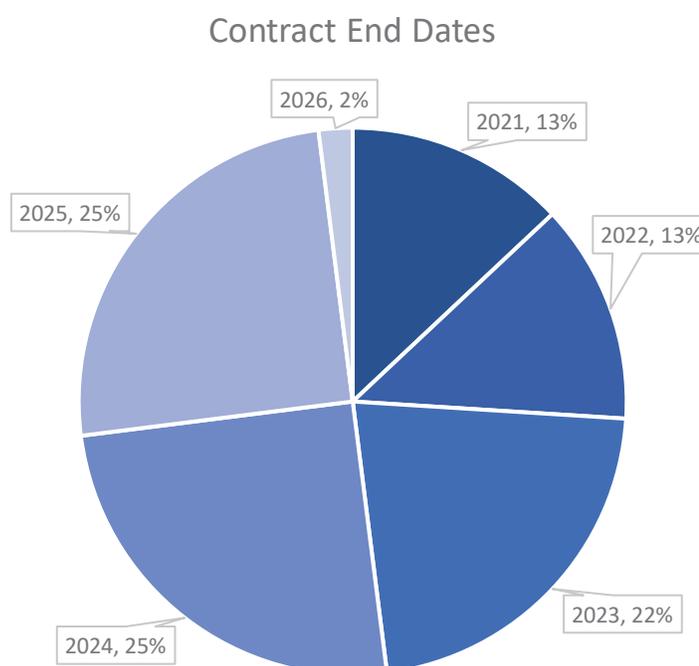
The data included in this study are sourced from government contracts with physician staffing companies. These companies supply government healthcare providers, such as VA hospitals or clinics, with the medical personnel necessary to fill temporary physician vacancies. The companies included in the study also provide these services to non-government clients. Healthcare providers contract with physician staffing companies when they need a physician to fill in for another physician who is on vacation or sick leave. Physician staffing companies also fill vacancies when a physician has resigned and a full-time replacement has not been found or when volumes have increased and a permanent physician is not immediately available to help meet patient demand. The physicians filling these spots are often referred to as “locum tenens.” The term “locum tenens” is Latin for “place holder.”

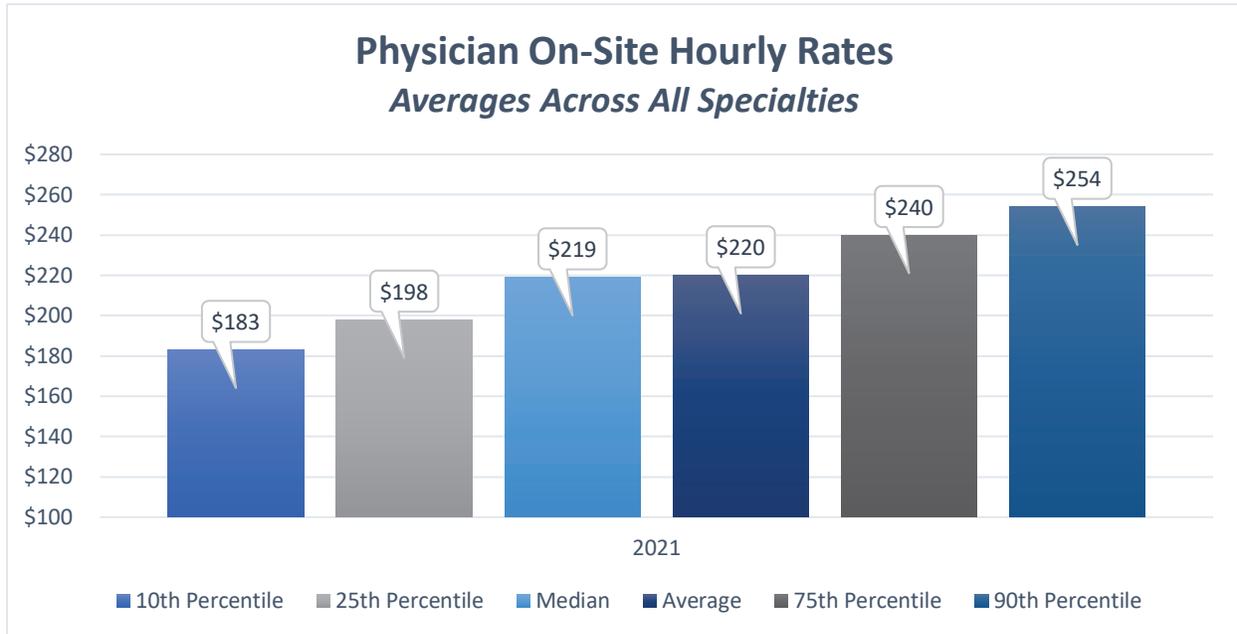
Government contracts with 100 physician staffing companies were analyzed for this study. The physician staffing companies are located in 21 states across the country. Forty-two (42) of the firms are headquartered in Texas, Georgia, and Maryland. Some of the companies provide staffing services to clients in a limited geographic territory. However, many provide locum tenens services in all 50 states.

When a physician staffing firm becomes a government contractor, it must publish a price list that details the items it is approved to sell, the pricing for those items, and other terms and conditions. Each contract is effective for a five-year period. A vendor’s price list will identify the contract end date. Around 13% of the contracts analyzed for the study terminate in 2021.

Price lists also identify whether a physician staffing firm has a minimum order size requirement. It is common for a company to require that at least 8 hours of staffing services be purchased. The government sets the maximum order size under these contracts at \$1,000,000.

Each company’s price list includes a table of awarded special item numbers with a description of each item and its awarded price. For physician staffing companies, special item numbers (SINs) identify the medical specialty services being provided (internal medicine or surgery, for example). Because many vendors offer subspecialty services, there may be several subcategories under an SIN. This report provides benchmark data for 35 SINs covering 82 physician specialties and allied health professions.





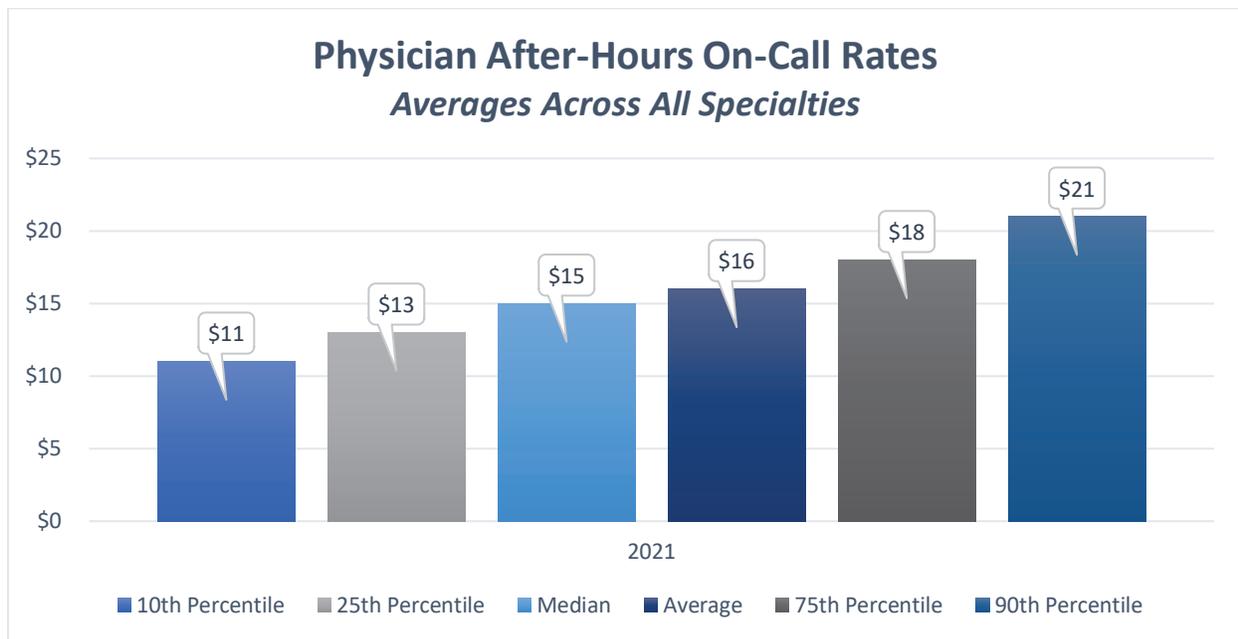
The price lists identify the hourly rate charged for on-site physician services. The average rate across all physician specialties is \$220 per hour. At the specialty level, the study shows that average rates charged can vary significantly. The average rate for temporary family medicine physicians is \$150. The average rate for neurosurgeons is \$330 per hour. The highest average rate was \$367 per hour for maternal fetal medicine physicians.

The negotiated hourly rate between a physician staffing company and the government includes the direct labor expense associated with the temporary physician as well as salary, benefits, and employment expenses. The rate also includes the cost of malpractice coverage for the physician and a profit margin for the staffing firm. It does not include travel or lodging costs incurred by the locum tenens physician. Those additional expenses are typically passed through to the government by the staffing firm.

Many physician staffing companies also provide after-hours call coverage services. In most situations, it appears that on-call services are only available when on-site services have also been purchased. Companies in the study price on-call services in several different ways. For example, some charge a set hourly rate for every hour a temporary physician is on-call while some charge one rate for the entire call coverage period. For benchmarking purposes, the study translates all methodologies into hourly rates.

The on-call rate generally covers phone availability, phone consultations, and the ability to return to work within 30 minutes (when necessary). If a temporary physician is asked to return to work while on-call, a staffing company will generally require payment at the regular hourly rate while the physician is providing on-site services. About half of the companies charge a minimum fee equal to one hour at the regular hourly rate if the physician returns to work.

The average on-call rate for all physician specialties is \$16 per hour. This rate is paid starting after normal work hours and ending when the next shift begins – typically a period of 15-16 hours.



Details

The *Cost of Physician Staffing Services, 2021* focuses on hourly rates for physician services under contracts between commercial staffing firms and the US Department of Veterans Affairs (VA). The VA awards vendor contracts using full and open competition under the Federal Supply Schedule Service program (www.fss.va.gov). The Federal Supply Schedule (FSS) for Professional and Allied Healthcare Staffing Services is identified as Schedule 621 I.

Under a Schedule 621 I contract, a physician staffing firm provides the maximum hourly rate it will charge the VA for temporary staffing services. Hourly rates are fully loaded to include direct labor costs, fringe benefits, overhead, profit, taxes, and malpractice insurance. The rates are the same across all geographic locations served by the contractor. In addition, a Schedule 621 I contract may also identify pricing for overtime, shift differentials, weekday or weekend on-call fees, and holiday rates. In most situations, pricing does not include any travel or lodging expenses incurred by a physician.

The hourly rate in a Schedule 621 I contract reflects a ceiling price consistent with “most favored customer” (MFC) pricing. An MFC is a customer or class of customer that receives the best discount and/or price arrangement on a given item. Therefore, the price included in a Schedule 621 I contract should be equal to or better than the price offered to the vendor’s MFC.

Contracting officers for the VA must ensure that the price paid for staffing services is reasonable given the staffing situation at hand. They can negotiate discounts from the prices identified in a Schedule 621 I contract with a vendor. This practice is actually encouraged, as the price included in the contract represents “maximum” or “ceiling” pricing. Furthermore, the market for locum tenens services is dependent on factors such as the location of the services, the specialist provided, the duration of the task order, and market demand. It is the government’s view that the ceiling price may not be reasonable in all situations.

In each Schedule 621 I contract, a vendor identifies the different physician specialties it offers. It does so by using a numbering system, consistent among all vendors, that categorizes physician



specialties or allied health services using Special Item Numbers. SINs may also include subspecialties. For example, SIN 621 I-003 is the identification number for Internal Medicine. It covers services provided by general internal medicine physicians but also includes services provided by Internal Medicine subspecialists such as endocrinologists, pulmonologists, hospitalists, etc.

More information about the VA FSS program and Schedule 621 I contracts is available at <https://www.va.gov/oal/business/fss/schedule621i.asp>.

Methodology

Pricing data from 100 physician staffing firms were used in this study. To be considered, a firm had to have an active contract for Professional and Allied Healthcare Staffing Services under Schedule 621 I as of April 1, 2021. Additionally, to be included in the analysis, firms had to provide at least one type of staffing service with an SIN between 621 I-001 and 621 I-024 (i.e., physician staffing services and not just allied health staffing services). Of note, at the time of the analysis, approximately 250 firms had an active Schedule 621 I contract; however, only 100 of these firms provided physician staffing.

About BuckheadFMV

BuckheadFMV (“BFMV”) is a boutique consulting and appraisal firm focused on the healthcare industry. BFMV provides business valuations, fixed asset appraisals, fair market value opinions, and physician compensation consulting to the healthcare industry. To learn more about BFMV, please visit our website at www.buckheadfmv.com.

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