



OPPORTUNITY COST

The Real Loss when Recruiting

Throughout the years, almost every client I have worked with has asked “what does it cost to recruit”? The simple answer is to just give them a copy of your agreement or explain your fee structure. However, there is a far more extensive cost to consider when you look at recruiting, which is the “Opportunity Cost”.

The Opportunity Cost can be calculated by taking the amount of revenue that the physician is expected to generate in a given month and multiply that by the number of months you don't have that physician on-site practicing. If it takes you 9 months to recruit a physician and three additional months to license & credential the physician, then you have 12 months of Opportunity Cost. For example, a Family Practice physician generates approximately \$125,000 in Inpatient/Outpatient revenue per month for a hospital. If it takes 12 months to get the physician on-site, then there is approximately \$1,500,000 in Opportunity Cost. The same equation can be used to calculate the lost gross charges.

Another factor to consider is that this number can be even more detrimental if you're talking about a replacement physician whom you are needing to step into an established practice because then there is the risk of an out-migrating patient base that can be hard to re-capture once they're gone.

Moral of the story is that by reducing your recruitment time by two, three or even four months can save you \$300-\$500K in Opportunity Cost. This is something to consider when determining the path you take when recruiting

room to negotiate". Although one can't argue with the logic, this approach is not one that I agree with or would ever recommend, for many reasons. Your candidate may be considering other opportunities (even if they tell you they are not) and you may only get "one trip to the well". If you come in with a low offer, you may never even get the chance to make a second offer. You want the candidate to know how serious you are and how committed you are about signing them. This is the main reason I always recommend

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your new physician. Some of the important factors that can influence your success include: 1) the firm you partner with 2) starting salary offered 3) commencement/signing bonus 4) flexible schedule/vacation days 5) call schedule. Addressing one or more of these items on the front end can greatly reduce your Opportunity Cost on the back end. The more attractive your offer is out of the gate, the more likely you or your recruiter will be able to reduce the recruitment time needed to identify and successfully recruit the right physician for your opportunity.

I believe it is also important to note that putting your best for forward in your first offer is as important as the offer itself. Over the years I've seen varying approaches to "contract negotiations" and one of those approaches has been "open with a low offer so that you have

putting your best foot forward immediately and make as strong of an offer as you can. The longer the negotiations take or the more candidates who say no is just adding to your Opportunity Cost.

Cody Hall, CEO

Infinity Physician Resources

