

## The Aging Physician Workforce: A Demographic Dilemma



A resource provided by Merritt Hawkins, the nation's leading physician search and consulting firm and a company of AMN Healthcare (NYSE: AHS), the largest healthcare workforce solutions company in the United States.

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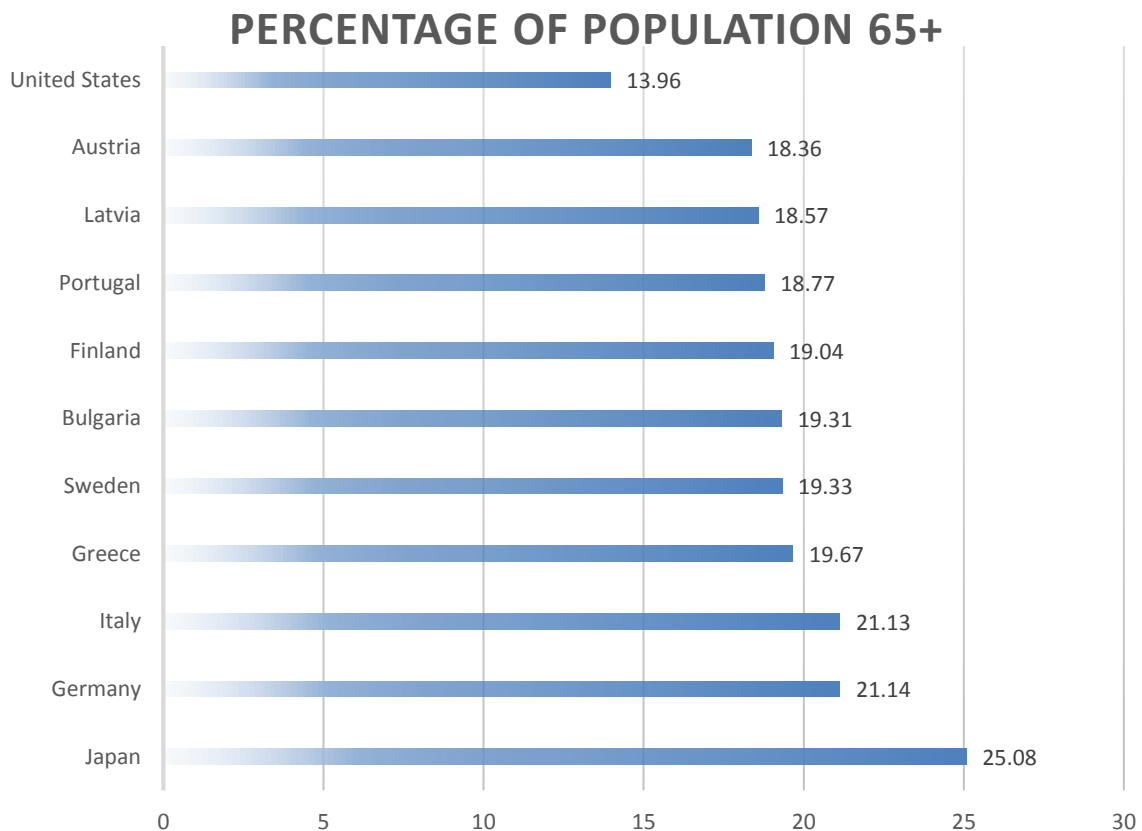
## THE AGING PHYSICIAN WORKFORCE: A DEMOGRAPHIC DILEMMA

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### Introduction

It can be said of each one of us, of the nation as a whole, and of its 750,000-plus physicians: we are not getting any younger.

Advances in technology, nutrition, healthcare delivery services, and overall quality of life have extended the life expectancy of people around the world, particularly those in developed countries such as the United States. The chart below shows percent of population of various countries aged 65 or over. While the United States is not in the top ten, the U.S. does rank second in the world in percent of population 80 years old or older.



Source: *The World Bank DataBank*

Aging patient demographics are a key driver of healthcare demand and delivery. Older patients are more likely to have a regular healthcare provider, require treatment for chronic conditions, undergo surgical procedures or diagnostic testing, and access Medicare as a form of insurance coverage than are younger people, to a highly significant degree.

An important subgroup within the U.S. population – physicians - is aging along with the general population.

The combination of an aging patient population and an aging physician population is creating one of the underlying drivers of the growing physician shortage.

The doctor shortage recently was projected to reach as many as 90,400 physicians by 2025 as patients age and as more physicians, prompted in some cases by low morale and a rapidly changing medical practice environment, choose to retire (for more information on the physician shortage see "*The Complexities of Physician Supply and Demand: Projections from 2013 to 2025*". Association of American Medical Colleges. March, 2015).

With an aging general population in need of medical coverage, and an aging physician population nearing retirement, the healthcare system is facing a profound demographic dilemma: *who will provide care to the elderly when physicians themselves age out of the workforce?*

In this white paper, Merritt Hawkins, the nation's leading physician search firm, examines physician and population aging trends by state and by specialty, looks at healthcare utilization by age, and reveals some of the reasons a growing number of physicians are likely to retire.

## United States Population Demographics

The United States has a current population (2015) of 318,857,056, making it the third most populous country in the world behind China and India. Of that population, 14.1%, or 44,958,845 people, are 65 years of age or older- the portion of the population that requires the most healthcare coverage. A breakdown of population age by state is below:

<u>State</u>	<u>Total Population</u> <u>(2014)</u>	<u>Population 65+</u> <u>(2014)</u>	<u>Percentage of Population</u> <u>65+</u>
Alabama	4,849,377	722,557	14.9%
Alaska	736,732	66,306	9.0%
Arizona	6,731,484	1,036,649	15.4%
Arkansas	2,966,369	456,821	15.4%
California	38,802,500	4,850,313	12.5%
Colorado	5,355,866	658,772	12.3%
Connecticut	3,596,677	546,695	15.2%
Delaware	935,614	148,763	15.9%
Washington, D.C.	658,893	75,114	11.4%
Florida	19,893,297	3,720,047	18.7%
Georgia	10,097,343	1,211,681	12.0%
Hawaii	1,419,561	221,452	15.6%
Idaho	1,634,464	225,556	13.8%
Illinois	12,880,580	1,738,878	13.5%
Indiana	6,596,855	916,963	13.9%
Iowa	3,107,126	484,712	15.6%
Kansas	2,904,021	406,563	14.0%
Kentucky	4,413,457	635,538	14.4%
Louisiana	4,649,676	618,407	13.3%
Maine	1,330,089	235,426	17.7%
Maryland	5,976,407	800,839	13.4%
Massachusetts	6,745,408	998,320	14.8%
Michigan	9,909,877	1,486,482	15.0%
Minnesota	5,457,173	758,547	13.9%
Mississippi	2,994,079	416,177	13.9%
Missouri	6,063,589	909,538	15.0%
Montana	1,023,579	165,820	16.2%
Nebraska	1,881,503	265,292	14.1%
Nevada	2,839,099	388,957	13.7%
New Hampshire	1,326,813	204,329	15.4%
New Jersey	8,938,175	1,287,097	14.4%
New Mexico	2,085,572	306,579	14.7%
New York	19,746,227	2,843,457	14.4%
North Carolina	9,943,964	1,421,987	14.3%
North Dakota	739,482	105,006	14.2%
Ohio	11,594,163	1,750,719	15.1%
Oklahoma	3,878,051	554,561	14.3%
Oregon	3,970,239	615,387	15.5%

Pennsylvania	12,787,209	2,097,102	16.4%
Rhode Island	1,055,173	163,552	15.5%
South Carolina	4,832,482	734,537	15.2%
South Dakota	853,175	127,123	14.9%
Tennessee	6,549,352	962,755	14.7%
Texas	26,956,958	3,019,179	11.2%
Utah	2,942,902	288,404	9.8%
Vermont	626,562	102,756	16.4%
Virginia	8,326,289	1,115,723	13.4%
Washington	7,061,530	960,368	13.6%
West Virginia	1,850,326	320,106	17.3%
Wisconsin	5,757,564	852,119	14.8%
Wyoming	584,153	78,861	13.5%
<b>United States</b>	<b>318,857,056</b>	<b>44,958,845</b>	<b>14.1%</b>

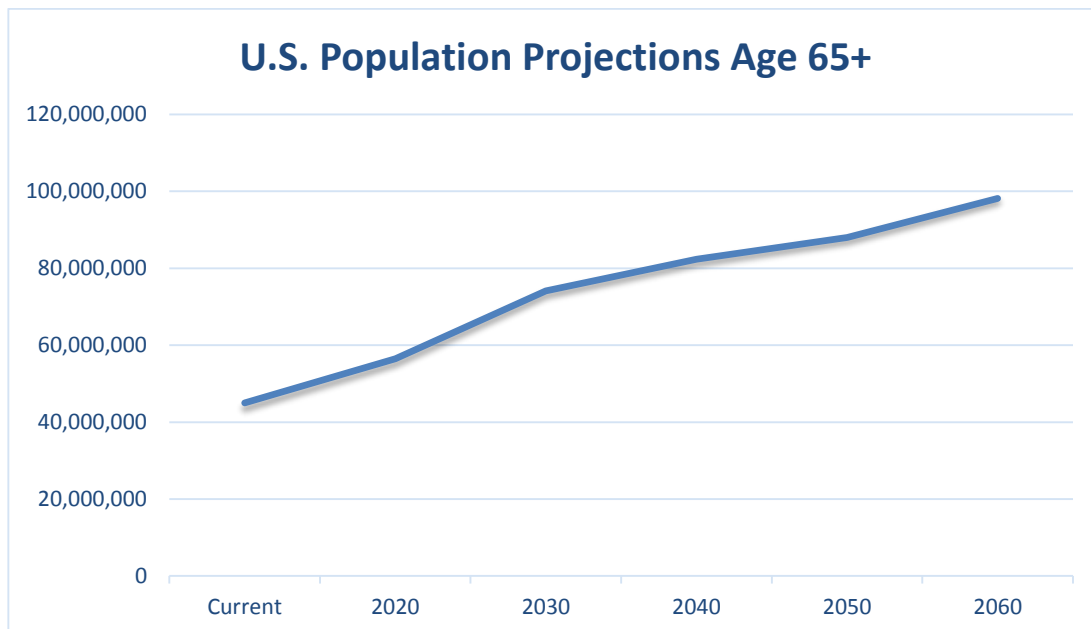
Source: U.S. Census Bureau

Not surprisingly, Florida ranks as the oldest state on average, with close to 19 percent of the population 65 or older and eligible for Medicare. This is a harbinger of the future. By 2030, the U.S. Census Bureau projects that the entire nation will be as old on average as Florida is now.

Over the next few decades, the Census Bureau projects that this aging population will increase at a steady rate- reaching nearly 100 million individuals aged 65 or older by the year 2060 (see chart below).

#### **United States Population Projections for Individuals 65 and Older**

<b><u>Current</u></b>	<b><u>2020</u></b>	<b><u>2030</u></b>	<b><u>2040</u></b>	<b><u>2050</u></b>	<b><u>2060</u></b>
44,958,845	56,441,000	74,107,000	82,344,000	87,996,000	98,164,000



Source: U.S. Census Bureau

These projections represent a significant portion of the U.S. population that will require a growing volume of healthcare services over coming decades, an important factor when considering supply and demand of

physician providers and advanced practitioners.

A large portion of individuals aged 65 or older utilize Medicare for health insurance coverage. Individuals qualify for Medicare if:

- ❖ They are 65 years old or older and are a U.S. citizen/permanent legal resident; and
- ❖ The individual or their spouse has worked long enough to collect Social Security or railroad retirement benefits; or
- ❖ The individual or their spouse has paid Medicare payroll taxes while working.

*Source: American Association of Retired Persons (AARP)*

Based on these qualifications, nearly 50 million individuals accessed Medicare insurance coverage in 2012, according to the Kaiser Family Foundation. A state-by-state breakdown is below:

<u>Location</u>	<u>Total Medicare Beneficiaries</u>	<u>Percentage of Total Population</u>
Alabama	881,686	18%
Alaska	69,301	10%
Arizona	977,447	15%
Arkansas	552,375	19%
California	5,000,198	13%
Colorado	667,277	13%
Connecticut	586,545	16%
Delaware	157,289	17%
Washington, D.C.	81,260	13%
Florida	3,527,830	19%
Georgia	1,318,733	13%
Hawaii	217,678	16%
Idaho	242,889	15%
Illinois	1,907,859	15%
Indiana	1,048,499	16%
Iowa	531,209	17%
Kansas	448,215	16%
Kentucky	793,271	18%
Louisiana	718,037	16%
Maine	276,467	21%
Maryland	827,426	14%
Massachusetts	1,104,483	17%
Michigan	1,728,338	18%
Minnesota	819,803	15%
Mississippi	516,809	17%
Missouri	1,040,491	17%
Montana	177,835	18%
Nebraska	287,565	16%
Nevada	379,860	14%
New Hampshire	231,444	18%

New Jersey	1,378,274	16%
New Mexico	329,994	16%
New York	3,093,591	16%
North Carolina	1,568,429	16%
North Dakota	110,827	16%
Ohio	1,971,260	17%
Oklahoma	625,924	17%
Oregon	653,905	17%
Pennsylvania	2,350,558	18%
Rhode Island	188,502	18%
South Carolina	820,947	18%
South Dakota	141,079	17%
Tennessee	1,109,791	17%
Texas	3,187,332	12%
Utah	299,427	11%
Vermont	117,393	19%
Virginia	1,203,462	15%
Washington	1,029,529	15%
West Virginia	392,021	21%
Wisconsin	948,489	17%
Wyoming	84,076	15%
<b>United States</b>	<b>49,435,610</b>	<b>16%</b>

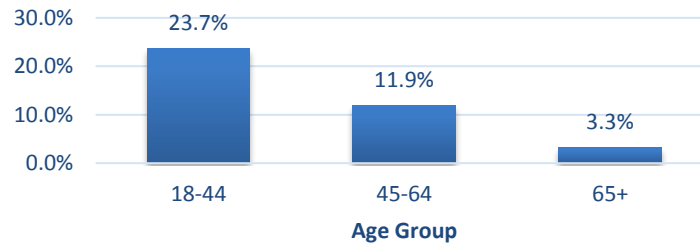
*Source: Kaiser Family Foundation*

These nearly 50 million Medicare recipients represent 16% of the total population. The access Medicare recipients have to physician services may be limited not only by their growing numbers but also by economic considerations. According to the Department of Health and Human Services, Medicare reimbursement rates are 80% that of private insurance companies, and in many areas they are lower. A growing number of physicians have found it economically unsustainable to see Medicare patients. According to the 2014 Survey of America's Physicians, conducted by Merritt Hawkins on behalf of The Physicians Foundation, about 13% of physicians have stopped seeing Medicare patients, while 11% limit the number they see.

## Age as a Utilization Driver

As referenced above, those 65 and older are considerably more likely to have a regular healthcare provider than are younger people. According to the Centers for Disease Control and Prevention (CDC), only 3.3% of individuals age 65 or over do not have a regular healthcare provider, compared to 23.7% of individuals aged 18-44 and 11.9% of individuals aged 45-64.

## Individuals Without Regular Healthcare Provider



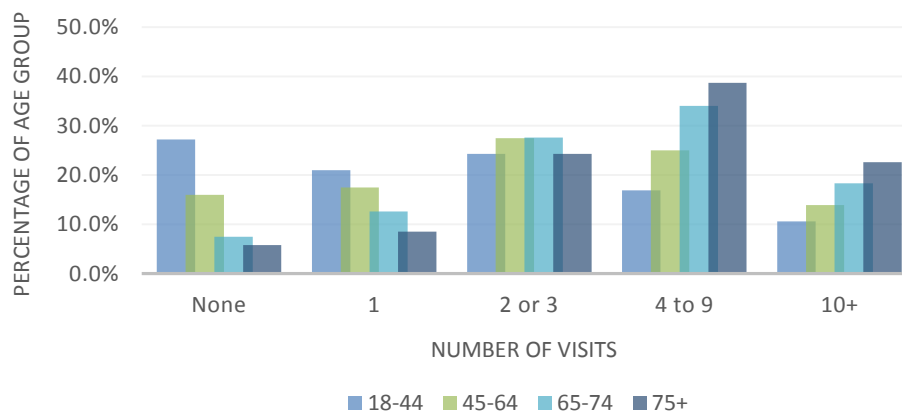
*Source: Centers for Disease Control and Prevention (CDC) Summary Health Statistics for U.S. Adults: National Health Interview Survey, 2012*

According, those 65 and older generate a considerably higher number of physician visits per year than do those in younger age cohorts. The chart below indicates that young adults are much more likely not to see a physician in the course of a year than are older people, and that older people are much more likely to see a physician multiple times during the year than are younger people.

### Number of Physician Visits in Last 12 Months

<u>Age</u>	<u>Number of Visits</u>				
	<u>None</u>	<u>1</u>	<u>2 or 3</u>	<u>4 to 9</u>	<u>10+</u>
18-44	27.2%	21.0%	24.3%	16.9%	10.6%
45-64	16.0%	17.5%	27.5%	25.0%	13.9%
65-74	7.5%	12.6%	27.6%	34.0%	18.3%
75+	5.8%	8.5%	24.3%	38.7%	22.6%

## Number of Physician Visits in Last 12 Months



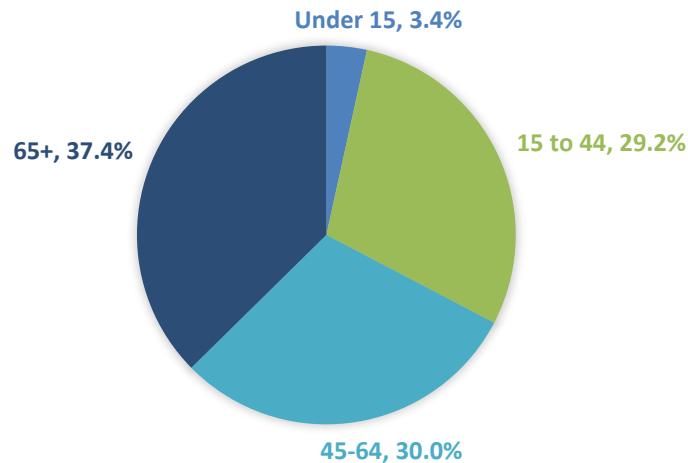
*Source: Centers for Disease Control and Prevention (CDC) Summary Health Statistics for U.S. Adults: National Health Interview Survey, 2012*

In addition to generating proportionately more physician visits, older patients are also more likely to undergo inpatient procedures than are younger patients. CDC data for 2010 analyzing some 51,430,000 inpatient procedures indicate that 67.4% were undergone by patients 45 years of age or older.



<u>Age</u>	<u>Number of Inpatient Procedures</u>	<u>Percentage</u>
Under 15	1,771,000	3.4%
15 to 44	15,036,000	29.2%
45-64	15,404,000	30.0%
65+	19,219,000	37.4%
Total	51,430,000	

## IN-PATIENT PROCEDURES BY AGE GROUP



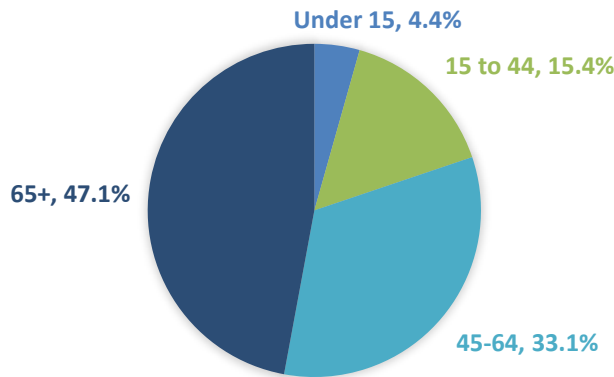
Source: Center for Disease Control and Prevention

Though they represent only 14% of the population, people 65 and older generate over 37% of all inpatient procedures.

Older individuals are also more likely to undergo diagnostic testing or treatments than are younger individuals. In 2010, the CDC reports that of the 16,893,000 diagnostic treatments, 47.1% were undergone by individuals 65 or older:

<u>Age</u>	<u>Number of Diagnostic Treatments</u>	<u>Percentage</u>
Under 15	741,000	4.4%
15 to 44	2,607,000	15.4%
45-64	5,591,000	33.1%
65+	7,954,000	47.1%
Total	16,893,000	

## USE OF DIAGNOSTIC TESTS/TREATMENTS BY AGE GROUP



*Source: Center for Disease Control and Prevention*

As these figures indicate, the Medicare-eligible population continues to drive the greatest demand for healthcare services, through frequency of physician visits and utilization of diagnostic testing/treatments and in-patient procedures. As the portion of this population continues to grow in size over the coming decades, it will be essential to generate physician supply and other healthcare resources commensurately.

### The Graying of the Physician Workforce

While the general population is rapidly aging it also is true that “Young Doctor Kildaire” is no longer so young. According to the Association of American Medical Colleges (AAMC) 2013 State Physician Workforce Data Book, 27.6% of the physician population is 60 years of age or older- a total of 225,221 physicians. Below is a breakdown of physicians 60 or older by state:

<u>State</u>	<u>Number of Physicians 60+</u>	<u>Percentage of Physician Population</u>
Alabama	2,612	27.0%
Alaska	477	26.4%
Arizona	3,988	26.5%
Arkansas	1,609	28.6%
California	30,835	31.5%
Colorado	3,548	25.6%
Connecticut	3,442	28.8%
Delaware	590	24.2%
Washington, D.C.	1,653	29.7%
Florida	14,318	29.4%
Georgia	5,266	24.7%
Hawaii	1,229	30.5%
Idaho	721	24.6%
Illinois	8,865	26.2%
Indiana	3,625	25.4%

Iowa	1,608	25.1%
Kansas	1,716	27.9%
Kentucky	2,499	25.9%
Louisiana	3,161	29.2%
Maine	1,243	30.5%
Maryland	6,307	29.4%
Massachusetts	7,516	26.8%
Michigan	7,352	28.0%
Minnesota	3,516	23.7%
Mississippi	1,511	28.0%
Missouri	3,996	26.2%
Montana	716	31.2%
Nebraska	991	24.3%
Nevada	1,332	25.0%
New Hampshire	997	25.3%
New Jersey	7,682	30.1%
New Mexico	1,610	33.3%
New York	20,474	30.0%
North Carolina	5,214	22.6%
North Dakota	427	25.9%
Ohio	7,742	24.9%
Oklahoma	2,237	29.7%
Oregon	2,932	26.7%
Pennsylvania	10,478	27.3%
Rhode Island	923	26.0%
South Carolina	2,586	25.2%
South Dakota	473	25.7%
Tennessee	4,119	26.5%
Texas	13,599	25.1%
Utah	1,403	24.2%
Vermont	589	28.3%
Virginia	5,322	25.8%
Washington	5,119	27.8%
West Virginia	1,337	30.1%
Wisconsin	3,395	23.3%
Wyoming	321	29.2%
<b>United States</b>	<b>225,221</b>	<b>27.6%</b>

Source: AAMC 2013 State Physician Workforce Data Book

While the overall physician population is aging, some specialties are aging faster than others.

#### Percent of Physicians 55 and Older by Specialty

<u>Specialty</u>	<u>Percentage</u>
Pulmonology	73%
Oncology	66%
Psychiatry	59%

Cardiology	54%
Orthopedic Surgery	52%
Neurology	50%
General Surgery	48%
Ophthalmology	48%
Urology	48%
Radiology	47%
Gastroenterology	45%
Neurological Surgery	45%
Otolaryngology	45%
Anesthesiology	44%
Dermatology	43%
Hematology/Oncology	41%
Internal Medicine	40%
Vascular Surgery	40%
Family Practice	38%
Obstetrics/Gynecology	38%
Pediatrics	38%
Emergency Medicine	34%
Nephrology	34%

*Source: Merritt Hawkins' Physician Staffing Slide Rule; 2013 American Medical Association (AMA) Master File)*

Of these 23 major specialties, 13 are 45% or more comprised of physicians 55 years old and older. Internal medicine subspecialists and surgical specialists often treat the pathologies and conditions associated with aging, and it is these physicians who are aging out the fastest at the precise time when patient demographics are inexorably driving need for medical specialists higher.

## A Wave of Retirements

As these numbers show, a significant percent of physicians are at or near retirement age. According to *The Physicians Foundation 2014 Survey of America's Physicians* referenced above, 22.2% of physicians aged 56 or older indicate they will retire in the next 1-3 years, while 9.4% of all physicians indicate they will retire in the next 1 to 3 years. In addition, many physicians indicate that due to changes in the healthcare system they will accelerate their retirement plans.

**Medicine and healthcare are changing in such a way that:**

	46 or >
<b>I will accelerate my retirement plans</b>	41.4%
<b>I will defer my retirement plans</b>	18.1%
<b>I will not change my retirement plans</b>	40.5%

*Source: The Physicians Foundation 2014 Survey of America's Physicians*

Even 33.7% of physicians 45 or younger in the survey indicated they plan to accelerate their retirement plans.

Physician retirement numbers are difficult to project because economic and medical practice conditions are subject to changes which may alter physician retirement patterns. However, the AAMC study referenced above projects that an upper end shortage of 90,400 physicians by 2025 will be more likely given an accelerated rate of physician retirement. Physician surveys conducted by Merritt Hawkins and others suggest an accelerated pace of physician retirements is to be expected.

## Physician Morale

Changing dynamics in the healthcare field, including the implementation of the Affordable Care Act (ACA), flat or declining reimbursement, rising costs, an increased level of regulatory compliance and the implementation of electronic medical records (EMR), have placed older physicians at a crossroads. While certain physicians welcome the new changes, others are not as optimistic about the state of the medical profession:

**Which best describes your morale and your feelings about the current state of the medical profession?**

	46 or >
<b>Very positive</b>	7.9%
<b>Somewhat positive</b>	31.0%
<b>Somewhat negative</b>	38.6%
<b>Very negative</b>	22.5%

**Which best describes how you feel about the future of the medical profession?**

	46 or >
<b>Very positive</b>	10.2%
<b>Somewhat positive</b>	35.6%
<b>Somewhat negative</b>	40.9%
<b>Very negative</b>	13.4%

*Source: The Physicians Foundation 2014 Survey of America's Physicians*

As indicated above, over 60% of physicians 46 and older have negative feelings about the current state of the medical profession, while over 54% either feel somewhat negative or very negative about the future of the medical profession. This pessimistic outlook is driven by a variety of factors, two of which are referenced below (EMR implementation and the ACA):

#### how has EMR affected your practice?

	46 or >
Improved quality of care	26.0%
Detracted from quality of care	28.0%
Improved efficiency	20.2%
Detracted from efficiency	51.1%
Improved patient interaction	3.8%
Detracted from patient interaction	49.4%
Has had little to no impact on the above	7.7%

#### Do you have significant concerns that EMR poses a risk to patient privacy?

	46 or >
Yes	58.4%
No	41.6%

Source: *The Physicians Foundation 2014 Survey of America's Physicians*

Over 51% of physicians aged 46 or over feel that EMR has detracted from practice efficiency, while 49.4% feel that EMR has detracted from patient interaction. Over half of physicians 46 or older (58.4%) also express concern that EMR poses a risk to patient privacy. Many older doctors also are dubious about the ACA:

#### What overall grade would you give the Affordable Care Act as a vehicle for healthcare reform?

	46 or >
A	3.4%
B	19.5%
C	26.3%
D	22.3%
F	28.5%

Source: *The Physicians Foundation 2014 Survey of America's Physicians*

Over 77% of physicians 46 or older give the ACA a grade of C or worse, including 28.5% that give the ACA a failing grade. Many older physicians entered medical practice in the "golden age" of fee-for-service medicine and feel that the game has changed on them beneath their feet.

It can be reasonably projected that tens of thousands of these physicians will retire in the near future. If, in fact, 9.4% of physicians retire within three years, as indicated in The Physicians Foundation survey, it

would result in a loss of approximately 76,000 physicians from the workforce. If 22% of physicians 60 and over retire in the next one to three years, it would result in the loss of over 49,000 physicians from the workforce. About 78,000 physicians will join the workforce in the next three years, barely offsetting the potential number who will leave. Because younger physicians tend to work fewer hours than older physicians and are more likely to take employed positions, one new physician entering practice is unlikely to equal one older physician leaving.

## Conclusion

As we move further into the 21st century, aging population demographics will become a key challenge facing the healthcare system. A growing older population, with more frequent physician visits, surgical rates and diagnostic testing per capita, will require a larger physician workforce to make access possible. This challenge will correspond with the challenge created by an aging physician workforce, many of whose members are primed for retirement.

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