ALERT:

Attract, Retain and Reward Physicians and Medical Professionals

Using Benefits to Attract and Retain Talent

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MY FINANCIAL COACH

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Since 2020 The Great Resignation has impacted several industries including healthcare.

According to Becker's Hospital Review 18% of healthcare workers have quit their jobs since 2020. And a number of surveys indicate anywhere from 20% to 50% of doctors and nurses are saying they're ready to quit within the next year according to an article in Forbes.

Elsevier Health, a provider of information solutions for science, health and technology professionals, conducted its first "Clinician of the Future" global report. It revealed current pain points, predictions for the future and how the industry can come together to address gaps—including that 31% of clinicians globally, and 47% of U.S. healthcare workers, plan to leave their current role within the next two to three years.

Physicians' workloads are immense; often there is simply not enough time in the day to complete it all. This in turn causes frustration and can result in them cutting hours, if not leaving the profession altogether. This pull-back might be from a full-time equivalent (FTE) of 1.0 to 0.8 or at 0.7, they're working 60 hours a week. Many others are job-hunting for organizations that are a better fit for them. All told, it's a major crisis of retention where the cost of replacing a physician can range from $500k to over $1M depending on specialty.

The great challenge for healthcare administrators is to develop an effective physician retention program that not only reduces physician turnover, but also increases physician engagement, mitigates burnout, and contributes to a positive workplace culture.

A recent PricewaterhouseCoopers survey reports that 82% of health care industry executives say employee acquisition and retention is the biggest risk to health industry companies, requiring many to implement new solutions for building their workforce.

The results of the [Physician Retention Survey] commissioned by Jackson Physician Search suggest that healthcare administrators are attempting to address these dimensions, but a large percentage of physicians have deemed their efforts as mostly ineffective or poorly communicated.

According to the physicians and administrators who responded to the Jackson Physician Search survey, compensation tops the list as most beneficial in retaining physicians. Considering the high cost of a medical degree, this isn't surprising.

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observation #01

63%

Say Additional Compensation is #1

observation

#01 63% Say Additional Compensation is #1

After money, physicians rank work and life balance benefits in the form of additional time off and reduced on call as most appreciated, and administrators concur. Interestingly, when physicians were asked which of these benefits are currently offered by their employer, 40% of them said “none.”

Compensation and benefits are not the only strategy organizations should use; however, it does play an important part in the overall recruiting and retention strategy. Health systems must adopt a multitude of recruitment and retention strategies for physicians.

This eBook will focus on how compensation and benefit programs can be used to attract, retain and reward physicians and healthcare professionals

Consider Benefits as a Tool to Attract and Retain

As the employment of physicians by hospitals and health systems increases, strategic decisions regarding physician benefits must be made. Key considerations include program costs, market competitiveness and the ability of programs to attract, motivate, reward and retain physicians.

There are major differences in benefit design, especially around retirement and deferred compensation, that is based on how the organization is structured, i.e. for profit or not-for-profit. This eBook will point out unique options that apply to each.

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Consider Benefits as a Tool to Attract and Retain

The foundation of a competitive benefits program is a strong basic benefits package. Core physician benefits include medical and dental insurance, with competitive cost sharing, short- and long-term disability insurance, life insurance, paid time off, qualified retirement, CME/professional dues and malpractice coverage:

Medical and Dental Coverage. Health care coverage is the same as the coverage provided to all employees (i.e., no special provisions) with immediate eligibility. Many organizations offer several medical plan options; PPO/POS plans are the most common, followed by HMO/EPO plans. High Deductible plans continue to rise in usage and provide the opportunity for the physician to participate in a Health Savings Account (HSA). More details later about HSAs later.

Most organizations require an employee contribution to cover physicians and dependents. Typically, you'll find cost sharing between employee and employer. Dental coverage is also typically provided (with typical cost sharing). Most health systems remain committed to providing health coverage to employees.

Many organizations offer several medical plan options; PPO/POS plans are the most common, followed by HMO/EPO plans.

Coverage for 1099 Contractors: Today we find physician organizations that provide contractor help to hospitals and other healthcare providers. Physicians are hired as 1099 independent contractors or locum tenens work; therefore, they are not covered under the employer plans. However, through organizations, like MPP (one of My Financial Coach's Subject Matter Experts), they as 1099s can have access to a Fortune 500 company benefit package. This type of benefit package has made independent contractor models more competitive with W-2 employees. Also, My Financial Coach's CERTIFIED FINANCIAL PLANNERS™ (CFP®s) have helped physicians decide between W-2 and 1099 with financial analysis.

Physicians can receive 25–35 days of PTO annually, with more experienced physicians typically receiving more than new hires. PTO can be used for any reason, including sick time, vacation time, or continuing medical education.

- **Family and Medical Leave Act (FMLA)**
  FMLA requires unpaid sick leave for up to 12 weeks for certain medical conditions for the employee or a family member. To be eligible, employees must have worked for their employer for at least 12 months and 1,250 hours in the previous year.
- **Paid family and medical leave**
  In July 2023, Maine became the 13th state to establish a paid family and medical leave program. Starting in 2026, eligible workers in the public and private sector will have 12 weeks of paid time off for family or medical reasons.
- **Physician discretion**
  Physicians should be able to decide whether to use paid sick leave, vacation time, or other forms of leave without fear of negative professional repercussions or undue financial burden.

Short-term Disability: Most employer-paid coverage is typically provided in the event of short-term illness. Organizations provide a different short-term disability benefit for physicians than other employees, which may include full salary continuation. The method of coverage varies by employer, and may include paid leave, separate sick leave days, short-term disability insurance or a combination of paid leave and insurance.

Life and Long-Term Disability (LTD) Coverage: employer-paid basic group life and LTD coverage is provided to employee physicians by most organizations. Higher levels of life insurance and LTD coverage may be needed when the basic group coverage does not adequately meet the unique coverage needs of the physicians. Employers often address physician needs through a group carve-out classification in the basic group plan. Where supplemental life and LTD coverage is provided, coverage is typically employee-paid. Also, several large organizations offer LTD on guaranteed issue (no medical underwriting) on a voluntary basis. For an excellent guide in physician disability see The Physician’s Guide to the Best Disability Companies by The White Coat Investor. This guide points out the many provisions that a physician should consider in a disability contract.

Disability for 1099 Independent Contractors: The challenge has been for 1099 independent contractors. Until now, there has been no guaranteed issue voluntary disability or life available. My Financial Coach working with their Subject Matter Experts has designed a plan with high guaranteed issue limits for independent contractors.

Qualified Retirement Plans. A comprehensive qualified retirement benefit with employer match can give an organization a competitive advantage with recruiting and can help reduce turnover. Most organizations will provide a defined contribution plan (e.g., 401(k) or 403(b) plan) with employer-matching and/or non-elective contributions and salary deferral opportunities. On average, contributions range from 3 percent to 7 percent of salary (limited to the pay cap, $350,000 in 2025).

Defined benefits plans, which have experienced a decline in use in recent years, are still seen in the marketplace (particularly account-based programs like “cash balance” plans).

To get over the compensation caps discussed earlier, and to provide a benefit for physicians and highly-compensated healthcare professionals, organizations are using nonqualified plans. This subject will be discussed later in this eBook in more detail. We will discuss strategies for both not-for-profit and for-profit organizations.

Continuing Medical Education/Professional dues. Most organizations provide an allowance and time off for continuing medical education (CME) activities. Annual allowances for CME typically range between $3,500 and $5,000, with paid time off between five and ten days. The majority of organizations pay for a portion or all professional dues and medical licensure fees (either through separate reimbursement or as part of the CME allowance).

Medical Professional Liability Coverage

Medical professional liability insurance is a crucial component of a physician's risk management strategy, providing financial protection against claims of medical negligence or errors. Its importance cannot be overstated for both employed and independent physicians, as it safeguards their professional and personal assets, ensuring they can focus on patient care without the looming threat of debilitating legal costs.

Employed Physicians

For employed physicians, malpractice insurance is typically provided by their **employer as part of the benefits package. This coverage:**

- Ensures protection against lawsuits arising from clinical practice under the employer's umbrella
- Simplifies administrative responsibility, as the employer handles policy selection, premium payments, and legal defense arrangements
- Often includes coverage tailored specifically to the employer's risk management policies and practices
- Can sometimes extend to cover legal costs even after the physician leaves employment, depending on the terms of the "tail coverage" provided

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Independent Physicians

Independent physicians, including those operating as 1099 independent contractors, must secure their own malpractice insurance. For these physicians, the coverage:

- Provides essential financial protection against potential lawsuits and legal claims that could otherwise decimate personal finances
- Allows for greater control over choosing the level of coverage and policy terms that best fit their practice needs
- May require higher premiums due to the lack of employer-negotiated group rates but offers the flexibility to shop around and select the best available options
- Is critical for maintaining the credibility and trust of patients, as having adequate insurance often reflects a physician's commitment to professional responsibility and patient safety

Whether employed or independent, physicians must recognize the importance of medical professional liability insurance in protecting their careers and livelihoods, ensuring they can continue to deliver high-quality care with peace of mind.

Other Benefits that Can Add Glue in the Seat Signing Bonuses Increasingly Standard

When demand increases and supply shrinks, you can expect to pay more, and the same is true for many healthcare organizations with respect to staffing. While a signing bonus was once a nice-to-have part of the offer, it has become the norm. When defining a recruitment bonus package, it's important to be flexible around the candidates' needs. While many organizations generally have a set amount of money to be used, it could be offered as loan repayment, housing assistance, or a lump sum.

Signing bonuses essentially allow organizations to sweeten the offer without making a long-term salary commitment. It's not unusual for organizations to struggle to find the resources to offer a six-figure signing bonus, but upon closer look, they may discover they are spending even more on temporary labor.

observation #02

79%

of Job Placements Include Incentives

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observation

#02 79% of Job Placements Include Incentives

According to a recent survey by Jackson Physician Search recruitment incentives or signing bonuses are increasingly standard, present in 79% of our 2023 placements.

You can add some "glue in the seat" by structuring all or a part of that bonus into a deferred compensation arrangement. Remember the bonus is currently taxed to the physician and could even increase his or her student loan payments because of the increased income. By deferring it, it's not reportable income and can grow tax deferred.

We will discuss these types of deferred income arrangement later based on the type of organization, i.e. for profit or not-for-profit.

In addition to a strong basic benefits package, other components of a competitive physician benefits package may include the following:

Nonqualified Retirement Plans. Qualified retirement contributions for physicians are limited by the statutory pay cap ($350,000 in 2025) and qualified salary deferrals are limited to by federal limits as well ($23,500 in 2025). For those age 50 and older, an additional $7,500 catch-up contribution is available in 2025. The SECURE 2.0 Act enhanced the catch-up to $11,250 for those age 60-63 in 2025. One way for- profit employers can address these issues and increase retention is to provide a supplemental nonqualified deferred compensation plan (NQDC) program.

Unlike qualified plans, eligibility for NQDC plans must be limited to a select group of higher-paid physicians and other highly compensated personnel. These plans give for-profit organizations a competitive advantage over not-for-profits. For-profits can also make these plans available to their independent contractor group to help with recruiting and retention. For more details on these plans see Designing Nonqualified Deferred Compensation Plans (NQDC) to Competitive Advantage. If your organization offers restricted stock units (RSUs) you can have the ability to defer them too. See Restricted Stock Units in Nonqualified Deferred Compensation Plans.

Not-for-profit organizations have had a challenge with deferred compensation programs due to tax law restrictions under 457(f). When an employee defers compensation, he/she will be taxed when they vest, which defeats the purposes of a voluntary deferred compensation arrangement. 457(f) plans are normally used by employers with employer contributions and full vesting in 3 to 5 years.

Executive Benefit Solutions (EBS) has designed a concept for not-for-profits to be competitive. The plan is called the Triad Plan. The Triad Plan allows participants to tax defer compensation without the restrictions of 457(f). Those dollars grow tax deferred and benefits are paid income tax free. This program has been well received by non-profit organizations who have recruiting and retention issues but are limited on budget dollars.

Key Features and Benefits of the Triad Plan:

- Tax-Advantaged Accumulation: Contributions are made with pretax dollars, reducing current taxable income and allowing for tax-deferred growth
- Tax-Free Withdrawals: Utilizing a life insurance policy enables withdrawals to be received without income tax, offering a triple advantage in tax benefits
- Enhanced Retirement Savings: The plan encourages maximizing pre-tax contributions to 403(b) and 401(k) plans, with the Triad Plan™ serving as a powerful supplement for retirement accumulation without contribution limits or age restrictions
- Life Insurance Benefit: Participants gain a tax-free life insurance benefit, providing additional security and peace of mind for their families

Financial Planning: Healthcare organizations are seeing a need to help employees take control of their personal finances and drive awareness and engagement with workplace benefits.

Physicians and healthcare professionals need financial advice. The reasons include factors such as how busy physicians are, their need for tax planning, the extra expenses such as malpractice insurance, medical school debt and the importance of enabling them to focus their own attention on patients' welfare.

My Financial Coach can help create a comprehensive financial plan that integrates personal financial accounts, employee benefits and documents into one easy to view hub. This hub provides employees with a centralized story of your financial progress. They will have access to a dedicated Financial Coach, CERTIFIED FINANCIAL PLANNER™ (CFP®) who will not only create their initial financial plan but will act as an ongoing resource for them as their financial needs change. When it comes to the unique needs of physicians, you will see that My Financial Coach can help physicians at all stages of their careers.

Term Care (LTC)

Although LTC premium costs have risen in recent years, adding LTC coverage to the benefits package can make for a more attractive overall program. Many employers do offer access to LTC insurance, but typically coverage is only available if the employee pays. However, given the importance physicians place on retirement planning and asset protection, employers may wish to give employer-paid LTC coverage a second look. Employers can specifically target physicians with this benefit because LTC is a nonqualified benefit and is not subject to ERISA or employee discrimination rules.

Student Loan Forgiveness Programs

The median medical school debt according to the Association of Medical Colleges (AAMC) is $200,000. Providing opportunities to earn additional compensation to pay off that debt sooner can support long-term retention. Medical school student debt is a significant problem for many physicians. Attending medical school can be extremely expensive: As of 2023, 73% of medical school graduates leave school with an average of $250,995 in total education debt, according to Education Data Initiative.

Providing a loan repayment program to new hires can be a very effective recruitment and retention tool. This option can be particularly attractive in medically underserved areas; some physicians may even be willing to sacrifice a portion of salary for a structured loan-repayment system. When provided, such loan-repayment benefits typically range from $15,000 to $30,000 per year and are usually subject to a lifetime maximum amount (i.e., $100,000, $150,000). Employers may require that this benefit be repaid should the recipient leave the organization within a stipulated period (i.e., three to five years after receipt of the benefit).

Not-for-profit organizations have a competitive advantage based on the government's loan forgiveness program. Nonprofit workers, who meet the career, payment and eligibility requirements have loan forgiveness under the Public Service Loan Forgiveness (PSLF) program.

For-profit organizations can compete with the government program by establishing a nonqualified deferred compensation program where they match employee contributions. One such organization set up a plan where they match fifty-cents (vesting in 10 years) on the dollar up to 10% of salary. With a salary of $150,000 and assuming 3% increases the physician would have around $200,000 at the end of 10 years to pay off the balance of their loan and have additional dollars for retirement. Based on the cost of turnover this is a win-win benefit.

Finally, we are also seeing organizations provide student loan education, to help employees understand the various options they have for repayment and forgiveness and stay compliant with various programs.

Relocation Assistance

Relocation assistance is customarily provided to a physician when the employer assists new hires with relocating from one location to another as a part of the benefits package. Relocation assistance for a physician can range from $5,000 - $15,000.

Flexible Work Schedules

According to the American Medical Association, the majority of full-time physicians log between 40 and 60 hours each week on average. Approximately one-fourth of doctors work between 61 and 80 hours each week. When so much time is committed to the job, finding a work/life balance is challenging at best. In fact, a growing number of people are abandoning the idea of an equitable split between home and work. Rather, the goal is to add more flexibility into their careers so it's easier to find the time to attend to personal needs and interests. Fortunately for physicians, nurse practitioners, and physician assistants, the locum tenens career alternative offers varying degrees of flexibility.

Sabbatical Benefit

Most physicians use the sabbatical to combine personal renewal with medical learning. During the sabbatical year, physicians are paid 30 percent of their salary. Most supplement their sabbatical pay with savings to cover the costs of travel and other expenses.

Other Benefits

Other benefits that may round out a benefits package include insurance coverage for catastrophic medical events, prepaid legal services, wellness programs, discounts at local businesses and a physician lounge. As organizations look for ways to reduce stress and physician burn-out, physician lounges have been cited as a meaningful way to improve the work environment. Physician lounges are also great places for new practitioners to meet colleagues and serve as a place where collaboration can occur.

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Final Thoughts

Providing physicians with a competitive and well-rounded benefits package can go a long way toward creating an engaged workforce. Yet, building a benefits package that is appreciated and understood by the physician population requires a well thought out strategy with unique offerings that are well communicated.

Know what benefits physicians want

Depending on the structure of your organization (for-profit or not-for-profit), some benefit options will be more appealing than others. To understand which options physicians favor, employers may wish to consider surveying their physician group. In addition to group preferences, employers should also take the time to get to know the needs of individuals. We have found collecting metadata from providing a financial planning benefit is a good way to accomplish this objective. Collecting the data does not compromise the confidentiality of the planning but it lets the employer know that 80% of physicians are looking for more ways to save for retirement, or 50% are in need of additional disability protection. Although many benefits offered have to be the same for all employees by policy or law, some benefits, such as nonqualified deferred compensation, financial planning, excess disability coverage do not.

Get input from physician leadership

Human resources leadership should meet regularly with physician leaders to ensure benefit programs are perceived as being adequate, market competitive and meeting the needs of the physician group. Physician leaders may have insight into simple changes that can make benefits packages more effective.

Understand the importance of communication and education

Having a well-designed benefits program is important, however the program won't provide meaningful retention value unless it is well-communicated. It is critical that organizations carefully educate and communicate with physicians about the value of their benefits programs. An excellent way to do this is through a total compensation statement or to use a platform like My Financial Coach's SmartTech™ to aggregate all employer benefits and personal assets in one place with a CFP® to help communicate and educate them to better utilize company benefits in their planning.

Executive Benefit Solutions

EBS is an independent executive benefits consulting firm which provides total plan management services with respect to programs specifically designed for key employees and professionals. Those services include:

- Consulting with respect to plan design,
- The structuring of related financing and benefit security arrangements,
- The design and management of the participant communication, education and enrollment processes,
- Management of any informal funding assets and,
- On-going plan administration and technical support.

More information about the firm can be found at: www.executivebenefitsolutions.com.

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