You can see it with your own eyes: the pool of physicians available for recruitment seems to be shrinking year after year. If it weren’t so worrisome, it might be reassuring to know that it’s not just you: the data supports it. According to the Association of American Medical Colleges, by 2033 — just a little over a decade from now — we’ll be facing a deficiency of between 54,100 and 139,000 physicians in the U.S.¹ According to the *New England Journal of Medicine*, even with more optimistic predictions, by 2024 we’ll have 4,500 fewer medical school graduates than available residency slots.²

That trend is even more troublesome when you look at how those numbers break down. In the next decade, we may have between 21,400 and 55,200 fewer primary care physicians than needed, at a time when we already have a dire shortage of PCPs in poor and rural areas.³,⁴ And according to the Health Resources and Services Administration, the American South alone will suffer a deficit of 10,210 surgeons.⁵

At the same time, it’s becoming increasingly difficult to retain top talent. According to a study from National Healthcare Retention & RN Staffing Report, the estimated turnover rate for physicians in private practice hovers at around 7%.⁶ That may not sound like much, but with an average cost of $30,000 to bring a new physician to a practice, that can end up being very expensive for a medical practice. It is also time-consuming; in a field with precious little free time, it can take anywhere from six to eighteen months to recruit and onboard a single physician.⁷

There are comprehensive, practical, solutions to both these problems; but to understand them, it helps to identify some of their root causes.
The Causes of Diminished Recruitment and Increased Turnover

There's no single reason for the shortage of physicians, but rather a confluence of circumstances. At the recruitment stage, there's increased competition for an ever-shrinking talent pool. In the U.S., graduating residents and fellows receive between 50 and 100 solicitations during their final year of training. And a number of those solicitations may be moot, as many candidates are already signing contracts in their second year of residency.

There's also a shift in priorities for the younger generation of physicians. On the whole, they have an increased desire for flexibility in their schedules — and a diminished desire to be constantly on call. At the same time, because of the ACA, physicians in private practice spend far more time filling out paperwork than physicians in other practice settings; making private practice a less attractive option for young doctors who, on the whole, tend to prioritize work-life balance more actively than previous generations.

Holding on to talented physicians is just as crucial. As fewer medical school graduates emerge from training, we're also looking at an aging physician workforce that's getting ready for retirement. There's also the very real issue of physician burnout, regardless of age: in a 2018 survey by the Merritt Hawkins Physician Foundation, 78% of physicians reported frequent or constant feelings of burnout.

A Solution: An Aggressive Recruitment Program, a Streamlined Retention Program

To stem the proverbial bleeding, practices need to craft solutions that address the needs of all physicians, wherever they are on their career path. One way to do this is through total compensation packages. Medical practices too often lock in on salary alone, but it requires thorough planning to develop a competitive, comprehensive total compensation package that will draw — and keep — quality physicians. It also requires vigilance to make sure they're taking full advantage of that package, so that they understand the extent of the value they're receiving.

The letter of intent is an invitation to potential recruits. It's also an opportunity for you to clearly spell out what they can offer. That includes a competitive compensation package, but it also includes:

- Competitive standard benefits
- Competitive strategic benefits
- Intangible benefits
- Employee education
- Promoting utilization of benefits

They're all interconnected, but it's helpful to break them down and approach each of them methodically.
Standard Benefits

Standard benefits are what most of us expect from any full-time employer. They include:

- Comprehensive medical insurance
- Group life and disability insurance
- Continuing medical education (CME)
- Personal time off
- Retirement plans

Though they may be expected, it’s important not to take them for granted.

For example, a practice can offer group life and disability policies with non-taxable coverage of up to $50,000 per employee. In other words, the premiums paid for those policies are excluded from an employee’s taxable income; they receive the security of coverage at no cost to themselves. Offering the maximum coverage will make a benefit package more attractive to a potential hire — and will make staying with the practice more attractive as well.

Offering CME at no cost to the employee can also add up to substantial savings for physicians. Though licensure requirements vary from state to state, the medical licensing boards nationwide require continued accreditations to remain in CME compliance. By covering those costs for your employees, you’re giving them one more reason to stay with you. And thanks to technological advances, CME can satisfy new physicians’ desire for flexibility in scheduling: Organizations like the Southern Medical Association offer a vast library of online CME courses that physicians can take at their convenience.

Retirement plans come in many forms as well. It’s important to design them wisely with the help of a financial advisor that specializes in qualified retirement plans (QRP) or a third party administrator (TPA) who understands the particular issues facing medical groups. If not set up properly, a retirement plan can end up discriminating against highly compensated providers — thereby discouraging the very physicians a practice wants to attract. For this very reason, MGMA has partnered with SMA Services, Inc. SMA provides a range of plans that address the unique needs of private practices of every size; as well as TPA services to analyze your plan for both compliance and maximum benefit.

Strategic Benefits

Strategic benefits can provide added value beyond a standard benefits package. They include:

- Individual life and disability insurance
- Comprehensive financial planning
- Non-qualified deferred compensation (NQDC) plans

For highly compensated employees like physicians, group life and disability plans with $50,000 of coverage would not make up for one year of lost income. That can make clinic-provided individual
policies attached to supplemental professional contracts compelling incentives. Though life and disability policies may be taxable beyond $50,000 of coverage, practices have no legal obligation to stay within that limit. The individual provider, not the practice, will be taxed for any coverage above the $50,000 limit for group policies; but the tax is miniscule relative to the benefit. It’s one less thing the physician needs to worry about, which can translate to less overall paperwork (and more free time).

Comprehensive financial planning, provided by the employer, is another way to relieve the physician of added responsibilities — and it provides an immediately visible benefit. For a small fee, your practice can team up with a financial advisor that specializes in QRP or a TPA to provide group services to physicians and other key employees. Some CFPs may even provide those services for free, knowing that it may open doors to more business from individual providers. Also inquire about whether a CFP can provide both comprehensive and modular plan assistance. Not all recruits or employees may need comprehensive planning, but they may find they need help with strategies for particular needs (e.g., college planning). Modular planning options provide added value for physicians who may have already started their financial planning journey, but find that their needs have changed over time.

Non-qualified deferred compensation plans can be a win-win for both the practice and the physician. By offering a non-elective NQDC plan to senior staff, a practice can fund future income for highly compensated key employees without adding to their current tax burden — and without having to legally provide equivalent bonus compensation for other staff members.

**Intangible Benefits**

Providing these shared benefits, both strategic and standard, doesn’t just make good financial sense for employees. They also provide what more and more practitioners seem to want: freedom from the headaches of bureaucracy. Accounting, overhead, the bureaucracy of insurance claims — knowing these will all be taken care of can be a powerful incentive for recruits who may be more protective of their personal time. They can also lighten the load of current employees, removing some of the factors that contribute to physician burnout.

Especially enticing for younger physicians are the prospects of loan forgiveness and repayment assistance. Look into whether your practice’s CFP has any relationships with not-for-profit organizations who can offer strategies for providers to mitigate the impact of their loan debt.

**Employee Education and Utilization of Benefits**

It’s easy for benefits to fade into the background of an employee’s day-to-day concerns. It’s imperative that they understand the value they provide.

Some benefit providers may provide customized benefit sheets for each practice they serve. In plain language and easy-to-read graphics, these sheets break down exactly what employees receive in benefits (and how it’s paid for). You should also inquire about whether your retirement
plan provider offers educational and financial literacy packages that they can share with your employees. Outside firms like SMA Services can sponsor education regarding:

- Retirement income planning
- Social security planning
- Dealing with debt
- Risk & protection

By educating staff about their benefits, you’re letting your employees know that you have their best interests at heart. You’re also giving them the information they need to feel empowered about their future. By actively encouraging them to use those benefits, their value will become self-evident.

**Developing Effective Recruiting and Retainment Tools**

The first step in improving your recruitment process is to analyze the benefits — standard, strategic, and intangible — that your practice currently offers. Do they provide as much as they could value to potential hires? Do they provide value for you, in that they keep relative costs down? Calculate your current investment to get a clear idea of what you can spend more on — and where you can stand to spend less. For example, if your budget won’t allow for the expansion of strategic benefits, concentrate on improving intangibles as much as possible. It's also important to assess that your recruitment process is both repeatable and scalable as your practice grows and changes.

Once you’ve assessed the adjustments you need to make in your recruitment package, make sure that your marketing materials reflect the value it offers. Is it clear to potential recruits? Do you have a compelling story to tell about why a physician should join your practice? And are you using the most effective channels (for example, marketing brochures, headhunters, or internal recruitment teams) to get that story out there? Evaluating your marketing — the means by which you communicate with potential hires — can be as important as evaluating your benefits.

The assessment shouldn’t end once you’ve filled all your positions. Review your educational materials to make sure your employees understand the full scope of what is available to them. Make sure you have a benefits booklet for employees. Clearly outline the utility of all their benefits; the amount the practice invests in those benefits; as well as the total value of compensation, including projected assets and withdrawals over time.

**A Strategic Approach Can Make a Big Difference**

There may be a decreasing number of medical school graduates. There may be an aging physician workforce reaching retirement age. And there may be little that any one practice can do to control that.

But you **can** take concrete steps to make your own practice more competitive to both current and future employees. What satisfied a prior generation of physicians might not satisfy the next. That makes it incumbent upon you to find solutions that fit their needs, as well as the needs of your
practice. By developing thoughtful, well-planned recruiting and retention strategies, you’ll not only hire (and keep) the talent your practice needs; you’ll be doing your part to increase the overall allure of medicine as a profession.

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