



Examining topics affecting the recruitment and retention of physicians and advanced practice professionals

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

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Medical Education Loan Repayment and Resident Stipends: Emerging Trends in Physician Recruiting

Overview

According to the Association of American Medical Colleges (AAMC), the United States is facing a shortage of up to 122,000 physicians by 2032. This includes a shortage of up to 55,000 primary care physicians and 77,000 specialists.

As demand for physicians increases, and as the supply of doctors remains static, recruiting physicians is becoming an increasingly difficult challenge.

In response, hospitals, medical groups and other facilities have become more aggressive and creative in crafting physician recruiting incentive packages. A wide range of data regarding the starting salaries offered to physicians, average signing bonuses and other incentives is reviewed in detail in Merritt Hawkins' 2019 Review of Physician and Advanced Practitioner Recruiting Incentives. This paper focuses on two increasingly important recruiting and retention incentives: educational loan repayment and stipends for medical residents.

As primary care recruitment becomes more competitive and as the candidate pool continues to be stretched thin nationwide, Merritt Hawkins has observed an increase in offers of educational loan assistance to candidates, along with an increase in "retention" monies dispersed to providers as part of their employment contracts.

Included in Merritt Hawkins' 2019 Review is data on the number of hospitals, medical groups and other facilities offering educational loan repayment as part of the physician recruiting incentive package (see next page).

Merritt Hawkins search engagements offering Educational Loan Repayment

2018	2017	2016	2015
31%	18%	25%	26%

Source: Merritt Hawkins 2019 Review of Physician and Advanced Practitioner Recruiting Incentives.

As these numbers indicate, last year educational loan repayment was offered in 31% of Merritt Hawkins' search engagements, up from 18% the previous year.

Offering loan repayment is one way to make a practice opportunity stand out from the many others that doctors may be considering. In today's market, physicians have many such offers to choose from, as the chart below indicates:

Number of job solicitations received by U.S. Medical Residents during their training

0 -10:	8%
11 – 25:	10%
25 – 50:	16%
51 – 100:	21%
Over 100:	45%

Source: Merritt Hawkins 2019 Survey of Final-Year Medical Residents

As these numbers show, 66% of 2019 final-year medical residents received over 51 job solicitations during their training, while 45% received over 100 job solicitations, underscoring the competition for newly trained physicians.

In the past, educational loan repayment was offered to new physicians primarily through the National Health Service Corps in exchange for their commitment to practice in a medically underserved area. Today, healthcare facilities not located in underserved areas also are offering to repay candidate's educational debt, "upping the ante" when it comes to attracting physicians.

MEDICAL STUDENT DEBT BURDEN:

Educational loan repayment is becoming a more important incentive to consider as the burden of medical education debt rises. As indicated in Merritt Hawkins' 2019 Survey of Final-Year Medical Residents, the average self-reported educational debt among final-year residents is as follows:

What do you owe in student loans?

	2019	2017	2014	2011	2008
\$0	31%	24%	25%	25%	10%
\$50,000 or less	6%	10%	9%	10%	17%
\$50,001-\$100,000	6%	7%	9%	13%	19%
\$100,001-\$150,000	6%	7%	8%	11%	29%
\$150,001-\$200,000	9%	11%	14%	22%	19%
\$200,001 or more	42%	41%	35%	19%	6%

Educational debt among final-year medical residents is higher when international medical graduates, who often have little or no educational debt, are removed from the equation. While 58% of U.S. trained medical residents surveyed by Merritt Hawkins indicated they owe over \$150,000 in educational loans, only 31% of international graduates indicated they owe a similar amount.

According to the Association of American Medical Colleges, the average overall educational debt of U.S. medical school graduates today is \$190,964.

LOAN REPAYMENT AMOUNTS

In its annual *Review of Physician and Advanced Practitioner Recruiting Incentives*, Merritt Hawkins tracks the amount of educational loan repayment offered by our clients to physician candidates. Numbers from the previous six years are indicated below:

Low, average and high dollar amounts offered in educational loan repayment

	Low	Average	High
2018/19	\$ 10,000.00	\$ 101,571.00	\$ 300,000.00
2017/18	\$ 10,000.00	\$ 82,833.00	\$ 300,000.00
2016/17	\$ 10,000.00	\$ 80,923.00	\$ 260,000.00
2015/16	\$ 10,000.00	\$ 88,068.00	\$ 300,000.00
2014/15	\$ 2,500.00	\$ 89,479.00	\$ 250,000.00
2013/14	\$ 4,000.00	\$ 77,000.00	\$ 326,000.00

Source: Merritt Hawkins 2019 Review of Physician and Advanced Practitioner Recruiting Incentives

The average amount offered in 2018/19, \$101,571, is the highest number recorded in any of Merritt Hawkins' annual Incentive Reviews.

TERM OF EDUCATIONAL LOAN REPAYMENT

Merritt Hawkins' annual *Incentive Review* tracks the term over which medical educational debt is paid by our clients. As the chart below indicates, the amount is typically repaid over a period of three or more years.

Term of Educational Loan Repayment

One Year	Two Years	Three years or more
3%	19%	78%

Source: Merritt Hawkins 2018 Review of Physician and Advanced Practitioner Recruiting Incentives

Additional Considerations

There are several additional factors to consider when structuring educational loan repayment, including:

- Many facilities forgo "direct-to-the-lender" loan payoffs and pay the provider
- Most payments are in annual disbursements, rather than a lump sum
- If the money goes to the provider directly, it is taxed as income rather than as a bonus, thus, shielding the physician from a higher tax burden in most states
- Most groups are targeting a 4-5 year commitment/retention window for the physician

- If monies are paid, either pro-rated annually or in a lump sum, there typically is a protection clause requiring the physician to pay what they have been advanced if they break the agreement early
 - This claw back may or may not include an interest accrual
- Many organizations determine disbursement based on when the physician completed their training, and many offer the same package to all new hires regardless of years of experience

RESIDENT STIPENDS

Monthly stipends for medical residents are another recruiting and retention incentive whose use appears to be growing. Merritt Hawkins has not recorded the number of our search engagements that feature stipends for residents in the past, but we will track this metric beginning with our 2020 Incentive Review. However, we can state anecdotally that an increasing number of our clients are offering this incentive.

Resident stipends typically are paid once a physician has signed an employment agreement, usually in the third year of his or her residency, and are given in exchange for the resident's commitment to stay in the community for a given time. Stipends can be a welcome incentive because they provide physicians money when many of them need it most – during training. As referenced above, many residents face a high level of educational debt, and though they commonly work 80 hour weeks, the average resident salary today is between \$50,000 and \$60,000.

Hospital systems that have purchased medical groups may offer resident stipends in an effort to keep consolidated medical groups appropriately staffed. Stipends also are used by medical facilities in rural and other traditionally underserved areas that have historically found it difficult to recruit doctors.

Resident Stipend Terms

The terms of resident stipends vary from facility to facility. The Schneck Medical Center in Seymour, Indiana offers a resident stipend of \$2,500 a month for up to ten months, in addition to a sign-on bonus. (*Source: Is a Resident Stipend Right For You? Today's Physician. April, 2018*)

Other examples of resident stipend terms health facilities have offered that Merritt Hawkins has observed include:

- Wisconsin - \$2,000/month for up to 2 years
- Ohio - \$1,000/month for up to 1 year, with 6 month housing stipend
- Michigan - \$2,000/month for up to 2 years
- Missouri - \$2,500/month for up to 2 years

These stipends typically require a commitment by the doctor to stay in the community of two to five years. As with educational loan repayment, physicians must pay back stipend monies they have received on a prorated basis if they break the terms of their commitment. Often, the repayment is due 30 to 60 days after the physician leaves.

It is important that candidates receiving stipends be thoroughly vetted and that they thoroughly understand the terms of the employment agreement, particularly the call schedule. If not, they may feel trapped by the stipend and this can ultimately lead to poor retention when their commitment period is over, exactly the opposite effect stipends are designed to achieve.

Conclusion

As the physician shortage becomes more widespread, a growing number of healthcare facilities are

considering new ways to attract physicians. While salaries, signing bonuses, relocation allowances, CME allowances and paid malpractice insurance are commonly offered recruiting incentives, an increasing number of healthcare facilities also are offering educational loan forgiveness and/or resident stipends. When properly structured and understood by candidates, these can be effective tools in today's highly competitive physician recruiting environment.

About Merritt Hawkins

Established in 1987, Merritt Hawkins is the leading physician search and consulting firm in the United States and is a company of AMN Healthcare (NYSE: AMN), the largest healthcare workforce solutions organization in the nation. Merritt Hawkins' provides physician and advanced practitioner recruiting services to hospitals, medical groups, community health centers, telehealth providers and many other types of entities nationwide.

The thought leader in our industry, Merritt Hawkins produces a series of surveys, white papers, books, and speaking presentations internally and also produces research and thought leadership for third parties. Organizations for which Merritt Hawkins has completed research and analysis projects include **The Physicians Foundation, the Indian Health Service, Trinity University, the American Academy of Physician Assistants, the Association of Academic Surgical Administrators, and the North Texas Regional Extension Center.**

This is one in a series of Merritt Hawkins' white papers examining a variety of topics directly or indirectly affecting the recruitment and retention of physicians and advanced practice professionals, including physician assistants (PAs) and nurse practitioner (NPs).

Additional Merritt Hawkins' white papers include:

- ❖ The Growing Use and Recruitment of Hospitalists
- ❖ Ten Keys to Enhancing Physician/Hospital Relations: A Guide for Hospital Leaders
- ❖ Rural Physician Recruiting Challenges and Solutions
- ❖ Psychiatry: "The Silent Shortage"
- ❖ Nurse Practitioners and Physician Assistants: Supply, Distribution, and Scope of Practice Considerations
- ❖ The Physician Shortage: Data Points and State Rankings
- ❖ Physician Supply Considerations: The Emerging Shortage of Medical Specialists
- ❖ RVU FAQ: Understanding RVU Compensation in Physician Employment Agreements
- ❖ The Economic Impact of Physicians
- ❖ Ten Keys to Physician Retention
- ❖ Trends in Incentive-Based Physician Compensation

For additional information about Merritt Hawkins' services, white papers, speaking presentations or related matters, contact:

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