Retirement plan tips for radiology practices

—JIM SCHEINBERG, CIMA

When we began working with our first radiology clients well over 10 years ago, we assumed they would be similar to most other medical and law groups for which we had consulted. More than a decade later, we understand that radiology is one of the most dynamic and challenging (yet fertile) environments in which to operate a retirement program.

Practices and their ancillary businesses are frequently diverse; as are the constituents that their retirement plans intend to serve. This article will focus on the specific challenges faced by radiology groups in offering retirement plans and will provide guidance on effectively meeting this need, as well as tips on achieving excellence that ultimately will benefit the business as a whole.

Meeting varying demographic needs

No two radiology groups are alike, either in business structure or employee make-up. Not only does size matter, so does business mix. We have one smaller radiology client that’s composed of a dozen physicians, a managing executive and two PAs. Their plan structure is largely based on what the doctors want to contribute as individuals and statutory limitations.

At the other end of the spectrum, we work with a much larger group of nearly 50 physicians and more than 100 employees in their billing service, imaging centers and real estate concerns. In this complex environment, cost-effectively meeting the needs of both physicians and staff can prove to be a challenge.

“Never underestimate the challenge of finding solutions to maximizing M.D. contribution levels at the same time as maximizing employee participation. Having expert assistance in developing strategies is the key.”

—Bill Ziemann, CFO, Kern Radiology

The best solutions are crafted through detailed analysis, robust employee communications and custom plan designs. Client Bill Ziemann, CFO of California-based Kern Radiology has the following advice for radiology executives.

When a great number of your employees make less than $40,000-$50,000 per year, one must get very creative with the benefits structure. Each unique organization will have an optimal plan design to maximize physician deferrals while still leading to meaningful retirement savings for all participants.

Possible solutions include combining multiple plan types, like 401(k) profit-sharing plans with Defined Benefit plans, designing modernized matching formulas and profit-sharing contributions or using auto-enrollment to drive participation higher. The key is designing it correctly and then to keeping it optimized as the organization and pension laws change.

Controlling, Managing and Reducing Costs

The reimbursement environment in healthcare—and radiology specifically—contribute to the challenges when crafting retirement plans. “Radiology organizations... are constantly responding to the continued reduction in reimbursement from the government and health insurance payors,” Ziemann reminds us. “As a result, we need to be very mindful of costs that we can control, with one of them being retirement plan costs.”
Efficiency in plan design and maximizing participation can go a long way towards optimizing contribution expenses from the organization, while maximizing deferrals for the partners of the practice.

A plan’s operational expenses are another place where costs can add up quickly. Radiology businesses, like many other physician groups, historically bought retirement plans financed by asset-based fees (often embedded in the investment expenses).

Frequently, as insurance providers had easy access to these groups, plan services were bought from insurance entities with opaque pricing structures, further complicating matters. As the plans grew larger over the years, the fees often would grow astronomically. Dale Hansen, MD, Memphis Radiological P.C. (MRPC) describes the practice’s former insurance-based retirement plan structure before we worked together to modernize the plan.

“We would have had no way of looking at what they [were] telling us and what our fee structures were, and knowing if they were good or bad,” Dr. Hansen says. “[Since the restructuring], we’ve been able to trim [out] commission structures and fees... that we didn’t even know existed.”

Recent regulatory changes and case law have brought into the spotlight the requirement to ensure that all plan expenses, both administrative as well as investment expenses, are reasonable in light of the services the plan is receiving. Plans that fail to meet these obligations expose the practice and its partners to regulatory and, potentially, litigation liability.

Helping employees save and invest

When radiology organizations have a wide spread in their demographics, educating participants on how much and where to invest isn’t as easy as using the off-the-shelf solutions most vendors offer. Dr. Hansen acknowledges the challenge they originally faced in Memphis.

“We have people making as little as $10 per hour,” he explains. “It’s been hard, because we are so diverse, to provide something that meets everyone’s needs... That’s one of the things that we’ve gotten that we didn’t have before.”

In helping clients like Memphis Radiological, we’ve tailored programs to each segment of their demographics within the organization, piloting towards specific goals of participant preparedness.

For large organizations, group educational sessions can be very effective, but there is no substitute for one-on-one advice. We have met individually with hundreds of radiology staff members over the years, some of who would otherwise never have had access to unbiased professional advice. In just 15 to 20 minutes, you can literally change someone’s financial life.

Keeping things relatively simple is a key to successful outcomes. Northwest Imaging’s (NWI) Tyler Weber, chief administrative officer, advises caution before adopting the more exotic investments requested by some physicians. “Over time, a good balanced menu is going to be best for them,” he suggests.

Staying competitive: Recruiting and retaining talent

We don’t need to tell radiology executives how fierce the competition is for talented radiologists and staff. “Designing a plan that is an effective employee recruiting tool in an industry where skilled technical staff is difficult to attract [is a key recruiting strategy],” notes Kern Radiology’s Ziemann.

In the new era of medicine, what once used to be an assumed comfortable retirement for physicians has now become a meaningful concern for most radiologists. According to the authors of a study published last year in Academic Radiology based on a survey of more than 2000 radiologists: “Participants reported working more hours and expecting to retire later than desired.”
In our conversations within the radiology industry, we have found this to be a potent truth. If your doctors and staff aren’t confident financially, that can affect the business.

Proper plan design and strategy can turn this potential vulnerability into a strength. Dr. Hansen points to a generous plan design as a key to their success at Memphis Radiological, “This plan has been exceedingly generous, particularly to our lower earning individuals.” That generosity has led to high participation levels (in excess of 90%), which allowed the physicians to max out their contributions.

We’ve personally seen the effects of the Memphis plan on many of their lower-income workers. Non-physician employees, many of whom were living paycheck to paycheck, were able to amass $100,000 or more for their retirement due to MRPC’s generosity, tax incentives, great plan design and helpful advice. Imagine arming your recruiters with those statistics?

Staying at the front of the pack
The retirement plan industry has evolved meaningfully in the last decade. Vendors have consolidated through waves of acquisition. In fact, it’s a sure bet that your record keeper has either been buying or been sold since you hired them.

Competition and economies of scale have made pricing of just a few years ago, out of date. Meanwhile, regulatory changes have created vast new opportunities... and liabilities.

Zeimann say it best: “The days of contributing to your retirement plan and leaving it on autopilot are long gone.” Radiology groups need to stay on top of their plans to stay efficient, compliant and competitive.

Dr. Hansen offers this advice to managing partners and executives: “Get ... an outside consult just to vet what [your retirement plan managers] are doing. They may be doing everything well. It doesn’t cost you very much to get a consultant to take a look at what you’re doing to see if there’s anything you’re missing.”

Even if you’re confident that you have a competent advisor, there’s always something fresh eyes can bring to the table, and it’s a regulatory requirement to have even the most trusted relationships reviewed periodically. But Hansen correctly cautions to make sure that review is “non-commissioned advice. I’d warn that.”

As a veteran retirement industry consultant, I’d echo his suggestion. If you’re going to take the wise step of engaging a third-party, check their motivation. Unless you are looking to replace your existing advisor, only engage a consultant who recuses themselves from being considered for the services that they are reviewing.

As NWI’s Weber says, “Make sure the person you are using doesn’t have a dog in the fight.” Fees should be flat, not variable based on recommendations to assure their objectivity. Hiring someone to conduct a periodic RFP or RFI can go a long way in ensuring competitive services, structure and pricing.

Lastly, and perhaps most importantly, make sure that this outside consultant will serve a fiduciary for the review; this will confirm that their interests are solely aligned with the needs of your plan and its participants.

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