Financial solutions for healthcare organizations

The current state of retirement plans for healthcare organizations

Spring 2022

With the pandemic receding, organizations can refocus on building employees' financial well-being through their retirement plans.

Contents

Summary

This report shares the latest insights into the current state of retirement plans for healthcare organizations. It addresses both plan sponsor and participant views and activity; the recruiting and retention challenges of a more diverse workforce; and the tools, features and guidance necessary to support improved participant engagement and success in achieving desired financial outcomes. This knowledge positions organizations to help relieve financial pressures on employees—freeing them to focus more fully on delivering exceptional patient care.

Major themes emerging

Recovering from the worst of the pandemic, healthcare organizations face new causes of economic uncertainty due to inflationary and geopolitical concerns. But one overall goal remains: the need to provide quality patient care through an engaged and supported workforce. Whether it's recruitment, retention or addressing the needs of multidimensional employees, the retirement plan serves as a critical driver of positive outcomes for employees and patient care alike.

Recruiting and retaining healthcare professionals, especially nurses, is still a challenge. Looking at potential turnover rates for clinicians over the next two years, nurses top the list at 32%. And a five-year outlook shows that percentage reaching nearly 44%.[1] Continued staffing shortages and burnout are key contributors—even as the pandemic eases. Plus, the high rates that travel nurses now command—up to $10,000 a week in some places[2]—offer an attractive alternative to traditional full-time employment. Attrition among physicians and surgeons adds to these challenges, with turnover rates expected to be 28% over the next two years.[3]

Projected turnover rates over the next two years[1,3]

32%
Nurses

28%
Physicians

Engaging a multidimensional workforce is even more critical as recruiting and retention challenges intensify. For this reason, organizations need to better understand the evolving diversity of their workforce: different socioeconomic groups, generations, genders, roles and race. Armed with employee demographic data, plan sponsors are able to engage employees more effectively to increase the perceived value of the retirement plan. Recordkeepers can supply tools to help better understand data to identify retirement readiness gaps within certain segments. In addition, employee resource groups can provide qualitative insights about different segments of the workforce (i.e., financial behaviors, engagement preferences, influencers).

Strengthening inclusion, diversity and equity (ID&E) programs is another priority. The good news is there are ways to apply ID&E principles to plan design, investment menus and employee engagement programs. For example, the adoption of automatic services is growing, with 71% of organizations using automatic enrollment and more than half automatically re-enrolling those who opt out each year.[4] Plan sponsors are also evaluating how their plan's investment options align with ID&E values. In fact, 86% of them say it's important to offer responsible investments on the menu.[5] At the same time, plan sponsors hope to boost employee engagement through programs that provide advice for all, budgeting and debt management, and more.

Fortifying the organization's financial stability remains a key focus due to the economic consequences of COVID-19. From the early days of the pandemic, recruitment and retention issues led healthcare organizations to overpay for talent. This upward pressure on labor costs continues to have a negative impact. Some hospitals are paying sign-on bonuses of $20,000 to attract new nurses and filling any gaps with expensive travel nurses.

Attrition is costly, too, with the average cost of turnover up to $58,400 per nurse.[6] The need to keep up with demand and meet quality patient care standards means that organizations must maintain appropriate staffing levels. Many plan to add staff, with the hope they'll attract clinicians with a robust and attractive benefits program.

More employees and potential plan participants

68%

of plan sponsors offering a 403(b) plan expect to adjust staffing levels within the next year—with 96% planning to add employees.[7]

Cost concerns

95%

of all plan sponsors say it's important/very important to offer a plan with low costs and fees.[8]

There are other actions organizations can take to achieve greater financial stability. This includes shifting from a defined benefit (DB) to a defined contribution (DC) plan as a way to decrease costs and drive outcomes. (See the **Pandemic key learnings checklist** at the end of this report for more ideas.)

In addition, **merger and acquisition activity** continues. Forty-two percent of plan sponsors anticipate being involved in a merger/acquisition in the near future.[9] As they consolidate retirement plan benefits, 48% want their recordkeeper to assist with the integration. Plan sponsors also desire advisory and risk mitigation support, at 37% and 31%, respectively.[10]

Plan design for a secure retirement

Providing a way for participants to save for lifetime income in retirement: 61% of organizations report this is the primary goal of their retirement plan. Another 26% point to helping participants accumulate wealth, while 13% rank lifetime income and wealth accumulation as equally important.[11]

Given the primary goal of lifetime income, plan sponsors must take a broad view of their plan strategy from the investment menu to plan success metrics. This approach makes sense with the passage of the SECURE Act and its call to provide lifetime income options in retirement plans. Of those organizations currently offering an in-plan guaranteed lifetime income option, 85% say it is extremely or very valuable.[12] Among those that do not provide this type of investment option, 43% are highly interested in doing so now compared to 35% in 2020.[13]

95% of employees say it would be very or somewhat valuable for their employer to provide a stable retirement income *guaranteed* for as long as they live.[14]

Income replacement remains a prime consideration when choosing plan investments. But other options are gaining ground. Eighty-six percent of plan sponsors cite the importance of environmental, social and governance (ESG) or other socially responsible investments.[15] Employees concur, with nearly 80% finding them very to somewhat valuable.[16]

Default investments for lifetime income

More than 60% of contributions go into a retirement plan's default option, which in most cases is a target date fund (TDF).[17] Furthermore, inertia tends to set in, and participants keep their money in the default over the long term. Of concern, 78% of plan sponsors believe traditional TDFs help participants meet their income needs in retirement.[18] While they help with accumulating assets, they generally don't provide guaranteed lifetime income.

77% of sponsors would be highly interested in a target date solution that allocates a portion of assets to lifetime income.[19]

An innovative approach for organizations to consider is offering “personal pensions” that don’t weigh down their balance sheet. This includes providing a custom default investment that offers the option of guaranteed income for life, much like a defined benefit pension plan.

Additionally, a default option that provides access to lifetime income is a solution organizations can use to advance their inclusion and equity goals. Given most contributions from today’s multidimensional workforce go to the default, this approach provides ALL employees the ability to build confidence in retirement without the fear of their income running out.

The power of auto enroll/auto increase

Automatic features are powerful tools organizations employ to help improve employees' financial situations. They include auto enroll to simplify plan participation and auto increase to boost contributions on a regular basis.

Importantly, automatic features support the inclusion goals of an organization, especially annual re-enrollment. And their adoption has only grown since the pandemic. Here's a look at the widespread use of these capabilities today and how employees have responded.

- **71%** of organizations use automatic enrollment. Of those that don't, 42% anticipate implementing this provision within the next 12-18 months.[20]
- Organizations offering automatic enrollment experience an average participation rate of **70%** compared to 43% for those that don't.[21]
- Some organizations find success automatically re-enrolling participants who opt out each year. That's why **66%** of them[22]—up from 58% in 2020[23]—have extended it to current employees through an annual re-enrollment opportunity.
- At **67%**, 403(b) plan sponsors are more likely than 401(k) sponsors (36%) to offer auto increase of employee contributions.[24]

Measuring what matters

Keep in mind that an important success metric for the plan should be the **participant income replacement rate** versus average account balance. By evaluating the plan against this measure, plan sponsors better understand what's contributing to desired participant outcomes and can adjust plan design as needed. The end goal? A retirement plan that's resilient, even in uncertain times.

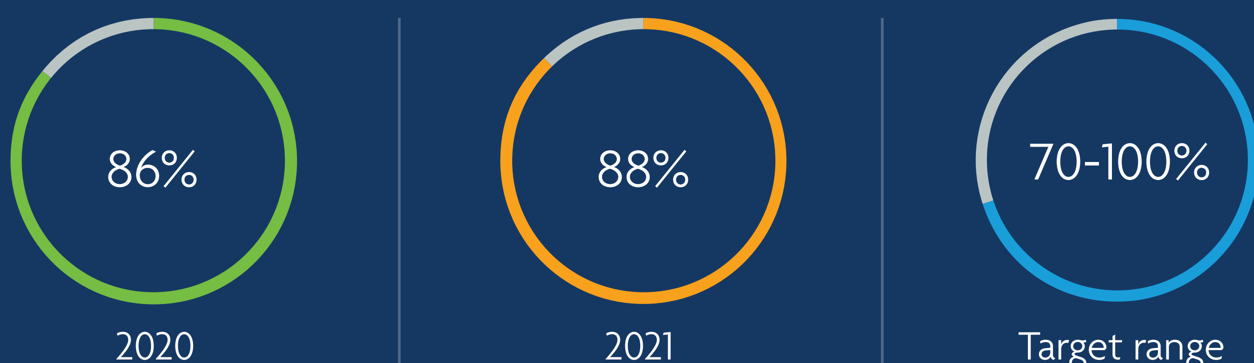
Consider this: The income replacement rate increased from 86% in 2020 to 88% in 2021 for healthcare employees of organizations with a TIAA retirement plan. Achieving this boost during the height of the pandemic is a clear indicator of plan strength. The standard TIAA target number for income replacement is 70-100% depending on salary.

Insights from analytic tools

Organizations can benefit by taking a deeper dive into what's working for different population groups and what's not. Analytic tools that capture relevant data can enable plan sponsors to compare retirement readiness and income replacement rates across different demographics and employee groups.

Insights like these allow plan sponsors to strategically approach plan design and make appropriate changes when and where needed.

TIAA's healthcare participant income replacement rate remained strong during the pandemic.



With a **2% increase** from 2020 to 2021, TIAA's healthcare participant income rate reached **88%**, an amount well within the 70-100% target range.

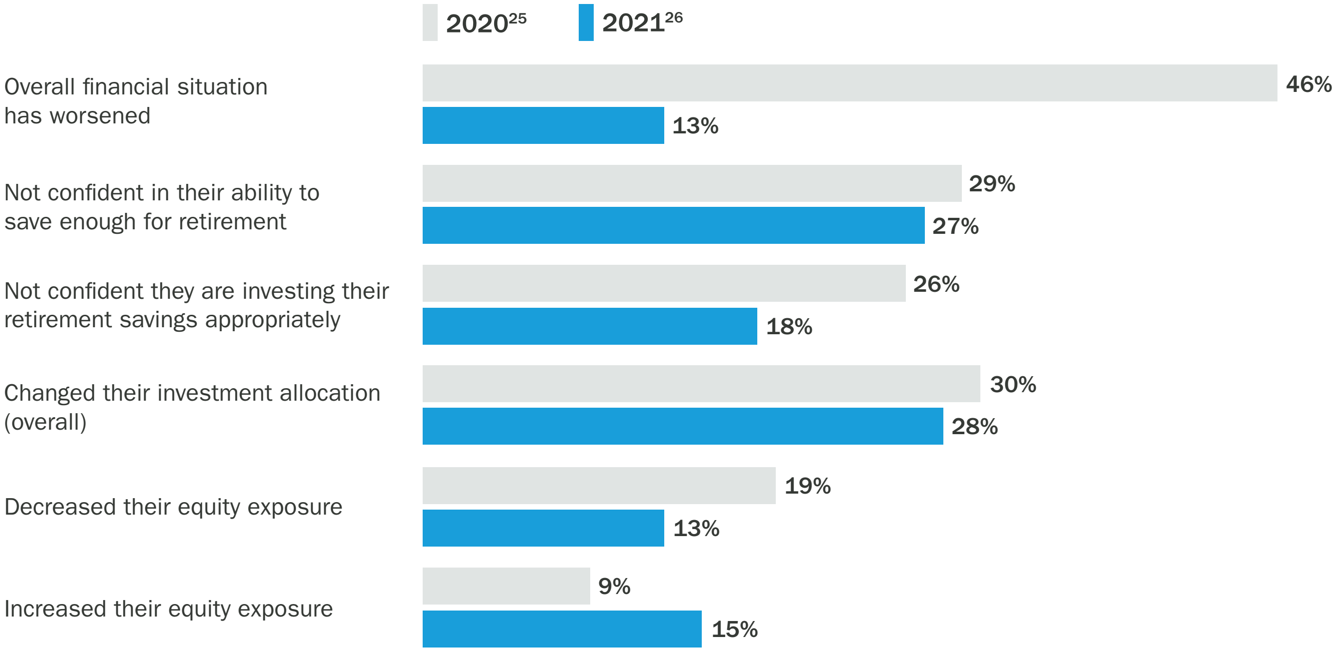
Understanding today's multidimensional workforce

While auto services can help drive positive plan metrics, it's still important to engage employees to realize the full power of the retirement plan for recruiting and retention. A time-tested way of doing this is to show each employee a clear path to retirement.

Organizations need to understand their plan participants—including the way age, gender, role, and social and economic factors influence retirement readiness. Gaining this knowledge adds extra insight in a multidimensional workforce environment, where employees' ability to save and understand how to prepare for retirement varies immensely.

But before looking at the financial situations and retirement needs of different types of plan participants, it's important to acknowledge the changing impact COVID-19 has had on the financial condition of the overall workforce, despite improvement from 2020 to 2021.

Figure 1: Changing financial impacts of COVID-19 (all healthcare employees)



Compared to 2020, 33% fewer employees say they are experiencing a worsening financial situation. In addition, more are confident about how they are investing their retirement savings. While both are positive signs, the number of employees who lack confidence in their ability to save enough for retirement has barely budged over this period.[27]

On the other hand, Black and Latinx communities were disproportionally impacted by the pandemic. The result was an increased emphasis within these groups on using extra money for immediate financial needs rather than increasing retirement savings.[28] As organizations respond, they may want to consider strategies to address a diverse workforce.

Generational differences bring unique opportunities

No matter which demographic group employees belong to, each generation faces unique financial challenges and circumstances. Understanding them helps organizations respond with relevant programs.

Generation Z are the newest entrants to the workforce fresh out of college. They'll be critical to filling positions at hospitals as more tenured clinicians leave the field. Their salary expectations and desire for flexibility are impacting recruiting practices. To attract and retain in-demand employees, organizations should rethink their benefits package in terms of what these employees want for job satisfaction and financial well-being. Organizations that do not prioritize inclusion may struggle even more to retain talent and younger workers given they are more likely to be LGBTQ+ or gender fluid, multiracial and Spanish speaking.

Millennials—born between 1981 and 1996—are still saddled with student loan debt despite many who have been employed for a number of years. This debt burden makes it difficult to plan and save for retirement, particularly if they haven't established a budget that considers longer-term goals. Early planning is especially critical for employees who may not be able to count on Social Security as a source of income in retirement.

Generation X represents the individuals born between 1965 and 1980. These employees have competing financial priorities: often supporting their children and families, as well as older relatives. For instance, nurses—typically women—are often their families' main caregivers and put a premium on flexible hours, affecting finances and long-term retirement readiness.

These employees need plans that provide guidance on balancing their responsibilities while investing aggressively enough to ensure cost-of-living increases don't outpace savings during retirement. Professional advice can help employees assess their goals, trade-offs and asset allocation.

2.7 million Americans

55 or older are embracing early retirement.[29]

33%

of physicians are over age 60.[30]

20%

of nurses are 65 years of age or older.[31]

Baby boomers cut across three major situations: retiring early, continuing to work to support themselves, and counting the days to retirement. Financial circumstances differ significantly within this group—from the cafeteria worker who hasn't saved enough to the specialized surgeon who requires sophisticated estate planning. They want their employers' plans to include advice that can help them assess when the time is right to retire. Advice is essential when 20% of employees 60 or older have not considered how to manage savings in retirement and draw income from it.[32]

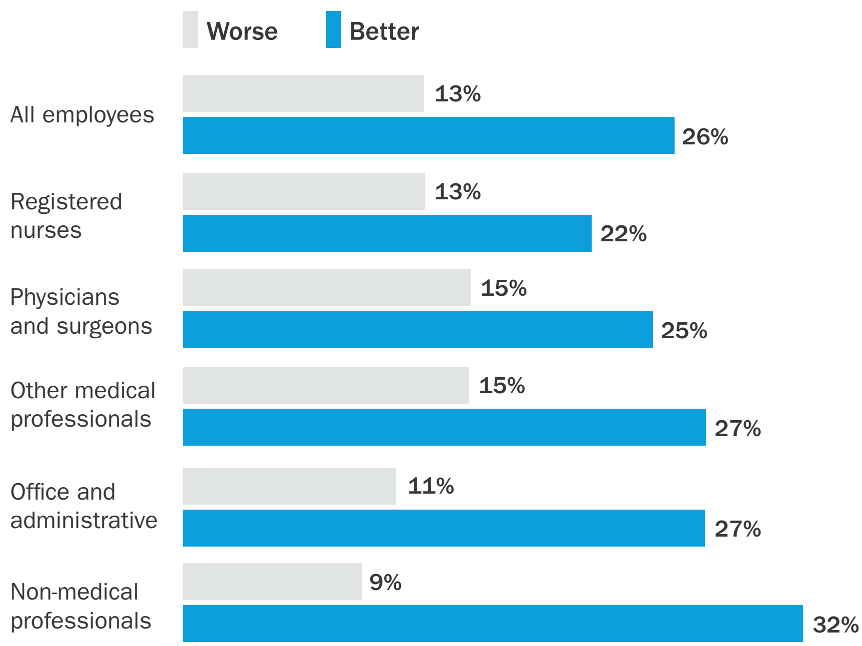
Top three financial priorities for Generation X and baby boomers[33]

- Not outliving financial assets
- Maintaining standard of living through retirement
- Having income that will not drop with financial markets

Roles/clinician strategies to promote financial well-being

Roles vary substantially in healthcare organizations, with physicians, nurses and non-clinical staff all representing different levels of income, retirement readiness, debt and savings. That being said, while some employees are still struggling financially since the onset of the pandemic, 26% of them have seen their financial well-being rebound.[34]

Figure 2: Change from pre-COVID financial situation[35]



Higher salary increases and other financial incentives may explain why more healthcare employees are seeing some improvement in their financial situation. However, inflationary pressures are eroding related gains.

Let's look at how physicians and nurses have fared as front-line clinicians.

Physicians

For most physicians, the medical profession is a calling, first requiring an intense focus on their medical studies and later on the delivery of quality care or building a practice. With these priorities, physicians may overlook financial opportunities. As a result, physicians are often 10 years behind their non-physician peers in terms of savings.[36]

> There is no financial training in medical school, no business training, no exposure to the decisions most adults routinely make.[37]

In good economic times, there's also less urgency for physicians to improve their financial knowledge and planning. But the COVID-19 outbreak reminded everyone that the financial health of both an organization and its employees may face unexpected and potentially significant change. Depending on the type of care physicians provide, they have experienced different challenges during this period, along with a greater or lesser financial impact during the pandemic.[38]

Regardless of whether physicians worked in emergency or critical care, essential care, or non-essential care, the pandemic caused many to reconsider their prevailing ideas about retirement. For example, physicians in mid- and late-career are more likely to think about early retirement given the conditions under which they were working. This is contrary to what physicians expressed pre-pandemic, when many said they intended to work well into their 70s or later.[39]

Yet, retiring at an earlier date will require careful financial planning. Physicians entering the workforce carry significant debt, and savings don't begin to outpace debt until mid-career at best. As physicians become more tenured, they tend to develop complex financial needs, which require specialized advice, such as the payoff of medical school debt, tax strategies and estate planning.

Younger physicians now suspect their retirement will be delayed, with residents just wanting to get through their practicums "fraught with risk" and become doctors. Paying down debt and building emergency savings are a priority so that they can eventually focus on long-term financial strategies.

A primer on financial health during residency would offer a good starting point, with residents benefiting from specialized services, such as assistance with student loan forgiveness programs, cash flow planning and budgeting.

In addition to services relevant to specific life stages, all physicians say they would benefit from financial literacy "refreshers" during their career, along with check-ins during life's major transitions.[40]

Feeling connected to and appreciative of their retirement plans soars when physicians meet face to face with their providers' financial consultants.[41]

Nurses

The stress of dealing with COVID-19 was bad enough. More devastating: 32% of nurses comprised all known pandemic-related healthcare staff deaths.[42] But if there's been any silver lining, it's the growing respect for the critical role they play as a care team member. Even so, nurse turnover remains high—potentially reaching 32% in two years.[43]

It can be difficult to meet hiring and retention goals without first understanding the common financial pressures nurses are feeling:

- **Young nurses** struggle with cash flow. They're challenged to manage tuition payments and other monthly bills with their beginning income—let alone think about contributing to a retirement plan.
- **Nurses with families** are hyper-focused on current and upcoming expenses (such as household maintenance and tuition) that interfere with planning and saving for the future.
- **Mid- to late-career nurses** are increasingly pressured to obtain an advanced degree. Older nurses are particularly impacted by downsizing or closing of healthcare facilities if they don't meet current education requirements, such as BSN or MSN versus an RN license. In addition, many of these more tenured nurses have family and caretaker responsibilities requiring potential financial assistance.

> "Having Public Service Loan Forgiveness would reduce burnout. New nurses work too much overtime just to be able to pay off school loans.[44]

Nursing shortages remain a constant concern and were exacerbated by the pandemic. With an average age of 51 and one-fifth of nurses 65+ years of age, they are retiring steadily and in sizable numbers. So, how can organizations fill the gap left by retirees? The answer lies in hiring and cultivating a younger and more culturally diverse nursing staff given that 80% of today's nurses classify themselves as White/Caucasian.[45]

Demographic considerations

Gender and race are examples of demographic factors that plan sponsors may want to consider as they seek deeper insights on their diverse workforce.

Gender

It's undeniable. Healthcare organizations can't run without women. Ninety percent of RNs and LPNs are female,[46] while women hold 76% of all healthcare jobs.[47] Despite this contribution to the workforce, women have been historically underrepresented in leadership positions.

Without high-level representation, issues specific to women's financial well-being haven't received as much as attention as they should. Among the most critical: women retire with one-third less income than men.[48] That's why women are one of the top employee sub-groups that plan sponsors wish to engage with specific messaging to improve their financial well-being.[49]

Organizations can help close the gender gap through their retirement plan. As described under "plan design for a secure retirement," this calls for actively soliciting input from groups like nurses to identify "measures that matter" specifically to them. Using this feedback, plan sponsors can add investment options that help nurses (and women in other healthcare roles) build retirement income to last a lifetime—vitally important given women's longer life expectancy.

Glaring inequities for women persist

Even after the passage of Title IX legislation 50 years ago:[50]

30%

less income for women in retirement compared to men.

Likewise, they can add relevant components to their wellness programs to address student debt, caregiver support and more. Plan sponsors should communicate this information to nurses and other female employees through targeted campaigns that conveniently reach them in their busy lives.

Race

Supporting financial well-being among all employees means also understanding race-related disparities. This includes considering historical/systemic obstacles and their impact even today on financial resiliency. For example, a recent financial survey of Black and Latinx Americans revealed a nearly 20% and 15% lag behind White Americans, respectively. Black and Latinx Americans also report lower financial resiliency.[51]

Building employee engagement

Many elements contribute to increasing employee engagement. Even as 92% of plan sponsors anticipate making more employees eligible for their retirement plan—potentially also part-timers—boosting active engagement requires much more.[52] Organizations need to keep efforts to promote inclusivity and consider environmental, social and governance factors both front and center and in line with employees' expectations. They also need to strengthen related initiatives with education, tools and investment advice that increase financial well-being among all employees.

Inclusivity advantages

Promoting an inclusive culture and achieving higher employee engagement and performance go hand in hand. When organizations enable people with different backgrounds, perspectives and experiences to work effectively together, the ability to meet organizational goals increases.

In fact, businesses with diverse and engaged employees are six times more likely to be innovative and agile.[53] And companies in the top quartile for gender diversity on executive teams are 21% more likely to outperform on profitability.[54] Yet only 48% of companies believe they are adequately focusing on global cultural diversity.[55] What's more, of the 81% of organizations that say they are focused on improving diversity and inclusion, less than half have publicly documented commitments to racial or ethnic equality.[56]

Without strategies supporting a more inclusive workforce, organizations may struggle to attract and retain top talent and a younger workforce. They could also see safety risks when the lack of a diverse workforce results in miscommunication between practitioners and patients.

Establishing and operationalizing diversity programs from strategy through execution helps create a culture of inclusion and potentially avoid risks. Furthermore an intentional ID&E approach can strengthen recruiting, talent development, ongoing management and workforce planning.

Figure 3: Ways to advance ID&E goals through the retirement plan

Plan design	Investment menu	Employee engagement
• Automatic services, such as auto enroll, auto save and re-enrollment • Eligibility for part-time employees • Attractive employer contribution/match • Flexible loan policy • Rapid vesting schedules	• Default option that includes a guaranteed lifetime income component (enabling lifetime income for all) • Environmental, social and governance (ESG) option	• Advice for all • Emergency fund options • Budgeting and debt management • Student loan reduction programs

Healthcare organizations can use plan design, employee engagement and menu construction to make a positive impact on their inclusion and equity goals.

Environmental, social and governance factors for responsible investing

Interest in responsible investing—an investment discipline and process that takes environmental, social and governance (ESG) factors into consideration—continues to grow. In Nuveen's Sixth Annual Responsible Investing Survey, 66% of respondents overall and 85% of millennials stated that recent climate-related natural disasters have made them more interested in responsible investing.[57]

In fact, legislation is being discussed that would give plan sponsors confidence that including investments that take ESG factors into account aligns with their fiduciary responsibility of prudence. Moreover, ESG investments are being considered as an eligible plan default option. This would allow plan sponsors to satisfy increasing participant demand, which is higher within the millennial and Generation Z employees they are trying to attract and retain.

When considering an investment menu, it's important to understand the investment firm's commitment to zero carbon emissions and ESG-informed investment approaches.

Expectations around employer's social commitment[58]

75%

of employees expect their employer to take a stand on cultural issues.

68%

would consider quitting their current job to work for organizations with a stronger viewpoint on social issues.

Employee financial education impacts

Despite the unique needs of a diverse workforce, there are common expectations employees share across the board. For starters, 70% of employees feel they need their employer's help to make sure they are healthy and financially secure, and 62% say it's the employer's responsibility to do so.[59]

By helping employees gain greater financial knowledge, organizations can address the gap created by a lack of basic financial education. For example, only one-third of healthcare workers have received financial education in school, the workplace or from another organization.[60] Even physicians, who have spent years in medical school, typically enter the real world with little preparation for managing living expenses and finances.

The impact of financial knowledge

Those with very low levels of financial literacy compared to those who have more are:[61]

6x

more likely to have difficulty making ends meet

3x

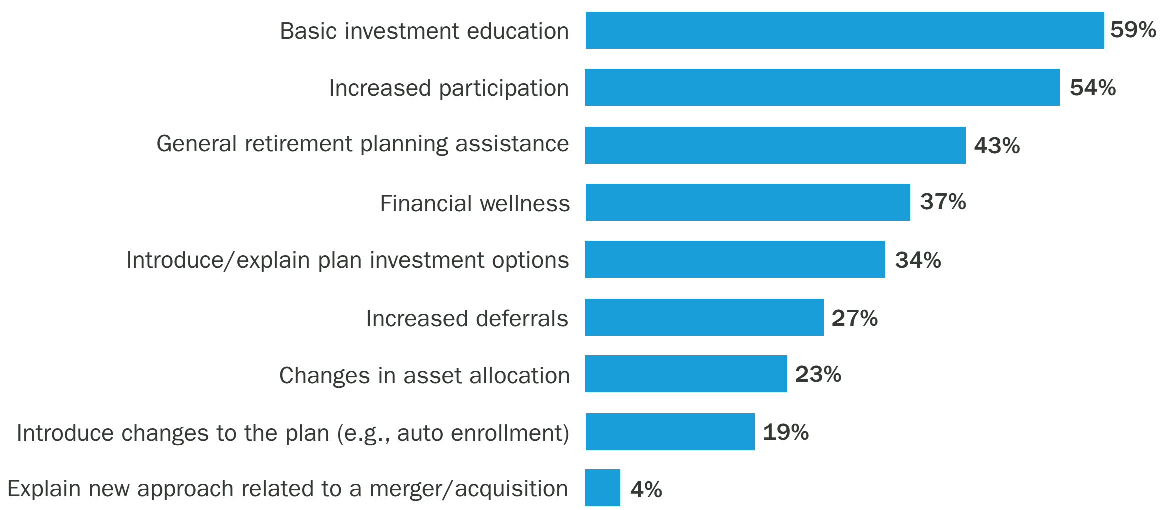
more likely to be debt constrained

Nearly three-quarters of employees say they'd like more information about their plan or retirement savings in general.[62] For these reasons, employers are seeking more effective financial education or resources that might be offered in the workplace.

The impact of financial education

The correlation between financial literacy and financial well-being emphasizes the need for robust education programs. Plan sponsors agree, with 50% saying high-quality education services are very important when looking for a plan provider.[63]

Figure 4: Plan sponsor objectives for participant communications and education efforts[64]



Basic investment education, increased participation and general retirement planning assistance are clear priorities of plan sponsors.[65]

While basic investment education is a plan sponsor priority, 72% of employees would be specifically interested in programs to help them better understand how to obtain guaranteed income in retirement.[66] In addition, both employees and plan sponsors value guidance on how much to save for retirement, pre-retirement planning programs and personal finances.

Readiness tools to promote financial confidence

It's difficult for employees to feel confident about having enough income in retirement when the unexpected may be right around the corner. The pandemic aside, it's far more common for employees to experience unanticipated health concerns and other financial hits that sideline their retirement savings.

So, how can they gauge how much money is enough to save for retirement? Employees may not know where to begin, overlook critical considerations or both.

No wonder 92% of plan sponsors say it's important to offer retirement readiness tools and services[67]—up from 89% in 2020.[68] For example, tools that help employees project the income they'll need when they retire have proven to be particularly useful.

- **50%** of the employees who increased their plan contributions in 2020 said they were motivated to do so by a retirement income calculator or projection.[69]
- **67%** of employees received a personalized retirement income projection in the past year—and 95% said it was helpful.[70] This focus on providing visibility into retirement income aligns with the SECURE Act.[71]
- **80%** of employees aren't confident or are only somewhat confident they'll have enough money to live comfortably throughout retirement. This potential shortfall makes it essential to provide tools to help employees plan for income needs.[72]

Investment advice, not just guidance

Along with readiness tools, investment advice and guidance can bolster employees' financial knowledge and engagement in their retirement plan. A considerable number of organizations are including these options:

- **56%** say their plan provides investment guidance for participants[73] compared to 50% of healthcare organizations a year ago.[74]
- **69%** are providing investment advice[75]—an 11% uptick from 2020.[76]
- **Only 6%** of organizations say they offer neither,[77] a nearly 50% drop compared to last year.[78]

Moreover, 93% of plan sponsors say it's important for a plan provider to be able to offer investment advice, not just guidance,[79] up from 89% in 2020.[80] That number jumps to 98% when it applies to healthcare organizations offering a 403(b) plan.[81]

Ultimately, plan sponsors say the most important outcome from investment advice is higher income replacement ratios for retirement readiness.[82]

Getting advice improves confidence

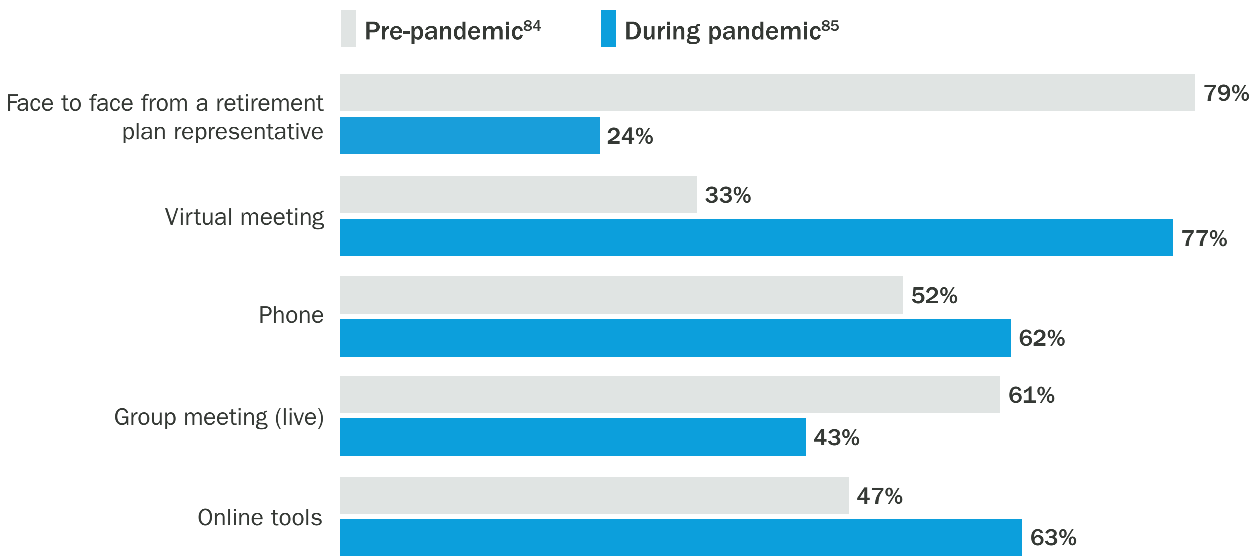
Employees who receive advice are more confident about having enough money to live comfortably in retirement than those who don't. Following that advice boosts confidence even further.[83]

Delivering advice

How organizations deliver investment advice and investment guidance impacts the level of employee engagement. Employee groups have different preferences and expectations regarding how they receive this information. Providing multiple delivery options helps healthcare organizations cast the widest net.

Before COVID-19, healthcare organizations favored face-to-face delivery with a provider representative and via group meetings. But those approaches underwent dramatic changes during the pandemic.

Figure 5: Changing ways of delivering investment advice

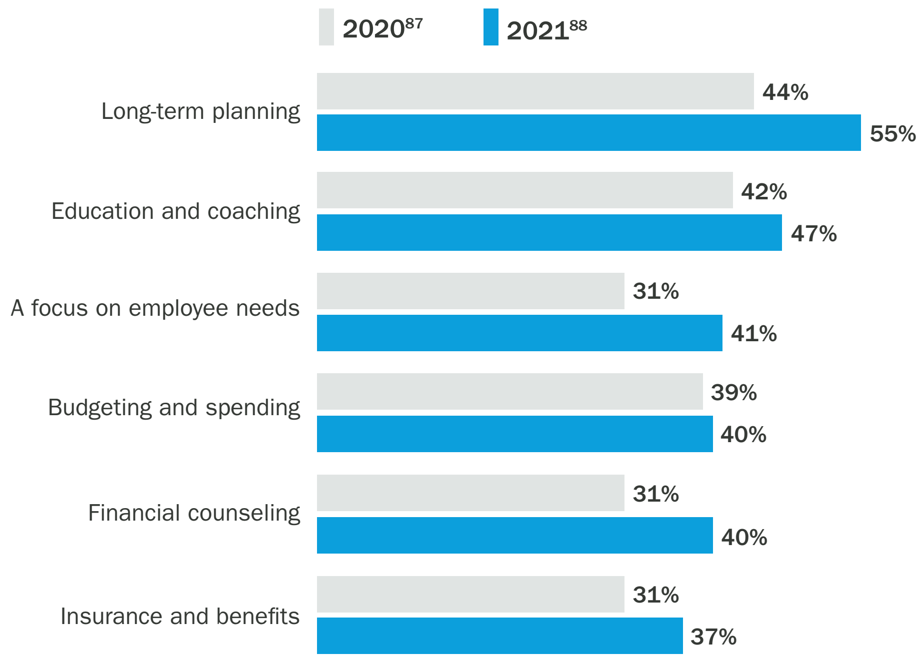


The marked shift to virtual experiences and jump in online tool usage is not surprising given the pandemic's duration.

It will be interesting to see if employers will mostly return to in-person and group meetings to deliver investment advice, or instead maintain current levels of virtual or hybrid experiences.

In addition to retirement plan advice, 93% of plan sponsors say it's important to provide a breadth of services to engage a workforce with varied needs.[86] This strategy also supports recruitment programs.

Figure 6: Financial well-being: Priorities identified by plan sponsors



Of the top three financial well-being program components in 2021, long-term planning and a focus on employee needs showed major growth year over year, jumping 11% and 10%, respectively.[89]

A holistic view of education and engagement programs aligns with strategic initiatives to rebuild and improve employees' retirement readiness. It also strengthens ID&E initiatives so that *all* employees are better prepared to meet their financial challenges.

The link between health savings accounts and financial well-being

With 65% of organizations offering a health savings account (HSA),[90] it's important to let employees know how using this option can contribute to greater financial well-being and confidence. Specifically, it provides:

- A tax-advantaged way to pay for medical expenses that are not covered or fully covered by a high-deductible healthcare plan.
- A tax-advantaged "savings" tool for extending retirement plan benefits—and even covering retirement medical expenses.

For these reasons, nearly two-thirds of the organizations that don't offer HSAs today plan to do so in the future.[91]

Key takeaways

No one foresaw an extended pandemic and its widespread impacts. While healthcare organizations may be steadily returning to more normal operations, many challenges persist. Fortunately, there are opportunities for plan sponsors to deploy best practices and tools to support their most valued asset—their employees—in achieving retirement readiness.

Challenges

A lingering pandemic, inflationary pressures and geopolitical instability are chipping away at the remarkable economic recovery seen in 2021. Attracting and retaining top talent remains a challenge, with turnover rates that were already high before the pandemic still rising. Many physicians are retiring sooner than planned, and nurses, many of whom are in their early 50s, aren't far behind. Whether retirement is in sight or not, many employees lack confidence that they'll have enough income to last a lifetime, even if they've rebounded financially in the past year. Meanwhile, organizations have their own financial hurdles as they try to recover from pandemic-related revenue hits.

Opportunities

Our research found that a focus on the workforce is paramount, and an effective retirement plan is one of the best ways to reflect it. The most appealing retirement plans are those enabling employees to obtain sufficient income in retirement, with in-plan investment options that offer guaranteed lifetime income. This is especially true for the default option that captures the majority of new contributions. A default that includes an annuity component is the only way to enable access to guaranteed lifetime income for *all*.

Helping employees achieve secure income through retirement also requires a multipronged engagement approach—one that promotes inclusivity to account for the widely diverse circumstances of people working in healthcare. This type of a commitment also helps hiring and retention efforts. Additionally, addressing investment concerns around climate, social risk, and diversity and inclusion are important factors, especially among Generation Z and millennials. This means there's a growing opportunity for sponsors to address responsible investing through their retirement plan offering.

Visit

TIAA.org/helpinghealthcare
for additional insights, information and guidance.

Email

TIAAHealthcare@TIAA.org
to discuss these findings in more detail.

About this report

TIAA regularly conducts research through the TIAA Institute, producing a variety of objective surveys to help leaders in nonprofit sectors like healthcare make informed decisions.

The Spectrem Group report generated research findings within the healthcare sector, which included approximately 100 hospitals and multihospital healthcare systems.

In addition to the TIAA Institute and the Spectrem Group research, this report also provides insights from multiple recent surveys as noted throughout the document.

TIAA was founded to help educators retire with dignity. Today, 100+ years later, we've evolved into a Fortune 100 organization, managing $66B as of 3/31/22 in retirement assets from healthcare institutions alone. With a specialized practice in healthcare, TIAA helps clients contain costs, reduce complexities, and provide their employees with a clear and confident path to retirement. Imagine the possibilities.

Pandemic key learnings checklist

Take steps to prevent clinical burnout

- [ ] Provide child care on-site
- [ ] Ensure easy and immediate access to EAP providers
- [ ] Supplement mental health assistance with internal psychiatric resources
- [ ] Start relief fund for employees in need
- [ ] Build up PPE reserves to prepare for future needs

Foster a culture of caring

- [ ] Cultivate, manage and measure an environment of safety and security
- [ ] Support inclusion and diversity: cultural competence is a win for all
- [ ] Provide resources and financial support for continuing career education

Help employees gain financial confidence

- [ ] Encourage employees to create an emergency fund
- [ ] Offer services to help employees and their families with forgiveness of student loan debt
- [ ] Remind employees that market volatility levels out over the long term
- [ ] Offer a guaranteed lifetime income option
- [ ] Provide 24/7 support to a diverse, on-the-go employee population with automatic enrollment and contribution increases for retirement plan
- [ ] Consider innovative ways of assisting employees: selling back vacation days, everyday payroll, etc.
- [ ] Offer retirement advice and financial wellness programs to reduce stress and improve work productivity

Future preparedness

Inundated emergency departments. Finances stretched to their limits. An ongoing staffing crisis. COVID-19 continues to pose challenges to American healthcare organizations. Even so, through it all, some crucial insights have emerged.

Based on interviews with leaders at major teaching, specialty and children's hospitals—many at outbreak epicenters—here's what organizations are doing differently now and how they're preparing for the future.

Lean into what's worked during the pandemic

- ☐ Focus on clinician appreciation
- ☐ Identify roles that can go remote and keep technological capabilities at the ready
- ☐ Expand access to telehealth for patients
- ☐ Update patient visitation policy to limit number of visitors
- ☐ Separate sick and well spaces for patients (may vary by floor)
- ☐ Establish philanthropic funds to support families of patients

Maintain financial stability

- ☐ Solidify balance sheets with more reserve cash
- ☐ Rightsize physical assets and increase space utilization
- ☐ Anticipate cancellation of elective surgeries
- ☐ Reallocate employee responsibilities to fill critical roles
- ☐ Hire for revenue generation and where essential
- ☐ Consider temporary changes to employer retirement contributions
- ☐ Simplify retirement plan administration for greater efficiencies
- ☐ Consider moving from a defined benefit (DB) to a defined contribution (DC) plan to improve cost/outcomes

> "From an organizational perspective, it's easy to cut costs. Everyone can cut costs. The challenge is maximizing value. How can we do that today? Tomorrow? Next year?
>
> Healthcare CFO

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