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White Paper: Moving In The Right Direction, The Need For Relocation Technology Within Healthcare

Improving Operational Efficiencies, Cost Containment, Workforce Attraction, and Workforce Retention in Healthcare

Executive Summary

Healthcare systems today are grappling with unprecedented challenges that demand new approaches to recruitment. Severe talent shortages, increasing burnout rates, evolving patient demands, and intense competitive pressures have created a perfect storm, making traditional recruitment strategies insufficient. By 2030, the physician shortage in the United States is projected to be 124,000 physicians^[1]. As healthcare organizations strive to attract and retain top out-of-market talent, streamline operations, and enhance patient care, efficient relocation technology has become critical. This white paper explores the benefits of relocation technology and its impact on organizational performance in the healthcare sector.

Introduction

As of 2024, the United States has approximately 22 million healthcare workers with 1.1 million licensed physicians and 4.3 million nurses^[2]. The demand for skilled healthcare professionals far outpaces supply, and the toll of high-stress conditions has driven many out of the profession. As such, leading hospitals have turned to aggressive out-of-market hiring strategies. This has caused a rise in relocation volumes to the tune of greater than 30%^[3]. Relocating staff is a complex and multifaceted process that involves logistical challenges, financial considerations, and personal adjustments. Traditional relocation methods are often inefficient, time-consuming, and prone to errors, leading to increased stress for staff and much higher costs for organizations. Relocation technology offers a lower-cost solution by automating and streamlining the relocation process, ensuring a smooth transition for providers and their families.

Challenges in Healthcare Relocation

- 1. Complex Logistics:** Relocating employees involves coordinating various logistical aspects, including housing, transportation, licensing, and school enrollment. Managing these move components manually and by different departments will lead to delays and errors.
- 2. Regulatory Compliance:** Healthcare organizations must comply with and track numerous complex state and federal regulations and tax laws when relocating providers.
- 3. Cost Management:** Relocation expenses, including transportation costs, temporary housing, and travel are rising and can be substantial. Without proper management, these costs escalate, impacting the organization's budget and the relocating physician directly.
- 4. Provider Stress:** Relocation is a significant life event that can cause stress and anxiety for employees and their families. A disorganized relocation process can exacerbate these feelings, affecting job performance, satisfaction, and retention.

Relocation Companies

Relocation companies play a vital role in supporting healthcare systems by streamlining the transition process for healthcare professionals. These companies offer comprehensive services, including housing assistance, transportation logistics, and settling-in services, ensuring that

medical staff can focus on their primary responsibilities without the added stress of moving. By efficiently managing the relocation of healthcare workers, these companies help hospitals and clinics maintain continuity of care, quickly fill critical positions, and enhance overall operational efficiency. This support is crucial in ensuring that healthcare systems can deliver high-quality patient care without interruption.

Traditional Relocation Management Companies (RMCs)

Traditional relocation management companies often rely on outdated cost and service models that lack the flexibility and innovation needed to meet the evolving demands of relocation within healthcare. RMCs are brokers who rely on phone conversations between suppliers and medical staff as the primary means of communication throughout the move. This does not bode well with physicians who work odd hours and have limited time.

Relocation Software Companies

Modern, tech-forward relocation management companies leverage advanced software solutions and transparent fixed fee pricing to provide a more efficient, flexible, and personalized relocation experience, making them a superior choice for healthcare's dynamic workforce needs.

The Role of Relocation Technology

Relocation technology addresses these challenges by providing a comprehensive, automated solution for managing the relocation process. Key features of relocation technology include:

- 1. Centralized Platform:** A centralized platform enables healthcare organizations to manage all aspects of relocation in one place, from initial planning to final execution. This integration reduces the risk of errors and ensures all stakeholders are on the same page.
- 2. Automated Workflows:** Automation streamlines the relocation process by reducing manual tasks, such as paperwork and communication. Automated workflows mean each employee goes through the same proven process to ensure a successful relocation.
- 3. Cost Tracking and Reporting:** Relocation technology helps track and manage relocation expenses so organizations stay within budget. Detailed reporting capabilities offer insights into cost drivers and areas for improvement.
- 4. Regulatory Compliance:** Relocation technology helps healthcare organizations stay compliant with state and federal regulations by providing up-to-date information and alerts on tax implications, and other legal considerations.
- 5. Employee Support:** Relocation technology offers support services for relocating employees, such as housing assistance, school search tools, and community resources. These services help reduce stress and improve the overall relocation experience.

Benefits of Relocation Technology in Healthcare

- 1. Improved Employee Satisfaction:** A smooth, well-managed relocation process enhances employee satisfaction and reduces stress. Happy employees are more likely to be productive and committed to their organization, improving retention.
- 2. Increased Efficiency:** Automating the relocation process reduces the time and effort required to manage relocations, freeing up HR and administrative staff to focus on other critical tasks.
- 3. Cost Savings:** By providing tools for cost tracking and management, relocation technology helps healthcare organizations control expenses and identify cost-saving opportunities.
- 4. Regulatory Compliance:** Staying compliant with regulations is crucial in the healthcare industry. Relocation technology ensures that all necessary steps are taken to meet legal requirements, reducing the risk of fines and penalties.
- 5. Attracting Top Talent:** A robust relocation program supported by advanced technology can be a key differentiator in attracting top talent. Prospective employees are more likely to choose an organization that offers a seamless and supportive relocation experience.

Conclusion

In the face of mounting challenges in recruitment and retention, healthcare organizations must adopt innovative solutions to stay competitive. Relocation technology offers a transformative approach to managing the complex logistics, regulatory compliance, and financial aspects of relocation. By leveraging a centralized platform, automated workflows, and robust support services, healthcare organizations can significantly enhance the relocation experience for physicians and their families. This not only improves employee satisfaction and retention but also drives efficiency and cost savings.

How Healthcare Organizations Can Save Money While Creating Operational Efficiencies

Relocation Benefits Review and Optimization

- **Standardize Relocation Benefits:** Develop standardized relocation benefits to ensure consistency and a cost-controlled experience managed through an end-to-end digital relocation solution.
- **Tiered Benefits:** Implement tiered relocation packages based on employee level or needs, offering different levels of support for a variety of unique needs.

Vendor Partnerships and Negotiation

- **Preferred Vendors:** Established partnerships with preferred vendors across all relocation service categories. Leveraging software that is built around a competitive bidding model ensures the best possible prices are quoted.
- **Bulk Discounts:** Work with a relocation partner who negotiates bulk discounts through group buying power and passes 100% of those discounts to the relocating employees.

Evaluate Relocation Packages

- **Lump-Sum Payments:** Provide a lump-sum payment faster, giving employees the flexibility to manage their relocation within a budget. Offer vetted suppliers with discounted rates to stretch lump sum dollars further.
- **Expense Reimbursement:** Set a cap on reimbursable expenses to control costs while still supporting the employee. Offer vetted suppliers with discounts to enhance reimbursable benefits.
- **Managed Budgets:** A managed budget relocation policy provides a fixed budget for relocation expenses, allowing employers to control and predict costs better. This approach helps avoid unexpected expenses and ensures that relocation stays within the allocated budget. Managed Budgets have grown in popularity as it balances choice, flexibility, support, and cost containment.

Using Technology and Tools

- **Relocation Management Software:** Use relocation management software to streamline the process, reduce administrative costs, and track expenses effectively.
- **Virtual Assistance:** Utilize virtual tours for house hunting and virtual onboarding to minimize travel expenses. Virtual surveys for household goods moves saves employees time from having to meet a surveyor at their place of residence.

Real Estate Assistance

- **Home Purchase Assistance:** Provide home purchase programs to help employees buy their homes through a vetted network of relocation-certified realtors. A home warranty is purchased to help the buyer eliminate some of the risks associated with buying a home.
- **Home Sale Assistance:** Provide home sale assistance programs to help employees sell their homes faster and at a better price, reducing the financial burden on both the employee and the company. A home warranty is purchased to help market the property to buyers at no cost to the client.

Tax Optimization

- **Taxable Income:** Relocation benefits are considered taxable income. Both employer and employee need to keep detailed records of all benefits received and expenses reimbursed for tax reporting. Accurate documentation can help ensure that taxable income is correctly reported and any applicable deductions are properly claimed.^[4]

Candidate Attraction

- **Pre-Move Solutions:** Provide pre-move support to help employees understand their new location, reducing the likelihood of costly relocation failures while increasing offer-to-acceptance rates.

Review and Feedback

- **Post-Move Surveys:** Conduct post-move surveys to gather feedback on the relocation process and identify areas for cost savings and improvement in future relocations.

Conclusion

Healthcare organizations can reduce costs and improve efficiency by optimizing relocation. Standardizing and tiering relocation packages, partnering with preferred vendors, and utilizing relocation management software streamline processes and control expenses. Real estate assistance programs and tax optimization alleviate financial burdens for employees, while pre-move solutions enhance candidate attraction. Post-move surveys provide feedback for continuous improvement. These strategies not only save money but also enhance the relocation experience, leading to better employee satisfaction and retention.

A Fixed Fee Pricing Model Versus A Cost-Plus Pricing Model

Cost Plus Pricing Model

Traditional relocation management companies use a cost-plus pricing model to ensure profit by adding markups to actual service costs, regardless of efficiency. They often exploit this model to inflate costs under the guise of customization, boosting profitability at the expense of transparency, resulting in more expensive services and higher tax liabilities for clients.

Fixed Fee Pricing Model

A fixed fee pricing model offers clear, upfront costs for services, promoting transparency and predictability for clients. Unlike cost-plus pricing, this approach encourages efficiency and cost control. By avoiding hidden fees and inflated expenses, clients benefit from a straightforward pricing structure, reducing overall costs and minimizing tax liabilities. This model ensures that the focus remains on delivering quality service within a set budget, enhancing trust and satisfaction for relocating employees.

The Tax Cuts and Jobs ACT (TCJA) of 2018

Since The Cuts and Jobs Act (TCJA) of 2018, all relocation expenses are taxable. This tax law change increased overall spending for employers and their employees^[5]. This has made cost-plus models less favorable for both employers and employees for several reasons:

Financial Burden on Employees

- 1. Taxable Reimbursement:** Before the TCJA, employers could reimburse moving expenses without those reimbursements being considered taxable income to the employee. Additionally, employees could deduct certain unreimbursed moving expenses. However, the TCJA eliminated the deduction for moving expenses and made employer-paid relocation expenses taxable to employees.
 - **Impact:** Under a cost-plus model, the marked-up relocation expenses reimbursed by the employer are now considered additional income for the employee. This means employees must pay taxes on the full amount of the relocation benefit, including any markups, significantly increasing their taxable income and potential tax burden.
- 2. Increased Tax Liability:** The elimination of tax exclusions for moving expenses means that any reimbursement or direct payment for relocation is subject to federal income tax, Social Security, and Medicare taxes.
 - **Impact:** The cost-plus model exacerbates this issue. Employees are taxed on the higher marked-up amount rather than the base cost of relocation services. This leads to higher overall tax liability, reducing the net benefit of the relocation assistance.

Financial Burden on Employers

1. **Gross-Up Costs:** To compensate employees for the additional tax burden, many employers choose to "gross up" (tax assist) the relocation expenses. Grossing up involves increasing the benefit amount to cover the taxes owed, so the employee receives the intended net amount.
 - **Impact:** In a cost-plus model, the already inflated relocation expenses due to markups become even higher when grossed up. This significantly increases the employer's total cost of relocation, making it an expensive benefit to offer.

2. **Administrative Complexity:** The TCJA has added complexity to the administration of relocation benefits. Employers must carefully calculate gross-ups and ensure compliance with the new tax regulations.
 - **Impact:** The cost-plus model, which inherently involves higher and more variable costs, further complicates the administration and tracking of these expenses, adding to the employer's burden.

Conclusion

The cost-plus pricing model lacks transparency because it doesn't provide clear visibility into how costs are determined or controlled, leading to potential mistrust among relocating employees. Additionally, it doesn't incentivize cost efficiency, which can result in higher overall expenses. Instead of changing their model to reflect the tax changes, traditional relocation management companies continued with a cost-plus model as the primary way they earned revenue. The "plus" (which is the markup from RMC) is taxable income, therefore increasing the tax liability as a result. This practice also significantly increases the total cost of relocation resulting in employers providing fewer benefits to their relocating employees.

A fixed fee pricing model offers transparency and benefits both employer and employee. Employers should consider fixed-fee pricing models that offer more cost-effective and tax-efficient solutions for both parties.

UrbanBound’s Pricing Model Versus A Traditional Relocation Management Company’s Pricing Model

UrbanBound does not believe in a cost-plus model and provides a transparent, fixed-fee approach. We offer a fixed license fee per move and pass through the exact cost of all supplier invoices without markups, kickbacks, or rebates. Our clients will always pay the true cost for the services provided by the supplier. Additionally, the fixed license fee and transaction fee (the 2.9% transaction fee is the cost of processing these transactions through any financial institution) can be considered tax-deductible ordinary business expenses^{[4][6]}. The budgetary impact results in UrbanBound being 60-70% less per move than a traditional relocation management company.

Analysis

These case studies illustrate the drawbacks of using a traditional relocation management company (RMC) with a cost-plus pricing model and the financial and operational benefits a large healthcare system saw when moving to a relocation technology platform.

Case Study #1: Traditional Relocation Management Company + Dr. Smith

Background: Dr. Alex Smith has recently accepted a new position at a prestigious hospital across the country. The hospital contracted with a third-party traditional relocation company (RMC) to facilitate his move. The relocation company operates on a cost-plus pricing model, where the cost of services are billed to the employer with an added markup. Dr. Smith’s relocation involves multiple components including selling her current home, purchasing a new home, moving household goods, and shipping 2 cars plus she needs temporary housing during the transition. The RMC provides an initial cost estimate with a breakdown of the expenses for each service without disclosing the added markup percentage and fees.

Home Sale and Purchase:

- **Real Estate Services:** The relocation company partners with local real estate agents to assist in selling Dr. Smith’s current home and finding a new one. The services include home staging, listing, and negotiation support. The base cost for these services is \$10,000, with a 15% markup: \$11,500.
- **Closing Costs:** Dr. Smith’s employer is billed for the closing costs on both properties. The base cost is \$20,000, with a 10% markup: \$22,000.

Household Goods Move:

- **Packing and Moving:** A professional moving company is hired to pack and transport Dr. Smith’s belongings. The base cost is \$12,000, with a 20% markup: \$14,400.
- **Insurance:** Insurance for high-value items costs \$1,500, with a 15% markup: \$1,725.
- **Auto Shipment:** The base cost of the two vehicles is \$2,200, with a 20% markup: \$2,640.

Temporary Housing:

- **Rent and Utilities:** Dr. Smith needs temporary housing for three months. The base cost for rent and utilities is \$6,000, with a 25% markup: \$7,500.
- **Furnishing:** Furnishing the temporary apartment is \$3,000, with a 20% markup: \$3,600.

Total Relocation Costs: In Dr. Smith’s case, the base relocation costs amount to \$54,700, but the total billed to her employer, including the markups, is \$63,365; an increase of \$8,665 due to the cost-plus model. Additionally, post-TCJA, this \$63,365 is now considered taxable income. If Dr. Smith’s marginal tax rate is 24%, she would owe \$15,207 in federal income tax on the relocation benefit. And, if the employer decides to tax-assist, the calculation would involve additional payments to cover not just the \$15,207, but the taxes on the gross-up itself, leading to a significant increase in the employer's cost.

Service	Base Cost	Markup (%)	Total Cost With Markups
Real Estate Services	\$10,000	15%	\$11,500
Closing Costs	\$20,000	10%	\$22,000
Packing and Moving	\$12,000	20%	\$14,400
Insurance	\$1,500	15%	\$1,725
Rent and Utilities	\$6,000	25%	\$7,500
Furnishing	\$3,000	20%	\$3,600
Auto Shipment	\$2,200	20%	\$2,640
Total	\$54,700		\$63,365

Case Study #2: Relocation Technology + Large Healthcare System With Reimbursement/Lump Sum Programs

Background: A large healthcare organization in the Southeastern US relocates 1,100 healthcare workers annually and faced challenges in managing their relocation program. Manual processes were time-consuming, error-prone, and costly. They had a limited supply chain of moving solutions and no group buying power in place. Healthcare workers had to front all relocation expenses and wait until their second paycheck to be reimbursed. By implementing a relocation technology platform, the organization achieved:

- **Time Savings:** Automation reduced the time required to complete relocations by 30%.
- **Cost Reduction:** A robust supply chain, spend tracking and management tools resulted in cost savings of \$2,625 per managed move (inclusive of the investment in UrbanBound).
- **Employee Satisfaction:** Post-relocation surveys revealed a 4.82/5 satisfaction score.

- **Compliance:** 100% compliance with all relevant regulations, reducing legal risks.
- **Retention:** Within 12 months of implementation, retention of newly relocated employees grew by greater than 15%

Conclusion

Markups from a cost-plus pricing model are unpredictable and costly and are also considered taxable income, making the overall relocation expenses significantly higher. When healthcare systems work with traditional RMCs they are overspending, often to the tune of millions.

Employers should avoid cost-plus pricing models to ensure they are only paying the true cost of each service provided and find partners who are willing to sit on the same side of the table to ensure the lowest cost per service is being passed through directly to the employer and their employee.

Benefits UrbanBound Offers Employers

Savings and Transparency

The UrbanBound Platform allows HR teams to easily monitor the status of each move and report on how employees are using their budgets. UrbanBound's solution for managed moves has led to 94% of employees staying under budget, and all savings go back to the healthcare system. Currently, the average savings per move exceeds 24% of the managed budget, with an employee satisfaction score of 4.6 stars out of 5. All while having an industry-leading net promoter score (NPS) in the 95th percentile!

Less Daily Involvement

Employees need access to trusted, vetted suppliers to deliver a great relocation experience. Otherwise, hours of employees' time can be wasted crawling the internet, reading reviews, and comparing quotes. This often leads to unwanted stress and confusion, trickling down to HR teams being deluged in emails and phone calls.

Fewer Reimbursement and Lump Sum Headaches

Paying vendor invoices and expense reimbursements is an administrative burden not to mention managing these invoices in different currencies and jurisdictions is very challenging for employers. UrbanBound can make these payments directly in a wide range of currencies, alleviating the administrative and cash flow burden for all involved.

Real-time Transparency

Centralizing all financial aspects of the move including allowances, supplier invoices, and expense reimbursements within one platform ensures employers and employees will always have a real-time view of budget spent and budget remaining. A complete picture of the program is always a click away. Additionally, UrbanBound can work directly with employers' tax providers, and payroll/finance teams so that data flows effortlessly.

Conclusion

Relocation technology is a vital solution for healthcare organizations seeking to attract and retain top talent, improve operational efficiency, and enhance employee satisfaction. Many healthcare recruitment leaders aim to improve their recruitment efforts but struggle to do so with already stretched budgets. This often results in relocating staff fronting moving expenses and waiting until after their first or second paycheck for reimbursement, creating a poor initial experience. Employees are frequently left to navigate their move with minimal support beyond realtor recommendations and van lines.

By automating and streamlining the relocation process, healthcare organizations can overcome the challenges associated with traditional methods and achieve better outcomes for both the organization and its employees. This not only alleviates logistical and financial burdens but also significantly enhances employee satisfaction and retention.

Working with UrbanBound and utilizing our relocation technology, healthcare organizations can benefit from a transparent, fixed-fee pricing model that eliminates the hidden costs and inefficiencies inherent in traditional cost-plus models used by Relocation Management Companies (RMCs). Investing in relocation technology is a cost-effective strategic decision that delivers significant cost-containment and operational benefits while better positioning healthcare organizations in an increasingly competitive hiring market.

Embracing relocation technology is not merely an operational improvement; it is a strategic imperative that empowers healthcare providers to attract top talent, maintain high standards of care, and ultimately drive organizational success in an increasingly competitive landscape.

Supporting Statistics

- A report by the National Association of Healthcare Recruitment (NAHCR) suggests that well-managed relocation programs can save healthcare organizations up to 20% in recruitment costs by reducing turnover and improving retention.
- A study by the Journal of Nursing Management found that healthcare organizations without effective relocation support experience turnover rates up to 30% higher among relocated employees within the first year.
- Research by Allied Workforce Mobility revealed that 50% of healthcare professionals who relocated without adequate support left their new positions within the first two years.
- Research by the Society for Human Resource Management (SHRM) highlighted that effective relocation programs lead to long-term retention, with employees staying with the organization for an average of 3-5 years post-relocation.
- A study by the Healthcare Financial Management Association (HFMA) found that healthcare organizations that effectively manage employee relocation see a 25% higher retention rate among relocated employees compared to those that do not offer robust relocation support.
- A study by the National Institute of Health (NIH) suggested that high turnover rates among relocated healthcare employees due to inadequate support could negatively impact the quality of patient care, with a 15% increase in reported errors and patient dissatisfaction.

About the Author

Jeff Ellman is the co-founder of UrbanBound and is a relocation technology expert with 12 years of experience in the healthcare industry. Jeff and his company have helped hundreds of organizations implement advanced relocation solutions to improve efficiency, lower costs and improve employee satisfaction.

Endnotes:

^[1] [Association of American Medical Colleges \(AAMC\)](#)

^[2] [Bureau of Labor Statistics](#), [Census.gov](#), [Bureau of Health Workforce](#), [AAMC](#)

^[3] [Becker's Hospital Review](#), [RevCycle Intelligence](#)

^[4] *UrbanBound is not a tax professional and does not provide tax advice or tax consulting services. For all tax-related matters, consult a tax professional to provide guidance based on your specific situation and to ensure compliance with tax laws.*

^[5] [The Cuts and Jobs Act \(TCJA\)](#)

^[6] [IRS.gov](#)