



# Perspectives on Healthcare Labor Costs and Workforce Trends

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NAHEFFA Fall Conference

October 11, 2023



# Today's discussion topics

**Past, Present & Future Workforce Landscape**

**Table Topic**

**Winning the Hearts & Minds of Healthcare Workers:  
2023 State of Work in America Report**

**Table Topic**

**Plausible Paths Forward**

**Wrap Up and Closing**

# Grant Thornton

## About the firm

Grant Thornton LLP (Grant Thornton) is the U.S. member firm of Grant Thornton International Ltd (GTIL), one of the world's leading organizations of independent consulting, advisory, assurance, and tax firms. We help dynamic organizations fulfill their missions by providing meaningful, forward-looking advice.

Statistics	Member firms worldwide	U.S. member firm
Revenues (USD)	\$7.16 billion	\$2.31 billion
Personnel (incl. Partners)	68,517	10,725*
Partners	3,978	616
Offices	759	51
Statistics as of:	Sept. 30, 2022	July 31, 2022

\*Total personnel includes professionals in Grant Thornton's Shared Services Center (SSC) which is based out of Bangalore, India. The SSC is a joint venture with the Grant Thornton U.S. member firm; therefore, these professionals are included in U.S. employee data.

## An award-winning organization, year after year



- Sixteen years running on the [Seramount's \(formerly Working Mother Media\) 2021 100 Best Companies list](#)
- Ten years in a row, named one of the [Top Companies for Executive Women](#) by the National Association for Female Executives
- Fifth consecutive year receiving a perfect score of 100% on the [2021 Corporate Equality Index](#)
- Grant Thornton was awarded the 2020 [Brandon Hall Group Gold award for Excellence in Leadership Development](#) for our Sr. Manager Development Academy

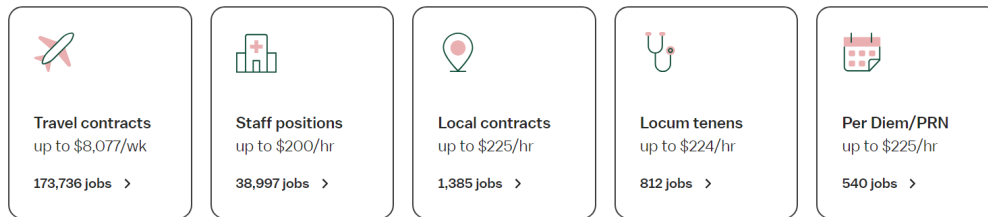
# Headlines

## FitchRatings: 2023 Outlook: Deteriorating | Protracted Labor Expense Growth Driving Weaker Margins

*“.....predict a period in which **downgrades and negative outlooks** outpace upgrades and positive outlooks. The larger pool of providers, generally the unrated universe, which are **typically smaller and often rural providers, have fared far worse than the rated universe, and Fitch believes this will remain the case in 2023.**”*

*Neutral would **require demonstrable improvement in the current amount of labor availability, specifically for nurses, who were in high demand before the pandemic, with the last three years exacerbating the level of need.**”*

Source: Vivian Health October 2023



### THE WALL STREET JOURNAL

CREDIT MARKETS

#### Some Hospitals That Spent Big on Nurses During Pandemic Are Now Short on Cash

Distressed institutions are closing unprofitable services, selling assets to avoid default on debts



Proposed Social Drivers Of Health Bonds Offer Promising Improvements But Face Many Challenges To Implementation

Source: Lord Abbett, June 2023

## Municipal Bonds: Bullish Signs for the Hospital Sector

### Fixed Income S&P MUNICIPAL BOND HEALTH CARE INDEX

#### Calendar Year Performance

	2022	2021	2020	2019
Total Return	-10.81%	3.35%	4.88%	8.38%
BENCHMARK* Total Return	-8.05%	1.77%	4.95%	7.26%

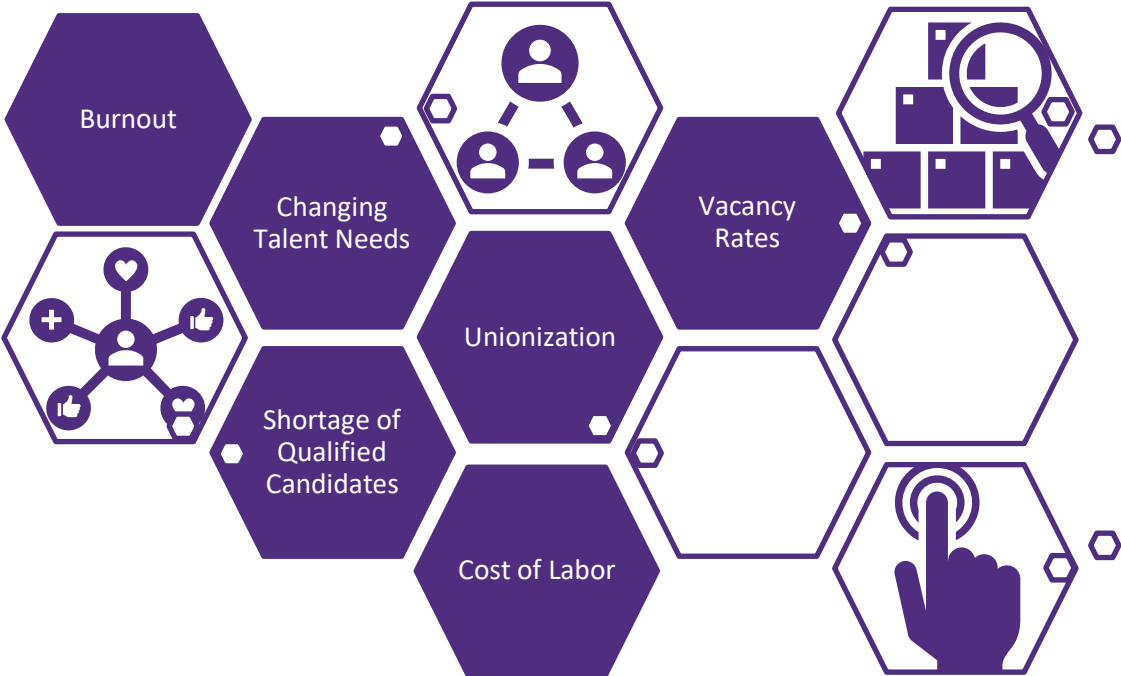
\* The index benchmark is the S&P Municipal Bond Index

Source: American Hospital Association, October 2022

## Understanding and Managing Bond Covenants During Financially Challenging Times

Oct 26, 2022

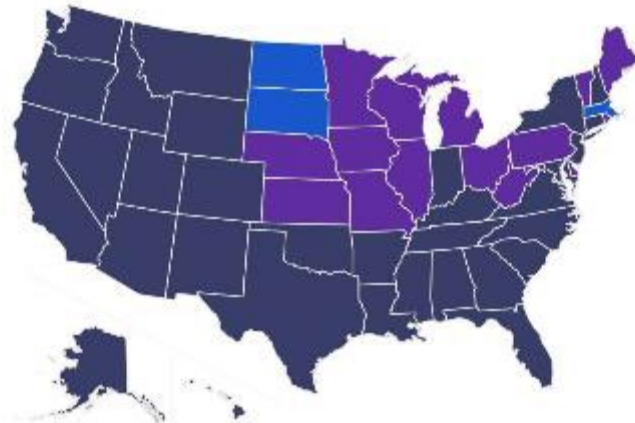
# Workforce Pressures



# Healthcare Labor Shortfalls

U.S. NURSE-TO-STATE POPULATION RATIO			
LOCATION	EMPLOYED REGISTERED NURSES (2022)	STATE POPULATION (2022)	NURSES PER 1,000 POPULATION

United States	3,072,670	333,287,557	9.22
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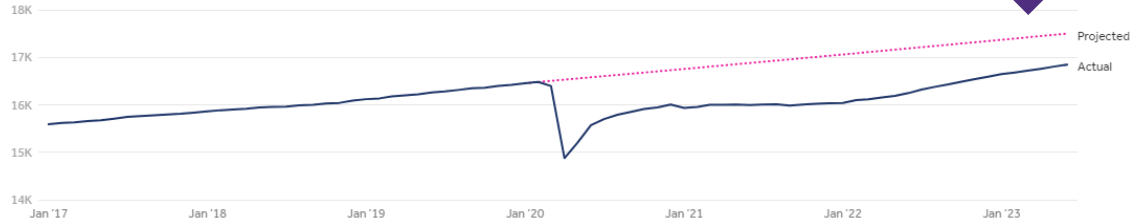


- <10 nurses per 1,000 population
- 10-12 nurses per 1,000 population
- 12.1-16 nurses per 1,000 population
- >16 nurses per 1,000 population

eserve.com © Natural Earth

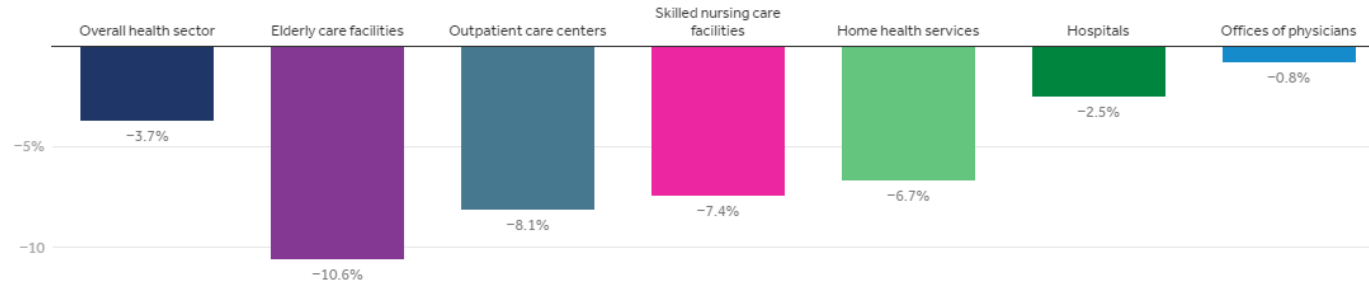
# Healthcare Labor Shortfalls

Healthcare employment, actual and projected, (based on pre-pandemic growth rates) January 2017 - June 2023



Note: All data are seasonally adjusted. Data is preliminary. Projected values are calculated by applying the average monthly growth rate between January 2017-January 2020 to March 2020 through the latest month.

Percent difference in June 2023 health employment by setting, actual vs. projected (based on pre-pandemic growth rates)

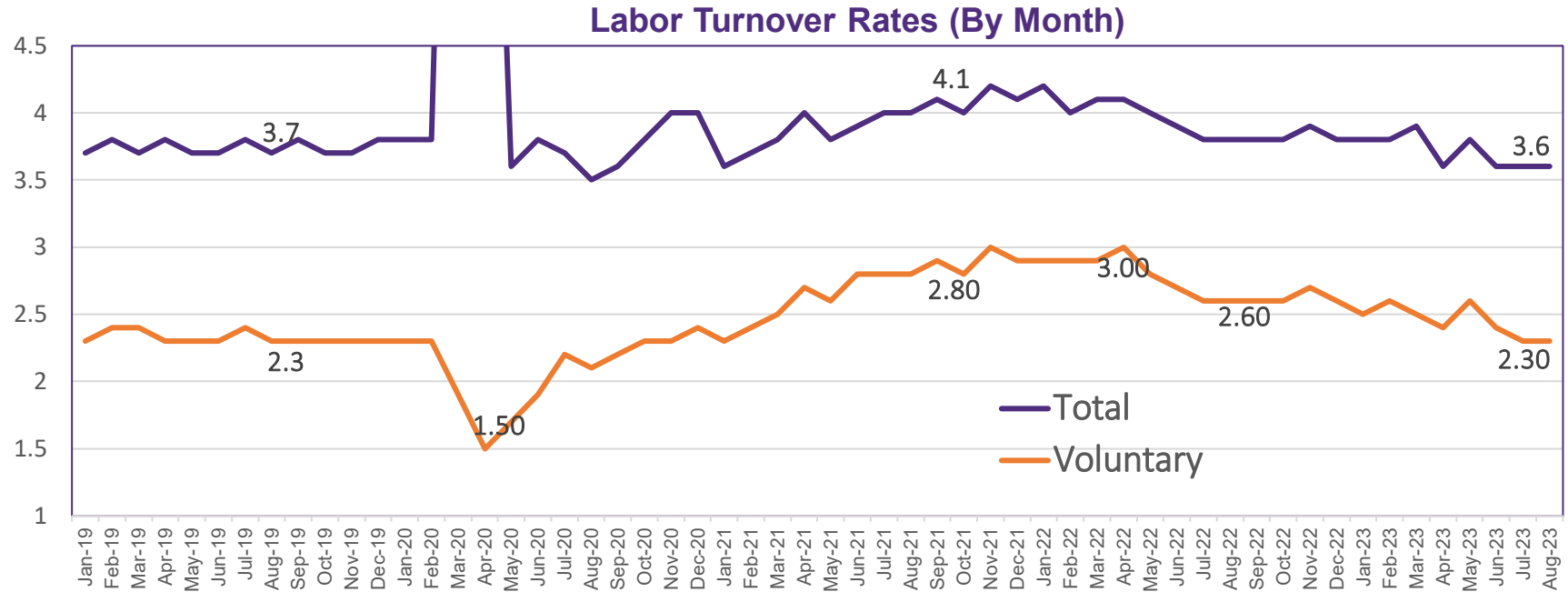


Note: All data are seasonally adjusted. Data is preliminary. Projected values are calculated by applying the average monthly growth rate between January 2017-January 2020 to March 2020 through the latest month. Elderly care are continuing care retirement communities and assisted living facilities for the elderly.

Source: [Bureau of Labor Statistics Current Employment Survey \(CES\)](#) • [Get the data](#) • PNG

Peterson-KFF  
**Health System Tracker**

# Turnover

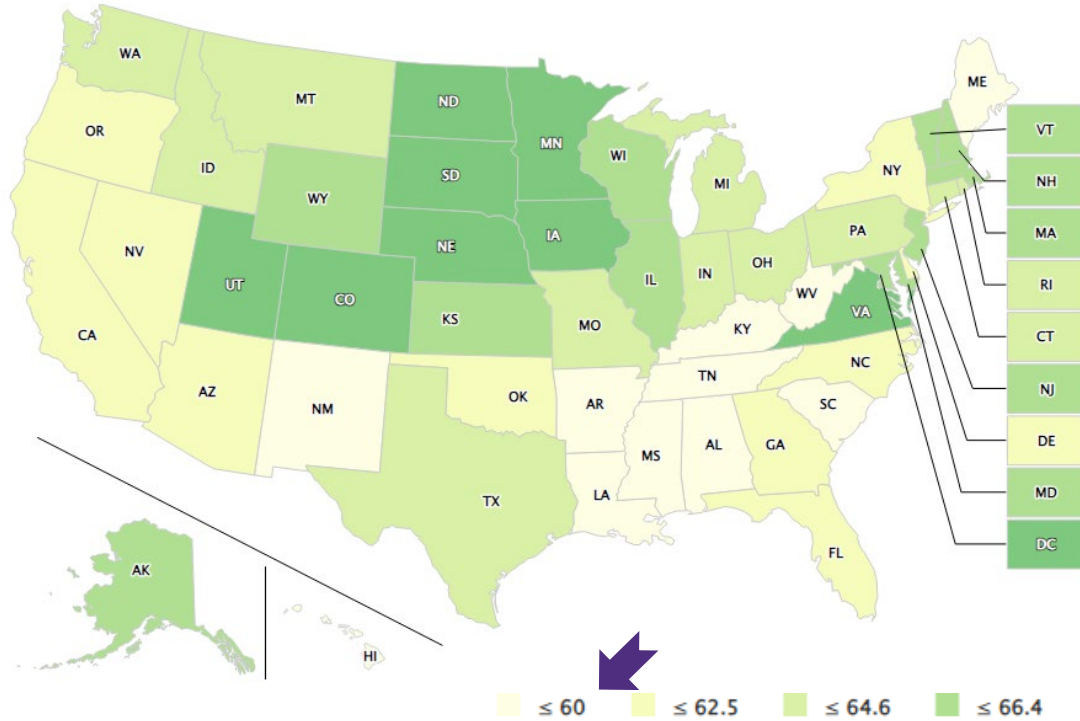


Source: Bureau of Labor Statistics through August 2023

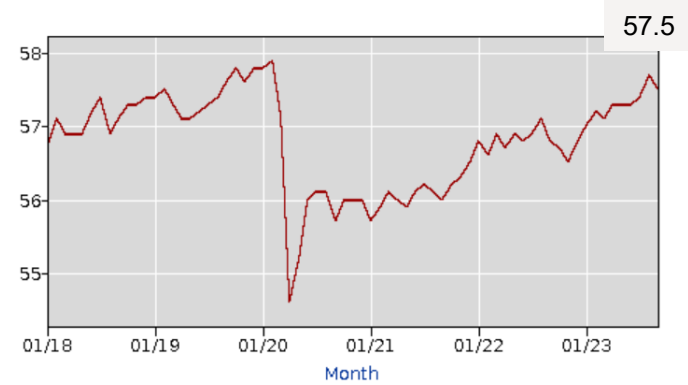


# Labor Participation Rates

**FRED** 2023 August Labor Force Participation Rate by State (Percent)



Labor Force Participation Rate - Women



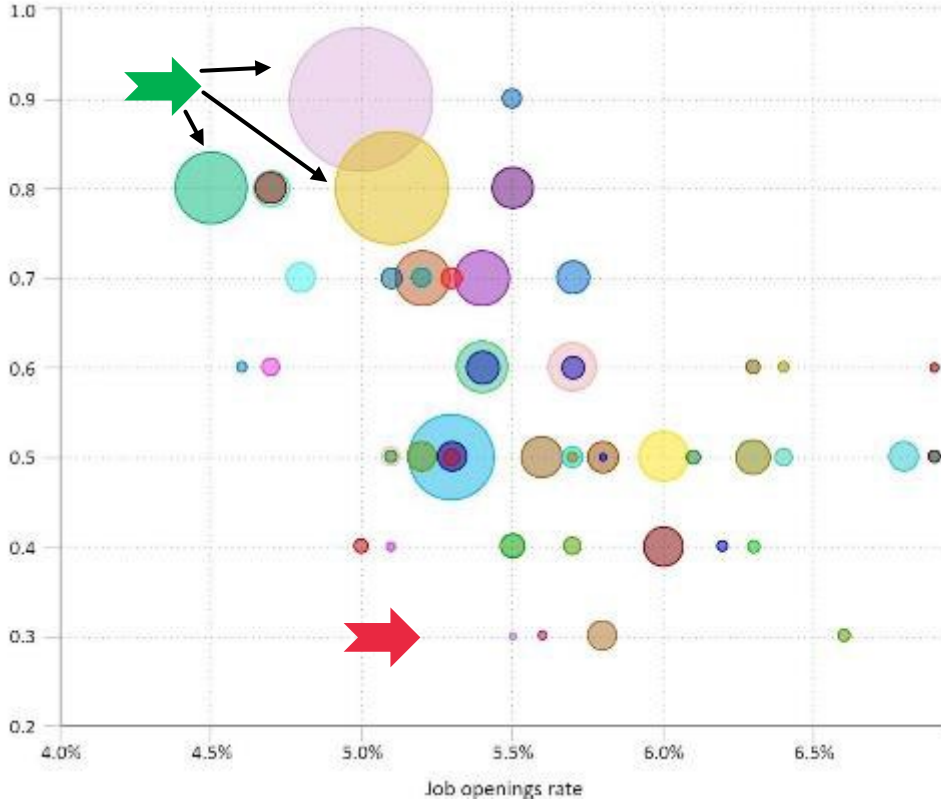
# Number of unemployed persons per job opening

## Job Opening Rates (By Month)



Source: Bureau of Labor Statistics through August 23  
Average 2.25 Median 1.6

# Number of unemployed persons per job opening

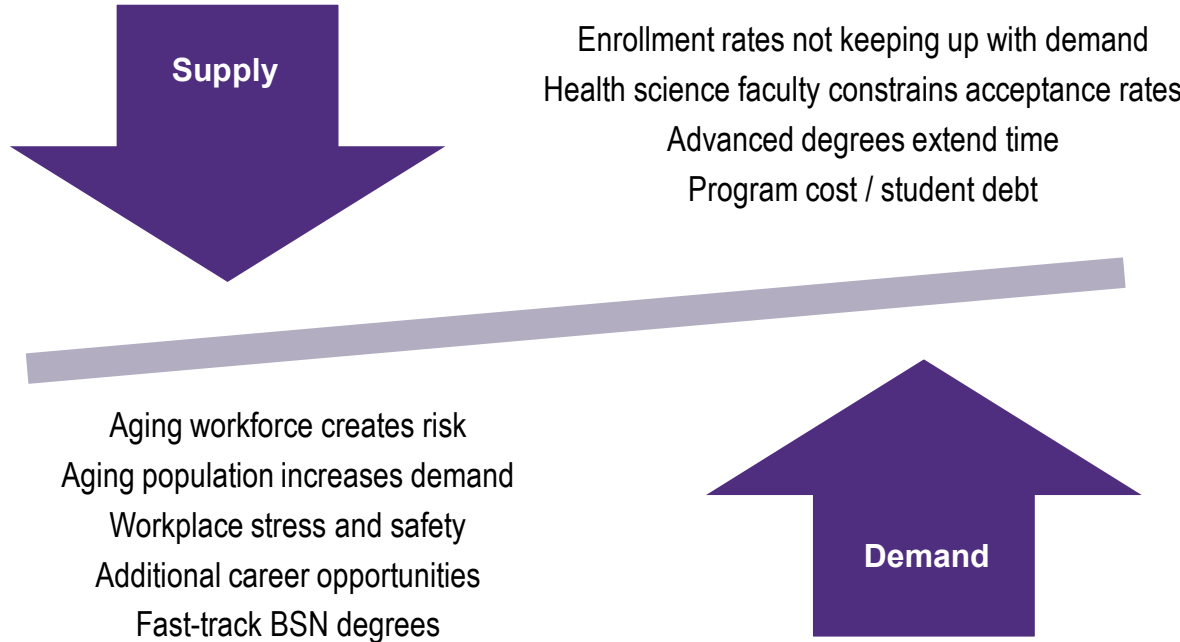


Unemployed persons per job opening and job openings rate, by state, July 2023



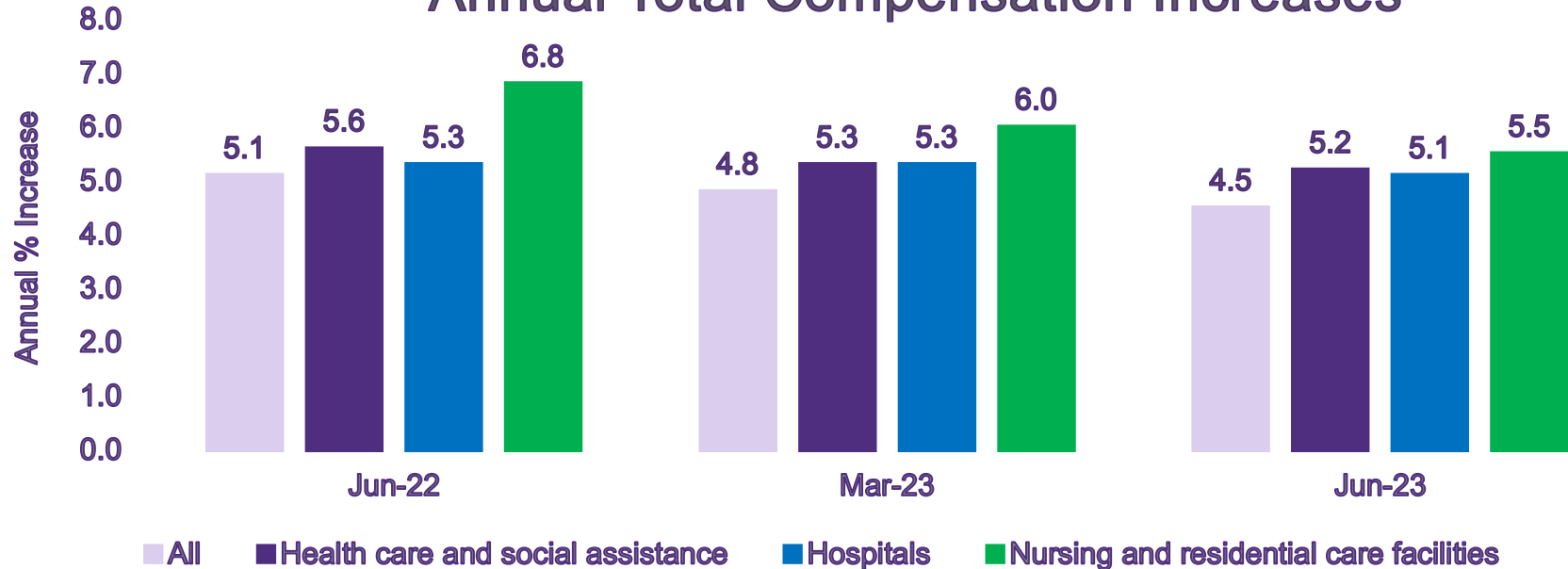
Source: Bureau of Labor Statistics July 23

# Added Factors Contributing to Labor Shortages



# Labor Cost

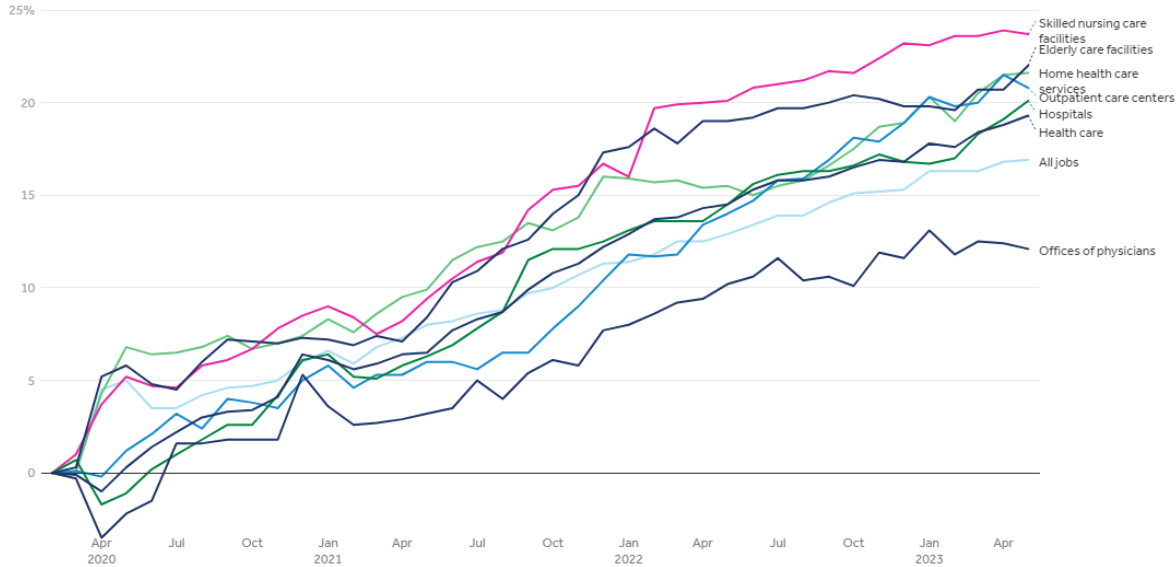
## Annual Total Compensation Increases



Source: Bureau of Labor Statistics through June 2023

# Changes in Weekly Earnings by Setting

Cumulative % change in average weekly earnings, since February 2020 - May 2023, by health setting



Skilled nursing and elder care facility employees have seen the slowest recovery in employment in the aftermath of the pandemic, and they have also seen the **highest average wage increases.**

Note: All data is seasonally adjusted. Data for the latest month are preliminary. Elderly care facilities are continuing care retirement communities and assisted living facilities for the elderly. Nursing care are skilled nursing facilities.

Source: Bureau of Labor Statistics Current Economic Statistics (CES) • Get the data • PNG

Peterson-KFF  
Health System Tracker

# Cost of Labor: Expanded use of contract labor

**258%**  
Total contract labor  
expense increase  
2019-2022

Source: American Hospital Association & Syntellis,  
March 2023

**180%**  
Total contract labor  
FTE Growth  
2019-2022

**2.40%**  
Percent of Contract  
Labor Salaries to  
Total Salaries  
(Non-critical Access)  
2019

Source: American Hospital Association, Cleverley & Assoc, September 2023

**8.35%**  
Percent of Contract  
Labor Salaries to  
Total Salaries  
(Non-critical Access)  
2022

**Direct Patient Care  
Contract Labor**  
“Contract labor full-time  
equivalents jumped  
139% over the three-  
year period, while the  
median wage rate paid  
to contract staffing firms  
rose 57%.”

Source: American Hospital Association, March 2023

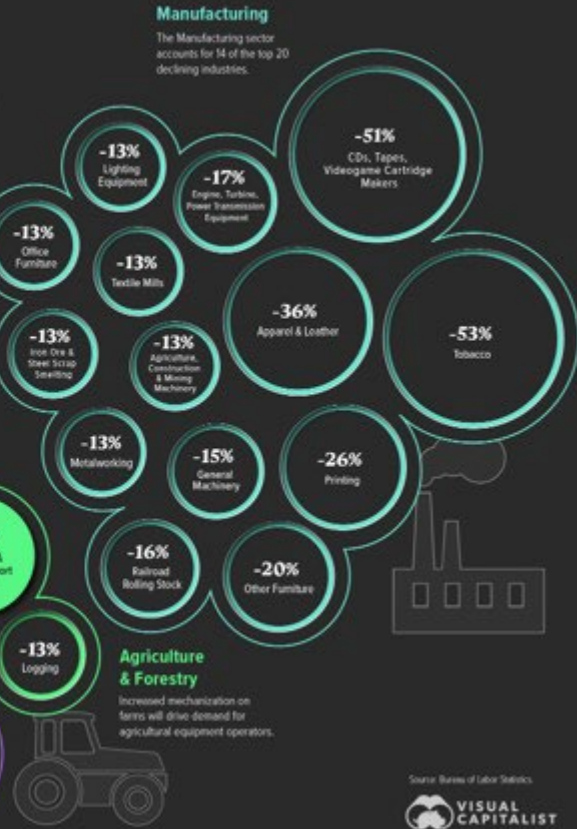
# THE 20 Fastest Growing & Declining Industries IN AMERICA

To help predict what the U.S. job landscape will look like in the next few years, the Bureau of Labor Statistics (BLS) has identified 40 industries which will see the largest swings in employment between 2021 and 2031.



### Mining

95% of Mining Support jobs are found in oil and gas extraction, and employee demand moves in conjunction with the health of the sector.



### Agriculture & Forestry

Increased mechanization on farms will drive demand for agricultural equipment operators.



# Implications & Solutions: Focused Workforce Planning

- Elevate labor participation rates, retention rates
- Increase talent flow from within, international, immigration sources
- Create career pathways and upskilling programs
- Align job requirements with talent supply chain
- Innovation and technology adoption

# Table Topic Exercise

- **What has been your organization's exposure to workforce planning?**
  - Forecasting future workforce needs
  - Identifying macro-economic issues
  - Identifying micro-economic issues
  - Defining practical solutions, short and longer term

# 2023 State of Work in America Methodology

Data Collection February – March 2023



**5,000 employees surveyed,**  
**502 from healthcare**

Respondents were benefits-eligible, full-time employees working at companies with at least 1,000 employees



**Surveyed variety of industries**

Including asset management, banking, construction, **healthcare**, higher education, hospitality, manufacturing, public sector, retail, services, technology, and transportation



**Variety of topics**

Survey topics included: attraction/retention, engagement, hybrid model, DEI&B, wellbeing, total rewards, and career & performance

# Healthcare employees are facing continued stress in their workplace



## Overall Engagement

- 44%** are engaged, down 6 percentage points from prior year; engagement across all industries is 50%
- 17%** are actively looking for a new job, compared to 24% across all industries

### Attraction / Retention

Why employees joined their organization	What would cause employees to leave	What's keeping them at their organization
1. Benefits	1. Not feeling valued	1. Base pay
2. Base pay	2. Wages not keeping up with inflation	2. Benefits
3. Location/Commute		3. Job security
4. Job security	3. Lack of support for wellbeing	4. Location/Commute

Source: Grant Thornton, State of Work in America: Healthcare, N=502; February 2023

## Burnout / Stress



- 1** Mental/emotional stress
- 2** Workload
- 3** Shortage of workers

## Wellbeing

**1 in 3**

say their financial, mental, and physical wellbeing has gotten worse in the past 12 months

**40%**

feel empowered to speak out about their wellbeing, compared to 47% across all industries

# Healthcare employees are not feeling valued

## Feeling Valued

- 44%** say their organization understands their needs as an employee, compared to 52% across all industries
- 43%** feel their organization cares about them as a person and professional, compared to 51% across all industries
- 39%** feel their voice is heard at work, compared to 48% across all industries

## Pay and Benefits

- 41%** say they are paid fairly, though significant differences exist by gender (males 50% vs. females 39%). Results exceed those across all industries (52%)
- 55% vs. 46%** Males are significantly more likely than females to feel they are paid equally regardless of gender
- 39%** say the benefits they receive are unique and different, compared to 48% across all industries

## Performance Management

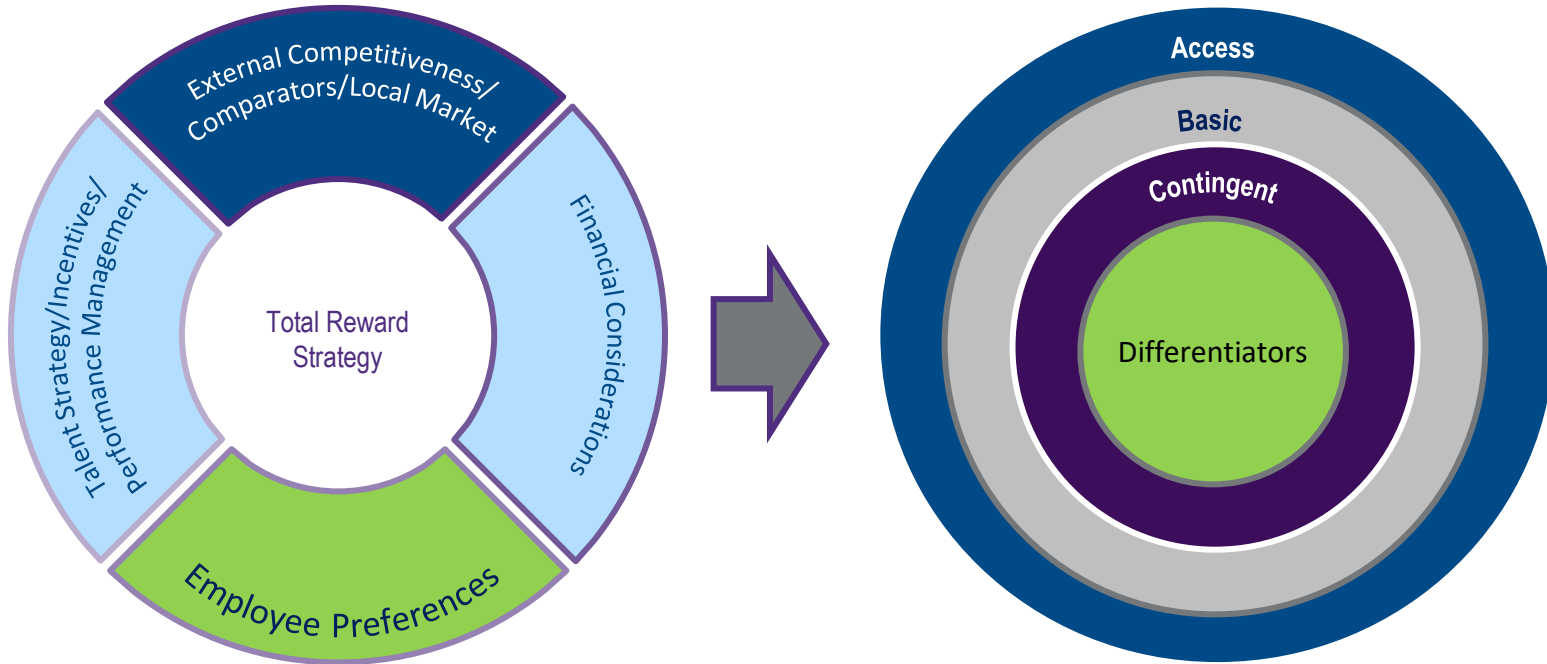
**45%**  
Receive meaningful recognition for their contributions, compared to 52% across all industries

**31%**  
Say their pay is linked to their performance, compared to 44% across all industries

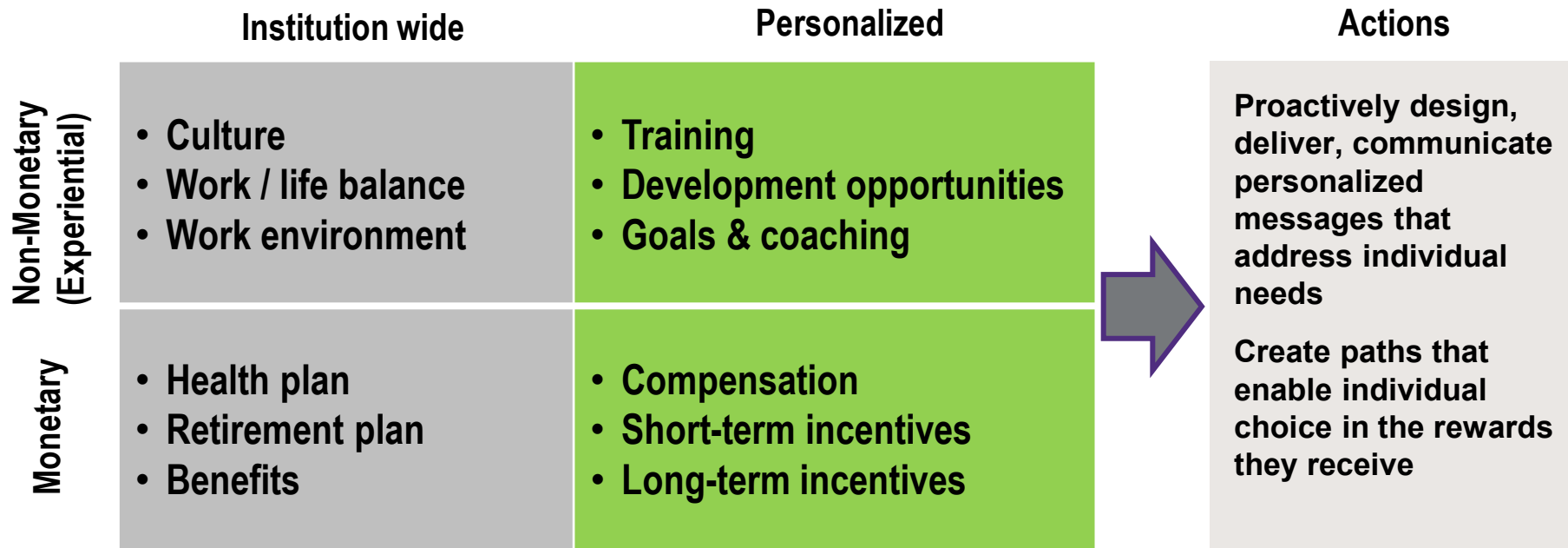
**28%**  
Feel poor performers are managed appropriately, compared to 40% across all industries

Source: Grant Thornton, State of Work in America: Healthcare, N=502; February 2023

# Plausible Paths Forward – Cost of Labor



# Shifting Comp/Benefit Practices



# Transforming Legacy Practices

From	To
Traditional paid absence (e.g., vacation, sick, holiday)	<ul style="list-style-type: none"><li>• Paid time off</li><li>• Buy/Sell arrangements</li><li>• Paid parental leave</li><li>• Unlimited PTO</li></ul>
Legacy sick banks	<ul style="list-style-type: none"><li>• Integrated disability management</li></ul>
DB/Pension	<ul style="list-style-type: none"><li>• DC/Savings plans</li><li>• Student Loan Repayment</li></ul>



# Table Topic Exercise

- **What emerging workforce practices have you seen in your markets?**
  - Evidence that supports improved retention and attraction of healthcare professionals
  - Opportunities for your organization and/or NAHEFFA to support healthcare employers' efforts?

# Plausible Paths Forward

- **Organizational restructuring – New ways of service delivery**
  - Continued reengineering the hospital operating model
  - Discontinuing unprofitable service lines
  - Joint ventures, technology and supply-chain companies
  - Outsourcing
- **Productivity – Do more with same or less**
  - Novel use of new technology
  - Enhancing revenue generation and improving expense management
  - Investing in outpatient, virtual and acute home care (e.g., hospital at home) strategies
  - Deepening clinical affiliations
- **Labor Supply - Improvement plans to grow the workforce**
  - Increased investment in nursing and allied health professional programs
  - Continued efforts to broaden labor-recruitment channels to meet new delivery systems
  - Reengineer legacy practices, staffing models



Grant Thornton

# Thank you!

**Bob Lemke**  
**[Bob.Lemke@us.gt.com](mailto:Bob.Lemke@us.gt.com)**

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