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NAVIGANT/HFMA STUDY FINDS CLINICIAN SHORTAGES DRIVING UP HOSPITAL LABOR BUDGETS

Announcer: Welcome to Navigant On Healthcare, offering insights for healthcare leaders striving for success in an evolving industry.

Host: Welcome to Navigant On Healthcare. I'm your host, Alven Weil and today we'll be discussing healthcare workforce trends including clinician shortages and labor budget projections and their implications for hospitals and health systems. And we're doing so with Danielle Dyer, the managing director who leads Navigant's workforce innovation practice and Navigant's director, Vamshi Gunukula. Danielle, Vamshi, thank you for joining us today.

Danielle Dyer: Great to be here, thanks.

Vamshi Gunukula: Thank you Alven. Excited to share our findings and ideas and experience today. Thank you.

Host: So, Navigant and HFMA recently released results from a survey, more than 100 hospital CFOs and other executives regarding workforce trends. Danielle, Vamshi, please provide us with some highlights from that survey.

Danielle: Sure. One of the findings, one of the main findings from the survey, is that hospitals are facing continued shortages of clinicians of all varieties. Physicians, nurses, mental health providers, etc., which is resulting in the continued escalation of labor cost and making it even more difficult for healthcare organizations to take action to reduce this expense. In the survey, hospital executives cited clinical shortages and, specifically, nurse and physician shortages, as one of the areas that continues to challenge them significantly.

For example, specific to nurses, 43 percent of hospital CFOs said current shortages are worse than this time last year, with only 27 percent suggesting improvements over the prior year. And, specific to physicians, 35 percent of respondents cited existing shortages as worse than last year, and only 20 percent as better than a year ago. Interestingly enough, also, the survey suggested that shortages of mental health providers represent, perhaps, the most challenging situation. Thirty-five of CFO respondents indicated that current shortages are worse than last year. Just 10 percent cited an improvement with mental health providers.

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So, at the same time that these shortages are occurring, hospitals, as we know, are facing steadily increasing labor budgets and rapidly shrinking operating margins. Seventy-eight percent of the executives we surveyed, predicted that their organizations labor budgets are likely to increase in the next 12 months, with almost one in five projecting surges of five percent, or more, and only 14 percent predicted decreases, none more than five percent. So, in a nutshell, stepping back from the detail of the results, these survey results suggest that staffing shortages are placing hospital leadership in a paradoxical situation due to both the theory of supply and demand and the tendency to maintain a surplus in anticipation of further shortages looming in the future.

Shortages have caused organizations to increase the use of premium pay, so that's overtime and agency use, and have driven up base salaries in order to attract staff in competitive markets and, in some organizations, are maintaining a surplus, or even over-hiring of some staff in anticipation of future needs. Just when hospitals are needing to drive down operating expenses, reducing labor expense has become even more difficult.

Vamshi: In addition to that, Alven, what we also found and, exactly as one would expect, is that the leadership is targeting both labor and supply chain productivity – note two big expense line items – to the improvements to reduce the hospital operating expense over the next 12 months. To put some specific details around those, when asked about the top target areas for reducing operating expenses over the next year, 44 percent of the respondents cited labor and 38 percent cited supply chain, including purchase services. In addition, the executives ranked productivity improvement and workflow redesign as the main labor management initiative their organizations will focus on for improvement over the next 12 months.

Host: So, did any of these results come as real surprise to either of you?

Danielle: Well, the result is certainly consistent with what we are seeing in our work across the country, as we work with hospitals and health systems at all levels of the organization, from leadership down to the staff level. And, as we work with these organizations to redesign workflow processes and roles so that each functional area can staff most effectively to deliver the highest quality of care.

Vamshi: I completely agree. Not a surprise at all. In fact, we believe this will continue to be the case as the revenue landscape shrinks further and further. It is only natural that the biggest line items will be focused on more and more. However, the survey actually sheds key light on the exact resource shortages that made this challenge more difficult to deal with for the operators. After all, the care is delivered by people, mostly, so the survey shed that exact light on the challenges that they're facing and the exact impact of those challenges.

Host: So, these are very interesting results, to say the least. What do they mean for hospitals and health systems overall?

Vamshi: Alven, that's the most important question. Now, the survey has a lot of details and numbers but the most important question is, what does this all mean? Now we believe this particularly means that the need to more effectively manage labor by staffing to demand and fundamentally looking at your workload will only intensify as operating margins continue to diminish and the pressure to enhance care quality continues to increase. These results magnify the need for the provider leadership to objectively analyze their current practices and continue to improve their practices to better staff departments to their dynamic patient volumes.

Host: So, having said that, what approaches could providers implement to create greater value and to minimize these negative implications?

Danielle: Well, Alven, we believe that really the most effective way to counteract these negative implications requires a multipronged parallel approach that integrates a detailed understanding and responds to historical demand trends with the redesign of workflows, roles, processes, that capitalize on proven leading practices that are an evidence across the industry.

Vamshi: Like Danielle suggested, the multipronged approach, the providers can use at once analytics both inferential, and predictive analytics, operations optimization signs, and the advanced technology tools to analyze their historic data on patient volumes, visit procedures, etc., and identify the actual timing patterns and determine the departmental staffing demand. While doing that, they will better able to proactively plan flexible staffing budgets to match staffing to demand and also track key labor metrics, including cost and productivity.

Now, this may not be the first time providers have heard this, but analytics and operations management signs have evolved to the extent that the application to healthcare settings has been becoming more and more real, and operators have to make them a part of their key strategy and not look at optimization analytics and workflow redesign, as just ideas of support functions.

Danielle: And pushing those analytics and that understanding down to the department manager or unit manager level, is equally as important. Those are the folks who really understand what the implications of the current workflows and current processes and roles are really all about, and those are the folks who need to better leverage leading practices that will eliminate redundancies, who can leverage technology and the advancements in technology, who know what it means to streamline, or eliminate, handoffs and other unnecessary or non-value added work steps.

So many multihospital systems that we work with around the country have had great success in creating, for example, cross-system flex teams that enable individual departments, or nursing units, to flex staff during periods of census surges or census dips. Others have leveraged handheld technologies, not just in the clinical areas, but in the support services areas as well, for example, and this has all helped to streamline the workflow and enable focus on higher-value kinds of activities.

Host: Any final thoughts from either of you on the survey and the overall topic?

Vamshi: Yeah, just one final thought, Alven. It is indeed a very paradoxical situation that the operators face today. I think the whole market really sympathizes with the situation, but the situation is what it is. They have to deal with the increasing labor cost and the shrinking revenues. Workforce cost reduction being a key strategy for their overall operating expenses — they have to be looking at optimization, staffing to demand and fundamentally reshaping the workflows.

The workflows that were a part of the healthcare setting 10, five years ago, that look like they're stuck in time will no longer be valid, so the operators have to really look at fundamentally reshaping the workload through the workflow redesign and optimization, and they become very, very important go to techniques.

Danielle: Yeah, I think just to underscore Vamshi's comments, I think increasing staffing flexibility and real-time responses based on the analytics that Vamshi has described, creating those rapid responses to shifts in demand. That's all the new normal now and, while the survey results have highlighted shortages among nurses and physicians and mental health providers, many markets are also struggling with shortages in critical tech positions.

Surgical techs, pharmacy lab techs, etc., who serve in equally critical roles as providers of high-quality patient care in their own areas. Taking a more holistic view of demand and workflows, the interrelationships and horizontal relationships between all of these functional areas...that's critical for all healthcare organizations around the country to really optimize their use of their labor resources and drive down their operating expense.

Host: Outstanding information. Danielle, Vamshi, thanks so much for joining us today.

Danielle: Thanks, our pleasure.

Vamshi: Thank you.

Announcer: That concludes today's episode. Be sure to check in with us for future installments on the Navigant On Healthcare podcast series on navigant.com/healthcarepodcast. Navigant On Healthcare is a podcast series produced by Navigant's healthcare practice. If you enjoyed this episode, please share with friends and colleagues on social media. Learn more at navigant.com.

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