

Healthcare Labor Report

July 2022



Executive Summary

The labor shortage in healthcare has radically impacted the industry. 20-30% of the healthcare workforce has left since 2020, and the projections to return to normal range estimate recovery from one to several years. This is amplified by a recent McKinsey survey indicating 40% of the workforce is “somewhat likely” to leave their current healthcare job in the next three to six months. These disruptions are costing the industry an estimated \$4.6B annually. Industry experts indicate there will not be adequate staffing levels due to:



Overall decreased workforce supply



Increased demand for care



Work setting shifts from the growing and aging population

92% of hospitals indicate they are experiencing significant labor challenges, and this has had detrimental impacts to cash flow, profitability and overall operations. Many providers are turning to RCM strategic partners, automation/technology and consolidation to streamline their operations. A myriad of recruitment and retention strategies have been brought forward to combat this issue for the long term, while at the same time ratings analysts fear the solution may come from areas beyond replacing the staff to par levels.

20-30%

Since 2020, 20-30% of the **healthcare workforce has left**

40%

A recent survey indicates 40% of the workforce is “**somewhat likely**” to leave in the next **3 - 6 months**

\$4.6B

Disruptions are costing the industry an estimated \$4.6B annually

92%

of hospitals indicate they are experiencing significant labor challenges

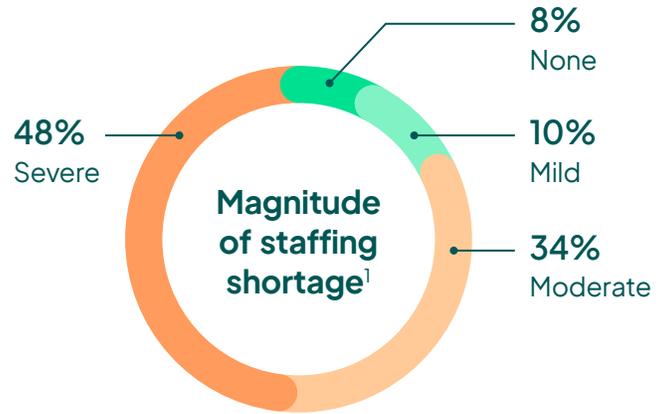


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Data Points

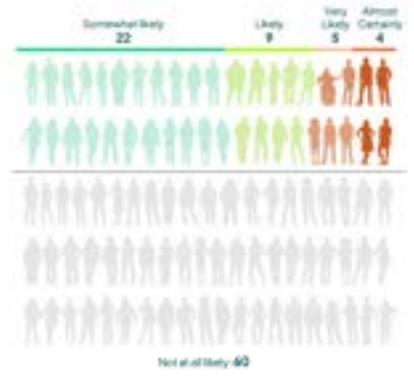
The graphics shown highlight the impact staffing has had on the healthcare industry. From the mass exodus from the “great resignation,” staff burnout, proportion of hospitals impacted and the estimated recovery timetables, the path to recovery will be arduous and long.



Healthcare labor crisis

- 1 in 5** 1 in 5 healthcare workers have quit²
- 47%** 47% of healthcare workers plan to leave position by 2025³
- \$4.6B** \$4.6B – annual burnout costs to the U.S. health care system⁴

40% of healthcare workers are “somewhat likely” to leave in the next 3 – 6 months⁵



Estimated time to recover for “normal” staffing

- Best case: 12 months
- Median: 2–3 years
- Long term: 10+ years

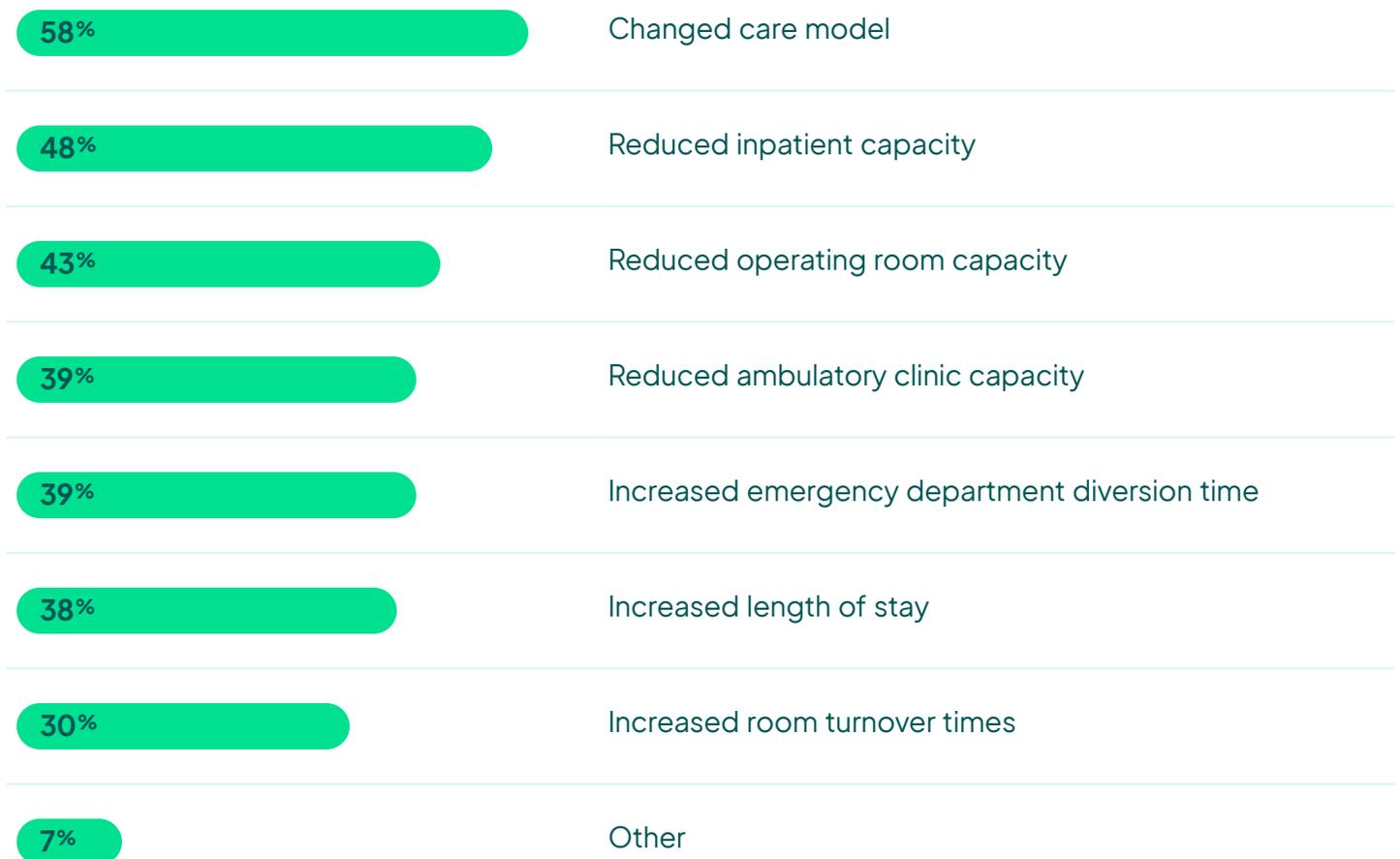
Impacts to Healthcare

Hospital Operations

Hospitals had a tough road over the past few years with COVID-19 and remain very much in recovery mode. Staffing challenges have placed many organizations on their heels, impacting operations significantly. Hospitals have had to adapt their care models, reduce capacity in inpatient and ambulatory areas, as well as divert patients from their emergency departments (among other issues).

Impact to operations of workforce constraints⁶

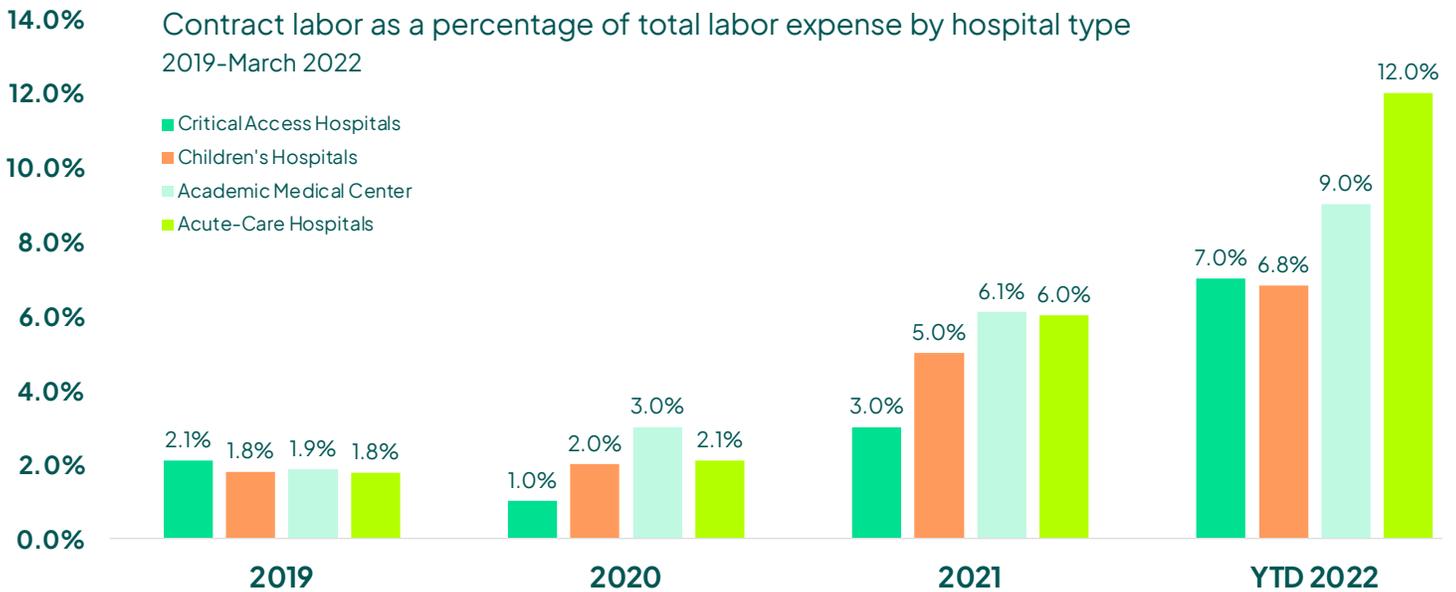
% of respondents



Contract Labor Expense

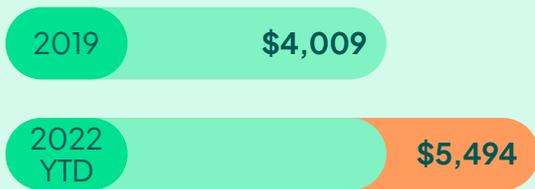
The labor challenge has hit hardest in hospital’s greatest resource, nursing, and they have had to pay dearly for premium traveler and contract labor to keep operations running. Contract labor represented 12% of overall staffing costs at acute care hospitals in 2022—this number was less than 2% prior to COVID-19. This has manifested in a 27% increase in median labor expense per adjusted discharge, up almost \$1500 more since the pandemic began.

Labor costs are up 25% at major hospitals – a large source is contract labor expense⁷



Median labor expense per adjusted discharge

2019-Current



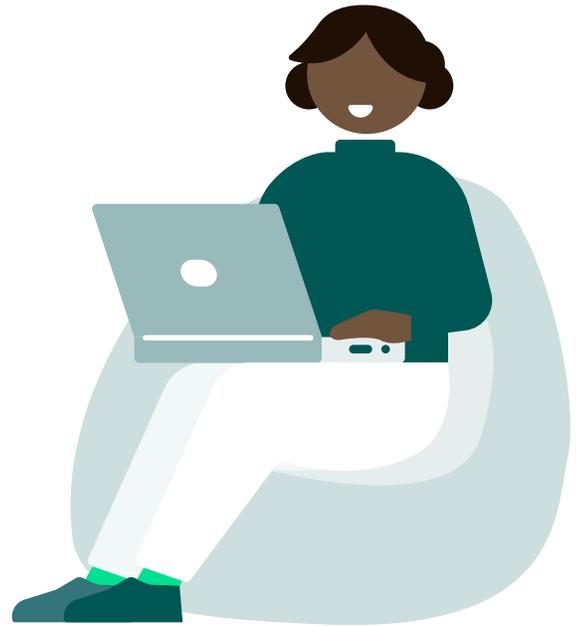
37% increase in labor expense⁸

“Labor costs indeed are the challenge that the sector is facing over the next year and will result, in our opinion, in driving expenses at a rate higher than revenue growth ... it is going to remain challenging over this next year and will continue to drive expenses overall up.”

Brad Spielman, Vice President and Senior Credit Officer, Moody’s

RCM Operations

Revenue cycle has not been immune to the staffing challenges at hospitals either. Several hospitals report difficulty in hiring and retaining staff, although remote work has added some flexibility. Nonetheless, when there is less staff, there are more errors, as hospitals have seen significant increased in billing errors, wait times and other operational issues.



Shortage of RCM labor dramatically impacts revenue⁹

48%

Patient billing errors

45%

Long hold times for scheduling and customer service calls

44%

Cancellations and rescheduling due to staff shortages

30%

Operational deficiencies due to the labor shortage

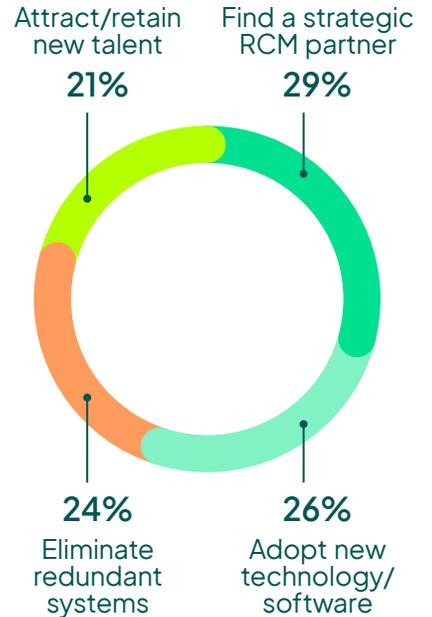
29%

Issues with price transparency compliance

Actions to Mitigate Staffing Challenges

Hospitals have engaged on many levels to transform their organizations during the staffing crisis. They have closely evaluated their revenue cycle, through identifying strategic partners that can help them advance the new healthcare economy. They have deployed new technology and software to automate, become more efficient and remove friction between patient, provider and payer. In this effort, they plan to also consolidate vendors to reduce total cost of ownership, data requirements, maintenance and siloed workflows. Hospitals have also adapted their hiring process, based on “skill based” strategies, to ensure they are accessing new talent to match the digital age. Hospitals have also deployed artificial intelligence, specifically in the Robotic Processing Automation (RPA) space, to automate mundane and tedious tasks, to create value for their staff and daily work. These “bots” have delivered in many areas, driving much needed full time equivalent (FTE) savings and 3X-8X return on investment (ROI).

Approaches to navigating the staffing crisis in RCM¹⁰



Emerging use cases delivering value in RCM automation¹¹



- Working denials requesting medical records
- Pre-bill charge write-offs
- Loading fee schedules
- Medicaid remit data extraction
- Eligibility research
- False variance correction due to incorrect plan code
- Collections/denials management automation



- Credit backlog cleanup
- Authorization submission/tracking
- Government eligibility denial elimination
- Missing ICN/DCN claim edit/hold
- Secondary claim COB billing edits
- Other billing edits (essentially bridge routines that can look at other systems and make decisions)



- Work patient account system work queues
- Notice of admission
- Late charge validation pre-bill
- Medical records for workers compensation
- Charge reconciliation to dept systems
- Notes posting
- Cash/adjustment posting

Adjustment (XX7) Claim Type Bot

Avg labor savings **2.4-4 FTEs**
ROI **365%-583%**

Medicare and Medicaid Eligibility Scrub Bot

Avg labor savings **1.8-3 FTEs**
ROI **263%-438%**

Late Charge Management Bot

Avg labor savings **3.6-6 FTEs**
ROI **525%-875%**

Summary

The staffing challenges in healthcare are here for the next few years. Their impact on the clinical and financial operations of hospitals are significant and measurable. Financial outcomes of short staffing are detrimental to cash flow and overall financial success as demonstrated in the [data points](#). Innovative hospitals have reevaluated their revenue management strategy and partnered with technology companies to adapt during these challenging times. Consolidating vendor costs, automating workflows and leveraging the latest technology through engaging with an industry-leading partner can deliver an end-to-end revenue management platform that can perform under the most difficult circumstances. Successful organizations have transformed their operations to meet the challenges of the new healthcare economy. The healthcare industry continues to recover in the wake of COVID-19, and it remains imperative to rethink revenue management and advance the healthcare economy for staff, patients and the communities they serve.

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