



Podcast



HEALTHCARE INDUSTRY GROUP

HUMAN CAPITAL & WORKFORCE MANAGEMENT

## The Rapid Rise of Labor Costs and the Impact on U.S. Healthcare Organizations – Part 2

### Transcript

**[00:00:00] Speaker:** Welcome to an A&M Healthcare Industry Group Human Capital And Workforce Management Podcast series. Today, we are talking with healthcare leaders about the impact their organizations are facing, including labor issues, the nursing shortage, compensation, wage inflation, and how they are responding.

**[00:00:22] Bianca A. Briola:** I would love to talk a little bit more to you, Chris, about what you're seeing in your market. You mentioned that there's a lot of competition in the LA market. Professor Gottlieb mentioned all of those pressures obviously have downstream economic implications, particularly with your workforce expense. What are some of your specific challenges you see in your market, whether they be nursing or not, that are really driving what you're seeing on your reports?

**[00:00:51] Chris Allen:** I think when we talk specifically about nursing, I think the shortage has definitely been an issue for us. LA is hypercompetitive from a healthcare workforce standpoint. Then you throw on the rest of the state. People migrate across this state all the time. I think secondarily we've started to see, due to some of the public policy, at least in our state, and the increase in the minimum wage in some of our lower-end positions like environmental services or security team that people were seeing opportunities for jobs in non-healthcare setting due to the increase in minimum wage, that were paying more than we are paying in a healthcare setting.

From their standpoint, looking at risk potential of what can happen to you if you work in a hospital. They left the healthcare environments all together. That puts pressure on us to increase our wages to continue to try to acquire new staff. I think you look at those things. Then continued managerial wage compression continues to be an issue. We pay lots of attention to our staff positions and their wages. I think what we're starting to see is that people in management positions, whether it be frontline or secondary managers also see opportunities that have come to them by way of new roles opening up across the healthcare industry and different states.

Because people who are towards the end of their career are saying goodbye to healthcare. Too much pressure, too much work, and so everybody's moving up a level I think, faster than we've seen in previous points, at least in my career. That continues to cause us the need to balance not losing our really expert management team with increased compensation-type packages.

**[00:03:18] Bianca:** Yes. I'm thankful that you mentioned that, because we're seeing more research coming out in the past few months about executives turning over and basically



leaving healthcare altogether. I see that some of my colleagues that I've been working with for years, they're going to become academics or changing industries, or retiring, starting their own businesses, becoming consultants. I can definitely understand why that would be a challenge that organizations are facing. I am actually interested in lower-compensated workers. In theory, this is where I think that maybe you can step in here.

My local KFC, they're still offering a \$1,000 sign-on bonus. I see it on their marquee. For a long time we had heard, "That's not real, it's hype." Whether or not it's real, there's this perceived opportunity of flexibility, benefits, same wage or higher wage without the risk of becoming ill or being mistreated by others, going in and being a delivery driver or working at Costco or doing fast food work, or cobbling together good work. I'm really interested in understanding, Tere, from your perspective, what are some unusual compensation strategies and total rewards trends that you're seeing our hospitals and health systems using to keep or attract staff when they have a lot of options now?

**[00:04:50] Tere LeBarron:** I'm going to break that question down into two parts. I'm going to first talk about some of the things that healthcare systems and organizations can do to attract folks out of KFC, and dare we say Amazon or some of those other places where we see more entry-level workers migrating. I think that one of the problems or sins that we've committed in healthcare is that we only sometimes look to people with healthcare experience when we are doing hiring.

What we're seeing in some of these systems, and I think it is a good plan, is to bring in workers without health care experience, and provide them the training that they need to become great healthcare workers. Once you enter our system, we're seeing increases in tuition reimbursement, tuition benefits, and we're seeing increases in loan repayment programs that are supporting more entry-level health workers to move up through the organization. I may start my career in the supply and processing department of the hospital.

I'll get some training in that, I'll be able to come in, but perhaps my aspiration is to work in a clinical field, in radiology, in pathology, or as a nurse, the avenue to do that is open to me through my system. I think that that's one of the things that we can do to bring more workers into the healthcare system. That's one idea. The other thing that we're seeing is we're seeing different benefits strategies.

I'm anxious to hear what Kimberly has done in this space to help support our healthcare workers. In addition to the increases in tuition benefits that I've talked about, we're also seeing more health and wellness benefits that are coming along to support workers who are experiencing burnout from working in such an overcharged and overheated environment for the last two years. I think those are some of the benefits issues that we're starting to see emerging in some of our forward-thinking systems. Kimberly, anything to add to that that might be important?

**[00:07:16] Kimberly King Webb:** One thing that she mentioned is the benefit strategies. I think that that can't be overstated. When you're looking at the compensation issue, you really have to look at it as a not just your base comp, but the total rewards piece of it. That's one thing that we've really tried to focus on in a couple of different ways. We wanted to make sure that we are providing the benefits that provide the most value to associates. We have a list of benefits, and I think most systems have a list of benefits that they typically offer. We wanted to make sure that we were getting, and our associates are getting the bang for our buck in that way.

We did a comprehensive total reward survey, and really asked, "What do you value most?" Designed it in a way that we could really understand the comparative value that associates put on certain benefits. If it is additional childcare or additional tuition reimbursement, I think

that really showed us a lot and gave us a lot of insight so we weren't just hitting blindly of what we thought associates wanted.

Then the other piece of that is making sure that we're telling our story and really communicating, because we found that we had some benefits that people just weren't taking advantage of. Making sure that we're communicating that and providing a one-stop shop that people could go to and understand their benefits and see the value of them, and really be able to make some personal choices based on their personal life situation.

**[00:09:12] Bianca:** All of this sounds so incredibly expensive, right? Chris, if I'm you, I'm thinking, "Oh my goodness, how do I budget?" So it's not just incurring more costs, there are strategies that we need to use to manage workforce expense. What are you doing? What is your magic wand to all of this rapidly increasing workforce expense, Chris? What are what are your strategy?

**[00:09:48] Chris:** It's a great question and one that we had been toiling over for the last year. One of the things that we introduced during the pandemic was our care for the caregiver program to really focus in on how we were treating staff and giving them resources, whether it be during a pandemic, we have a hotel on our campus allowing staff to stay in the hotel when they were working long hours. We had done lots of, I would say, individual programs either by way of providing groceries for staff or gift cards, or even some fun team building exercises, food trucks on campus.

Anything that we could do to help staff feel like they were being supported through this, that they weren't alone. I think the other thing from a university standpoint, we offered COVID sick time. If staff were dealing with either their own impact of COVID or family impact of COVID, that they could take time off to deal with that. Those are some strategies, some of the softer strategies we're dealing with. I think from a hard dollar we had really focused in on the contract labor force that we were utilizing, trying to really focus in on the organizations that we contract with, and do some hard force negotiations around the rates.

Looking at them on a weekly basis, not just waiting and being preemptive in terms of making sure that we've managed which of the contract organizations we are utilizing. I think secondarily we're looking at our compensation program from the standpoint of how many dollars we put into market adjustments. What we are putting forth as overall merit increase on an annual basis. We introduced a manager incentive compensation plan, which we didn't have before to help facilitate that compression issue that I was talking about.

Then lastly, it's really, which is nobody's fun thing to do, we've really been focused on the use of labor. Really we do a lot around productivity analysis and overtime review. I think our management team, the operations team has really understood that as I continue to talk about our financial situation and they hate to see my face pop up on the screen when it's time for a month end. Those things that, the way I explain it is we can manage around this or we can let it happen to us. If we let it happen to us, lots of bad things start to happen that are outside of our control.

Doing the things that are important in terms of making sure that you have the right amount of staff, making sure that when we have open requisitions, that you are actually interviewing people in a timely manner so we don't lose out on those who would like to work in our organization. Then just connecting with staff, making sure that you are really showing your staff that you're being a leader, and helping them understand how they participate in this effort as well in terms of working our organization out of these last two years of financial struggle.

**[00:13:52] Bianca:** Chris, you're really speaking my language. I think that instead of swinging from the curtain saying, we can't do anything, the ability to offer some foundational discipline and rigor really gives you the direction. You can see where you may do anything in your time. There's no question. We're also finding that organizations have really normalized the use of contract labor. Arguably, we may be using contingent and contract labor forever.

This could be part of our overall workforce strategy with a good partnership, with a vendor managing rates, et cetera, but without having that fine eagle eye in tune to how you're using that workforce, how much you're spending on that workforce, how you're dispositioning that workforce, it can go crazy. It can definitely go crazy. Kimberly, are you utilizing any specific strategies to curb workforce expense knowing that you're also making a significant investment in your associates?

**[00:14:54] Kimberly:** Absolutely. It's hard to go after Chris because so many things, I just want to say ditto or amen. We are doing many of the same things. One of the things is, I think, very impactful that we tend to forget when we talk about the compensation discussion or when we're in the compensation discussion, is those caring for the caregiver programs and that engagement of how are we showing up and connecting our associates to our purpose, because we know that our mission, we feel, and our culture is very strong and is one of our most powerful differentiator in the market.

We want to make sure that our associates see our culture and see us living our core values feel very connected to the purpose. We have continued our quarterly engagement surveys. We do that to get as really good, timely feedback from our associates on what's on their minds. What's going well? What could be better? How we can better support them. We've really also focused on how we can be more efficient, and who does the work and how the work gets done, looking at how we are providing resources to those frontline leaders, our clinical nursing teams, and really have streamlined a lot of processes.

I think that the pandemic has left us with a new sense of being able to make quick decisions and to execute on those decisions. Those are a couple of things that we've done. We've also really accelerated our hiring and onboarding process. We've got to streamline that so that we can really hire quickly, hire efficiently and effectively, and then get that person started on the floor as quickly as possible.

Again, like Chris, working with our contract partners to really negotiate those raids, particularly lately, since COVID numbers are down, and really trying to use our size and leverage the organization to put some pressure in that respect. Then finally, as nurses leave contract labor, now that the COVID numbers are down and they're starting to leave out, we want to make sure that we're employer of first choice, and that we want them here. How are we doing that? Trying to capture those who may left or who may have just come to Chris' part of contract labor and decided that this is a place that they can stay.

**[00:18:08] Bianca:** I think we need to do a separate podcast just on the boomeranging. Are organizations welcoming back those that left for whatever reason? How successful are they in keeping those resources that were once contract, maybe they potentially could be full-time? Tere, are you seeing this happen a lot now?

**[00:18:29] Tere:** As we are seeing the contract labor market soften a little, we are advising our clients in a couple of ways. One that Kimberly brought up, how are you renegotiating those contracts? Are you consistently looking at those contracts so you can get the best price that you can for that contract labor that you have? The second thing is asking the question. What will be different when your nurses come back? Some that have left to do travel assignments, how will they find things different?

What will they find in your culture and in your mentoring programs, and in your career growth programs, and career tracking programs that will reinvigorate their allegiance or their loyalty to your company? I love Kimberly's statement about retaining some of those travelers, if they've walked into your environment and they're finding that it's a good environment for them, that they are connected to the mission, that they're more easily engaged than keeping those who have been on the road a while in your organization as a great strategy as we see this contract labor issue, as we see the numbers soften for them.

**[00:19:46] Bianca:** Thank you for that. A big thank you to our guests, our experts and operators in the hospital and health system space and them sharing their candid thoughts and ideas about what's going on with wage inflation and compensation. I'd love to direct our listeners to [www.alvarezandmarsal.com](http://www.alvarezandmarsal.com).

I'd like to invite all of our listeners to join us for part three, where you'll get to hear our experts take on the economic implications of the short term labor market. Some of their predictions for the long term effects of wage inflation. And let's also hear a little bit about their initiatives that their own organizations and organizations around the nation and what they're doing to combat this massive cost in labor expense.

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