



Podcast



HEALTHCARE INDUSTRY GROUP

HUMAN CAPITAL & WORKFORCE MANAGEMENT

## The Future of Travel Nursing – Episode 3

### Transcript

**[00:00:28] Bianca A. Briola:** We are joined again today by our favorite economist, Professor Joshua Gottlieb. He served as a panelist on our recent compensation and wage inflation podcast, so we just had to have him back. This time, he'll be chatting with us about his travel nursing research. I'm so excited to hear his perspective.

Hello, and welcome to *Alvarez & Marsal Healthcare Industry Group Human Capital and Workforce Management Podcast*. In this podcast series, we will discuss the most pressing workforce issues facing healthcare leaders. Today, we are joined by Professor Gottlieb, an economist and associate professor at the University of Chicago Harris School of Public Policy.

Professor Gottlieb, we are so excited to have you here to chat about the unprecedented labor costs that hospitals and health systems are facing right now, as well as the short-term labor market that I believe you've done some research on.

Admittedly, I have been really looking forward to this conversation. I'm a little bit of an econ nerd. Not that I know any economic principles, but I always learn something so interesting every time I talk to an economist. Welcome, Professor Gottlieb, to the show.

**[00:01:41] Professor Joshua Gottlieb:** Thank you so much for having me on. My pleasure.

**[00:01:44] Bianca:** Let's just jump right in. I just want to talk to you a little bit about some of your interests. During the pandemic, I know that you studied the travel nursing market. In fact, I just finished reading your paper yesterday. Do you mind sharing with us a little bit about what you learned about that really interesting period of time?

**[00:02:05] Professor Gottlieb:** Happy to talk about that. As you mentioned in your introduction, economic principles are really powerful and that's what we found in studying the travel nursing market. This paper looked at what happened in areas where COVID cases increased, what happened to the demand for travel nursing, what happened to the number of nurses who were recruited to work in those places of different specialties, and where they came from?

What we found is that economic principles seem to operate very powerfully in this market. When COVID cases increase in a particular state, the market is able to bring more nurses from elsewhere in the country or from locally to the jobs where they're needed. This is especially true in the specialties that are most relevant for care for COVID-19, so things like ICU and med surge floors, and there's a very clear contrast between those and other specialties like labor and delivery, which does not respond to COVID conditions.



**[00:03:17] Bianca:** Great, great, because we didn't have more pregnancies during COVID necessarily.

**[00:03:22] Professor Gottlieb:** Exactly. That's right. It's certainly right that when COVID cases happen to increase in a particular area, that's not likely to be related to the number of people going into labor at that time, and so you know, you don't see the travel nursing demand increase, but you do in the COVID related specialties of nursing.

The way the market does this is by raising compensation. We're able to trace out the supply curve. We're able to say when demand increases-- when COVID cases surge, then demand increases in that area, in that region at that time, and we are able to see how many more people take jobs and how much higher their compensation is. We're able to understand the supply curve and this is, as you alluded to at the beginning, standard economic principles operating very powerfully.

An important part of how they do this is by recruiting, by enticing people to travel from elsewhere to the areas where they're needed. We're able to look at how far people travel and get a sense of how the higher compensation is drawing nurses in from other places.

**[00:04:46] Bianca:** Really, correct me if I'm wrong, money talks?

**[00:04:50] Professor Gottlieb:** Yes, money talks money. That's what sloping labor supply means.

**[00:04:54] Bianca:** Yes, money talks, and maybe a nurse would be more willing to travel further distance away from their family for more money. Is that right?

**[00:05:06] Professor Gottlieb:** That's exactly right. Now, I want to be clear, when you say money talks, that's not the only thing that talks. People may have lots of motivations for taking these jobs. They might feel a sense of duty or obligation, a desire to help the community to go where they can do the most good. They might enjoy the adventure of travel nursing, of going to different places, of being able to choose their employer for short periods and then move on somewhere else.

One component along with all those other things is money. You need to earn a living. You need to feed your family, and, everything else equal, it's going to be more attractive to go somewhere. As you started alluding to, more attractive to incur the cost of going farther away, more travel logistics, farther away from your family, et cetera, that's all going to be more attractive to the potential traveling nurse when the money increases, so that's why the money increases and that draws people in.

**[00:06:15] Bianca:** You're getting paid for the sacrifice, for sure.

**[00:06:18] Professor Gottlieb:** You're getting paid for the sacrifice. That's what an economist would call a compensating differential.

**[00:06:23] Bianca:** Compensating differential. See, I'm already learning something. It's fantastic. I can tell you're a professor.

**[00:06:29] Professor Gottlieb:** The idea of compensating differentials is that if one job is more attractive than another, then you don't need to pay people as much to take that job. On the flip side, if the job is less attractive, then you need to pay more. If the job is farther away from your family, if it's during a period when the risk of contracting COVID yourself is high, all those other factors, you need to earn a compensating differential.

**[00:06:53] Bianca:** Okay. Really helpful information that then takes us to present day. We saw that COVID peak short-term labor market that was met with incredibly high wages. We heard about folks leaving their normal jobs that they've been with for 20 years, their organizations, leaving their families to go travel for a few months to pay off mortgages or to pay for college for their children.

Now, it doesn't seem like that's the case anymore. Certainly not experts here, but we did have a recent conversation with an executive of a travel nursing agency. He made it sound like the market is stabilizing with compensation. What are your thoughts on the future of this very unusual labor market? Very strange period of time. What does it look like in the future?

**[00:07:57] Professor Gottlieb:** COVID certainly was a very strange period of time for pretty much every market, including every labor market. Obviously, especially so in this context. It was an historic spike in demand. There are always-- The travel nursing industry didn't start during COVID, there have always been periods of time when temporary workers are needed, and it's not just in nursing. There are temporary workers in lots of industries, probably nearly every industry uses temporary labor in some form or other.

The boundary of the content temporary labor is actually not necessarily trivial to define but the travel nursing market was established and had firms in it and had its industry practices prior to COVID because there were always variations. There were seasonal variations, there were idiosyncratic needs in one hospital at one time or otherwise, lots of reasons you might need a temporary nurse.

**[00:09:05] Bianca:** Maybe it's just not going away in the future, because those situations will happen in the future and we're seeing more and more retirements occur, folks are tired, so I suspect that we'll still have a very robust traveler industry. Would you agree?

**[00:09:21] Professor Gottlieb:** I'm not going to prognosticate about the future, but I don't see any reason to think we wouldn't. We had it before. It was uniquely huge during COVID for perfectly logical reasons and, yes, the needs will be different in the future. I hope we don't have another pandemic like this.

**[00:09:46] Bianca:** No kidding. Yes.

**[00:09:47] Professor Gottlieb:** The much higher compensation that we saw, this sort of compensation that could entice people to leave jobs from 20 years to do some travel nurse work. Those kinds of wages come about when you have these historic national massive spikes in demand, and in the absence of that happening again, I would expect to see more normal market behavior.

**[00:10:12] Bianca:** Great. I wonder how long it's going to take for us to stabilize. I'm going to almost use "stabilize" in quotation marks because you know what does that look like now. We may be faced with high wages at least for the near term because of inflationary pressure rate. It's so expensive to do anything and have anything. We see that wages are being outpaced by inflation right now, the cost of goods.

One of the things that I'm really interested in is what are some of the measures that will be put in place to push down wages or help us normalize compensation? You hear about all of these potential legislation that are popping up at the federal level but more predominantly at the state level to cap travel nursing, travel wages, the travel nurse industry, do you think that this legislation is going to come to fruition? What's your gut?

**[00:11:12] Professor Gottlieb:** There are versions of this already in place in some states, so you don't need to speculate about the future. You can look at states like Massachusetts

and I believe Minnesota is another one that have some version of this. We do some analysis in the paper of those state caps. You can use the estimates in our paper to think about what the impact of that would be on the supply.

If you think supply slopes up-- and that is in fact what we estimate, that means that higher compensation gets people to come take the jobs. If you put a cap on the compensation, then how are you going to attract people to come take those jobs?

**[00:12:01] Bianca:** That's so interesting.

**[00:12:02] Professor Gottlieb:** They're incurring no costs, like the traveling, they're incurring risks for themselves, they're taking time away from the family, so you have to entice them. That's what sloping labor supply is all about.

**[00:12:15] Bianca:** We're not going to jump to conclusions, and of course, my crystal ball is broken but potential downstream impact of these types of caps is states could be shooting themselves in the foot by regulating because they may limit the supply of staff that they have available. It's a very interesting downstream implication of this type of thing.

It might be a need to reaction. The hope is that we'll get a little bit more clarity on how states are going to fall related to limiting compensation in some ways, specifically for travel nursing.

Let's talk about compensation. We've heard about wage inflation. My colleagues that run hospitals, they are noting that there are serious downstream implications to hospital operating costs because of their increased labor costs. It's not just travel nurses. They've made wage accommodations, they've given bonuses and pay bumps and retention bonuses and sign-on bonuses and, ultimately, that's really stacking up.

They're seeing labor costs that's unprecedented. What do you think is going to happen with hospital employee wages? What's going to happen in the healthcare labor market related to wages?

**[00:13:37] Professor Gottlieb:** Your describing is not really different from the rest of the economy, right?

**[00:13:42] Bianca:** Okay.

**[00:13:45] Professor Gottlieb:** It's a huge sector, it's an important and fascinating sector. It's one sector among many, among all the rest of the economy, and healthcare is certainly not the only one where there are inflationary pressures. Healthcare is a bit unique in its pricing so healthcare for hospitals and other firms sell their services largely to government buyers.

We have Medicare payment rules and the private insurers often build on the Medicare payment rules that all is supposed to incorporate inflation. For hospitals, unlike for other industries, there's maybe a slower but almost mechanical or a regulatory mechanism for those costs to be fed back into their revenues. It will be interesting to see how that happens, how the private insurers do or don't pass through these increase as the same way Medicare does but the payment formulas are likely to reflect this absolute lag.

**[00:14:58] Bianca:** So the hospital squeeze may be temporary, there's potential that it could just be temporary?

**[00:15:04] Professor Gottlieb:** Exactly.

**[00:15:04] Bianca:** that compensation may stabilize and then they might get some support on the payer side.

**[00:15:10] Professor Gottlieb:** I don't know what's going to happen to compensation. I don't know what's going to happen to inflation, but I know that the payment rules pay attention to inflation. You're right to think that the current period is perhaps especially challenging because you're seeing the cost go up and unlike in other industries, hospitals can't immediately raise their prices. These payment rules and negotiations happen with some lag, so mismatch indeed might be temporary.

**[00:15:51] Bianca:** Okay, so last question. Let's talk a little bit about supply and demand, another economic principle that we certainly see in the labor market, specifically, what about the supply of healthcare resources. We keep on hearing about a nursing shortage that is cyclical, and we are in a period now of what we hear is a deep shortage of clinical resources, potentially other providers and licensed staff, what impact does a labor shortage have?

**[00:16:28] Professor Gottlieb:** When you have trouble hiring, you're, of course, going to raise compensation. Going back to the supply curve that we started out with, higher compensation will attract people into the industry in other ways. We talked about supply attracting people to work as travelers in a particular state, it also sends a signal to people that nursing is an attractive profession, and then more people will train as nurses or other providers, other clinical practitioners and those margins respond as well. People make choices about their careers, about their specialty, about their training based on the information they have available about what the compensation is going to be like, of course, along with many other factors. As this information passes through into wages if we don't artificially restrain the training, the supply should eventually, again, with some lag, catch up.

**[00:17:33] Bianca:** Yes, this is fascinating.

**[00:17:35] Professor Gottlieb:** When we do things that make it very hard for people to come from overseas or make it hard for new medical schools to start or medical schools to expand, then we restrict that supply response. If we don't interfere with it, there will be a natural supply response.

**[00:17:52] Bianca:** We certainly see that with nursing schools, right? What we're hearing from chief nurses is that they would like to hire new graduates, but the supply of new graduates is still fairly low and then the nursing schools are telling them they just don't have enough spots, and when we press, it's usually they don't have enough instructors, they don't have enough people to teach, so it's kind of like a cycle.

If folks are leaving the industry and those are great folks to be able to teach and then we don't have the spaces in the nursing education system, then we're never going to be able to replenish and serve our communities' need.

This is just a complicated multifactorial issue, and it seems like it all has spiked in one time. You use the term spike often and that really is a great action verb to describe what's going on, so fascinating. Before we go, do you have any other final thoughts on what you think is going on right now?

**[00:18:51] Professor Gottlieb:** I think this issue of the lag and training and the difficulty of expanding nursing schools is really fascinating. There are probably some frictions in that market that-- what an economist would call frictions that we need to think about how to resolve.



If it is a really good job, a well-paid job, we need nurses, then we should be able to find people to teach them, and we should be able to find slots in nursing schools and maybe that means that the costs have to go up in order to pay those instructors, get people out of retirement or whatever it might be, but there's enough demand that someone should be able to meet that demand. I should respond, and I think it's important that we not put barriers in the way of that.

**[00:19:49] Bianca:** It's so fascinating. After this discussion, and I may have missed the punch line, but I'm still thinking it's all about the money, it just feels that way.

**[00:19:59] Professor Gottlieb:** The forces of supply and demand are incredibly powerful tools for analyzing any market. The demand for nurses is also changing with time. Obviously, the pandemic was a unique spike, but there's an aging population and all the usual factors that you're aware of that cause this to change over time. I think new technologies increase the need for nurses and mid-levels and technicians and all sorts of people to operate those machines and those technologies.

There's new techniques being invented all the time that require physicians and the supply will want to meet that. As you say, money is what helps bring markets into equilibrium. If we don't prevent people from getting the training that they want, we don't prevent people from getting the licenses that they are qualified for, then we can meet these needs.

**[00:21:04] Bianca:** Wonderful. Professor Gottlieb, this has been great. I've learned so much. Never a dull moment with an economist, always learning something new. I very much appreciate your expertise in you sharing your perspective today. Thank you, thank you.

**[00:21:18] Professor Gottlieb:** Thanks for having me.

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