

Healthcare Workforce Scarcities: The Governance Role

By Kimberly A. Russel, FACHE, CEO, Russel Advisors

An ever-lasting impact of the COVID-19 pandemic will be the permanent disruption of the American workforce. Hospital and health system leaders have witnessed firsthand the impact of staffing shortages on our nation's healthcare resources, with the predicament only accelerating with each new wave of the coronavirus. For the first time since 2004, the American College of Healthcare Executives 2021 survey reports personnel shortages of all types as the top CEO concern (displacing financial concerns to second place).¹

As people-related shortages have risen to the top of the CEO worry list, the ramifications of the decline in the available healthcare workforce will impact nearly every item on the board's agenda. Traditionally, workforce matters have been squarely in the purview of the C-suite. CEOs and boards are now asking, "What is the role of governance related to workforce challenges? How and where do workforce shortages intersect with the board's responsibilities and strategic plan? How are workforce shortages impacting quality and patient safety? How should boards be thinking about and approaching this industry-wide challenge?"

The Governance Role

Even during a time of such negative labor market trends, the CEO continues to maintain prime responsibility for the healthcare workforce—with accountability to the board for results. However, the far-reaching impact of human resource shortages places this subject at the center of the board's strategic deliberations and considerations. The board must balance its mission to meet the healthcare needs of its communities with the realities of staff availability. And most unfortunately, pandemic-related insufficient staffing levels have severely challenged organizations to consistently fulfill the promises of their mission. Boards must recognize and

1 ["Top Issues Confronting Hospitals in 2021,"](#) American College of Healthcare Executives (press release), February 4, 2022.

understand the C-suite and the governance roles surrounding healthcare workforce shortages. Areas for board attention:

- Board education
- Review of management's workforce development plan
- Strategy development
- Capital planning and financial implications
- Organized labor strategies
- Enterprise risk management
- Accountability and oversight

Board Education

First, the board should gain a thorough understanding of labor availability challenges in the market served by the hospital/health system. In the past, boards may have focused on the nursing and physician workforces. Boards should now expand their view to encompass the entire workforce—clinical and non-clinical. Boards should seek information on local and regional general population changes along with trends specific to the current and potential/future healthcare workforce. The goal is for the board to gain an accurate understanding of the current situation along with a longer-term forecast based upon the educational pipeline and future demographics. Boards should also learn about the unique workforce-related challenges in healthcare in contrast to other business sectors.

→ Key Board Takeaways

- Invest the time to educate the board about healthcare workforce shortages.
- Understand the permanent nature of workforce changes; staffing shortages are occurring in all job categories.
- Respect the operational and leadership role of the CEO and C-suite for workforce development.
- Incorporate workforce considerations into all aspects of strategy development.
- Expand the board's existing oversight mechanisms to encompass accountability for workforce measures.
- Consider using the organization's approach to workforce management as an opportunity to distinguish the hospital/health system from other employers.

Management's Workforce Development Plan

Armed with its knowledge of the current labor pool market, the board (or a designated board committee) should thoroughly review management's approach to workforce development. The review should encompass both short-term and longer-term plans. The board should stress-test the assumptions underlying the plan. The board should also ensure that the approach is in alignment with the desired organizational culture. A robust internal communication strategy is an essential element of workforce development; the board should ensure that management's workforce development plan includes internal communication strategies that touch all workforce segments.

Strategy Development

The board's knowledge and understanding of workforce challenges and opportunities should become a standard element of all current and future strategic discussions and decisions. For example, the board would not make a strategic decision without understanding the financial implications and financial risk. Workforce considerations should have an equal place in the board's decision making.

As a starting point, the board and executive management should together reexamine the organization's current strategic playbook against the new workforce realities. Some strategies may need readjustment while others may remain in place.

→ Example: Strategic Pivot Tied to Workforce

A health system may elect to partner with an existing post-acute care organization rather than investing in its own start-up post-acute care service.

Financial Strategies

The board and its finance committee should understand the implications of workforce shortages on current and longer-term financial plans. For example, wage hikes for current employees represent a permanent increase in the cost structure of hospitals and health systems. The board should recognize the impact on financial operating metrics, which may in turn influence future strategic decision making.

The organization's long-term plan to cope with a reduced healthcare workforce may also lead to capital reallocation. For example, organizations may prioritize investment in artificial intelligence and labor-saving technologies. Facility redesign and associated

capital improvements may be necessary as a response to the changing environment. Investment in higher-education programs and partnerships may also lead to redeployment of capital resources.

Organized Labor

It is not surprising that labor unions have been vocal throughout the pandemic about key topics such as understaffing, workplace safety, and availability of adequate personal protective equipment. Messages from labor unions are increasingly aimed at the general public and the media at large. Accordingly, boards must remain current on local and regional happenings in organized labor.

An understanding of contemporary trends in healthcare-based labor union activity may further inform boardroom decision making about financial priorities and other workforce strategies. For hospitals and health systems with active labor contracts in place, the board (or a designated committee) should receive periodic briefings on the status of contract negotiations, any potential labor stoppage activity, and associated risk mitigation strategies.

For hospitals and health systems without existing labor contracts, the board should conduct a discussion in executive session about labor unions in healthcare. Based on this discussion, the board may wish to create a document outlining the board's philosophy about labor organizations. Regardless of its position on labor unions, the board must emphasize the importance of an open, transparent, and inclusive organizational culture. The governing body has an opportunity to showcase the desired culture by adopting these same principles in the boardroom.

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Enterprise Risk Management

The board should revisit the enterprise risk management plan through the lens of current and future workforce shortages. For most organizations, workforce shortages will appear more prominently in the enterprise risk management plan now and going forward compared to the pre-pandemic era. As the C-suite formulates new workforce

development initiatives, there should be a strong connection with enterprise risk mitigation strategies.

Accountability and Oversight

As boards gain an understanding of the current state of healthcare workforce availability, there may be a tendency to cast a sympathetic eye to the operational challenges faced by management. However, the governance responsibility remains clear—to hold management accountable for developing short-term and longer-term strategies that achieve key results in keeping with the hospital/health system’s mission.

Accountability tools for boards include:

- Request a deep dive overview from the CEO and Chief Human Resources Officer (CHRO) covering the demographics of the current workforce. The deep dive should also include turnover trends along with recruitment and retention challenges. The overview should include summarized conclusions from exit interviews of departing staff.
- Ask for regular progress reports from management with a focus on both short-term plans and longer-term plans for workforce growth and enhancement.
- Schedule annual or semi-annual presentations from the CHRO to the full board about current and future workforce-related challenges.
- Although the board’s performance goals for the CEO have traditionally included at least one metric related to human resources, consider whether the workforce metric used in the pre-pandemic world is still relevant—does it need to be replaced? Or should additional human capital metric(s) be added? Consider adding new human resource-related metrics (see below for examples) to the CEO’s annual performance goals. Another option is to weigh the human resource metrics more heavily in the annual goals.
- Add the relevant workforce-related metrics to the dashboard that is tracked at each board meeting.
- Request an update on internal leadership development plans and progress. How is leadership development assessed and monitored? Are sufficient resources allocated to support internal leadership development?
- Stay on top of succession planning initiatives. Add to the board’s calendar (or the relevant board committee) an annual or semi-annual report on the status of succession planning and leadership development for key positions.
- Consider the creation of a written statement of the board’s compensation philosophy for the organization. This document can be used to clarify the board’s position on compensation throughout the organization.

→ Example: Workforce Metrics Appropriate for the Board/ Committee Level

Reducing employee turnover:

- First year turnover
- Nurse turnover rate (monthly)
- Total employee turnover rate (cumulative)

Improve workplace safety:

- Total recordable incident rate

Others:

- Retention rate (an indicator of employee satisfaction)
- Offer acceptance rate (an indicator of the organization's overall attractiveness in the employee marketplace)

These metrics are from the author as well as from Maulik Joshi, Dr.P.H., "The Must Dos for Excellent Governance of Quality" (Webinar), The Governance Institute, 2020.

Board Organizational Options

Each board should make a specific decision about its ideal governance structure to cover workforce matters. Some boards may elect to enlarge the scope of an existing board committee (such as the compensation committee) to include workforce. Alternatively, the board may decide not to work through a committee and present all workforce business items to the full board. Both options are workable if the board is clear about its organizational structure.

Health systems with subsidiary boards that maintain some fiduciary responsibilities have an added obligation. The governing body of the health system must clarify the duties of subsidiary boards related to workforce. The health system board must also explain the system's workforce development strategy, followed by regular communication about progress to its subsidiary boards.

As the board reviews needed director competencies when considering future board recruitment, the board may wish to add human capital expertise as a highly desirable competency in a future director(s).

Recommendations for CEOs

CEOs are necessarily wary that devoting significant time and attention in the boardroom on workforce issues may blur the line between governance and management. Assuming an underlying positive relationship between board and CEO, this risk can be effectively mitigated. The best tool for the CEO is active communication to the board about the organization's overall approach, actions, and progress. Transparency is a highly effective tool to reassure the board that management is appropriately prioritizing energy and effort on workforce challenges. And as directors observe executive-level attention on workforce matters, the board will be more likely to remain at the governance level.

→ Sample Questions for Boards

One of the most powerful tools for boards is to pose thoughtful and insightful questions to the management team. Here is a selection of potential questions for directors to use in the boardroom:

- Do we have a forecast of our workforce needs for the next three to five years? Is the forecast segmented by major job category (medical, nursing, clinical, non-clinical, support)?
- What is our overall strategy for acquiring new talent external to the organization? What is our strategy for developing internal people?
- Do our strategic plans require new talent/skillsets for successful execution?
- Is our current level of investment in internal talent development sufficient? What level of investment will be needed in the future?
- How deep into the organization (beyond the C-suite) do our succession plans extend?
- Are our internal succession plan efforts successful? How do we measure success in succession planning?
- Are we actively exploring partnerships with other organizations as a component of our workforce development plan?
- What general trends have we learned from exit interviews?
- How do our workforce development plans dovetail with broader community or regional efforts?
- Do we have effective partnerships in place with higher education institutions? How does our organization evaluate the success of such partnerships?
- Is our organization welcoming to new hires? How do we measure this?

CEOs should remember that most directors are also facing workforce shortages in their own businesses. There is an opportunity to learn from directors about workforce challenges—and solutions—in business sectors other than healthcare.

Final Thoughts

Boards must resist the notion that workforce shortages in healthcare are temporary. The long-term nature of the underlying workforce trends is forcing permanent change in human capital strategies. Opportunistic boards may view these circumstances positively—perhaps as an opportunity to become a recognized leader in internal talent development. Boards may also use labor shortage realities to focus the organization more tightly on key priorities. Finally, ongoing labor shortages may incent organizations toward new care transformation strategies. Change management skills of operational leaders are a must for navigation of this new environment in the healthcare world. Boards can lead the way by incorporating workforce-related concepts into ongoing strategy development coupled with effective oversight practices.

The Governance Institute thanks Kimberly A. Russel, FACHE, Chief Executive Officer of Russel Advisors and Governance Institute Advisor, for contributing this article. She can be reached at russelmha@yahoo.com.

