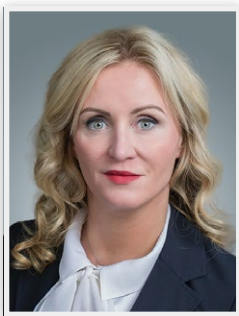
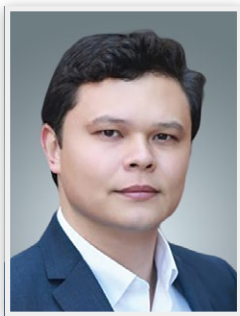


In 2023, Human Capital Is Your Strategy

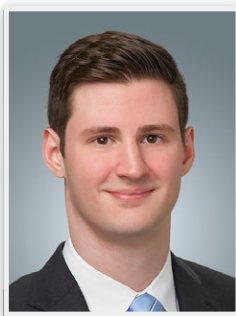
By Deirdre Baggot, Ph.D., Kevin Wistehuff, and Luke Marazzo, Oliver Wyman



Deirdre Baggot, Ph.D.
Partner
Oliver Wyman



Kevin Wistehuff
Engagement Manager
Oliver Wyman



Luke Marazzo
Associate
Oliver Wyman

Redefining our workforce operating model has been a long time coming. In 2023, the labor supply gap means that the most valuable asset for hospitals and health systems is its people. Elevated turnover in today's high-cost labor market will only continue to stall growth and weaken your organization's market position.

Low margins, high turnover, and a shifting employment pool to Gen Z workers is forcing executives and boards to rethink their human capital strategy. Leaders are shifting their focus to developing and maintaining a more sustainable workforce model, mitigating operational upheaval and potential openings for competitors—from inside and outside of the industry—to gain more market share.

While many point to the COVID-19 pandemic as the cause of today's workforce crisis, "alarming" burnout was a major problem before the pandemic started.¹ This existing trend has been compounded by changing worker expectations of employers and financial challenges facing the industry, putting more pressure on providers to find efficient ways of deploying resources.

This article pinpoints four areas that are critical for boards and executives to home in on as they rebuild their workforce models. Importantly, boards need to understand that these four domains are linked and must be addressed simultaneously, not in isolation.

Lessons Learned from Gig Workers

The pace of clinician burnout accelerated over the past three years. More than 40 percent of healthcare workers reported feeling emotionally exhausted in 2022, up from 32 percent in 2019, according to a study published in *JAMA*.² That burnout hastened the exodus of people leaving their jobs as more than 230,000 healthcare providers left the profession in the first two years of the pandemic alone.³ Looking at hospitals specifically, turnover spiked across clinical and allied health roles, most notably registered nurses. In fact, turnover for nurses rose by 8.4 percent to hit 27 percent in 2021. Meanwhile, turnover among patient care technicians grew by 9.5 percent to reach 38 percent in 2021.⁴

We expect the turnover trend to continue. Oliver Wyman's 2022 survey of nursing and allied health professionals found that 20 to 30 percent of respondents accelerated retirement plans, with 50 to 60 percent planning to change their career in some way, including a significant portion (15 to 30 percent) planning to pursue a career outside of healthcare all together.

To combat turnover, burnout, and elevated vacancy rates, hospitals and health systems are leaning on two approaches: increasing wages and leveraging contract, or gig, labor. The reliance on contract labor is far-reaching, as the American

Key Board Takeaways

The top issue facing hospital board members and executive teams is finding and retaining employees. Labor market takeaways and actions to consider for your future include:

- **Shifting foundations:** Traditional strategies have prioritized physicians or consumers as the foundation of operations and strategy, but workforce challenges, contingent labor trends, and shrinking margins have yielded a new foundation for sustainable growth: *employees*. Health systems are in the people business—and investments in your people are investments in the sustainability of your business.
- **Smart spending:** Setting employees as the strategic and investment foundation for your enterprise does not mean shotgun-spending. Targeted and informed investments in employee pain points will yield long-term dividends. Some of the largest market trends requiring investment, whether of time or capital, include:
 - » **Read the room:** Gen Z workers do not value the same things as past generations. This generation is more mobile and willing to leave a job that isn't meeting their expectations. Gen Zers need to be recruited, managed, and invested in differently.
 - » **Leaning in:** The "gig work" ethos is resilient and should be leveraged strategically while simultaneously building "gig-like" components in your work environment, such as flexibility in schedule and staffing, especially targeted at an emerging generation.
 - » **NP or MD?** Accelerated growth in gig work has led to margin erosion, forcing healthcare organizations to grow utilization of mid-level clinicians, such as nurse practitioners, underpinning the fastest-growing occupation in the U.S.
- **Investments for the future:**
 - » Meet employees where they are and invest strategically—define your Employer Value Proposition for the new generation of labor, and create a plan to make it real.
 - » Rethink your human capital strategy and invest where it's needed—leverage a risk assessment across segments and determine if a change in structure or benefits for one occupational group does not need to be applied to all FTEs at your organization.
 - » Set and review executive KPIs to track performance targeted at addressing a new workforce, set new goals, and benchmark KPIs to the target state.

1 National Academies of Sciences, Engineering, and Medicine, *Taking Action Against Clinician Burnout*, The National Academies Press: Washington, D.C., 2019.
2 J. Bryan Sexton, Kathryn Adair, and Joshua Proulx, "Emotional Exhaustion Among U.S. Health Care Workers," *JAMA Network*, September 21, 2022.
3 Ethan Popowitz, *Addressing the Healthcare Staffing Shortage*, Definitive Healthcare, October 2022.
4 NSI Nursing Solutions Inc., *2022 NSI National Health Care Retention & RN Staffing Report*, March 2022.

Hospital Association noted in a March 2022 letter to the House Energy & Commerce Committee, saying that 95 percent of healthcare facilities reported hiring contract staff.⁵

Our survey, however, sends boards and executives a clear message that they must look beyond traditional tactics if they are going to recruit and retain staff. We found that pay ranked fourth on people’s concerns, behind mental health, work-life balance, and physical health (see **Exhibit 1**).

Gen Zers are not as tied to their current jobs as Gen Xers or boomers. Gen Zers are more likely to be seeking new jobs—62 percent are job hunting compared to 49 percent for all other generations.

While we don’t expect the use of temporary staff to go away since it offers a good backstop when vacancies occur, hospitals and health systems can leverage their experience with contract labor to create a more attractive workforce model. Boards and



executives can borrow from management principles used in contract labor to remake internal policies. That includes offering a more flexible work schedule, allowing more flexibility to work in various care settings or service lines, boosting training, and instituting variable compensation for working undesirable hours.

Keeping Gen Z Engaged

Another facet of the evolving workforce that hospital boards must understand is the idiosyncrasies and stark differences between Gen Z and other generations.

For starters, Gen Zers are not as tied to their current jobs as Gen Xers or boomers. Gen Zers are more likely to be seeking new jobs—62

Exhibit 1: The Biggest Worries

Across the board, healthcare workers have concerns about maintaining health, wellness, and sustaining a healthy work-life balance.

What are your biggest worries working in healthcare? Please rank 1 to 5, with 1 being your biggest worry.

Value prop	Job category				Generational			
	All nurse & allied health professionals	RNs	LPN/LVNs	CNAs	Gen Z	Mill.	Gen X	Boomers
Mental health	1	1	2	1	4	1	1	2
Work-life balance	2	3	3	4	1	4	3	1
Physical health	3	2	5	3	3	5	1	3
Adequate pay	4	5	1	5	2	3	5	5
Exposure to sickness	5	4	4	2	5	2	4	4

Source: Oliver Wyman Nursing Survey 2022.

5 American Hospital Association, “AHA Letter Re: Challenges Facing America’s Health Care Workforce as the U.S. Enters Third Year of COVID-19 Pandemic,” March 1, 2022.

Exhibit 2: Transparency, Development, Growth Opportunities, and Mentorship Are Table Stakes to Gen Zers

Of those who cited advancement and growth opportunities as a top three reason they left their jobs or are seeking new jobs...

38% Are dissatisfied with **lack of clarity** around advancement and growth opportunities

33% Say there are limited opportunities for **promotions**

37% Cite lack of **learning and development** trainings and programs

27% Are **dissatisfied** with lack of formal **mentorship and coaching**

Source: Oliver Wyman Forum, *A Gen Z Report: What Business Needs to Know About the Generation Changing Everything*, 2023.

percent are job hunting compared to 49 percent for all other generations, according to research done by the Oliver Wyman Forum.⁶ And, echoing findings from Oliver Wyman's nursing survey, Gen Zers are acutely aware of how work and other circumstances impact mental health and well-being. According to the Gen Z report, 60 percent of respondents agreed with the statement, "a job does not need to be fulfilling—it should enable me to find balance and fulfillment in other aspects of my life."

As such, Gen Zers are more willing than older generations to leave a job that is causing them stress. Already facing significant financial impact from high turnover and vacancies, healthcare organizations need to make retention a priority among this crucial segment of workers. "Modernizing

The Board's Role

The role of the board is to steer broad changes to workforce policies. While administrators may take discrete actions, boards should help them connect the dots. As the workforce continues to be one of, if not the largest concern among providers, boards should be aware of and support management in enterprise-wide initiatives to embrace innovative solutions and ensure they aren't falling back on old ways of doing business.

Boards need to ask hard and targeted questions of executives, communicate with frontline workers, and develop an open and honest dialogue about the workforce of the future. This is the only way healthcare organizations can ensure they are positioned to thrive in the future.

benefits to cater to Gen Z's needs will give companies an edge," the Oliver Wyman Forum report noted.

Of course, hospitals and health systems are limited in how much flexibility they can offer staff, especially those involved in direct patient care.

But their hands are not completely tied. Boards and executives can pull crucial levers, including transparency around career progression. Of Gen Zers who identified advancement opportunities as one of their top concerns, roughly 40 percent cited lack of clarity around advancement as a reason for looking for another job. Across nursing, allied health, and administrative roles, healthcare can offer a more transparent and faster career progression than other employers by leveraging the wide scope of activities and departments within a hospital to offer greater hands-on project and managerial opportunities for employees. This creates a sense of buy-in and accelerates career progression.

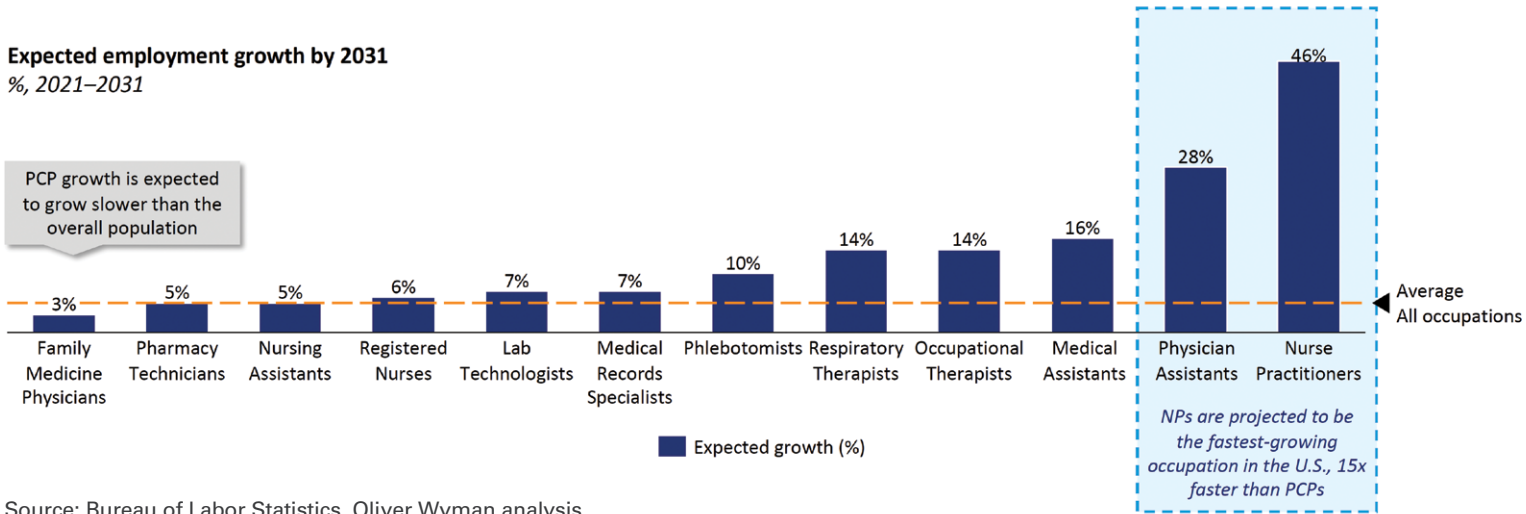
Gen Zers are also highly entrepreneurial and interested in looking beyond their core jobs to gain satisfaction. This creates a tremendous opportunity for boards and administrators to pull younger workers into new projects, whether it is deploying a new technology, assisting in workflow redesign, or finding ways to improve the patient experience. Offering the



6 Oliver Wyman Forum, *A Gen Z Report: What Business Needs to Know About the Generation Changing Everything*, 2023.

Exhibit 3: NPs Are the Fastest-Growing Occupation. Your Healthcare Organization Should Not Fall Behind.

Expected employment growth by 2031
%, 2021–2031



Source: Bureau of Labor Statistics, Oliver Wyman analysis.

opportunity to work on side-of-desk projects enhances the value proposition for Gen Zers.



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Utilizing Advanced Practice Nurses and Allied Health Professionals

One of the most important lessons coming out of the pandemic is the undeniable value of advanced practice nurses and allied health professionals. Their ability to augment the physician workforce and increase access to care, especially primary care, was critical. Even before the pandemic, CVS, Walgreens, Walmart, and a host of other consumer-friendly clinics realized the potential of this labor force to provide quality care and reduce costs.

Looking out over the next decade, nurse practitioners and physician

assistants are estimated to grow by 46 percent and 28 percent respectively, according to the Bureau of Labor Statistics (see Exhibit 3).⁷ The need to fill these jobs will become even more important as physicians reach retirement age. An estimated 21 percent of family medicine, pediatric, and obstetrics and gynecology physicians will be age 65 or older by 2026, up from 12 percent in 2021, and 23,000 primary care physicians are expected to permanently leave the profession, according to Mercer.⁸ Increasingly, physician assistants and nurse practitioners are stepping in to fill the void.

Hospitals and health systems should develop targeted recruitment and retention strategies for this labor force. Building up a strong cadre of allied health professionals and advanced practice nurses will also help hospitals and health systems as they push care to outpatient settings, as well as the home.

Banking on Value-Based Care and Care Management

The fourth area that will greatly influence the workforce of the future is the rapid expansion of Medicare-focused primary care clinics.

⁷ U.S. Bureau of Labor Statistics, *Occupational Outlook Handbook*, see “Nurse Anesthetists, Nurse Midwives, and Nurse Practitioners” and “Physician Assistants.”

⁸ Tanner Bateman, et al., *U.S. Healthcare Labor Market*, Mercer, 2021.

As we pointed out in an article in the January E-Briefings newsletter,⁹ one of the capstone private equity investments in healthcare last year was the joint venture between Humana and Welsh, Carson, Anderson & Stowe, which committed \$1.2 billion in capital to launch more than 100 new Medicare-focused primary care clinics.¹⁰ More recently, CVS Health announced its plan to acquire Oak Street Health.¹¹

The growth of Medicare Advantage is fueling these transactions. As of last year, 48 percent of Medicare beneficiaries were enrolled in a Medicare Advantage plan, according to the Kaiser Family Foundation. That number will eclipse 60 percent by 2032, the Congressional Budget Office projected.

Boards and hospital leaders must recognize that these clinical models have a distinct workforce structure and build a staffing model to support that, including:

- Higher staffing ratios to decrease panel size and focus on a patient-centric experience, improve patient outcomes, and increase capitation payment from Medicare
- Greater utilization of care management functions, such as expanding care coordinators who serve as a patient's provider-agnostic primary point of contact



- More administrative personnel, including patient-centric roles like front desk and scheduling, and back-office support roles as providers shift their workforce ratios and staffing to focus on the patient experience

habits. Rather, they need to embrace new ways of thinking and make their organizations more attractive places to work. Adopting a contract-like mindset, increasing transparency in career progression and ownership of projects and managerial roles, addressing mental health and well-being, and getting in front of shifts to how and where care is being delivered are at the core of what leaders need to do. And these must be done in consort with one another. That is perhaps the most important role for boards. With a broader lens, directors can ensure that administrators are connecting the dots between actions and addressing workforce issues in totality, not piecemeal.

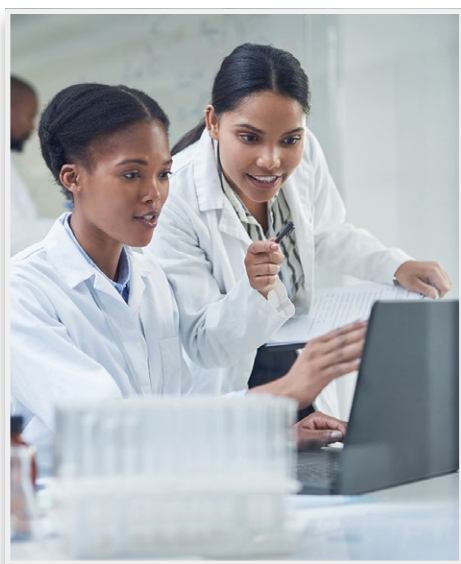
Building up a strong cadre of allied health professionals and advanced practice nurses will help hospitals and health systems as they push care to outpatient settings, as well as the home.

Workforce, a Solvable Crisis

Although the workforce crisis is just that—a crisis—boards and executive teams have an opportunity to make good on their promises to give back to workers who gave up so much during the pandemic.

As this article highlights, it will take a concerted effort by boards and executives to restructure their workforce models. They can't fall back on old

The Governance Institute thanks Deirdre Baggot, Ph.D., Partner, Kevin Wistehuff, Engagement Manager, and Luke Marazzo, Associate, Oliver Wyman, for contributing this article. They can be reached at deirdre.baggot@oliverwyman.com, kevin.wistehuff@oliverwyman.com, and luke.marazzo@oliverwyman.com.



9 Deirdre Baggot, Kevin Wistehuff, and Luke Marazzo, "Private Equity Doubles Down on Healthcare Provider Investing," E-Briefings, The Governance Institute, January 2023.

10 "Humana's CenterWell Senior Primary Care and Welsh, Carson, Anderson & Stowe Announce Second Joint Venture to Develop and Operate Value-Based Primary Care Clinics for Medicare Patients" (press release), May 16, 2022.

11 "CVS Health to Acquire Oak Street Health" (press release), February 8, 2023.