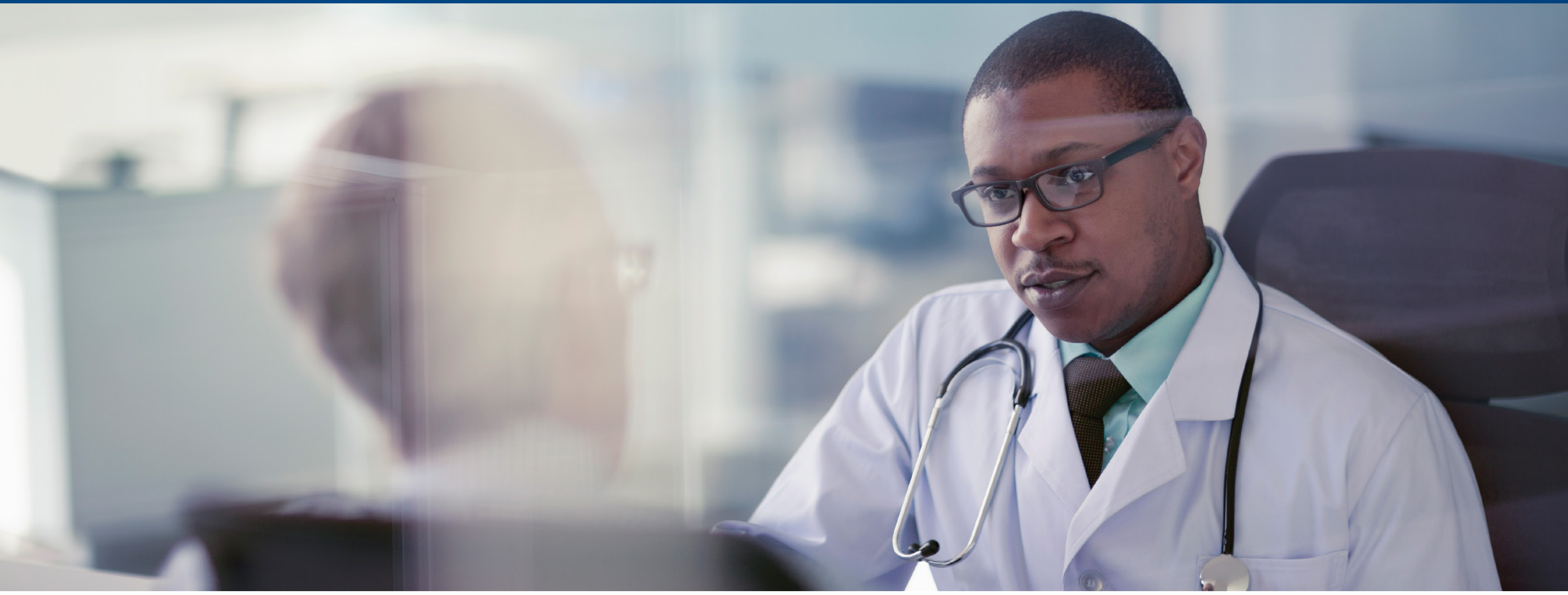

The Healthcare Staffing Challenge: Finding New Ways To Be Efficient

The pandemic has intensified many of the challenges facing the healthcare sector, chief among them the shortage of both clinical and non-clinical staff. This shortage of workers is having a number of direct and indirect impacts on costs, causing healthcare providers to look for help. Fortunately, there are several key efficiencies that banks can enable, which we explore in this article.

A dire situation

One of the hallmarks of the past year has been staffing shortages in many sectors. Dubbed 'The Great Resignation', millions of Americans quit their jobs during the pandemic, with the trend gathering pace as the economy rebounded when lockdowns were lifted. These shortages have been particularly acute in the healthcare sector, as the industry was already suffering from shortages even before COVID-19, and it only got worse when non-medical treatment was put on hold in 2020.

Staff shortages mean that some healthcare providers are unable to provide the services that patients want, which will cut revenue and profit (and put pressure on valuations). In the longer term, if healthcare providers cannot deliver timely and high-quality services, patient satisfaction and quality of care could suffer. Ultimately, providers could suffer reputational damage. A vicious circle could also emerge, with employees working overtime to fill gaps, undermining employee satisfaction and prompting staff to leave.

Healthcare's response: one step forward, two steps back

In response to the challenges with attracting and retaining staff, many providers have resorted to deploying both financial and non-financial incentives to fill the gap. But in many cases these measures have driven costs up even further, both directly and indirectly.

For instance, some organizations have started raising wages to attract new hires. In addition to the predictable impact on incremental expenses, this also creates a new problem – the potential for further dissatisfaction with existing staff, which may lead to even higher rates of turnover. Ultimately, wages may need to rise across the board to maintain a content workforce.

Other practices have been experimenting with bonuses. If these are performance-related, a practice might for example award administrative staff bonuses based on their scheduling efficiency, or at companies making an acquisition, bonuses might be dependent upon the successful integration of a new practice. Some are also awarding sporadic bonuses, or signing-on bonuses for new hires. The latter approach creates similar challenges with existing staff, who were not awarded the same benefit, and no matter what kind of bonus is awarded, costs increase accordingly.

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Recognizing the cost implications of the above strategies, still others are trying to plug the gap via non-financial incentives. These usually focus on improving employee satisfaction. For example, some healthcare providers are offering non-clinical or support staff flexibility about where they work or expanded benefits. Others are enhancing their organizational culture to make employees feel more appreciated, by closing on the weekends or paying for employees to stay at a country club. While these options save on expense, they may not have the same impact as a bonus or wage increase.

How can banks help?

It is clear that healthcare providers' staffing shortages are not going to be resolved in the short term. While providers have begun to raise prices (especially where companies operate a fee-for-service model), they are unlikely to be able to keep pace with higher staffing costs. Where services are reimbursed by an insurance company or Medicare and Medicaid, the gap between fees and costs will be greater still. Some impact on profitability is therefore inevitable.

In response, healthcare providers are having a tough time improving efficiency, especially in relation to administration and accounting services. There are often solutions available from banks (or third-party providers) that can help.

For instance, solutions are available to automate revenue cycle management. Some of these leverage artificial intelligence and machine learning technology to streamline billing, collections and reconciliation. Others are integrated into banking portals or enterprise resource planning solutions that healthcare companies already use, improving efficiency further. Some solutions automatically pull Explanation of Benefits data and align it with a payment received from an insurance provider.

Automation releases staff from mundane, repetitive (and often paper-based) tasks so that they can concentrate on more valuable and meaningful activities. It therefore not only reduces costs – unleashing funds for growth or service improvements – but by giving staff greater responsibility improves employee satisfaction, potentially making staff retention easier. In addition, automation reduces human error: overworked administrators may miss claim denials from insurance providers, slowing down cashflow; automation can flag denials and other problems in real time.

On a practical level, higher staff turnover has the potential to increase disruption. Companies need to consider a number of practical measures to lessen the impact.

There may also be opportunities for efficiency gains on the payables side. For example, moving from checks to electronic payments can reduce costs (and improve security) while the use of commercial cards can improve working capital by taking advantage of the card billing cycle.

On a practical level, higher staff turnover has the potential to increase disruption. Companies need to consider a number of practical measures to lessen the impact. For example, it is important to have a clear record of authorized signers and individuals with administration rights for online banking as well as processes such as dual approvals for payments, for instance. That way changes can be made quickly should an individual leave the company.

In Conclusion

The pandemic has made an already difficult situation for the healthcare sector even more challenging. No matter how employers choose to tackle it, it appears that risings costs are inevitable. Citi Commercial Bank clients in this sector that have recently conducted compensation reviews – and had success in retaining staff – have found that the market rate for many positions has gone up substantially. With inflation at a 40-year record high, remuneration expectations among employees and potential hires are likely to increase further.

To offset increased staffing and other costs, healthcare providers should seek opportunities to improve efficiency and cut costs across the organization. Many providers still have cumbersome, paper-based processes for billing and reconciliation. Technology, whether provided by banks or third-party providers, can play a major role in automating revenue cycle management. These opportunities can be explored immediately so that companies can begin to reap the benefits and mitigate the risks of the healthcare staffing crisis.

For more information about how Citi Commercial Bank can partner with you and your team please **Contact Us**.

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