Mercer

US healthcare labor market

welcome to brighter

introduction

COVID-19 continues to present terrible challenges, and even when we finally emerge from the pandemic, we face a permanently changed healthcare market. In this report, a follow up to Mercer's 2017 study of the US healthcare labor market, Mercer asks the following questions:

1. Which healthcare professions will see the greatest changes in supply and demand through the next five years?
2. Where will the greatest mismatches between supply and demand be?
3. How different will these changes be across each state and county in the United States?
4. What impact might these trends have on patients and providers?

The benefit of long-term labor demand studies, such as those from Mercer's research, is that they allow employers (and prospective employees) more time to determine their best strategy well in advance — they enable preventive medicine, so to speak. Unlike manufacturing or technology employers, hospitals and providers tend to serve specific local markets and are limited in the ability to move clinical work outside their labor markets. As such, an intimate knowledge of local labor markets — and their future — is a key to any provider's long-term and short-term labor strategies.

Providers who do not know their current labor market and do not anticipate its future state will otherwise grasp in the dark for solutions. Even markets that have surpluses in many roles often still have some roles that will be hard to fill.

There is a risk to being wrong in your own assumptions of the labor market. The organizations that make the wrong long-term choices in hiring, retention, or development will be limited to a single outcome set — turning patients away or paying a premium wage and hoping for the best, colloquially known as "post and pray." Both outcomes have an adverse impact on the bottom line and on the basic mission of any healthcare provider: patient care.

So, what did our results show?

executive summary

The main findings of the 2021 study can be summarized into four key points:

1. A shortage of labor at the low end of the wage spectrum will limit access to home care.
2. Primary care will increasingly be provided by non-physicians.
3. There will be surpluses of nursing talent in some areas of the south and southwest and shortages elsewhere.
4. A six-figure hiring rush for mental health providers will emerge by 2026.

Methodology

Using methods developed as part of Mercer's External Labor Market Analysis, Mercer examined the changing healthcare labor markets over the next five to ten years in all 50 states at the county, state, regional, and national levels. Based on Mercer research, publicly available data, and data provided by our partner Emsi,[1] Mercer created metrics around labor supply, labor demand, retirement risk, and other demographic factors relevant to evaluating and projecting labor market conditions in the future. Labor demand was projected using historic trends nationally adjusted for state economic development forecasts. Supply was derived using geographic movement of individuals within occupations, staffing patterns, and likely new entrants. Finally, Mercer estimated the gaps between projected demand for and supply of critical healthcare talent during the five- to ten-year time period.

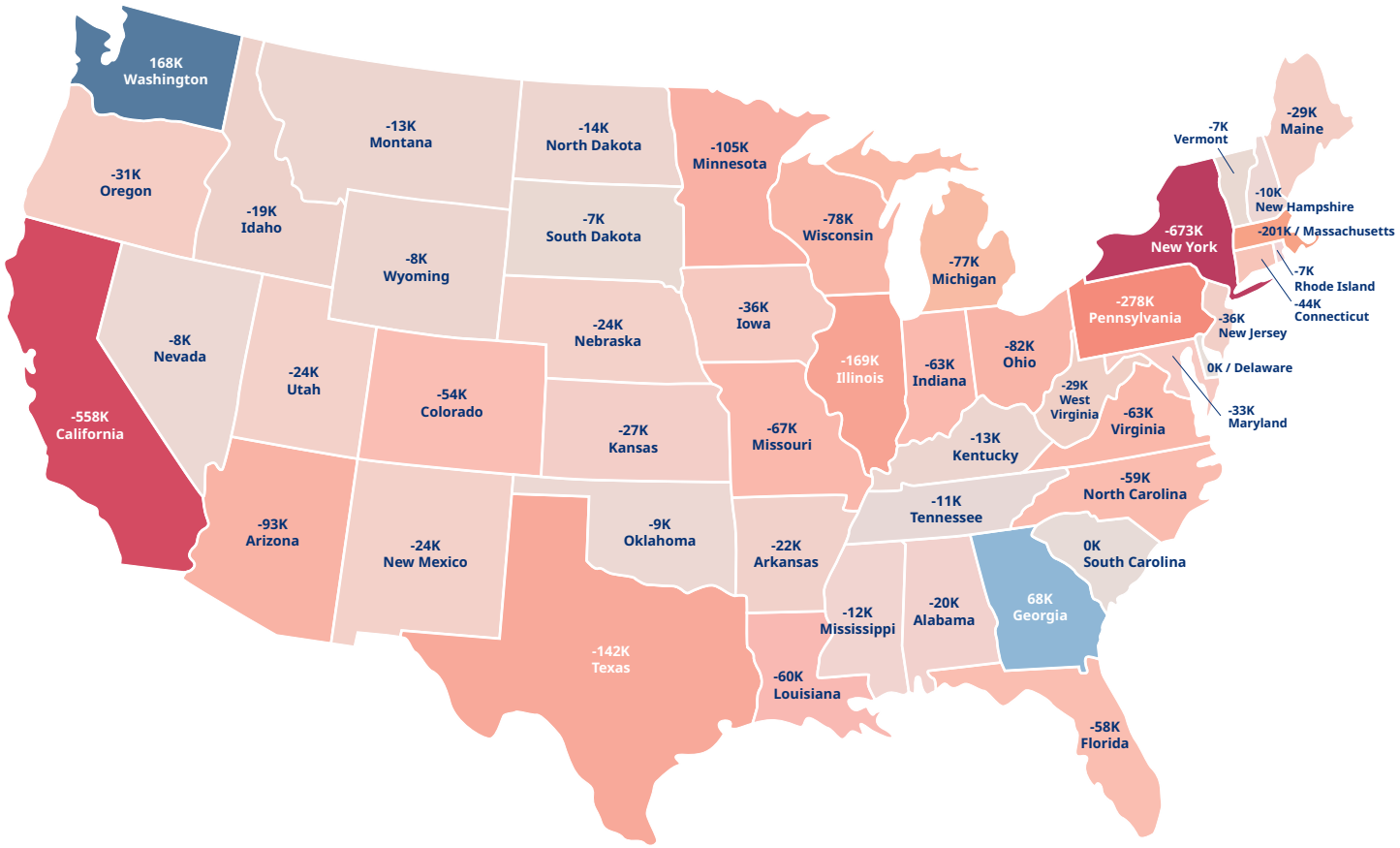
A major focus of the research also examined where healthcare workers are versus where they need to be in the future. Mercer shares some high-level observations gleaned from state-by-state analysis and offers some thoughts on what these observations mean for healthcare leaders as they develop and execute their workforce plans. As the findings demonstrate, every state is different and every healthcare system should assess how anticipated changes to its external labor market(s) will ultimately affect its people and its patients in the coming years.

1 https://www.economicmodeling.com/

Healthcare's lower-wage labor shortage

About 9.7 million individuals currently work in critical, albeit lower-wage, healthcare occupations (e.g., medical assistants, home health aides, and nursing assistants). The need for these workers will grow over the next five years to around 10.7 million. Yet, if United States workforce trends hold, more than 6.5 million individuals will permanently leave these jobs within five years while only 1.9 million will step in to take their place. That adds up to a substantial shortage of critical healthcare labor in this country — coming up more than 3.2 million workers short within five years.

Lower Wage Healthcare Workers



Gap to 2026

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Top 5 Projected Gap/Surplus States

Washington	168,227
Georgia	67,503
South Carolina	27
Tennessee	-11,321
Florida	-57,884

Bottom 5 Projected Gap/Surplus States

Illinois	-169,080
Massachusetts	-200,757
Pennsylvania	-277,711
California	-557,535
New York	-673,471

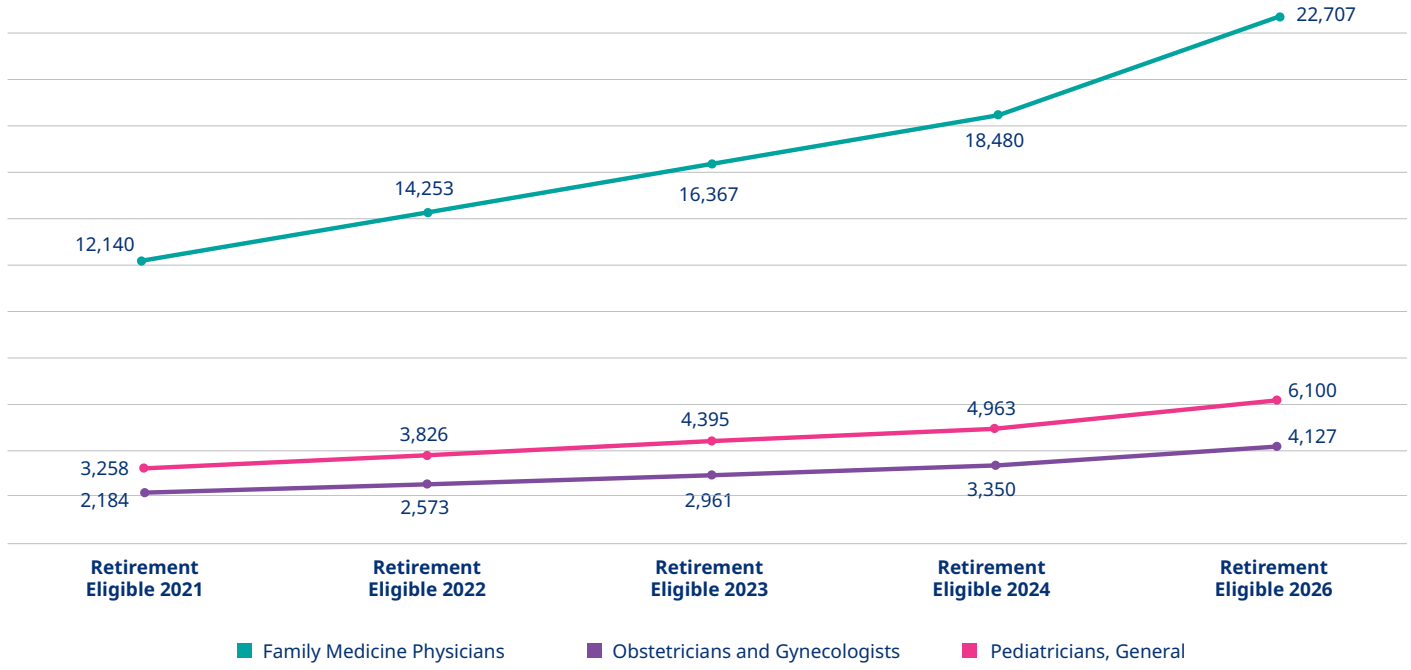
New York and California will feel the effects of the labor shortage most acutely, each projected to fall short by 500,000 as soon as 2026. The gap between supply and demand in New York and California will be driven by workers who permanently leave their vocation, with more than 1.6 million leaving permanently in the next five years. To replace that amount of labor in that amount of time, employers will need varied and creative strategies. Recruiting nationally may prove fruitful as pockets of surplus workers are likely to be found in states where demand is not growing as rapidly (e.g., Georgia, Florida, and South Carolina) and in states where a steady stream of lower-wage labor is entering the market (e.g., Washington).

The changing nature of primary care

The pace of retirement among primary care physicians will increase over the next five years. Currently, about 12% of family medicine, pediatric, and obstetrics and gynecology physicians are 65 years of age or older and considered "retirement eligibile". By 2026, that number will grow to 21% with more than 32,000 physicians moving into retirement age. Northeast states will experience accelerated retirements most rapidly, with 24%-25% of primary care physicians moving into retirement age in Maine, Rhode Island, Vermont, and New Jersey over the next five years.

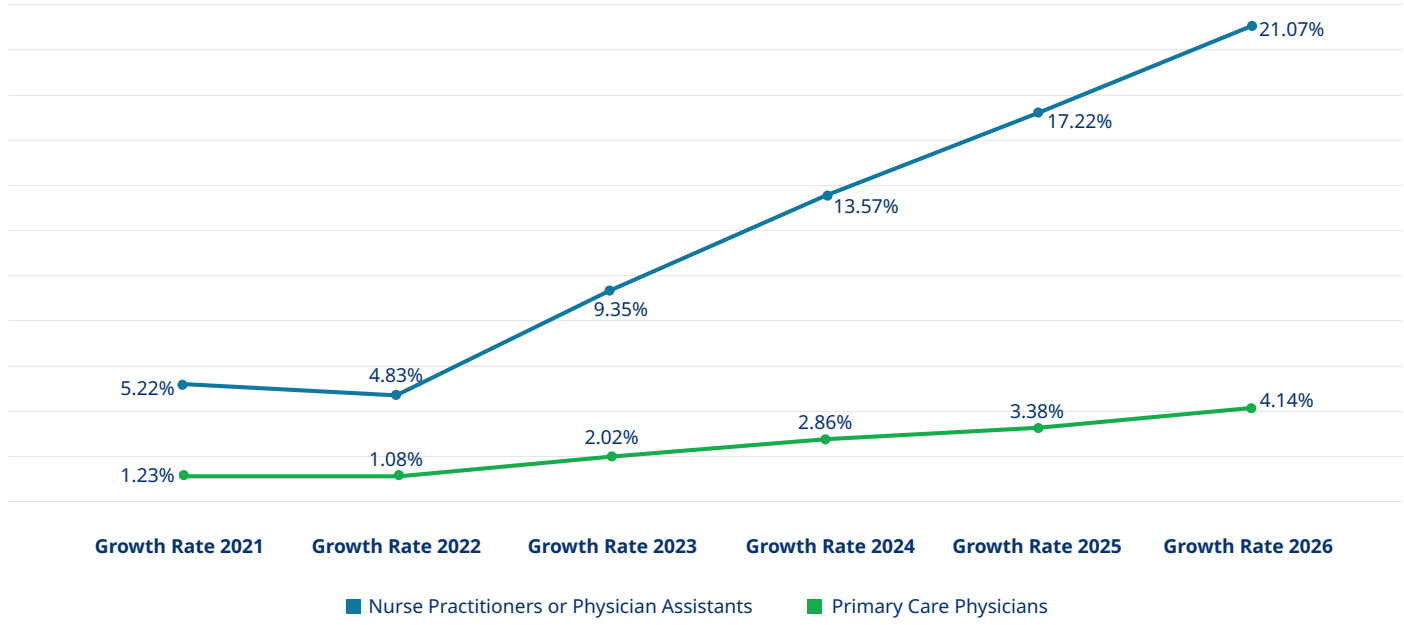
Occupation Name	Retirement Eligible 2021	Retirement Eligible 2022	Retirement Eligible 2023	Retirement Eligible 2024	Retirement Eligible 2026
Family Medicine Physicians	12,140	14,253	16,367	18,480	22,707
Obstetricians and Gynecologists	2,184	2,573	2,961	3,350	4,127
Pediatricians, General	3,258	3,826	4,395	4,963	6,100
Grand Total	**17,582**	**20,652**	**23,723**	**26,793**	**32,934**

Projected Retire Eligible 2021-2026



Demand for primary care physicians will grow by 4% over the next five years while retirement risk accelerates with the age of the workforce. By 2026, it is estimated that almost 23,000 primary care physicians will permanently leave the profession, leaving a vacuum of demand for primary care providers. More and more often, physician assistants (PAs) and nurse practitioners (NPs) will step in to fill that demand. PAs and NPs are considerably younger professions with less than half the retirement risk of primary care physicians. About 40,000 new PAs and NPs enter the workforce annually, providing a steady stream of new entrants who are qualified and ready to fill the extra demand resulting from retiring physicians.

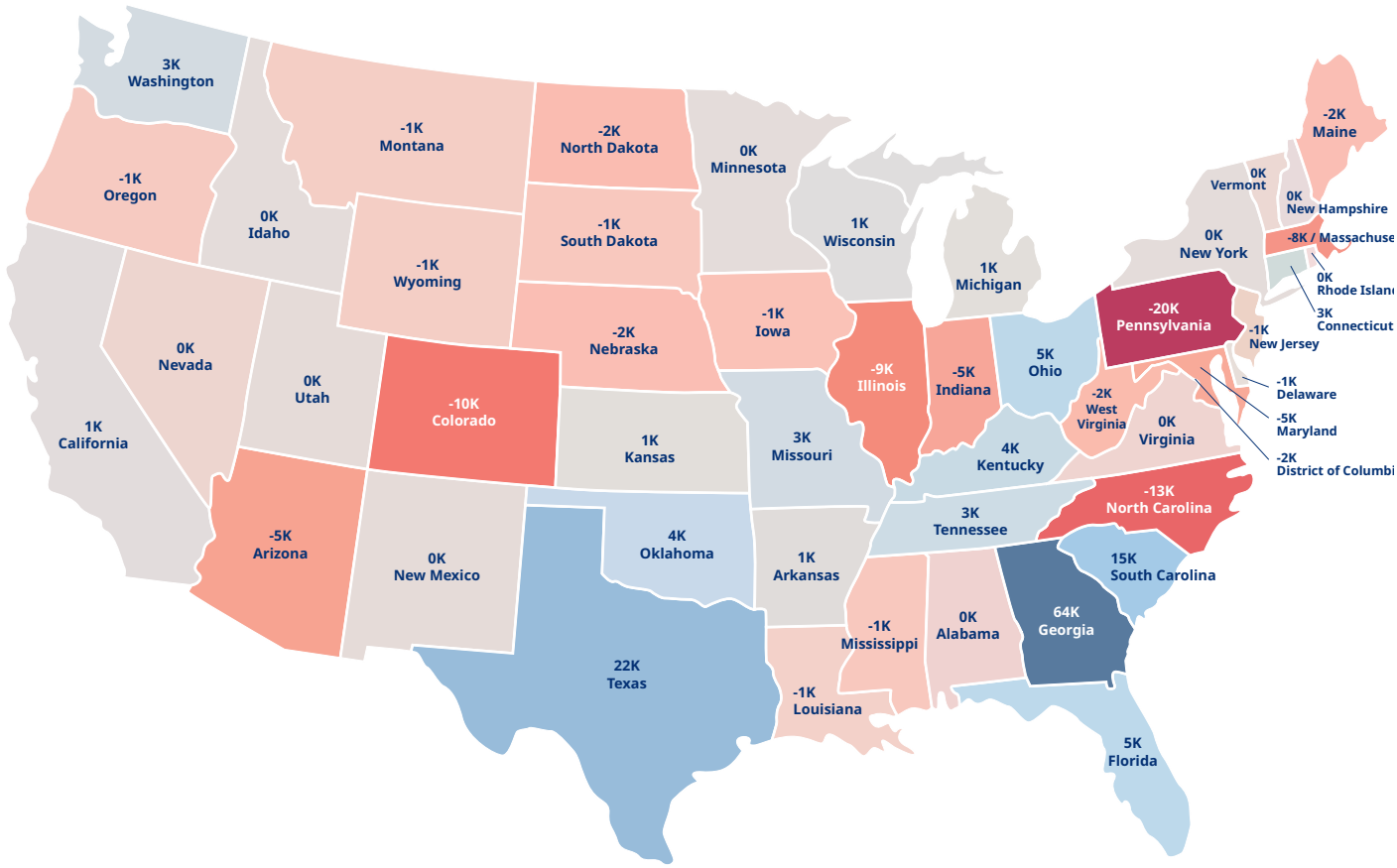
Projected Labor Growth



Registered Nurses – a Cartographer's Story

Just over 3 million individuals work as registered nurses in the Unites States and demand for nurses will grow by at least 5% over the next five years. In that same period, more than 900,000 nurses will permanently leave the profession. Coupled with retirements, employers will need to hire more than 1.1 million nurses by 2026. If current trends hold, 29 states will not be able to fill the demand for nursing talent, coming up almost 100,000 nurses short in the next five years. The largest projected shortages of nursing talent will be in Pennsylvania, North Carolina, Colorado, Illinois, and Massachusetts. Twenty-four other states will also have significant shortages.

Registered Nurses Gap / Surplus



Gap to 2026

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Top 5 RN Gap/Surplus States

	Gap to 2021	Gap to 2022	Gap to 2023	Gap to 2024	Gap to 2025	Gap to 2026
Georgia	10,945	23,491	33,484	43,550	53,895	64,002
Texas	2,018	8,985	11,860	15,014	19,057	22,313
South Carolina	1,645	4,449	6,903	9,433	12,148	14,689
Florida	-1,690	2,099	2,482	3,134	4,678	5,430
Ohio	-654	-33	1,158	2,424	3,948	5,232

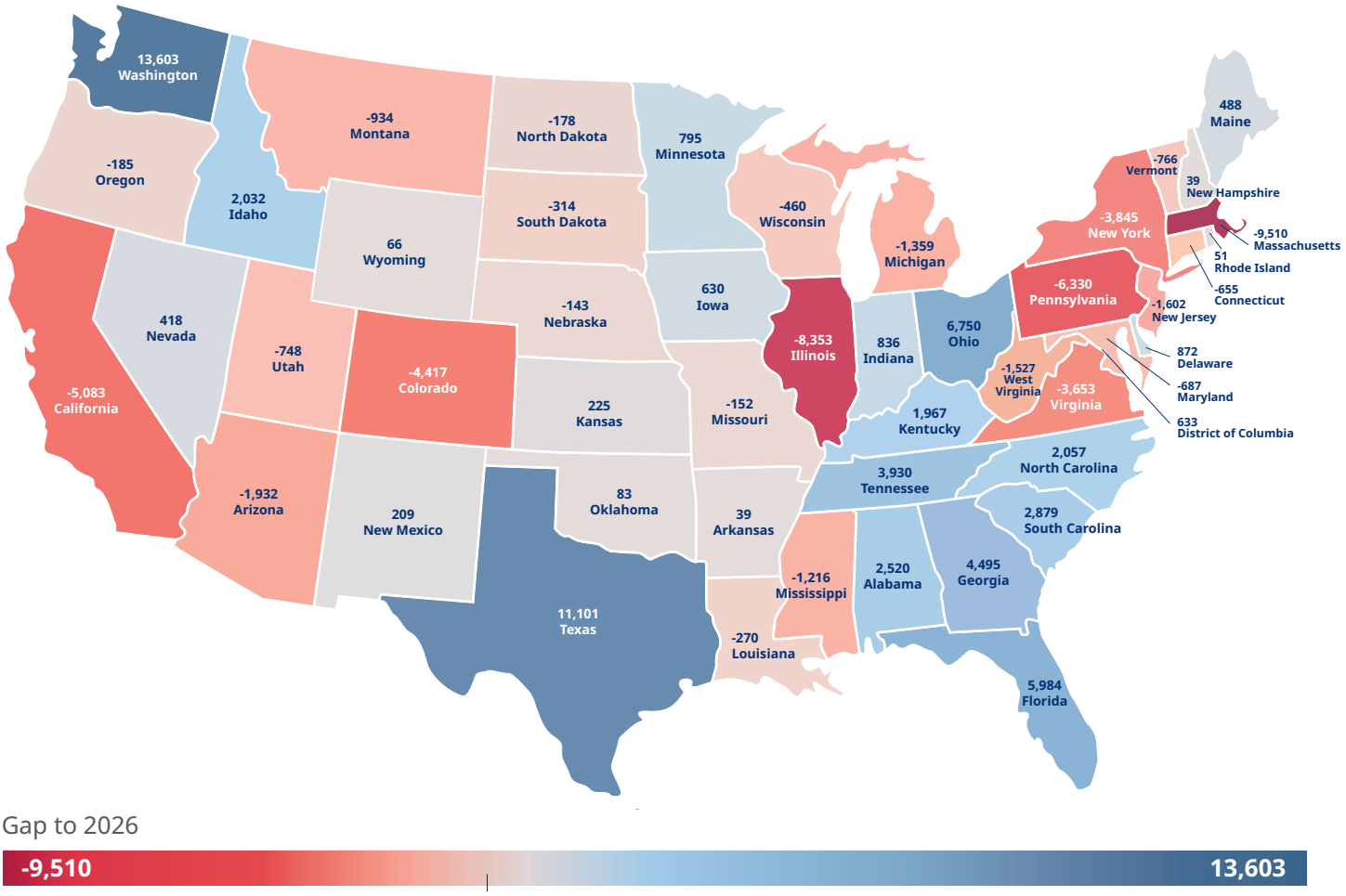
Bottom 5 RN Gap/Surplus States

	Gap to 2021	Gap to 2022	Gap to 2023	Gap to 2024	Gap to 2025	Gap to 2026
Pennsylvania	-3,865	-5,951	-9,639	-13,265	-16,688	-20,345
North Carolina	-3,012	-4,261	-6,708	-9,013	-10,914	-13,112
Colorado	-2,640	-3,778	-5,595	-7,319	-8,759	-10,431
Illinois	-2,329	-3,960	-5,187	-6,369	-7,452	-8,654
Massachusetts	-2,275	-3,652	-4,705	-5,714	-6,575	-7,576

In 21 other states, however, current trends indicate that a surplus of nursing talent will become available. Particularly in the South, the number of new entrants into the nursing workforce will start to outpace demand. States like Georgia, Texas, and South Carolina will start to build a surplus of registered nurses in the workforce.

States that begin to fall short of demand will benefit from geographic-based recruiting strategies. Given that most of the projected surplus in southern states is driven by newly qualified nurses, effective geographic strategies are most likely to focus on compensation, benefits, and scheduling enticements that attract younger registered nurses.

Mental Health Gap / Surplus



Mental health's labor deficit

There are about 800,000 skilled and semi-skilled mental health workers in the Unites States right now. By 2026, the country will need about 900,000. That is more than a 10% increase in demand for mental health workers in five years. During that time, 400,000 mental health workers will leave the occupation entirely, leaving employers to fill more than 510,000 total vacancies by 2026.

Twenty-seven states are projected to be unable to meet the total hiring demand for mental health workers. If current trends hold, about 55,000 mental health jobs will go unfilled in these 27 states. The largest misses are projected in Massachusetts, Illinois, Pennsylvania, California, and Colorado, largely due to workers that are rapidly leaving mental health professions. In the next five years, 23 states are likely to build a surplus of mental health workers. Washington, Texas, Ohio, Florida, and Georgia will each build surplus supply in mental health jobs due to a steady flow of new entrants and the fact that individuals are leaving mental health occupations at a slower rate than in other states.

what to do

Get specific about the workforce shortage issues your organization actually faces. As noted above, the landscape is not the same everywhere, nor is the future easily predictable. Using the workforce predictive analytics available from Mercer can help organizations understand the type and magnitude of the issues they face.

Get smarter about how you recruit and retain your workforce

- **Digitalize and automate recruitment and onboarding.** Hospital and health HR systems are struggling to maintain pace with the volume of hiring and onboarding, as well as greater turnover. As the economy rebounds, this pace will only intensify.

- **Modernize your employee value proposition.** CHROs have realized that traditional efforts that simply standardize and harmonize compensation and benefits often miss the mark with key workforce categories. With the graying of doctors and nurses, CHROs that are winning the talent war are taking a more segmented approach to employee comp-and-benefits. For example, while Gen Xers may be drawn more to 401K match and no-match health benefits, Gen Zers are looking for maximum schedule flexibility, work-from-home options, and same-day pay.

- **Upend traditional work environments to make them more appealing and sustainable.** The reality is that healthcare organizations face a tight labor market and need to build a highly attractive employee value proposition based on pay, flexibility, and other factors. A war for talent is certain to break out: This is true both for highly educated physicians and nurses, as well as lower-wage positions such as home health aides and nursing assistants.

  People, however, base career choices and job decisions on more than just pay and perks. Looking beyond the traditional dollars-and-cents levers, healthcare systems should take a hard look at their workplace culture and identify the elements that may be contributing to attrition and difficulty in recruiting. The year of COVID, admittedly, has been exceptionally hard for health workers, but healthcare has always been a stressful field. That stress is part of the terrain and sometimes unavoidable; but at times leaders' work expectations and communication styles are simply vestiges of an outmoded and outdated culture.

Workforce specific actions will not be enough. Shifts in workforce availability will require broader shifts in strategy.

Adapt to thrive in the new workforce landscape

- **Don't hesitate on care model transformation.** Demand is shifting to telehealth and other digitally enabled care models – ones that are both more attractive to consumers and less labor intensive. In addition, shifting to more community-based care may create new opportunities to do more with a different kind of healthcare workforce. While many health systems have started down this road, only those providers who manage to get it right – and organize around the new business model – will reap the benefits. This means designing new clinical and financial models, restructuring the organization, designing a new staffing model, retraining staff, reconsidering the physical footprint, and undergoing a thorough transformation. Most importantly, it requires changing the leadership mindset, and developing new expectations for what patient care looks like in the future.

- **Reorganize around key services.** Healthcare organizations need to evaluate which activities they can provide safely, effectively and in a way that is accretive to the enterprise. A deep analysis of where value is derived today and where it is likely to come from in the future environment is critical.

Even if healthcare organizations make all the right moves, there are risks associated with the complex healthcare labor market that they need to be prepared for.

Anticipate the new risks healthcare organizations will face

Shortages of skilled clinicians together with an overworked staff, personnel placed in unfamiliar roles or teams, or lack of staff heightens many types of risks. Where healthcare provider staffing levels dip, workplace injuries and worker's compensation claims increase, as do medical errors and professional liability claims. In addition, there are associations between workplace violence and low staffing levels, and wage-and-hour lawsuits rise as staff becomes short.

Changes made to adapt to workforce shortages can create risk as well. A reliance on digital communications amplifies cyberattack risk and data losses that can impact patients and health systems. Newly deployed health data collection tools, such as wearables or smartphone apps, can fail, affecting care in unpredictable ways. And the use of AI in decision-making also creates complex risks of poor decisions and outcomes.

To address these novel risks, health systems need to implement risk mitigation processes, put in place crisis recovery plans, and have adequate insurance coverage in the event of an incident.

Healthcare organizations face a significant workforce challenge and they will have to break down existing organizational barriers to address it. Human resources, risk management, and business strategy leaders all need to collaborate to reshape organizations to thrive in this new, challenging landscape.

Mercer is here to help. Contact us to discuss your unique needs.

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