

Qualivis

# The TRUE cost of contract labor

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Melanie Bell, MSN, RN, CENP is an experienced nursing administrator with a background in labor and process optimization in the acute care setting. Prior to her career as a registered nurse, she was a business and financial analyst, working as a liaison between finance and IT. Utilizing her unique experience in clinical and business settings, Bell has managed nursing operations through rapid expansion and new facility openings. She joined MedAssets, later acquired by Vizient, to do workforce optimization consulting and joined the Contract Labor Management Team in 2015. Vizient Contract Labor Management was acquired by Aya Healthcare in October 2021 and is now Vaya Workforce. Bell now leads Fulfillment & Strategy for all Aya Healthcare brands, including Qualivis.



Shane Timmons

Director of Provider Solutions,  
Qualivis

Currently serving as Director of Provider Solutions for Qualivis, Shane brings nearly 5 years of experience in business development and consulting within healthcare staffing, with a specialized focus on locum tenens. His role involves forging strong partnerships with industry leaders to uncover and address their most pressing staffing issues. His dedication has been recognized with multiple accolades in production and leadership. Beyond the office, Shane has a love for hiking and exploring the outdoors.

# Agenda



- **Healthcare workforce landscape**
- **Contract labor: The big picture**
- **Long-term labor cost reduction strategies**

## Objectives

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- Explore the trends in healthcare labor over the last three years
- Analyze why contract labor reduction strategies haven't had the anticipated impact on the bottom line
- Discuss ways to achieve long-term cost reduction in the labor category

**How we got here...**

## Why are Registered Nurses always the first thing we talk about when we mention the healthcare workforce?

- Registered Nurses represent 20% of the healthcare workforce.
- The role is one of, if not the, foundational element of every care delivery model in every setting.
- Foundational elements are the limiting factor on work / volume that can be achieved (in this case, volume is in the form of patients).
- As a profession, it requires specialized education and licensing – this creates a high bar for entry.



Source: U.S. Bureau of Labor Statistics

# The nursing workforce is in crisis

**~195,000**

RNs left the profession in 2022

- 1% over 55
- 4% under 35

**9%**

shortage by 2036

- Equates to 337,970 full time nurses
- Drop in LVN/LPN, CNAs and APPs
- LPNs estimated a 12% shortage by 2036 (99,070 LVN/LPNs)

**24% / 34%**

of new graduates leave their jobs in the first/second year of employment

## What are the driving forces?



Staffing ratios



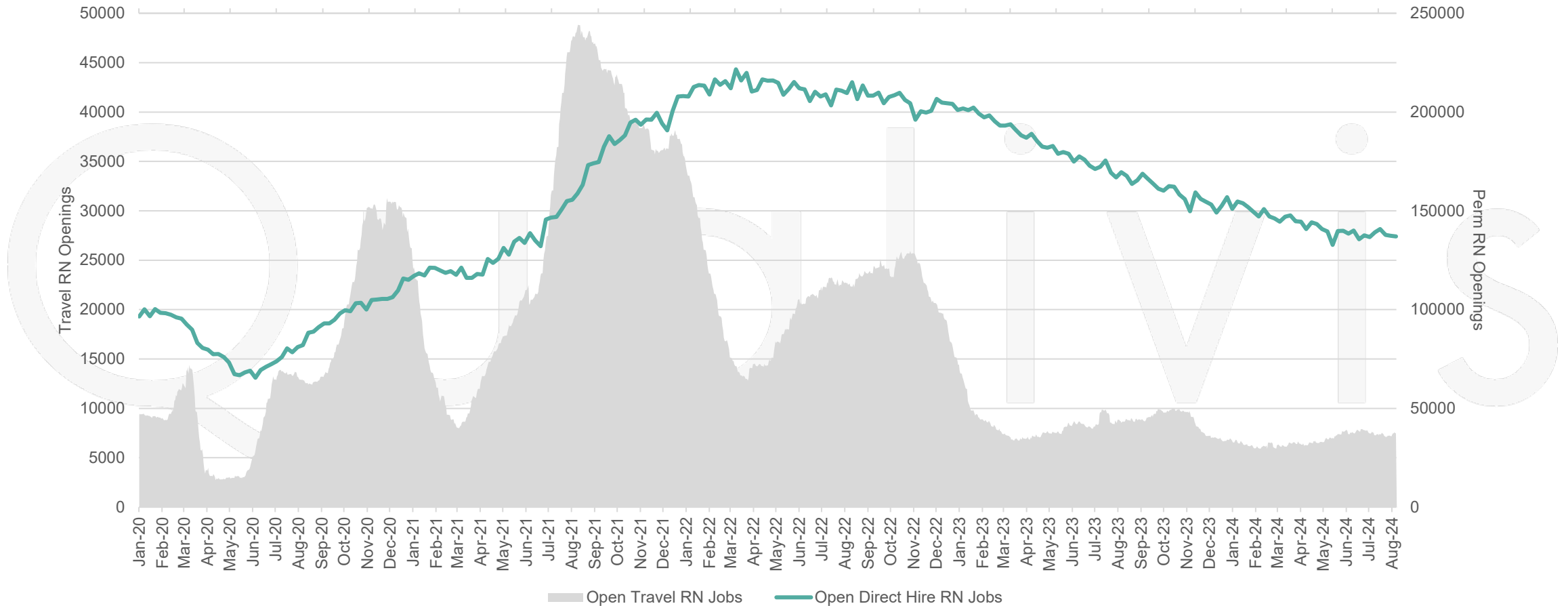
Pay to experience equity



Inability to take breaks,  
sick days

# National travel nursing & direct hire job volume

2020 – 2024



- Qualivis 2024. Confidential. Not For Distribution.
- Data is as of 9/3/2024 and is based on Aya Healthcare data including direct contracts, managed service contracts, and support of third-party staffing programs.

- Travel Jobs include all open jobs for travel, contract, and EMR needs.
- Data excludes Strike and Workforce Disruption.
- Direct Hire RN Data is from LiquidCompass.com as of 8/30/2024.

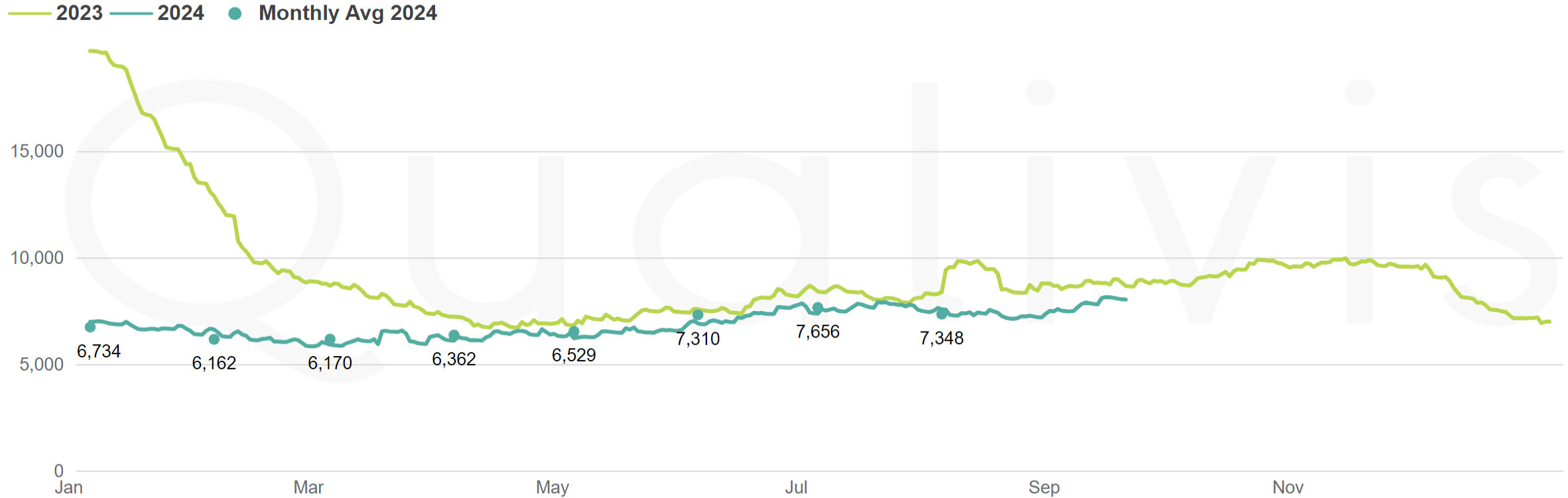
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# National Nursing Job Volume

- There are 8,043 open Nursing jobs as of 9/15/2024. There has been a 11% change in open Nursing jobs in the last 30 days.
- Open Nursing jobs are 7% lower than on this day in 2023.

YOY



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• Data is as of 9/15/2024 and is based on Lotus Workforce Solutions data including direct contracts, managed service contracts, and support of third-party staffing programs.  
• Nursing Jobs include CNA, RN, and LVN specialties for Travel and School.

• Jobs include all open jobs for Travel, Contract, School and EMR needs. Data excludes Strike and Workforce Disruption.



# Factors impacting the physician workforce

## Physician retirement



More than a third of currently active physicians are likely to retire in the next decade.

## Physician shortage



Projected shortage of physicians through 2036.

## Global talent



1 in 5 US physicians were born and attended medical school outside of the US.

## Debt load



Average debt for physicians leaving medical school.

## Physician payments



When adjusted for inflation, Medicare physician payments declined 26% from 2001 to 2024.

## Burnout



49% of physicians feel burned out and 1 in 3 physicians intend to reduce work hours in the next year.

# Locum tenens market

## TOP 5 LOCUM SPECIALTIES DURING A PHYSICIAN SEARCH

**32.6%**

Psychiatry

**30.8%**

Gastroenterology

**25.9%**

Hospital medicine

**30.7%**

Emergency medicine

**11.4%**

Neurology

## LOCUM UTILIZATION AND REVENUE-GENERATION

**80%+**

Locum tenens usage is for unfilled permanent roles

**\$2.4M**

Annual revenue loss by not utilizing locum tenens

# Change in demand by specialty

## TOP LOCUM TENENS SPECIALTIES BY OPEN JOBS AS OF 9/1/2024

Physicians	
Specialty	Change in Demand
Emergency Medicine	▲
Obstetrics & Gynecology	▲
Family Practice-Without OB	▲
Anesthesiology	▼
Radiology	▲
Gastroenterology	▼
Dentistry	-
Hematology/Oncology	▲
Pediatrics	▲
Surgery (General)	▲

Advanced Practice Providers	
Specialty	Change in Demand
Family Practice/Primary Care	▼
Emergency Medicine	▲
Urgent Care	▲
Surgery (General)	▲
Pediatrics	▲
Internal Medicine	▼
Orthopedics	▲
Hospitalist	▼
Occupational Medicine	▲
Geriatrics	▼

- Qualivis 2024. CONFIDENTIAL. NOT FOR DISTRIBUTION.
- Change in demand is change in number of job postings 8/18/2024 - 9/1/2024
- Data is based on open locum tenens jobs posted on DocCafe.com and MedJobCafe.com that have been open for no longer than 90 days for all specialties of physicians and Advanced Practice Providers

# Most in demand specialties

## TOP LOCUM TENENS SPECIALTIES BY OPEN JOBS IN KENTUCKY

Physicians
Specialty
Emergency Medicine
Obstetrics & Gynecology
Radiology
Hospitalist
Surgery (General)

Advanced Practice Providers
Specialty
CRNA
Family Practice/Primary Care
General Dentistry
Hospitalist
Behavioral Health

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- Data as of 8/28/24
- Data is based on open locum tenens jobs posted on DocCafe.com and MedJobCafe.com that have been open for no longer than 90 days for all specialties of physicians and Advanced Practice Providers

# What has the impact of workforce challenges been on healthcare?

- Labor expense per calendar day is up 19% in comparison to 2021, but FTEs per Adjusted Occupied Bed is down 9% (aka less people working for more money)
- Increased financial pressure has driven cost-reduction strategies
- Many healthcare organizations have done reduction in force initiatives focused on contract labor, management and support teams/positions
- Removal of support increases RN workload and burnout, leading to additional turnover

**Contract labor spend was reduced, but overall labor expense is unchanged?**

# Four key myths about contract labor

1

It operates in isolation  
from core labor

2

It should be a last  
minute, last resort tool

3

The bill rate should be  
compared to the hourly  
rate of internal staff

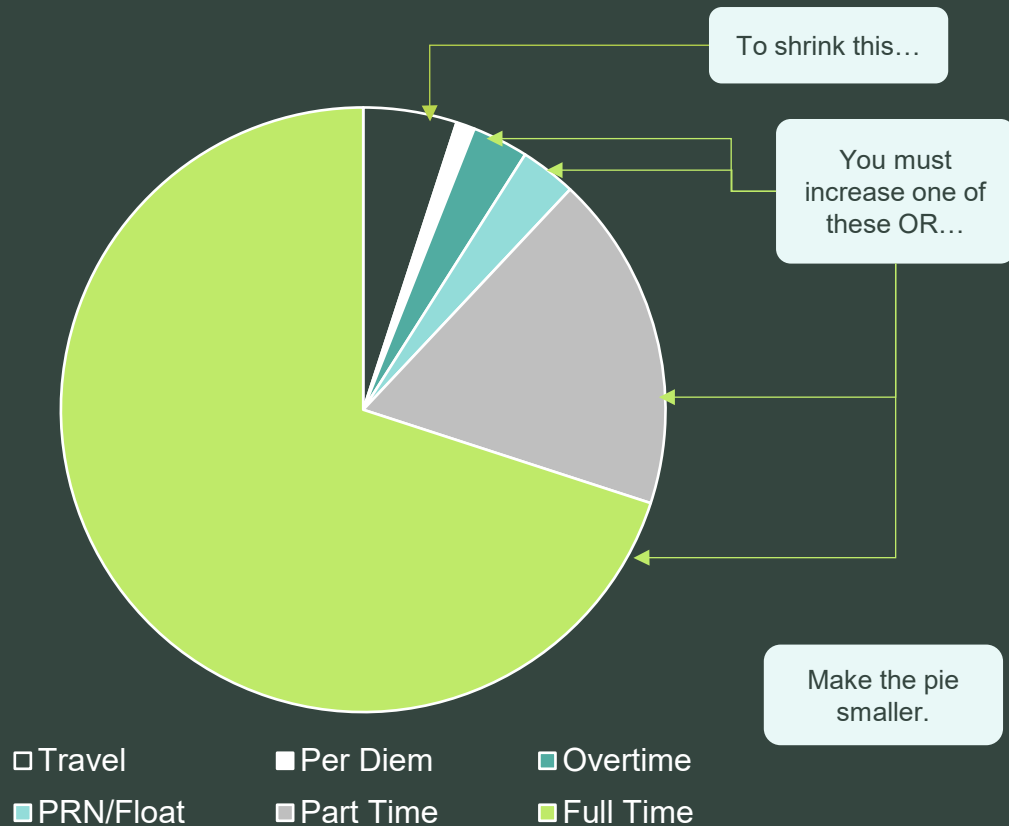
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Healthcare  
organizations will save  
money by  
running their own  
agency



**Myth:** Contract labor operates in isolation of core labor

**Truth:** Contract labor is one piece of the labor puzzle



Example of division of labor type

- Often organizations are increasing the use of overtime to reduce contract labor
- This increases burnout and thus turnover, furthering the vicious cycle
- Talent pipeline for key positions must be a long-term strategy due to ongoing elevation of vacancy
- Making the pie smaller requires care redesign which means time, change management, and potentially a talent strategy for alternative roles

**Myth:** Contract labor should be a last resort, last minute tool

**Truth:** Contract labor as an intentional strategy, will save you and make you \$\$

- Temporary labor can maintain, and even boost, staff engagement (Press Ganey) when used appropriately
- Contract labor rates increase on a shorter timeline – if you need someone to start in 1 week vs 3-4 weeks you will pay a premium
- Need for contract labor can and should be projected based on historical patient volumes, current vacancies, and planned leaves
- Most travel contracts can be ended early, with no penalty, if 2 weeks notice is provided
- If you NEVER need contract labor, you are probably overstaffed

- Low vendor admin fees
- No junk fees
- Low agency margins
- Realtime market pricing
- Invoice analysis
- Significant revenue loss for gaps in coverage for providers—private payer enrollment (Q6 modifier)

# Cost savings analysis

## SAMPLE VENDOR COMPARISON

Specialty	Vendor Total	Vendor Labor	Vendor Expenses	Vendor Fees	Qualivis Total	Qualivis Labor	Qualivis Expenses	Qualivis Fees	Total Cost Savings	Total % Cost Savings
Cardiology	\$425,259.78	\$393,463.26	\$4,180.63	\$27,615.89	\$ 373,836.09	\$ 369,855.46	\$ 3,980.63	\$ -	\$ 51,423.69	12.09%
ENT	\$38,038.94	\$32,118.19	\$5,920.75	\$ -	\$ 36,111.85	\$ 30,191.10	\$ 5,920.75	\$ -	\$1,927.09	5.07%
Hospitalist	\$62,264.81	\$57,048.00	\$5,216.81	\$ -	\$ 58,573.31	\$ 53,625.12	\$ 4,948.19	\$ -	\$3,691.50	5.93%
Neurology	\$38,021.00	\$38,600.00	\$ -	\$(579.00)	\$ 36,284.00	\$ 36,284.00	\$ -	\$ -	\$1,737.00	4.57%
Orthopedics	\$22,961.00	\$22,404.00	\$557.00	\$ -	\$ 21,616.76	\$ 21,059.76	\$ 557.00	\$ -	\$1,344.24	5.85%
Psychiatry	\$48,206.17	\$44,509.00	\$3,697.17	\$ -	\$ 45,522.61	\$ 41,838.46	\$ 3,684.15	\$ -	\$2,683.56	5.57%
Psychiatry	\$68,746.06	\$67,886.70	\$1,857.21	\$(997.85)	\$ 65,670.71	\$ 63,813.50	\$ 1,857.21	\$ -	\$3,075.35	4.47%
Pulm/CC	\$107,028.01	\$102,070.00	\$4,958.01	\$ -	\$ 100,903.81	\$ 95,945.80	\$ 4,958.01	\$ -	\$6,124.20	5.72%
Pulm/CC	\$80,731.70	\$78,163.05	\$3,741.09	\$(1,172.44)	\$ 77,161.36	\$ 73,473.27	\$ 3,688.09	\$ -	\$3,570.34	4.42%
Vascular Surgery	\$195,435.09	\$182,735.11	\$12,699.98	\$ -	\$ 184,470.98	\$ 171,771.00	\$ 12,699.98	\$ -	\$10,964.11	5.61%
	<b>\$1,086,692.56</b>	<b>\$1,018,997.31</b>	<b>\$42,828.65</b>	<b>\$24,866.60</b>	<b>\$ 1,000,151.48</b>	<b>\$ 957,857.47</b>	<b>\$ 42,294.01</b>	<b>\$ -</b>	<b>\$86,541.08</b>	<b>7.96%</b>

# Cost analysis

## SUMMARY OF SAVINGS

**\$86,541.08**

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Sum of total cost savings

**7.96%**

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Average % of cost savings



**Myth:** Compare bill rate to internal staff's hourly rate

**Truth:** There is much more cost associated with internal staff than just the hourly rate

### **Anatomy of a bill rate**

- Hourly pay
  - Travel stipend
  - Benefits
  - Payroll taxes
  - Administrative costs of recruiting, onboarding, and employing worker
- All these costs, except travel stipend, would be ADDED to internal staff's hourly rate for an apples-to-apples cost comparison to a bill rate.
  - If you have vacancies, the comparison should be done with overtime (1.5x) rates.
  - Overtime use and turnover have a direct correlation, so additional costs can be incurred.

**Myth:** Money will be saved by starting an internal agency

**Truth:** Cost is simply shifting from one category to another

### **Running an agency is not easy... or cheap**

- Recruitment
- Employment costs
- Administrative oversight
- Technology (or additional labor costs for manual processes)

### **Market intelligence matters**

- Bill rates are highly dynamic
- Many internal agencies are paying workers the same amount that they would be paying in a bill rate (see previous slide to see why it matters and costs MORE not LESS!)

### **Travelers travel**

- Converting travelers from external agency is a time-limited strategy
- Eventually you must be able to recruit

# Case study: Large healthcare system in the southeast launched internal agency to reduce labor costs

Total Hourly Cost	Core Regular	Internal Agency	Core OT*	Traveler
	\$ 60.43	\$ 77.43	\$ 77.90	\$ 75.00
<b>Cost Type</b>				
Hourly Pay / Bill Rate	\$ 46.70	\$ 70.00	\$ 70.05	\$ 75.00
PTO**	\$ 4.76	N/A	N/A	N/A
Insurance**	\$ 3.74	N/A	N/A	N/A
Retirement**	\$ 1.96	N/A	\$ 2.94	N/A
Required Taxes**	\$ 3.27	\$ 3.27	\$ 4.90	N/A
Administration	N/A	\$ 2.16	N/A	N/A
Stipends (if applicable)	N/A	\$ -	N/A	N/A
Extra Tech Costs	N/A	\$ 2.00	N/A	N/A

\*If overutilized, OT will increase burnout and turnover, leading to additional costs of up to \$64,500 per RN lost

\*\*Source: US Bureau of Labor Statistics

**So, what is the key to a  
sustainable, happy workforce?**



# Creating a healthy work environment and making healthcare professions desirable must be a priority



Community talent  
pipelines



Political advocacy



Recognition of  
interdependence of  
MD, RN, allied and  
support roles

# Innovative care redesign to ensure all providers operate at top of scope

**Unemployment rates of 1.6% and 0.3% for RNs and MDs, respectively, means the shortage can't be overcome with talent strategies alone**

**Only option is to re-evaluate workflows and care models**

- Virtual nursing
- Other emerging tech
- Refining and simplifying EHR

**Top of scope opportunities**

- Team care models
- LVN/LPN
- Certified surgical and anesthetic assistants
- Advanced practice providers (NP, PA)
- Unlicensed assistive personnel (UAP)
- Pharmacy
- Paramedic nurse extenders
- Physical therapist
- Respiratory therapist
- Other support personnel

# Case study

## SIGNIFICANT COST SAVINGS BASED ON ALTERNATIVE CARE DELIVERY MODEL

- ✓✓ Large healthcare organization was seeking a financial stewardship partner to optimize bill rates on CRNAs.
- ✓✓ Qualivis replaced CRNAs staffed by incumbent vendor with 30+ cost-effective CAAs.
- ✓✓ The incumbent vendor charged an additional 12% admin fee + malpractice.
- ✓✓ Qualivis does not charge any additional fees.

**\$1,120,751**

Total savings by replacing CRNAs with our CAAs

**46%**

Reduced bill rate for CAAs vs. CRNAs

Q & A

# Scan for additional resources:



Revenue capture



Invoice analysis

**Schedule a demo and invoice analysis with us today!**

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**Thank you!**

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