Hallmark
Healthcare Workforce Technology

Solving the Puzzle:

The 3 Keys to Cost-Efficient, Long-Term Nurse Labor Sourcing

Hospitals spend too much time and energy – and way too much money – keeping up with their labor needs. ***It doesn't have to be that way.***

Staffing healthcare today is rough. It's incredibly – perhaps prohibitively – challenging for hospitals to keep pace with (1) labor shortages, (2) far-reaching changes in the makeup of the workforce, and (3) the sheer power of the costly agencies that manage access to most staffing providers and freelance healthcare providers (HCPs).

The good news: it's entirely possible for hospitals to reduce and even eliminate their reliance on the expensive agencies that supply much of their labor. However, that will require a concerted, concentrated effort to decrease hospitals' reliance on contract labor. Hospitals need additional avenues to attract and procure these types of workers:

1

It starts with cultivating an internal resource pool that can replace (or reduce) the need to contract out to agencies.

2

Then, it means insourcing vendor management by replacing the middleman Master Staffing Providers (MSPs) with an in-house platform that can connect with external staffing agencies directly.

3

Finally, it requires designing and implementing a strategy that's a perfect fit for your organization and its labor objectives.

The result: expedited time-to-fill at a lower cost than an agency with more control over the process, more insight into performance and productivity, and streamlined staffing management.

It may sound like a lot to tackle, as though it would be easier to just keep using the tried-and-true (albeit expensive) staffing tactics that have (mostly) worked until now. The problem is that the healthcare staffing marketplace is changing around us, and the tried-and-true is likely to go broke-and-bust. A disruption to the current labor model and healthcare staffing industry is inevitable, driven by external forces we'll look at in this paper. The question is, will your organization be positioned to navigate that disruption successfully?

Better competitive positioning alongside a compliant labor supply will increase the 'door-to-floor' of nursing professionals and allow the patient care demand to be met and exceeded. It will also lead to pricing consistency and transparency into freelance HCPs. Having a robust pool of nursing and other HCPs that are already compliant will do this. It will decrease the reliance on agencies and lower the cost of labor for hospitals.

But how? Keep reading to find out how.

1. If your goal is to reduce use of agency labor, you must engage the contract workforce directly and get better utilization out of the staff you currently have.

Most hospitals today have the same pain: the workers are out there but engaging them directly has proven prohibitively difficult.

An Internal Resource Pool (IRP – sometimes called an internal float pool) of freelance, per diem or contract-based nursing staff can enable hospitals that want to fluctuate staffing to meet census demands, minimize use of agency resources, and/or control labor costs.

You may even already have your own resource pool (many hospitals do), in which case your organization has a head start on reducing reliance on agency resources and controlling labor costs. However, the question isn't whether you have a resource or float pool. Instead, the question is how scalable, efficient, and productive it is for you.

In other words, does it successfully free you from six-, seven-, or eight-figure annual costs in agency? For most hospitals, it doesn't.

Most IRP programs aren't designed to attract the specific type of freelance nursing worker needed. Today's freelance healthcare workers – who make up a rapidly growing segment of the healthcare staffing workforce – don't fit the same mold as yesterday's. Statistics show that a huge (and growing) portion of the workforce is freelance or gig-based – and they like it that way. "The growth of the freelance workforce is three times faster than the traditional workforce," says Stephane Kasriel, CEO of Upwork.

These workers want to be able to move jobs and exercise more control over their own schedule, work conditions, and future. This is the secret sauce for staffing agencies: they provide the work conditions that this modern healthcare workforce most desires.

What agencies understand that many hospitals don't – and why many hospitals may feel they have no choice but to continue relying on agency resources – is that today's contingent workers don't want to be owned or controlled. They want to be engaged.

You need the right IRP technology to successfully engage this workforce.

Most hospitals design their resource pools to appeal to their own needs, not to the desires of the workforce they're trying to attract.

Often, the hospital group will set constraints or requirements that are out of step with a workforce that wants more autonomy and freedom. Then, what these nurses want is only half the equation; the rest is where do they want to be engaged? This is the app-enabled workforce. A full 77% look to technology to get assignments. They want to be notified of jobs and positions through their mobile device. If the hospital group doesn't have the platform in place to reach out via these channels, they will automatically lose access to a substantial slice of the workforce pie.

But this puts hospitals at a grave disadvantage compared to agencies when it comes to dealing with their labor resources. Because to attract the next generation of flex-oriented nurses, the program simply must be technology driven and offer the freedom and flexibility of a freelancer or an agency model.

Core scheduling systems for full-time staff are not the solution either. These systems are aimed at the core full- and part-time nursing staff who comprise about 65-70% of employees. Tech engagement is less critical for this group, and that software isn't very good at managing contingent resources or the nurses that also are going to float across lots of hospital locations. It won't (1) let you connect to the workforce where they want or (2) automate the process. Consequently, it's not enough to get better productivity out of your workers.

What's needed is deployment software, or IRP-specific technology. This software automates all the communication and eliminates all of the "smiling and dialing" associated with engaging IRP staff. Through an IRP platform, hospitals can take an existing pool and increase the productivity of that staff by giving the hospital more control over how much that workforce is working, where they're working, and what that labor is costing you. Through better utilization, labor becomes more efficient.

This technology enables hospitals to attract, retain, and engage their workforce through an app and to deploy resources across all locations by placing the right resource into the right place at the right time.

2. You don't need an off-site, third party to manage the external staffing labor you continue to use. It doesn't make sense if you want to control costs.

Deploying and managing your own labor force through an IRP is only part of the equation of controlling labor costs and setting your hospital up for long-term staffing success. The next step: manage your own external contract labor.

In other words, the only way to maximally optimize labor spend is to build your own internal resource pool, leverage and get the most productivity out of the IRP by using the technology described in the previous section, and then insource vendor management for the external contract labor you continue to use.

Foundationally, it makes no sense to use an external MSP if the goal is to reduce labor spending.

That MSP has no incentive to reduce your usage of its resources; in fact, they want the opposite outcome. Further, most MSPs obscure your staffing options sufficiently that you will never even know if you could reduce your usage – or even just opt for cheaper labor resources – unless they tell you. But why would they do that?

Anything an MSP can do, you can do better.

Today, most hospitals lean on an MSP model for their staffing needs, but it's crucial to understand that MSPs operate for their own benefit, not the hospital's.

The MSP typically aggregates multiple staffing agencies to provide access to that pool through a single source. This does have advantages: it helps hospitals to maximize important staffing metrics like "fill rate" while minimizing the inconvenience of dealing with multiple agencies.

However, it still externalizes the function – removing control over it and obscuring transparency into what options are truly available to the hospital – and places the function in a source whose incentives do not align with the hospital's.

Each staffing provider wants to be the hospital's master provider.

However, this leaves hospitals outsourcing to a company whose best interest is not to drive down labor costs but to keep increasing bill rates and utilization of agency staff. Plus, in sacrificing elements like insight, hospitals lose more control than they realize. Specifically, the MSP sees information the hospital doesn't and can make only options available that are favorable to the MSP.

For instance, if there are two candidates available and one is a better option for the MSP but not for the hospital (perhaps more expensive to the hospital but more profitable for the MSP), the MSP has an internal pressure to present only the option that's better for them. How would the hospital even know? Under the MSP model, hospitals have no visibility into this kind of information.

Some MSPs are not vendor-neutral and may favor certain vendors, or even have their own contractors.

Yes, all MSPs say they are vendor neutral, but how can they really be when the majority of MSP's are owned by staffing agencies themselves? This creates inherent pressure to place their own company staff first, prior to another agency's staff, regardless of whether that's the best choice for the hospital or not. This further creates an inherent conflict of interest invisible to the hospital.

Plus, in many cases, the MSP chooses the candidate rather than presenting options anyways.

Altogether, this leaves the hospital unable to make informed decisions, and exposed to risk, because salient information is invisible to them about what staffing is available and what options they really have.

By insourcing, the hospital can aggregate all that information at their own fingertips, without losing the convenience of managing staffing through a single portal.

Relying exclusively on the MSP model also imposes unnecessary risk and cost factors onto the hospital.

For example, there's some evidence that travel nurse supply has increased faster than demand, yet pricing has continued to steadily increase. One possible cause: artificially depressed access to supply via exclusivity arrangements (typically invisible to hospitals) with supplier led MSPs where nurses may be disproportionately directed toward hospitals with higher bill rates.

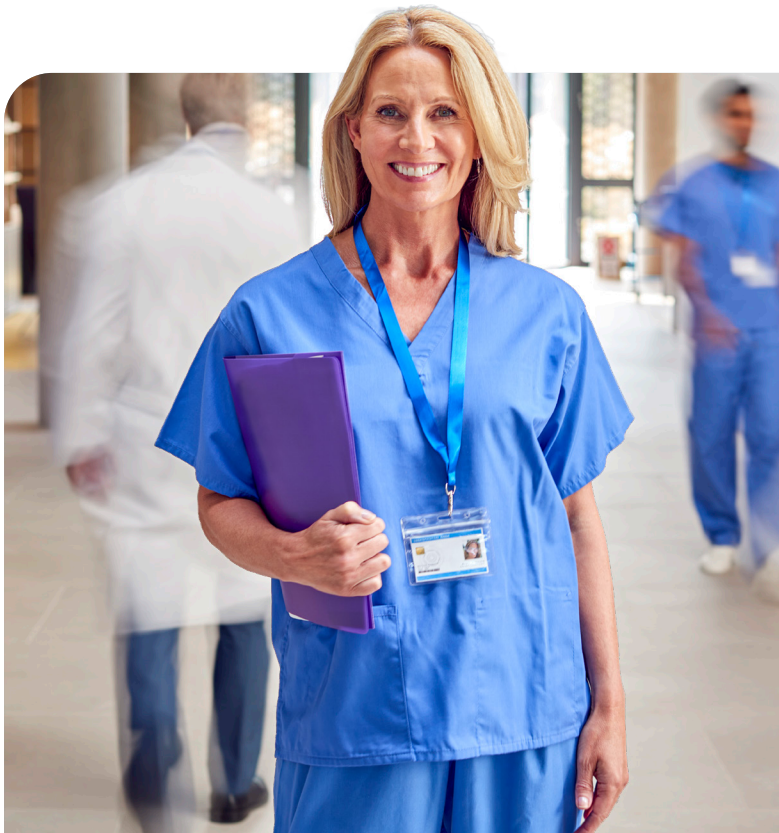
Another, often related possible cause: any MSP can become overcommitted to too many customers without growing their own supply. The fact is, hospital groups have little-to-no control over the staffing agencies with which the MSP works, as described above, and this can lead to inadvertent risk of which the hospital is not aware. If the MSP consolidates the staffing agencies with which it works to simplify its own work, it may place excess demands on that smaller number of staffing agencies. Those staffing agencies may then try to fill demand by sub-contracting from yet other agencies (even when there are no-subcontracting rules in place, this still happens... again, how would the hospital know?).

This kind of approach also imposes multiple cost markups on the labor at every stage because each middleman imposes its own fee structure onto the base rate. Any cost-saving measures will squeeze the supplier and can result in reduced candidate quality and longer fill times.

It also creates a misalignment between need and solution. As a result, many health care organizations go to their labor vendors and use an unnecessary number of contingent workers, or use them in unnecessary situations, because their practices leave them no other recourse.

That staffing manager with a need for an OR nurse, for example, may have no idea who is available, or may not have access to use another resource, especially if she's trying to fill the gap at the last-minute. With the transparency of an integrated system, she can get the full picture.

The technology to insource and implement a VMS is not the constraint many hospitals believe it to be.



Yet many organizations maintain the MSP model, despite its disadvantages, mostly because it's a known solution; it's "what they've always done."

Admittedly, it is true that hospitals can't "insource" using their years- (or decades-) old legacy software that prevents them from deploying modern functionality. Yet deploying updated VMS software can be quite simple. It can also be as budget-friendly as free; it's possible to get VMS labor management functionality either built into, or alongside, other staffing platforms – including IRP systems.

Functionally, a dedicated VMS works much like the MSP model itself, giving hospitals all the access to labor it needs. With the VMS platform deployed, functionality remains the same even as labor management becomes more transparent, more cost-effective, and more forward-looking. A dedicated VMS grants hospitals access to multiple staffing resources – picked and approved by the health system itself – through a single, clear portal that can use "credential templates" to streamline finding specific candidates.

In other words, it cuts out the middleman without substantively changing the ease of the process. That has more implications than might be realized at first, because it doesn't just affect hospitals – it also streamlines things for the staffing agencies. For example, a common complaint among staffing agencies working through MSPs is an inability (or reduced ability) to ask hiring managers for clarifications around their job orders when going through an MSP. The lack of transparency makes it harder for agencies to supply labor, which increases the risk of a poor fit candidate.

With an internal VMS, the last piece of the staffing puzzle can fit into place.

Each staffing provider would love to be the hospital's master provider, and it's true that hospitals have been happy to hand over a task they don't want to shoulder. But a VMS solution makes it simple to be your own master provider, and it doesn't even necessarily disrupt the normal staffing and labor management workflows your teams use anyways.

Thus, the VMS powers greater efficiency and cost-effectiveness. Indeed, research from Staffing Industry Analysts has found that VMS users are able to successfully increase fill rate – and do so at greater speed – while simultaneously improving margins.

3. Even the best technologies will underperform without the right strategy. Technology without the right labor model is an engine without gas.

Most resource pools are not fulfilling the labor goals of the organizations they were created to support.

This is not necessarily a fault by any individual or entity. It is just not possible to obtain the ideal outcome without the correct strategy and tools. Often, these existing resource pools and labor staffing plans were created for the right reasons but never had the chance to mature to best align with organizational initiatives.

Further, the technologies described previously in this paper – IRP and VMS platforms – can produce detailed, forward-looking analytics and intelligence that can yield tremendous insight into what's working and what's not with hospital labor operations. That can fuel changes to staffing strategy that can take the improvements generated by these technologies – efficiency, productivity, speed, and more – and extend and maximize them.

Strategy, however, is incredibly specific to each hospital.

If you've seen one hospital, you've seen one hospital. Unlike technology platforms, no two strategies will look exactly alike (if you want them to be successful). There is not a one-size-fits-all solution, so customization in determining priorities and developing a plan of action is key. Then, only supporting the developed strategy with the right technology platform will lead to the desired outcome.

For example, some of our partners prioritize finding the best possible talent and want first pick at those individuals, so we might look to first align pay packages to attract that type of talent. Other partners might place a higher priority on developing a robust network of staff that will float to any applicable and qualified department. For those, we first target assignment opportunities and enhance job descriptions.

Every strategy redesign needs to start with a full dive into labor operations. The strategy team should conduct interviews with managers, directors, and senior leaders to establish desired outcomes. They should also conduct department observations and staff interviews. The point is (1) to identify key stakeholders, cost centers and business units that will be participating in the program, (2) to ensure reporting features and system training is understood, and (3) to promote end-user engagement and comfort with the tool.

From a Human Resources perspective, hospitals need to be able to compete with and attract the traditional agency contractor. This means job description audits, pay package review, and assignment opportunity evaluations need to be assessed, adjusted, and/or created as needed.

From a workforce development perspective, hospitals need to determine how to best attract the freelance or gig worker. The strategy should be designed to give hospitals the ability to compete for the freelance healthcare professionals (HCPs), especially nurses, by identifying incentive

packages and staffing options that take nursing HCPs from agency and deliver directly to the hospitals much more cost-effectively. The model creates a path for hospitals to be competitive and have far more control over their labor operations and deployment through strategy and technology automation.

An effective strategy delivers significant savings. The target should be a 30% reduction in contract labor spend for any given modality within the first year of implementation, and up to 50% by the end of year two. As the program matures, it can evolve into additional modalities with the end goal of being a complete replacement of contract labor utilization.

It is not, however, the goal to completely tear down what has already been put in place!

Often, what has been established from a resource pool is salvageable. With an existing resource pool, there is a reason it was created and has active staff participating within. The goal is to maximize the active staff and build upon what works. We look at utilization and set targets to productivity levels. We engage our partners on best practices and process flow. We work with hiring managers to determine cultural fit within the department and organization.

Similarly, the strategy should build upon the technology in place. Indeed, the strategy component is what takes IRP and VMS technologies and extracts the greatest degree of value out of them. After establishing a strategy and technology build-out, we support recruiting and HR in best approaches to target and obtain the necessary staff to fulfill the resource pool objectives. Our goal is to teach our partners how to best utilize the technology and implement the strategy to obtain maximum results.

As programs mature and regional markets expand, we look to build ecosystems to further enhance our resource pool programs. We identify partners in proximity to each other and leverage the pool of nurses already utilizing the Hallmark contingent labor app. This helps maintain key staffing levels while also keeping highly skilled contractors in the market as seasonality and/or census changes. Being able to keep these resources engaged year-round with opportunities in the same region leads to further expansion of our partners' resource pools and a bench of familiar and oriented candidates when needs do arise.

All of this is done through aligning with the right partner; one that listens to the labor initiatives of the organization and customizes strategy and technology to achieve the desired outcomes.

The endgame is always that every hospital needs to attract, retain, and engage more resources.

But to do that, you have to adapt to meet the realities of today's nursing workforce.

If you have a high agency or high premium labor costs, you need to look at doing things differently. Ultimately, the market itself may give you no choice: the only way to avoid dependency on premium labor costs with agency, OT, and incentive pay – or risk facing high vacancies and an inability to recruit/retain staff – is to work toward changing current practices and engaging the available workforce today.

The comprehensive program described in this paper is designed to promote our partners' organizational goals around labor by creating processes and efficiencies. It is imperative that organizations engage with industry leaders and experts.

First, we teach our partners how to compete in the freelance / gig economy and attract the type of talent they desire and need to care for their patients and community.

Then, we teach our partners how to best utilize the technology and implement the strategy to obtain maximum results.

Are you ready to do the same at your organization?

About the Author

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William Reau is the chief revenue officer of Hallmark. In that role, he leads Hallmark's Labor Productivity and Workforce Management practice and its workforce product, through which he and his team have enabled hundreds of hospitals to collectively save hundreds of millions of dollars in labor costs.

Building on decades of experience in the healthcare sector, William leverages his background in technology strategy, project management (with Lean Six Sigma Black Belt certification), and nursing (as a Registered Nurse) to create and develop practical solutions that can fit seamlessly into today's healthcare practices and reliably generate outstanding results.

At Hallmark, he and his team assist organizations in health care from start-to-finish to improve their labor productivity and workforce management practices, including establishing benchmarks in the redesign of compensation metrics; improving branding, recruitment, communication, on boarding and retention strategies; and combining people, process, and technology into a holistic and self-sustaining approach to workforce management.

William is a graduate of the University of Michigan.

Hallmark
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Hallmark offers a fully integrated Saas platform for healthcare workforce management. The platform streamlines sourcing and deployment of contingent clinical labor and automates the provider lifecycle from contracting to compensation, all with exceptional effectiveness, transparency, and cost savings. Partnered with our advanced strategies and deep expertise, Hallmark's leading-edge technology solutions empower healthcare organizations to thrive.
For more information visit: **www.hallmarkhcs.com.**