

## INDUSTRY REPORT:

# Looming Talent Shortages Require Attention

Availability of quality talent is a core success factor for today's healthcare organizations. Yet they face serious gaps in their talent pipelines. This industry report explores several facets on the topic and offers some strategies based on B.E. Smith research and experience.

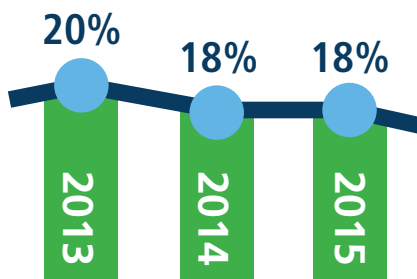
## Looming Talent Shortages

On average three million baby boomers will reach the traditional retirement age each year for the next 20 years.<sup>1</sup> While the recent recession period caused some deferral, a wave of retirements is expected to hit the healthcare industry. The replacement pool is not expanding at a commensurate pace.

The challenge extends across key leadership and clinical roles:

- Hospital CEO churn continues, driven by industry consolidation and retirements. Turnover was 18% for 2015, the second highest rate since 2000.<sup>2</sup> The recent B.E. Smith Intelligence Report pointed out the substantial implications of CEO openings: 40% of survey respondents said "strategic planning and service development" were most impacted, while 25% cited "employee/physician engagement." Both areas increased from the 2014 survey.
- Nursing shortages will grow. More than half of nurses are over 50 years old, and 62% of those over 54 are thinking about retirement – many within three years.<sup>3</sup> Failure to close this gap could leave the industry with an annual bill of \$121 million by 2020 from contract labor and premium pay.<sup>4</sup>
- Physician aging is on the horizon as well. In 2013, 43% of active physicians were 55 or older.<sup>5</sup> Today's stressed environment has led 44% to say they will take steps to "reduce patient access to their services," including

### CEO TURNOVER



<sup>1</sup> P. Barr. "Baby Boomers Will Transform Health Care as they Age." *H&HN*. 14 Jan. 2014.

<sup>2</sup> American College of Healthcare Executives. "Hospital CEO Turnover 1981-2015." *American College of Healthcare Executives*. March. 2016.

<sup>3</sup> AMN Healthcare, Inc. "2015 AMN Healthcare Survey of Registered Nurses." *AMN Healthcare Center for the Advancement of Healthcare Profession*. 2015.

<sup>4</sup> M.A. Kelly and B. Melton. "Developing the Next Generation of Healthcare Professionals." *ASHHRA Annual Conference*. 2015.

<sup>5</sup> Association of American Medical Colleges. "2014 Physician Specialty Data Book." *AAMC Center for Workforce Studies*. Nov. 2014.

outright retirement.<sup>6</sup> Hospitals straining to maintain medical staff could be losing over \$200,000 per doctor.<sup>7</sup>

- A myriad of new leadership roles need to be filled. Emerging positions such as chief clinical integration officer, chief quality officer, and others are still being fully defined and need a discernible talent pool.

## Shortages Exist Against Backdrop of Growing Care Need

These labor shortages are developing as the industry faces escalating patient demand from an aging population. Nearly 15% of the U.S. is currently over 65, with estimates predicting the country's population to reach 20% by 2050.<sup>10</sup> With this age bracket showing a higher concentration of chronic disease, demands for care are expected to intensify. All healthcare settings will be impacted, especially post-acute where "utilization and spending will explode in the coming years."<sup>11</sup>

The increasing focus on population health management has raised the profile and importance of post-acute care. Calling the sector "under tremendous strain," one study concludes that "the post-acute care and long-term care systems face major workforce shortages for both direct service workers and informal caregivers."<sup>8</sup> Also, higher skilled staff are required "who are more costly to hire and retain."<sup>9</sup>

## Competitive Labor Market

**1/3** of leaders identified "access to quality talent" as their chief strategic workforce challenge.

These trends are fueling an increasingly competitive labor market. In the recent survey by B.E. Smith, 33% of leaders identified "access to high quality talent" as their chief strategic workforce challenge. Competition for experienced healthcare professionals is high, resulting in turnover rates that averaged 19.2% for healthcare employers in 2015. Those reports showed long-term facilities with the highest voluntary turnover.<sup>12</sup> The urgency of the issue was underscored in B.E. Smith's survey, which found that 38% of leaders are considering a change within a year.

## Front Line Management Pressures

A major pressure point is an insufficient talent pool among front-line administrative and clinical leaders, the source of future senior leadership. Thin bench strength stems from many factors including:

- Underinvestment in leadership development at the director and mid-management levels.
- Tighter operating margins influencing workforce strategies.
- Challenges finding managers who meet new skillset requirements.

<sup>6</sup> The Physicians Foundation. "2014 Survey of America's Physicians." *The Physicians Foundation*. Sept. 2014.

<sup>7</sup> J. Bees. "Strategic Partnerships: Survival in Healthcare." *HealthLeaders Media*. April. 2016.

<sup>8</sup> C. Raphael. "Reinventing Long-Term Care and Post-Acute Care." *Manatt Health Solutions*. 2014.

<sup>9</sup> J. Hanover. "Staffing Post-Acute Care and Senior Living Facilities to Meet the demands of Increasing Acuity." *IDC Health Insights*. March. 2015.

<sup>10</sup> C. Raphael. "Reinventing Long-Term Care and Post-Acute Care." *Manatt Health Solutions*. 2014.

<sup>11</sup> Ibid.

<sup>12</sup> Compdata Surveys. "Compensation Data Healthcare Survey." *Compdata Surveys*. 2015.

## Consider a Range of Solutions

Figure 1

### LEADING RECRUITMENT FACTORS:

Succession plan/leadership development program

12.1%

Benefits/compensation

30.7%

Management

13.4%

Company brand/culture

34.1%

Current employees

9.7%

Organizations need to work creatively on several fronts to combat shortages. Recommended tactics include:

- **Elevate recruiting efforts.** Attentiveness to the factors that influence recruitment the most will pay dividends. This year's B.E. Smith Intelligence Report revealed the following leading factors shown in Figure 1.
- **Bridge the gap with transitional leadership solutions.** Shortages of experienced leaders and the growing number of retirements is resulting in extended recruiting efforts and increasing cost of turnover. Interim leaders can bridge this gap and keep organizational momentum moving forward. Providers are also utilizing these experienced healthcare professionals to mentor and prepare future leaders to step into their roles fulltime.
- **Constantly build networks.** Industry transformation and competition demand that senior executives and HR leaders "focus more on tapping into and expanding their talent networks."<sup>13</sup> Obtaining assistance in accessing "passive candidates" can greatly augment these networks.
- **Understand and adapt to generational differences.** With four generations in the workforce and Millennials now the largest cohort, organizations must tailor recruitment and retention to the motivations of differing generations, including work expectations, communications, and learning styles.

## Overcoming Healthcare's Shortage of Talent

Healthcare's looming talent shortage will have major ramifications. This industry report highlights data, analysis and actionable advice leaders can leverage to better understand this critical and impactful trend. While the shortage of experience healthcare talent presents a significant challenge, assistance is available. As healthcare's premier leadership firm, B.E. Smith has the resources and talent to provide immediate support through Interim Leadership as well as permanent recruitment with the industry's top ranked Executive Search services.

### B.E. Smith: Integrated Healthcare Leadership Solutions

Founded in 1978, B.E. Smith is the trusted partner in Interim Leadership and Executive Search solutions for organizations across the healthcare continuum. Exclusive to the healthcare industry, our personalized placement methodology best matches organizations with professionals to advance clinical, financial and operational performance. B.E. Smith's proven track record includes the placement of more than 6,000 leaders into healthcare organizations nationwide. **Visit [www.besmith.com](http://www.besmith.com) or call 855-296-6318 for more information.**

<sup>13</sup> A. Murray. "Workforce of the Future Update." *KMWorld*. June. 2016.  
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