An aerial photograph of the Atlanta skyline at sunset. The sun is a bright yellow orb on the horizon, casting a warm orange and red glow across the sky. The city's skyscrapers, including the Georgia State Capitol and the Bank of America Tower, are silhouetted against the bright sky. The foreground is filled with lush green trees and a large, open green field.

# Emory Healthcare Presentation April 4, 2022

**EMORY**  
HEALTHCARE

# Agenda

- Overview of Current Hospital/Healthcare System State
  - Labor Supply/Demand
  - Contract Labor Trends
- Financial Impact
- Implications
- Considerations



# Key Take Aways

1. COVID-19 has significantly exacerbated a fragile healthcare workforce, and the impact will last well beyond the pandemic.
2. The rapid and continued rise in labor costs jeopardizes short-term financial viability of hospital services.
3. A more timely approach to Wage Index and inflationary updates is necessary in the short-term to preserve current service levels – a particular risk point for underserved populations.

Recommend a more time sensitive and layered approach to Wage Index updates be considered to account for excess labor expense driven by the impact of contract labor levels and rates to preserve our critical national hospital/healthcare system infrastructure.

# COVID Pandemic: The “Great Accelerator”

## Pre-Existing Healthcare Conditions

- Workforce shortages and vulnerabilities
- Fragile financial footing with payer cross-subsidization
- Diversifying healthcare landscape



MAR 15, 2019 | MORE ON MEDICARE & MEDICAID

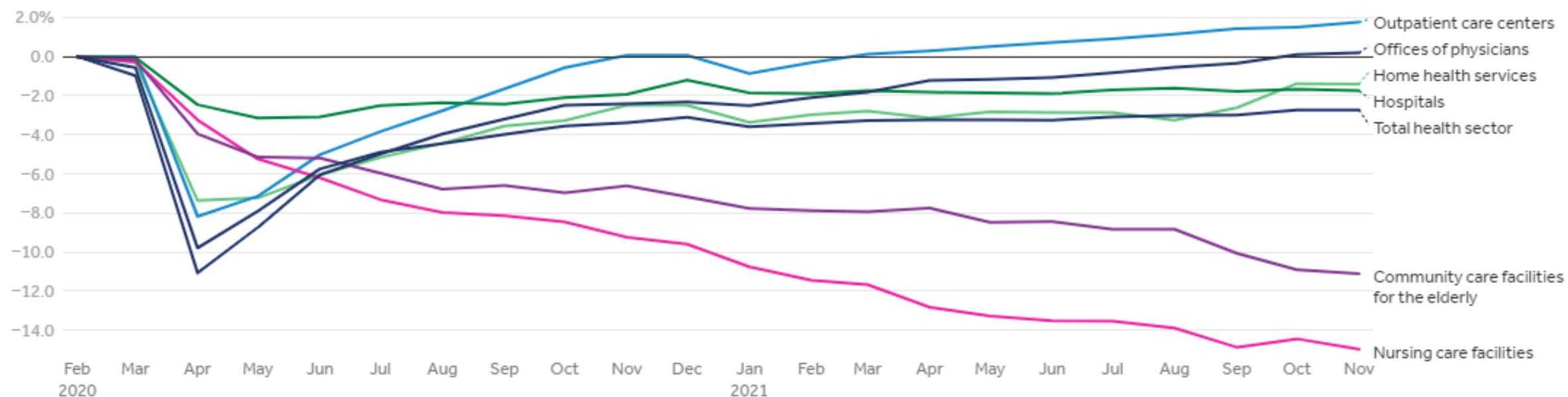
Efficient hospitals operate on -2% margins in Medicare payments, MedPAC reports

## COVID Conditions

- Exacerbated workforce shortages
- High inflation – salaries, supplies...
- Extended COVID surges impacting non-COVID care
- Inelastic healthcare system revenues

# “The Great Resignation”

Cumulative % change in health sector employment by setting, since February 2020, seasonally adjusted



Note: Data for October and November 2021 are preliminary.

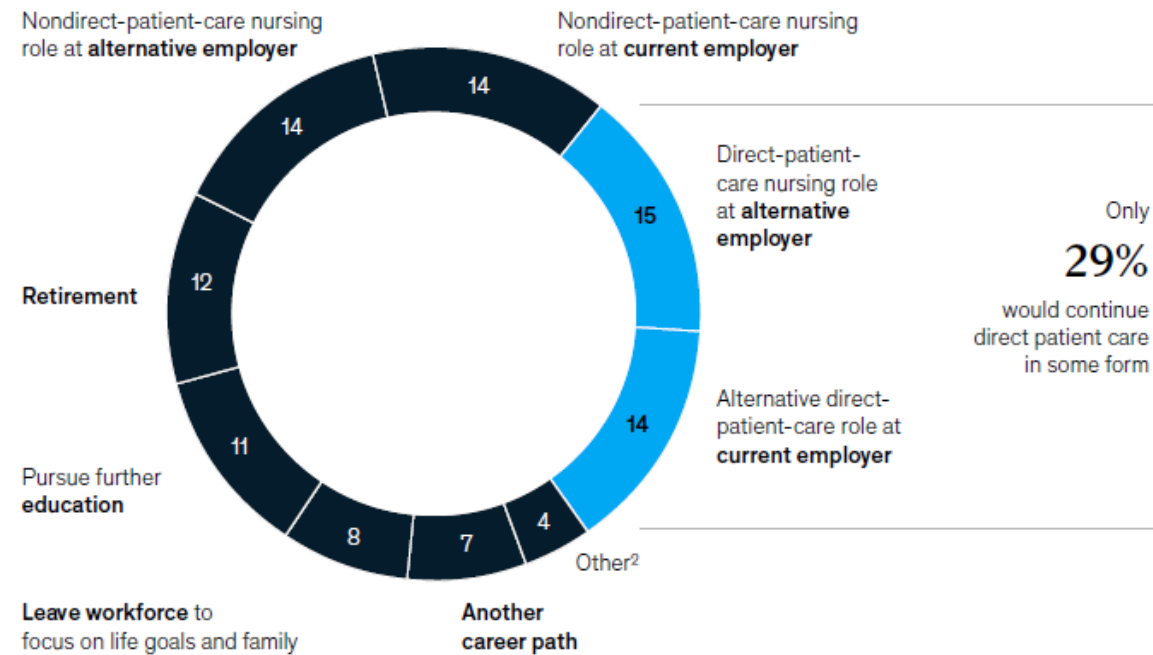
Source: [Bureau of Labor Statistics Current Employment Survey \(CES\)](#) • [Get the data](#) • [PNG](#)

Peterson-KFF  
**Health System Tracker**

# “The Great Resignation”

Of the surveyed nurses likely to leave their current roles, less than one-third intend to stay in direct patient care.

Intended plans for nurses likely to leave a direct-care position in next year,<sup>1</sup> % of respondents (n = 228)



<sup>1</sup>Question: What are your plans if you were to leave your current position providing direct patient care in the next year? Question asked only to those respondents who indicated that they were “somewhat likely,” “very likely,” or “definitely likely” to leave their current position providing direct patient care in the next year.

<sup>2</sup>Other includes “I do not know/prefer not to say,” “other” (option to specify), and “not applicable.”

Source: McKinsey November 2021 Frontline Workforce Survey

## 2.7 job openings for every hire

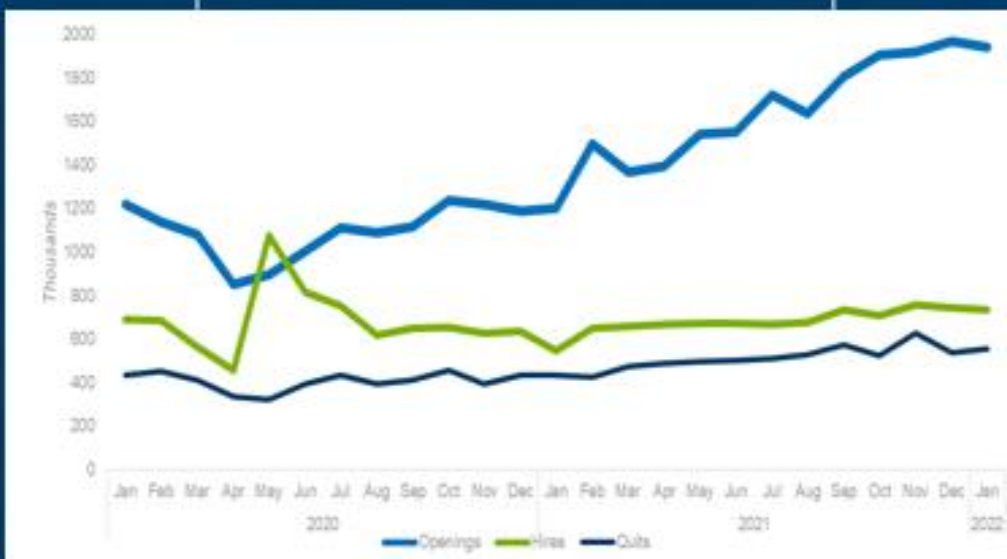
### VOLUNTARY QUIT

Voluntary quits were 503,000, a step down from November's record high though up **20% YoY**.



### HIRINGS

Hiring volume was strong at 701,000, up **11% YoY**, not nearly enough to keep up with demand.



### LAYOFFS/DISCHARGE

FY Layoffs and Discharges decreased **63% YoY** from 2020 to 2021

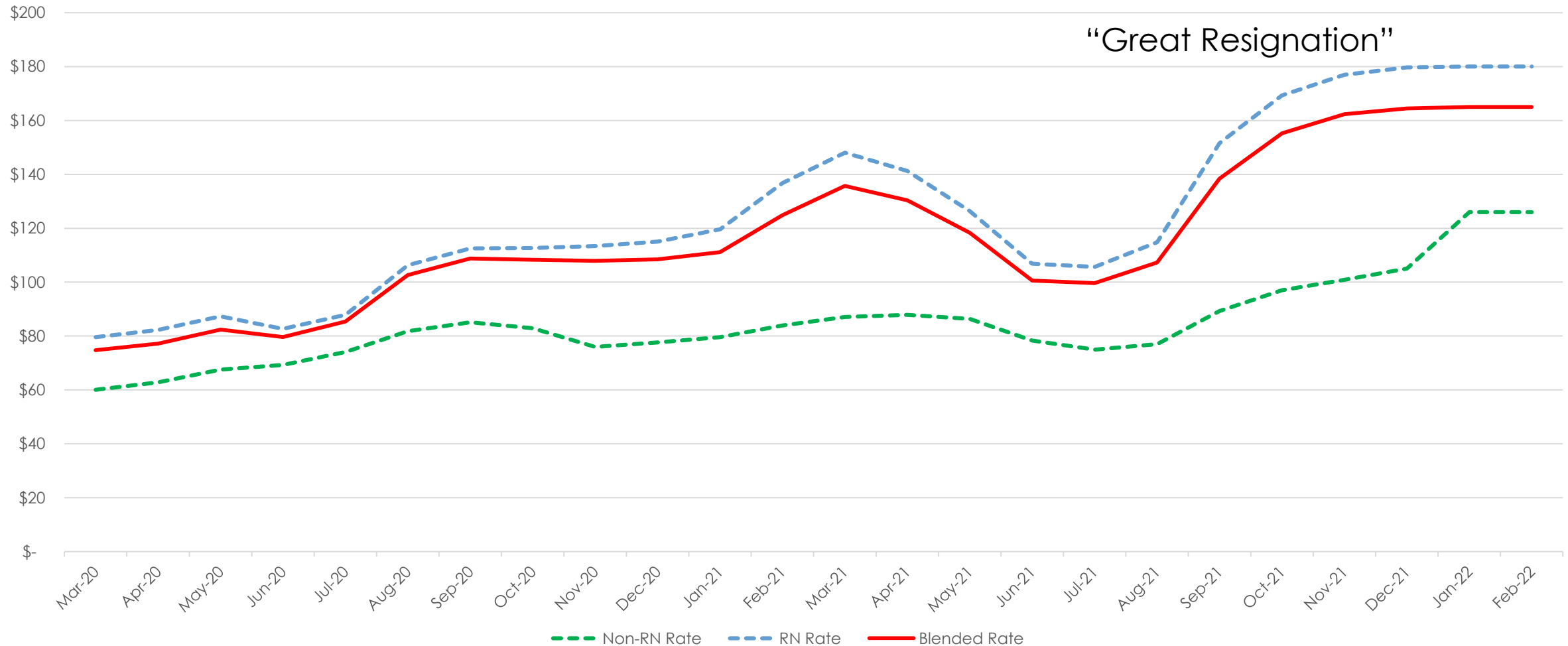


### JOB OPENINGS

Job openings in December were just under October's record high, growing **57% YoY**.



# Contract Labor Rates





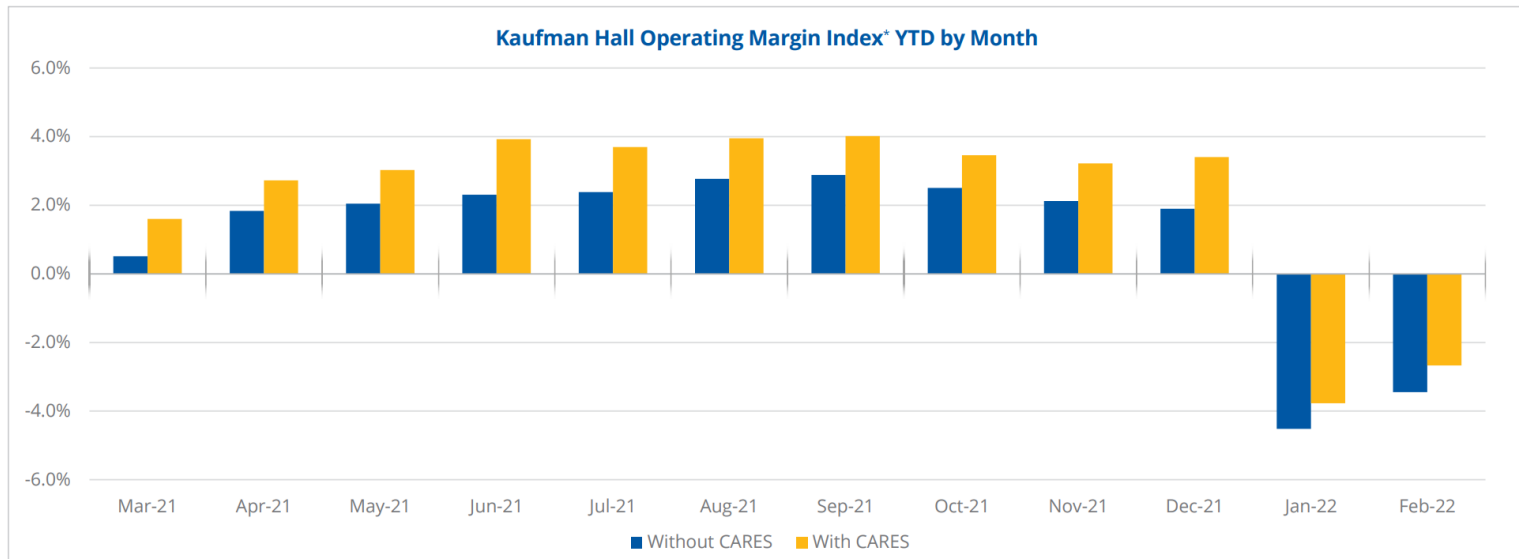
# The State of Healthcare System Finances

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	-42.7%	-7.5%	-24.3%	-37.5%
Operating Margin Less CARES	-56.9%	-11.8%	-26.7%	-42.4%

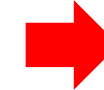
Unless noted, figures are actuals and medians are expressed as percentage change

MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	(456.6)	(89.0)	(330.4)	(466.8)
Operating Margin Less CARES	(413.1)	(113.5)	(287.0)	(448.0)



Source: National Hospital Flash Report (March 2022)

Source: <sup>1</sup>Kaufman Hall National Hospital Flash Report March, '22; <sup>2</sup>Kaufman Hall Quarterly Report Fall '21



## Key Drivers<sup>2</sup>:

- Discharges down (16.2%)
- Patient days 0.6%
- ALOS up 17.2%
- NPSR/adj patient day up 13.6%
- Total Expense up 9.3%
  - Labor 11.8%
  - Supply 9.2%
  - Drugs 21.8%
  - Purchase Service 7.2%
- Investment subsidy per physician FTE up 12.2%

**Feb. '22 Labor Expense per Adjusted Discharge Up 32% Compared to Feb. '20 <sup>1</sup>**

# EHC's In-Process Response / Mitigation

**EHC transitioned our system-wide incident command center process from pandemic response to workforce response in July 2021**

- Retention
- Recruiting
- Care Model Redesign
- Staff Appreciation and Recognition
- Leadership Development and Support
- Clinical Operations

**Each of these six Workforce Workgroups are in-process with actions in response to the workforce challenges**

# Key Take Aways

1. COVID-19 has significantly exacerbated a fragile healthcare workforce, and the impact will last well beyond the pandemic.
2. The rapid and continued rise in labor costs jeopardizes short-term financial viability of hospital services.
3. A more timely approach to Wage Index and inflationary updates is necessary in the short-term to preserve current service levels – a particular risk point for underserved populations.

Recommend a more time sensitive and layered approach to Wage Index updates be considered to account for excess labor expense driven by the impact of contract labor levels and rates to preserve our critical national hospital/healthcare system infrastructure.

# Considerations

- Hospitals can't wait for traditional Wage Index updates
- Leverage current Medicare surveys and reporting to develop a wage adjustment until the labor market stabilizes
  - Example: Quarterly reporting of S-3 (or similar) with Medicare IPPS/OPPS adjustment
- Benefits:
  - Accounts for regional disparities and impact
  - Utilizes known and accepted survey data
  - Standardized and auditable
  - Creates time sensitive and layered strategy that does not disrupt baseline Medicare Wage Index