

Quarterly Market Analysis: Q1 2022

Presented by Syntellis and the
American Hospital Association



Advancing Health in America

Executive Summary

U.S. hospitals and health systems continue to face a challenging labor environment in 2022.

Performance data¹ from the first quarter of this year show that total hospital labor costs (including wages and benefits) continued to rise as competition for qualified healthcare professionals intensified amid nationwide labor shortages. Median hourly hospital pay rates² increased 3.6% from the fourth quarter of 2021 to the first quarter of 2022 following a dramatic 8.2% quarter-over-quarter spike the previous quarter. Compared to the first quarter of 2021, median hourly hospital pay was 14.7% higher in the first quarter of 2022.

A sizable share of the wage increases can be attributed to higher hourly rates paid to employed registered nurses (RNs) and to agencies for contracted RNs, as hospitals relied heavily on agency and travel nurses to address staff shortages. Disparities between the two per-hour pay rates reached a peak in January 2022, when hospitals paid a 170% differential for agency RNs.

The workforce shortage is exacerbated by pent-up demand for healthcare services not accessed during the height of the pandemic, combined with shifting populations. Many organizations face challenges in staffing all beds or discharging patients to other levels of care due to widespread shortages. Hospitals also face challenges retaining staff due to competition from other healthcare organizations offering remote or part-time

positions. As experienced staff leave for other opportunities, some hospitals must increase staffing to accommodate for lack of experience.

Meanwhile, the ratio of hours worked by contract and employed staff members on non-management-related duties compared to hours worked by managers has gradually declined over the past three years.

That ratio decreased from nine staff hours for every one management hour (9:1) in the first quarter of 2019 to 7.8 staff hours for every one management hour worked (7.8:1) in Q1 2022. The decline may indicate that managers are taking on staff functions to cover for increased vacancies. Some may be assuming additional duties — such as care management or addressing family issues — because of limited visitation. However, not all organizations are experiencing a reduction in management scope. For others, the decline may reflect retention efforts to alleviate burdens on nurse managers.

This report illustrates these trends with analysis of data from a nationally representative sample of more than 1,000 hospitals and health systems by Syntellis Performance Solutions and insights and commentary from healthcare providers.

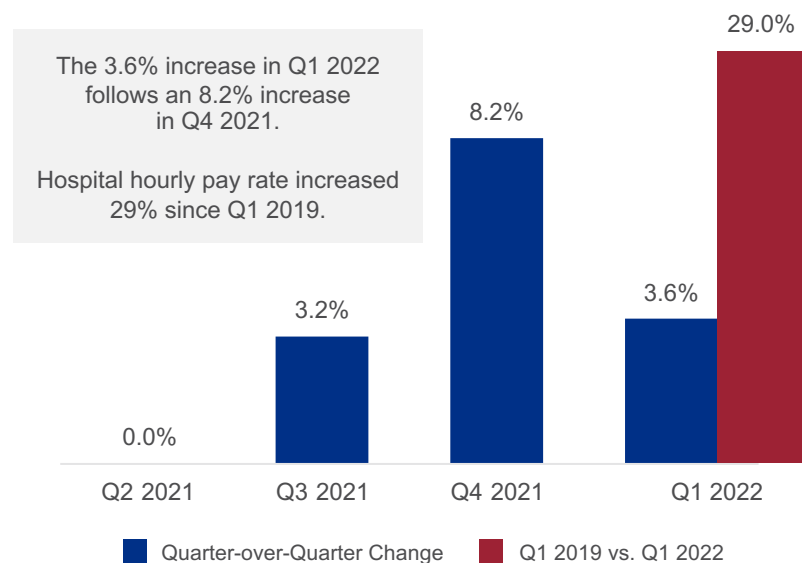
¹ All analyses in this report are drawn from Syntellis Performance Solution's comprehensive database containing data from more than 135,000 physicians and 1,000 hospitals nationwide.

² Hourly pay rates are comprised of wage/salary expenses, not including benefits.

Quarterly Increases in Hourly Pay Rates

The median hourly rates³ that hospitals pay to staff (across all job codes and including contracted employees) have increased significantly in recent months. Median hourly rates rose 3.6% from Q4 2021 to Q1 2022. This increase exacerbates the impact of the prior quarter’s increase of 8.2%. Compared to before the pandemic in Q1 2019, the median hourly rate was up 29% in the first quarter of this year.

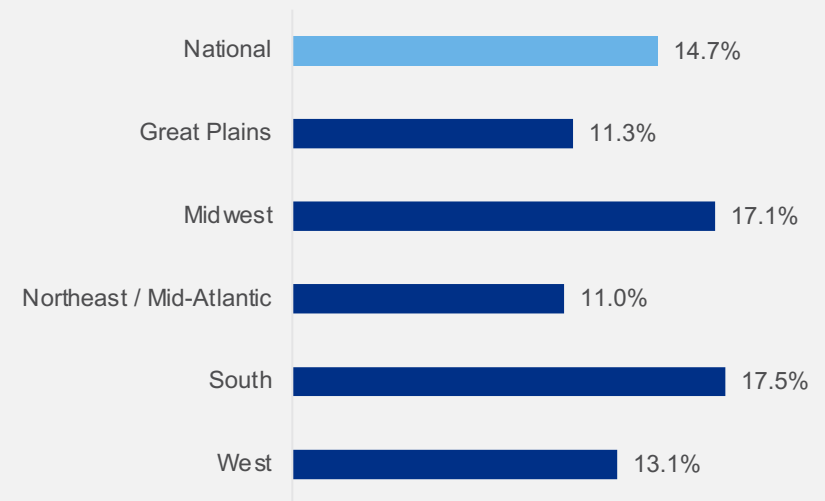
Changes in Hospital Hourly Rates³



Source: Syntellis April 2022

Quarterly Changes in Hospital Hourly Rates by Region³

Q1 2021 vs. Q1 2022



Source: Syntellis April 2022

Nationally, the median hourly pay rate for the first quarter of 2022 was 14.7% higher than for Q1 2021. Hospitals in the South and Midwest reported the highest hourly rate increases of 17.5% and 17.1%, respectively from Q1 2021 to Q1 2022. Mid-sized hospitals with 100-199 beds reported the largest year-over-year increase of 17.4% for the first quarter of 2022, followed by hospitals with 200-299 beds at 16.9%.

³Hourly rates are comprised of wage/salary expenses, not including benefits.

Employed vs. Contracted Labor

Hourly rates paid to staffing firms for contract RNs (including agency and travel nurses) have fluctuated widely since the beginning of the pandemic. These changes are illustrated using the January 2020 rate paid to employed RNs as a baseline and showing how the two rates diverge.

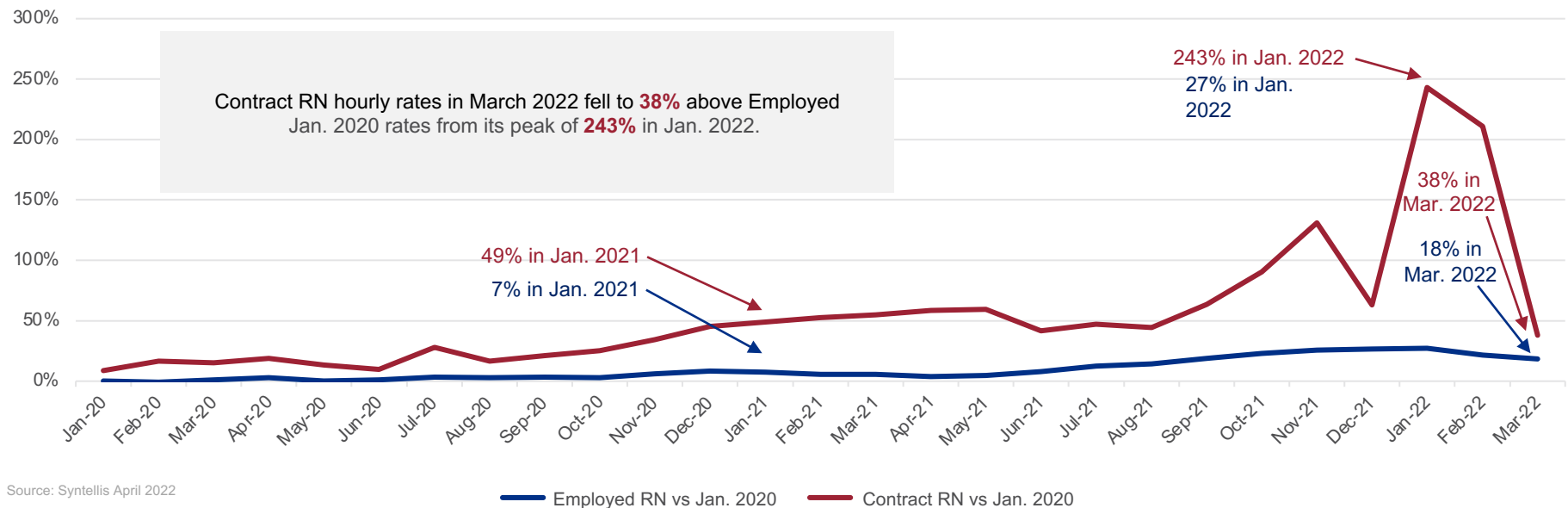
Compared to the index, the median hourly rate paid to staffing firms for contract RNs rose to a high point of 243% above the base rate in January 2022. The median hourly rate paid to employed RNs was 27% above the index that same month. By March 2022, the hourly rate paid for contract RNs was 38% above the index and the hourly rate for employed RNs was 18% above the index, representing a 17% differential between the two pay rates. At the peak in January 2022, that differential was 170%.

The volatility in the two rates followed a pattern similar to the rate of COVID-19 related hospitalizations. The general consensus in the field is that this volatility creates undue and unsustainable burden on hospitals as they try to manage scarce resources. Many organizations are reducing capital budgeting and are fearful of the impact it will have on bond ratings and long-term viability.

The volatility also contributes to workforce instability as it may undercut employee loyalty, teamwork, and collaboration. There are reports that in some instances, unsustainable labor rates could force hospital leaders to reevaluate service offerings at their organizations. Many hospitals and health systems are attempting to manage fluctuations by establishing their own internal agencies and float pools, but feel challenged to address current market rates.

Change in Employed RNs vs. Contract RNs Hourly Rates Since 2020

Indexed at Employed RN Hourly Rate in Jan. 2020



Source: Syntellis April 2022

Hospital Leadership Structures Shifting

National hospital data show a gradual shift in organizational leadership structures. Over the past three years, there has been a steady decrease in the number of staff hours relative to management hours.⁴ In the first quarter of 2019, there were nine staff hours worked for every one management hour. The ratio decreased to 7.8 staff hours for every one management hour worked in Q1 2022.

In most cases, this decline likely indicates that managers are taking on more staff assignments due to increased vacancies and the high costs of bringing in temporary help. Some may be taking on additional duties — such as care management or addressing family issues — due to limited visitation. However, not all organizations are experiencing a reduction in management scope. For some, the decline represents retention efforts to help alleviate the burden on nurse managers and retain valuable caregivers.

⁴Staff (non-management) contains all staff hours for employed and contract workers who are not responsible for supervising others, as well as 50% of supervisors' hours that do not include management duties. Management hours refers to hours worked by individuals managing employed and contract workers.

Ratio of Staff Hours to Management Hours

Hospitals Nationally



Source: Syntellis May 2022

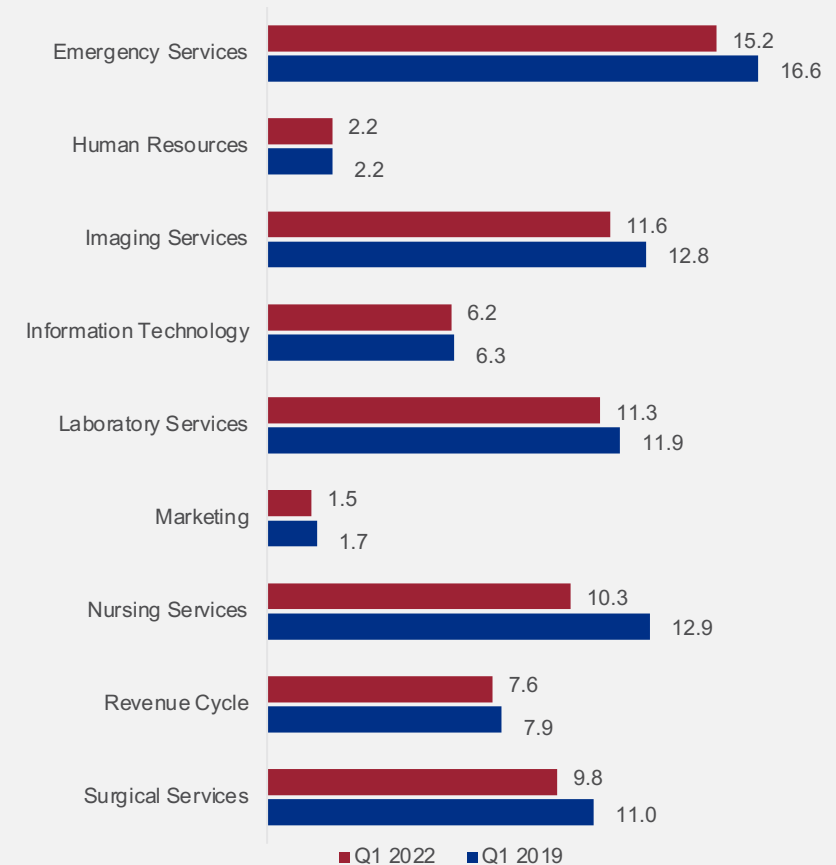


Further analysis of staff hours versus management hours shows that the declines in management responsibility are consistent across most hospital departments. Nursing Services saw the biggest change, with the ratio of staff to management hours declining from 12.9 to one in the first quarter of 2019 to 10.3 to one in the first quarter of this year. Human Resources is the only department in which the ratio was unchanged since Q1 2019 at 2.2 staff hours worked for every one management hour.

Given volume increases many organizations face due to pent-up demand, addressing nursing management vacancies is critical. Organizations are seeking ways to support their nurse managers to allow them to focus on management and serving as vital supports for bedside caregivers. Hospital and health system leaders are getting creative with recruitment, retention, and partnering across their organizations to reduce administrative burden and challenges to effective practice. They also are rethinking care delivery teams to increase the ability for all to work at the top of their training and education.

Ratio of Staff Hours to Management Hours

Hospitals Nationally by Department



Source: Syntellis May 2022

About the Data

Syntellis' Axiom™ Comparative Analytics offers access to near real-time data drawn from more than 135,000 physicians from over 10,000 practices and 139 specialty categories, and from 500+ unique departments across more than 1,000 hospitals. Powered by Syntellis IQ, Comparative Analytics also provides data and comparisons specific to a single organization for visibility into how its market is evolving.



SYNTELLIS

About Syntellis

Syntellis Performance Solutions, previously Kaufman Hall Software, provides innovative enterprise performance management software, data and analytics solutions for healthcare, higher education, and financial institutions. Syntellis' solutions include Axiom and Connected Analytics software, which help finance professionals elevate performance by acquiring insights, accelerating decisions, and advancing their business plans. With over 2,800 organizations and 450,000 users relying on its solutions, Syntellis has proven industry expertise in helping organizations transform their visions into reality. For more information, please visit www.syntellis.com.



About the American Hospital Association

The American Hospital Association (AHA) is a not-for-profit association of health care provider organizations and individuals that are committed to the health improvement of their communities. The AHA advocates on behalf of our nearly 5,000 member hospitals, health systems, and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses, and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups. Founded in 1898, the AHA provides insight and education for health care leaders and is a source of information on health care issues and trends. For more information, visit the AHA website at www.aha.org.