

2024 White Paper

Transforming Healthcare Labor Management:

A Strategic Blueprint for Financial
Optimization and Unmatched
Operational Efficiency



Balancing Act:

Providing Quality Care Amid Rising Operational Costs

Many hospitals and health systems today face a delicate balancing act, walking a tightrope as they strive to provide quality, round-the-clock patient care under significant financial pressures.

According to the American Hospital Association's [2024 Cost of Caring Report](#), rising labor, medication, and supply costs, alongside ongoing workforce challenges, are placing immense strain on healthcare organizations.

Labor expenses alone account for approximately 60% of a hospital's budget and have skyrocketed by over \$42.5 billion between 2021 and 2023, further squeezing already thin profit margins.

A recent [Becker's and Microsoft survey](#) reinforces this concern, revealing that staffing shortages and recruitment and

retention challenges are top priorities for healthcare leaders.

Similarly, a [2024 FTI Consulting survey](#) found that 47% of hospital executives view quality of care as their primary focus, with recruitment costs (29%) and workforce shortages (28%) following closely behind.

These findings underscore the increasing operational costs and the growing difficulty of recruiting and retaining nurses within a strained workforce. The financial implications are substantial, threatening the quality of patient care and the capacity to meet future healthcare demands.

As hospitals and health systems strive to balance financial constraints with the need for quality care, effective healthcare labor management emerges as a critical safety net.

TOP WORKFORCE CONCERNS for Healthcare Leaders



Labor Mismanagement: Excessive Costs Healthcare Can't Afford

Labor mismanagement frequently relies on short-term solutions to address workforce challenges, resulting in costly, long-term financial and operational setbacks that drain resources and hinder efficiency across hospitals and health systems.

The Financial Toll of Turnover

Healthcare organizations nationwide are incurring millions in losses due to nursing turnover. This challenge goes beyond recruitment and human resources; it's a business issue.

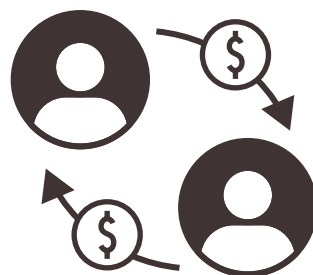
High nurse turnover resembles a revolving door spinning faster and faster, creating chaos in an already demanding environment. The constant cycle of nurses leaving and entering disrupts operations, making it nearly impossible for organizations to provide safe and effective care.

According to a 2024 [Becker's Hospital Review](#) article, the average turnover cost for a staff RN is \$56,300, and recruiting an experienced RN takes an average of 59 to 100 days.

Moreover, replacing nurses during high turnover is like trying to patch up a sinking foundation. Many organizations resort to filling scheduling gaps using travel nurses, contract labor, and excessive overtime. These expensive, shortsighted fixes ultimately undermine the foundation of patient care, eroding an organization's stability and financial health.

Becker's Health also notes that eliminating 20 travel RNs can save hospitals an average of \$3.14 million, with each permanent RN hired saving \$157,000.

\$56,000



Average Turnover Cost for a Staff RN

Labor Mismanagement: Excessive Costs Healthcare Can't Afford

The Trouble With Travel, Contract, and Overtime

When hospitals and health systems depend on travel nurses, contract workers, and staff overtime to fill shift vacancies, they risk losing much more than money.

Overreliance on costly temporary labor diverts funds from permanent staff and increases job dissatisfaction. Internal staff must onboard and train temporary nurses, who often earn more per hour, creating potential resentment and further turnover. Additionally, the onboarding process can disrupt care continuity and compromise patient safety.

Furthermore, organizations can face significant legal and financial risks if they misclassify contingent labor as 1099 workers. This misclassification can lead to costly penalties, back taxes, and potential lawsuits, compounding the challenges of already strained healthcare budgets.

Relying on internal staff overtime to fill gaps is also detrimental to healthcare organizations. Nurses who are forced to work long hours and manage heavy workloads face a heightened risk of burnout. This diminishes productivity and increases medical errors, lowers patient satisfaction, and contributes to high turnover rates.

Research shows that common solutions to RN shortages—such as longer shifts, overtime, and low staffing—often worsen the problem.

Nurses working extended hours report less time for professional development and fewer opportunities to collaborate on patient care.

Overtime and understaffing also hinder critical information exchange during shift changes and disrupt care continuity, highlighting the many drawbacks of these short-term fixes.



Paradigm Labor Shift: Avoiding the Revenue Loss Trap

Hospitals and health systems can avoid the revenue loss trap by shifting their labor management strategy to focus on long-term stability rather than short-term fixes. They must address workforce costs in ways that promote operational efficiency and improve working conditions for nursing staff.

Invest in Workforce Planning

Anticipating future staffing needs based on patient demand, retirements, and industry trends helps create a sustainable staffing pipeline and reduces dependence on costly contract labor.

Adopt Predictive Analytics

Forecasting staffing needs and adjusting schedules enhances utilization while minimizing last-minute overtime and expensive contract labor. Analyzing patient volumes, seasonal trends, and acuity levels leads to more informed decision-making.

Improve Retention and Job Satisfaction

Investing in nurse well-being, flexible scheduling, career development, and a positive work environment boosts retention and reduces recruiting and training expenses.

Optimize Labor Resource Allocation

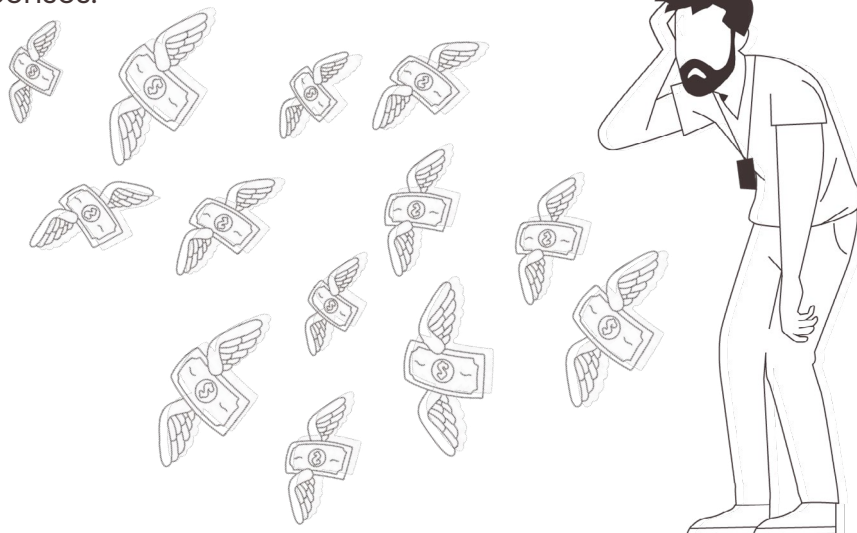
Adopt flexible staffing models, such as float pools or on-demand platforms like ShiftMed, to allocate labor efficiently, reducing costs while maintaining quality care.

Shift Toward Value-Based Care Models

Shifting to a [value-based care model](#) aligns financial incentives with long-term outcomes, reducing reliance on short-term labor fixes and promoting consistent, high-quality care.

Strategic Workforce Partnerships

Partnering with vendors offering long-term workforce solutions ensures labor stability. Data-driven platforms can help healthcare organizations avoid temporary staffing spikes.



Innovative Approach:

Leveraging Modern Workforce Management

ShiftMed can play a pivotal role in helping your healthcare organization transition from reactive staffing strategies to a more stable, efficient, and cost-effective workforce management model. Here are some of the ways we can help you facilitate this transformation:

✔ On-Demand Fulfillment

We provide direct access to a local pool of credentialed W-2 healthcare professionals ready to provide on-demand clinical support. This capability lets you fill gaps quickly, reducing reliance on costly overtime and expensive travel nurses.

✔ Scheduling Efficiency

Our advanced scheduling technology helps you optimize your staff assignments based on real-time demand. This data-driven approach minimizes overstaffing and understaffing, creating a more balanced work environment that enhances employee satisfaction and patient care.

✔ Robust Analytics

We offer robust tools for workforce analytics, enabling you to track performance metrics, identify trends, and make data-informed decisions. A comprehensive view of your workforce allows for better planning and resource allocation, ultimately leading to improved operational efficiency.

✔ Higher Retention

We help you retain a skilled workforce by addressing staffing challenges and reducing burnout through effective scheduling and workload management. High employee morale and job satisfaction contribute to better patient outcomes and continuity of care.

✔ Increased Agility

Our flexible workforce management solutions allow you to adapt quickly to evolving healthcare regulations and workforce demands. Whether responding to new compliance requirements or changes in patient demographics, we give you the tools to remain agile and resilient.

✔ Long-Term Viability

Our commitment to innovation means you benefit from ongoing improvements and updates to the ShiftMed platform. By incorporating user feedback and staying ahead of industry trends, we ensure our solutions continue to meet the changing needs of healthcare organizations.

Overcoming Challenges: Solutions Focused on Stability

ShiftMed offers practical solutions to common healthcare staffing challenges, making it easy for your organization to manage costs effectively and improve workforce stability.

PROBLEM	SHIFTMED SOLUTION
High Turnover Costs	Our on-demand nurses reduce turnover by easing heavy workloads and providing coverage, allowing your staff to take time off to relax. This support helps prevent burnout, increases job satisfaction, and improves retention.
High Recruitment Costs	Fill vacancies with our credentialed on-demand nurses to evaluate their skills and cultural fit before committing to a permanent hire. This saves time and money on job postings and enables a seamless transition to full-time staff without buyout fees.
High Overtime Costs	Our on-demand nurses provide reliable shift coverage during peak demand without overtime costs. Our technology efficiently routes vacancies to the most qualified and cost-effective workers, minimizing overtime and surge pricing for last-minute shifts.
High Travel Reliance	Our on-demand nurses help you avoid costly, long-term travel contracts and prevent overstaffing, reducing unnecessary labor costs during low patient census periods.
Contingent Labor Risks	Our on-demand nurses meet all federal, state, and local professional requirements. As W-2 employees, we take responsibility for them at your facility, helping reduce legal and financial risks.

\$300
Your average savings per Shift with a ShiftMed on-demand nurse compared to travel.

Spend \$1 with ShiftMed and **save \$2** on travel or contract labor costs.

Success Stories:

Minimizing Costs and Maximizing Care

SSM Health Partnership

Missouri-based SSM Health partnered with ShiftMed in 2023 to supplement its staffing needs. Initially meant to fill temporary gaps, the collaboration was also a valuable recruitment channel for local nurses.

200

ShiftMed on-demand nurses hired by SSM Health.

\$0

Cost to transition a ShiftMed on-demand nurse to full-time SSM Health staff.

\$4M

Estimated SSM Health hiring and onboarding cost savings with ShiftMed.

*Data as of September 2024

Presbyterian Healthcare Services Partnership

New Mexico-based Presbyterian Healthcare Services joined forces with ShiftMed in 2023 to solve staffing challenges impacting its operational efficiency, patient care standards, and bottom line.

250+

ShiftMed on-demand nurses onboarded in less than 6 months.

64%

Year-over-year reduction in agency FTEs.

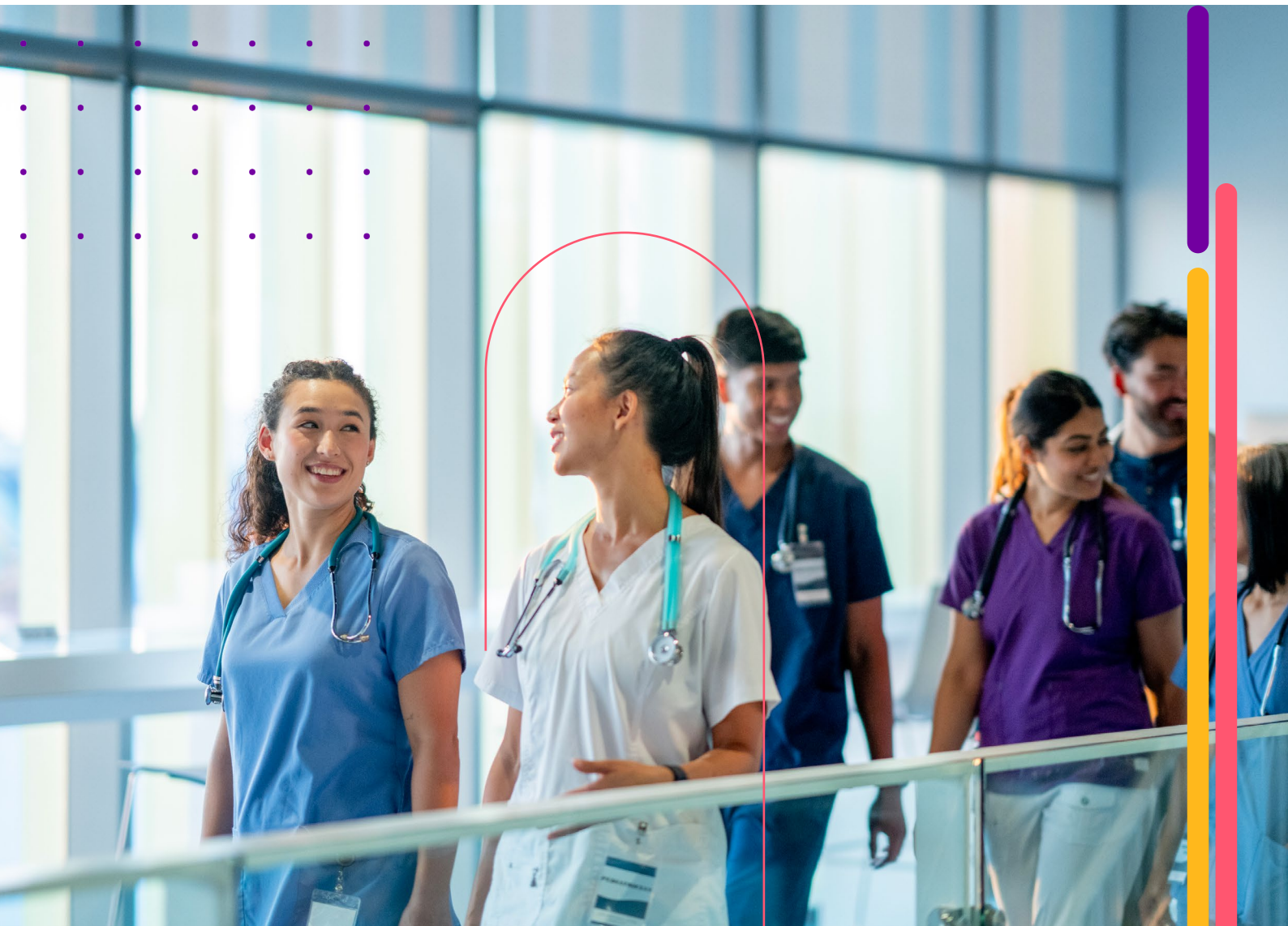
*Data as of September 2024

Conclusion:

Prioritize Long-Term Solutions Over Temporary Fixes

As hospitals and health systems navigate financial pressures and workforce challenges, traditional reactive labor strategies fall short of meeting modern healthcare demands. Rising labor costs and ongoing workforce issues necessitate a proactive approach, prioritizing long-term solutions over temporary fixes.

Investing in a sustainable workforce management strategy is a financial necessity and a commitment to delivering exceptional care and supporting the well-being of staff and patients. As healthcare moves forward, embracing the opportunities presented by innovation and strategic partnerships is vital to creating a more efficient, effective, and compassionate healthcare industry.





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