

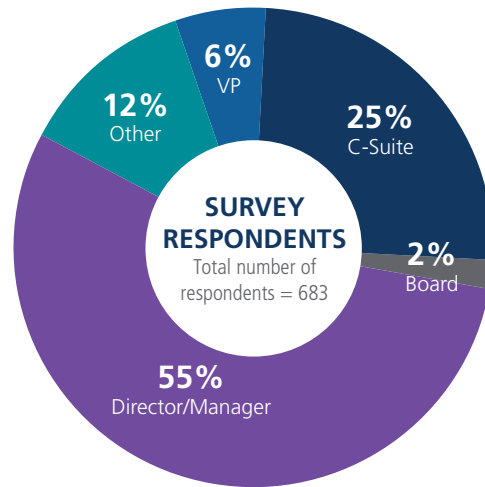


2020 Healthcare Trends Revisited

WHITE PAPER

TEN HEALTHCARE TRENDS FOR 2020 REVISITED

The unprecedented coronavirus crisis that began to impact the world in March 2020 has upended many of the ten key trends identified in the annual AMN Leadership Solutions Intelligence Report published in January and based on late 2019 survey responses from nearly 700 executives, physicians and nurses supplemented by independent research. The pandemic’s direction and duration remain uncertain. To assist leaders in planning for the future, this update revisits the earlier report to assess what impact the crisis has had on the original ten trends. For convenient reference, the January findings (referred to throughout as January Trends Report or Intelligence Report) are reproduced at the outset of each of the ten trends. A mid-year update then immediately follows, accompanied by timely strategies to address the changes.



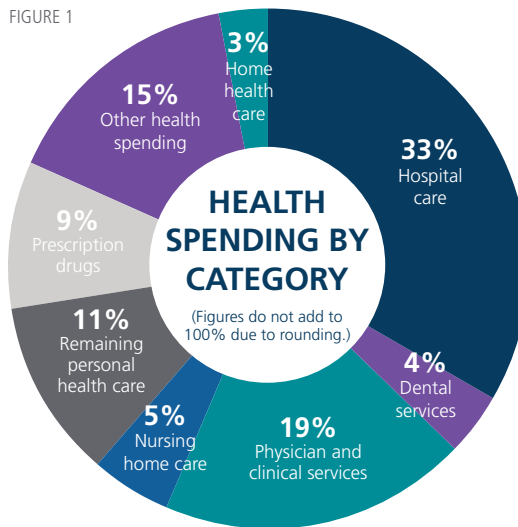
HEALTHCARE ECONOMICS DRIVE PLANNING PARAMETERS

ORIGINAL FINDINGS

The economics of healthcare and the need to “bend the cost curve” are inducing major industry transformation. CMS recently calculated overall 2018 spending growth at 4.6%, exceeding the approximately 2% Consumer Price Index inflation rate. Through October 2019, total health spending increased 4.9% year-over-year. Figure 1 indicates that hospitals account for the largest proportion of spending, keeping that sector under the cost microscope.¹

Prescription drug spending saw the highest increase at 8%. One leading forecaster says organizations should plan for another 4.6% rise in 2020.² The push to tame healthcare spending will not abate, given CMS forecasts of 5.5% compound annual growth through 2027 to reach almost 20% of GDP.

FIGURE 1



¹ Altarum Center for Value in Health Care, “Insights from Monthly National Health Spending Data,” *Spending Brief*, December 13, 2019.

² A. Paavola, “Hospitals Can Expect to Spend 4.57% More on Drugs in 2020,” *Becker’s Hospital Review*, August 6, 2019.

Pricing power is still constrained at a 1.8% increase, with hospitals registering 2.4% and physicians just 0.6%.³ As a result, leaders can expect “continued pressure on margins resulting from the shift to value-based/risk-based contracts.”⁴

MID-YEAR UPDATE

Clearly the entire U.S. economic picture has been radically altered, with record unemployment and widespread business disruption. As the industry most directly affected by COVID-19, healthcare has been hard hit. The numbers are stark. Overall healthcare spending declined 24% in April from the prior year in the face of delayed elective procedures at hospitals and health systems and dramatically reduced outpatient visits. That is the lowest spending level since 2013 and outstripped the year-over-year GDP decline of nearly 14%.⁵

Hospitals felt substantial impact. At the height of the crisis, hospitals in the aggregate were estimated to have lost the equivalent of \$60.1 billion per month compared to the previous year.⁶ The American Hospital Association projects total 2020 hospital/system losses to exceed \$300 billion (Figure 2).⁷

FIGURE 2

PROJECTED LOSSES TO HOSPITALS AND HEALTH SYSTEMS IN 2020



Another survey canvassing medical groups and integrated systems found that 90% have suffered revenue losses of 25% or more during the height of the pandemic. The report notes that “with such dramatic revenue losses, several groups have already run through cash reserves.”⁸

Consumers are likewise facing mounting financial problems that could impact their propensity to seek care. In one recent survey, 41% of respondents reported job disruption, with 20% of those having lost health insurance.⁹

GO-FORWARD STRATEGIES

- Perform scenario planning to model various economic and industry outlooks, including ones assuming a significant national recession.
- Assume the duration of economic and financial headwinds may be longer than anticipated and factor that into planning.
- Monitor progress in consumer sentiment regarding resumption of various normal activities, particularly tracking closely the willingness to seek care in hospitals in order to frame forecasting.

³ Altarum Center for Value in Health Care, “Insights from Monthly National Health Spending Data,” *Price Brief*, December 13, 2019.

⁴ K. Halloran, “Market Outlook: Trends and Longer-Term Perspective,” *HFMA Annual Conference presentation*, 2019.

⁵ Altarum Center for Value in Health Care, “Insights from Monthly National Health Spending Data,” *Spending Brief*, June 12, 2020.

⁶ Strata Decision Technology, *National Patient and Procedure Volume Tracker*, May 11, 2020.

⁷ American Hospital Association, *Hospitals and Health Systems Continue to Face Unprecedented Financial Challenges Due to COVID-19*, May 2020.

⁸ J. LaPointe, “Medical Groups at Least a Year Away from Recovering Revenue Losses,” *RevCycle Intelligence*, June 19, 2020.

⁹ J. LaPointe, “1 in 5 Adults Reporting Job, Coverage Disruption Now Uninsured,” *RevCycle Intelligence*, June 25, 2020.

INDUSTRY OUTLOOK: POSITIVE WITH RISKS OF DISRUPTION

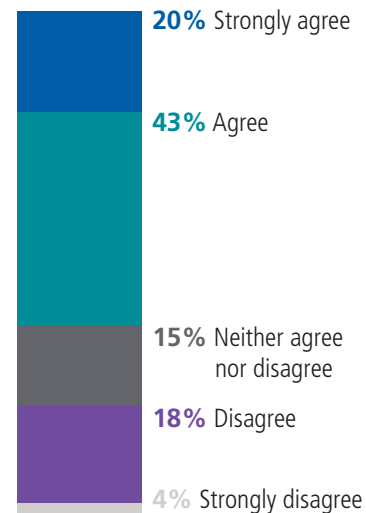
ORIGINAL FINDINGS

The survey's results were level with last year as 63% of respondents stated they are optimistic about healthcare's 2020 outlook (20% strongly, 43% somewhat). One in five are pessimistic, citing "unknown variables with reimbursement forcing decisions based on projections and not facts," persistent "failure to change industry cost structure fast enough," and doubts that "government payers and clinicians are sufficiently aligned to make any meaningful progress."

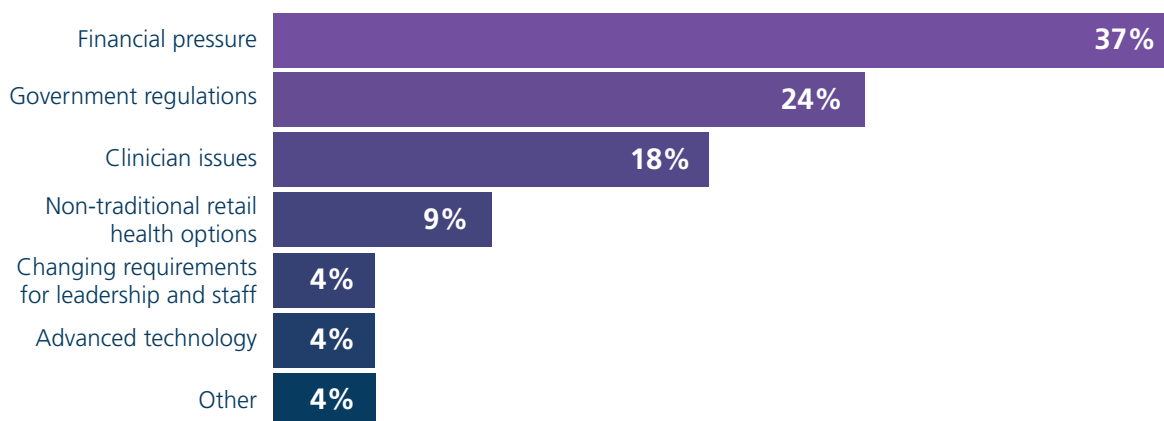
The survey found three dominant forces expected to disrupt industry equilibrium in 2020:

- Financial pressures (37%).** A perennial survey leader, this issue relates to the implications of alternative payment models. The replacement of fee-for-service is in early stages. In 2018, an estimated 25% of payments involved quality-based service fees, while 36% were alternatives such as bundled payments and shared savings.¹⁰ An independent poll on likely 2020 changes saw 28% suggesting that more participation in such value programs will be mandatory.¹¹
- Government regulations (24%).** Governmental influences will be especially prominent with 2020 being a major political year and healthcare in the spotlight. Regulatory changes enacted or being debated include hospital price transparency requirements, prescription drug price control, and expanded national insurance coverage. With outcomes unknown, planning uncertainty will reign throughout the year.
- Clinician issues (18%).** This disruptor reflects deep concerns about clinician shortages, burnout, and engagement issues – factors that will be explored later in this report.

EXECUTIVE OPTIMISM REGARDING THE 2020 OUTLOOK FOR THE HEALTHCARE INDUSTRY



FORCES THAT WILL HAVE THE GREATEST DISRUPTION IN HEALTHCARE



¹⁰ J. LaPointe, "36% of Payments Tied to Alternative Payment Models in 2018," *RevCycle Intelligence*, October 24, 2019.

¹¹ Definitive Healthcare, "The Future of Value-Based Care: 2019 Survey Results," *Definitive Blog*, September 30, 2019.

MID-YEAR UPDATE

Given the difficult economic backdrop, the 2020 outlook for leaders has turned extremely uncertain and, for some, unfavorable. Concerns highlighted in the January Intelligence Report about industry disruption risk have materialized in the most unanticipated fashion. Today's outlook is dominated by financial fears as captured in a number of recent forecasts:

- Though procedure volume is beginning to return, significant damage has been done. According to a recent survey: "Thirty percent of respondents expect that their 2020 operating margin will be 20% below forecasts, and 15% are not confident they will have enough days' cash on hand throughout the crisis."¹² One-third expect a margin decline of 10% or greater to persist in 2021.
- 35% of independent medical groups said revenues will not return to pre-crisis levels until at least the second quarter of 2021.¹³ 28% could not estimate when that revenue return would occur.

The impact of regulation offers a mixed prognosis. Some government mandates have been relaxed during the crisis, and support for telemedicine has been strengthened. Looking ahead, it is likely that regulations covering many areas such as price transparency, prescription drug costs, and others will be put firmly in place as a result of the pandemic.

An equally uncertain outlook confronts organizational workforce management. The widely adopted move to work-from-home has been disruptive, and planning the timetable for return is problematic. Some researchers have projected that social distancing – the stimulus for remote work – may be necessary through 2022.¹⁴

GO-FORWARD STRATEGIES

- Focus on generating and preserving cash for working capital needs such as supplies.
- Stay hyper-flexible on cost management, timing of return of at-home workers, and other variables.
- Attempt to balance the immediate with the longer term. Devote some planning to potential changes post-pandemic. As McKinsey notes, "The significant financial impact of COVID-19 has created an imperative for health systems to evolve in new ways and accelerate into the next normal."¹⁵

RENEWED STRATEGIC FOCUS ON GROWTH

ORIGINAL FINDINGS

Just over half of the survey respondents see their organizations' health improving in 2020, and 32% expect little change, both of which are slight upticks from last year. An interesting finding emerged regarding the top strategy for 2020. While 32% cited cost reduction – the leading response for several years running – the combination of outpatient expansion at 34% and telemedicine/virtual care at 17% sent a clear message that top-line growth is a major priority as well. Outpatient services now account for a steadily climbing 49% of hospital revenue.¹⁶ Telemedicine is estimated to be a \$38 billion market growing to \$130 billion by 2025.¹⁷ Both strategies foster cost containment, of course, but their major impetus is to drive

¹² B. Broome, "The Financial Impact of COVID-19 on Health Systems and How CFOs are Responding," *McKinsey & Company*, blog post, June 3, 2020.

¹³ J. LaPointe, "Medical Groups at Least a Year Away from Recovering Revenue Losses," *RevCycle Intelligence*, June 19, 2020.

¹⁴ M. Bean, "Social Distancing May be Needed Throughout 2022," *Becker's Hospital Review*, April 16, 2020.

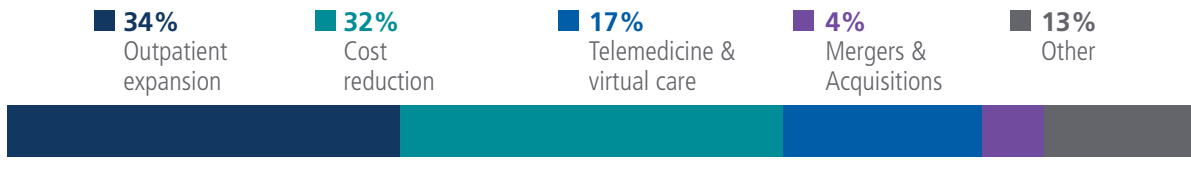
¹⁵ B. Broome, "The Financial Impact of COVID-19 on Health Systems and How CFOs are Responding," *McKinsey & Company*, blog post, June 3, 2020.

¹⁶ American Hospital Association, *2020 Environmental Scan*, December 2019.

¹⁷ Doximity, *2019 Telemedicine and Locum Tenens Opportunities Study*, July 2019.

growth. In a recent survey, 90% of executives said “new revenue streams were an urgent priority and expected to yield a return in the next three years.”¹⁸

WHAT IS THE SINGLE MOST IMPORTANT STRATEGY YOUR ORGANIZATION WILL PURSUE IN 2020?



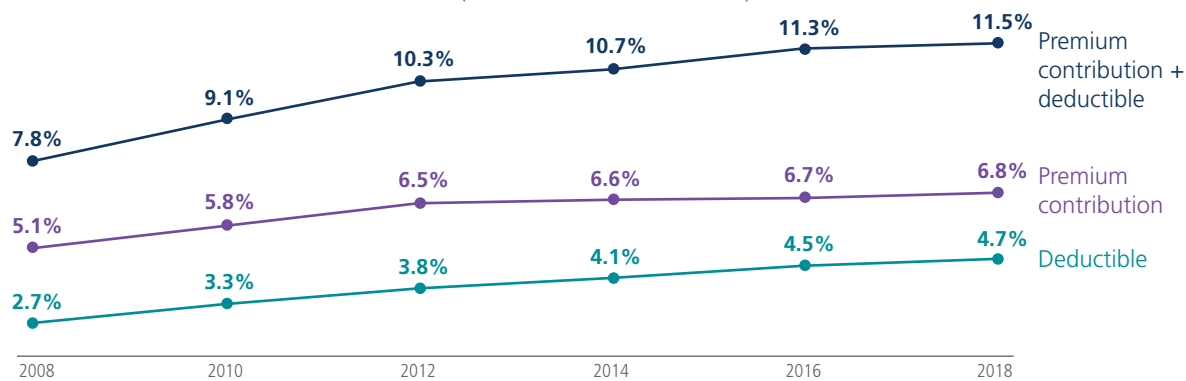
The AMN leadership survey also illuminated three major long-run strategic priorities:

- Population Health Management (PHM).** A PHM strategy is in place at 23% of organizations and 32% are implementing, suggesting good industry momentum. Social determinants of health are also being addressed by 76% of respondents. The leading deterrents to faster progress are lack of community resources, recruitment of primary care physicians, and measuring PHM effectiveness.
- Patient Experience.** Becoming consumer-centric is a high priority. Patients have more retail health choices, and their financial obligation is rapidly growing. The Commonwealth Fund chart in Figure 3 shows that combined employee premium contributions and deductibles have grown steadily to reach 11.5% of median household income.¹⁹ Providing a positive consumer experience is vital. That is why fully two-thirds of the AMN survey respondents said they have a senior executive “clearly responsible for overall improvement of patient experience.”

FIGURE 3

EMPLOYEE HEALTH INSURANCE OBLIGATION GROWING

(Share of median income %)



- Digital Transformation.** Healthcare organizations are becoming digital enterprises. Harnessing artificial intelligence, mobile applications, and a host of other technologies is increasingly essential to competitive positioning. A new survey question found that 40% believe they are ahead of peers,

¹⁸ A.Kacik, “Urgent Need for New Revenue Streams Will Shape Providers’ Strategies,” *Modern Healthcare*, April 15, 2019.

¹⁹ Commonwealth Fund, *Trends in Employer Health Care Coverage 2008-2018*, November 2019.

32% on par, and 28% behind (Figure 4). Innovation initiatives are becoming prevalent: 86% of health systems have an executive responsible for innovation management, and 48% have a defined innovation department.²⁰ In-house venture groups are also growing. Expect this powerful innovation trend to continue throughout 2020.

MID-YEAR UPDATE

The January Intelligence Report highlighted the pivot that has been occurring for the past few years from heavy concentration on cost-cutting to emphasis on top-line expansion through new growth initiatives. That focus, while important for long-term organizational health in a transforming landscape, has been temporarily stalled for many by the coronavirus crisis. Today's first order of business for "growth" is sustained resumption of elective procedures and other deferred care. This may be an uphill effort, given that many consumers remain wary. A survey in May found 42% of individuals are "uncomfortable going to a hospital for any treatment."²¹ Another in July showed attitudes softening somewhat, though 32% of consumers still said they were specifically avoiding doctor's offices and hospitals.²² While the trending appears positive, return to full volume remains uncertain.

Specific crisis-induced growth opportunities are emerging, however, including:

- **Telemedicine.** A Merritt Hawkins/Physicians Foundation survey in April noted that 48% of doctors were utilizing telehealth, a dramatic increase from pre-pandemic levels. Most prognosticators believe growing acceptance means telehealth is here to stay. A June survey revealed that 28% of patients had used telemedicine over the past three months compared to less than 10% before the pandemic. The vast majority (89%) of those who used it were satisfied with the experience.²³ (Figure 5)

FIGURE 4

PERCEPTIONS OF DIGITAL TRANSFORMATION PROGRESS COMPARED TO COMPETITORS

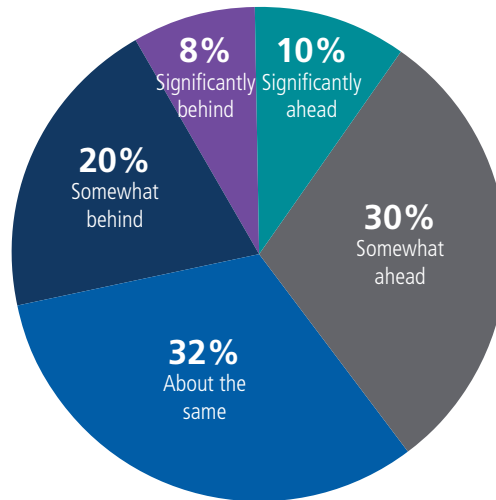
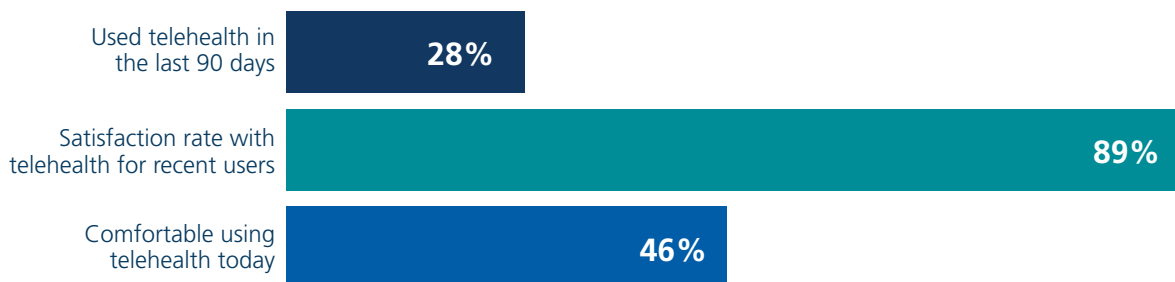


FIGURE 5

TELEHEALTH USAGE NEARLY TRIPLES PREVIOUSLY DOCUMENTED AVERAGES



²⁰ Center for Connected Medicine, *Trends for Scaling Innovation in Health Care*, June 2019.

²¹ S. Cantrell, "Shedding Light on Consumer Health Care Attitudes During COVID-19," Academy of Managed Care Pharmacy Blog Post, May 26, 2020.

²² G. Drenik, "What America's Latest Covid-19 Sentiment Says About The Future Of Digital Healthcare," *Forbes.com*, August 5, 2020.

²³ P. Wehrwein, "ACHP, AMCP Survey: Telehealth, Trust in Doctors, Desire for COVID-19 Testing All Get High Marks," *Managed Healthcare Executive*, June 5, 2020.

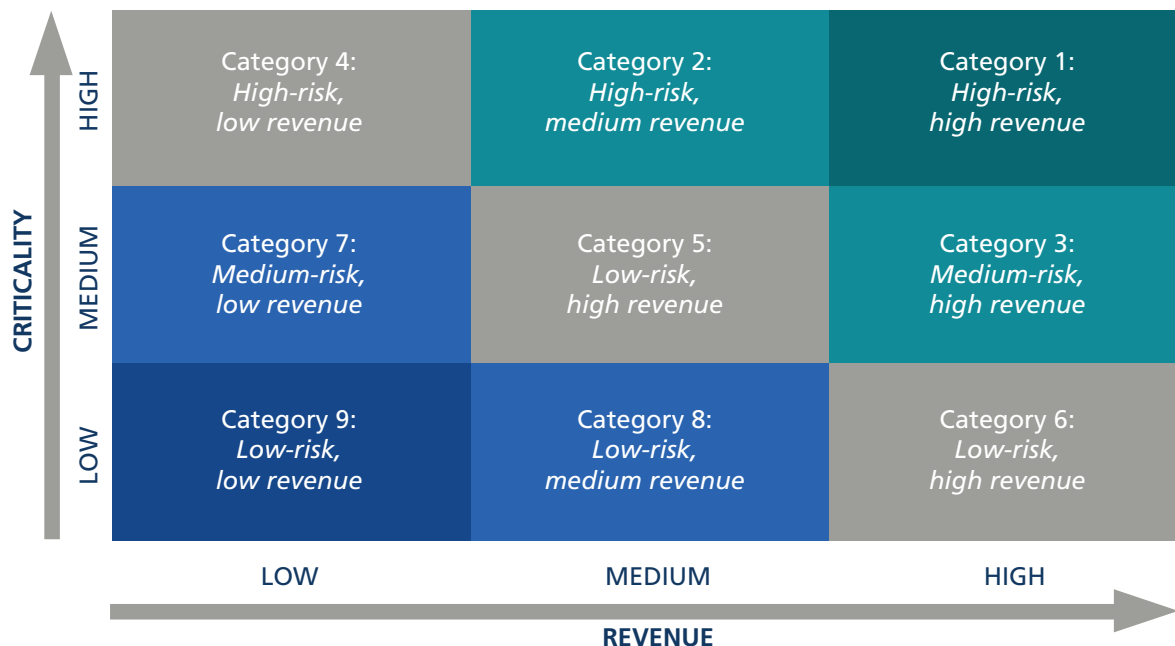
- M&A.** For some organizations, the crisis environment presents a consolidation opportunity. The pandemic “provides a potential war chest if you’re thinking about going out and acquiring struggling providers,” observed a RAND Corp. analyst, noting further that larger hospitals and health systems may be well-positioned to weather the downturn and use strategic M&A to boost revenues.²⁴ Systems in weaker financial condition may be forced to sell or close their doors. Recent data on transaction flow supports the notion that the crisis is not necessarily deterring growth via acquisition.

GO-FORWARD STRATEGIES

- Plan comprehensively for ramping up elective procedures, encompassing risk management, safety measures, and workforce/facilities utilization. AMN Healthcare recommends data-driven approaches to many aspects of this effort. Tools such as “procedural categorization” bring analytics to the equation to drive more subtle decision-making that balances risk and reward. Figure 6 shows an example of a categorization matrix.

FIGURE 6

AMN HEALTHCARE/AVANTAS PROCEDURAL CATEGORIZATION GRID



- Invest as necessary to realize the telemedicine growth opportunity. Full commitment involves not just technology, but also clinician and patient training to grow usage. The investment is also likely to involve new leadership roles to manage and guide development of telehealth and alternative care modes across the enterprise. AMN forecasts that titles such as Chief of Distance Care Delivery and others will be emerging.

²⁴ R. Zipp, ‘A Potential War Chest’: COVID-19 Pandemic May Spur M&A Among U.S. Hospitals,” *S&P Global Market Intelligence*, blog post, May 2020.

CULTURE INCREASINGLY CRITICAL TO SUCCESS

ORIGINAL FINDINGS

AMN research has tracked the growing contribution of culture to nearly every aspect of organizational health. This year’s survey suggests no reduction of this trend. Figure 7 displays the percentages and rank orders of culture as a response to several questions ranging from strategy to talent management.

Clearly, a strong culture pays many dividends. It also intersects with change management. A recent *Harvard Business Review* study concluded that “cultural fit is important, but what predicts success most is the rate at which employees adapt as organizational culture changes.”²⁵

FIGURE 7

ROLE OF CULTURE		
FACTOR	RESPONSE PERCENTAGE	RESPONSE RANK
Influences personal engagement	38%	1
Influences intent to remain at current job	25%	1
Greatest strategic recruiting challenge	14%	3
Highest impact on recruiting top talent	25%	2
Highest impact on retaining top talent	23%	2
Top required leadership competencies	31%	1 & 2

MID-YEAR UPDATE

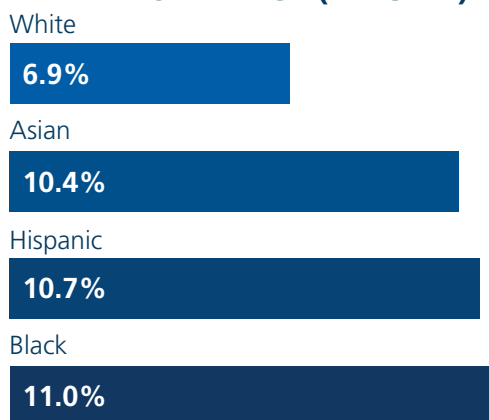
The importance of culture – a longstanding priority of AMN Healthcare research and practice – has been demonstrated in extreme form during the coronavirus crisis. COVID-19 response has relied heavily on intense teamwork among front-line caregivers strongly supported by administrative, financial, and other staff. While the situation is unique, organizational investments in promoting collaborative cultures and high-performance teams have clearly paid off.

At the same time, overall employee culture development and maintenance has become more complicated due to extensive furloughs and work-from-home mandates. In this unusual state of affairs, leadership’s role in sustaining the right culture is vital. An analysis of this subject underscored the challenge, asserting that the lingering uncertainties surrounding the crisis make it “impossible to define what’s ‘normal.’ What we need to think about now is not a ‘new normal’ but a new reality – a ‘new now.’” The focus should be on leadership empathy and flexibility as “essential in order to keep teams cohesive, engaged, and motivated.”²⁶

A parallel set of cultural issues has emerged alongside the pandemic: renewed attention to racial discrimination issues and the need for far greater diversity, equity, and inclusion throughout the healthcare system. Economic pain and job loss have impacted minority populations disproportionately.²⁷

FIGURE 8

INDIVIDUALS THAT BECAME UNEMPLOYED MARCH 15 TO JUNE 13 AS A SHARE OF INDIVIDUALS WHAT WERE EMPLOYED DURING THE SECOND WEEK OF MARCH (PERCENT)



(Figure 8) So too have the health effects of the virus itself. National protests have dramatically heightened attention to the long-standing underlying disparities producing this situation.

²⁵ M. Corritore, A. Goldberg, S. Srivastava, “The New Analytics of Culture,” *Harvard Business Review*, January-February 2020.

²⁶ R. Strack, J. Kugel, S. Dyrchs, and M. Tauber, *Leadership in the New Now*, Boston Consulting Group, May 2020.

²⁷ Peter G. Peterson Foundation, “Four Key Takeaways From the Unemployment Data,” blog post, July 9, 2020.

Organizations are responding with sharpened focus on how to bring equity to care delivery. Various initiatives are being instituted or accelerated in this area, including “creating offices and C-level executive positions focused on health equality” in recognition of the fact that “equity is not a siloed activity, but rather an integral and necessary part of daily operations.”²⁸

GO-FORWARD STRATEGIES

- Display real leadership empathy for what clinicians, staff, and patients are going through in this unusual situation. Communicate openly and frequently, especially on the sensitive subject of potential layoffs.
- Concentrate on staff safety and wellbeing as the foundation for any culture building. For example, AMN Healthcare provides mental health support for its contingent clinicians and has recently partnered with the National Alliance on Mental Illness to augment its efforts.
- Be as flexible as possible with employees in scheduling to maintain morale and show support.
- Double down on diversity, equity, and inclusion efforts. Bring new creativity to this endeavor to foster progress toward meaningful goals.

CLINICIAN ENGAGEMENT WILL BE IN SPOTLIGHT

ORIGINAL FINDINGS

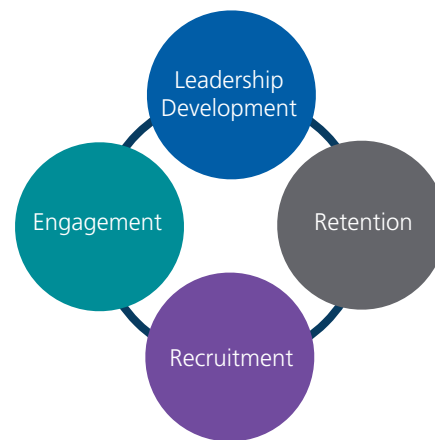
Talent management (TM) is a crucial variable in today’s transformational environment. The Intelligence Report once again examined the latest trends across the four pillars of TM shown in Figure 9, beginning with engagement.

Personal job satisfaction is one element of engagement. The news is positive: 40% of respondents are extremely satisfied and 49% somewhat satisfied, with both figures up over the past two years. Beyond the aforementioned cultural influence, four factors received double-digit mentions as the leading contributors to this positive engagement: colleagues, job flexibility/work-life balance, management, and career growth opportunity. This list demonstrates the complex nature of fostering engagement.

Further complexity is evident when viewing engagement levels by key role. As Figure 10 clearly shows, survey respondents saw significant variation in the engagement of leadership, physicians, and nurses. While executive engagement was assessed as high, the perception regarding clinicians was far more mixed. Nurses were rated as medium to low engagement by 69% of organizations and physicians by a substantial 77%. These results reinforce the mounting evidence of rising burnout among doctors and nurses. The Physicians’ Foundation/Merritt Hawkins study revealed that 55% described their morale as somewhat or very negative.²⁹ This year’s Medscape survey put physician burnout at 44%, up two points from 2018,

FIGURE 9

COMPONENTS OF EXECUTIVE TALENT MANAGEMENT



²⁸ D. Raths, “Chief Equity Officers Become Critical Member of the C-Suite,” *Healthcare Innovation*, May/June 2020.

²⁹ The Physicians Foundation, *2018 Survey of America’s Physicians*, September 2018.

while a nursing study uncovered 63% reporting burnout.³⁰ AMN Healthcare’s biennial RN survey saw 44% saying they often feel like quitting.³¹

Leaders are aware that the problem has multiple causes. A crucial one is cognitive overload. One analysis describes clinical care as “growing ever more complex” with care teams “overburdened by distractions, excessive information, or inefficient processes ... their cognitive capacity becomes overloaded.”³²

MID-YEAR UPDATE

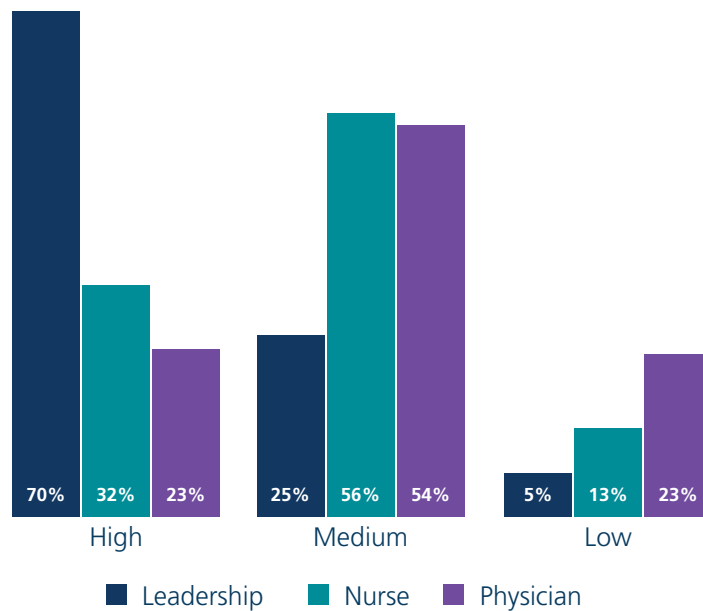
A key emphasis of the January Trends report was measuring the engagement of leaders, clinicians, and staff. Like most of the report’s findings, the engagement issue has been thrown into an ambiguous state by the pandemic. Everyone has been under enormous stress, particularly clinicians whose burnout concerns were highlighted in the survey. Real-time evidence is emerging that the crisis is exacerbating their sense of burnout:

- **Nurses are experiencing substantial physical and psychological strain.** An ANA executive observes that the COVID-19 experience will be “profound and long-lasting” and that “nurses were already burned out before, and this pandemic might push many of them completely out.”³³ A recently completed AMN Healthcare COVID-19 Wave 2 survey quantified the potential impact. Nurses treating COVID-19 patients reported “often or always” feeling burned out at a notably higher rate than their peers not treating such patients (48% to 30%). Seventy-two percent of those treating coronavirus cases worry about their health, and only 62% agreed strongly/somewhat with the statement that they would encourage others to become a nurse.
- **Physician distress is also high.** Front line doctors are overextended, at some physical risk, and managing the emotional effects of dealing with major patient illness and death. Other physicians have seen their practices decimated overnight. The disaffection and burnout is showing up in their actions. Merritt Hawkins data revealed a 300% surge of candidates expressing interest in telehealth positions and a 15% definite interest increase since the onset of the crisis. Some are also considering moving to locums positions or retiring from the profession altogether.

Overall workforce engagement is difficult to gauge at this point. Many believe that how well an organization both performs and treats its people during the crisis will determine post-pandemic engagement levels.

FIGURE 10

VARYING PERCEIVED ENGAGEMENT LEVELS BY ROLE



³⁰ American Hospital Association, *2020 Environmental Scan*, December 2019.

³¹ AMN Healthcare, *Survey of Registered Nurses*, 2019.

³² Definitive Healthcare and HIMSS Analytics, *Technology and Clinician Cognitive Overload – Easing the Pain*, 2019.

³³ G. Masson, “Nurses Say Changing Guidelines, Unsafe Conditions Are Pushing Them to Quit,” *Becker’s Hospital Review*, May 12, 2020.

GO-FORWARD STRATEGIES

- Recognize the true factors causing burnout and develop the right programs to combat it. Specific AMN Healthcare/Stamp & Chase recommendations are offered in Figure 11.
- Attend to team building methodologies suited to a remote work environment to maintain employee engagement.
- Utilize locums tenens and other contingent talent to reduce the scheduling burden on clinicians and staff. Indeed, the *AMN Healthcare 2019 Survey of Temporary Physician Staffing Trends* showed that “preventing existing staff burnout” is one of the most valuable benefits of turning to locums tenens physicians.
- Concentrate on reinforcing trust in the organization, one of the leading factors connecting and engaging all the participants in the crisis. The crucial downstream importance of that nexus was highlighted by Press Ganey: “Patients’ trust in their health care is intertwined with caregivers’ trust in their organizations.”³⁴

FIGURE 11

COMBATTING BURNOUT

- Research shows that workload is a factor but not the primary cause of caregiver burnout.
- Leaders in the middle of the organization significantly influence the engagement and resilience of frontline professionals.
- Burnout strategies that focus only on helping individuals cope better will have limited success. They may actually worsen the problem because they imply that the problem is with individuals’ resilience, not the work environment.
- Social capital – defined as the personal relationships within an organization that build trust and respect – reduces disengagement and burnout.

RETENTION CRUCIAL IN TIGHT TALENT MARKET

ORIGINAL FINDINGS

Retention is a major TM concern. In an earlier AMN executive survey, 57% of organizations placed their annual turnover rate at between 5% and 15%, and one-third at 15-24%. The Intelligence Report painted a detailed picture of mobility and retention risk. Level with last year, 40% of leaders expressed no plans to leave their positions. Equally steady, however, was the 21% contemplating a change within six months. Another 15% are considering a move within a year. With one-third of executives possibly leaving, organizations need to bolster retention strategies. Urgency is heightened by two additional responses:

- 86% would consider leaving “if the right opportunity presented itself.”
- 77% were approached with a credible opportunity in the past year. Of this group, 22% opted to pursue it.

Retention often hinges on perceptions of career growth potential. Figure 12 indicates a nearly equal percentage for those feeling they are on an advancement track and those who feel they must leave their organizations to advance. While the latter group showed a slight decrease from 2018, the level remains a concern. Individual comments pointed to size of organization limiting opportunities, a tendency to “hire from outside rather than grow associates internally,” and “not cultivating new leaders based on competency to drive change.”

³⁴J. Sarasohn-Kahn, “Trust Is a Key Social Currency for COVID-Embattled Consumers,” *HealthPopuli Blog*, July 9, 2020.

All organizations should develop as many growth pathways as possible within their economic and structural constraints. The implications for retention can be substantial. Among *Modern Healthcare's* "Best Places to Work," 80% of employees said they are "encouraged to explore growth or advancement opportunities" and 75% reported they have "room for advancement."³⁵

Retention at the C-level is particularly critical, since replacement can be a difficult process. With CEO turnover running consistently in the 18% range, understanding the impact of the top leader's exit is vital. Figure 13 displays the survey's results on this subject. First, respondents feel that the most affected aspect of the hospital's operations is strategic planning, followed by employee engagement and financial performance. Second, CFOs and COOs head the list of C-suite colleagues who most frequently follow the CEO out the door. This data highlights the need for urgency in recruiting the right replacement leader.

FIGURE 12

CAREER OUTLOOK FOR ADVANCEMENT

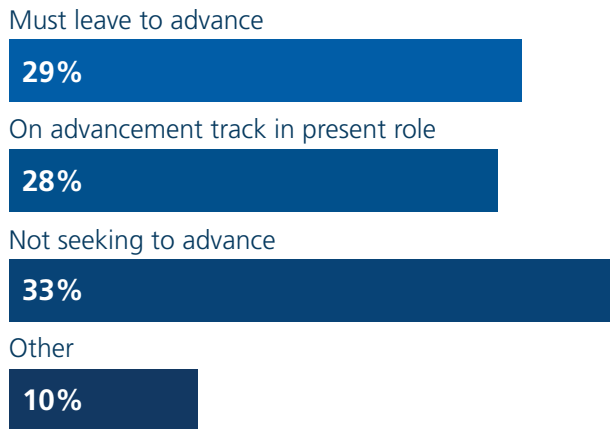
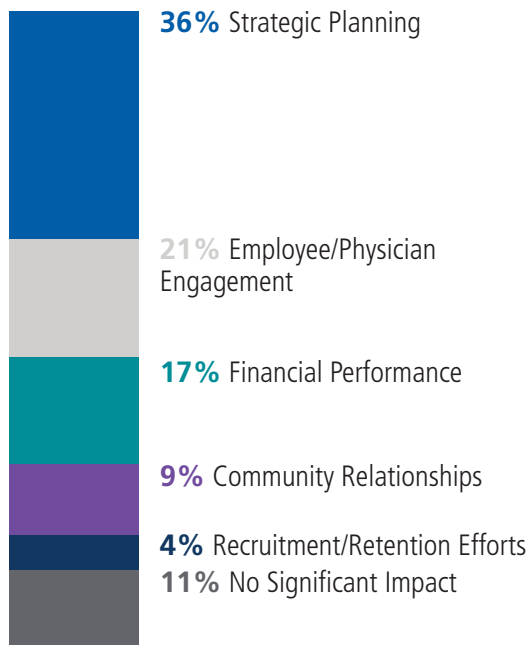


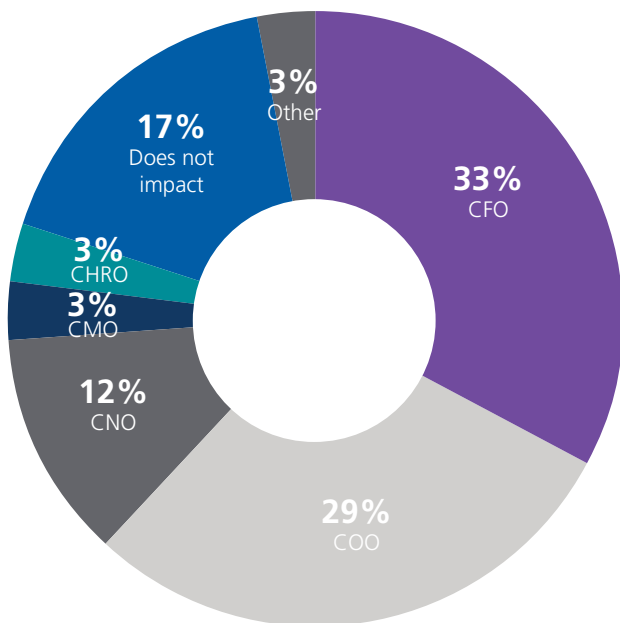
FIGURE 13

IMPACT OF CEO DEPARTURE

OPERATIONAL AREAS MOST AFFECTED



LIKELY TO LEAVE FOLLOWING CEO DEPARTURE



³⁵ Modern Healthcare, *Best Places to Work in Healthcare*, 2019.

MID-YEAR UPDATE

The calculus on retention has certainly changed since the start of 2020. If both furloughed and employed staff begin to perceive that more substantial layoffs are imminent, they may begin seeking employment elsewhere. The January Trends survey noted that one-third of executives were contemplating a move within a year even before the crisis.

The question is whether current mobility may be limited. The market is sending some mixed signals, and organizations will want to view retention through a lens of caution. For example,

- Some CEO turnover evidence suggests a decline from normal levels during the peak pandemic months. Boards are likely wary of creating disruption from top-level change right now.
- Clinical staff is a clear retention concern in light of the stress and burnout previously noted. A recent poll of 1200 nurses on the effects of the COVID-19 environment found 61% expressing likelihood to leave their current positions or specialties.³⁶ The same percentage of respondents in AMN's *COVID-19 Wave 2 Nursing* survey plan to remain at their current job for the next year. However, 48% of those treating coronavirus patients feel like resigning, a meaningful number that could signal future retention challenges.
- Retention may have significant dependency on the financial condition of the hospital or health system. Noting that 40% of acute care facilities face potential closure, one study revealed that "at-risk provider organizations have laid off non-essential staff at twice the rate of those not at risk."³⁷

GO-FORWARD STRATEGIES

- Where possible, use the compensation lever to boost retention. Many organizations have opted to provide one-time cash bonuses, additional time off, or other benefits to soften the impact of the crisis.
- Communicate well to furloughed staff, concentrating on honest messaging that will help retain those you intend to bring back.
- Be sensitive to work-life balance struggles generated by remote work, return-to-school restrictions, and related concerns.
- Use contingent talent to alleviate stress on employees operating in short-staffed departments. Consider interim leaders who can "hit the ground running" and bring experience to maintain major initiatives and contribute to crisis management.

RECRUITMENT HEADWINDS TO CONTINUE

ORIGINAL FINDINGS

The 2020 healthcare recruiting environment is competitive. The past year was another robust one for job growth. Government data indicated that the industry created an additional 399,000 jobs in 2019, up from 350,000 the previous year. This growth shows no sign of slowing. Healthcare occupations are projected to rise faster than others to add 2.4 million jobs by 2026.³⁸

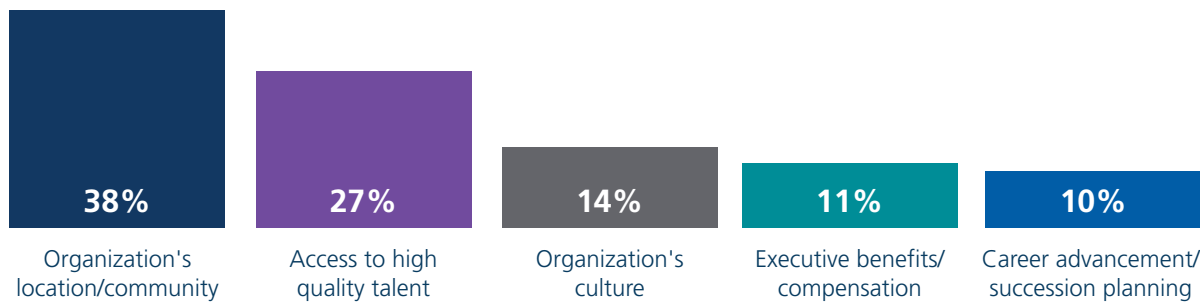
³⁶ Holliblu and FeedTrail, *COVID-19/Mental Wellbeing Nurse Survey*, April 2020.

³⁷ J. O'Brien, "40% of Providers At Risk of Closure Due to Financial Implications of COVID-19," *HealthLeaders*, June 30, 2020.

³⁸ American Hospital Association, *2020 Environmental Scan*, December 2019.

Critical shortages have emerged in clinical areas, further complicating the recruitment picture. The latest physician shortfall estimates are between 46,900 and 121,900 by 2032.³⁹ The problem is acute in rural settings. Two-thirds of primary care doctor shortages are in these regions, and a 23% decrease in physician supply is projected by 2030.⁴⁰ A Merritt Hawkins study captured the heavy recruitment competition: 69% of primary care and internal medicine final year residents received more than 51 employment offers.⁴¹ Nurses are also in short supply. AMN Healthcare found 52% of organizations are experiencing shortages.⁴²

WHAT IS THE GREATEST STRATEGIC CHALLENGE FACING YOUR ORGANIZATION IN REGARDS TO RECRUITMENT?



The Intelligence Report delved deeply into current recruiting trends. Leaders named their top strategic recruiting challenges as “organization location/community” and “access to high quality talent” (up 3 full points over 2019), with culture not far behind. Forty-eight percent said they find it extremely/very challenging to fill executive vacancies with quality candidates. Organizations must maintain steady recruiting and utilize appropriate outside help to stay competitive.

What factors most attract top talent? Compensation was ranked first by 38% of respondents, brand/culture by 26%, and – a new entrant this year – financial health by 12%. Providers increasingly need to convince candidates of their economic viability in this precarious market. More hospitals are also reaching outside the industry to find key talent. Survey respondents identified the most attractive sources as Finance, Hospitality, IT, and Life Sciences.

WHICH OF THE FOLLOWING HAS THE LARGEST IMPACT IN RECRUITING TOP HEALTHCARE TALENT TO YOUR CURRENT ORGANIZATION?



³⁹ Association of American Medical Colleges/IHS Markit, *2019 Update: The Complexities of Physician Supply and Demand*, April 2019.

⁴⁰ L. Skinner, D. Staiger, D. Auerbach, P. Buerhaus, “Implications of an Aging Rural Physician Workforce,” *New England Journal of Medicine*, July 25, 2019.

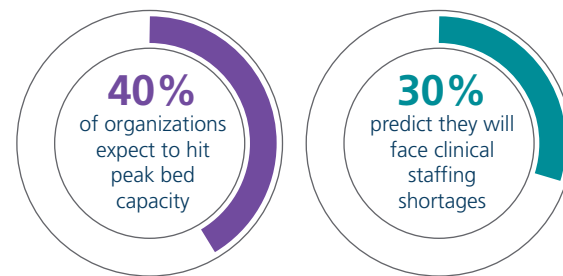
⁴¹ Merritt Hawkins, *2019 Survey of Final-Year Medical Residents*, May 2019.

⁴² AMN Healthcare, *Worsening Shortages and Growing Consequences: CNO Survey on Nurse Supply and Demand*, April 2018.

MID-YEAR UPDATE

This year's Intelligence report echoed other AMN Healthcare research in documenting a competitive talent market at nearly all levels. Shortages in several roles have emerged as a result, notably in key clinical areas. The current supply/demand picture has become clouded as several data points suggest:

- The just-updated American Association of Medical Colleges analysis projects a deficit in the U.S. of up to 139,000 physicians by 2033.⁴³ Greater use of physician assistants and other non-M.D. professionals will be part of the answer, but critical disciplines like primary care will be under pressure.
- However, analyses by AMN Healthcare's Merritt Hawkins and Staff Care divisions note the major dislocation occurring in the clinician talent market: "For the first time in memory, a significant number of physicians are facing employment uncertainty – losing their jobs, experiencing pay cuts or, in the case of independent practice owners, facing practice closure." The implications are staggering: "As a result of the 2020 coronavirus pandemic, the market for physicians has flipped – from a buyer's market in which physicians had multiple practice opportunities from which to choose, to a seller's market in which physicians may have to compete for job openings."
- The continued intensity of the health crisis is leading to imminent shortages for many, according to another assessment. "Over 40% of organizations expect to hit peak bed capacity, and 30% predict they will face clinical staffing shortages."⁴⁴
- Bain & Company forecasts that some markets will face clinical labor shortages of 20% - 30% due to school closings as well as medical staff becoming ill.⁴⁵
- Competition will surely be intense for clinicians directly involved in virus response. Merritt Hawkins concludes that "demand for physicians on the front lines of virus care, including emergency medicine physicians, pulmonologists/critical care physicians, and infectious disease specialists is projected to increase as a result of COVID-19."



Another important coronavirus impact is on the recruitment process. Traditional mechanisms to interview, evaluate, showcase the community to recruits, and onboard new hires are not available with the inability to interact face-to-face. Short-staffed and remotely-working HR departments make the process even more challenged.

GO-FORWARD STRATEGIES

- Plan for recruiting complexity to increase. Use all available recruiting avenues, from electronic means to outside recruitment agencies who can help access wider candidate pools, particularly the hidden "passive candidate" market.
- Adopt an enterprise-wide strategy. Consider more holistic approaches such as managed services, recruitment process outsourcing, and online talent marketplaces that can provide systemic rather

⁴³ "New AAMC Report Confirms Growing Physician Shortage," *American Association of Medical Colleges*, June 26, 2020.

⁴⁴ J. O'Brien, "40% of Providers At Risk of Closure Due to Financial Implications of COVID-19," *HealthLeaders*, June 30, 2020.

⁴⁵ V. Kapur, L. D'Arville, S. Mehra, and M. Brookshire, "A COVID-19 Action Plan for Healthcare Providers," *Bain & Company*, blog post, April 9, 2020.

than ad hoc talent acquisition. The best of these offer performance-based relationships that are highly congruent with hospitals' current financial pressures.

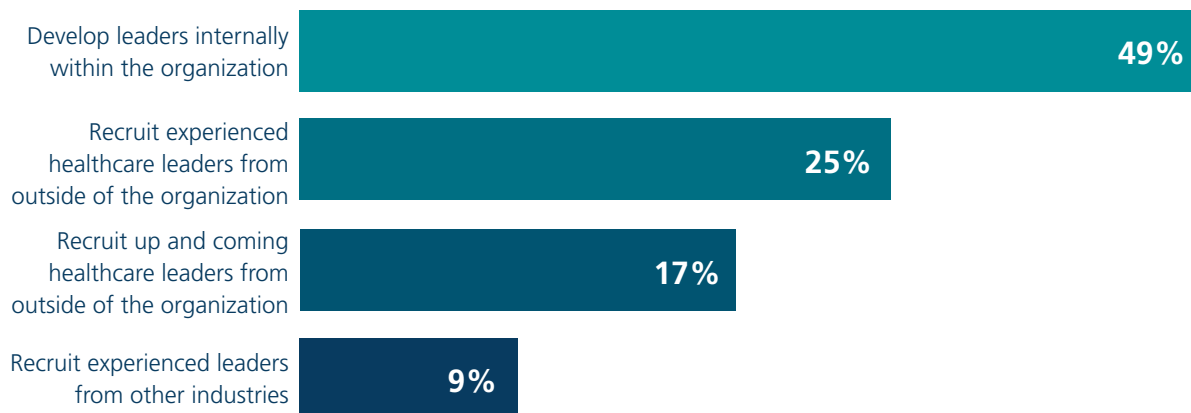
- Deploy technology effectively to overcome the limitations of remote recruiting. Video interviewing is a must, but look also to tools such as online skills assessments and analytics.
- Focus on the candidate experience. Personalization of the process, frictionless interactions, regular communications – these and other factors contribute to positive experiences that promote recruiting success and build a strong employment brand.

STRENGTHENING LEADERSHIP THROUGH INTERNAL DEVELOPMENT

ORIGINAL FINDINGS

AMN Leadership Solutions consistently touts the myriad benefits of committing to formal leadership and workforce development (LD). Survey respondents shared their perspectives on strategies to strengthen leadership in 2020. For 75%, internal development will be the dominant approach. Reliance will also be substantial on recruiting both experienced leaders (39%) and emerging ones (27%) from outside the organization.

HOW WILL YOUR CURRENT ORGANIZATION STRENGTHEN LEADERSHIP IN 2020?



Internal LD will prioritize two competencies for cultivation: Vision/Strategy and Integrity. Strategic vision is a must. Individual survey comments captured it best:

- “Having the skills and ability to influence others with a new way of thinking.”
- “Need leaders who can manage dramatic change effectively.”
- “Creative leaders with integrity and a track record of success are in high demand.”

Promoting leadership integrity and transparency is central to forming 21st-century patient relationships. “Transparency is critical to building customer trust,” one industry analysis asserts.⁴⁶ Another calls on leaders to “embed trust ... into products and services from the outset.”⁴⁷

⁴⁶ Capgemini, *Top Trends in Health Insurance: 2020*, 2019.

⁴⁷ EY, *What Connections Will Move Health From Reimagining to Reality*, 2019.

Competency development takes place within a context of dynamically changing organizational roles. Figure 14 shows how surveyed leaders ranked the roles growing in importance for 2020. Patient experience jumped 6 full points from the 2019 survey, quality rose 7 points and population health entered as a new choice to capture third place.

MID-YEAR UPDATE

Urgent attention to delivering pandemic care and planning for the crisis aftermath has clearly put many formal leadership development (LD) programs temporarily on the back burner. Nevertheless, the need to foster the right executive skills is being reinforced daily as organizations grapple with COVID-19 responses. As in prior years, the January Trends report ranked Strategy/Vision as a top desired competency for development, and it is one that is proving indispensable now. The traditional playbook has been thrown away in many cases. Leaders are trying to determine if we are approaching a “new or next normal,” envision what that might look like, and craft strategies to succeed in it.

A key example of the necessity for creative leadership is telehealth. Dr. Joseph Kvedar, President of the American Telemedicine Association, summarized the big picture considerations in a recent AMN Healthcare interview, asking “How do you integrate telehealth into all the necessary patient record touch points? What is the right balance between your brick and mortar resources and your virtual resources? How do you address all the reimbursement, patient privacy and related challenges?”

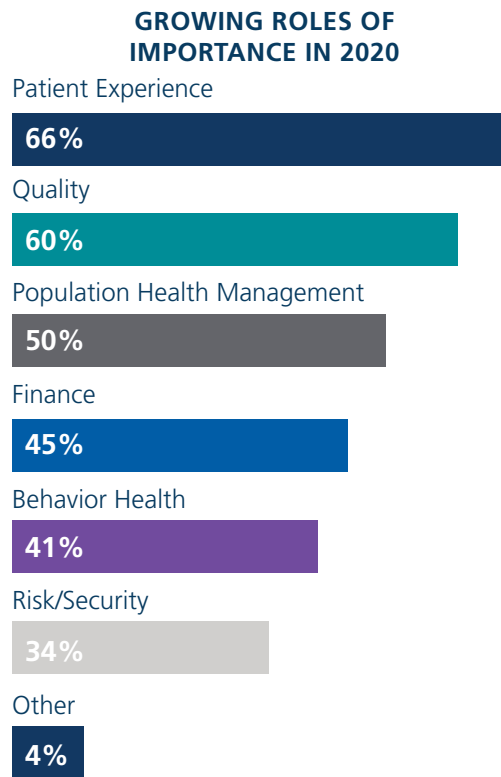
Even with curtailed LD activities, internal development can still move forward on at least several fronts:

- Physician leaders can drive training programs designed to help clinicians use telemedicine and remote monitoring technology in ways that make them embrace new modes of care delivery alongside the traditional ones.
- Leaders can promote agility skills throughout their workforces as they respond to the crisis in real-time.
- E-learning can continue and even expand beyond core training. In fact, virtual LD programs are available that feature live online facilitated group sessions with targeted cohorts, virtual one-on-one coaching, and other tools that foster deeper engagement and minimize disruption to executive developmental efforts.
- Effective crisis communication skills can be reinforced among leaders from first line supervisors to senior executives.

GO-FORWARD STRATEGIES

- Assess the direction of new clinical and executive roles emerging from the crisis as well as changing competencies required in existing positions. While LD may be limited at this juncture, the planning will keep the organization poised to target its development efforts rapidly when the situation permits.

FIGURE 14



- Consider appropriate opportunities to utilize interim leaders who can help evaluate and redefine current roles while on the job.
- Shift development emphasis from overall roles to “the skills needed to drive competitive advantage and the workflows that fuel that advantage ... Offer greater career development support to employees in critical roles who lack critical skills.”⁴⁸ Explore formal virtual LD programs to help achieve this goal.
- Use the current challenging environment to identify and evaluate potential new leaders who are “stepping up” during the crisis.

ACCELERATING MOVEMENT TO TALENT OPTIMIZATION

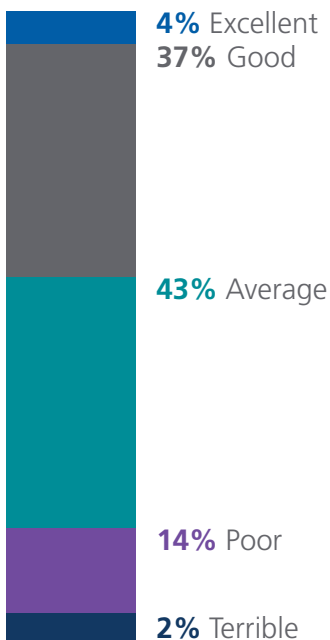
ORIGINAL FINDINGS

There is a growing industry push to adopt a broader agenda of talent optimization involving a multifaceted, holistic development approach. The 2020 Intelligence Report debuted several questions designed to ascertain the movement toward next-level talent optimization (TO). Results suggest progress is in early stages. Figure 15 presents two pieces of evidence. The first shows how leaders perceive their TO effectiveness: 41% good/excellent, 43% average and 16% poor/terrible. This data argues for significantly augmented efforts. One leader commented that “healthcare isn’t keeping up with other sectors’ advancements in human resources.”

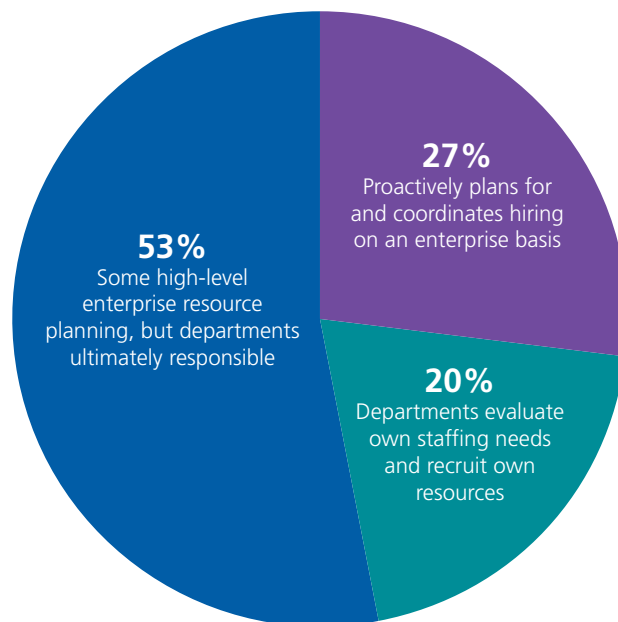
FIGURE 15

TALENT OPTIMIZATION

TALENT OPTIMIZATION STRATEGY RATING



STATE OF WORKFORCE PLANNING



The second chart shows the extent to which organizations are achieving a distinguishing marker of a holistic strategy, namely, enterprise-level talent management. Only 27% said they have a full enterprise TO commitment with the majority conducting a more “limited amount of high-level resource planning” with largely departmental control.

⁴⁸ Gartner, “9 Future of Work Trends Post-COVID-19,” *Smarter with Gartner Blog*, June 8, 2020.

Enterprise TM is certain to gather momentum to help address 2020’s challenges. One approach to propel TO is Recruitment Process Outsourcing (RPO). RPO offers comprehensive resources and leading practices to help organizations acquire quality talent across allied, clinical, and non-clinical disciplines. RPO works as an extension of Talent Acquisition and augments the recruiting process from sourcing to on-boarding, helps manage vendors, and brings insights and analytics related to market trends to allow HR to focus on strategy and pursue new initiatives. Workforce analytics can also be used to determine what types and how many staff are needed to meet patient demand for both ordinary volumes and in times of high acuity or census.

MID-YEAR UPDATE

The January Intelligence Report affirmed an increasing industry interest in a more strategic, enterprise-level approach to talent management. The pandemic is expected to fuel this trend for several reasons. First, the crisis has spotlighted the intricate connectedness of processes in hospitals and health systems. As a result, it is becoming clear that the path to a “new normal” will require systemic rather than isolated solutions. Second, the current talent picture is characterized by a complex new mosaic of furloughed employees, onsite and remotely working staffers, and various contingent personnel, supporting multiple care sites. This mix is likely to persist for some time. Finally, multi-dimensional planning is needed to ensure sufficient resources to ramp up procedure volume, support distance and other alternative care modes, and assist with public health initiatives.

All of these factors point to an imperative not just to manage talent, but also to optimize it. While only 27% of respondents in the January Trends survey indicated commitment to full enterprise optimization, AMN Healthcare continues to witness growing interest in broader, more strategic programs that encompass a range of solutions under the concept of total workforce management (see Figure 16 list of leading programs). Ability to deploy any combination of these options and scale them at an organization’s desired pace enables the requisite blend of flexibility and comprehensiveness to meet the dynamic emerging environment.

FIGURE 16

TOTAL WORKFORCE MANAGEMENT



GO-FORWARD STRATEGIES

- Evaluate the current strength of the HR/talent management department. As one analysis put it, “Emerging from this crisis, organizations should ask themselves if HR is positioned to make the impact they can and should be making across the enterprise ... to help position the organization to both recover and thrive over the next decade.”⁴⁹
- Consider the current situation an opportunity to deploy total workforce management programs that can build a strategic, talent-optimizing infrastructure for the long-term.

⁴⁹Deloitte, *Returning to Work in the Future of Work*, Deloitte 2020 Global Human Capital Trends, May 2020.

- Use data analysis and automation to optimize ability to orchestrate talent. An example germane to staff utilization is construction of “productive staffing grids.” This decision-making aid overcomes typical gaps in productivity data and methodology in many organizations by combining various metrics to produce recommendations on optimal staffing mix.

ADAPT TO THE EMERGING FUTURE OF WORK

ORIGINAL FINDINGS

A powerful inducement to pursue TO is that the nature of work itself is fundamentally altering. The survey reflected this dynamic with 54% saying they viewed healthcare trends as likely to spawn new career paths and growth opportunities. Representative comments are displayed in Figure 17.

How is work changing? Consider forecasts such as these:

- By 2023, human-machine collaboration will have revolutionized the future of work in one out of three health systems/hospitals.⁵⁰
- New collaborative technology tools foster a “digitally dexterous workforce.” HR will promote this dexterity with “internal talent marketplaces ... algorithmic-driven platforms that enable organizations to match employee attributes and competencies with new projects and teams.”⁵¹



MID-YEAR UPDATE

The “future of work” predictions in the January Intelligence Report clearly delineated powerful trends that will play out over the next several years. The chief impact of the coronavirus crisis on these trends is the potentially substantial adoption of permanent remote employment for many healthcare workers. Though early to conclude, some analysts expect a significant increase in work-from-home across all industries, at least part-time, after social distancing mandates are withdrawn. That makes the digital transformation directions highlighted in the January report even more necessary and powerful. Gartner reinforced this message in a recent update, noting, “To succeed in a world of increased remote work, hiring managers should prioritize digital dexterity and digital collaboration skills.” Furthermore, leaders will need to adjust performance management and likely increase “passively tracking employees via methods like virtual clocking in and out, tracking work computer usage, and monitoring employee emails.”⁵²

What may slow healthcare’s work transformation over the next 12-18 months is difficulty devoting investment dollars to the requisite technology infrastructure. That predicament may be another contributor to M&A and industry consolidation as some institutions turn to stronger peers to carry the investment burden.

⁵⁰ IDC, *FutureScape: Worldwide Health Industry 2020*.

⁵¹ Gartner, “How Artificial Intelligence, Smart Workspaces and Talent Markets Will Boost Employee Digital Dexterity,” *Smarter With Gartner Blog*, December 2019.

⁵² Gartner, “Gartner Identifies Nine Trends for HR Leaders That Will Impact the Future of Work After the Coronavirus Pandemic,” press release, May 6, 2020.

GO-FORWARD STRATEGIES

- Begin identifying segments of the workforce that may be both viable and desirable for longer-term remote work, keeping care quality and patient experience uppermost in the calculations. Think through policy, workflow, and performance management changes that should accompany semi- or fully-permanent work from home.
- Remain steadfastly committed to digital transformation across the enterprise. The emerging future of work depends on it and in turn will produce the agility and productivity healthcare organizations must possess to succeed. To that end, the organization's perspective on technology needs to expand "from taking a purely substitution view (replacing humans with technology) to using technology as an augmentation or collaboration strategy."⁵³
- Incorporate planning for future fundamental changes in clinical and operations work into the organization's overall strategies to address healthcare's structural transformation to new care models. Evaluate technology/IT and talent management roadmaps in the context of future of work trends.

MID-YEAR UPDATE CONCLUSION

Revisiting trends and forecasts from the outset of the year in light of the massive dislocations ignited by the COVID-19 crisis is a valuable exercise. It helps identify both new strategies and structures that must be forged and existing ones that will remain intact and require nurturing during the crisis. The high-impact change drivers illuminated in the mid-year review are the major financial difficulties facing all organizations, the disruptive shift to remote work, the potential opportunities opening from telehealth, the foundational value of technology for success, and the need for strategic – and empathetic – leadership. These powerful forces carry many implications for recruitment, retention, leadership development, and other talent management functions. For the remainder of this year and into 2021, challenges abound, outcomes are uncertain, and opportunities are forming. Leaders will need to rally their organizations to navigate the post-COVID landscape as effectively as they have met the crisis itself.

For more information on how AMN Healthcare Leadership solutions can help you navigate the COVID-19 landscape and beyond, contact us at leadershipsolutions@amnhealthcare.com.

⁵³ Deloitte, *Returning to Work in the Future of Work*, Deloitte 2020 Global Human Capital Trends, May 2020.

AMN Leadership Solutions

At AMN Healthcare, we are guided by the fundamental belief that attaining and supporting the best performing healthcare leadership talent is vital to meet strategic objectives, improve patient care, enable organizational growth, and spur innovation.

AMN Leadership Solutions helps healthcare organizations identify and secure leaders and make those objectives a reality.

As people who have served in healthcare leadership roles, we are a trusted and credible advisor. We know that healthcare leadership is more than a job. It's a responsibility and a passion. It's a calling that has a higher purpose.