

Eli's Hospice Insider

Recruitment & Retention: Labor Squeeze Is An Equal Opportunity Problem

Staffing woes apply to nearly everyone - including publicly traded companies.

The U.S.'s labor shortage is nothing new, but that doesn't mean it isn't still a huge headache for hospice providers. Small and medium agencies may find comfort in knowing the critical labor shortage is hitting deep-pocketed chains hard as well.

In recent earnings calls, CEOs and other top execs recounted their staffing difficulties during the COVID-19 public health emergency, outlined their impact, predicted where the shortage will go, and divulged their secrets for recruiting and retaining elusive nurses, aides, and other staff.

"The notion of nursing shortages isn't new and didn't arise just because of the pandemic," noted LHC Group Inc. COO **Josh Proffitt** in an earnings call earlier this year. "I think the pandemic exacerbated it and really shined a light on it," he said.



For Amedisys Inc.'s hospice and home health lines as well as its acute-care-in-the-home Contessa unit, "registered nurses are typically the ones that are initiating the care that we're providing, and that's the gating factor of whether or not we can admit the patient, is whether or not we have the clinical staff to be able to take care of them, but it starts with having the nurse to be able to do the admission," related Amedisys COO **Chris Gerard** in an earnings call earlier this year. "So for us, that is why workforce optimization is critical," Gerard said.

A number of companies referenced their use of contracted staff to stem shortages, but that's not an option on the hospice side, which has regulatory contracting limitations.

"For VITAS, the most important issue we are managing is labor," said Chemed Corp. CEO **Kevin McNamara** in an earnings call earlier this year. (Chemed is VITAS Health Corp.'s parent company.) "Staffing of licensed professionals has been exceptionally challenging to ensure an adequate mix of licensed health care workers on a market-by-market basis. There has been an exodus of qualified workers industry-wide. VITAS has not been spared the effects of the labor market dynamics affecting the broader health services industry," McNamara relayed.

"Turnover within our licensed staff remains well above our pre-pandemic rates," McNamara added. "VITAS continues to expand hiring and retention initiatives in all markets. The decline in supply of health care workers continues to increase pressure on salaries and wages," he continued.

McNamara offered some stats. "VITAS had a recent month where referrals ... were up 8 percent and admits were down 11 percent," he illustrated. "You can't send an admitting nurse out ... because you're down in admitting nurses and/or you've had clinical shortages, so the admitting nurses had to go out in the field to serve patients, which is the highest priority to us," he related. "It tells you that things are out of whack."

In the call, VITAS CEO **Nick Westfall** referenced "travel nurse pricing and extreme price gouging that then has a ripple effect through the rest of the health care system."

Encompass Health Corp. estimates it lost "at least" 1,700 admissions in the fourth quarter of 2021 due to staffing

constraints, CEO **Mark Tarr** said in a company earnings call.

Encompass added 133 nursing Full Time Equivalent employees in Q4 of 2021 on top of the 127 new nursing FTEs who joined it in Q3, Tarr reported. "These recent hires ... have served primarily to backfill for quarantined employees," he said.

Quarantine during the first Omicron wave hit everyone hard. For Amedisys, "at our peak in mid-January, we had the highest percentage of clinicians on quarantine since the beginning of pandemic at approximately 7 percent, whereas today, the percentage is closer to 2 percent," Amedisys CFO **Scott Ginn** revealed in the call. "We had volume misses of 2,300 admits and recerts in Home Health, and misses of 200 admits in Hospice," Ginn said.

At LHC Group, "we saw a large spike in the percentage of our clinicians on quarantine in late Q4 and early Q1 due to COVID variants, compounded by lower availability of labor overall as the industry struggled to fill open positions," CEO **Keith Myers** said in its earnings call.

Lowered capacity isn't the only downside of the staffing shortage. Labor costs are going way up.

For example: Encompass Health paid \$21.3 million in sign-on and shift bonuses in Q4 2021, compared to \$9.1 million in the year-ago quarter, noted Encompass Health CFO **Doug Coltharp**.

Despite the rough December-January period, home health and hospice execs are optimistic the labor situation will improve.

"Assuming there's no ... new variants and things that are going to be driving different types of demand, we feel like this migration of the nurse to the traveling nurse role and the wages that they're able to get for doing that, I think that settles out," predicted Amedisys' Gerard. When hospitals have lower demand "and nurses want to get back to where they have a stable job and they know what they're going to be expected to do, and know where they're going to be staying and living, I think that's going to create better ... stability for us," Gerard said in the call.

"It's a textbook inflationary spiral caused by a supply-demand imbalance," Coltharp highlighted. "That is going to resolve itself largely as COVID recedes," he believed.

Other agencies that struggle when pandemic relief funds go away, sequestration payment cuts hit, and other pressures close in will also be a source of staff.

"We have absolute confidence that it's going to be a hell of a ride in 2022 as health care right-sizes itself, as the labor force right-sizes itself, but we are well positioned to take advantage of this," said Chemed Corp. CFO **Dave Williams** in its call