

Demand for Healthcare Workers Will Outpace Supply by 2025: An Analysis of the US Healthcare Labor Market

Growth in healthcare employment is poised to explode over the next decade, but will healthcare providers be able to find enough workers to fill these roles?

Preparation for an agile, future-ready workforce starts now.



Good Samaritan Hospital in Kearney, Nebraska had no choice but to shut down its transitional care unit, which offered rehabilitation services, in the summer of 2017.

“It was a hard decision but allows our focus to remain on hospital-based acute care,” Good Samaritan CEO Michael Schnieders told a reporter at the World-Herald News Service. “Our TCU provides exceptional care and the staff are amazing; however, we simply need more of them. ... For a while now we’ve been unable to fill open nursing positions.”¹

It’s a familiar complaint echoed in health system C-suites nationwide.

Over the next decade, hospital and health system administrators will find it much harder to staff key positions than they might expect. The types of employees needed to take care of a sicker, older and more complex patient population will differ by state and even by town, but one thing is clear — everyone will need access to a different type of workforce than is in place today.

Few other industries are racing the clock to find an agile, future-ready workforce like today’s healthcare administrators. Political uncertainty, threats to reimbursements and a litany of population health challenges make it difficult to get clarity on the right workforce strategy that will position a health provider for sustainable, long-term success. Healthcare leaders are also still figuring out how the workforce changes they make will impact the quality and type of care they deliver. This not only makes workforce decisions more important, it makes them more complicated.

To help health providers better understand the true implications of a changing healthcare workforce, we estimated the potential gaps in projected demand and supply of critical healthcare talent through 2025 using approaches developed as part of Mercer’s External Labor Market Analysis methodology.

Our analysis uncovered surprising details about the future of the US healthcare labor market — at national, state and county levels — that healthcare providers need to consider as they plan a workforce for the future.

¹ Push A. “Nursing Shortage Closes Down Rehab Unit at Kearney Hospital,” *World Herald News Service*, available at www.omaha.com/livewellnebraska/health/nursing-shortage-closes-down-rehab-unit-at-kearney-hospital/article_60f7b01a-ffd2-5d62-9ece-4c9d5ec501bd.html

HIGHER DEMAND FOR LOWER-SKILLED WORKERS

Healthcare jobs will be among the fastest growing in the United States through 2026, accounting for about 2.3 million new jobs, according to projections released by the Bureau of Labor Statistics (BLS).² However, our analysis shows that, in many states, the projected supply of healthcare workers will be unable to fill demand.

More than half of the new jobs forecast by BLS — about 1.6 million combined — will come from employment of personal care aides, home health aides and some types of nurses, driven by an American population that’s trending older, sicker and more sedentary. It’s in precisely these high-growth jobs where our analysis shows likely gaps in demand and supply of workers.

Though nursing shortages grab the national headlines, our analysis showed a potentially greater labor risk in the lack of available talent to fill healthcare support occupations, in particular home health aides, with an expected workforce gap of about 446,300 workers by 2025.

In fact, demand for healthcare support workers, technicians and other “downstream” practitioners will grow the most and the fastest through 2025 (see Figure 1). In contrast, demand for physicians, surgeons, anesthesiologists and other highly skilled practitioners is expected to grow the least and the slowest.

Figure 1. Healthcare Occupations With Projected Supply Gaps Through 2025

Occupation	Growth	New job openings by 2025	Expected workforce gap by 2025
Home health aides	32%	423,200	-446,300
Nursing assistants	16%	407,396	-95,000
Medical and clinical lab technologists	13%	49,400	-58,700
Medical and lab technicians	18%	60,717	-40,000
Nurse practitioners	30%	51,445	-29,400
Physicians and surgeons, all other	16%	102,970	-11,000

Source: Mercer’s US Healthcare External Labor Market Analysis (2017). Calculations by Mercer’s Workforce Strategy & Analytics practice.

² Bureau of Labor Statistics. *Employment Projections and Occupational Outlook Handbook*, October 2017.



Why is this? Simply put, Americans are getting older and less active, driving more of a need for home health and personal care aides across the country. By 2020, nearly 150 million people will likely to suffer a chronic illness, such as heart disease or diabetes. And by 2050, America's senior population will swell to 88 million, up from 48 million today, requiring more aides to assist with chronic health conditions and disabilities associated with an older population.

Under the Affordable Care Act, responsibility for patient care doesn't end when the patient leaves the hospital, adding to this workforce demand. Post-acute care has risen in importance and healthcare organizations are responding by adding more healthcare support staff to monitor and assist patients beyond their hospital visit.

Providers face several challenges in finding workers to fill these in-demand roles. For example, they face increased competition from other industries, such as retail, that

offer higher pay for similar workers. This has led to an increase in turnover in these roles.³ Furthermore, while employers in those industries continue offer higher wages, the national average hourly rate for nursing assistants, home health aides and personal aides has stagnated at \$10.11, a few cents lower than a decade ago, making recruitment more difficult.⁴

It's not just home health aides and other direct-care workers who are in high demand. Expanding healthcare coverage and technological advances are also driving large increases in demand for diagnostic services. Policy changes in the Affordable Care Act, for instance, mean more Americans now have access to health screenings and laboratory tests. These changes are driving demand for health technologists and technicians. In fact, we estimate over 100,000 new openings for medical and laboratory technologists and technicians by 2025.

³ "Tackling the Burden of Chronic Diseases in the USA," *The Lancet* (January 2009), available at [www.thelancet.com/journals/lancet/article/PIIS0140-6736\(09\)60048-9/fulltext](http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(09)60048-9/fulltext).

⁴ Graham J. "The Disabled and Elderly Are Facing a Big Problem: Not Enough Aides," *The Washington Post* (April 2017), available at www.washingtonpost.com/national/health-science/the-disabled-and-the-elderly-are-facing-a-big-problem-not-enough-aides/2017/04/21/5846f576-237f-11e7-a1b3-faff0034e2de_story.html?utm_term=.df8ee1dd024f.

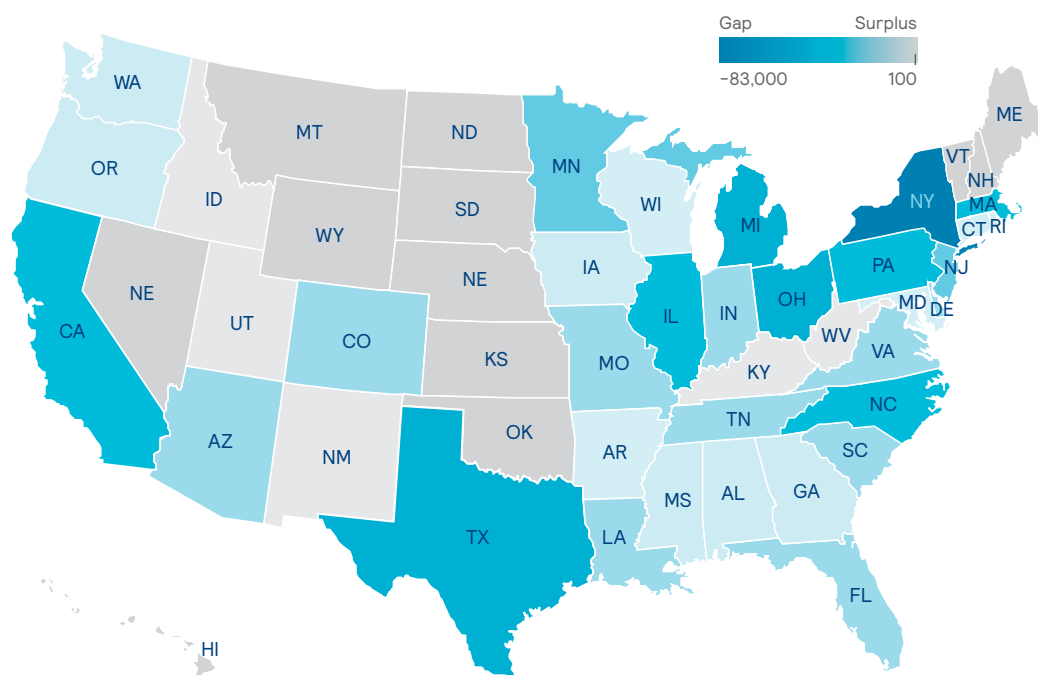
SEARCHING FOR TALENT ACROSS STATE LINES AND IN BACKYARDS

It's not enough to look only at national workforce demand figures. The healthcare labor market in each state is as unique as a state's agriculture, anthems and accents. Outside of home health aides, which nearly every state and region will need (see Figure 2), there are vast differences in the types of healthcare workers needed by state and within states through 2025.

From this, we estimated labor risks (gaps in workforce availability) and opportunities (surpluses) for 50 healthcare occupations within each state to provide healthcare organizations the data they need to develop strategic, analytics-driven workforce plans.

The Workforce Innovation and Opportunity Act requires states to provide regional-level occupational projections every four years. Using these data, along with historical labor, demographic and education data, we assessed the projected demand for and supply of critical healthcare occupations for each state across the country.

Figure 2. Home Health Aides – Projected Workforce Gaps and Surpluses by 2025 (by State)



Source: Mercer's US Healthcare External Labor Market Analysis (2017). Calculations by Mercer's Workforce Strategy and Analytics practice.

The Power of Data: Planning Future Workforce Needs

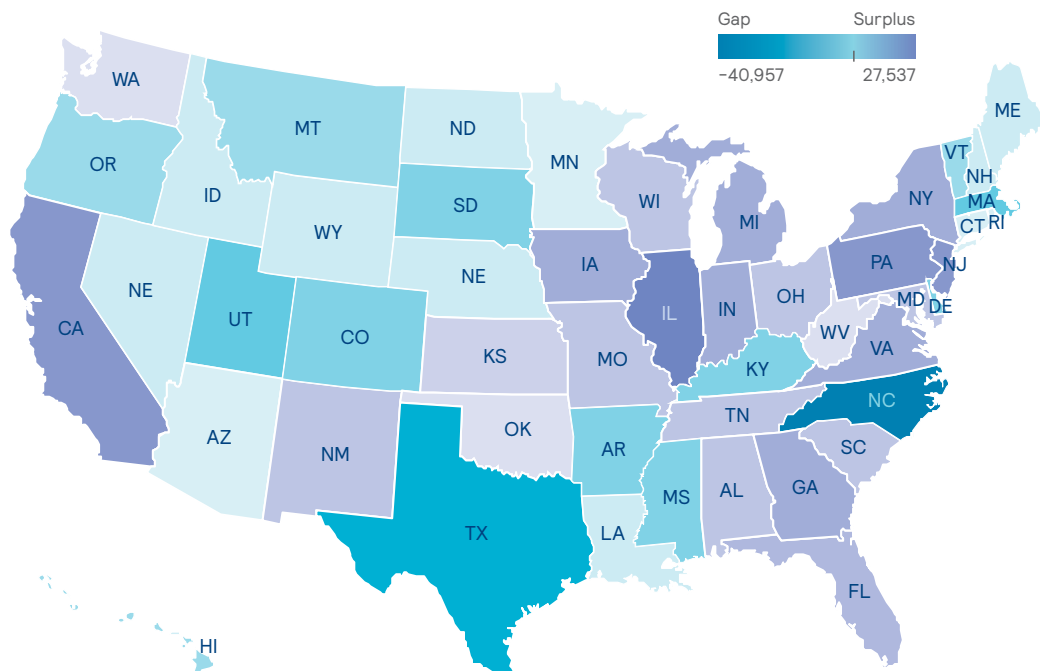
We recently worked with a healthcare system that was struggling to keep up with demand for nurses. The HR leaders at this organization expected more workforce shortages and needed a future-focused survival plan. One look at our healthcare workforce analysis and they were shocked. The anticipated population growth rate and demand for nurses in their home state exceeded their expectations, showing a potential gap of more than 12,000 nurses through 2025.

The news wasn't all bad. In addition to identifying projected workforce gaps, our analysis uncovered an untapped well of nurses that they could source talent from. Upstate New York showed a projected surplus of the types of nurses they needed, so the health system started targeted recruiting efforts there.

In fact, contrary to popular belief, it appears that many states are likely to have a projected surplus of registered nurses (RNs) through 2025. So while a state like Texas might be short nearly 27,000 RNs, Illinois is likely to have a surplus of 27,000 in the same period (see Figure 3). This can be attributed to vast differences in the education pipeline and migration trends for each state. Overall, there is a trend of residents leaving Illinois. In fact, Chicago was the only major US city to see a population decline. At the same time, the state's education system is producing a steady stream of healthcare graduates, just more than what's needed locally given these trends.

In Texas, it's nearly the opposite. The state is experiencing strong growth due to favorable demographics and high in-migration. However, the healthcare education pipeline isn't keeping up. State lawmakers have recognized this issue and are therefore looking at significant policy changes, like allowing more community colleges to offer bachelor's degrees in needed occupations, such as nursing.⁵ Still, RN shortages are more likely than surpluses.

Figure 3. Registered Nurses – Projected Workforce Gaps and Surpluses by 2025 (by State)



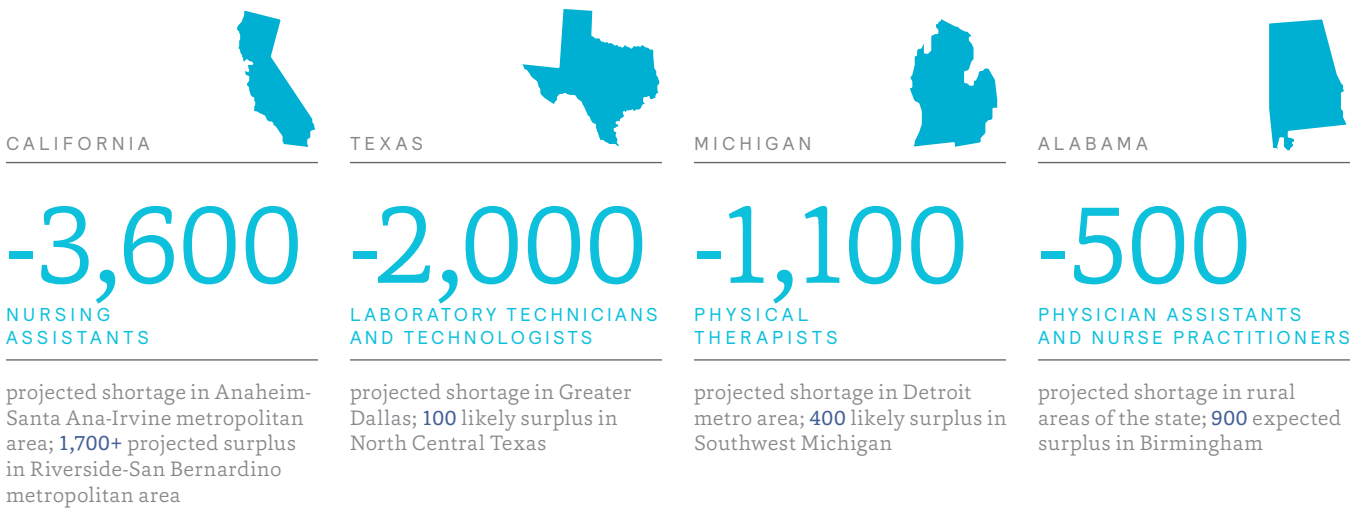
Source: Mercer's US Healthcare External Labor Market Analysis (2017). Calculations by Mercer's Workforce Strategy and Analytics practice.

⁵ Watkins M. "Texas Lawmakers Might Let Community Colleges Offer Bachelor's Degrees," *The Texas Tribune*, available at www.texastribune.org/2017/04/06/texas-lawmakers-might-let-community-colleges-offer-bachelors-degrees.

Recruiting Opportunity Across County Borders

That level of state-borderline poaching may not even be necessary. Taking a closer look at the data at a county level reveals a more nuanced view of staffing risks and opportunities that employers should consider.

For example, our analysis shows some areas where health systems can mine for talent in their own state backyards:



ONCE YOU FIND THE WORKERS YOU NEED, HAVE A PLAN TO KEEP THEM

For some health systems, the workforce shortage problem is more granular than predicting high-demand occupation categories or locations of worker surpluses. Answers may be hidden in the minutiae of scheduling, financial incentives and career-growth opportunities, so further analysis and workforce-planning work need to be done.

A few things to consider when building the future-ready workforce needed to deliver quality patient care:

- 1 **Understand full exposure to potential workforce risks – both external and internal.**

In addition to considering external labor market risks, providers must also understand the flow of employees in, through and out of its organization through an Internal

Labor Market (ILM) mapping for the full picture. Through strategic workforce planning, we can use this analysis to predict whether any internal workforce gaps are likely to develop and why, and how these internal gaps align with projected external gaps.

In the case of our earlier example, our analysis revealed potentially severe shortages of nurses developing in the next five years due to high turnover. This health system was extremely vulnerable to the external risks we identified in its state: very high demand growth and large gaps in supply. To mitigate these risks, the health system needed to focus on its internal workforce.

We identified several factors driving nurses to leave:

- Overtime and an inefficient staffing schedule was leading to burn out, especially among more experienced nurses, who were spending a lot of time trying to give guidance to new hires.
- Lack of sufficient pay in an extremely competitive labor market was leading neighboring health systems to actively poach nurses.

It's important to note that money isn't always the issue. To keep from erroneously throwing money at the problem, it's best to conduct a turnover analysis using internal workforce data to empirically determine the root of any turnover issues, as this will vary between hospitals.

2 Be proactive to mitigate the impact of workforce risks.

Providers can't control what's happening externally, but our research suggests that effectively managing internal workforces — through an optimized total rewards strategy that retains workers, for instance — can help them at least mitigate their exposure to these risks.

Being proactive also means thinking both strategically and geographically about recruitment strategies. Health systems should expect, and welcome, the direct competition with other industry sectors for key talent. For example, training and skill requirements for home health aides mirror similarly paid occupations in the service sector.

3 Determine how proposed workforce changes will impact patient health and satisfaction.

Before making large investments, providers can use data and analytics to better understand the likely impact of changes on patient metrics such as HCAHPS, readmissions or other health outcomes. Mercer's Business Impact Modeling methodology helps providers identify the workforce characteristics and people management practices that are the strongest drivers of positive business and patient outcomes.

For example, our research suggests that human capital factors such as pay or staffing can have a statistically significant impact on patient readmission rates in some clinical settings. However, these predictors widely vary depending on specific business characteristics, such as location, hospital type, acuity mix and so forth.



Increased hiring of home health aides and other lower-skilled workers creates a greater need to monitor patient care. A failure to address issues prevalent among this group — such as longer commute times and access to affordable child care — could lead to increased turnover and absenteeism, which impacts patient care.

Creating an agile, future-ready workforce must start today, for the sake of quality patient care and satisfaction and a healthcare system's financial health. For healthcare organizations dealing with tightening budgets and a growing list of needs, this could seem daunting.

That's where a strategic, analytics-driven approach to workforce planning comes in. Healthcare organizations that use strategic workforce planning will be more efficient, as it allows them to prioritize the workforce actions that will make the biggest impact. The good news is that much of this work relies on data that healthcare systems already collect. Now they need to take the next step of better leveraging this existing data to develop empirical insights that will drive strategic workforce planning.

AUTHOR

MATTHEW STEVENSON

Partner and Co-Leader North America Workforce
Strategy & Analytics

matthew.stevenson@mercer.com

Mercer's US Healthcare Labor Market Analysis projects the supply and demand of available workers within each state across 50 healthcare occupations to identify labor market risks and critical workforce gaps.

REQUEST MORE INFORMATION

To get more detailed findings from this analysis specific to the regions and occupations that are important to you, contact us at careersolutions@mercer.com.

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