

Transformation and Risk Podcast

Episode 1

Workforce and Transformation

John Drzik:

Hi. This is John Drzik. I'm a senior partner with Mercer, and you're listening to a podcast that we've created here at Marsh-McLennan focused on healthcare and specifically, the transformation underway today and the risks associated. This is the first in a series of four podcasts we're doing in, now in the second half of 2024. Now, we're going to cover a bunch of topics, that include the entrance of AI into this complex world of healthcare, the pursuit of value-based care, response to the enormous margin pressure that so many providers operate under today. And the topic we're covering today is workforce and transformation. So, we hope you find today's discussion interesting and helpful, and we also hope that you'll join us as we speak with industry experts on covering these challenges and strategies essential for health systems today on this transformation journey in our future podcasts as well.

So, without any delay, let's jump in. I'm joined today by Nicole Francis and David Mitchell. I think the best way to approach this, would you guys introduce yourself, please? Both of you have such diverse and interesting backgrounds. I'd love to start there. Maybe Nicole, could you open?

Nicole Francis

Hi, Nicole Francis. Thanks for having me today. I lead the financial lines practice as it relates to healthcare, clients here at Marsh-McLennan, representing our payer clients and our provider clients, which we're going to be talking about today. David?

David Mitchell

Perfect. Nice to be speaking with you all. John, I'm part of Mercer's transformation in healthcare practice. We come in and just look at what's fundamentally changing about the business of healthcare, about the healthcare workforce, and really think about how do we need to

make some pretty fundamental changes to who does the work? Where is the work done? How is the work done going forward in a sustainable and meaningful way? Looking forward to share more.

John Drzik

That's great. Thank you both. I think we've got the right lineup for the topics today. That's for sure. David, I'm going to start with you. And, when you think about all the places you've been, and I know you've been all over in this healthcare industry, across this country and you think about the work you're doing and what we're covering today, which is the transformation. Give us a theme if you could, to help us get focused on and get this moving. When you really boil down what is the provider organization today up against when it comes to transformation, how would you describe that?

David Mitchell

John, the thing that comes to mind came out of a conversation I had with a large Midwest system CEO a couple months back. And he said, "David, we've got to do more with less." And what he really meant by that is, first on, do more, more patients who are often sick, who want to be, receive healthcare and more access points versus a healthcare workforce where there is chronic endemic, long-term shortages, less workers, and frankly, less money or the profit lines of so many healthcare systems right now are really struggling. And so that's where transformation comes into place. If the challenge is do more with less, muddle through is an option. One has to fundamentally rethink how the work of healthcare is delivered, and that's where the transformational aspect and the transformational mandate comes from.

John Drzik

That's excellent. That really provides focus for what we're talking about. I mean, when we think about doing more with less, I mean, that's the purpose of the transformation, that's the focus of the transformation. It's not transforming just because it's fun or because the technology is there, it's transforming because we absolutely have to. And I like what also you mentioned, David, where you sort of boiled it down around there are fewer workers or less workers and less money. So, alright, let's take that... Let's start with workers and talk about that a little bit. I think we think about the problem, but then also, the risk, but also what organizations can do about it. Let's start with less workers. Again, David, maybe start with you and then Nicole, please chime in because I know that there's a really great balance between plans, and designs, and introducing risks. Let's have a little back and forth there if we could.

David Mitchell

Yeah. And John, I think it really starts out with what I think of as the three lesses. Frankly at the moment for many of us, we're going to go out and hire new workers in healthcare space. One, they're less qualified. Two, you see less ... And really three, you see just less locally available talent. And I don't mean this to sound bad about the workforce, and again, it's just an issue of, as Americans, we're getting older, sicker, we just need more healthcare. And in that, we have to kind of take the workforce that's available in an economy that has a relatively low unemployment rate right now. In a time where the workforce available to me is less qualified, less committed, meaning higher turnover, and just less local, there's really only three options to me as, either an HR leader, an operations leader in healthcare.

First, I've got to think nationally, whether ... my hospital or my system might be in one city, one county, one state or two. I'm now really looking across the U.S., in some cases even globally, to fill both clinical and non-clinical jobs, so a national workforce. Second, I'm really rethinking the work itself. It's no longer an option of is everybody working to top of license or top of certification? It's a mandate. And both are they working in my current unit and do we have kind of a skills basis to, you know, agilely shift people around our systems, flow talent to the work. And finally, there's this issue of what is that optimal combination of man and machine? Kind of sounds Terminator-like, but that's where we are in the generative AI world right now is in a workforce of shortage, how do we work our way toward that optimal combination? So national workforce with redesigned work and working toward automation. Those are the three transformational changes mandates are seeing in healthcare right now.

John Drzik

Exciting and easier said than done. I'm just thinking about what this introduces in terms of risk and, and Nicole, I know you are too. What sort of thoughts have you, or reactions do you have to what David shared?

Nicole Francis

Yeah. You know, I think that it's a good question and I know that in working with our health system clients, their main concern are those around their workforce and their balance sheets, right? So, looking at how our health systems are trying to really find the kind of the perfect balance post-COVID coming out of COVID, and ensuring that they're still able to provide, services to their patients, and yes, often, David, to your point, sometimes patients that might be sicker than, than they had seen before, is that they're really having to lean into... you know, during the pandemic, they really had to lean into, alternative staffing, in turn. And, and that really means relying on staffing agencies that sometimes co- come at quite a cost, right? And I think that also lends itself to some potential liabilities. The liabilities that we would see ... going to staffing agency is that they really have less control over the hiring process of those employees. There are

numerous states that have certain protections for protecting biometric information and genetic information, of employees and those that are third parties, right? Hiring these individuals from a third party perspective, we need to make sure, we're constantly talking to our health systems about making sure that outside counsel is really looking at, and determining, what goes into those pre-employment screenings for those individuals, from an employment practices perspective, for a third party EPL, potential claims. That's really important. And then also too a very...

You know, you mentioned AI John, at the beginning of the podcast. I think that's really important to kind of talk about how that is helping transform, but there's also risks associated with that. So artificial intelligence and third-party staffing agencies and, and even staffing in-house for a lot of our health systems need to be very mindful, from an HR perspective and making sure that there are no biases that might exist within hiring, firing, and any screeners that might, include genetic or biometric information that might be presented to our health system. I think that's all really important just to note that while we're transforming and we're looking at enhancing the experience of patients, we also need to be very mindful around the risks that come with that. And especially in a post-COVID world, I think that that is absolutely continuing to evolve.

That's great. I like the balance here. I mean, David, when we're talking about these three options and how people need to think differently about how and where and who they hire, it's important to balance that with the risks, certainly associated. One thing that's gnawing at me is it's certainly, there's a call for a lot more data than we've perhaps been seeing our clients in the provider space use. I know we are definitely driven by data, but David and Nicole, maybe talk about the importance of data and maybe the different data and how it needs to be leveraged in ways that not only improve planning, but I think monitoring and execution.

David Mitchell

Yeah. John, let's talk about a few types of data here. First is, it sounds so simple, my workforce data. Where are people? I talked with so many systems recently and we're three, four years past COVID now where they say, "I know people are out of state. I'm not quite sure who they are, where they are and how many they are." So, just having up-to-date accurate workforce data through your HR system or payroll system, that's not an optional starting point, that's a mandatory starting point. That then goes onto the second layer of data, and that's really the compliance piece of data. If I'm a Virginia healthcare employer, now I have employees in California. Am I complying with California meal breaks? Am I complying with Montana lever cruel policies? Am I applying with, Colorado and Washington pay transparency rules? so one must be matching up-to-date employee data with up-to-date state by state, sometimes even county by county, compliance data.

And then the last piece is just work availability data. If we're going to be searching anywhere for workers,

we've got to know down to a county level across anywhere dozens, if not hundreds of worker types, where do they exist? Because that's my competitiveness is finding the right people in the right place to do the job I need them to do. And it all really starts with the data to, to driving this new transformative way of working.

John Drzik

You know, I'm glad you went there because this is now... As we're in the second half of 2024, people listening to this now will have access to the labor analysis that we've just put out in early September around the demand and supply of healthcare workers across the United States down to the MSA level, to your point, David. So that's available. I hope listeners will go to our website and pursue, the white paper and, and certainly look for where and how they might understand the movement and the future in terms of where this workforce is headed. Nicole, it sounds to me like the ability to access the data and also manipulate it or analyze it is critical, especially when we're talking about compliance. Any thoughts you want to add there?

Nicole Francis

Yeah, you know, and I'm glad you brought that up because we're always looking at the trends in different states. But I will say that... and in terms of what those states require, of employers as it relates to, their workforce. But what I will say has been a very interesting, something that we have been watching is that the Department of Labor has actually increased thresholds for compensation, for those that are salaried and what that looks like. And if you are within certain thresholds or bands, you can actually qualify for overtime pay. And I think that's really important for our healthcare clients to really understand for salaried employees is that you really need to be looking at those salary bands because where we get concerned about overtime pay is really complying with wage and hour laws as well.

Wage and hour laws have really driven a lot of the settlement numbers that we've seen in the last couple of years as it relates to employment practices [inaudible 00:14:08]. There's a separate product that our healthcare clients can look to called Wage and Hour, that would address those compliance with meal or not compliant with meal breaks and overtime pay as it relates to healthcare workers. You can see where healthcare and overtime pay is very important, right? You're serving patients, right? And, especially with a lack of, or less workers than we've seen before, there's just more strain on the current workforce, in delivering medical services to patients.

So I think, making sure that our clients understand what those wage bands look like so that they can understand if they are to understand and to make sure that they are complying with those, with providing overtime pay if necessary is really important so that they're able to kind of mitigate their wage and hour risks because we see that those risks only continue to kind of

escalate, but especially within a healthcare is what we're watching specifically.

John Drzik

That's great. You've got that right. Well put. So, alright, so we've talked about transformation and in the context of fewer workers, or needing to transform in response to the challenges with regard to the workforce that we've been discussing. All right. Let's shift gears a little bit and talk about the financial pressures and transformation as it relates to that. Clearly, organizations are having to look at every single dollar is more critical than it's ever been. And I think I've heard you say before to other clients, David, that you just can't afford to guess in this environment. Can you expound on that a little bit because I think our listeners would find this helpful?

David Mitchell

Yeah, John, you're exactly right, you can't afford to guess. In this time where hospital system operating margins are at historically thin levels or labor costs have been rising at historically high levels, you can't afford to guess. You can't afford to guess on a few things. One, what employees want, need in terms of their total rewards, both their base compensation, but also across the five generations in our healthcare workforce right now. What are the full range of benefits? The obvious ones, and the non-obvious ones that really form the foundation for one, why people will decide to choose your system over another, and then more importantly, why they will decide to stay with you and not just stay with you two or three years but stay with you ideally a couple decades at least. We need much better data insights. Mercer sometimes call it the unmet needs of the workforce around their total rewards and benefits.

The other one is emerging new risk areas. Now, you know, there's been pockets of unionization within healthcare going back decades, but really organizing activity, if you look in the news, is at a recent all time high rate right now. And not just in the historic service sector type of roles or nursing roles, but moving into residents, physicians and other types of, care provider roles that historically haven't been unionized before. And whether one imagines so or not data, predictive data can be used very effectively right now to help any healthcare system look at the predictive risk of labor activity within their system As you said, you can't afford to guess, you can't afford to guess on where you're putting your compensation and benefits dollars and you can't afford to guess when it comes to really looking at labor risk.

Nicole, now I know you look at even broader risks other than the ones I just chatted about. What are kind of the other top of mind risk areas you're seeing really related to this type of tight operating margin environment right now?

Nicole Francis

Yeah, I think one of the things, you know, one of the risks that we look at is really focused on fiduciary

liability. When we're talking about maximizing value and looking at minimizing costs, one of the things that we're most concerned about a lot of times is are those employee benefits? Health and wellness benefits. I think that's really important for our health system clients to understand that is a huge reason. That does provide a total compensation package for employees. So really understanding that, and having our healthcare clients understand that when you halt or change benefit offerings, that can open yourselves up to unintended fiduciary liability for changes that might, take place with respect to those fiduciary plans that you provide to your employees.

So that's something that we really think is always best to be vetted by outside counsel to look at what the implications might be. I think that when you look at halting those auxiliary benefits or those kind of extra benefits as well. If someone has been conditioned to expect a certain benefit, making sure that there is a lot of communication around benefit packages is really important as well. Again, we're most worried about just kind of the communication around any changes to those plan offerings and benefits that you provide to your employees because whenever there are changes, not just about the excessive fee environment, which we're all very familiar with at this point, but really any changes that might be implemented because of cost-cutting measures is really important to message to your employee base. But also to prepare for potential fiduciary liability risk as well, if any changes are undertaken, for your employee base.

John Drzik

That's great. You know, one thought I would add that you both triggered is just to be mindful of the need for safety and blending safety with wellbeing, mental, physical, financial, and the safe and healthy work environment. That I think addresses certainly issues related to any kind of liability risks. But also, David, to your points around understanding how do we keep this workforce for much longer periods of time? How do we put an employee experience together that really underpins what we're trying to accomplish as a provider and fulfilling our mission to patients and this community? This is great. You all have put out some terrific thoughts today for us to be considering and thinking about. And for the listeners, I hope you think about this as the start of a conversation as opposed to the end. Please, if you have questions, you know how to find us through the Marsh & McLennan organization. It's Mercer, it's Marsh, it's Oliver Wyman, it's Guy Carpenter. We are here and we're here to serve healthcare and answer questions.

This really wraps up our first episode on healthcare transformation and risk. We've taken a closer look at the healthcare workforce, and challenges, and the strategies, but we admit this is a scratching of the surface. There's much more to talk about and we hope to have the opportunity to do that with you. So please join us for upcoming episodes and again if you have questions, please reach out to us. We're happy to answer them, and we'll see you hopefully, in the not too distant future. Be well. Thank you.