Panel Discussion:

Calculating ROI In the HR Recruitment – How Much is Your War for Talent?
Today’s panel

Tanya Tesseyman, Regional Partner, Tatum, a Randstad Company

Nicholas Christiano, National Managing Partner, Tatum, a Randstad Company

Tony Caponi, Regional VP, Randstad Healthcare Solutions
What will we cover today?

• The industry trends and related impact to healthcare

• Total talent Management & integrated workforce solutions

• Calculating ROI and the specific impact to your setting
Industry Trends and Impact to Healthcare
The healthcare industry is being confronted with dynamic change

- Workforce shortages
- The impact of ACA – move from fee for service to value-based care
- Move to different settings to deliver patient care
According to the U.S. Bureau of Labor Statistics (BLS), the U.S. healthcare industry is expected to be one of the fastest growing labor markets in the U.S. in the next ten years.

During the 10-year period between 2012-2022, the BLS predicted that healthcare support occupations will grow by 28% and healthcare practitioners and technical occupations will expand by 21.5%.
U.S. healthcare industry trends

- According to the Brookings Institute (www.brookings.edu) **10% of all jobs** in the largest U.S. metropolitan areas are in the healthcare industry.
- In 2013 healthcare industry employment in the U.S. totaled **15.8 million**.
- The projected employment **growth over the period 2012-2022 is 26%** according to the U.S. Bureau of Labor Statistics.
- Staffing Industry Analysts “projects the U.S. healthcare staffing marketing to **grow 7% in 2014 to 10.5 billion.**”

### Healthcare Industry Employment Projections

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<tbody>
<tr>
<td>Hospitals, private, federal, state &amp; local</td>
<td>6,110,000</td>
<td>39%</td>
<td>826,000</td>
<td>14%</td>
<td>6,936,000</td>
<td>35%</td>
</tr>
<tr>
<td>Offices of health practitioners</td>
<td>4,057,000</td>
<td>26%</td>
<td>1,226,000</td>
<td>30%</td>
<td>5,283,000</td>
<td>27%</td>
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<tr>
<td>Nursing and residential care facilities</td>
<td>3,228,000</td>
<td>20%</td>
<td>761,000</td>
<td>24%</td>
<td>3,989,000</td>
<td>20%</td>
</tr>
<tr>
<td>Home health care services</td>
<td>1,238,000</td>
<td>8%</td>
<td>716,000</td>
<td>58%</td>
<td>1,954,000</td>
<td>10%</td>
</tr>
<tr>
<td>Outpatient, laboratory, and other ambulatory services</td>
<td>1,194,000</td>
<td>8%</td>
<td>522,000</td>
<td>44%</td>
<td>1,716,000</td>
<td>9%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>15,827,000</strong></td>
<td><strong>100%</strong></td>
<td><strong>4,051,000</strong></td>
<td><strong>26%</strong></td>
<td><strong>19,878,000</strong></td>
<td><strong>100%</strong></td>
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Source: U.S. Bureau of Labor Statistics
U.S. healthcare industry trends

What are some of the reasons behind the projected healthcare industry growth?

Higher Utilization Rates

- Affordable care Act (ACA) - the U.S. government projects that 30 million non-elderly uninsured Americans gained between 2013 and 2017 will gain access to medical coverage as a result of the ACA.

- Older Population - the percentage of elderly Americans is expected to increase to 21% of the U.S. population in 2035 (compared to 13% of the U.S. population in 2010)

- Poor Lifestyle Choices - the primary determinants of health status: Medical inputs (10%), Environmental factors (20%), Genetics (30%); Lifestyle Choices (40%). Lifestyle choices that affect our health include regular exercise, eating a healthy diet, and limiting alcohol consumption and smoking.

Health IT Legislation and Regulations

- HITECH Act (Health Information Technology for Economic and Clinical Health)

- Financial incentives given to healthcare providers that meaningfully use an electronic health records system

- Starting in 2015, financial penalties (under Medicare) will be imposed on health providers not using electronic health records systems
U.S. healthcare industry trends

Higher Utilization Rates

- According to data provided by the U.S. Census Bureau, by 2030, there will be approximately **72.1 million** persons 65 and older in the U.S., almost twice their number in 2007 and roughly **20 percent of the U.S. population**.

- Patient care will transition from acute illness/injury treatment to chronic condition management. Diseases of aging; arthritis, vascular diseases, cancers, degenerative diseases & dementia will place a significant burden on our health care financial system.

- In 2011, Medicare spent $554 billion. Of that $554 billion, Medicare spent 28 percent, or about $170 billion, on patients’ last six months of life.

- Until a health care reimbursement system changes from rewarding volume to rewarding value, costs will continue to rise.
The effects of the War for Talent

Then...144,000 hospital jobs since July 2014

U.S. Hospital Industry Employment (Thousands)

Source: U.S. Bureau of Labor Statistics

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Chronic nursing shortages may double

Figure 1. Licensed RN supply (past and projected)

Source: Health Resources and Services Administration®
Forecasts of physician supply & demand are more ambiguous than for nursing.

Figure 3. Active physicians: projected supply and demand

- 30% increase in enrollment
- 5,000 additional graduates in 2019
- 10,000 additional graduates in 2020

Source: Health Resources and Services Administration and PricewaterhouseCoopers’ Health Research Institute analysis.
Nurses: Distribution by Age Group

Figure 4. Distribution of RN workforce by age group (thousands)

Source: American Hospital Association\textsuperscript{30}
Physicians: The number of medical school graduates has remained relatively static over the past 25 years

Figure 6. Hospital nurses' inflation-adjusted median annual earnings and number of hospital nurses

**Source:** Institute of Women's Policy Research and PricewaterhouseCoopers’ Health Research Institute analysis

Figure 7. Number of active physicians

**Source:** Bureau of Health Professions

Figure 8. First-year MD enrollment per 100,000 population

**Source:** Association of American Medical Colleges

Figure 9. Medical school enrollments & forecasted medical school additions by state, 2006

**Source:** Association of American Medical Colleges and PricewaterhouseCoopers’ Health Research Institute analysis
Primary care physician shortage

Figure 10. Primary care health professional shortage areas

Source: American Academy of Family Physicians
Current observations in healthcare

• Use of temporary nurses is no longer a stop-gap measure, but has become a way of life for many hospitals

• The process of educating and retaining new nurses is broken

• Failure to retain nurses is costly and wasteful

• Hospital leaders are in a state of denial about nurse dissatisfaction
Current observations in healthcare

- Nursing education is stifled by negative financial incentives
- The workforce is too often a second thought for executives, who are distracted by numerous payment and regulatory issues
- Nurse and physician roles are blurring in primary care, a specialty in which lower salaries have dissuaded debt-laden medical students
- Schedules trump salary
- Advances in specialization and technology are shifting what is done and by whom
Total Talent Architecture & Integrated Workforce Solutions
Costs of staffing in healthcare

According to the Centers for Medicare and Medicaid Services (CMS), labor costs are more than 50% of the total costs for hospitals.

Who is making your labor decisions?

What are your talent acquisition costs?

What does it cost to make a bad hire?
Market drivers/observations

- 16% of talent is variable
- 20-30% don’t know the total # of workers in their own companies
- 36% of global employers cannot find the talent they need
- 22% of executives want more visibility into the entire workforce
- 54%

Source: McKinsey Global Institute, SIA, ERE
Total Talent Management (TTM)

- **Decentralized**
- **Preferred suppliers**
- **Managed service provider**
- **Master vendor**
- **Total talent management**
- **End to end**
- **Project**
- **Recruiter on demand**
- **Perm placement**
- **Contingent**
- **Employee**

Source: Staffing Industry Analysts, 2015
Total talent solution architecture

Planning

Client

Service request

Talent Advisor

Service delegation

Service lines

Temporary or Temp-to-hire

Payroll/IC compliance

Direct hire

SOW

Sourcing strategy

Virtual

Off-shore

On-site

Suppliers

Diverse

Prime

Niche

Sub

Talent Advisor

Service delivery

Client
Buying and selling silos

ITM acts as a catalyst for organizations to build and execute talent strategies
Talent management continuum

Stage 1: Employee-based
- Employee only
- Employee centric

Stage 2: Siloed
- Reactive Talent Co-existence
- Proactive Talent Co-existence

Stage 3: Total Talent Management
- Reactive Talent Integration
- Proactive Talent Integration

Source: SIA/ERE
Global Total Talent Management Survey
May 2015
Total talent architecture client relationship roadmap

- Current market
- Transactional
- Blended
- Integrated

- Value delivery
  - Requisition driven
  - Expanded services
  - Talent solutions

Impact delivered:
- Low
- High

- Expertise
- CRM
- Analytics
Integrated talent: client relationship roadmap

**Integrated talent management – core tenants**

- Connecting client talent landscape to best in class concepts
- Benchmarking, best practices, and insights inform roadmap
- Introduction of disruptive technologies/ideas, Innovation Fund
- Key concepts (MSP/RPO)
Return on Investment (ROI) Drivers
Return on investment (ROI) drivers on contingent workers (CW)

**ROI DRIVERS — HIGH-LEVEL VIEW**

### HIGH-LEVEL CW ROI MODEL

- **Agency**
  - **Returns**: quality CWs
- **Client CW Program**
  - **Invests**: money, risk, resources

- **Responsiveness**
- **Ease of Use**

**CW Quality**: The skills, knowledge and fit of candidates

**Price**: Cost-of-position/bill rate (CW pay rate plus markup)

**Responsiveness**: Time required to fill positions

**Ease of Use**: Quality of service including: accuracy (resumes matching needs, invoice defects), customer service (professional relationships, periodic reporting), process/infrastructure adoption (technology, training, orientation, on-boarding).
## Sources of return

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<th>Possible CW Returns</th>
<th>Positive ROI Value</th>
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<tr>
<td>Short Term Replacement of Staff</td>
<td>Productivity levels maintained and cost avoidance of hiring redundant resource</td>
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<tr>
<td>Specialized Skill Gap</td>
<td>Access to candidates with highly specialized skills</td>
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<tr>
<td>Temp to Hire</td>
<td>Reduction in turnover, avoiding training cost and permanent recruitment fees</td>
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<tr>
<td>Test New Organizational Roles</td>
<td>No long term commitment, more internal objectivity</td>
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<tr>
<td>Project Based Work</td>
<td>Cost avoidance of FTE hiring</td>
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<td>Flexibility of Threats/Opportunities</td>
<td>Ability to flex hiring up and down as needed</td>
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<td>Enhanced Visibility</td>
<td>Access to analytics to enhance hiring decisions.</td>
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### Sources of investment

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<th>Possible CW Investments</th>
<th>Negative ROI Value</th>
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<tr>
<td>Increased rates</td>
<td>Cost of CW spend</td>
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<tr>
<td>Increased risk of intellectual property (IP) loss</td>
<td>Potential threat of IP loss and inside organizational knowledge</td>
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<td>Risk of less qualified employees</td>
<td>The more people you need increases the likelihood of poorly qualified personnel</td>
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<td>Risk of litigation/tax issues</td>
<td>Increased exposure to lawsuits</td>
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<td>Morale concerns</td>
<td>Potential reduction in productivity and increased cost of morale boosting activity</td>
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<tr>
<td>Labor union issues</td>
<td>Potential violation of union contracts</td>
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Build an ROI driver prioritization matrix

Agree on Top 10
- Assemble stakeholders
- Consensus on Top 10 ROI Drivers
- Make those specific to your circumstance

Assign Weighting Values
- Ask each stakeholder to distribute 100 points across Top 10 ROI drivers
- Dissuade from voting strategies to prioritize
- Stack-rank the ROI drivers in priority order

Quantify & Monetize
- Define ROI drivers numerically
- Think of ways these could be monetized (i.e. % reduction in spending, value-added services & software, costs of poor quality as reduced yield)
Q & A