



# LABOR COST STUDY 2022

New Hampshire Hospital Association

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# INTRODUCTION

When I talk with New Hampshire's hospital leaders about their most urgent challenges, their response is fairly universal: workforce. The COVID-19 pandemic exacerbated the workforce challenges hospitals were facing prior to 2020. As a result of the shortage in workforce and increased patient demand, hospitals had to bring in temporary staff to care for the growing number of patients who presented with serious illness and in need of acute, hospital level care. These challenges have spiked in the past several months and are not likely to diminish in the near term without additional resources and support.

The COVID-19 pandemic has placed an unprecedented burden on the health care system, in particular, the workforce. Personnel shortages exist across the spectrum, from nurses and licensed nursing assistants (LNAs) to medical technicians and respiratory therapists. Prior to the pandemic in October of 2019, hospitals statewide were showing a 9% vacancy rate for all nurses, but that number has skyrocketed to 18% earlier this year. For LNAs, the vacancy rate more than doubled from 10% in 2019 to 21% in 2022.

What those vacancy rates mean is that hospitals are forced to seek temporary, contract labor to care for their patients. Contract labor is not new to health care, but the growth in the number of "travelers" has been astronomical. Prior to the pandemic, New Hampshire's largest hospitals saw an average of less than 3% of their total labor dollars being spent on contract labor, while our rural critical access hospitals were spending roughly 7% of their total labor dollars on contract labor. In 2022, those numbers are at a shocking and unsustainable level of over 6% for our larger hospitals and over 12% for the critical access hospitals. In terms of sheer dollars, hospitals are spending hundreds of thousands to millions of dollars more each month to be able to fully staff their patient care units. Without staffed beds, patients cannot receive the acute care they need. New Hampshire hospitals continue to invest the resources to keep or bring in staff so that they can care for their patients and not have to deny patients care.

We must work together to develop a multi-pronged approach to turn the tides so that our hospitals have a robust workforce and the financial support they need to provide necessary, acute care to patients throughout New Hampshire.



Steve Ahnen  
President

## WHY WE DID THIS STUDY

**The essential mission of hospitals and health care systems is to provide quality care for each patient that walks through their doors, and this mission is only possible with a robust and healthy workforce. As the pandemic continues well into its third year, the toll on the health care workforce is significant. A survey of American health care workers found that half of respondents felt “burned out” and 31% of respondents said they anticipated leaving health care in the near future.<sup>1</sup> The strain experienced by the workforce coupled with external factors such as record low unemployment rates have meant that the health care industry across the country is facing a critical workforce shortage and New Hampshire is no exception.**

The hospital workforce is needed now more than ever as hospital volumes have rebounded since the start of the public health emergency. In June of 2022, over 90% of all staffed inpatient beds across the state were filled. The people of New Hampshire need care and hospitals are spending significant dollars to ensure they have the workforce needed to meet the demand.

The hospital workforce is the backbone of patient care and addressing the workforce shortage in health care is no small matter. The healthcare delivery system is a people-oriented industry. Labor has always been the largest expense for health systems and can have enormous impacts on the sustainability of an organization. Hospitals throughout the country have had to implement financial incentives to retain current staff, offer recruitment bonuses and increased wages to hire new staff.<sup>2</sup> Despite these efforts, hospitals have had to turn to contract labor to fill positions, a costly and short-term solution.<sup>3</sup> Staffing companies charge rates that simply cannot be matched by hospitals for salaried employees; a travelling nurse can make upwards of \$8,000 per week for a three (3) week assignment.<sup>4</sup> Despite the significant costs, in order to ensure hospitals have sufficient staff to provide high quality care, hospitals often have no choice but to turn to contract labor. These costs coupled with the country’s low unemployment rate, burnout among health care providers, and increased demand for health care staff has created a perfect storm for labor costs in hospitals.

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<sup>1</sup> <https://www.ipsos.com/en-us/news-polls/usa-today-ipsos-healthcare-workers-covid19-poll-022222>

<sup>2</sup> <https://www.hfma.org/topics/cost-effectiveness-of-health/article/recruitment-and-retention-strategies-can-help-mitigate-impacts-o.html>

<sup>3</sup> Travel nurses and contracted doctors are hired, usually through an agency, to work for short stints at high rates of pay.

<sup>4</sup> <https://www.bloomberg.com/news/articles/2021-08-31/there-s-a-market-for-8k-a-week-nurses-in-u-s-as-delta-spreads>

# VACANCY RATES

**Businesses in all industries in New Hampshire are struggling to find workers. New Hampshire has the third lowest unemployment rate in the country.<sup>5</sup> In June of 2022, New Hampshire's seasonally adjusted unemployment rate was 2.0 percent, down from 3.6 percent in June of 2021.<sup>6</sup> Health care job openings are the second highest industry in the United States.<sup>7</sup> As a result, there are not enough people to hire to fill these critical roles.**

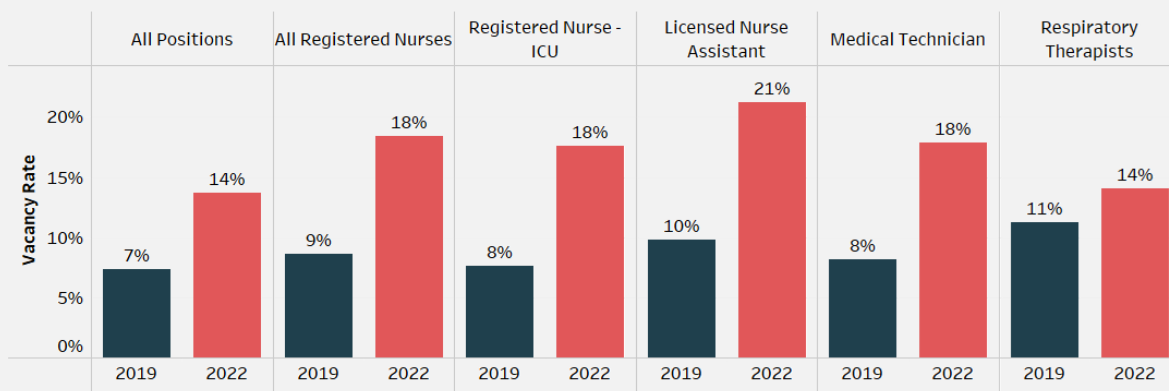
These labor statistics are felt across New Hampshire hospitals as demonstrated in their vacancy rates.<sup>8</sup> To alleviate staffing challenges, hospitals have been forced to supplement staff labor with expensive contract labor to ensure patient care is not compromised.

## Full Time Employee Vacancy Rates for High-Demand Positions

Hospitals show a significant increase in staff vacancies from pre-pandemic (2019) to today (2022). Based on reporting from 11 hospitals, the following health care positions are only a few examples of roles experiencing significant vacancy rate increases in the past 3 years:

- The vacancy rate for registered nurses doubled from 9% in 2019 to 18% in 2022.
- The vacancy rate for licensed nurse assistants more than doubled, jumping from 10% in 2019 to 21% in 2022.
- The vacancy rate for respiratory therapists increased from 11% in 2019 to 14% in 2022.

**Vacancy Rates for Select Positions**  
October 2019 vs. April 2022



*Includes data from 11 hospitals*

<sup>5</sup> NH Employment Security, Economic and Labor Market Information Bureau at <https://www.nhes.nh.gov/elmi/statistics/documents/stranks.pdf>

<sup>6</sup> NH Employment Security, Economic and Labor Market Information Bureau at <https://www.nhes.nh.gov/elmi/statistics/documents/nr-current.pdf>

<sup>7</sup> Bureau of Labor Statistics <https://www.bls.gov/news.release/jolts.t01.htm>

<sup>8</sup> The vacancy rates reported by hospitals measure the percentage of positions that were vacant at a point in time year over year. Vacancy rates are among the key measures for assessing a workforce shortage

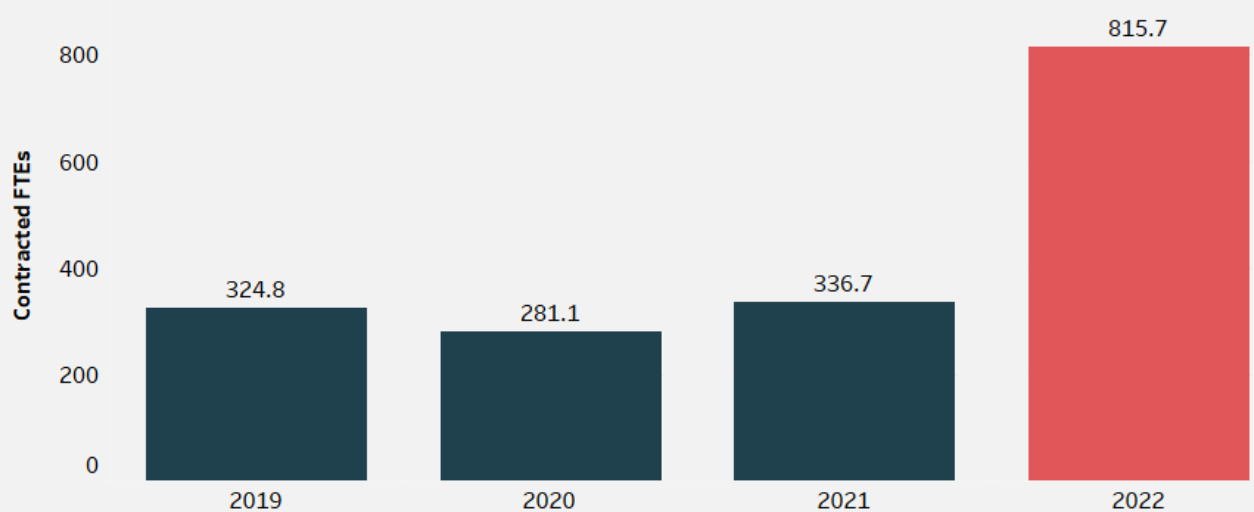
## Reliance on Contract Labor

Hospitals are increasingly reliant on contracted labor to ensure they have sufficient staff to deliver quality patient care.

- In 2019, New Hampshire hospitals engaged 324 contracted full time equivalent (FTE)<sup>9</sup> staff to deliver patient care.
- In 2022, that number more than doubled to 819 contracted FTEs to maintain operations.

### Contracted FTEs

First Week of April 2019-2022



*Includes data from 19 hospitals*

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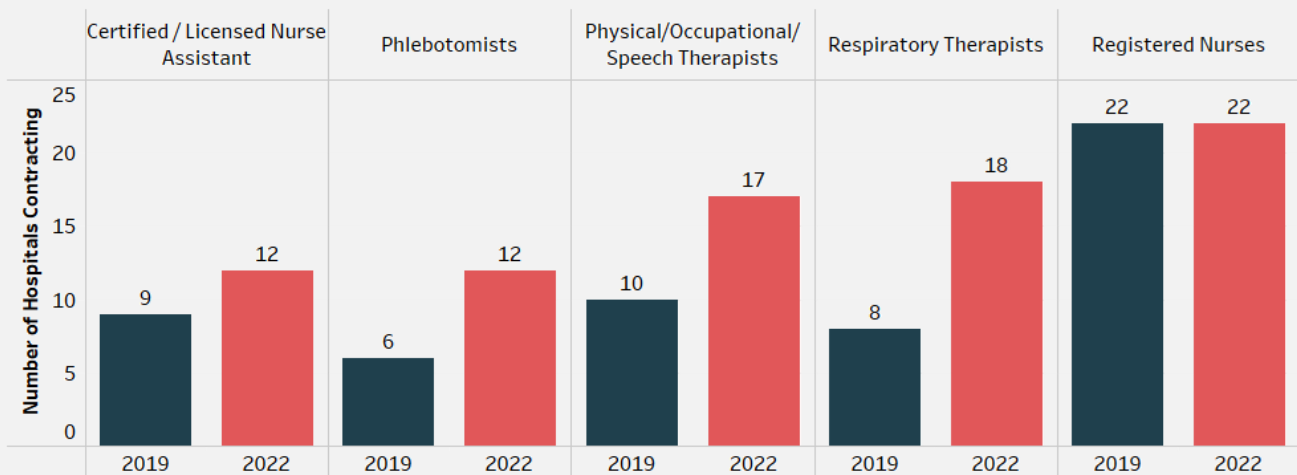
<sup>9</sup> Full time equivalent, often abbreviated as FTE, measures how many full-time employees or part-time employees add up to a full time employee.

## More Hospitals Rely on Contract Labor

It takes more than medical staff to run a hospital, and vacancies impact all departments. Hospitals turn to contract labor for everything from nurses to environmental services to accounting and security officers. The position types with the largest increases in the number of hospitals utilizing contract labor to fill vacancies between 2019 and 2022 were indeed medical. As the chart below demonstrates, positions such as LNAs, phlebotomists, and respiratory therapists became harder to fill in recent years. The nursing shortage experienced by hospitals today began prior to the pandemic and has only increased in severity in recent years.

### Number of Hospitals Contracting for Select Positions

2019 vs. 2022

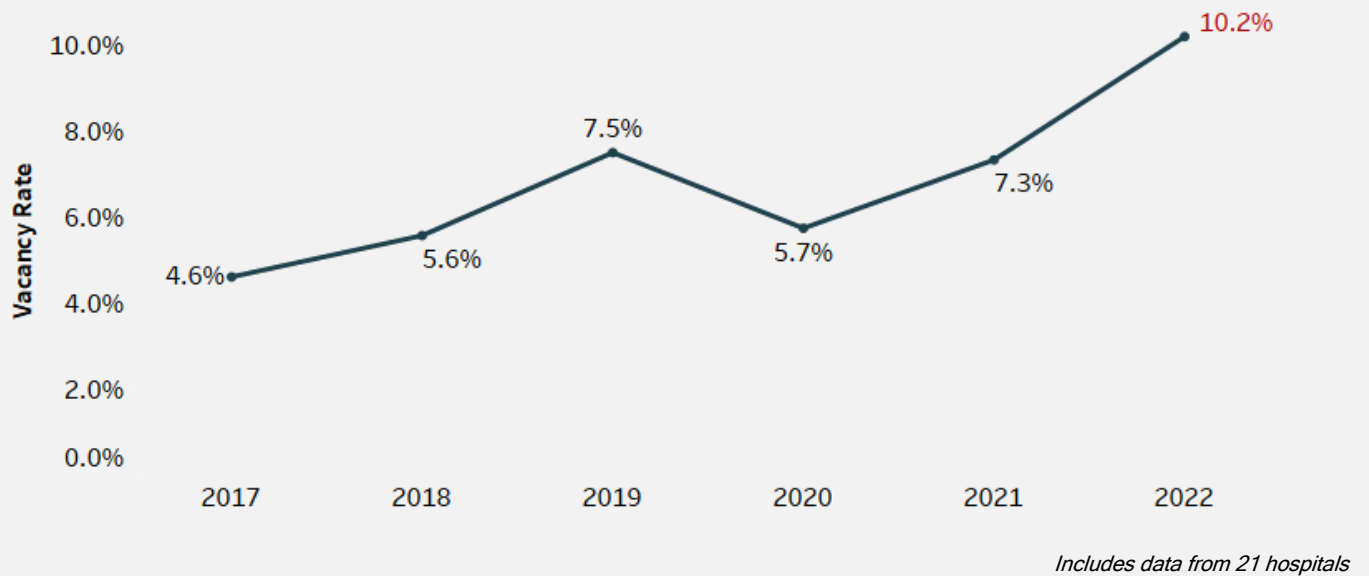


*Includes data from 22 hospitals*

## Does Contract Labor Fill the Void?

Even taking into account contract labor to fill empty positions, hospitals reported a vacancy rate of over 10% across all positions in April 2022. You can see from the figure below, vacancy rates are climbing, especially since the beginning of the pandemic.

**Statewide Hospital Vacancy Rates Including Contracted Labor**  
2017 - 2022



# SOARING COST OF LABOR

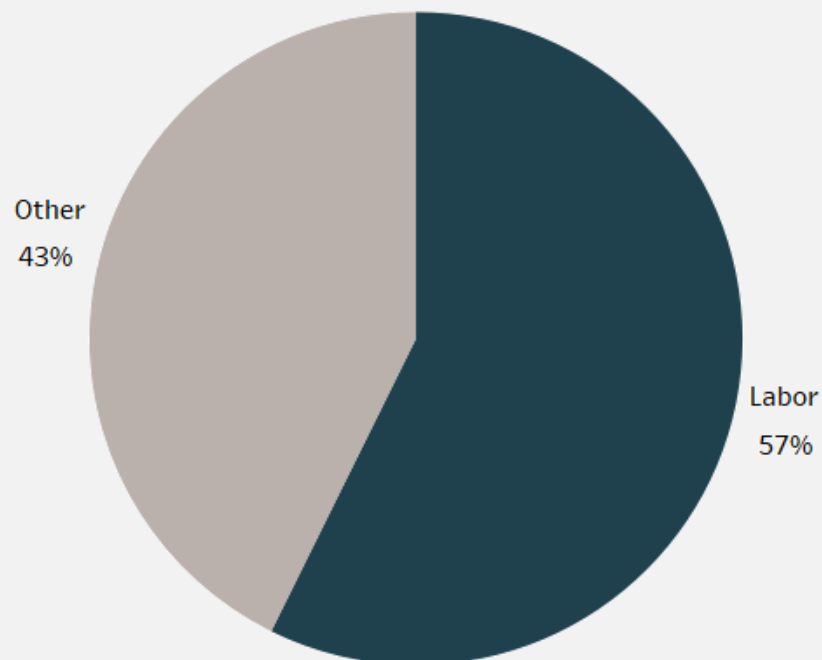
**Businesses operate knowing that expenses, labor costs in particular, increase year over year. However, in FY2021 to projected FY2022, hospitals saw an astronomical increase in labor costs that is simply unsustainable and threatens the financial security of the hospitals.**

## Labor Costs in Context

The hospital workforce is central to the delivery of medical services. Without labor, you cannot run a hospital and patients cannot receive care. Even prior to the COVID-19 pandemic, labor costs were the largest expense line item for hospitals.

- In 2022, labor constitutes 57% of total hospital operating expense
- Total labor costs for 23 of New Hampshire's acute care hospitals in 2022 is \$4.1 billion up from \$3.7 billion in 2021.

2022 Hospital Total Operating Expenses



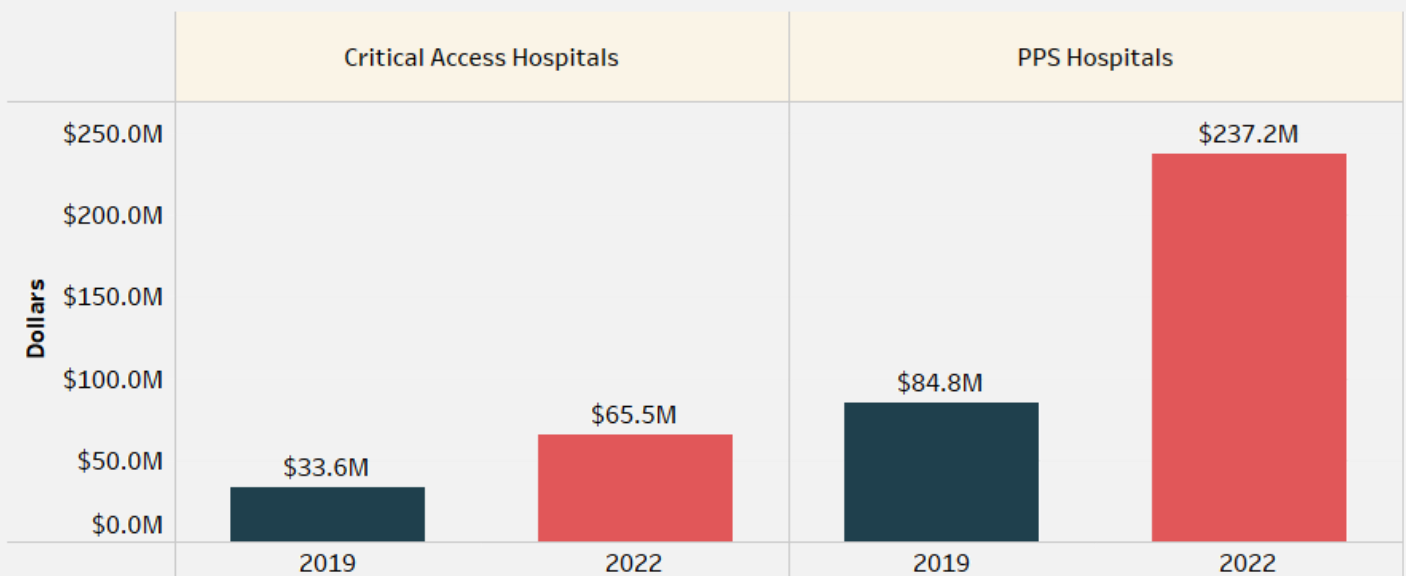


## High Cost of Contracted Labor

Hospitals of all sizes and locations throughout the state are dependent on contracted labor. The reliance on contracted labor, including travel nurses<sup>10</sup>, has exacerbated a longtime staffing issue, and driven up the cost of labor.

- In 2019, hospitals across the state spent \$118.5 million on contracted labor compared to \$302.7 million in 2022.
  - In 2019, Critical Access Hospitals spent \$33.6 million on contracted labor compared to \$65.5 million in 2022.
  - Our larger PPS hospitals spent \$84.8 million in 2019 and \$237.2 million in 2022.

### Contract Labor Dollars Spent by Hospital Type 2019 vs. 2022



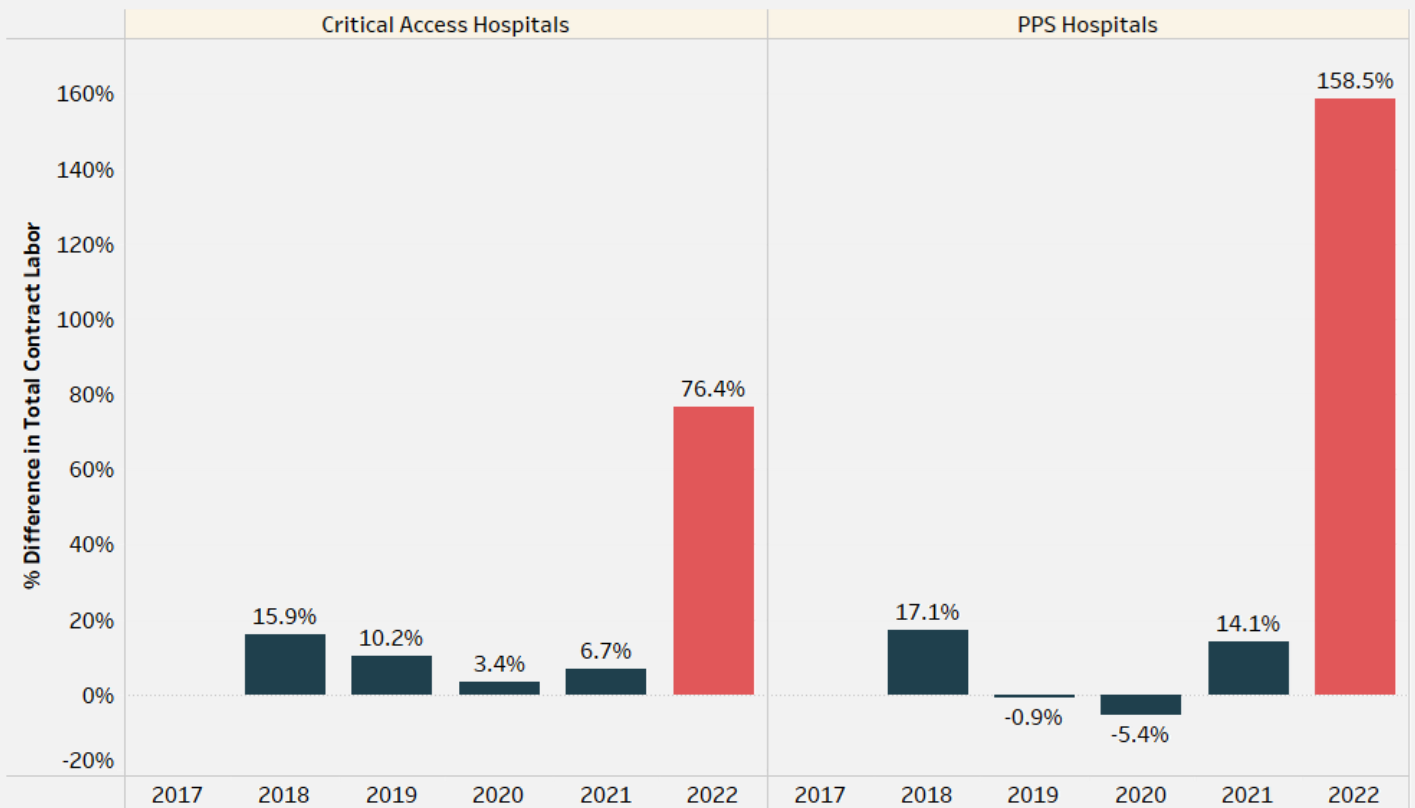
<sup>10</sup> A travel nurse is contracted, usually through an agency, to work for short stints at high rates of pay. Travel nurses have always commanded a premium salary; however, the cost for traveling nurses has increased exponentially since the start of the pandemic.

## Year Over Year Growth of Contracted Labor Costs

Statewide, New Hampshire hospitals experienced a 133.1% increase in contract labor costs from 2021 to 2022.

- Critical Access Hospitals saw a 77% increase in contracted labor costs from 2021 to 2022.
- Our larger PPS Hospitals saw a 159% increase in contracted labor costs from 2021 to 2022.

**Contract Labor Dollars Year Over Year Growth by Hospital Type**  
2017 - 2022



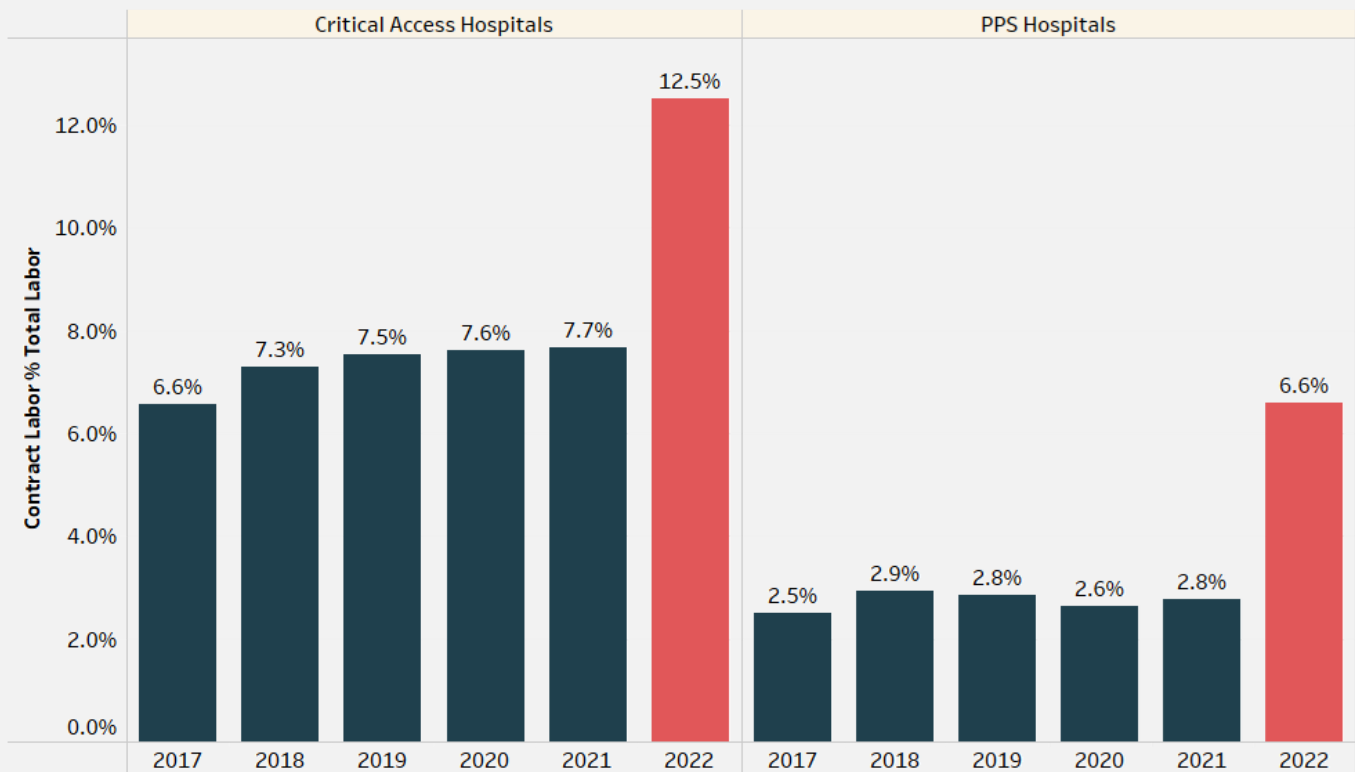
*Includes data from 22 hospitals*

## Contracted Labor Costs as a Percent of Total Labor Costs

Contract labor dollars increased but have also become a much larger percent of total labor costs rising from an average of 3.5% in 2017-2021 to 7.3% in 2022.

- Contract labor as a percent of total labor more than doubled at PPS hospitals from 2.8% in 2021 to 6.6% in 2022.
- Critical Access Hospitals saw a smaller growth but a higher percentage going from 7.7% in 2021 to 12.5% in 2022.

Contract Labor Dollars as a % of Total Labor Dollars by Hospital Type  
2017 - 2022



## SUMMARY

**Hospitals are labor intensive organizations focused on patient care. However, that reliance on labor comes at a cost. This study has shown filling the labor gap that currently exists comes at a very high price.**

- Low unemployment rates and unprecedented health care workforce openings mean there are not enough people to hire.
- In the last year, New Hampshire hospitals have brought in over 800 contracted FTEs to fill clinical and non-clinical vacancies and are still experiencing an overall 10% vacancy rate.
- Contract labor commands an extremely high price. New Hampshire hospitals expect to spend over \$300 million in 2022 on contract labor alone to ensure that they have the staff to provide essential care to their patients.
- The cost to recruit and retain employed staff increases to keep pace with neighboring hospitals and contracted labor.
- Skyrocketing labor costs are unsustainable

This study has shown what it takes to keep hospitals open so that patients are not turned away or forced to seek care farther from home. Despite the workforce shortages and the substantial cost required to bring in contracted staff, hospitals continue to ensure all patients receive the care they need and deserve. The health care workforce is facing a perfect storm; a workforce that is exhausted and growing shorter in supply, unsustainable labor costs, record low levels of unemployment in the state, and increased demand for hospital services as a result of COVID-19.

Now is the time to act. In order to ensure that New Hampshire residents receive quality care in the most appropriate setting, we must work together and develop a multi-pronged approach to solving this issue. Stakeholders must collaborate to support workforce development and ensure resiliency in our current health care workers.

Hospitals appreciate the support and resources that Congress and the State of New Hampshire have provided throughout the pandemic. However, hospitals need additional support now so that they can continue to provide essential care to patients throughout the state.

## New Hampshire Hospital Association has prioritized the following call to action items:

- Expand efforts focused on workforce sustainability, retention and growth through joint statewide projects that bring multi-disciplinary groups together for collaboration and coordination.
- Support for professional, licensed staff to work at the top of their scope of practice by examining gaps and barriers in statute and regulations.
- Ensure adequate, fair, and timely reimbursement for hospital services provided, and remove barriers such as administrative burdens created by regulatory and payor requirements so that staff can spend more time with their patients and at the bedside.
- Push for federal studies into travel staffing agency contracting practices.
- Advocate for federal resources to focus on current workforce needs including recruitment, retention, and support and on future innovative solutions.

## Methodology

A note about our methodology. In the Spring of 2022, the New Hampshire Hospital Association formed a workgroup consisting of Chief Financial Officers (CFOs) from acute care hospitals of varying size and geographic locations throughout the state and New Hampshire Hospital Association (the Association) staff members. As a result of the collaboration of the workgroup, the Association distributed a survey to hospitals which collected data on hospital labor costs and human resource metrics. Twenty-three New Hampshire acute care hospitals participated in the survey. The data for fiscal year 2022 is projected while prior years are represented with actual numbers. For metrics where fewer than 23 hospitals submitted data, the number of hospitals included is noted.