

WIN THE TALENT WAR

A Proactive Approach to Addressing
Turnover Costs in the Healthcare Industry



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EXECUTIVE SUMMARY

Put simply, any organization's greatest asset is its people. That's especially true for the industry predicted to be the largest driver of growth in the U.S. economy through 2024: the healthcare industry.¹

In a competitive healthcare labor market with both current and expected talent shortages, it can be especially challenging to retain and recruit the right people. And, in the healthcare industry, there are other serious ramifications for reduced retention, including the effects on patient care and satisfaction, physician engagement and the ever-increasing demand for services by a rapidly growing aging population.

Forward-thinking healthcare employers that adopt a strategic approach to talent management take a wide view of the candidate-to-employee cycle, continually looking to strategically recruit, retain and reward their people. As a result, these organizations build a solid pipeline for talent and a robust retain-and-reward approach that:

- Creates more bench strength
- Drives higher employee engagement
- Reduces staff turnover
- Drives down recruitment costs
- Ensures the ability to meet current and future demand

The Bottom Line

Taking a strategic approach to talent management pays off. This approach prioritizes the overall employee experience and engages talent. And, when organizations shift to a strategic recruit-reward-retain approach, they find that they are far more likely to attract, develop and advance talent that drives the delivery of their unique organizational strategy.²



EXECUTIVE SUMMARY CONTINUED

Strategic Talent Management in Four Stages

Attracting, rewarding and retaining talent spans four stages:

Planning	Branding	Onboarding	Development
Healthcare employers identify needs and gaps and create dedicated recruitment strategies designed to appeal to specific groups of candidates—newly graduated nurses vs. special skills nurses, for example.	With its emphasis on candidate experience, the interview process sells the employer as well as allows for evaluation of candidates.	The first days and weeks on the job shape employee experience, determine productivity and influence retention, so it's critical that strategic talent management continues after hiring.	Promoting a culture of continuous learning through mentoring, rotational programs, coaching, certification, continuing education and other professional development boosts engagement, retention and job satisfaction.

Compensation and Benefits

Healthcare coverage is the #1 benefit that employees value³ in any industry, especially healthcare. Having the right healthcare benefits heavily influences talent's decision to accept a new position or to remain with a current employer. Currently, soaring primary plan costs, reductions in coverage and rising out-of-pocket costs have employers highly focused on controlling benefit costs. However, effectively implementing a strategic approach to talent management means finding ways to optimize benefit costs while offering robust enough benefits to attract and retain the right people. It also requires breaking down traditional siloes within HR processes—especially those between compensation and benefits.⁴

With this background in mind, what are the top five reasons to take a more proactive approach to talent management at your organization?



REASON #1: WIN THE WAR FOR TALENT

While many industries are facing increased demand compounded by labor shortages, the healthcare industry confronts a huge shift driven by generational change. Population growth and the growing number of adults ages 55+ create new demand pressures in the sector, while retiring baby boomer workers—physicians, executives and other key players—affect the available talent pool.⁵

For healthcare organizations, talent shortfalls and poor workforce planning can have serious consequences for patient safety, customer service, operating budgets, innovation, growth and more.

Competing successfully in today's labor market means moving away from reactive recruitment practices and toward a strategic approach to talent management. That shift entails:

Workforce Planning

Address talent shortages and succession planning head-on so your organization is prepared to respond to change as well as to recruit and retain the best talent available.

Perpetual Recruitment

Embedding a culture of continuous recruitment cultivates talent to create a healthy pipeline—before a key position is even open.

Differentiated Strategies

Baby boomers and millennials don't necessarily want the same things. That's why it's important to create and execute individual recruitment strategies that appeal to the talent your organization seeks, especially as generational change affects your talent needs and the demand for your services.

Benefits that Appeal

Make no mistake: top talent is keen on benefits. In addition to health coverage, candidates value paid parental leave, wellness and fitness programs and telecommuting or remote work arrangements, where possible. More than two-thirds of businesses today offer some type of telecommuting: full-time, part-time or ad-hoc. That's an increase from 59 percent in 2014.⁶ And, while many healthcare industry jobs have not traditionally offered schedule flexibility or telecommuting options, the advent of new technologies, including digital clinics and services, is driving a slow but steady shift for certain positions.

Compensation and Benefits Planning

Health coverage, however, remains the top benefit employees and candidates value in any industry, healthcare included. And they consider compensation and benefits as a package, not separately, so it's essential to plan for them to meet cost objectives as well as create benefits that appeal to valuable talent.

Reasons for healthcare labor market pressure:

- ▶ Accelerating pace of medical and technological innovation
- ▶ Competitive recruitment market
- ▶ Talent shortages
- ▶ Baby boomer retirement
- ▶ Historic low in the U.S. unemployment rate
- ▶ Unprecedented growth in the population age 55+

REASON #2: IT'S EXPENSIVE NOT TO RETAIN

In the healthcare industry, declining retention hits the bottom line hard—in both direct and indirect costs. In fact, at one major medical center, the cost of annual turnover amounted to more than 5% of its entire annual operating budget.⁷ Amounting to millions of dollars, that figure can mean the difference between being in the black or being in the red.

Direct and Indirect Costs

Direct costs encompass the resources it takes to find, recruit and train new talent, while indirect costs include the effects of lost or reduced productivity while the position is left unfilled.

Direct costs can include:

- Separation costs
- Advertising and recruitment costs
- Manager and HR time
- Interview time and travel expenses
- Background checks, onboarding costs and more

Nurse Turnover Cost: An Illustration

Number of nurses: **250**

Average turnover: **20.6%**

Number of nurses needing replacement: **51**

Cost per nurse (low end): **\$97,216**

Total Turnover Cost: **\$4,958,016**

Source: [Becker's Hospital Review](#)

20.6% The average annual turnover rate for the healthcare industry.⁹

\$536 billion

The amount that voluntary employee turnover costs U.S. employers annually.⁸

\$97,216 – \$104,440

The amount it can cost to replace a single nurse.¹⁰

Invest in Innovative, Targeted Benefits

Often, effective talent retention can hinge on benefits. Not only are benefits the top factor when employees choose to leave or stay, they can also be the difference between retaining or losing your top talent.

REASON #3: IT'S HOW EMPLOYEES THINK

Today, the most effective approaches in attracting and retaining talent put—and keep—the employee experience at the center.

Candidate Experience

Effective recruitment begins by selling the employee experience to key talent. Recruiters and hiring managers see the interview process as a two-fold evaluation. The employer is evaluating the candidate, and the candidate is evaluating the employer.

The Compensation-Benefit Connection

For years, the traditional approach to compensation and benefits has kept the two siloed. But that's not how employees perceive or receive them. Job candidates and employees are evaluating them as two halves of a whole. For that reason, HR staff should approach them from the employer side together. This best practice is increasingly important when it comes to a tight talent market, where candidates may have multiple options and health insurance ranks as the top priority.

Onboarding + Development

True talent management continues once an employee joins an organization. Signing bonuses and special pay increases are one-time events that can create dissatisfaction among existing or longtime employees. Benefits that serve as continual reminders of an employer's appreciation can go a long way toward fostering lasting loyalty. And they can control primary plan costs while providing payroll savings for employers—and tax-efficiency for employees.*

*This is not local, state or federal tax advice as each person and company is unique. It is recommended that you seek the independent counsel of a professional tax adviser.

REASON #3: CONTINUED

Today, the most effective approaches in attracting and retaining talent put—and keep—the employee experience at the center.

Innovative Benefits Solutions

Supplemental expense reimbursed insurance can boost healthcare benefits just for key talent who can be hard to recruit or retain. This type of targeted healthcare benefit can also serve as a reminder of appreciation each time it's used throughout the year. Not a replacement for other supplemental tools you may be using for all employees, such as HSA contributions or voluntary plans, these targeted benefits can help you strategically enhance what you offer for just your high turnover populations. Putting supplemental expense reimbursed insurance in place is a strategy you can use to protect your overall benefit budget while helping to drive down turnover costs.

80% The percentage of employees who would prefer a new benefit to a pay raise.¹¹

84% The percentage of employees with high benefits satisfaction who also report high job satisfaction.¹²

40% The percentage of workers who indicate their loyalty would increase with customized benefit options.¹³

REASON #4: BABY BOOMERS ARE RETIRING IN DROVES

Baby boomers are retiring in droves—with more reaching the age of retirement each day. In the healthcare industry, that fact is driving demand while also affecting talent supply. Nearly a third of practicing physicians, for instance, are currently of retirement age.¹⁴ Many others hold key industry leadership and executive positions. As baby boomer talent approaches or enters retirement, it is more important than ever for employers to attract and prepare replacements for critical roles. To compound the complexity, Generation X, the next generation in the workforce, is comparably much smaller.¹⁵ Many key positions in the healthcare field can require 10+ years of training and experience, adding pressure to the talent shortage created by this generational shift.

50% The percentage of the workforce baby boomers accounted for in 1995.¹⁶

10% The percentage of the workforce baby boomers will represent in 2025.¹⁶

Generational Change, Skills Shortage

Today the healthcare industry is poised at the cusp of a massive generational change that will add pressure to an already strained and competitive labor market. A smaller talent pool means that many organizations will be recruiting the same candidates for key leadership positions.



REASON #5: IT ENHANCES YOUR REPUTATION AS AN EMPLOYER OF CHOICE

Recruitment in today's competitive healthcare labor market can depend heavily on your talent brand, which is distinct from your employer brand.

Employer Brand

- The attributes and values associated with your organization or facility as a place to work
- Developed by you, visible to your employees

Talent Brand

- The public, social version of your employer brand that encapsulates what your talent thinks, feels and shares about your organization as a place to work
- Based on what current, former and prospective employees communicate

Why It Matters

A positive talent brand distinguishes you as an employer of choice. This halo helps you attract the talent that you want—and that will fit—at your organization. In addition to helping you stand out from the competition, a positive talent brand can result in faster hires and better recruitment results.

83% The percentage of recruiting leaders surveyed by LinkedIn who note talent branding is critical in hiring top talent¹⁷

A negative talent brand affects recruitment—and can come from bad reviews, high turnover or benefits that do not align with your talent and employer brands.

Innovative Benefits Enhance Your Reputation

Offering targeted benefits can help you recruit, retain, and reward key talent—and build a more positive talent brand overall. That's because candidates heavily invest in research when they're considering joining, and it's key that the benefits package you offer fits their impression of your talent brand.

In a competitive, candidate-driven healthcare labor market, creating a positive talent brand and aligning your benefits with it go a long way toward success.



CONCLUSION

In today's tight healthcare talent market, the right compensation and benefits are key to attracting and retaining top talent. Baby boomer leaders are retiring from key department, administrative and clinical leadership positions. Plus, an increasing number of younger workers are willing to consider other opportunities that may fulfill their needs.

Together with an historically low unemployment rate and rapidly growing demand, the healthcare job market is a seekers' market. That's why it is more important than ever to balance cost objectives with offering innovative benefits that attract top talent. Not only does it cost your business greatly when you fail to retain talent, your people can make the difference between being poised to respond to a changing healthcare industry—or even your long-term profitability and viability.

Employees Want Health Benefits

The #1 benefit employees and candidates seek out is health insurance.¹⁸

Over 50% of U.S. workers have left jobs after finding better benefits offered elsewhere.¹⁹

56% of U.S. adults with employer-sponsored health benefits said whether or not they are happy with their health coverage is the key factor in deciding whether to remain with their current employer.²⁰

Be Strategic — See Results

Organizations that use benefits strategically for talent recruitment and retention report better overall performance as well as improvement in recruitment and retention efforts. But while health benefits are key to attracting and retaining talent, the cost conundrum remains: primary health plan premiums are expensive, and costs are continually rising.

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*This is not local, state or federal tax advice as each person and company is unique. It is recommended that you seek the independent counsel of a professional tax adviser.

Choose Targeted Supplemental Insurance Plans

This type of supplemental health insurance can help you strike the right balance between your talent management strategy and your cost objectives.

- **Offer to select employees.** Because this type of insurance qualifies as an excepted benefit, ACA nondiscrimination rules don't apply. That makes it possible to keep your primary health plan the same for all employees while offering employer-paid boosted benefits for just those key positions that are difficult to recruit or retain.
- **Powerful supplemental coverage.** Provide valuable coverage without disease or event-driven limitations with insured products that range from \$5,000 to \$100,000 in annual coverage.
- **Loyalty and incentives.** Benefits such as signing bonuses and pay increases are one-time events. Employer-paid supplemental expense reimbursed coverage is a reminder of your organization's appreciation each time it's used. And, you can create a multi-tiered loyalty or incentive program where coverage levels increase as tenure increases.

Tax-efficiency. Insurance premiums are not taxed like compensation, so these insured plans can provide more value than a similar investment in a bonus or pay raise. 105(h) allows premiums to be tax deductible for the company and benefits to be non-taxable for employees.*

Illustrating the Tax-Efficiency Impact*

Instead of giving a 3% increase in the form of compensation or a bonus, a large regional assisted care facility reallocated that 3% into meaningful expense reimbursed insurance coverage. As shown in the chart, if they had given a 3% salary increase or bonus, the net take home would be much less than the tax-efficient reimbursement value.

Since expense reimbursed insurance premiums can be tax deductible for the employer, it's less expensive than a comparable amount in compensation since premiums don't incur payroll taxes. So, expense reimbursed insured plans cost less, and provide more value where employees are looking for it—in their health benefits.

Solution	Take-Home Value	Cost to Company
3% Raise	\$3,000	\$5,165
ArmadaCare's Plena Health Emerald	\$25,000	\$4,532 [†]

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[†] Illustrative premium cost only. Actual premiums determined based on demographics of the covered census and the specific gaps in primary coverage.

About ArmadaCare

A pioneer in the supplemental insurance industry, ArmadaCare creates specialty employee benefits that are designed to boost health coverage in a more targeted way to attract and retain hard-to-recruit employees. By leveraging ArmadaCare's financially efficient solutions, employers can offer targeted coverage to select employee classes, which provides an effective way to balance two competing HR objectives: managing benefit costs and having robust enough benefits to secure talent.

In addition to offering reimbursement for various types of out-of-pocket medical expenses, ArmadaCare's insured products include additional health support services and convenience features, all of which are delivered with the company's hallmark world-class service. This type of solution helps employers support employee health and financial wellbeing in a time-saving way, all of which supports productivity. Learn more at www.ArmadaCare.com.

ArmadaCare's insurance policies are underwritten by Sirius America Insurance Company, Transamerica Financial Life Insurance Company and Transamerica Premier Life Insurance Company. Insurance plans and coverages vary by state. Please contact us to confirm state availability.

MORE FROM ARMADACARE

[Yesterday's Fallback. Today's HR Strategy.](#)

The retention-benefits tug-of-war is escalating in a competitive labor market. Supplemental benefit solutions can address both cost considerations and candidate-employee priorities. Learn more in this guide packed with statistics and best practices.

[Talent Evolution Solution](#)

Over the last decade, with primary plan costs rising, employers have been forced to shift more healthcare costs to their employees. Today, in a fiercely competitive candidates' market, forward-thinking employers are recognizing the important role that healthcare benefits play in retaining and recruiting talent. Learn more in this infographic.

[Benefit Booster Case Study](#)

One large regional assisted care facility faced difficulties in retention—and spiraling turnover costs. Learn how implementing an innovative benefits strategy helped reduced turnover while balancing cost objectives.

[A Guide to Targeted Benefits](#)

Creating the right benefits balance to work for both your cost and talent management objectives is a tall order. Supplemental insurance solutions can work within cost parameters while offering value to hard-to-recruit talent.



RESOURCES

1. [Bureau of Labor Statistics](#)
2. [SABA](#)
3. [SHRM](#)
4. [PeopleWorks](#)
5. [Hospitals and Health Networks](#)
6. [Benefit News](#)
7. [Health Care Management Review](#)
8. [Work Institute](#)
9. [Becker's Hospital Review](#)
10. [Becker's Hospital Review](#)
11. [Glassdoor](#)
12. [Employee Benefit News](#)
13. [Qualtrics: Millennials](#)
14. [Becker's Hospital Review](#)
15. [Pew Research](#)
16. [Bureau of Labor Statistics](#)
17. [LinkedIn](#)
18. [SHRM](#)
19. [HR Dive](#)
20. [SHRM](#)





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