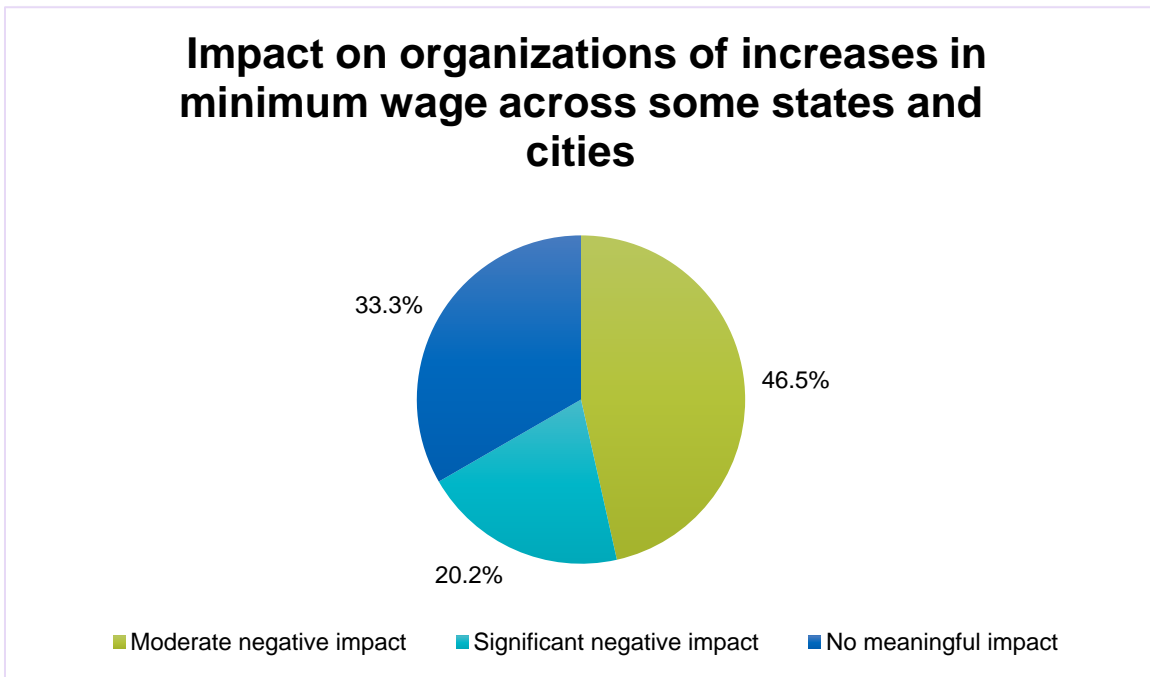


# STAFFING PRESSURES

ZIEGLER CFO HOTLINE<sup>SM</sup>

The June Ziegler *CFO Hotline*<sup>SM</sup> survey focused on staffing pressures, largely gathering feedback on direct-care staff, such as Certified Nursing Assistants (CNAs) and other nursing staff. Topics included compensation, staff vacancies, turnover, shortages, and their impact on the organization; this survey also was conducted in 2016. Just over 115 senior living CFOs and financial professionals from around the country responded to the survey, with nearly 70% representing single-site providers and 30% from multi-site providers.

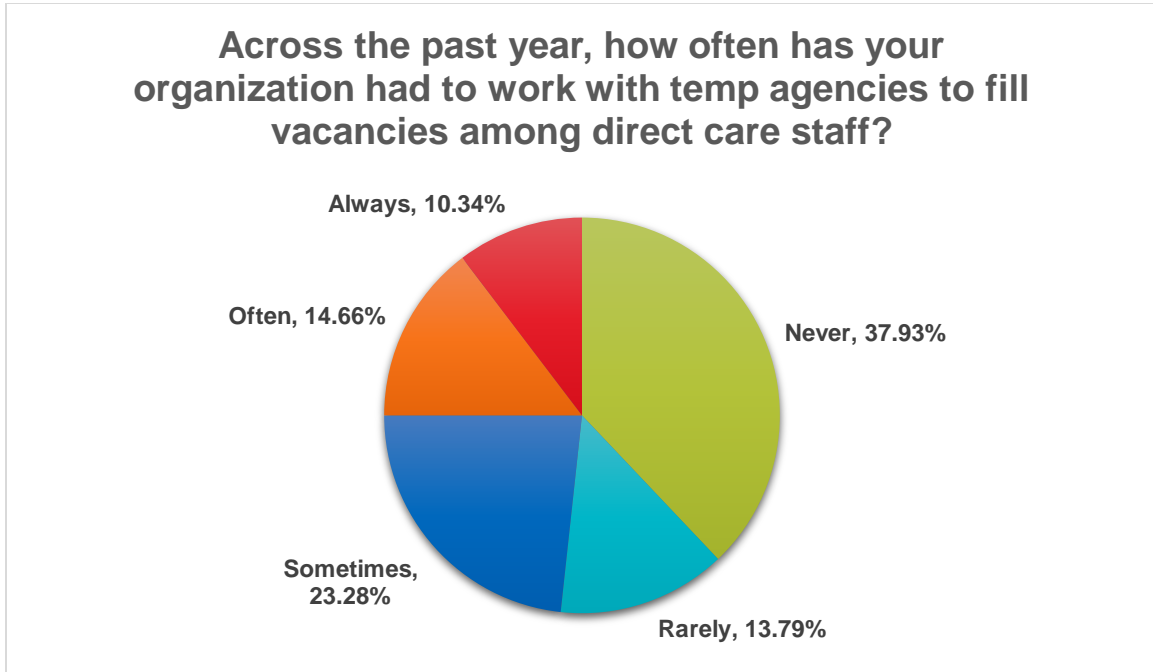
The initial question gathered feedback on the impact on organizations of minimum wage increases across some state and cities. Two thirds of respondents reported that the minimum wage increases have had a moderate to significant negative impact on their organizations, up from 57% in 2016. Those reporting moderate negative impact increased to 46.5% from 28.1% two years ago.



Respondents also were asked to estimate the vacancy rate among their direct care staff. The percentages ranged from a 0% vacancy rate to vacancies in the high 20s to low 30s. The average vacancy rate across all respondents was just over 12%. The survey also asked CFOs to estimate the turnover rate among their direct care staff, which ranged from single digit percentages to a high of 88%. The average turnover reported for direct care staff was roughly 36%, up from 30% in 2016.

The survey attempted to get feedback on how providers were recruiting these positions, as well as the impact that the staffing challenges are having on operations. As shown in the graph below, 62% of the senior living organizations indicated that they have had to work with temp agencies to fill direct care staff vacancies, with roughly

a quarter of providers using agencies often or always. In 2016, 53% reported partnering with temp agencies. Unfortunately, a percentage of the organizations, 18%, indicated that they have had to limit admissions in the past year because of staffing shortages; this is similar to the 16% of 2016.



Staff compensation is often among the largest proportions of any senior living budget. Survey respondents were asked to identify the percentage of their overall budget that is devoted to compensation. Responses ranged from a low of 5% to percentages in the low 80s. The grid below provides further details on these responses. As can be seen, there are essentially no differences between single-site and multi-site providers in terms of the proportion of the budget devoted to compensation. These percentages are virtually unchanged from 2016.

	Average 2018	Average 2016	Median 2018	Median 2016	Range (low-high) 2018	Range (low-high) 2016
All respondents	57%	55.5%	59%	56%	25% - 82%	30%-82%
Single-Sites	57%	55%	59%	55%	25% - 82%	30%-82%
Multi-Sites	56%	56.6%	58%	60%	37% - 67%	30%-70%

In an attempt to gather potential best practices, respondents were encouraged to share any innovative and/or successful approaches they are undertaking for staff recruitment and retention. Common practices included sign-on and referral bonuses, as well as the addition of other financial incentives. Quite a few respondents also shared that they provide tuition reimbursement, training and scholarships for employees. Roughly half of all polled shared innovative or best practices. The following is a sample of some of the successful approaches that CFOs shared.

- *Olivia artificial intelligence system to text with candidates*
- *We hired a full time recruiter.*

- *Program Directors do the hiring with their teams to ensure that values and personality fit with the team. This has reduced short-term (w/I 120 days) turnover.*
- *We have just completed year 2 of a 3-year budget plan to increase the wages of the lowest paid tier of employees (CNA, Housekeeping, Cooks, Dishwashers, wait staff, etc.). We gave equity bumps each year - so that by the end of 2019 the lowest wage will be \$15/hr (which is well in advance of the new min wage law). Our wages are now more competitive and it has helped with recruiting and retention.*
- *Mentor programs, bonuses for good grades to keep high school & college students*
- *Have started an internal CNA training class. Through this we have been able to recruit employees from other positions (housekeeping, receptionists, gardeners) within our organization to participate in the training and become CNAs. This has led to having quality candidates in the class which we have a track record of and which know our organization. This has led to lower turnover and a higher quality staff of CNAs which is one of our toughest positions to fill and a position with the highest turnover.*
- *We have partnered with local colleges to have clinicals here; we are working with high schools especially in food service to get interest in our fields. We are working with community groups to help inroads into a diverse pool of talent*
- *We've added a full time position titled Employee Success Manager whose main job is to try to increase retention including mentoring, helping to solve issues in employees' home lives (ie daycare, etc) that force employees to quit, etc.*
- *Just received state approval for our own nursing assistant training program to "grow our own" from other staff departments. Increasing internal training to promote staff development to improve retention.*
- *Training managers in a year-long program on the theory that people leave managers not organizations.*
- *Share employees between facilities. Make sure employees are cross trained to cover any shift at any facility.*
- *Stay Bonuses for new direct care staff. Instead of paying a 1 time signing bonus, we pay a tiered stay bonus that is paid over time as an incentive for the staff to stay with the organization.*

Additionally, the survey asked CFOs for any additional comments regarding the topic of staffing pressures. Below is a subset of these comments.

- *We are looking into foreign workers. Also working on improving our work environment so that we can retain those we hire.*
- *We experience seasonal staffing pressures which make us hire per diem and part time staff on a higher level which makes staffing harder since those positions typically are filled by people with more than one job so their schedule is not "instantaneously" available when we have a call off.*
- *Wage pressure like local our local Walmart going to \$14 starting pay.*
- *The wage increases are not just affecting our nursing positions. Other frontline positions have been affected such as housekeeping and dining due to places like McDonalds and Walmart paying \$10 to \$11 starting wage.*
- *At the lower levels it is very difficult, because these workers are willing to change jobs simply because they are offered \$0.50 per hour more. Benefits are not as important (We have excellent benefits) - so wages is constantly impacting our budget significantly. Residents do not want to hear that we had to raise wages - they don't want to pay for it.*
- *It is the single most material risk and the greatest drag on the SNF business line performance. Yes, regulation is difficult, yes government reimbursements are squeezed. If the supply side of the workforce demand (healthcare workers) is not addressed on a national level skilled nursing will be first in line to suffer the results.*
- *It is challenging with 2% unemployment. The resident care requirements remain as important as ever while dealing with challenges in finding qualified staff to provide the needed care.*
- *We have solid long term workers, it is the constant turnover of 1 year and less.*
- *In Wisconsin where unemployment rate is under 4 percent (under 3% in some areas) competition is fierce for workers- the local Kwik Trip gas station is paying \$12-\$14 per hour which then forces us to increase Food Service, Housekeeping and Clinical wages just to compete.*

- *Our building is within a mile of a large teaching hospital/ clinic etc. We cannot compete on wages and benefits so we attract people based on culture and seek employees that want to build relationships with members.*

*The senior living organizations' responses included in this report have been collated without verification of the accuracy of the data/comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.*

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