The Effects of **Inflation** on **Healthcare Industry Employees**

The Core Pressures of Inflation on Human Resources

Inflation has been creeping up steadily over the last few years, but recently, responses to Coronavirus and other concerns have resulted in unprecedented levels of domestic price spiking. As of February 2022, U.S. inflation has hit a staggering 7.9%, the highest recorded since the recession of 1980. Moreover, the trend of rising inflation doesn't seem to be slowing down anytime too soon, and its effects have already begun to ripple through everything from the ease of getting a mortgage to prices at the grocery store. In short, inflation presents a significant and rising challenge not only for any employee in the modern American workforce, but by extension, for their employers as well; when an employee is part of a larger and more complex organization, their problems are never an isolated issue.

Key Inflationary Challenges

- Higher prices and more tenuous financial situations among employees directly increases turnover rates, as employees turn away even from companies with a good culture fit in search of higher paychecks.
- Rising prices discourage saving and casual investment, in turn discouraging good monetary habits and leaving employees even more vulnerable to situational turnover.
- Among those who do stay, increased expectations for pay raises lay on additional pressure directly to the organization.
- Increasing financial stressors combined with active job searching by employees can cause a significant lack of productivity and focus across the board.

It's clear to see how inflation can lead to a problematic domino effect within the workplace, contributing to a wide number of issues from employee turnover to rising pay raise expectations. But the battle against inflationary effects isn't purely a downhill slope, and industries across the country have responded to the challenges posed by inflation in new and creative ways.

Responses to the problems caused by inflation have been diverse, and largely dependent on the individual situation of the industry responding; hospitality and direct-exchange industries such as fast food, hoteliers, and the healthcare industry on the whole are faced with the most direct impacts. The Healthcare industry in particular can be seen as an example of how inflation both exacerbates already extant HR pressures and even creates new problems.

The Healthcare Industry as a Study on Inflation

Few industries are more impacted by growing inflation than the field of Healthcare, which is hit at the painful crossroads of both high costs of specialized labor and expenses for drugs, equipment, and repairs - all of which are impacted by rising inflation. Let's take a look at all of these concerns individually.

Rising Labor Costs

Respiratory departments were the most strongly affected, with costs for procedures up by as much as 22% when compared against costs in 2019. But all departments have seen serious rises in the cost of labor, with the advisory firm Kaufman Hall indicating that overall labor costs for September 2021 were up by 18.4% compared to the same month of 2020 - a massive increase over the typical 3-5% year-over-year growth.

High Turnover and Declining Revenues

The Great Resignation hit healthcare especially hard, impacted by high levels of burnout caused by long hours and hard work worsened by Covid-19, and combined with the global shift towards work-from-home; in 2021 alone, over 20% of healthcare workers left their jobs, a staggering one-in-five figure that's double the pre-pandemic turnover rate. Resultant staffing shortages mean that despite paying more for the same procedures and equipment, many hospitals are getting less done overall - and already slim margins are further challenged by an influx of inexperienced and or "traveling" nurses requiring additional training and supervision on top of higher-than-average salaries.

Equipment and Drug Pricing

Almost no single product has seen more significant price raising as a result of inflation than pharmaceuticals. The Kaufman Hall report notes that the average drug cost per patient in September 2021 was up an absolutely staggering 40.4%, meaning that hospitals are now paying on average close to 1.5x on drugs than they were just a year ago. The combination of productivity going down alongside price hikes means that non-profit generating departments like HR should prepare for potential budget tightening in response to inflationary pressure and have a plan ready in advance.

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To successfully counter these inflationary challenges, it's clear that a fresh, creative, and most importantly meaningful approach is needed - in a nutshell, the core challenge is to find a way to reduce turnover, increase employee satisfaction and help employees deal with the rising cost of goods associated with inflation in a way that doesn't kill your pocketbook. And to get you started, we've got a few key tips that can help fight back.

The following pages provide crucial tips that can help fight against the effects of rising inflation.

Developing a Strategy to Keep Inflationary Pressures at Bay

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Consider the full diversity of your workforce

Few industries have a greater diversity of needs and wants than Healthcare, whose employees have tremendous gaps in everything from age to experience level to working conditions; what a brand-new nurse expects looks tremendously different from a veteran surgeon, which in turn is nothing like what a hospital administrator needs. As telemedicine, the coronavirus, and rapidly evolving economic situations shift everything that it means to be at work, those needs often look completely different than they did twenty, ten, or just five years ago. Dealing with inflation means first understanding your unique workforce, and then being aware of impacts on individual employees, with a keen eye to both morale and deeper economic impact - and a recognition of the fact that that impact is qualitatively different on nurses, administrators, and everyone in between.

Analyze the strategic impact of your spending

It can be easy to fall into the trap of responding to inflation with broad stroke cutbacks, but all too often, administration only realizes the surprisingly deep real value of a not-obviously-profitable initiative until after it's gone. Instead of immediately looking for cuts to make, take the opportunity of inflation to bring a critical eye to current HR processes (or even wider organizational programs) and closely determine just how much each individual program is providing to your organization - keeping in mind both employee benefits (wellness, reduced turnover, work-life balance, and so on) and costs (monetary and opportunity) instead of purely looking at the price tags. Strategic impact, especially in Human Resources, is often more nuanced than a P/L sheet - burned-out doctors are almost always more expensive than an
effective employee relief program!

Expanded and creative benefits packages

Modern employees are interested in a wider range of benefits than ever, ranging from traditional 401k matching to telehealth options and even employer-sponsored work-life balance programs. The only problem with expanded benefits suites is that typically, businesses are limited to offering the goods and services their company actually provides - meaning while it's easy to offer free or discounted food as a restaurant, it's a lot harder to do so as a hospital without paying expensive catering fees. And frankly, even paying those expensive fees will still only offer a generic experience to employees, instead of a creative solution that feels personal. Bridging the many needs of a diverse workplace in a single well-rounded benefits package can be difficult, especially when what some employees want seems to be at odds with others. But a single solution that brings each employee the individual benefits they care about? It is possible.

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PerkSpot can help you build a custom experience and deliver serious, personalized benefits to your employees.

Schedule a Demo Today to find out how PerkSpot can improve your offerings and help retain top talent with your benefits suite.