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Rescuing the Health Workforce: Options for State Action

Summary

Nearly all states will experience a shortage of health care workers in the next 20 years. The crisis is not just pending—it is here. As shown in Figure 1, nearly all states will have a shortage of nurses by 2020. Nursing shortages are expected to increase from 6 percent in 2000 to 29 percent by 2020.ⁱ The number of jobs available in the long-term care direct care field will grow 45 percent between now and 2010.ⁱⁱ

States are spending more and more on health care, while the quality of care (and even some patients' quality of life) may be suffering, in part because of staffing shortages.

States have several options to address the problem of health worker shortages. Opportunities for action include increasing wages, creating specific health workforce initiatives, and providing grants that target the identified needs of workers. These initiatives can be funded with existing resources.

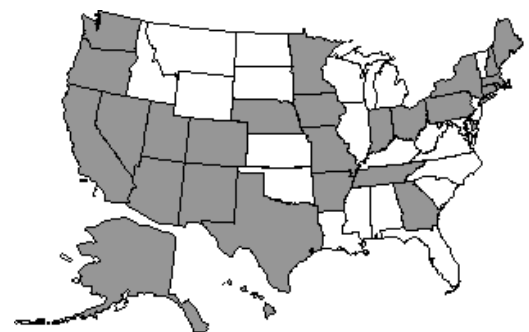
Financing options for states include:

- Paying for healthcare and wage increases through Medicaid.
- Financing training programs with funds from Temporary Assistance for Needy Families Funds (TANF) and the Workforce Investment Act Funds (WIA) Funds.
- Leveraging private funds through public/private partnerships.

Causes and Consequences of Health Workforce Shortages

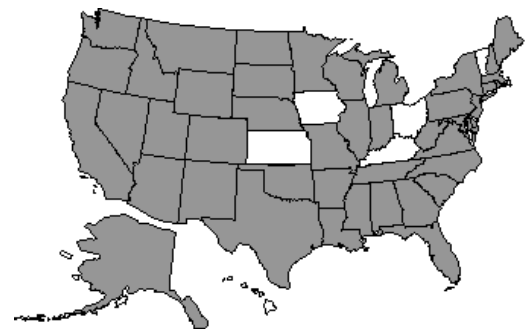
There are many reasons for shortages in the nursing and direct care worker professions. Some causes include the aging of the population, fewer women entering the nursing profession and unsatisfactory working conditions. As a result, health care costs are increasing as providers spend more to attract and

Figure 1: States with Shortages of FTE Registered Nurses in 2000



■ States with shortages □ States without shortages

States with Projected Shortages of FTE Registered Nurses in 2020



■ States with shortages □ States without shortages

Source: U.S. Department of Health and Human Services, *Projected Supply, Demand, and Shortages of Registered Nurses: 2000-2020*.

retain workers, which in turn affects patient care and safety.

Worsening Demographic Trends

Until 2050, Americans 85 and older will be the fastest growing segment of the population. Most people in this age group have at least one chronic illness resulting in a physical limitation.ⁱⁱⁱ They also need greater assistance in carrying out activities of daily living, including bathing, dressing and shopping for groceries. The demand for health care services will increase as the population ages. At the same time there will be a decrease in the supply of workers.

The Supply of Nurses is in Critical Condition

These changing demographics will affect the supply of nurses. The average age of registered nurses is 45.2 years. However, the growth of the nursing workforce from 1996-2000 was only 1.3 percent—down from the typical increase of 2-3 percent.^{iv}

Several factors contribute to shortages in the nursing profession. Ninety-four percent of registered nurses are women.^v The rise of other career opportunities for women has had an impact on the number of women entering the profession. Additionally, other factors such as lack of minority recruitment (less than 15 percent of nurses are non-white);^{vi} nursing school faculty shortages and working conditions within the profession have exacerbated the problem. The nursing shortage is expected to grow from 6 percent in 2000 to 29 percent by 2020.

LTC Workers: Poor Conditions, High Turnover

The aging of the workforce and the predominance of female workers also affects long-term care direct care workers. Low wages, few or non-existent benefits, and job safety are major causes of turnover among direct care workers.

The median wage for direct care workers is \$8.21—just above the Federal minimum wage of \$5.15^{vii} and few direct care workers have access to or can afford health insurance.^{viii} In addition, the direct care job environment is challenging because of a high risk of injury. For example, back injuries are common as workers attempt to lift patients on their own. Nursing home aides alone average 200,000 work-related injuries a year—more than workers in coal mining and construction.^{ix} In some states, nursing homes and other health facilities compete with retail companies that offer comparable wages and a more appealing work environment. The demand for these workers will continue as the long-term care direct care sector grows by 45 percent in the next seven years, as shown in figure 2.

High Turnover Fuels Skyrocketing Health Care Costs

Nurse and long-term care worker shortages have a substantial impact on health care costs. Hospitals, where most nurses are employed, are experiencing nurse shortages that average 13 percent. To combat this shortage, many hospitals employ temporary or “traveling” nurses who often earn between two and two-and-one-half times more than a staff nurse. Labor costs are the largest driver of spending for hospitals, and nurses account for 63 percent of hospital’s labor costs. Other nurse recruitment efforts, such as signing bonuses and tuition reimbursement, also increase costs. The effort to replace staff vacancies, coupled with filling new nursing positions, are contributing to the rise in spending.^x

Direct care workers are expensive to replace. Replacing one direct care worker costs about \$2,341. In the long-term care industry, using temporary agencies or temporary workers is common practice and results in increased costs to providers. Temporary direct care workers earn \$20-\$25 per hour—almost triple the average wage for permanent workers.^{xi}

Direct Care Workers: Who Are They?

Direct Care Workers include nurse aides, orderlies, attendants, home health aides, and personal and home care aides.

Almost two million direct care workers were on the frontlines of LTC in 2000.

Source: Harmuth and Dyson, *Results of the 2002 National Survey of State Initiatives on the Long-Term Care Direct Care Workforce.*

Where It Hurts: Patient Safety

In hospitals, nurse shortages compromise patient safety. Recent studies show a correlation between nurse staffing levels and the outcomes of surgery and hospitalization. One study revealed that 24 percent of 1,609 hospital reports on patient deaths and injuries were related to nursing staff levels.^{xii} Hospitals also report that staffing shortages contribute to:

- surgery cancellations,
- reduced number of staffed beds,
- overcrowded emergency departments, and
- diversion of emergency patients.^{xiii}

In nursing homes, staffing shortages contribute to malnutrition and dehydration among nearly a third of residents.^{xiv} The rapid turnover of these frontline workers may also affect the mental functioning of patients because continuity of care is continuously disrupted. Finally, there is concern that overworked, burned-out, frustrated staffers may have a greater tendency to mentally or physically abuse patients.^{xv}

How States Are Using Resources Wisely

A common starting point for addressing health worker shortages is the establishment of a commission or task force. Forty-six states have already convened task forces bringing together stakeholders to evaluate options and make recommendations.

Often, strategies focus on getting more mileage out of existing dollars. Strategies include:

- improving health workers' wages and benefits through Medicaid.
- training more workers through Temporary Assistance for Needy Families (TANF) and Workforce Investment Act (WIA) funded programs.
- recruiting and retaining health workers through public/private partnerships.

Offering Better Wages and Benefits Through Medicaid

Recruiting and retaining long-term care direct care workers is difficult. One reason for high turnover is low wages. Nationally, hourly wages range from a low of \$6.66 to a high of \$11.50.^{xvi} Also, the job's high physical and emotional demands make it difficult to maintain a qualified, dedicated workforce. Since Medicaid is the largest payor of long-term care, states have the opportunity to affect wages for direct care workers. States are addressing this concern through a mechanism called a *wage pass-through*.

When a state designates additional funds through Medicaid reimbursement to increase the wages of front-line workers, it is called a wage pass-through. Typically, pass-throughs are administered in one of two ways: 1) a requirement that providers spend a percentage of additional funds on wage increases, or 2) a set dollar amount to increase wages per hour or per patient is given.^{xvii} In a 2002 national survey on states and the direct care workforce, 20 states reported implementing wage pass-throughs^{xviii}.

Although in place for several years, little data has been collected to analyze the effectiveness of wage pass-throughs. However, from 1990 to 1998, **Michigan** monitored nurse aide turnover rates from implementation of a nursing home wage pass-through. During the eight-year period, nurse aide turnover declined 7.05 percent.^{xix}

Recognizing that wages are not the only reason for high turnover among direct care workers, states are trying to provide access to health insurance for direct care workers. Typically, states try to increase workers' awareness about potential eligibility for state health insurance programs. Since 2002, eight states adopted this approach. In **North Carolina**, the state provides information on the state's Health Choice for Children program (state's SCHIP program) to nurse aides.^{xx}

North Carolina is able to track nurse aides through the state *Nurse Aide I and Health Care Personnel Registry*. Created in 1990, the registry tracks compliance with nurse aide training and competency. Nurse aides must register before they can work in the state. When nurse aides register, they are automatically

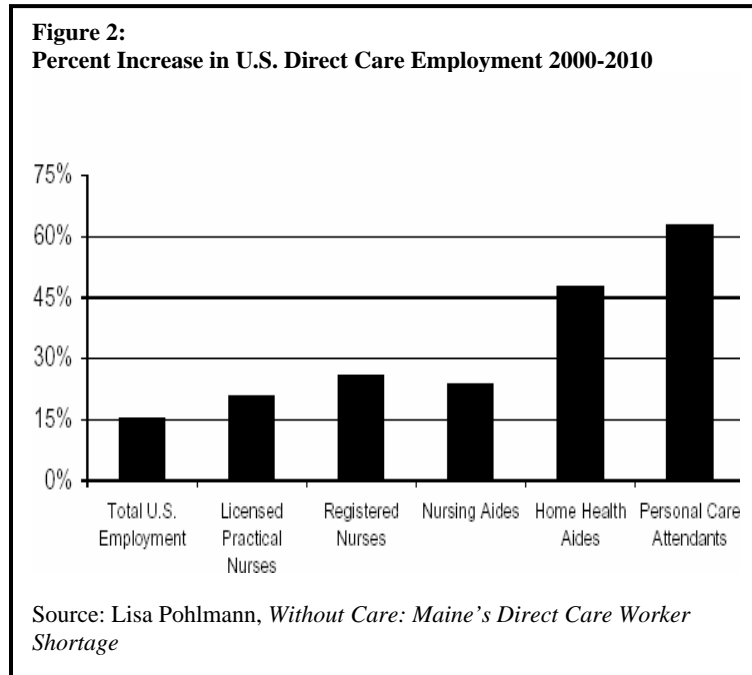
placed on a mailing list to receive a Health Choice for Children brochure explaining the health insurance benefits their families might be eligible to receive.^{xxi}

Creative Funding for Training: TANF and WIA

The Temporary Assistance for Needy Families (TANF) block grant was created to replace Aid to Families with Dependent Children and the Job Opportunities and Basic Skills Training Programs. TANF’s purpose is to help needy families by providing support services that aim to decrease parental dependence on public assistance. There are several ways states can fulfill TANF requirements, including providing worker training or making worker training accessible, skills training, education, and job searching.

Minnesota’s Jobs Skills Partnership Board developed the *Health Care and Human Services Worker Training and Retention Program* to address direct care workforce shortages. Legislatively mandated, the program helps low-income employees or those moving off of public assistance by providing training to advance beyond the direct care level.

One particularly innovative aspect of this program is how it leverages US Department of Labor TANF funds. The program receives approximately \$750,000 from TANF funds each year. Although the Minnesota Department of Human Services administers TANF, the Department of Trade and Economic Development receives the state’s funding for the Job Skills Partnership Board.



The Board awards grants to state public and private educational institutions. Proposed projects must include TANF recipients or TANF eligible trainees, one educational institution, and one eligible employer. Projects may be statewide, regional, or local.

One grantee, the Ridgewater Community and Technical College and the Bethesda Healthcare Consortium, received \$525,295 to train 245 entry-level workers. The community college created an adult basic education training program containing a health care specific curriculum. After completion of the training program, direct care workers were expected to receive wages \$1-\$2 higher than the median wage of \$8.21.

New York’s *Health Worker Training Initiative* allocates TANF funds to a project aimed at recruiting and retaining health care workers. Over \$100 million in funds flow from the federal program to the New York Office of Temporary and Disability Assistance and then to the New York Department of Health.

The first allocation of money—\$80 million—funded 52 contracts. This first round of awards was granted in October 2002. Grantees have two years to complete their projects. Each plan contains anywhere from 20 to 6,000 participants; the total number of project participants is approximately 16,000.

The state released a Request for Application to hospitals, nursing homes, and home care entities. To apply, eligible entities (including home care associations and unions that represent health care workers) must create a recruitment/retention strategy. Strategies include:

- Providing paid training to assist becoming a direct care worker
- Reaching out to high school students about employment opportunities in the health care field;

- Establishing career ladders;
- Mentoring, case management, and job coaching;
- Wage subsidies;
- Child care or child care subsidies;
- Transportation or transportation subsidies;
- Life skills training; and
- Promoting interest in pursuing a career in the health care field.

In addition to TANF dollars, effective use of Workforce Investment Act (WIA) funds also may produce successful health workforce initiatives. WIA dollars may be used in the form of support of workforce investment boards, worker outreach and training programs.

Workforce Investment Boards: Coordinating Government and Business

Preparing the nation's workforce is one of the goals of the WIA. Several states, recognizing ongoing shortages among nurses and direct care workers, are directing WIA funds, including WIA discretionary funds (*see figure 3*) toward combating health worker shortages.

Many of these initiatives are spearheaded by the states' workforce investment boards (WIBs). Several states have employed WIA funds to address health care workforce shortages. For example, in **Maryland**, the Governor's Workforce Investment Board is tackling health workforce shortages with a two-fold approach: 1) the WIB established a Public/Private Healthcare Steering Committee and 2) the WIB created the Skills-based Training for Employment Promotion program.

- The Public/Private Partnership Healthcare Steering Committee is responsible for documenting labor market challenges, convening a summit to form consensus between public and private representatives on initiatives, and developing initiatives for the state and for private entities to address health worker shortages.
- *The Skills-based Training for Employment Promotion (STEP)* program is a pilot program to provide training, childcare and transportation to working parents. The grants will allow for training to upgrade workers' skills in an effort to fill the growing demand for qualified health care workers.

One grantee, the Baltimore City Mayor's Office of Employment Development, became a partner with local health care employers to train janitorial, cafeteria and housekeeping employees for positions as surgical technicians, medical coders, nursing extenders, and pharmacy technicians. Training is provided by the Baltimore City Community College, and the employers allow program participants time off from work for classes and training while retaining their full salaries. Expected salary increases for the nearly 100 participants range from 21 to 108 percent.^{xxii}

In another example, the **Texas** Workforce Commission (TWC), part of the state's workforce investment board, has taken several steps to address the state's 9 percent shortage of nurses (Projected Sup). The TWC receives all or some of the state's share of WIA, TANF, and Welfare to Work funds. In 2001, the TWC began several

Figure 3: Using WIA Discretionary Funds

California's Nursing Workforce Initiative is a three-year health workforce initiative aimed to alleviate nursing shortages and to improve quality of care. The Initiative uses the Governor's discretionary money from WIA to fund the \$60 million effort.

The California Workforce Investment Board will provide policy recommendations on all aspects of WIA implementation and establishing the vision and goals for the state's workforce investment system. However, several state agencies, organizations of higher education, labor and other public and private representatives will collaborate to implement the initiative.

Highlights of the initiative include:

- \$24 million allocated to 2,400 training and internship positions in hospitals, community colleges, or the California State University system;
- \$24 million allocated to expand five regional workforce collaboratives under development;
- \$1 million for research and evaluation of the initiative; and
- a statewide media campaign to recruit persons to the profession.

statewide initiatives targeted toward nursing. The initiatives include:

- *Hot Careers in Texas*: In an effort to expose people to potential careers in nursing, the TWC highlighted nursing as a “hot career in Texas” on the TWC Web site. By visiting the Commission’s Web site, potential workers can access a page devoted to nursing. Job seekers can access information on training, career planning, and financial assistance opportunities. Employers may post job openings and search for applicants. Further information is provided through links to labor market information and occupation reports.^{xxiii}

TWC’s efforts include supporting local workforce boards, typically through financial support. One example is the Commission’s work with the state’s largest local WIB, the WorkSource.

- The WorkSource, the Gulf Coast Workforce Board, supports the *Health Services Industry Initiative*. The *Initiative* is a collaborative effort between WorkSource and the Greater Houston Partnership. In addition to the partnership, the initiative includes the participation of 90 hospitals and 13 training centers.

The Loaned Faculty Initiative is just one of the programs of the initiative. Through the Loaned Faculty Initiative, hospitals provide space and staff—at the hospital’s cost—to training institutions. Since its inception in 2001, over 65 percent of the requests for space and over 55 percent of the requests for loaned faculty have been met.^{xxiv}

Sharing the Responsibility: Public/Private Partnerships

States have a vested interest in assuring there is an adequate, competent health workforce—but they are not alone. Collaborating with other interested parties can be an effective way to meet workforce demands while reducing some of the state’s burden.

The *Georgia Health Professionals Initiative* is a \$4.5 million joint public-private initiative between the state university system and state health care providers. The goal is to produce 500 new nurses, pharmacists, and medical technologists in two years. The state is investing \$2.1 million for program-related instruction and expenses. Georgia health care providers are contributing cash and in-kind contributions of equipment, staff time, and laboratory and classroom space valued at \$2.45 million.

Thirteen public Georgia colleges and universities were chosen to participate in the initiative. An accelerated curriculum is taught at each of the institutions in order to graduate students earlier. The institutions partner with health care employers to provide jobs for participating students when they graduate. Many of the programs target nursing, including the program at Kennesaw State University.

The University joined with local health care employers, including WellStar Health Systems, Emory Cartersville Medical Center, Floyd Medical Center and Redmond Regional Medical Center. In August 2002, the University enrolled 40 nursing students into the accelerated Bachelor of Science degree program in nursing. The corporate partners have agreed to hire at least 40 program participants.

Representatives from the University system, the Georgia Hospital Association, the Chamber of Commerce, the state Rural Development Council, and the state Department of Community Health participated in the creation of the Health Professionals Initiative. Nineteen communities across the state will benefit from the initiative.

The **Florida** Departments of Community Affairs and Health have partnered with Fannie Mae and EdSouth to retain and recruit nurses to the state. This unique partnership provides Florida nurses with the opportunity to apply for home mortgages and low-interest student loans.

The HealthCare Worker + initiative from Fannie Mae is based on an existing Fannie Mae product that targets teachers and public safety personnel nationwide. This pilot initiative provides affordable homeownership opportunities to eligible workers—including, registered nurses, licensed practical nurses, licensed vocational nurses, and certified nursing assistants. To qualify for the program, prospective homeowners must meet the eligibility requirements and their income may not exceed 100 percent of the median income for the property’s location.

Once eligibility is confirmed, benefits that prospective homeowners can apply for are:

- up to 100 percent financing;
- required 1 percent or \$500 from the borrower's own funds;
- increased flexibility on credit histories; and
- lower monthly payments for the first three years of the mortgage when combined with a temporary interest buy-down.

In another effort to retain and attract health care workers to the state, Florida joined with EdSouth to give low-interest financing for student loans. *Florida Nursing EdLoan* is available to state residents and non-residents who attend Florida schools and work full time in health care upon graduation.

Qualified applicants are students studying nursing or health care administration. The loan may be applied to undergraduate or professional certificate programs; it is not available for graduate studies. Also, students must attend colleges or universities participating in the Federal Family Education Loan Program. When the student graduates or receives certification, the loan is awarded and the reduced interest rate repayment period begins.

Through the Florida Nursing EdLoan program, interest rates as low as 1.06 percent are available—far below the current federal student loan rate of 4.06 percent. EdSouth estimates repayment cost savings of 75 percent or over \$1500 on a \$10,000 loan. If a participant of the program leaves the nursing or health care administration fields or leaves the state of Florida, the participant loses the discounted interest rate.

Acting Now for the Future

Demographic shifts occurring over the next 30 years will challenge states to provide adequate numbers of nurses and long-term care direct care workers. Fortunately, states already possess several tools needed to address health workforce shortages.

By using Medicaid, TANF, and WIA funds and employing public/private partnerships states can fund initiatives to address the demands for nurses and direct care workers. Increases in wages for direct care workers, training programs for health workforce positions for TANF recipients, and skills upgrades programs can target potential workers and prepare them for jobs that are now and will continue to be in demand.

Note: This *Issue Brief* was researched and written by Melisa S. Byrd. It was supported by the United States Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care and the Robert Wood Johnson Foundation.

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