



## EXECUTIVE INSIGHTS

# Is It Time To Think Strategically About Tackling Workforce Shortages in Healthcare?

Chronic workforce shortages are leaving healthcare providers facing unprecedented challenges. Operating models are being undermined, as is the ability to deliver growth, profits and value creation. Historically providers may have been able to rely on recruiting their way out of such problems. However, the structural and global nature of current workforce shortages means this is no longer an option for most operators.

Tackling the workforce shortage is now therefore a major strategic issue and should be a primary focus for both operators and investors in the sector.

### Inhibiting organic growth

Without adequate supply of the right people, providers are severely limited in their ability to meet rising demand and capitalise on any shifts towards higher value healthcare services.

### Eroding margins

With wages often the single largest cost component of any healthcare service, scarcity of labour can quickly drive wage growth and significantly inflate the cost base. Passing through these increases can be challenging, particularly to budget-constrained public sector customers.

### Undermining value creation strategies

The tried-and-tested model of achieving synergies and growth through M&A activities in healthcare is increasingly contingent on being able to retain the (acquired) workforce. Equally, the success of any greenfield expansion relies heavily on the ability to recruit new employees.

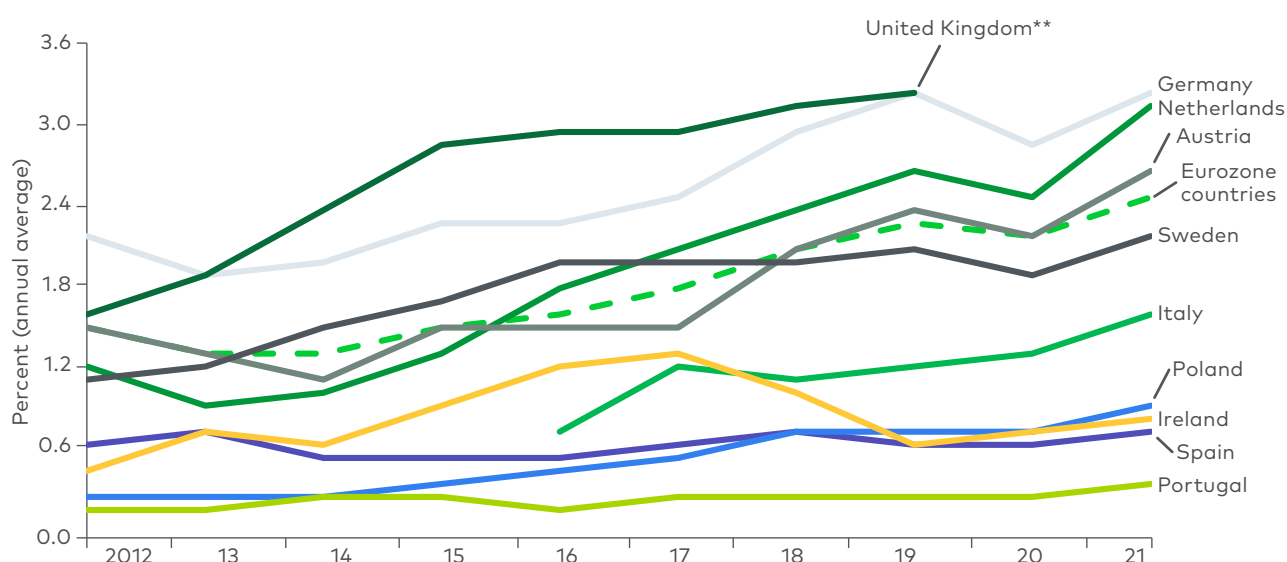
## A global issue of unprecedented scale

Staff shortages are a global issue that simple relocation is unable to solve. Job vacancy rates in human health and social work are rising rapidly, exacerbated by workers exiting the sector, leaving providers to compete for a dwindling talent pool (see Figure 1).

The issue reaches far beyond non-clinical-care workers to include vital disciplines and professions including consultants, general practitioners, nurses, dentists, radiologists and embryologists. Vacancy rates are rising across health and social care, impacting both public and private sectors. This barrier to growth leaves operators and investors with no ability to trade their way out of trouble, and services are suffering.

**Figure 1**

Job vacancy rate in Europe for human health and social care work activities\*-selected countries (2012-21)



Notes: \*includes vacancies in hospital settings, dentistry, residential care and social care for elderly and disabled

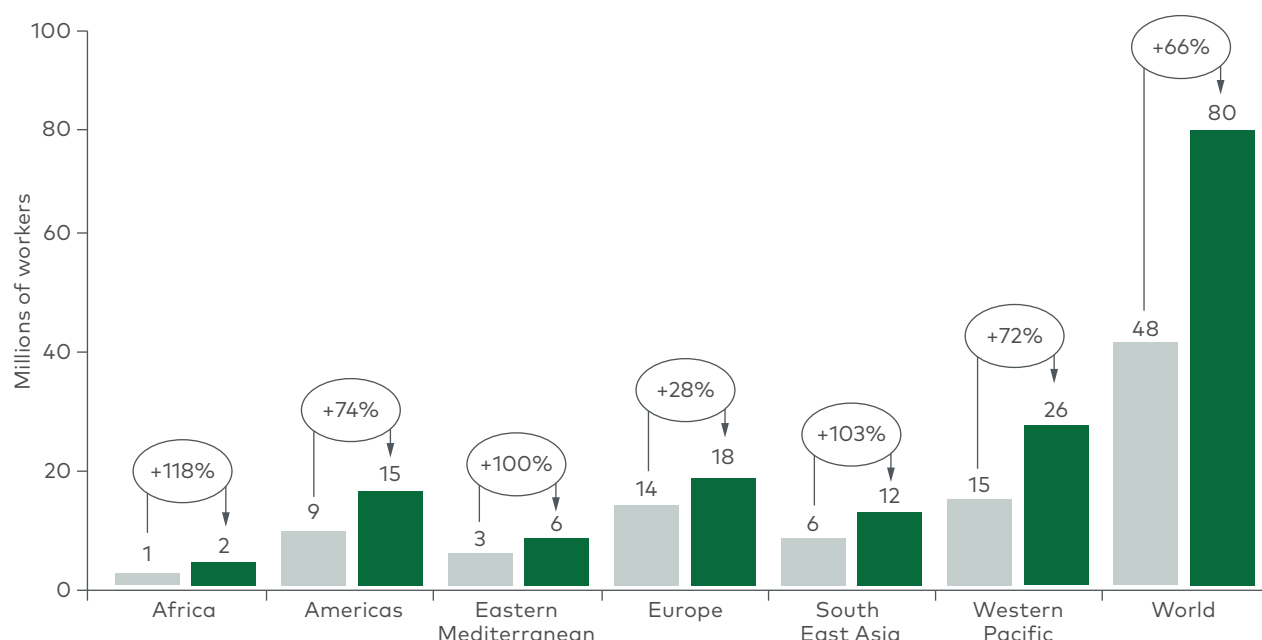
\*\*UK data only available up to 2019 following departure from the European Union

Source: Eurostat

Across the globe, patients are experiencing extraordinary waiting times for vital treatments whilst providers are grappling with ever-growing backlogs. Increased pressure on healthcare staff is also taking its toll, with absenteeism and high staff turnover only serving to exacerbate the problem. Far from a temporary fault, the outlook is set to worsen in the near to medium term as populations age and the need to manage long-term conditions intensifies (see Figure 2).

**Figure 2**

Estimated increase in health worker demand by region (2013 vs 2030)

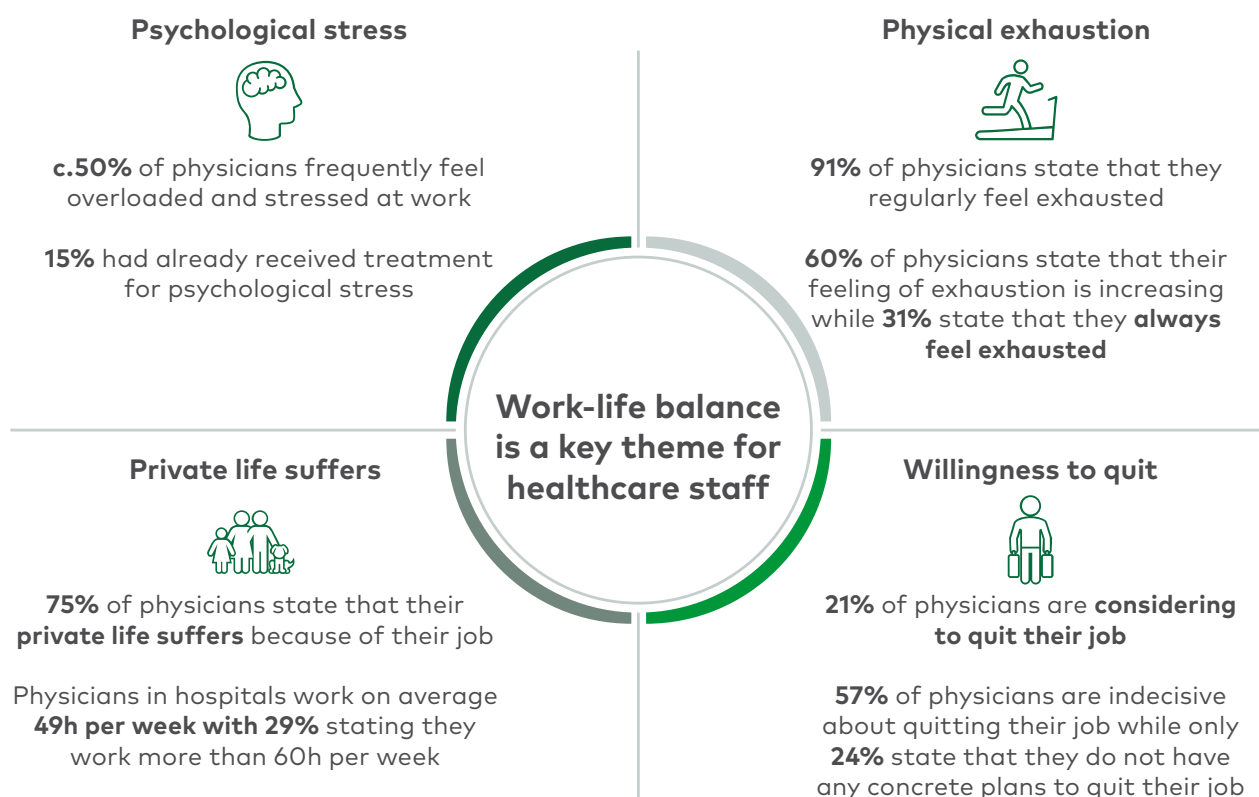
**Estimated health worker demand by region (2013 vs 2030)**

Source: World Health Organization

The workforce is ageing too, with more healthcare workers preparing to retire at a rate already exceeding the number of new employees entering the workforce. This suggests that shortages are set to compound, bringing more problems to the sector.

The increasing quest for better work-life balance may further exacerbate workforce challenges as workers seek to escape pressurised healthcare environments in favour of more flexibility and greater opportunities to work from home (see Figure 3).

Figure 3



Source: Marburger Bund; L.E.K. research and analysis

## An urgent need to take action

Inadequate growth in a workforce facing ever increasing demands presents a serious strategic issue for the healthcare sector and the societies it serves. We have identified three clear areas of focus for healthcare operators looking to tackle the problem and maintain value in their business.

1. Seek to retain and create more value with your existing workforce in the near term
2. Invest in digital transformation to improve productivity and support new business models that demand fewer people to operate them in the medium term
3. Work across the industry with governments to ensure adequate growth of the healthcare workforce in the long term

## Near term

Now is the moment for operators to think strategically about how they can expand and augment their existing workforce.

Taking the time to develop a market-leading employee value proposition is a key first step. This encompasses many elements, including: financial and non-financial compensation (e.g. recognition for tenure and performance); flexible working arrangements; opportunities for learning, development and career progression; access to the latest equipment and technology; and being part of a well-respected healthcare brand.

Modifying existing processes to maximise capacity can be another quick win. Allowing clinicians to focus on high-value activities and increase time with patients can be extremely beneficial. This can be achieved by either reducing the administrative burden on clinicians or by delegating diagnostic or treatment work to the wider healthcare team (as is the case in dentistry with dental therapists and hygienists).

Investing in comprehensive training schemes can upskill both clinical and non-clinical staff, and bring the benefit of both a better skilled and more motivated workforce.

## Medium term

Healthcare operators should think strategically about how technology can be used to improve productivity and to support new business models that mitigate the challenges of workforce shortages.

One example of this strategy in action can be found in teleradiology, where technology has been used to increase clinician productivity and allows for additional (remote) capacity by removing the need for on-site capabilities. Orthodontics offers another, with Ventruvian creating a successful business model that switches the majority of patient interactions online to allow clinicians to focus on appointments that really matter and reduce both headcount and cost base.

The onus is on governments to stimulate the healthcare economy and incentivise operators to invest. The German government currently provides €4.3bn of grants to help technologically modernise the domestic healthcare sector. Innovations including patient portals, digital medication management and telehealth solutions are already bearing fruit. And in Italy €7.4bn of government funds has been used to upgrade the digital infrastructure, promote home care automation, and improve data collection and management.

## Long term

There are several strategic actions that operators can take to help the long-term growth of the healthcare workforce. Lobbying governments to ensure that workforce planning is propelled to the top of the policy agenda is key, along with guaranteeing sustainable levels of adequate financial investment. Government incentives to operators willing to invest in training offer a long-term strategy for companies to 'grow' their own workforce. And strategic partnerships with academic institutions are another way to share ideas, stimulate new thinking and help build the authenticity and brand of healthcare providers.

### Investing in healthcare

Workforce shortages have clear implications not just for healthcare operators, but for the investors fuelling their growth.

Ensuring that the workforce is considered as part of any investor due diligence process is an important first step. Assessing the demographic profile of the workforce to understand its potential evolution is essential from both the succession planning and attrition perspectives. Benchmarking the strengths of the employee-facing brand and value proposition against leading competitors is another important way to determine true value. And understanding what incentive mechanisms are in place and their ability to retain staff during the turbulent times of M&A and beyond are vital too.

It is important that investors prioritise the workforce as an area of strategic focus for value creation. This means understanding where investment is needed and the difference that an investor can make. Deploying capital to digital solutions early in the investment cycle could prove to be a powerful way to accelerate growth. Elevating staffing-related topics and functions to the boardroom could be the single most important action an investor can make.

## How L.E.K. can help

We combine data and insight with deep industry experience and expertise to help guide our clients during challenging times. We have extensive experience in providing strategic support to healthcare operators and investors tackling the issues of workforce shortages, such as how to use technology to improve productivity and support new business models. Our in-depth understanding of the healthcare sector is augmented by insights and innovations from across other industries worldwide.

For more information, please contact [healthcare@lek.com](mailto:healthcare@lek.com)

## About the Authors



### **Eilert Hinrichs, Partner**

Eilert Hinrichs is a Partner in L.E.K. Consulting's London office. Eilert has 20 years of consulting experience and is a senior member of L.E.K.'s European Healthcare Services practice and European Financial Services practice. In both sectors he has completed a large number of assignments across Europe, working closely with senior management teams in addressing key strategic issues, developing market entry strategies, improving commercial effectiveness, and providing transaction support on both the buy and sell sides.



### **Louisa Chaves, Principal**

Louisa Chaves is a Principal in L.E.K.'s European Healthcare practice, based in the London office. Louisa advises corporate and private equity clients on consumer-centric healthcare services (e.g., outpatient) and social care (e.g. children's services, elderly care) across multiple geographies. Her experience includes extensive buy-side and sell-side diligence support as well as strategy for corporates/private equity portfolio companies.

## About L.E.K. Consulting

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