



# KPMG Healthcare CFO Forum Roundtable: 7th edition

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Although the healthcare industry is increasing the use of advanced technologies, organizations are still people centric. Given the current talent shortage, coupled with increasing demand from patients, some healthcare systems are under immense strain.

KPMG recently convened a cohort of chief financial officers (CFOs) featuring Kenneth Kim, senior economist from KPMG Economics, who provided an overview of the economic environment through a healthcare lens; Larry Kocot, principal and national leader, Center for Healthcare Regulatory Insight, KPMG, who shed light on current healthcare legislation under consideration; and Jamie Sanchez-Anderson, managing director in the KPMG C&O Health & Government practice, who shared insights on workforce management in the healthcare sector.

## The economics at play

Kenneth Kim shared his insights on financial market conditions, the Fed's approach to fiscal and monetary policy, and their impact on the healthcare labor market.

Key takeaways:

-  The Fed could potentially have one more interest rate hike in May 2023.
-  A recession is likely by the middle of the year, although economists expect it to be mild to moderate in depth and duration.
-  The labor market is tight, and workforce participation has not fully recovered to pre-COVID levels, with the unemployment rate at 3.6 percent nationally.



Excess consumer savings from pandemic-related measures are still a tailwind to spending; however, most of these savings will likely be depleted in the next 12 months, particularly in lower-income brackets.



Workforce transformation and upskilling are key to productivity and economic growth.

## Long-term healthcare trends

Kim shared an overview of the key trends and projections in the healthcare sector and highlighted the challenges and opportunities for businesses. The unemployment rate for healthcare is at 2.6 percent, a full percentage point lower than the national rate. Despite the recent decrease in job openings from 2 million to 1.6 million, the labor market continues to show signs of tightness, leading to upward pressure on wages.

Per the Bureau of Labor Statistics, the healthcare sector is projected to continue to experience growth in employment. Despite the current nursing shortage, nurse practitioners have the highest expected job growth, followed by physical therapy assistants, home health and personal care aides, and medical health service managers. Nevertheless, the tight labor market will continue to challenge the industry, especially as the 55-and-older demographic continues to age.



**It's such a struggle to retain employees, but I often wonder if we are we doing enough.**

**– Participating CFO**



## The view from Washington

Building on the discussion about market conditions, Larry Kocot provided an analysis of the current political climate in Washington, including the looming debt crisis and the increasingly pressing need for Congress to raise the debt ceiling.

The federal debt is now at unsustainable levels, representing 98 percent of GDP, with expectations of a rise to 117 to 118 percent by 2033. The majority of the budget supports Medicaid, Medicare, Social Security, and net interest, and these alone could consume all federal revenue by 2036. The trustees' report predicts that Medicare will be insolvent by 2031 and that the Social Security Trust faces similar challenges. The federal government's past efforts to address such issues through legislation, like the Budget Control Act of 2011, were unsuccessful.

Despite the need for action, there is growing tension between the Speaker of the House and the president over the debt ceiling, with no meetings since February 1. President Biden has proposed spending cuts designed to cut the deficit by \$3 trillion by taxing billionaires and lowering prescription drug costs. However, he is not considering cuts to Medicare, Social Security, or other popular programs. By contrast, Republicans have proposed \$130 billion in discretionary spending cuts, which would impact a wide spectrum of social programs. The Congressional Budget Office has suggested several ways to decrease debt, including imposing caps on federal spending for Medicaid and taxes on healthcare providers, although such measures have met with resistance, not least because they would be difficult to implement.

Kocot provided insight that potential Medicare reforms like Medicare Advantage benchmarks and site-neutral payments would be viable avenues for solving the debt problem. He stressed the general need to rein in healthcare spending, as it is the most rapidly growing part of the budget, especially with the increase in the elderly population.

## Workforce planning and optimization

With the increasing complexity of patient care and a shortage of licensed professionals, healthcare organizations face various staffing challenges. Jamie Sanchez-Anderson turned the group's attention to key components of effective workforce management.

She stressed that organizations need to look at their workforce profiles and the skills they need to determine what tasks can be delegated to nonlicensed personnel. She also suggested that organizations consider whether seniority benefits and staffing policies are impacting the availability of skilled staff.

Using workforce management systems to forecast staffing needs, balance schedules, and drive care coordination can ensure the right staffing and skills mix. Sanchez-Anderson shared various ways in which organizations can improve their staffing and scheduling processes with a focus on introducing centralized scheduling models, reevaluating meeting schedules, and instituting training programs to improve productivity and streamline processes.

These models enable staff to work across multiple areas, reducing burnout and turnover. Further, the use of automated position management and predictive analytics can help reduce administrative burdens and enable organizations to update their workforce management solutions. She concluded the discussion by emphasizing the importance of reviewing benefit plans and accurate budgeting to avoid unnecessary costs.

## Topics for future sessions

The CFOs in attendance at the roundtable expressed interest in the following topics for future sessions:

- Updates on the economic and political environment
- Methods to address labor issues
- Shifts to Medicare Advantage and rationalization of care
- Challenges of safety net hospitals and dealing with changing patient demographics.

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