

Strategic vision

Ocigna CEO Dr Peter Byrnes on the Group's transformation against the backdrop of Covid

Have money, will pay

LaingBuisson research suggests the pandemic will fuel demand for self-pay, providing providers get the proposition right

Staffing crisis

Condor's look at staffing agencies and the widening gaps in NHS rates

MARCH 2022 | VOLUME 26 | ISSUE 2

HM_{UK}

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In depth

People power

Healthcare staffing is in crisis across both the NHS and independent sectors, so is now the time for agency staffing providers to shine?

LaingBuisson
ANALYTICAL CONSULTANTS

The NHS has turned away from the use of agency staff over the last decade but as the latest wave of Covid subsidies to reveal even greater pressure on the workforce, there are growing opportunities for agencies to provide the solutions. Candesic's **Dr Chris Cassar**, **Dr Leonid Shapiro** and **Michael Tate** look at what innovative providers and their backers can do to help fill the gaps in an overstretched and under-resourced workforce



Tackling the healthcare staffing crisis...

new opportunities and new ways of working

The NHS backlog is a toxic mixture of Covid, aging facilities and a lack of staff. As Covid restrictions ease and more facilities are being built the stark staffing concerns remain – made worse by 30% of nurses reporting they plan to exit the profession. No wonder Sajid Javid, the Health Secretary, announced it will take until 2025 for waiting lists to normalise and perhaps even longer to train enough expert care staff.

The NHS has historically operated with a staff vacancy rate of 11%, with vacant posts filled by temporary workers – bank and agency staff. Bank staff are predominately managed by the NHS Trust while agency staff are contracted externally via third parties. Bank has predominated over agency, but will this change in coming years as staffing pressures grow? Is this an opportunity for agencies to take market share alongside developing more responsibility to help solve the nation's healthcare staffing shortages?

WAITING LISTS
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The impact of Covid

The Covid pandemic has placed extreme pressures on the healthcare system. The number of patients treated, as measured by finished consultant episodes, declined by 22.7% in 2020/21 compared to the previous year.¹

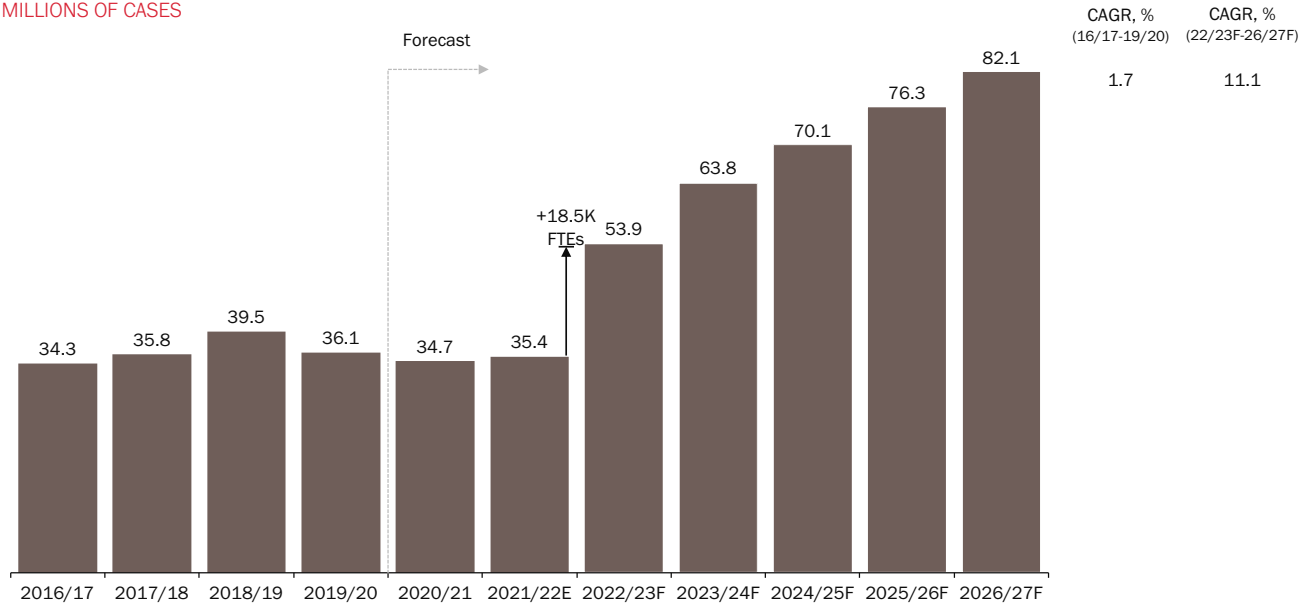
Waiting lists and emergency care demand has surged and our analysis suggest that it will take years before this normalises.

The agency staffing market was adversely impacted across all sub-sectors in the initial stages of the pandemic, although for different reasons. Community services, such as health visitors and school nurses, initially struggled to move online with significant declines in activity (and thus demand for additional staff). In acute trusts, demand for agency staff was also impacted as nurses returned to bolster workforces, retirements decreased and hospitals became much

FIGURE ONE
CURRENT AND FORECAST GAP IN NURSING FTEs

THE NURSING GAP IS FORECAST TO JUMP BY c.19,000 FTEs IN THE NEXT YEAR BEFORE GROWING AT c.11% P.A. TO 2026/27

FORECAST NHS ATTENDANCE AND ADMISSIONS, 2016/17-2026/27F
MILLIONS OF CASES



NOTE F - FORECAST

SOURCE NHS DIGITAL; CANDESIC RESEARCH AND ANALYSIS

stricter about allowing nurses to work across multiple sites or even multiple wards. This drove spend towards internal staff banks.

There have also been anecdotal reports of healthcare assistants taking on roles previously reserved for nurses (a continuation of a trend that had been in evidence prior to the pandemic²).

The current situation and drivers of future growth

As of September 2021, 5.8 million people were awaiting planned care in the UK, the highest level since records began, with over 300,000 patients who had already waited over a year for treatment.³

Alongside the backlog in elective care, there is an ongoing crisis in emergency care, with a record number of 999 calls in October 2021⁴ and trolley waits at a record high, even with Emergency Department admissions below long-term trends.⁵ The UK government has announced a package of support to tackle this demand, with £5.4bn⁶ for the six months from

September 2021 and an additional £36bn over three years in the form of the Health and Social Care Levy.⁷ However, while provision has been made to fund that care, being able to staff that care raises additional challenges.

There is currently a workforce gap in the NHS in England of almost 100k FTEs,⁸ with 30–40k nursing vacancies, c.8k medical vacancies and the remainder within Allied Health Professionals and Support Staff.

Focusing on nurses, we forecast that the staffing gap will increase from its current level to c.82k FTEs by 2026 (see Figure One). The Department of Health is clearly concerned with the situation and has abandoned the mandatory vaccination of NHS staff – an estimated 80k staff remained unvaccinated on 16 January 2022⁹ and the government could not afford the risk of losing these staff.

There are two elements to this increase in the nursing staffing gap – an initial jump of c.19k FTEs and then a longer-term growth in this gap. This distinct pattern is driven by a number of factors:

- Demand for nurses is forecast to return strongly in 2022/23 (assuming no major waves of Covid). This is the pent-up demand that has not been adequately addressed over the past two years overlaid on to the continual increase in healthcare demand we have seen historically
- There will likely be a near-term fall in the number of nurses driven by expected retirements and those retiring early given the strain of working under pandemic conditions:

First, a number of retired nurses who came back to the profession during the pandemic are likely to re-retire (especially as the suspension of penalties to their pensions from them working will expire in March)

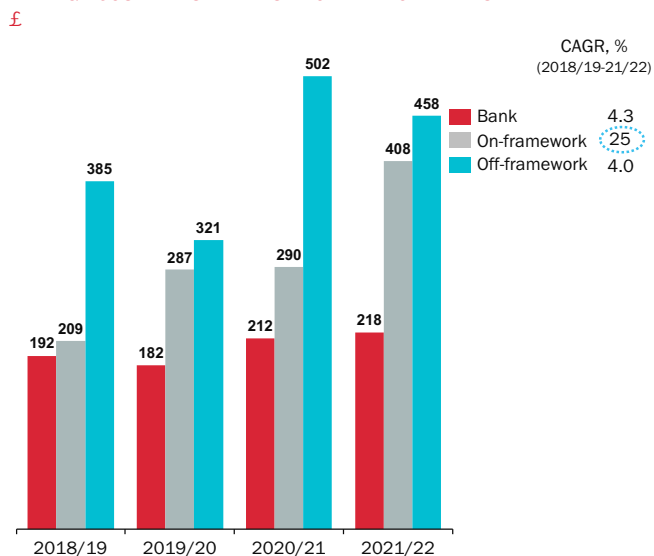
Secondly, there has also been a relative lack of retirements over the Covid period, with staff choosing

FIGURE TWO
CHANGE IN COST PER SHIFT WITHIN INTENSIVE CARE AND EMERGENCY DEPARTMENTS, 2018/19-2021/22

COST PER SHIFT OF HIGH DEMAND SPECIALTIES – IN HIGH DEMAND SPECIALISTS WE SEE SIGNIFICANT JUMPS IN THE AVERAGE COST OF ON-FRAMEWORK SHIFTS

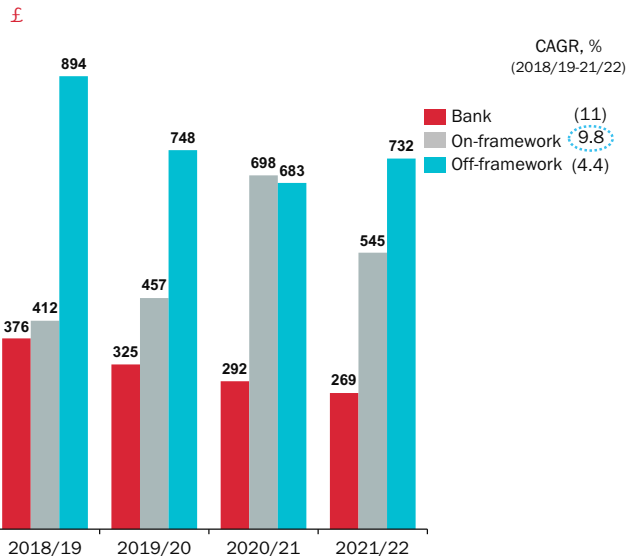
INTENSIVE CARE UNIT NURSING STAFF

AVERAGE COST PER SHIFT BASED ON TYPE OF TEMP STAFF



EMERGENCY DEPARTMENT NURSING STAFF

AVERAGE COST PER SHIFT BASED ON TYPE OF TEMP STAFF



SOURCE FREEDOM OF INFORMATION REQUESTS; CANDESCIC RESEARCH AND ANALYSIS

to stay on and help colleagues and patients. As the pandemic subsides, these ‘missing retirees’ will leave the health service. This change is most stark in 2022/2023, as in later years it is partially compensated for by nurses entering the profession following the jump in nursing school admissions in 2020/2021. While that will prevent further sudden jumps in the workforce gap, the NHS will be replacing relatively experienced nurses with new joiners, which will present its own challenges

Thirdly, recent surveys have shown that c.two-thirds of healthcare staff have experienced burnout during the pandemic and c.one-third are actively looking to leave the profession¹⁰

- The longer-term growth in the nursing gap is primarily a function of continuing growth in demand

in excess of the growth in nurses sourced from both home and abroad.

In-demand specialties

While the overall workforce picture is challenging, greater issues will occur within in-demand specialties.

Even pre-Covid, there were challenges in recruiting sufficient midwives as well as nurses for intensive care and emergency departments. These departments are especially vulnerable as nurses here are typically older and more experienced and so more difficult to backfill with new graduates and these specialties have been on the front line of care for Covid patients and so are likely to be at greater risk of burnout. We are already seeing some evidence of the increased demand in these specialties with high growth in the cost of nursing staff to fulfil an on-framework shift (see Figure Two).

The striking feature, across both Intensive Care and Emergency Departments,

is how the costs of on- and off-framework shifts are converging. In the past, on-framework shifts were priced in relative coordination with bank shifts; now they are much closer in price to off-framework shifts. The shortage of available staff in specialties where demand has been high has pushed trusts to use their on-framework staffing providers in an off-framework manner; their need to source staff has meant that they are pushing through the cost boundaries that would normally be imposed on on-framework providers.

Impact on staffing agencies

Having come through a tough market early in the pandemic, healthcare staffing agencies have an opportunity to help the NHS cope. Based on Freedom of Information data collected by Candescic across English NHS trusts, in 2018/19 the ratio of the temporary spend per vacancy to the cost of a permanent nurse was 1.2–1.8x.

SUCCESSFUL AGENCIES ARE INTERMEDIARIES WHICH DELIVER CONSISTENTLY FOR BOTH SIDES OF THE MARKET, CUSTOMER NHS TRUSTS AND CANDIDATES

In 2021/22, we estimate that ratio has now increased to 2.6–3.9x, with trusts paying c.£60k more than the cost of the highest paid ‘Band 6’ nurse to fill these positions (see Figure Three). If this continues it’s likely to further destabilise the attractiveness of being an NHS full time experienced employee and cause political pain at the next general election.

Expected price growth, coupled with the growth in vacancies available, could lead to overall growth in the healthcare agency market of c.13% p.a., going forwards, almost doubling the size of the market over the next five years (see Figure Four).

While demand is currently high, the old rules of the game still apply, especially for those agencies that want to build a sustainable business. Successful agencies are intermediaries which deliver consistently for both sides of the market, customer NHS trusts and candidates. Trusts want responsive agencies, that deliver on the staff that they promise at a reasonable price. Existing relationships and recommendations will help customers know that their temporary staff will be reliable, of high quality and will have been

properly certified prior to starting work.

Having a strong supply of candidates in high-demand specialties is also a route to success – agencies with a strong pool of Intensive Care and Emergency Department candidates and a successful ability to supply these difficult-to-source candidates can not only build a strong franchise

in these specialties but also leverage that reputation to provide staff in other, general healthcare areas and gain share of wallet with individual trusts.

On the other side of the agency model, candidates value a high availability of shifts to work, with a simple sign-up process and the ability to be paid rapidly and easily. Recommendations are again key to attracting the right staff - nurses who have a good experience with an agency will act as an ongoing source of further candidates by referring their friends and colleagues. Reputation and treating both sides of the market fairly remain the routes to long-term success in the healthcare staffing market.

How investors can help

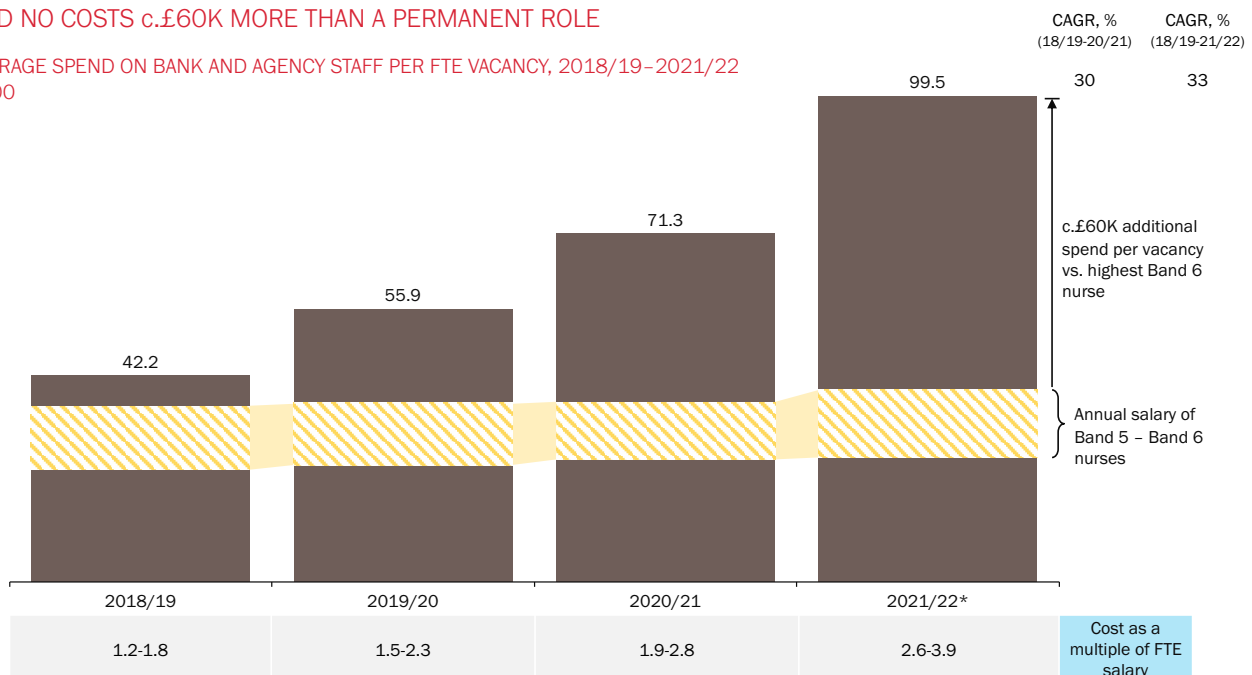
As investors look to this sector, what can they do to foster efficiency in agencies and increase affordability for their NHS customers?

The two opportunities that stand out to us are within digitisation and in developing proprietary (typically international) candidate streams. While staffing agencies remain people-focused businesses, the

FIGURE THREE
AVERAGE SPEND PER BAND 5/6 NURSING VACANCY FROM 2018/19–2021/2022

AVERAGE COST OF A BAND 5 OR 6 NURSING POSITION HAS INCREASED BY c.30% P.A. SINCE 2018/19 AND NOW COSTS c.£60K MORE THAN A PERMANENT ROLE

AVERAGE SPEND ON BANK AND AGENCY STAFF PER FTE VACANCY, 2018/19–2021/22
£000



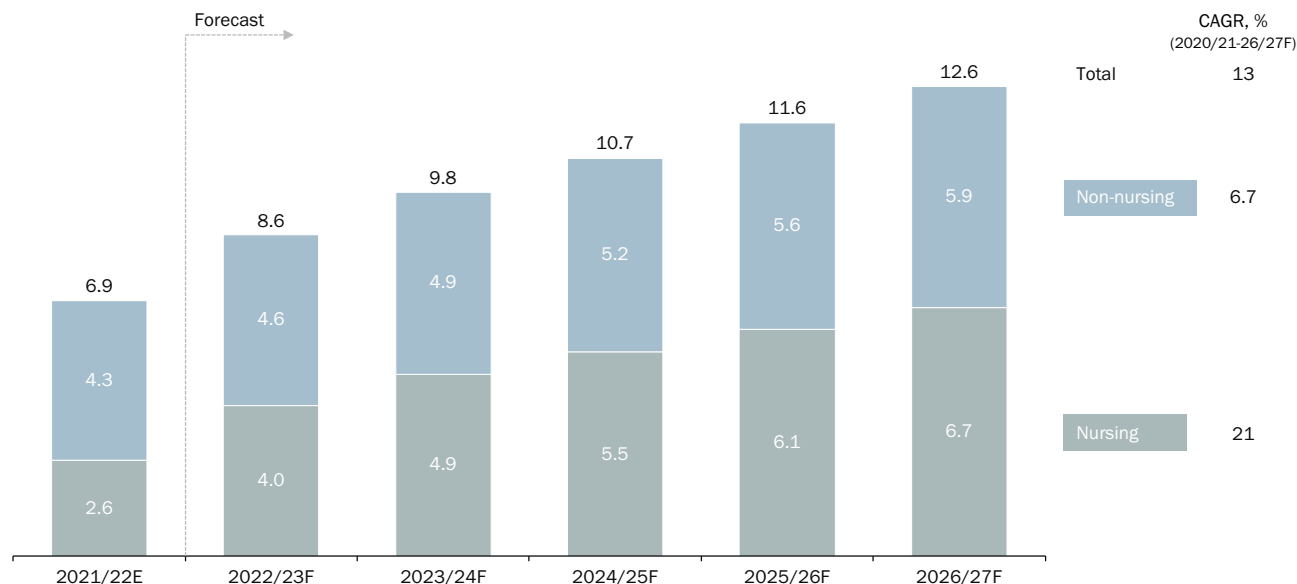
NOTE DATA FOR 2021/22 BASED ON 6 MONTHS-WORTH OF DATA AND ANNUALISED FOR COMPARISON

SOURCE FREEDOM OF INFORMATION REQUESTS; ROYAL COLLEGE OF NURSING; CANDESCIC RESEARCH AND ANALYSIS

**FIGURE FOUR
FORECAST GROWTH OF THE HEALTHCARE AGENCY STAFFING MARKET**

THE STRONG EXPECTED GROWTH IN THE NURSING AGENCY MARKET WILL DRIVE GROWTH IN THE TOTAL AGENCY MARKET TO c.£13BN BY 2026/27

TOTAL AGENCY STAFFING MARKET, 2020/21–2026/27F
£BN



NOTE F = FORECAST

SOURCE CANDESIC RESEARCH AND ANALYSIS

opportunity for digitising routine activities will continue to increase – improving margins as processes for verifying and credentialing candidates, allocating and accepting shifts and coordinating payment flows are automated. Healthcare staff are also increasingly comfortable in interacting digitally and providing this option can further improve the candidate experience.

The opportunities to develop proprietary streams of candidates fall primarily within permanent recruitment, given the time and cost involved in sourcing candidates. The industry has adapted well to the challenges of Brexit, with recruitment of nurses from outside the European Economic Area increasing since 2016 to more than compensate for the drop in EEA recruitment. There is potential to develop this further, on both sides of the pipeline.

Developing a recruitment network across multiple source countries and engaging with nursing schools, national associations or local agents to improve the quality of candidates and their training and preparation will enable agencies to meet growing customer needs.

Once candidates are brought to the UK, ensuring high-quality accommodation, bringing staff across in groups to ensure in-built support networks and helping

staff through their first few months in the country will necessitate higher costs for customers. However, NHS trusts are increasingly recognising the value these services deliver in terms of greater staff satisfaction and retention and in positive feedback to the source country that further reinforces the strength of the recruitment pipeline.

Candesic has identified a number of investment opportunities in healthcare staffing, in the UK and abroad, from both operators and technology providers to these operators. We believe this to be a vibrant landscape and an opportunity for investors to help bring down our nation's waiting lists.

NOTES

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