

## Overview of the Temporary Healthcare Staffing Sector

The use of temporary staffing agencies is no longer limited to just clerical, manufacturing, and warehouse work. While staffing firms have always had some presence in the healthcare field—for example, traveling nurses—the growth in the use of temporary healthcare workers has accelerated in recent years. These firms employ not only nurses and doctors, but the full range of healthcare professionals. The growth of temporary staffing in healthcare raises serious questions about both the treatment of workers and the quality of care that these firms can deliver. Their growth may also challenge the ability of unions to successfully organize healthcare workers and bargain good contracts. Employers in other sectors have used temporary agencies to fragment workforces and create more and more layers between workers and the employer that ultimately makes decisions. Much more research needs to be done to understand this sector. This document is a preliminary look at what we know.

### Healthcare Is One of the Fastest-Growing Parts of the Temporary Help Sector

- The U.S. market for healthcare-related temporary staffing services is estimated at about **\$16.2 billion**, according to Staffing Industry Analysts, which provides data to staffing firms and clients.
- The size of the industry in the U.S. has **increased fourfold over the past 25 years, and doubled since 2010**.
- Companies generally divide healthcare staffing work into four main categories: travel nursing (32 percent of the market), per-diem nursing (21 percent), locum tenens physicians (23 percent), and allied healthcare services (23 percent). These estimates are based on revenues; the share of workers in each of these segments may be different. It's important to note that while we refer to these as “temporary” jobs, health systems may be staffing positions through an agency for months or even years.
  - Locum tenens physicians fill short-term vacancies in a range of health care facilities, and often travel to these assignments.
  - Allied healthcare services include dietitians, medical technologists, occupational therapists, physical therapists, radiographers, respiratory therapists, and speech language pathologists
- Some staffing agencies provide other consulting services as well, such as outsourcing a health system's recruiting process for permanent employees, or managing all aspects of its contingent worker program.

### The Healthcare Staffing Market Is More Concentrated Than Other Sectors

- In general, the temporary staffing industry is highly fragmented. There are few barriers to starting a new staffing firm, and the fluid nature of the industry has led to hyper-competition. The healthcare staffing sector—where firms need to navigate a more complex landscape and compete for higher-skilled workers—is more concentrated. Healthcare staffing agencies generally are certified by the Joint Commission, carefully screen workers to ensure they have the proper credentials, and manage the increased potential liability associated with patient care.
- There are approximately 40 healthcare staffing firms in the U.S. with at least **\$50 million in revenue**. **Combined, the top 40 firms** make up about 70 percent of the U.S. market for healthcare-related temporary help services.
- The **ten largest U.S. healthcare staffing firms account for 46 percent of the market**, led by AMN Healthcare, CHG Healthcare, Cross Country Healthcare, Jackson Healthcare, and Aya Healthcare.

## What's Driving the Growth of Temporary Healthcare Staffing?

- The staffing industry typically cites staffing shortages—driven in large part by the aging of the Baby Boomer generation and an increased demand for healthcare services—as a primary factor behind the growth of the industry. Travel nurses and locum tenens physicians have often been seen as a solution (albeit an expensive one) to vast disparities in the availability of healthcare workers in rural areas.
- Outsourcing of temporary healthcare services by the federal government—especially since the Trump administration assumed office—has also driven the growth in temporary healthcare staffing.
  - [A report released on June 19 by the National Employment Law Project](#) shows that **federal spending on temporary help services has doubled since Trump became president**, and now stands at \$1.7 billion per year.
  - **Staffing agencies in the healthcare sector accounted for 47 percent of all federal spending on temporary help**, driven largely by large increases in the past two years at the Veterans Administration, the Indian Health Service, and the Department of Defense.
  - Of the 15 largest providers of healthcare staffing services to the federal government, all but four also do business in the private sector.
- Cross Country Healthcare, the nation's third-largest healthcare staffing firm, believes **the Individuals With Disabilities Education Act (IDEA) will provide more opportunities to win contracts to supply school nurses**. “The IDEA requires that these children and young adults receive care from speech language pathologists, physical therapists, occupational therapists, nurses and other healthcare professionals while at school,” Cross Country writes in its 2017 annual report. “Based on the foregoing, we believe the demand for consulting and healthcare staffing services for public schools and charter schools will continue to be strong.”

## We Need to Learn More About the Cost of Temporary Help Services in Healthcare

- There have been some indications that the all-in cost of hiring healthcare workers through a staffing is higher than the cost of hiring an employee directly. As with other temporary staffing services, healthcare staffing agencies charge a percent markup on the worker's hourly wage. The markup generally covers payroll costs, the staffing agency's overhead, and its profit. Travel nurses and doctors incur additional costs (such as housing and meal stipends), which the industry estimates can account for one-quarter of the total cost.
- There may, however, be other financial savings (at least in the short term) that customers believe justifies outsourcing some of their healthcare staffing. As with other groups of workers, having a percentage of the workforce employed through a third party may impede efforts by workers to organize unions by dividing the group across several employers. (One staffing agency—AMN Healthcare—advertises a specific “rapid-response” service to provide nurses in the event of a labor dispute.) Using staffing agencies may also transfer some of the employment risk away from the health system. Workers compensation, for example, becomes the responsibility of the staffing agency.



*For More Information:*

Chris Schwartz • [schwartz.chris@gmail.com](mailto:schwartz.chris@gmail.com) • 312-622-0337  
[www.blue-pencil.co](http://www.blue-pencil.co)