



Higher Pay Rates Are Driving the Increased Cost of Nurse Staffing

The extraordinary conditions caused by Covid-19 have created major inflationary pressures in labor markets, especially affecting essential health care workers who have been at the forefront in fighting the pandemic.

No segment of the economy has felt these effects more than the market for temporary nurses supplied by staffing agencies. While the pandemic amplified the critical role of nurses in our health care delivery system, the dramatic increase in demand for their services caused by the pandemic, combined with a sustained period of chronic shortage of nurses, created a perfect storm that drove up the cost of nursing services nationwide, including the cost of agency nurses.

Supply and Demand Imbalances Drive Nurse Wages and the Cost of Nurse Staffing

The shortage of health care workers is more dire now than at any time in history. Today, it is exponentially harder than ever to attract health care professionals of all types to fill open positions—especially nurses. Over 100,000 nurse vacancies existed at the start of the pandemic.

The pandemic aggravated these shortages. Stress and overwork, mental and physical risks, and long hours led to burnout, lengthy leaves of absence, and retirements which reduced the availability of health care professionals in all categories, most notably nurses. As the supply of qualified health care workers decreased, demand for their services by hospitals, nursing homes, and long-term care facilities continued to rise, creating market conditions that led to higher wages and bonuses. This had a major impact on the cost of health care services provided by staffing agencies.

Staffing agency costs are directly tied to the compensation and financial incentives paid to contract nurses and other health care professionals. While agency nurses are a small percentage of health care workers, the unprecedented demand for their services has driven up their pay rates with commensurate increases in agency billing rates. Pay and bill rates also rose in tandem due to the unique demands on temporary nurses, including leaving their families for long periods and travel to locations where demand for their services and the risks of Covid-19 infection are highest.

Demand Pressures Created by the Ongoing Nursing Shortage Will Remain

Demand pressures may abate to some extent as the pandemic subsides but will continue to affect staffing agency costs due to the ongoing structural shortage of nurses. The American Nurses Association has asked the U.S. Department of Health and Human Services to declare the shortage a national crisis. Staffing agencies, hospitals, and long-term care provider leaders will continue to seek ways of adjusting to these economic issues as we work together to find more fundamental and lasting solutions to this crisis.

The American Staffing Association is the voice of the U.S. staffing industry. ASA members provide temporary and contract workers across the entire spectrum of the American economy. Health care staffing agencies play a vital role by partnering with small and large health care organizations throughout the country. They quickly and efficiently provide high quality nurses, physicians, and many other health care professionals in a wide range of skill categories on an as-needed basis.