# Q&A: To solve the nursing shortage, researcher proposes government funding fix

May 29 2024

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Health economist Olga Yakusheva, a professor at the University of Michigan School of Nursing, believes that current government reimbursement models incentivize hospitals to cut nursing jobs to save

money.

Yakusheva, an expert on the economic value of nursing, and Robert Longyear, co-founder and CEO of Avenue Health, present a new hospital funding model they believe could help solve the nurse staffing problem and improve patient care.

Yakusheva discusses their research, which appears in an article in the journal *Health Affairs*.

## Since COVID, we've seen a lot of media coverage about nursing shortages in hospitals. What part of this conversation is getting lost?

People think that nurses left during COVID and don't want to go back to work, or there aren't enough nurses in the US in the first place. Both are somewhat true, but applications to nursing schools surged after COVID, and many of the experienced nurses who left are looking for jobs. Hospitals have lots of vacancies. There is not a shortage of qualified nurses, but a shortage of hospital vacancies that nurses are willing to take. Nursing has never been an easy profession, with some of the highest rates of work-related stress, burnout and occupational health risks. Nurses want safe work environments and adequate compensation, and hospitals struggle to provide that for their employees.

## What is bundling and why is it problematic in the current government reimbursement model?

When we need legal advice, we pay a lawyer; when we see a doctor, the doctor sends us the bill. But when we need bedside nursing care, instead of consumers paying nurses directly, hospitals bundle these costs in with other expenses in the hospital bill—sheets, food, cafeteria workers, etc.

Once insurance pays the hospital bill, hospital leadership decides what to pay nurses and what goes to other operating expenses.

Every dollar spent on nurses comes at the expense of something else, which means every dollar saved on nursing costs or staff cuts can cover profit losses or plug holes in other areas.

Even though consumers may value nursing care above most of these other things, we don't have a choice to pay nurses for the value of the nursing care we receive. Instead, nurses are paid by hospitals they work for, and hospitals simply don't, nor could they, prioritize nurses the same way consumers do.

## Please explain how your model is different from current reimbursement models.

Our model unbundles nursing care from the hospital charge and pays for it separately. This way, hospitals that invest in sustainable levels of nurse staffing and a safe environment can charge more for nursing care. Hospitals that understaff and underinvest in their nurses get paid less, and can no longer put that money toward other uses. This eliminates the opportunity for hospitals to earn a short-term financial gain by cutting nursing jobs or spending. Unbundling nursing payment from the facility payment will also make it easier to see how much money nurses earn. This creates transparency and accountability for resource allocation toward nursing care that patients and families need.

## Why would this help solve the problem with hospital staffing?

As hospitals that underinvest in nurses get paid less and those that don't are paid more, hospitals will find it economically beneficial to increase

nurse staffing, even if it means spending more on compensation or improving working conditions. We expect this to attract experienced nurses back into the hospital workforce, improve retention and attract new talent into the profession.

## Why would hospitals adopt this model if it means sacrificing an opportunity to cut operating budgets?

No one wants to cut budgets, but the current payment model right now pressures hospitals to do so. We believe that our model is beneficial for hospitals because it frees them to make nursing budget decisions that are good for their nurses, improve patient care and outcomes, and no longer damage their bottom line.

When we decided back in the 1960s that health care [was] too expensive and we needed to create a payment system that makes hospitals want to voluntarily cut spending, we did not remove nursing. We removed physicians, who have their own reimbursement system and autonomy over payments. This may have seemed okay in the '60s and '70s when nursing was viewed by many as a "trade" with little impact on patient outcomes. But today, hospital care is very complex; the nursing profession requires a high level of knowledge, professionalism and expertise, and research shows it's a major driver of patient and population health outcomes.

We are facing nursing shortages and understaffing, not because the current payment system does not work; on the contrary, we are where we are because it works exactly as it was designed nearly a half century ago. So it is time to rethink the system and protect nurses and other clinical personnel from the extreme cost-minimizing pressures they are facing now.

**More information:** Olga Yakusheva et al, Center For Medicare And Medicaid Innovation Should Test An Alternative Payment Model For Hospital Nursing, *Health Affairs* (2024). DOI: 10.1377/forefront.20240516.427482

Provided by University of Michigan