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Healthcare and workforce trends

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Leadership Innovation Exchange - LINE

Presentation by: Gretchen Berlin

September 24, 2024

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1. **What to expect in US healthcare in 2024 and beyond**

   January 2024

2. **How to bridge the experience gap by supporting nurses of all tenures**

   March 2024

3. **Revitalizing organizational health in the care delivery sector**

   September 2024

4. **The pulse of nurses' perspectives on AI in healthcare delivery**

   September 2024

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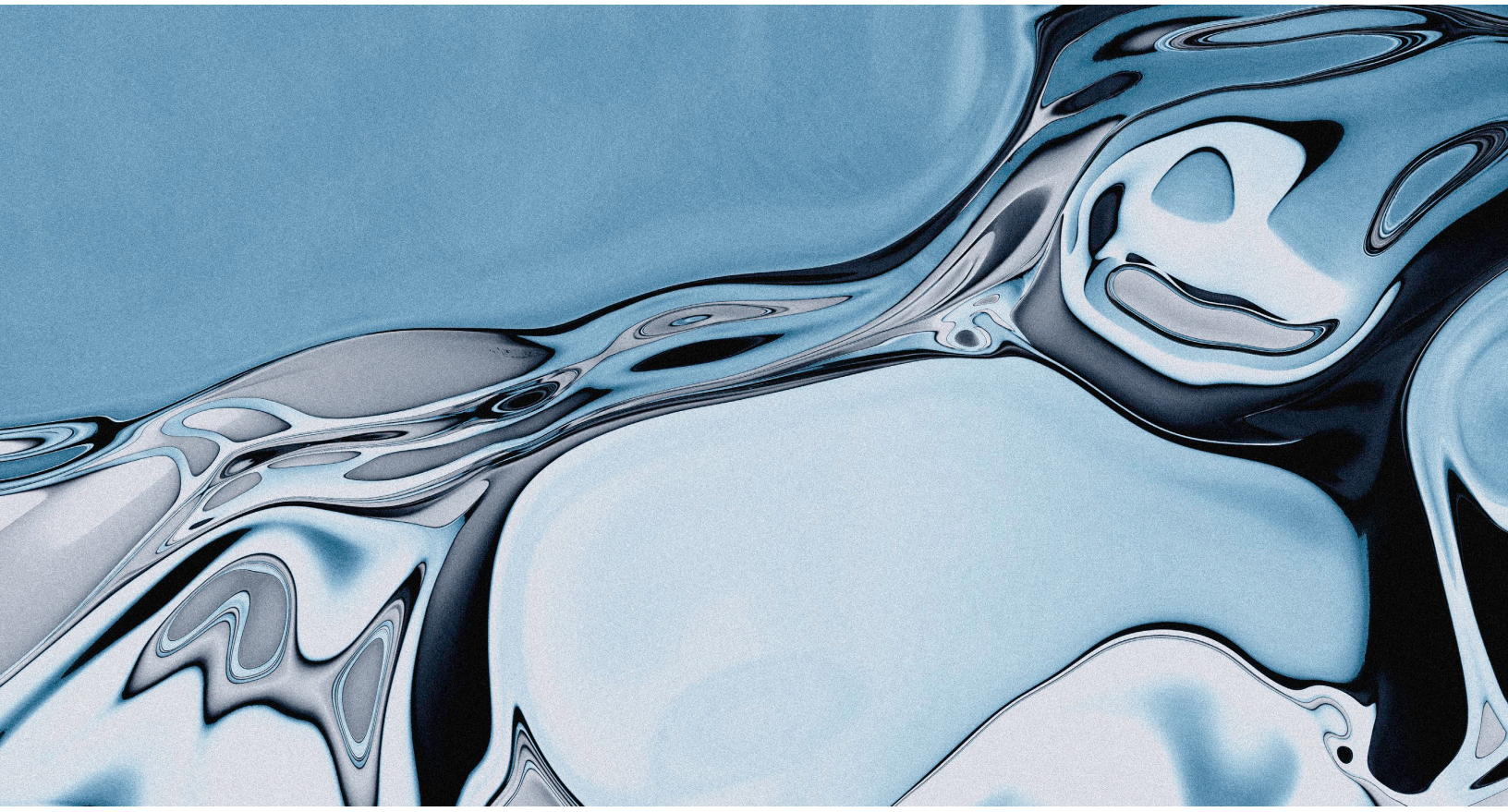
Healthcare Practice

What to expect in US healthcare in 2024 and beyond

A new perspective on how technology, transformation efforts, and other changes have affected payers, health systems, healthcare services and technology, and pharmacy services.

by Neha Patel and Shubham Singhal



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January 2024

The acute strain from labor shortages, inflation, and endemic COVID-19 on the healthcare industry's financial health in 2022 is easing. Much of the improvement is the result of transformation efforts undertaken over the last year or two by healthcare delivery players, with healthcare payers acting more recently. Even so, health-system margins are lagging behind their financial performance relative to prepandemic levels. Skilled nursing and long-term-care profit pools continue to weaken. Eligibility redeterminations in a strong employment economy have hurt payers' financial performance in the Medicaid segment. But Medicare Advantage and individual segment economics have held up well for payers.

As we look to 2027, the growth of the managed care duals population (individuals who qualify for both Medicaid and Medicare) presents one of the most substantial opportunities for payers. On the healthcare delivery side, financial performance will continue to rebound as transformation efforts, M&A, and revenue diversification bear fruit. Powered by adoption of technology, healthcare services and technology (HST) businesses, particularly those that offer measurable near-term improvements for their customers, will continue to grow, as will pharmacy services players, especially those with a focus on specialty pharmacy.

Below, we provide a perspective on how these changes have affected payers, health systems, healthcare services and technology, and pharmacy services, and what to expect in 2024 and beyond.

The fastest growth in healthcare may occur in several segments

We estimate that healthcare profit pools will grow at a 7 percent CAGR, from $583 billion in 2022 to $819 billion in 2027. Profit pools continued under pressure in 2023 due to high inflation rates and labor shortages; however, we expect a recovery beginning in 2024, spurred by margin and cost optimization and reimbursement-rate increases.

Several segments can expect higher growth in profit pools:

— Within payer, Medicare Advantage, spurred by the rapid increase in the duals population; the group business, due to recovery of margins post-COVID-19 pandemic; and individual

— Within health systems, outpatient care settings such as physician offices and ambulatory surgery centers, driven by site-of-care shifts

— Within HST, the software and platforms businesses (for example, patient engagement and clinical decision support)

— Within pharmacy services, with specialty pharmacy continuing to experience rapid growth

On the other hand, some segments will continue to see slow growth, including general acute care and post-acute care within health systems, and Medicaid within payers (Exhibit 1).

Several factors will likely influence shifts in profit pools. Two of these are:

Change in payer mix. Enrollment in Medicare Advantage, and particularly the duals population, will continue to grow. Medicare Advantage enrollment has grown historically by 9 percent annually from 2019 to 2022; however, we estimate the growth rate will reduce to 5 percent annually from 2022 to

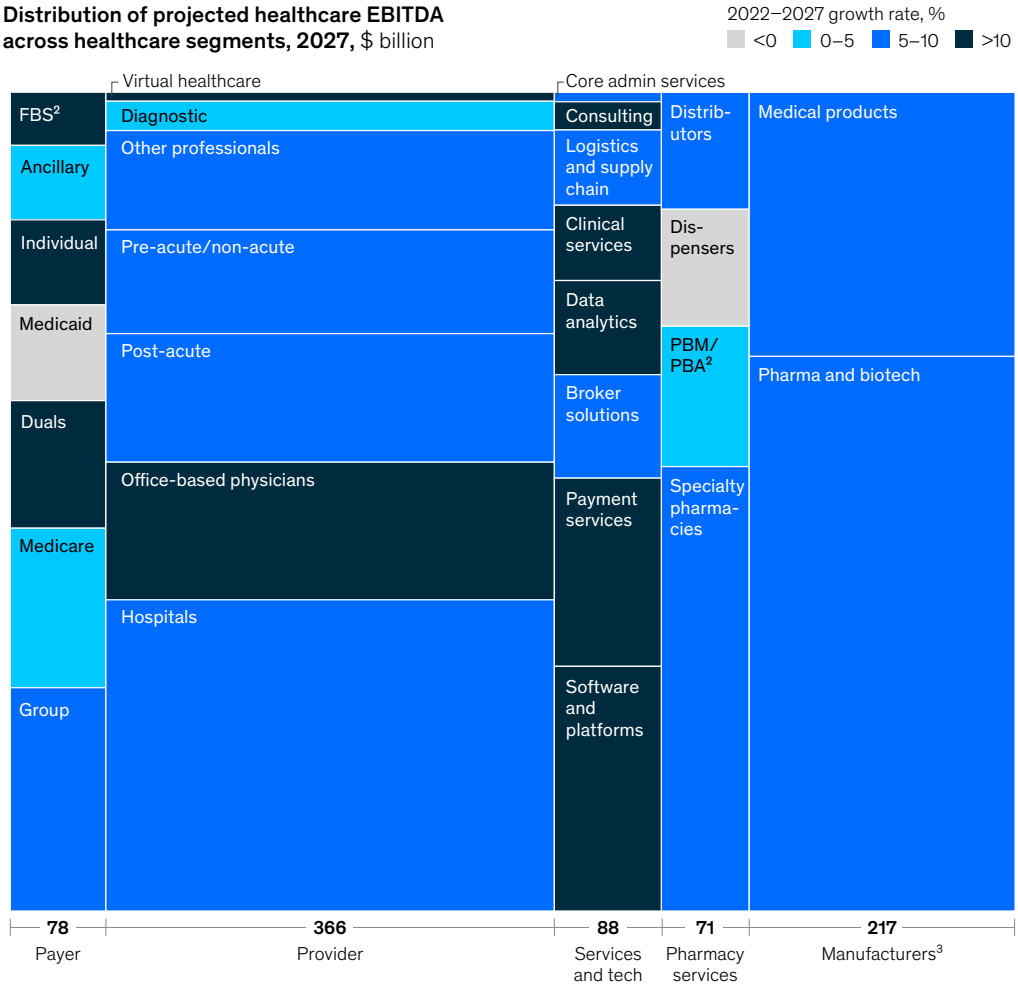
2027, in line with the latest Centers for Medicare & Medicaid Services (CMS) enrollment data.[1] Finally, the duals population enrolled in managed care is estimated to grow at more than a 9 percent CAGR from 2022 through 2027.

[1] Congressional Budget Office Baseline Projections, May 2023; Medicare Advantage penetration was increasing by less than 2 percent annually from 2016 to 2019 but increased by about 3 percent annually in 2020 and 2021—for further information, see "Medicare Advantage/Part D contract and enrollment data," Centers for Medicare & Medicaid Services, US Government.

Exhibit 1

Profit pools for individual and Medicare duals, physician offices, and healthcare services and technology are estimated to grow the fastest.

Distribution of projected healthcare EBITDA across healthcare segments, 2027, $ billion



Note: Preliminary.
[1]FBS = fixed-benefit and supplemental; PBM/PBA = pharmacy benefit administrator/pharmacy benefit manager.
[2]Growth rate could be in range of 4–6%.
Source: McKinsey Profit Pools Model

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We also estimate commercial segment profit pools to rebound as EBITDA margins likely return to historical averages by 2027. Growth is likely to be partially offset by enrollment changes in the segment, prompted by a shift from fully insured to self-insured businesses that could accelerate as employers seek to cut costs if the economy slows. Individual segment profit pools are estimated to expand at a 27 percent CAGR from 2022 to 2027 as enrollment rises, propelled by enhanced subsidies, Medicaid redeterminations, and other potential favorable factors (for example, employer conversions through the Individual Coverage Health Reimbursement Arrangement offered by the Affordable Care Act); EBITDA margins are estimated to improve from 2 percent in 2022 to 5 to 7 percent in 2027. On the other hand, Medicaid enrollment could decline by about ten million lives over the next five years based on our estimates, given recent legislation allowing states to begin eligibility redeterminations (which were paused during the federal public health emergency declared at the start of the COVID-19 pandemic[2]).

Accelerating value-based care (VBC). Based on our estimates, 90 million lives will be in VBC models by 2027, from 43 million in 2022. This expansion will be fueled by an increase in commercial VBC adoption, greater penetration of Medicare Advantage, and the Medicare Shared Savings Program (MSSP) model in Medicare fee-for-service. Also, substantial growth is expected in the specialty VBC model, where penetration in areas like orthopedics and nephrology could more than double in the next five years.

VBC models are undergoing changes as CMS updates its risk adjustment methodology and as models continue to expand beyond primary care to other specialties (for example, nephrology, oncology, and orthopedics). We expect established models that offer improvements in cost and quality to continue to thrive. The transformation of VBC business models in response to pressures from the current changes could likely deliver outsized improvement in cost and quality outcomes. The penetration of VBC business models is likely to lead to shifts in health delivery profit pools, from acute-care settings to other sites of care such as ambulatory surgical centers, physician offices, and home settings.

Payers: Government segments are expected to be 65 percent larger than commercial segments by 2027

In 2022, overall payer profit pools were $60 billion. Looking ahead, we estimate EBITDA to grow to $78 billion by 2027, a 5 percent CAGR, as the market recovers and approaches historical trends. Drivers are likely to be margin recovery of the commercial segment, inflation-driven incremental premium rate rises, and increased participation in managed care by the duals population. This is likely to be partially offset by margin compression in Medicare Advantage due to regulatory pressures (for example, risk adjustment, decline in the Stars bonus, and technical updates) and membership decline in Medicaid resulting from the expiration of the public health emergency.

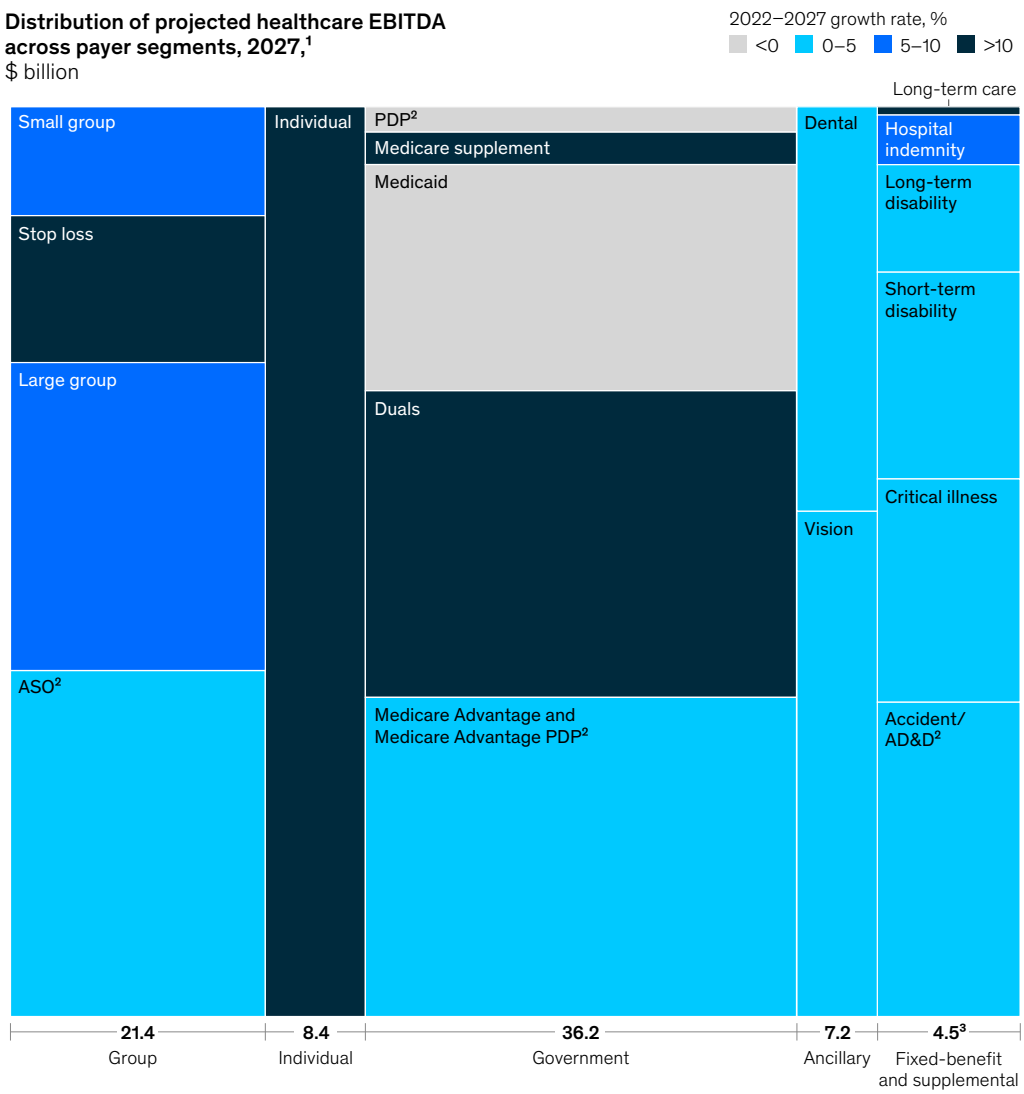
We estimate increased labor costs and administrative expenses to reduce payer EBITDA by about 60 basis points in 2023. In addition, health systems are likely to push for reimbursement rate increases (up to about 350 to 400 basis-point incremental rate increases from 2023 to 2027 for the commercial segment and about 200 to 250 basis points for the government segment), according to McKinsey analysis and interviews with external experts.[3]

[2] Meghana Ammula and Jennifer Tolbert, "10 things to know about the unwinding of the Medicaid Continuous Enrollment requirement," Kaiser Family Foundation, October 25, 2022.
[3] For further information on the government segment, see "Medicare Payment Advisory Commission public meeting," Medicare Payment Advisory Commission, December 8, 2022.

Exhibit 2

By 2027, estimated profit pools for government segments will be about 65 percent larger than commercial segments driven by accelerated Medicare Advantage penetration.

Distribution of projected healthcare EBITDA across payer segments, 2027,[1]
$ billion



[1]Figures exclude investment income.
[2]AD&D = accidental death and dismemberment; ASO = administrative services only; PDP = prescription drug plan.
[3]Excluding losses from long-term care insurance, total profit in fixed-benefit and supplemental products is $11.0 billion; the width of the vertical represents this amount.
Source: McKinsey Profit Pools Model

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Our estimates also suggest that the mix of payer profit pools is likely to shift further toward the government segment (Exhibit 2). Overall, the profit pools for this segment are estimated to be about 65 percent greater than the commercial segment by 2027 ($36 billion compared with $21 billion). This shift would be a result of increasing Medicare Advantage penetration, estimated to reach 52 percent in 2027, and likely continued growth in the duals segment, expanding EBITDA from $7 billion in 2022 to $12 billion in 2027.

Profit pools for the commercial segment declined from $18 billion in 2019 to $15 billion in 2022. We now estimate the commercial segment's EBITDA margins to regain historical levels by 2027, and profit pools to reach $21 billion, growing at a 7 percent CAGR from 2022 to 2027. Within this segment, a shift from fully insured to self-insured businesses could accelerate in the event of an economic slowdown, which prompts employers to pay greater attention to costs. The fully insured group enrollment could drop from 50 million in 2022 to 46 million in 2027, while the self-insured segment could increase from 108 million to 113 million during the same period.

Health systems: Transformation efforts help accelerate EBITDA recovery

In 2023, health-system profit pools continued to face substantial pressure due to inflation and labor shortages. Estimated growth was less than 5 percent from 2022 to 2023, remaining below prepandemic levels. Health systems have undertaken major transformation and cost containment efforts, particularly within the labor force, helping EBITDA margins recover by up to 100 basis points; some of this recovery was also volume-driven.

Looking ahead, we estimate an 11 percent CAGR from 2023 to 2027, or total EBITDA of $366 billion by 2027 (Exhibit 3). This reflects a rebound from below the long-term historical average in 2023, spurred by transformation efforts and potentially higher reimbursement rates. We anticipate that health systems will likely seek reimbursement increases in the high single digits or higher upon contract renewals (or more than 300 basis points above previous levels) in response to cost inflation in recent years.

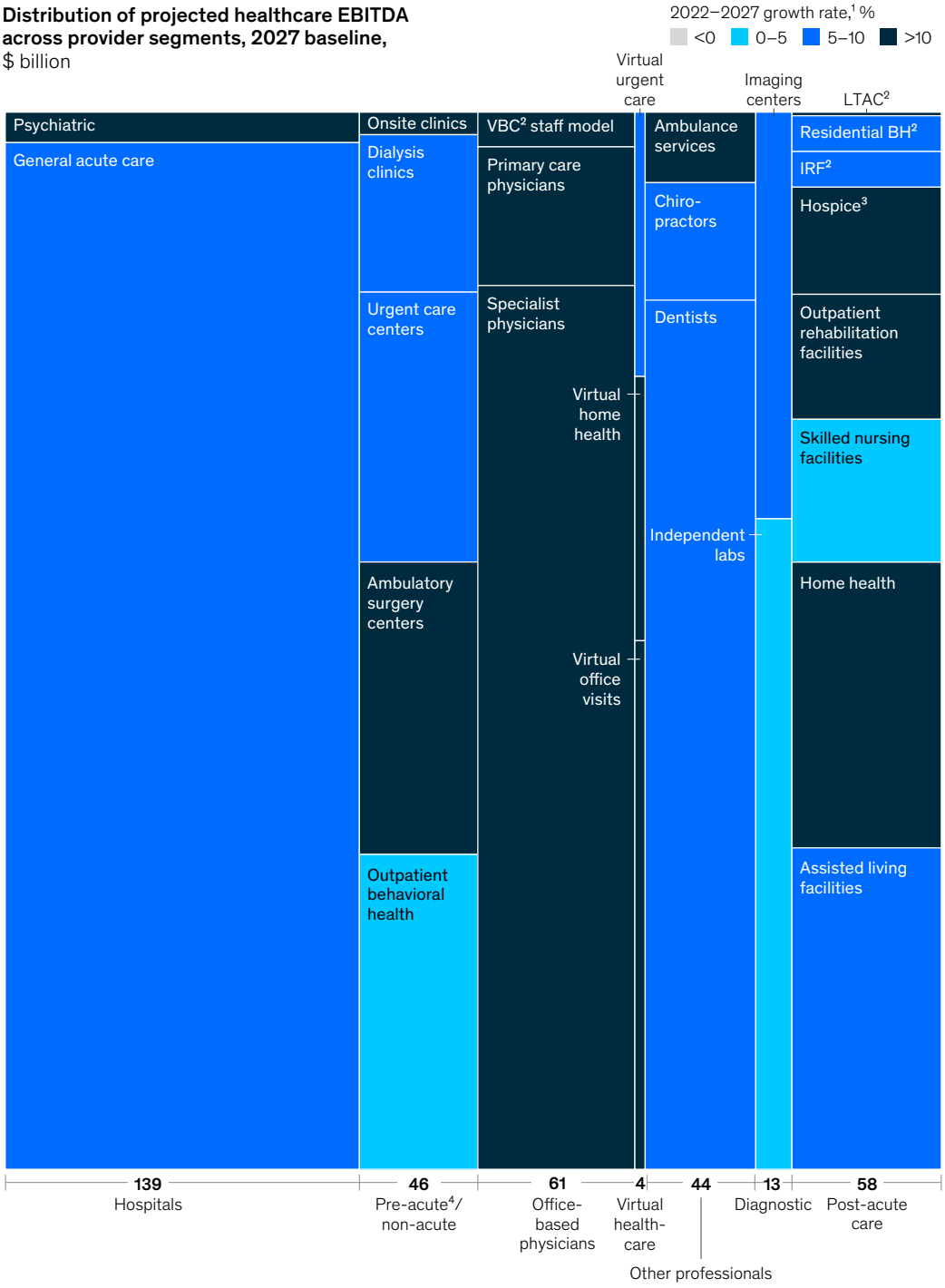
Measures to tackle rising costs include improving labor productivity and the application of technological innovation across both administration and care delivery workflows (for example, further process standardization and outsourcing, increased use of digital care, and early adoption of AI within administrative workflows such as revenue cycle management). Despite these measures, 2027 industry EBITDA margins are estimated to be 50 to 100 basis points lower than in 2019, unless there is material acceleration in performance transformation efforts.

There are some meaningful exceptions to this overall outlook for health systems. Although post-acute-care profit pools could be severely affected by labor shortages (particularly nurses), other sites of care might grow (for example, non-acute and outpatient sites such as physician offices and ambulatory surgery centers). We expect accelerated adoption of VBC to drive growth.

Exhibit 3

Most provider segments will grow more than 5 percent CAGR due to lower 2022 base driven by cost increases.

Distribution of projected healthcare EBITDA across provider segments, 2027 baseline, $ billion



[1]EBITDA CAGR based on growth in nominal dollar margins.
[2]BH = behavioral health; IRF = inpatient rehabilitation facilities; LTAC = long-term acute care hospitals; OP = outpatient; VBC = value-based care.
[3]Hospice includes palliative care centers.
[4]Other pre-acute segments like retail clinics and FSED are not expected to contain a sizeable distribution of projected healthcare EBITDA.
Source: McKinsey Profit Pools Model

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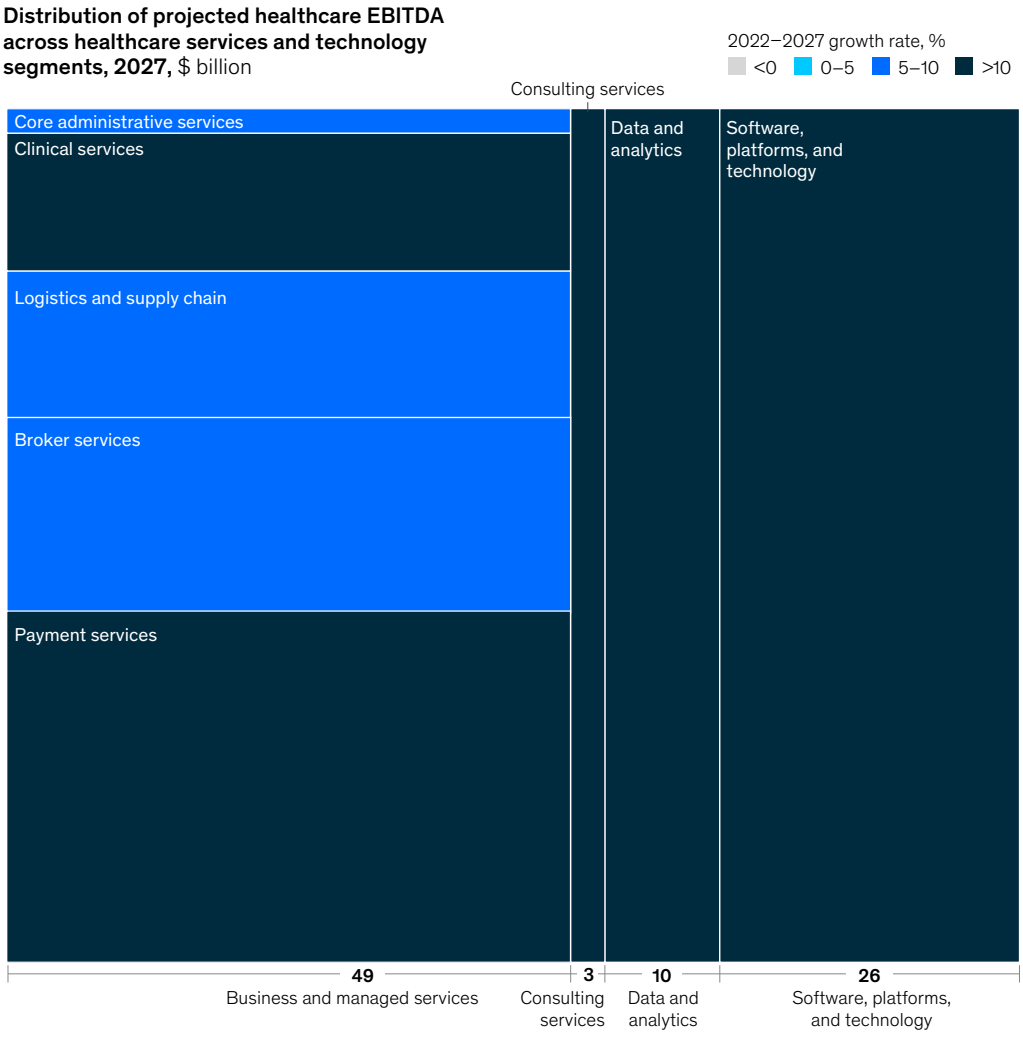
HST profit pools will grow in technology-based segments

HST is estimated to be the fastest-growing sector in healthcare. In 2021, we estimated HST profit pools to be $51 billion. In 2022, according to our estimates, the HST profit pool shrank to $49 billion, reflecting a contracting market, wage inflation pressure, and the drag of fixed-technology investment that had not yet fulfilled its potential. Looking ahead, we estimate a 12 percent CAGR in 2022–27 due to the long-term underlying growth trend and rebound from the pandemic-related decline (Exhibit 4). With the continuing technology adoption in healthcare, the greatest acceleration is likely to happen in software and platforms as well as data and analytics, with 15 percent and 22 percent CAGRs, respectively.

In 2023, we observed an initial recovery in the HST market, supported by lower HST wage pressure and continued adoption of technology by payers and health systems searching for ways to become more efficient (for example, through automation and outsourcing).

Exhibit 4

Healthcare services and technology profit pools are projected to continue positive growth, particularly in technology-focused segments.



Source: McKinsey Profit Pools Model

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Three factors account for the anticipated recovery and growth in HST. First, we expect continued demand from payers and health systems searching to improve efficiency, address labor challenges, and implement new technologies (for example, generative AI). Second, payers and health systems are likely to accept vendor price increases for solutions delivering measurable improvements. Third, we expect HST companies to make operational changes that will improve HST efficiency through better technology deployment and automation across services.

Pharmacy services will continue to grow

The pharmacy market has undergone major changes in recent years, including the impact of the COVID-19 pandemic, the establishment of partnerships across the value chain, and an evolving regulatory environment. Total pharmacy dispensing revenue continues to increase, growing by 9 percent to $550 billion in 2022,[4] with projections of a 5 percent CAGR, reaching $700 billion in 2027.[5] Specialty pharmacy is one of the fastest growing subsegments within pharmacy services and accounts for 40 percent of prescription revenue[6]; this subsegment is expected to reach nearly 50 percent of prescription revenue in 2027 (Exhibit 5). We attribute its 8 percent CAGR in revenue growth to increases in utilization and pricing as well as the continued expansion of pipeline therapies (for example, cell and gene therapies and oncology and rare disease therapies) and expect that the revenue growth will be partially offset by reimbursement pressures, specialty generics, and increased adoption of biosimilars. Specialty pharmacy dispensers are also facing an evolving landscape with increased manufacturer contract pharmacy pressures related to the 340B Drug Pricing Program. With restrictions related to size and location of contract pharmacies that covered entities can use, the specialty pharmacy subsegment has seen accelerated investment in hospital-owned pharmacies.

Retail and mail pharmacies continue to face margin pressure and a contraction of profit pools due to reimbursement pressure, labor shortages, inflation, and a plateauing of generic dispensing rates.[7] Many chains have recently announced[8] efforts to rationalize store footprints while continuing to augment additional services, including the provision of healthcare services.

Over the past year, there has also been increased attention to broad-population drugs such as GLP-1s (indicated for diabetes and obesity). The number of patients meeting clinical eligibility criteria for these drugs is among the largest of any new drug class in the past 20 to 30 years. The increased focus on these drugs has amplified conversations about care and coverage decisions, including considerations around demonstrated adherence to therapy, utilization management measures, and prescriber access points (for example, digital and telehealth services). As we look ahead, patient affordability, cost containment, and predictability of spending will likely remain key themes in the sector. The Inflation Reduction Act is poised to change the Medicare prescription Part D benefit, with a focus on reducing beneficiary out-of-pocket spending, negotiating prices for select drugs, and incentivizing better management of high-cost drugs. These changes, coupled with increased attention to broad-population drugs and the potential of high-cost therapies (such as cell and gene therapies), have set the stage for a shift in care and financing models.

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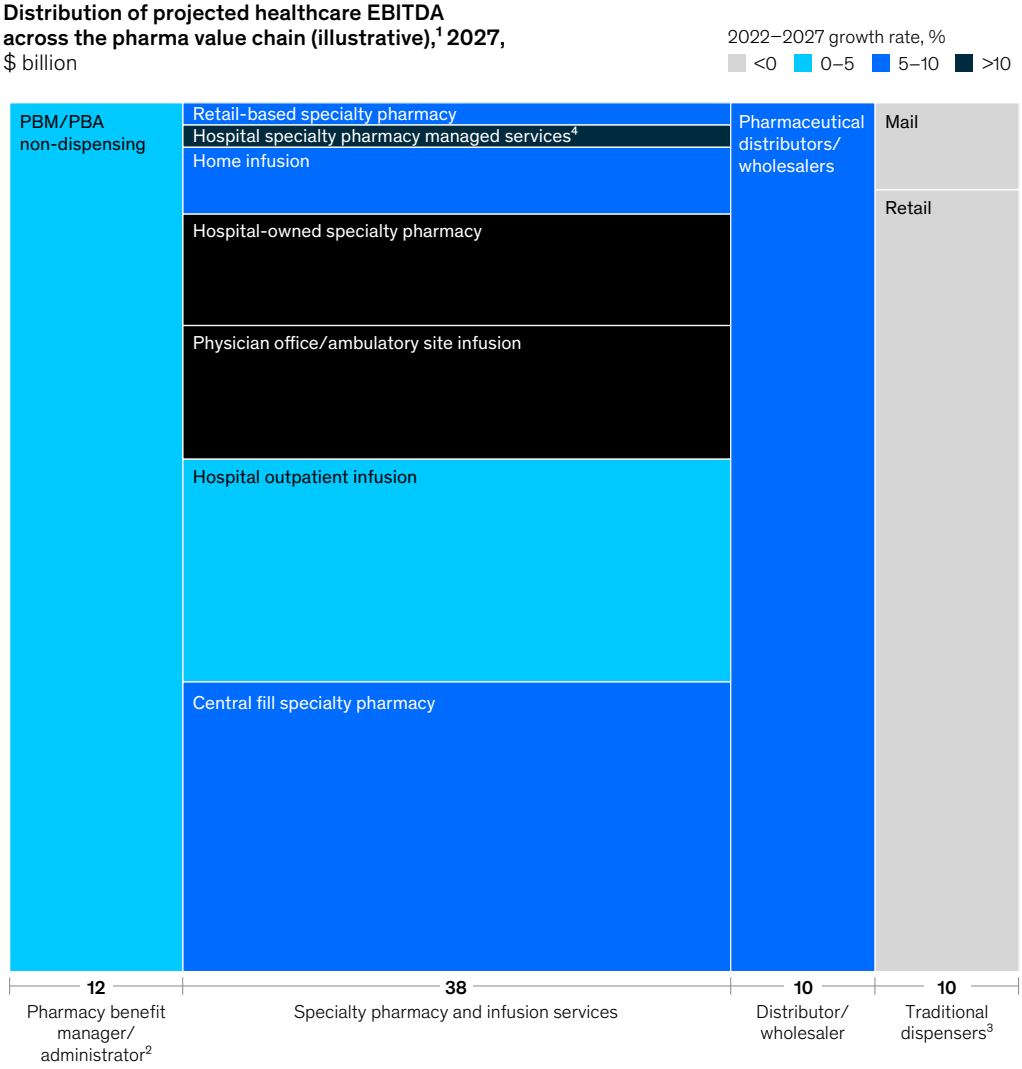
[4] This metric excludes rebates and discounts paid by manufacturers to pharmacy benefit managers and plan sponsors; it includes pharmacy benefit drugs only.
[5] Adam J. Fein, "The 2023 economic report on US pharmacies and pharmacy benefit managers," Drug Channels Institute, 2023.
[6] This figure excludes rebates and does not represent payers' net spending.
[7] "Meeting changing consumer needs: The US retail pharmacy of the future," McKinsey, March 17, 2023.
[8] Pamela N. Danziger, "Drugstore downsizing: CVS, Walgreens and Rite Aid to close nearly 1,500 stores," *Forbes,* September 27, 2023; Jin Yu Young, "Rite Aid is closing 154 stores as it starts to shed debt," *New York Times,* October 19, 2023.

Exhibit 5

Pharmacy services will continue to see benefits from the growth of specialty pharmacy.

Distribution of projected healthcare EBITDA across the pharma value chain (illustrative),[1] 2027, $ billion



[1]Sub-segment numbers may not sum to segment totals due to rounding.
[2]Excludes profit earned by PBM-owned specialty pharmacies and mail pharmacies, which is captured under central fill specialty pharmacy and mail respectively.
[3]Excludes specialty pharmacy (specialty dispensed through retail channels is captured under retail-based specialty pharmacy).
[4]Specialty pharmacy services outsourced to vendors such as Shields/Trellis.
Source: McKinsey Profit Pools Model

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The US healthcare industry faced demanding conditions in 2023, including continuing high inflation rates, labor shortages, and endemic COVID-19. However, the industry has adapted. We expect accelerated improvement efforts to help the industry address its challenges in 2024 and beyond, leading to an eventual return to historical-average profit margins.

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The authors wish to thank Shahed Al-Haque, Maciej Biernacki, Claudia Castelino, Zachary Greenberg, Scott Heim, Ankit Jain, Gaurav Kohli, and Siddharth Manot for their contributions to this article.

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AMERICAN NURSES FOUNDATION

Healthcare Practice

How to bridge the experience gap by supporting nurses of all tenures

With leaving still on nurses' minds, organizations that address the varying needs and preferences of nurses of all tenures can help mitigate departures and create more rewarding experiences for all.

This article is a collaborative effort by Gretchen Berlin, Faith Burns, Adriane Griffen, Stephanie Hammer, Amy Hanley, Kate Judge, and Mhoire Murphy, representing views from McKinsey's Healthcare Practice and the American Nurses Foundation.

March 2024

From baby boomers to Gen Zers, the question of how the four generations comprising today's workforce[1] can best work together gets a lot of attention. Personal and professional experiences, levels of training, employer expectations, and career outlook can vary across generations. In nursing, tenure is a particularly nuanced factor that adds complexity to the discussion on workforce dynamics and may be one of the more definitive features of employee experience and, ultimately, retention.

As healthcare organizations and other stakeholders refine their strategies for bolstering the nursing workforce, it is critical to incorporate the nuanced needs and preferences of nurses at different stages of their careers. To this end, we surveyed 5,772 nurses across tenures in October 2023 as part of an ongoing research collaboration between the American Nurses Foundation (the Foundation) and McKinsey (see sidebar, "About the research collaboration between the American Nurses Foundation and McKinsey"). The survey results provide insights into opportunities to bridge the experience gap and support nurses across their career continuum.

The survey analyzed three specific nurse cohorts: early-tenure nurses (less than five years of nursing experience), midtenure nurses (five to less than 21 years), and most-tenured nurses (21 or more years). When notable differences were reported within these cohorts, the specific tenure range was also noted.

Across all experience levels, intent to leave the bedside remains high for surveyed nurses. About 30 percent of survey respondents indicated they were at least somewhat likely to leave their positions in the next six months. This is particularly acute in the early-tenure population, where a greater proportion of surveyed nurses reported considering leaving (about 45 percent) compared with midtenure (31 percent) and most-tenured nurses (27 percent).

The early-tenure population is particularly important to retain as more experienced nurses

[1] Elka Torpey, "Millennials in the labor force, projected 2019–29," US Bureau of Labor Statistics, November 2020.

About the research collaboration between the American Nurses Foundation and McKinsey

The American Nurses Foundation (the Foundation) is a national research, educational, and philanthropic affiliate of the American Nurses Association committed to advancing the nursing profession by serving as a thought leader, catalyst for action, convener, and funding conduit. The Foundation and McKinsey have partnered to assess and report on trends related to the nursing profession. A foundational part of this effort is jointly publishing novel insights related to supporting nurses throughout their careers. The first publication from the research partnership, "Understanding and prioritizing nurses' mental health and well-being," was based on a survey conducted in April and May 2023.[1]

This is the second publication from the research partnership and is based on a survey of 5,772 nurses across the United States, conducted in October 2023. The intent of this new research is to better understand surveyed nurses' experiences, needs, preferences, and career intentions.

As part of the research, we asked nurses to share how much nursing experience they had based on these categories: less than two years, two to four, five to ten, 11 to 20, 21 to 30, 31 to 40, 41 to 50, and more than 50 years. Respondents were provided a disclaimer prior to completing the survey that results would be anonymous and shared only in aggregate. All survey questions were based on the experiences of the individual professional. All questions were also optional for survey respondents; therefore, the number of responses may vary by question. Additionally, publicly shared examples, tools, and healthcare systems referenced in this article are representative of actions that stakeholders are taking to address workforce challenges.

[1] "Understanding and prioritizing nurses' mental health and well-being," McKinsey, November 6, 2023.

reach retirement age. Supporting and retaining midtenure and most-tenured nurses is also crucial given the critical role they play in teaching and mentoring those newer to the profession. In fact, finding creative ways to enable not only nurses nearing retirement but also those already retired to participate in direct patient care activities or coaching could help fill part of the experience void—and this cohort appears open to doing so if their needs and preferences were met.

We asked nurses who indicated they were currently or previously retired what would make them consider returning to clinical nursing. Of the 179 survey respondents, 45 percent reported that having the ability to set their own schedule would make them consider returning to clinical nursing, 34 percent wanted the ability to serve as an educator, and 31 percent wanted the ability to mentor nurses. Surveyed nurses across tenures indicated that there is a need to enact structures that would enable more robust onboarding and training for new nurses, promote team building, and create safe working environments through policies designed to prevent incivility and bullying.

Understanding the common needs of the nursing workforce as well as unique tenure-specific qualities can help hospital leaders find tangible ways to create collaborative and sustainable environments that would benefit nurses across the entirety of their careers. In this article, we explore how a positive team environment, across and between all tenures, can promote well-being and holistic employee health.

How the work environment can affect nurses

It's no surprise that a team environment can substantially affect both health and burnout. Positive team characteristics, such as a sense of belonging, psychological safety, opportunities to learn and grow, and coworker support, were among the top indicators of an employee's holistic health, according to a global survey conducted by the McKinsey Health Institute (MHI) across industries last year.[2] Negative team characteristics, such as toxic workplace behavior and interpersonal conflict, were strongly linked with burnout.

MHI's findings were reflected in the sentiments of early-tenure nurses in our survey. These respondents indicated that they were looking for a work environment where they felt supported and could learn from more-tenured nurses, but reported sometimes experiencing a negative environment, which can contribute to burnout. While in our May 2023 survey, nurses overall reported that they were indeed feeling burned out and that their mental health was suffering, nurses with less than five years of experience more often reported lower satisfaction with their roles, greater intent to leave their roles, and experiencing burnout.[3]

In our October 2023 survey, we examined how negative sentiments after working a shift may be affecting nurses' intent to leave. We asked nurses to select an adjective or sentiment for how they felt after they finished working a shift with each nursing tenure, including their peer group. When we compared intent to leave with the sentiments each nurse shared, there was a positive correlation between those who reported more negative sentiments and those who reported a greater intent to leave. This is particularly salient for stakeholders, as it provides a glimpse into how culture and team dynamics may affect nurses and their likelihood to stay in their current roles.

Nurses' sentiments about working with those of different tenures

To better understand the overall nursing experience, it is important to evaluate each tenure, including the unique needs, preferences, and experiences of the nurses in each tenure, as well as where there is common ground among tenures. Not surprisingly, we found some distinct nuances to

[2] Jacqueline Brassey, Brad Herbig, Barbara Jeffery, and Drew Ungerman, "Reframing employee health: Moving beyond burnout to holistic health," McKinsey Health Institute, November 2, 2023.
[3] "Understanding and prioritizing nurses' mental health and well-being," McKinsey, November 6, 2023.

each group's professional experience but also many commonalities to build upon.

Our joint research highlighted that nurses' experiences working with different tenures may affect how they feel at the end of their shifts (Exhibit 1)—even though nurses are likely to tell you there is no such thing as a typical shift or day for them.

Surveyed nurses were asked to select the top sentiments they felt after working a shift. Early-tenure nurses more often reported feeling supported by midtenure nurses (29 percent) than feeling supported by most-tenured nurses (17 percent). Early-tenure nurses also more often said that they felt frustrated by their most-tenured colleagues (12 percent), compared with midtenure nurses (8 percent). Additionally, early-tenure nurses more often reported feeling intimidated by most-tenured nurses (12 percent) than by their midtenure coworkers (2 percent).

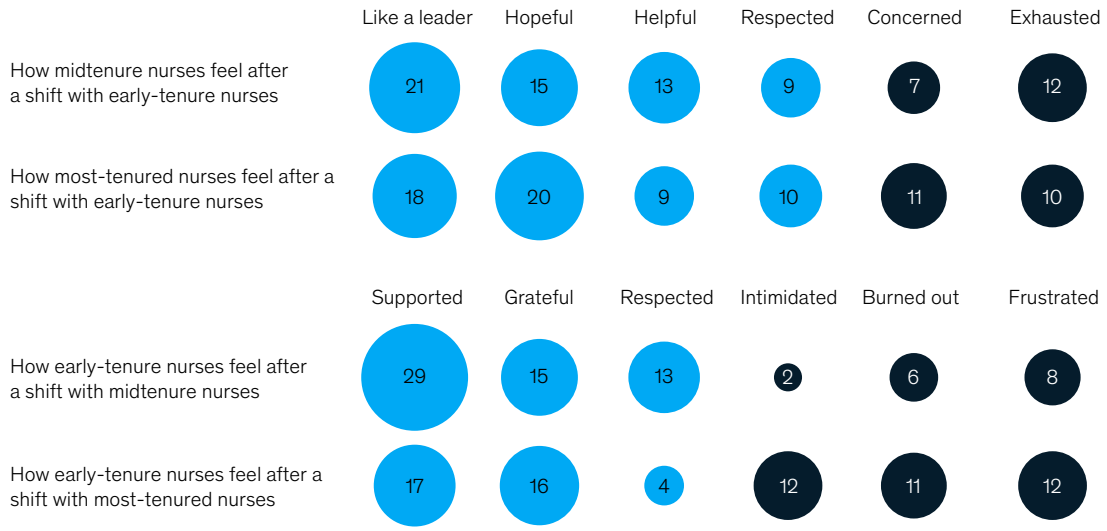
Despite these negative sentiments, however, about 75 percent of early-tenure nurse respondents reported that they agreed or strongly agreed that they enjoyed working with most-tenured nurses. More than 80 percent reported that they viewed most-tenured nurses as "a great resource to learn from" (Exhibit 2). These sentiments were consistent across early-tenure nurses with less than two years of experience and those with more than two years but less than five years of experience.

These two early-tenure nurse subsets differed, however, when reflecting on shifts with midtenure colleagues, most evidently on whether midtenure nurses "have the time and capacity to train and coach them." About 25 percent of those with less than two years of experience reported that they

Exhibit 1

Nurses share a range of sentiments following their shifts with nurses of different tenures.

How nurses feel after working a shift with nurses of different tenures,[1] % of respondents (n = 3,638)



[1]Question: After finishing a shift with early-tenure/midtenure/most-tenured nurses, how do you feel? Top 6 sentiment responses.
Source: American Nurses Foundation Nurses Survey, Oct 2023

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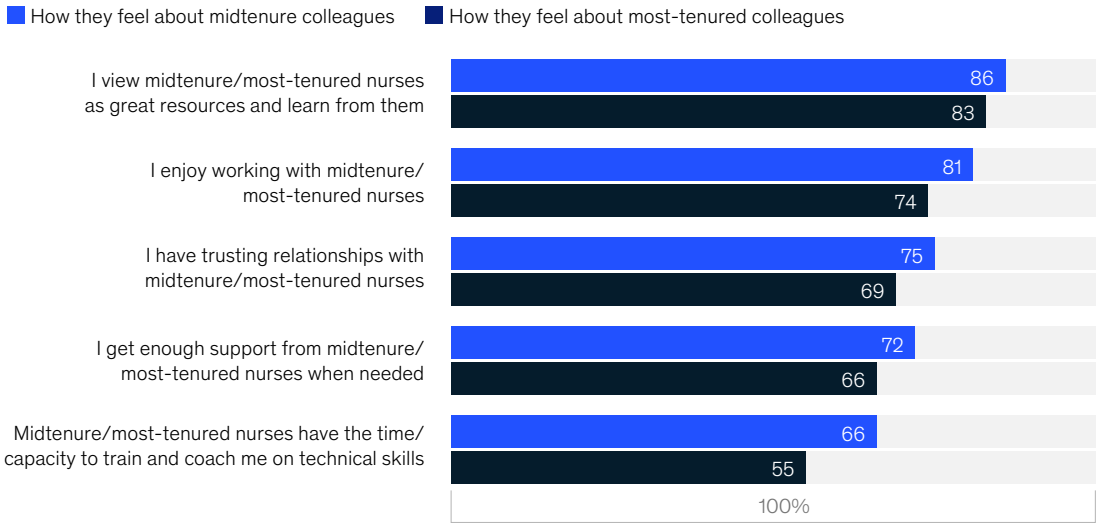
Exhibit 2

Early-tenure nurses say that midtenure and most-tenured nurses are great resources but may not have time to provide coaching or training.

How early-tenure nurses feel about their colleagues, by tenure,[1] % of respondents agreeing (n = 281)



[1]Question: To what extent do you agree or disagree with the following statements? Those answering "agree" and "strongly agree" are shown.
Source: American Nurses Foundation Nurses Survey, Oct 2023

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disagreed or strongly disagreed, compared with about 11 percent of nurses with more than two years but less than five years of experience.

Midtenure and most-tenured nurses were fairly aligned with each other in terms of how they felt about working with early-tenure nurses. Midtenure and most-tenured nurses reported feeling hopeful, like a leader, and respected. Yet they also noted being exhausted and concerned after a shift with early-tenure nurses. In fact, only half of most-tenured and midtenure nurses reported that they got enough support from early-tenure nurses.

This response may indicate that midtenure nurses feel that early-tenure nurses entering the workforce require more support than they can provide (for example, if they are managing more complex patients while also training new joiners). Nonetheless, about 75 percent of both midtenure and most-tenured nurse respondents shared that they enjoyed working with early-tenure nurses (Exhibit 3). Greater than 70 percent of midtenure and most-tenured nurses said they felt energized or personally fulfilled by supporting early-tenure nurses in learning and developing, but more than 33 percent reported that they didn't have the time or capacity to train or coach others.

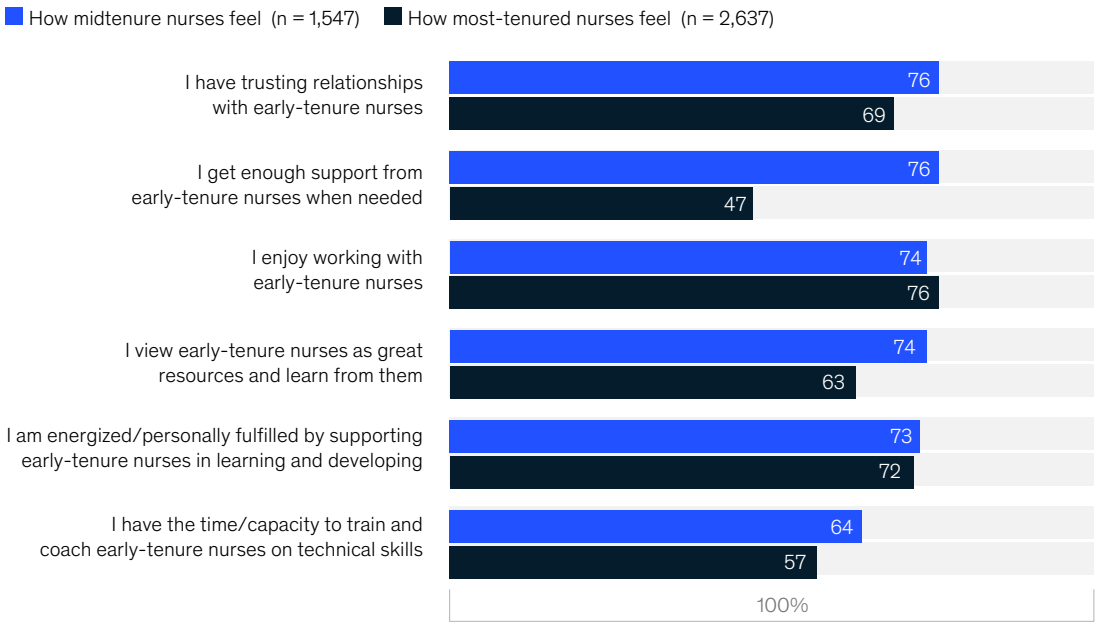
Actions to improve collaborative work across tenures

To address the unique challenges facing each tenure and strengthen retention, it is imperative for organizations to evaluate how and where to deploy resources that best match the needs of nurses across their career continuum. To identify tactical, actionable solutions, organizations need a better understanding of what initiatives nurses think could improve the experience of a multitenure workforce and how to create environments that are more collaborative. We also looked at additional cross-

Exhibit 3

Midtenure and most-tenured nurses say that they enjoy working with early-tenure nurses but at times desire more support.

How midtenure and most-tenured nurses feel about early-tenure nurses,[1]
% of respondents agreeing (n = 4,184)



[1]Question: To what extent do you agree or disagree with the following statements? Those answering "agree" and "strongly agree" are shown.
Source: American Nurses Foundation Nurses Survey, Oct 2023

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cutting strategies for recruitment and retention, such as flexibility.

Ultimately, the interventions an organization chooses will depend on the makeup of its staff and the organization's goals for its nursing pipeline. However, by using the preferences that the nurses in our survey shared, there are three potential avenues that organizations can consider.

Enhance flexibility for all

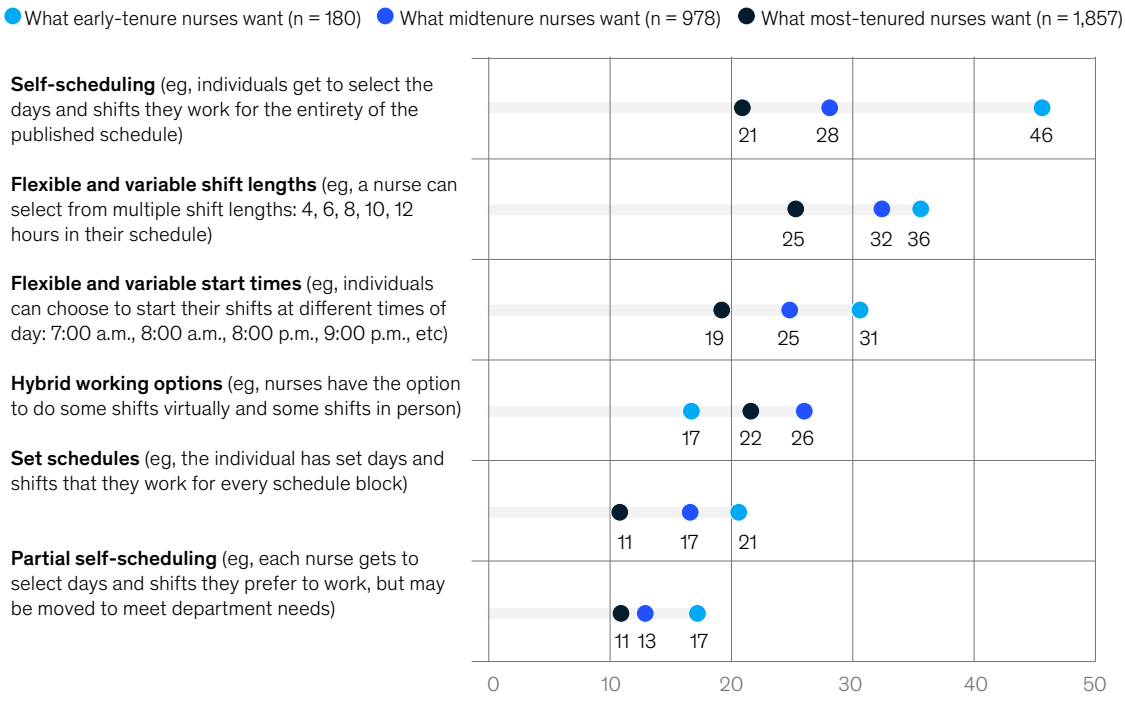
Providing schedule flexibility could be helpful not only for nurses who are currently practicing but also to potentially bring back retired nurses. Nearly a third of respondents reported that their employers didn't offer any type of shift flexibility. Among those who worked at places offering some schedule flexibility, more than 30 percent of early-tenure nurses reported feeling neutral to very dissatisfied with the available options, and 25 percent of midtenure and most-tenured nurses reported the same.

We asked nurses to select all the flexible-schedule options that mattered the most to them (Exhibit 4). Across all tenures, nurses expressed a desire for self-scheduling (for example, everyone gets to select the days and shifts they work for the entirety of the published schedule). This was particularly important for early-tenure nurses, with 46 percent selecting this as an important scheduling option. Additionally, all nurses wanted their employers to offer variable and flexible shift lengths (for example, four, six, eight, ten, and 12 hours). Among early-tenure nurses, 36 percent selected this as a desired scheduling option, while 32 percent of midtenure nurses chose this option. Early-tenure

Exhibit 4

Types of desired flexible work and scheduling options varied greatly by nurse tenure.

What nurses want in flexible work and scheduling, by tenure,[1]
% of respondents (n = 3,015) *(ordered by highest average to lowest)*



[1]Question: What flexible work/scheduling options would you like your employer to offer? Select all that apply.
Source: American Nurses Foundation Nurses Survey, Oct 2023

McKinsey & Company

nurses also requested flexible and variable start times (for example, 7:00 a.m., 8:00 p.m., et cetera), while midtenure and most-tenured nurses opted for hybrid working options.

Some organizations have started utilizing technology to support flexible scheduling options. For example, Providence partnered with healthcare platform CareRev to provide unclaimed shifts to nurses or care providers in nontraditional increments, such as 9:00 a.m. to 2:00 p.m., which could then free up nurses to perform daytime activities such as dropping off and picking up their kids from school.[4] Similarly, SSM Health partnered with the app ShiftMed to offer open shifts to its workforce. The partnership gave SSM Health the opportunity to pilot flexible shift options, start times, and roles and allowed them to fill more than 85 percent of their 25,000 posted shifts per quarter.[5]

The exodus from the workforce of the many nurses nearing retirement age[6] may mean the loss of decades of expertise and institutional knowledge. Some organizations have implemented programs

[4] "Flexible staffing models cut costs, attract workers," *Becker's Hospital Review*, January 2, 2024.
[5] "How on-demand staffing benefited SSM Health," *Becker's Hospital Review*, December 28, 2023.
[6] "Nursing workforce fact sheet," American Association of Colleges of Nursing, updated July 2023.

that provide flexibility and schedule relief to these most-tenured preretirement nurses. Indeed, being able to set their own schedule was the top response among the 1,640 respondents who identified as eligible for retirement, with 46 percent sharing that this would encourage them to consider delaying their retirement. And 45 percent of nurses who were currently or previously retired indicated that this would make them consider rejoining the workforce.

Examples of organizations that have focused on bringing nurses back to their organizations by using flexibility include Henry Ford Health and Northwestern Memorial HealthCare. Henry Ford Health focused on outreach to nurses who left the workforce during the COVID-19 pandemic. It offered flexible opportunities, including internal travel nurse programs and weekend-only options. This strategy resulted in about 25 percent of nurses returning to the organization.[7] Similarly, Northwestern Memorial HealthCare concentrated on opportunities it called "knowledge worker" roles, which may be less physically demanding than a bedside position and allow nurses to participate in its innovative nursing models, including remote intensive care unit care and virtual nursing.[8]

Bolster mentorship opportunities

Asking nurses how they felt after working a shift revealed a road map of what they need, as well as the barriers they encounter when nurses don't have the time or resources to follow this plan. Early-tenure nurses indicated they wanted to learn from their midtenure and most-tenured coworkers, with 18 percent ranking formal mentorship programs as a top initiative to support a positive work environment. About 72 percent of midtenure and most-tenured nurses shared that they felt energized and fulfilled when they could teach and coach their early-tenure colleagues. However, only about 60 percent of midtenure and most-tenured nurses shared that they had adequate time or capacity to coach and teach. This can lead to sentiments of confusion, burnout, intimidation, and frustration.

Although many nurses are already feeling stretched and mentally exhausted, there may be a key group of nurses with the expertise, bandwidth, and desire to support onboarding and mentoring programs. We asked nurses who had not yet retired to select the top three things that their employers could do for them to consider staying in their role. While the ability to set their own schedule was the top response (46 percent), 27 percent reported that being able to work as a nurse educator or in a virtual-nurse capacity would be attractive.

Among nurses who have retired or were previously retired, similar sentiments were shared (Exhibit 5). More than 30 percent reported that being able to serve as an educator or focus on mentoring newer nurses would be enough to make them consider rejoining the workforce.

As a growing number of nurses reach retirement age, organizations have an opportunity to create roles that honor the expertise of these often more-tenured nurses while promoting a work environment that is collaborative and positive for early-tenure nurses. Facilities within the Mass General Brigham healthcare system piloted a formal mentoring program in which early-tenure nurses meet every two weeks for three months with more-tenured nurses. The organization considers this to be paid educational time. Reviews from the pilot show that job satisfaction increased for both new and experienced nurses.[9] Similarly, the AARP Center for Health Equity through Nursing is recruiting working and retired nurses for its mentorship program, which is focused on nursing students in underrepresented communities, as part of its Campaign for Action focused on health equity.[10]

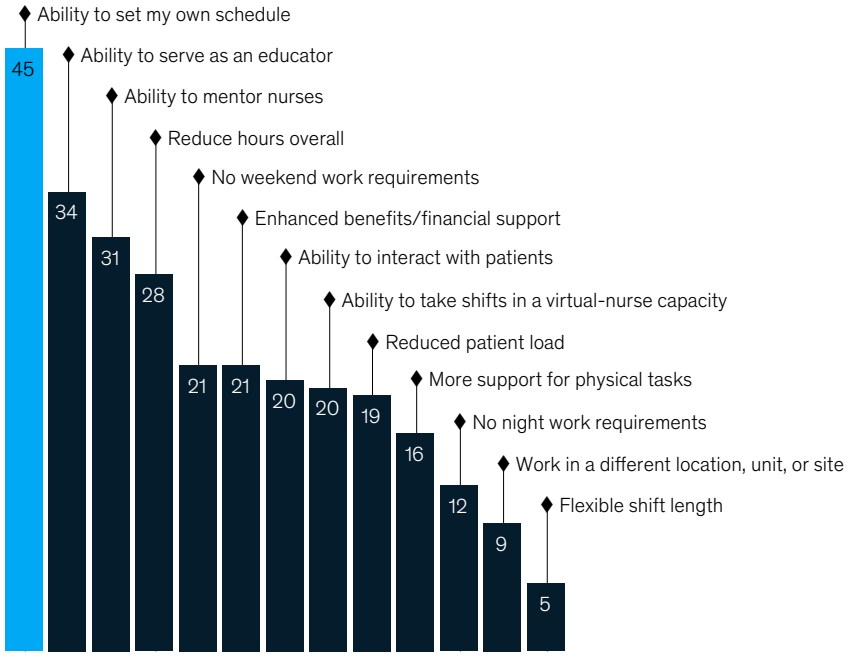
In addition, adequate support for new graduates entering the workforce was indicated as the number-one contributor toward a positive work environment among all three tenure cohorts. For example, the Practice Transition Accreditation Program, an evidence-based accredited registered nurse residency and fellowship program created by

[7] Mackenzie Bean and Erica Carbajal, "How Henry Ford rehired 25% of nurses who left during the pandemic," *Becker's Hospital Review*, February 15, 2023.
[8] Ibid.
[9] "New nurse mentorship program provides ongoing connections, deepens professional investment," Cooley Dickinson Health Care, April 15, 2022.
[10] "Help wanted: Nurse mentors for a more diverse nurse workforce," Campaign for Action, April 11, 2023.

Exhibit 5

Currently or previously retired nurses report they would consider returning to the bedside if they could set their schedule or educate or mentor nurses.

Reasons to return to clinical nursing,[1] % of respondents (n = 179)



[1]Question: What would make you consider returning to clinical nursing (select top 3)? Includes respondents who indicated they were or had been retired.
Source: American Nurses Foundation Nurses Survey, Oct 2023

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the American Nurses Credentialing Center (ANCC), demonstrated an 85.3 percent retention over 12 months, compared with the industry average of 71.3 percent.[11]

Promote team building and safe spaces

Personal working styles in any work environment can vary greatly depending on the individual; however, in healthcare specifically, teams should work cohesively and collaboratively. When surveyed nurses were asked to choose the top three most important factors for creating a collaborative working environment, nurses across all tenures selected team building as a top initiative.

Healthcare organizations may not need to look far to find processes to support better collaboration and understanding among team members. Many organizations use after-action reviews following patient safety events to assess and reflect on what went well and what needs to be improved to prevent such future incidents.[12] Additionally, it may be beneficial for departments to conduct more frequent check-ins, huddles, and team-building exercises to give nurses and health professionals an opportunity to share experiences and establish

[11] "ANCC PTAP accredited programs: Data gathered from PTAP accredited RN programs Oct. 2022–Sept. 2023," American Nurses Credentialing Center; ANCC is a subsidiary of the American Nurses Association (ANA), while McKinsey's partner for this research, American Nurses Foundation, is ANA's research, education, and charitable affiliate.
[12] Catherine Hogan et al., "Effect of after action review on safety culture and second victim experience and its implementation in an Irish hospital: A mixed methods study protocol," *PLoS One*, 2021, Volume 16, Issue 11.

norms for their working culture. Often conducted at the beginning of shifts, huddles may also allow departments to set up working models and provide a platform for staff to get to know one another more informally, which can build trust and professional collaboration.

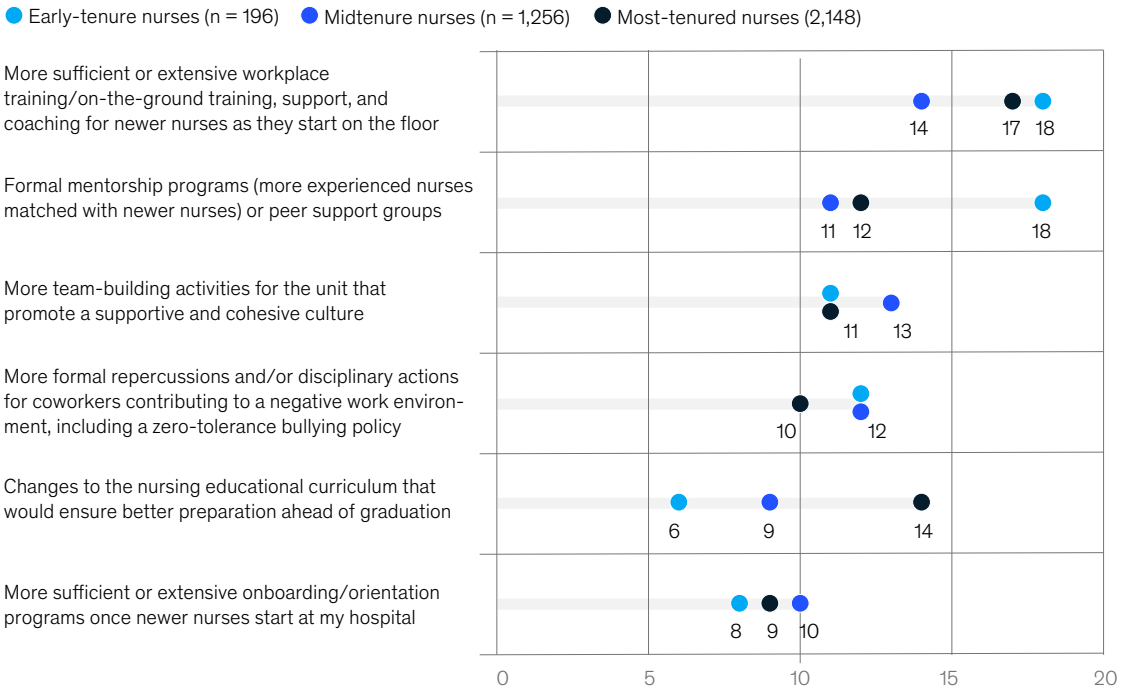
Another example initiative that could help build a more supportive environment is the Schwartz Rounds program. It was established as a contrast to traditional patient rounding, which tends to focus on patient needs and barriers to care. Instead, the Schwartz Rounds program offers healthcare providers time and space to discuss the social and emotional issues they face while caring for patients and families. The benefits include improved teamwork, better interdisciplinary communication, and a greater appreciation for different roles and disciplines, as well as a decrease in feelings of stress and isolation.

Other actions that stakeholders can consider include establishing and enforcing policies that create space for nurses to feel safe at work. Among early-tenure and midtenure nurses, 12 percent reported that a top priority was formal policies and enforcement against bullying (Exhibit 6). Bullying, incivility, and verbal abuse

Exhibit 6

Nurses of all tenures seek a positive work environment through training, teamwork, and mentorship.

Top-ranked initiatives to support positive environment and collaborations, by tenure,[1]
% of respondents selecting as first choice (n = 3,600) *(ordered by highest average to lowest)*



[1]Question: Please rank the top 3 initiatives that would support a positive work environment and collaboration with your coworkers.
Source: American Nurses Foundation Nurses Survey, Oct 2023

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can lead to a degradation of safe, quality care and affect an individual's sense of well-being, creating an unhealthy work environment.[13]

Supporting nurses across their career continuum

Addressing the complexity of this multitenure, multigenerational workforce is critical to supporting the healthcare workforce and ensuring an adequate pipeline of nurses eager and engaged in the profession. Many surveyed nurses expressed positive sentiments toward their peers and colleagues but also shared structural challenges that may be preventing them from fully appreciating the potential benefits of a multitenure workforce.

Bolstering cross-tenure relationships would increase trust and collaboration among nurses, not only increasing the likelihood that they stay in the profession but also improving productivity and engagement in real time. How to address these challenges will depend on the makeup of each specific workforce, but stakeholders can start by evolving their workforce strategies to ensure that tenure-specific needs and preferences are considered.

[13] "Incivility, bullying, and workplace violence," American Nurses Association, July 22, 2015.

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The authors wish to thank the nurses, physicians, and staff on the front lines who are caring for patients and communities. They also wish to thank Beth Bravo, Brad Herbig, and Deirdre Keane for their contributions to this article.

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Healthcare Practice

Revitalizing organizational health in the care delivery sector

The care delivery sector continues to navigate challenges following the height of the COVID-19 pandemic. Meaningfully improving organizational health will be crucial to optimizing performance.

by Drew Goldstein, Gretchen Berlin, and Stephanie Sherline

September 2024

Research conducted over two decades has continually affirmed that organizational health (how you run the place) is a valuable, competitive differentiator across industries.[1] Organizational health has been linked to value creation, profitability, resilience, and safety metrics (see sidebar "How to assess organizational health").[2]

Organizations in the care delivery sector are no exception: those that prioritize and invest in building a healthy culture, even as they confront persistent internal and external pressures in the aftermath of the challenges of COVID-19 pandemic,[3] are better positioned for success than those that do not.[4]

Our Organizational Health Index (OHI) research conducted with organizations in the care delivery sector has identified a statistically significant correlation between three outcomes and patient satisfaction: employee motivation, a positive work environment, and external orientation, which is the organization's ability to effectively engage with external stakeholders to deliver value now and in the future (Exhibit 1).[5]

[1] Scott Keller and Bill Schaninger, "A better way to lead large-scale change," McKinsey, July 10, 2019.
[2] Alex Camp, Arne Gast, Drew Goldstein, and Brooke Weddle, "Organizational health is (still) the key to long-term performance," McKinsey, February 12, 2024.
[3] Neil Rao, "2024 healthcare services outlook: Challenges and opportunities," McKinsey, December 19, 2023; Gretchen Berlin, Meredith Lapointe, Mhoire Murphy, and Joanna Wexler, "Assessing the lingering impact of COVID-19 on the nursing workforce," McKinsey, May 11, 2022.
[4] Gretchen Berlin, Deirdre McGinty, and Stephanie Sherline, "To succeed in a healthcare transformation, focus on organizational health," McKinsey, July 31, 2019.
[5] Hospital Consumer Assessment of Healthcare Providers and Systems Database and survey of North American care delivery organizations, 2013–23 (11 surveys, 55,052 respondents). The other six outcomes are accountability, direction, coordination and control, leadership, innovation and learning, and capabilities. "Organizational health is (still) the key," February 12, 2024.

How to assess organizational health

The Organizational Health Index (OHI) is a diagnostic that measures critical elements of a high-performing culture in an organization. The index draws from a proprietary database of more than eight million respondents from more than 2,500 organizations across a range of geographies and industries. The index aggregates employees' and managers' views on the management practices and employee experiences that inform an organization's performance across nine dimensions or outcomes. An overall score is assigned so companies can see how they compare with others in the database. The result is a detailed view of the health of an organization (exhibit).[1]

The insights presented in this article are based on OHI surveys deployed in two time periods:

- From 2014 to 2018, 982 surveys were deployed globally across sectors, including 11 surveys with 85,784 respondents at North American organizations in the care delivery sector.
- From 2019 to 2023, 712 surveys were deployed globally across sectors, including five surveys with 48,250 respondents at North American organizations in the care delivery sector.

[1] "Healthy organizations keep winning, but the rules are changing fast," *McKinsey Quarterly*, August 2, 2024.

Exhibit

The Organizational Health Index examines a range of practices that propel nine outcomes.

Measured practices and outcomes of the Organizational Health Index

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Exhibit 1

Patient satisfaction positively correlates with external orientation, motivation, and work environment scores.

Correlation between Organizational Health Index outcomes and patient satisfaction

Source: 2023 Organizational Health Index analysis (11 surveys, 55,052 respondents)

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Additionally, investments in building a healthy culture are linked to addressing a chronic challenge in healthcare: attracting and retaining talent.[6] Our research finds that employees who perceive their organizations as healthy compared to those who do not are 3.9 times more likely to endorse their employer to others, 1.5 times more likely to plan on staying, and 2.1 times more likely to feel energized by their work.[7] Looking specifically within healthcare settings, a 2023 McKinsey workplace survey of registered nurses (RNs) cited several culture-related factors as key drivers of their likelihood to stay in their current position, including meaningful work (82 percent), positive interactions (69 percent), and having caring and trusting teammates (69 percent).[8]

[6] "How health systems and educators can work to close the talent gap," McKinsey, September 29, 2023.
[7] Based on McKinsey research on the relationship between organizational health and performance. Data on endorsing the organization to others comes from 14 OHI surveys conducted from August to December 2023. Data on intent to stay and employee energy comes from 16 OHI surveys conducted from August to December 2023.
[8] "Nursing in 2023: How hospitals are confronting shortages," McKinsey, May 5, 2023.

This article distills insights from the past decade of OHI surveys to understand the current state of organizational health in the North American care delivery sector, overall effectiveness and management practice priorities, and changes over the course of the two time periods examined (2014–18 and 2019–23).

Organizational health in the care delivery sector is at a critical juncture

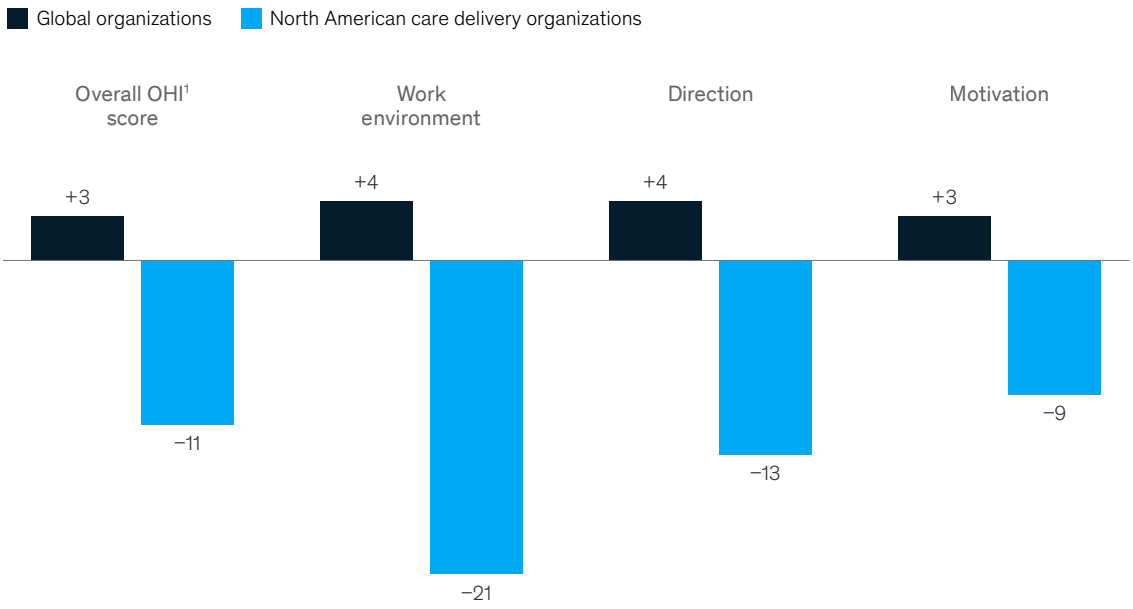
According to our OHI database, employees in the care delivery sector reported a decrease in organizational health of 11 percentage points between the 2014–18 and 2019–23 time periods. Hospital Consumer Assessment of Healthcare Providers and Systems scores before and after the onset of the COVID-19 pandemic suggest similar declines in patient experience.[9] Between the same time periods, the benchmark of organizational health globally across industries increased by three percentage points (Exhibit 2).[10] Broader industry trends and enduring repercussions from the COVID-19 pandemic have likely contributed to this decrease in organizational health. For example, the United States has experienced accelerated clinical labor supply challenges because of an increase in demand due to an aging population, COVID-19-related burnout causing clinicians to leave the field or workforce, and graduation rates that have not kept pace with demand.[11] For example, we project a 10 to 20 percent gap in direct

[9] Megan K. Beckett et al., "Changes in patient experiences of hospital care during the COVID-19 pandemic," *JAMA Health Forum*, August 2023, Volume 4, Number 8.
[10] Analysis uses a rolling five-year benchmark, aggregating all data within the five-year periods.
[11] Makinizi Hoover, Isabella Lucy, and Katie Mahoney, "Data deep dive: A national nursing crisis," US Chamber of Commerce, January 29, 2024.

Exhibit 2

The organizational health of North American care delivery organizations is declining compared with that of global organizations.

Change in OHI[1] median score from 2014–18 to 2019–23, percentage points



[1]Organizational Health Index.
Source: OHI benchmarks, global organizations 2014–18 (982 surveys) and 2019–23 (712 surveys), North American care delivery organizations 2014–18 (11 surveys, 85,784 respondents) and 2019–23 (5 surveys, 48,250 respondents)

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patient-care nursing supply and demand in 2025.[12] In addition, health systems have faced challenges with rising costs driven by high interest rates, high inflation, and supply chain disruptions. For example, between 2021 and 2023, overall inflation grew by 12.4 percent, more than double the 5.2 percent growth rate for Medicare reimbursement of hospital inpatient care.

Organizational health scores that are lower than the global benchmark and these industry headwinds are a call to action for leaders to take meaningful steps to improve organizational health. The same three outcomes that were significantly correlated with patient satisfaction—work environment, external orientation, and motivation—also saw major declines compared to the benchmark in the aftermath of the pandemic; this suggests they are particularly important areas of opportunity.

Accordingly, a set of management practices or behaviors (as assessed by respondents on a frequency scale) drive each outcome. For example, practices that drive the external orientation outcome are prioritizing the needs of customers, including patients; operating in a socially responsible manner; building and maintaining relationships with external business partners, the government, regulatory agencies, and industry groups; and scanning the competitive landscape to inform business decisions.

Therefore, to gain deeper insight into declining scores on these three outcomes, we analyzed the relevant management practices aligned with each and identified those with the most substantial declines (see sidebar "Declines in outcomes and their implications"). Although all management practices associated with the outcomes showed a decline from the first survey period to the second, several stood out for the magnitude of their decline, including the following:

— Related to the work environment outcome, performance transparency declined by 15 points.

— Related to the external orientation outcome, customer orientation declined by ten points.

— Related to the motivation outcome, four of the five management practices—career opportunities, rewards and recognition, meaningful values, and financial incentives—declined by more than ten points compared to the previous survey (Exhibit 3).

Rewiring culture to reflect the needs and aspirations of the current healthcare workforce

Organizations can move at two speeds to address cultural priorities. First, they can mobilize quickly to execute a set of no-regrets moves. Second, and in tandem, they can embark on a slower-paced, more holistic and sustainable culture transformation journey. Although organizations in the care delivery sector have their own culture priorities, our findings suggest that there are several common pain points in management practices.

Establishing sustainable working models with results that are clearly visible to improve the work environment. The COVID-19 pandemic called for unprecedented working norms and performance metrics, and we continue to see that employee mental health and well-being has suffered in the healthcare sector. A 2023 McKinsey and American Nurses Foundation survey of more than 7,000 nurses found that 56 percent reported experiencing symptoms of burnout, such as emotional exhaustion.[13] Organizations in the care delivery sector have an opportunity to renormalize ways of working, including by making performance results visible to enable labor productivity. This transparency, coupled with establishing sustainable working models, can help address worsening burnout of clinical staff that also puts patient care at risk.[14]

Many organizations in the care delivery sector are instituting new, flexible operating models to improve productivity and employee satisfaction.

[12] "Assessing the lingering impact," May 11, 2022.
[13] "Understanding and prioritizing nurses' mental health and well-being," McKinsey, November 6, 2023.
[14] Ibid.

Declines in outcomes and their implications

McKinsey Organizational Health Index research aligns work outcomes with practices that will have specific implications in the context of the care delivery sector (exhibit).

Exhibit

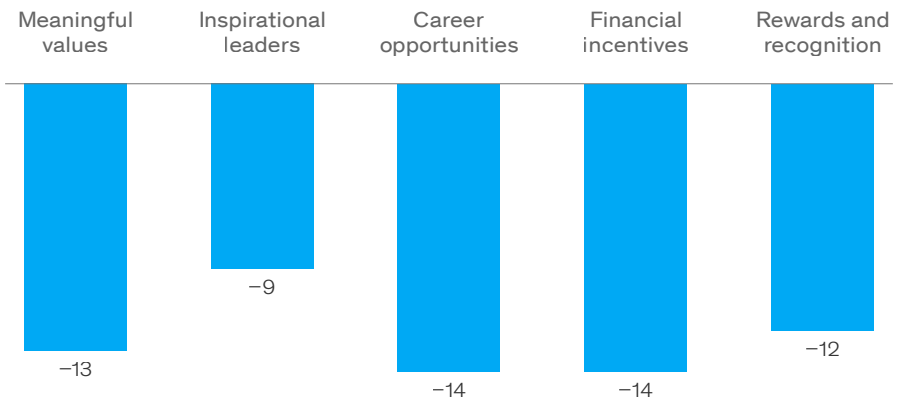
We identified the implications of declining management practices and the outcomes with which they are aligned.

Outcome	Practice	Definition	Implications for the care delivery sector
Work environment	Performance transparency	Making results visible to enable best-practice sharing and to foster a healthy sense of competition	Without performance transparency, staff in the care delivery sector may lack the clarity on outcomes needed to understand how they are performing relative to peers—insight that is critical to enable staff performance
External orientation	Customer orientation	Prioritizing the needs and satisfaction of customers and using their feedback to shape offerings and improve	Organizations in the care delivery sector that do not emphasize customer orientation risk providing a lower-quality patient experience while missing out on valuable patient feedback needed to improve care delivery in the face of economic challenges
Motivation	Career opportunities	Providing clear and equitable opportunities for career advancement within the organization	Without clear and equitable career opportunities, organizations in the care delivery sector risk creating inclusion gaps and losing the talent they are working to attract and retain
Motivation	Rewards and recognition	Acknowledging performance with public recognition and nonfinancial rewards and opportunities	The absence of rewards and recognition may lead to a loss of critical team interactions in which staff recognize each other for their contributions, a critical reason why care delivery staff stay in their jobs
Motivation	Inspirational leaders	Exemplifying what's valued, providing praise, and generating meaning for employees	Without appreciation and meaningful moments from inspirational leaders, organizations in the care delivery sector risk losing critical opportunities to cultivate purpose and meaning among staff, which may worsen employee mental health challenges observed in the sector
Motivation	Meaningful values	Sharing and living a meaningful set of values day to day	The absence of meaningful values in the care delivery sector may compromise patient care quality, trust-building, adherence to ethical principles, professional satisfaction, and, ultimately, patient and staff well-being
Motivation	Financial incentives	Providing attractive financial incentives to motivate employees	It is critical to ensure financial incentives are aligned with the strategic goals of organizations in the care delivery sector because when incentives are misaligned, staff are unlikely to drive the outcomes needed for organizational success

Exhibit 3

North American care delivery organizations' motivation-related practice scores are declining.

Motivation-related management practices for North American care delivery organizations, change in OHI[1] median score from 2014–18 to 2019–23, percentage points



[1]Organizational Health Index.
Source: OHI benchmarks, global organizations 2014–18 (982 surveys) and 2019–23 (712 surveys), North American care delivery organizations 2014–18 (11 surveys, 85,784 respondents) and 2019–23 (5 surveys, 48,250 respondents)

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For example, Trinity Health recently announced plans to expand the staff of virtual nurses; care teams comprise a direct-care RN, an on-site nursing assistant or licensed practical nurse, and a virtual RN.[15]

An academic medical center introduced dynamic staffing in which small teams of four to six colleagues (called pods) coordinate their schedules internally to meet the required staffing levels for each shift. This model emphasizes flexibility and individual preferences within the pod. By moving away from the rigid 12-hour-shift paradigm, this approach ensures adequate coverage while empowering staff to have more control over their work–life balance.

Taking a consumer-centric approach to improve external orientation. Leaders of care delivery organizations are facing the need to mirror the increasingly personalized experiences consumers have with sectors such as retail and banking to build enduring relationships with their patients. In contrast, patients express frustration with the healthcare system. According to the 2022 McKinsey Consumer Health Insights Survey, 21 percent reported that their clinicians do not listen to them or understand their needs, 22 percent reported feeling treated with less respect than other patients, and 28 percent reported that clinicians have made assumptions about them that have influenced the way they were treated.[16]

[15] "Trinity Health revolutionizes nursing practice through virtual connected care," Yahoo Finance, September 13, 2022.
[16] Jessica Buchter, Jenny Cordina, and Mark Lee, "Driving growth through consumer centricity in healthcare," McKinsey, March 14, 2023.

Organizations in the care delivery sector could take steps to improve their external orientation by focusing on the management practices that drive this outcome. For example, customer orientation includes prioritizing patient needs and satisfaction, gathering feedback with clearly defined metrics, and using it to improve services offered (for example, with personalized communications).[17] One regional care delivery organization launched a consumer-centric transformation that included embedding new ways of working focused on customer experience and understanding care journeys at moments that matter to patients (such as when scheduling appointments online). As a result, the organization was able to increase performance metrics, including a 20-point increase in customer satisfaction.

Given the rapid changes in healthcare, organizations in the care delivery sector could also prioritize continually monitoring industry trends and making decisions accordingly. Competitive insights are one of four foundational behaviors—along with role clarity, strategic clarity, and personal ownership—that have an outsize impact on organizational health.[18] Adopting any of these practices that are not already in place is a no-regrets move to improve organizational health.

Boosting motivation through opportunities for recognition and advancement. Broken motivation practices could compromise patient outcomes and exacerbate widening talent gaps. For example, the Association of American Medical Colleges (AAMC) estimates a shortage of up to 86,000 physicians by 2036.[19] In the face of chronic labor shortages and worsening burnout—especially among physicians and nurses—organizations in the care delivery sector are challenged to improve their employee value propositions, including career opportunities, rewards, and recognition.

Many companies are partnering with higher education institutions and certificate programs to offer career opportunities to frontline clinicians.[20] For example, a regional health system launched a self-service tool for employees to find internal career advancement opportunities, leading to a threefold increase in open roles being filled with internal talent. In addition, rewards and recognition, supported by a formal structure, are critical to drive motivation. Bon Secours Mercy Health leverages an annual recognition initiative to meaningfully recognize nurses and staff in real time, and it saw a 10 percent retention increase with this program in place.[21]

Getting started on a holistic and sustainable cultural transformation

Our research and experience points to a structured approach for making culture change stick.[22]

Aspire and assess. Leaders can choose from various methods to assess employee sentiment and gather their feedback. They could deploy survey tools to diagnose organizational health, conduct focus groups and interviews, or use people analytics to assess the strength of informal employee networks. These efforts could identify which critical practices to prioritize—such as career opportunities or customer orientation—and the strengths worth preserving.

Once the diagnostic is complete and a deep understanding of the organization's culture has been established, it is crucial to align on specific objectives, including the behavioral shifts needed to accomplish the aspiration, and to develop a consistent plan for achieving them. For example, to accomplish a goal such as all employees prioritizing creating the best experience for patients, priority practices might include ensuring customer orientation across the organization and encouraging a focus on harnessing competitive insights.

[17] Jessica Buchter, Jenny Cordina, and Jillian Eckroate, "Consumers rule: Driving healthcare growth with a consumer-led strategy," McKinsey, April 15, 2024.
[18] "Organizational health is (still) the key," February 12, 2024.
[19] "New AAMC report shows continuing projected physician shortage," AAMC, March 21, 2024.
[20] "How health systems and educators can work to close the talent gap," September 29, 2023.
[21] Naomi Diaz, "How Bon Secours Mercy Health boosts employee morale," *Becker's Hospital Review*, June 6, 2024.
[22] "A better way to lead large-scale change," July 10, 2019.

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Architect. When designing performance improvement initiatives, it is paramount to actively involve the workforce in shaping the future culture. Creating customized culture transformation journeys, complete with skills development and a targeted communications strategy, can effectively cater to groups across the organization such as nurses, physicians, and administrative personnel, thus fostering greater support and momentum for organizational initiatives. As part of this effort, organizations could also take steps to improve individual accountability for results by clarifying roles, responsibilities, and performance management guidelines.

Act and advance. Prioritize, sequence, and deliver interventions in waves to institute the behavior shifts needed to achieve the aspiration. Check on progress against initiatives and health goals regularly. Keep a pulse on employees through continuous listening efforts to allow for rapid adjustment and refinement of efforts as needed, and proactively communicate updates along the journey.

Essential actions for transforming institutional norms include effectively engaging clinical and nonclinical staff throughout the organization to test and innovate, increase buy-in, and tailor cultural practices to stakeholder groups, as well as empowering leaders to model and prioritize proven cultural practices. By deepening their understanding of current organizational dynamics, acknowledging what needs to change, and having the courage to transcend norms, organizations in the care delivery sector can elevate their own performance and contribute to a more stable and effective healthcare system overall.

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The authors wish to thank Erica Landesberg, Krista Frysinger, Nicolette Rainone, Pawel Poplawski, Sofia Soto, and Stefanie Gasten for their contributions to this article.

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AMERICAN NURSES FOUNDATION

Healthcare Practice

The pulse of nurses' perspectives on AI in healthcare delivery

Nurses are cautiously enthusiastic about AI. They are eager to share their knowledge of patient priorities in developing AI-powered tools but stress the importance of not sacrificing high-quality care.

This article is a collaborative effort by Adriane Griffen, Gretchen Berlin, Mhoire Murphy, and Nyuma Harrison, with Stephanie Hammer, representing views from McKinsey's Healthcare Practice and the American Nurses Foundation.

September 2024

No matter where one turns these days, engaging with some form of AI is likely. From the algorithms that power social media to virtual assistants that answer questions and control smart devices, AI is actively shaping how the world works. Opinions about AI's impact on the workforce range from positive expectations that it will reduce employees' workloads to negative sentiments that AI will replace human interactions.

In healthcare—with patient lives at stake—the debate seems particularly momentous. In an industry battling staffing shortages, burnout, and increasing costs, health system leaders need to consider all possible solutions, including AI. To truly understand the extent to which AI can help in healthcare and how to implement it effectively, it is important to hear directly from those entrusted with caring for patients: nurses.

McKinsey and the American Nurses Foundation jointly deployed a national survey to evaluate nurses' perceptions of AI, as well as their familiarity and experience with it. The survey also sought to understand perceived risks and opportunities from various AI applications. It garnered responses from 7,200 nurses[1] (see sidebar, "About the research collaboration between the American Nurses Foundation and McKinsey").

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[1] All questions in the survey were optional; therefore, the number of responses vary by question.

About the research collaboration between the American Nurses Foundation and McKinsey

The American Nurses Foundation is a national research, educational, and philanthropic affiliate of the American Nurses Association committed to advancing the nursing profession by serving as a thought leader, catalyst for action, convener, and funding conduit. The American Nurses Foundation and McKinsey have partnered to assess and report on trends related to the nursing profession.

A foundational part of this effort is jointly publishing novel insights related to supporting nurses throughout their careers. The first publication from the research partnership, "Understanding and prioritizing nurses' mental health and well-being," was based on a survey aconducted in April and May 2023.[1] The second publication in the partnership, "How to bridge the experience gap by supporting nurses of all tenures," was based on a survey conducted in October 2023.[2] The intent of the latest research, based on a survey of 7,200 nurses, is to better understand nurses' perceptions of AI in their work environments. All survey questions were based on the experiences of the individual professional. All questions were also optional for survey respondents; therefore, the number of responses may vary by question.

[1] "Understanding and prioritizing nurses' mental health and well-being," McKinsey, November 6, 2023.
[2] "How to bridge the experience gap by supporting nurses of all tenures," McKinsey, March 28, 2024.

The survey findings suggest optimism and excitement about AI-powered tools that are tempered by a desire to ensure that quality of care is not sacrificed. To safeguard this balance, nurse respondents also expressed a keenness to better understand how AI works and the need for more opportunities to provide input on how best to use the technology in the clinical environment.

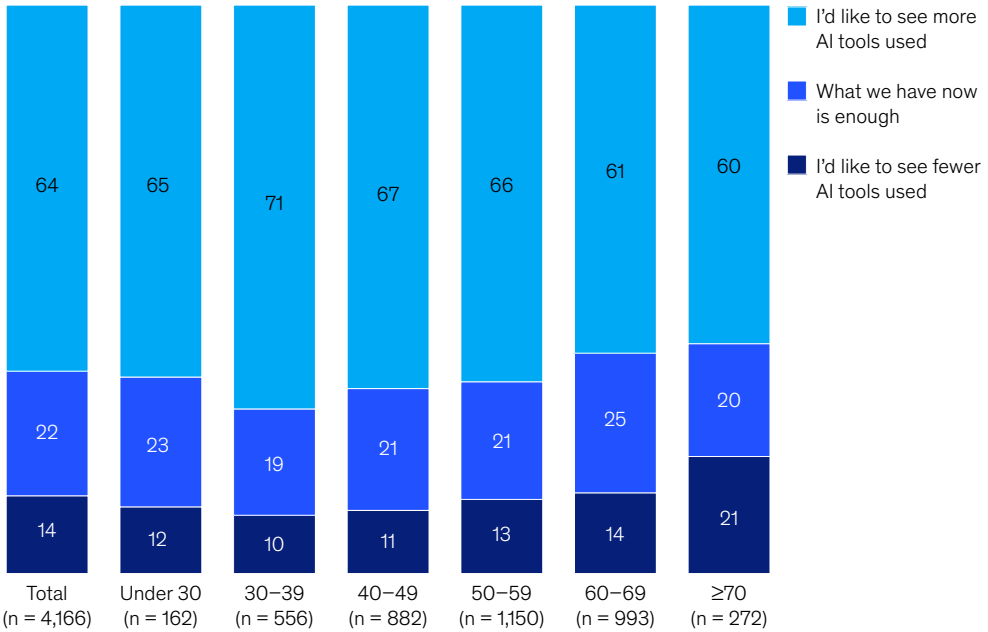
Interest in adding AI to nurses' toolbox

While AI may not be a panacea that fully solves all the challenges that nurses face, it could meaningfully alleviate some of the workload burden. In 2023, McKinsey and the American Nurses Foundation evaluated how nurses were spending their time and estimated that roughly 20 percent of a nurse's shift could be freed up through technology. As AI advances at a breakneck pace, surveyed nurses acknowledge the support these tools could provide. The share of respondents to our latest survey who say they'd like to see more AI tools incorporated into their work is 64 percent. This enthusiasm is consistent across all age bands but is slightly higher, at 71 percent, among nurses aged 30 to 39 (Exhibit 1).

Exhibit 1

A majority of nurse respondents report a desire to see more AI tools incorporated into their work.

US nurses' desire for AI tools in their work, by age,[1] % of respondents



Note: Figures may not sum to 100%, because of rounding. Respondents who declined to give their age are not shown.
[1]Question: How comfortable are you with using AI-based tools in the clinical setting (eg, sepsis alerts, patient-facing chatbots, patient safety alerts)?
Source: American Nurses Foundation Nurses Survey, Mar 2024

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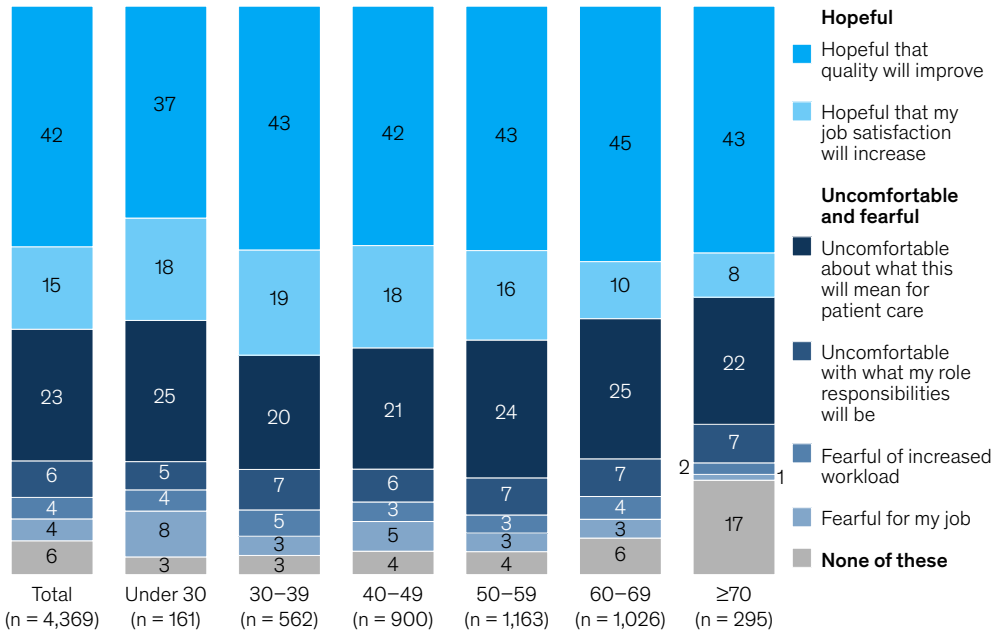
Sentiments about AI's potential

Nonetheless, surveyed nurses are keenly aware of the perceived trade-off between lessening workloads and possibly compromising medical attention and patient safety. When asked how the idea of working with AI makes them feel, 42 percent report being hopeful that quality will improve, but 23 percent say they are uncomfortable about what AI could mean for patient care (Exhibit 2). Possible ways to address this concern could be better demonstration of the quality of AI-supported interventions, thoughtful consideration about how AI tools can work in conjunction with human interaction, and strengthened education on AI for nurses and care team members. Furthermore, only 37 percent of surveyed nurses under age 30 are hopeful that quality could improve. This group is likely more familiar with AI in their day-to-day lives and therefore may already be aware of some of the risks associated with using AI. As a result, this group might be more cautious about AI's broader implication in patient care. Considering these nurses are the future of the workforce, leaders can consider strategies to help improve the group's trust in AI.

Exhibit 2

A plurality of nurse respondents are hopeful that AI will improve the quality of patient care, but 23 percent are uncomfortable about AI's prospects.

US nurses' feelings about the idea of working with AI, by age,[1] % of respondents



Note: Figures may not sum to 100%, because of rounding. Respondents who declined to give their age are not shown.
[1]Question: The idea of working with AI in my current role makes me: (select one).
Source: American Nurses Foundation Nurses Survey, Mar 2024

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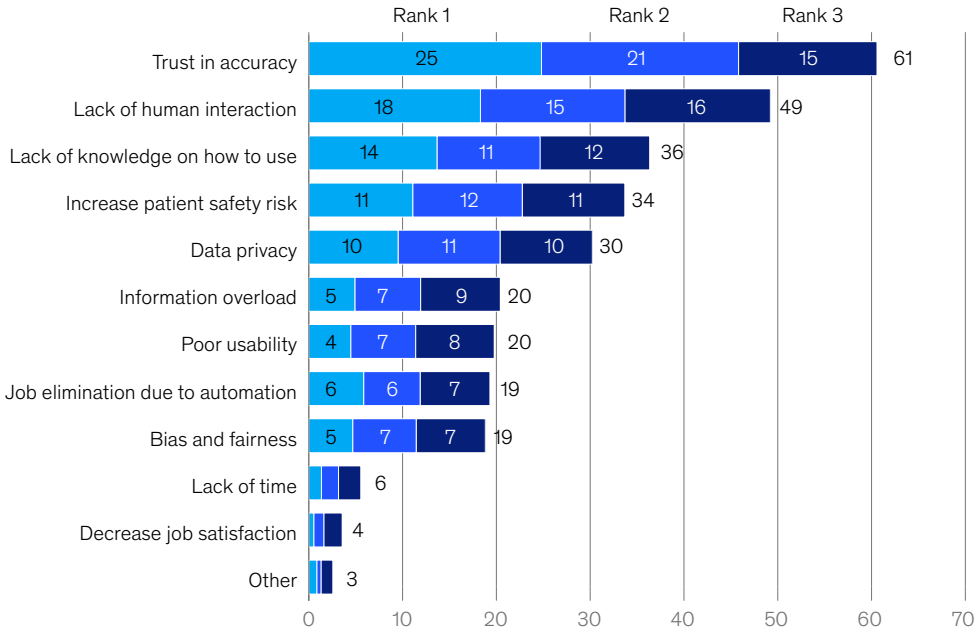
Understanding concerns to encourage buy-in

Health systems leaders and AI developers should consider nurses' concerns about the quality of patient care. Nurses are on the front line day in and day out; to get a clearer picture of what's making them uncomfortable, we asked them to rank their top three concerns about AI in healthcare. The largest share of respondents, 61 percent, report trust in accuracy as a top three concern; 49 percent are most concerned about the lack of human interaction; and 36 percent point to a lack of knowledge on how to use AI-based technology and tools (Exhibit 3).

Exhibit 3

Trust in accuracy, lack of human interaction, and insufficient knowledge on how to use AI are nurse respondents' top concerns with using AI.

US nurses' rank of top 3 concerns with using AI,[1] % selected by rank



[1]Question: Please rank your top 3 concerns with using AI-based technology and tools; rank 1 (n = 4,361), rank 2 (n = 4,222), rank 3 (n = 4,127).
Source: American Nurses Foundation Nurses Survey, Mar 2024

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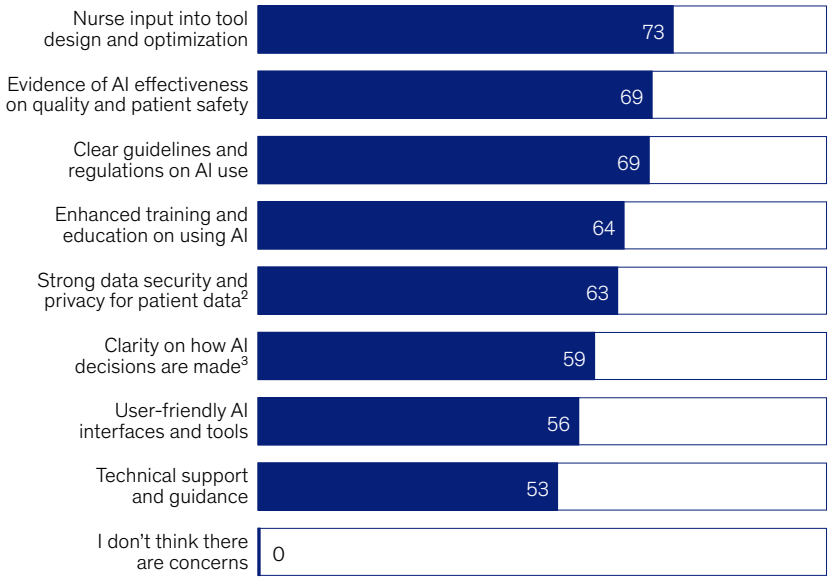
Getting nurses involved in AI development

To create AI tools that are informed by and solve for varied clinical care concerns, AI developers and healthcare administrators can partner with nurses on development and testing. Furthermore, nursing experts can be involved in AI governance and oversight. When asked what was most needed to alleviate concerns, 73 percent of respondents suggest having nursing input into the design and optimization of AI tools (Exhibit 4). Evidence of AI's effectiveness on quality and patient safety, as well as clear guidelines and regulations on AI use, were also named top requirements among surveyed nurses (69 percent for each).

Exhibit 4

To ease doubts about AI, nurse respondents most value having input on tech design, quality and safety effectiveness data, and guidelines and regulations.

US nurses on best methods to manage concerns with using AI,[1] % of respondents (n = 4,336)



[1]Question: What do you think is needed most to alleviate concerns about using AI technology in healthcare? (Select all that apply.)
[2]Eg, minimal risks of data leaks or hacks.
[3]Eg, algorithmic transparency.
Source: American Nurses Foundation Nurses Survey, Mar 2024

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Cautious optimism for AI use

Overall, nurses are cautiously optimistic about AI's potential to alleviate their workloads and to help the patients they care for. We presented surveyed nurses with nine possible applications for AI in the clinical setting, and for each, we asked them to rate how familiar they were with the technology, how helpful they felt AI would be, where there was opportunity to improve patient care and their work, and the level of risk (Exhibit 5).

More than half of nurse respondents are at least somewhat familiar with using AI.

About two-thirds of respondents say they think each AI application could be very helpful.

More than two-thirds of nurse respondents say there is at least some opportunity to improve patient care or case workload with AI in each scenario.

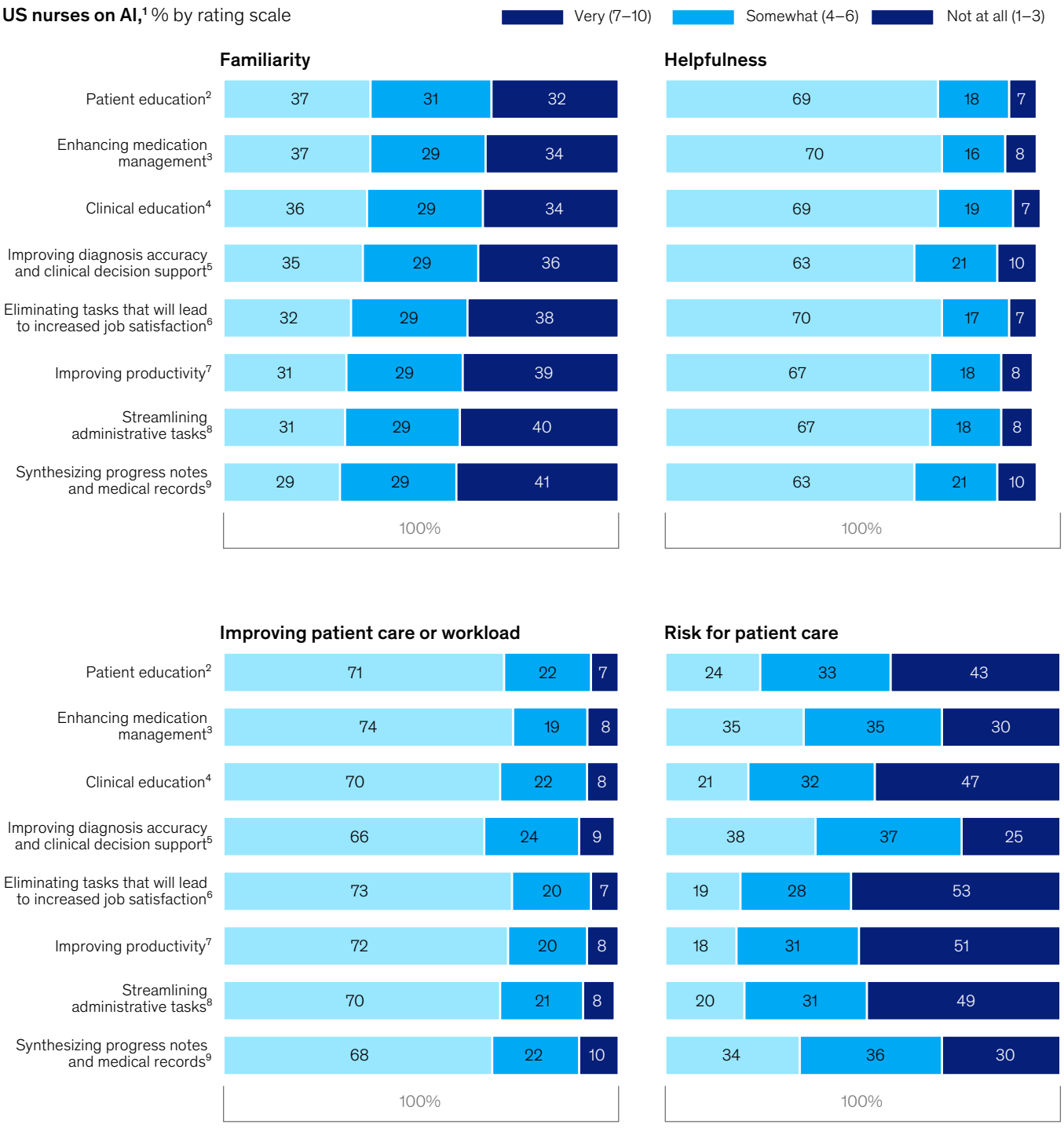
In terms of risks, 38 percent of respondents note that using AI to improve the accuracy of clinical diagnosis and decisions poses the greatest risk to patient care.

Nurses are cautiously optimistic about AI's potential to alleviate their workloads and to help the patients they care for.

Exhibit 5

Surveyed nurses' opinions on AI use in nine clinical settings vary slightly by age and application but trend toward positive.

US nurses on AI,[1] % by rating scale



Note: Numbers may not sum to 100%, because of rounding.
[1]"Not at all" responses defined as 1–3, "somewhat" defined as 4–6, and "very" defined as 7–10 on 1–10 Likert scale (n = 5,033). [2]Eg, finding appropriate educational resources or synthesizing educational materials for patients. [3]Eg, medication reconciliation, identifying drug interactions, timely admin, or flagging medication errors. [4]Eg, finding appropriate educational resources/policies for nurses/staff. [5]Eg, sepsis alert, cardiovascular disease risk, radiology/imaging reads.
[6]Eg, tracking down phone numbers, finding information in the patient chart. [7]Eg, reducing time to submit patient paperwork, making it easier to find supplies.
[8]Eg, looking up information, finding personnel, submitting prior authorizations. [9]Eg, writing reports, pulling through key findings from multiple visit notes.
Source: American Nurses Foundation Nurses Survey, Mar 2024

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AI has already begun to change the ways that many industries approach work and task management. It seems plausible that the technology could reshape healthcare as well, and our survey findings suggest cautious optimism in this area. However, this healthcare evolution won't be possible without nurses' engagement. Fortunately, in our survey of 7,200 nurses, respondents share that they are keen to use AI more at work and to be involved in building and defining how these tools can be used in their workplace. As AI evolves and its uses become more familiar, frontline insights about what doesn't work will be as important as the success stories. While many stakeholders may be eager to leap into the future with AI, it is critical to have leadership, insight, and feedback from healthcare's largest workforce—nurses—to ensure that high-quality patient care remains the priority across all care settings.

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The authors wish to thank Faith Burns and Kate Judge for their contributions to this article. They also wish to acknowledge and thank the entire healthcare workforce and, in particular, the nurses who contributed to this survey.

This article was edited by Querida Anderson, a senior editor in the New York office.

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