The New Costs of Unionization in Healthcare Union Elections and Representation: Lower HCAHPS Scores and Increase Readmission Rates

New Research Demonstrates Significant Financial Impact
by Scott Mondore, Ph.D., and James G. Trivisonno

Labor unions impose significant costs on health care organizations that directly affect reimbursement and extend significantly beyond any impact on wages, benefits or human resources administration, according to groundbreaking new research.

A comprehensive analysis by IRI Analytics of Centers for Medicare & Medicaid Services (CMS) data demonstrates that hospitals and health systems targeted as part of union organizing campaigns pay a price beyond what they will spend on direct costs related to campaign preparation and mitigation. The study demonstrates that union organizing campaigns and elections can directly impact a health care facility’s:

- HCAHPS scores
- Readmission rates
- Employee engagement and satisfaction

According to the research, organizations that experienced a union representation election supervised by the National Labor Relations Board (NLRB) consistently underperformed other health care organizations on patient satisfaction and outcomes as measured by the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey and readmission rates. This is true whether or not the union ultimately succeeded in the election.

Prior to HCAHPS, there was no national system to collect and publicly report patient experience that provided comparative data across healthcare organizations. The new IRI Analytics study tracked hospitals over time to assess the impact on health care organizations following an NLRB election, examining data from nearly 4,000 U.S. health care organizations over two years. It compared HCAHPS scores and readmission rates at the 120 facilities that experienced a union election versus those that had not. On average, facilities that had union elections scored between **5 to 20 percentiles lower** than other health care organizations.

NLRB elections affected HCAHPS performance **across every category**, including physician and nurse communication with patients, pain management, medication education and a hospital’s scores for cleanliness and quiet.

A hospital’s HCAHCPs scores are publicly reported and therefore have intangible effects on a hospital’s reputation for quality patient care. But HCAHPS results also drive 35 percent of a hospital’s value-based purchasing score that links Medicare payments to quality. With HCAHPS now one of the largest determinants of a hospital’s reimbursement, the study documents a direct correlation between union election activity and adverse financial impact on those healthcare organizations targeted by unions.
The New Costs of Unionization

The research also tracked readmission rates under Medicare’s Hospital Readmissions Reduction Program. Hospitals are fined if their readmission rates exceed the average. Federal officials report that $17 billion of the $26 billion the program spends to treat patients who return to the hospital for additional treatment comes from potentially avoidable readmissions. Readmission rates at unionized hospitals were statistically higher than those at non-unionized hospitals.

The study also confirms a direct correlation between unionization and employee engagement, with unionized hospitals reporting significantly lower employee engagement scores.

Phase One: HCAHPS

The study began with a two-year longitudinal assessment of HCAHPS scores beginning in 2012. Over that period, health care organizations that experienced a union representation election performed worse on every element measured by HCAHPS (see Figure 1). The difference in performance translates into a shift of as much as a 20 percentile points that, depending on a hospital’s size, could equate to millions of dollars in unrealized reimbursements.

Impact of Unionization of Employee Satisfaction: 2012-2014

<table>
<thead>
<tr>
<th></th>
<th>No NLRB Election</th>
<th>Had NLRB Election</th>
<th>Difference</th>
<th>Potential Percentile Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-2013</td>
<td>2.61</td>
<td>2.54</td>
<td>-0.07</td>
<td>10-20 pts</td>
</tr>
<tr>
<td>Nurse Communication</td>
<td>2.72</td>
<td>2.68</td>
<td>-0.04</td>
<td>5-15 pts</td>
</tr>
<tr>
<td>Doctor Communication</td>
<td>2.76</td>
<td>2.71</td>
<td>-0.04</td>
<td>5-15 pts</td>
</tr>
<tr>
<td>Receive Help</td>
<td>2.54</td>
<td>2.47</td>
<td>-0.07</td>
<td>10-20 pts</td>
</tr>
<tr>
<td>Pain Management</td>
<td>2.62</td>
<td>2.59</td>
<td>-0.03</td>
<td>4-12 pts</td>
</tr>
<tr>
<td>Medications Explained</td>
<td>2.41</td>
<td>2.39</td>
<td>-0.02</td>
<td>4-12 pts</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>2.62</td>
<td>2.57</td>
<td>-0.05</td>
<td>5-15 pts</td>
</tr>
<tr>
<td>Quietness</td>
<td>2.47</td>
<td>2.39</td>
<td>-0.08</td>
<td>12-22 pts</td>
</tr>
</tbody>
</table>

Figure 1 details the average score on each core element of HCAHPS on a scale from 1-3. Column 2 compares the two-year average HCAHPS scores for all healthcare facilities that did not have an NLRB election in 2012 or 2013 against those facilities that did have an NLRB election during that period.

Readers should note that the HCAHPS survey typically asks patients to rank their response on a 1-10 scale, but in reporting the data CMS consolidates average responses into a 3-point scale. Therefore differences in performance are amplified when recalculated into the traditional scale.
THE NEW COSTS OF UNIONIZATION

Phase Two: Readmissions

The second phase of the study examined readmission rates using the same methodology to compare health care organizations that did not have an NLRB election to those that did, which again demonstrated a negative impact on patient care. CMS defines “readmission” as a patient’s return to a hospital within 30 days of being discharged.

In October, CMS announced fines totaling as much as $428 million against hospitals with “excess” readmissions as compared to similar facilities. Those with the highest readmission rate face a three percent reduction in reimbursement for every Medicare patient they treat. According to the research, those hospitals had experienced an NLRB election had readmission rates higher than other hospitals by an average of two percent per 1,000 admissions (see Figure 2).

Impact of NLRB Elections on Readmission Rates

<table>
<thead>
<tr>
<th>Readmissions</th>
<th>No NLRB Election</th>
<th>Had NLRB Election</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(number of readmissions per 1,000 patients)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-2013</td>
<td>20.4</td>
<td>20.8</td>
<td>2 percent more readmissions for every 1,000 patients</td>
</tr>
</tbody>
</table>

Figure 2 demonstrates a similarly significant impact on readmission rates. Hospitals and health systems that had an NLRB election during this time reported consistently higher readmission rates than those that had not, which was true across all regions, facility size and category.

Phase Three: Employee Engagement

The third phase of the research examined the impact on key human resource factors in unionized healthcare facilities. A comparison of employee survey results in more than 200 unionized and non-unionized health care organizations found significant differences across all elements of the work environment and employee satisfaction.

Federal mandates to improve clinical care and patient satisfaction – as well as incentives paid to hospitals that succeed – underscore the financial importance of strong employee engagement in part because employees have an enormous impact on the patient experience.

Overall, employees in unionized organizations reported significantly higher negative views of their workplace. These findings replicate a large-scale study (192 organizations) conducted by Hewitt in Canada that demonstrated a similarly negative impact of unionization on the work environment.¹

¹ Hewitt Associates 2003 and 2004 Best Employer study; 119,000 employees; 192 organizations.
The analysis of employee survey data from 2012 to 2014 assessed average scores from a standard employee survey conducted at each hospital, comparing the average score at non-unionized hospitals to the average score at hospitals that have at least one unionized employee group. Employee survey scores were lower in unionized hospitals across every category, with the greatest impact in employee engagement.

**Considerations for Health Care Leaders**

The study does not explore how or why an NLRB election or unionization negatively impacts key performance and quality measures in health care. There does, however, exist empirical evidence that points to numerous factors that could affect work performance and patient satisfaction in healthcare organizations that experience disruptive union activity, including representation campaigns that may not lead to an NLRB election. In unionized hospitals, factors linked to lower engagement and satisfaction scores include restrictive work rules, low employee morale and union activities such as contract campaigns, grievances and job actions that are designed to disparage organizations and drive a wedge between leaders and employees.

The best advice for health care employers is to create an environment in which third-party representation is unnecessary, and to develop strategies to prepare for a potential union organizing drive. As the Affordable Care Act is fully implemented, the current NLRB continues to promote an agenda that could make it easier for labor unions to organize and win representation elections. As demonstrated by this research, these efforts could negatively impact hospital performance and
THE NEW COSTS OF UNIONIZATION

revenues, even if a union is unsuccessful in its efforts. Healthcare employers cannot afford to wait to develop a preparedness plan.

Scott Mondore is the managing partner of Strategic Management Decisions (SMD) and co-author of Investing in What Matters: Linking Employees to Business Outcomes. IRI Analytics is the exclusive resource in health care for SMD’s patented technology that links survey and assessment data to business outcomes.

James (Jim) G. Trivisonno is president of IRI Consultants. IRI helps management with labor preparedness, counter union organizing campaigns, negotiations strategy and communications, leadership development and other employee relations matters. Jim regularly speaks about labor trends and strategies at national, state and regional conferences.

For copies of the white paper that details this research, please contact Robert Moll at IRI Consultants (rmoll@iriconsultants.com).