

Cost-Reducing Strategy: Providence

Presented at the Health Care Affordability Board
Meeting on May 27, 2026



Transforming Our Culture

Lauren Driscoll, Chief Executive, Providence California

Dan Kelly, Chief Nursing Officer, Providence California

May 27, 2026

Providence Leaders

Laureen Driscoll, MBA, MSN, RN

Chief Executive, Providence California



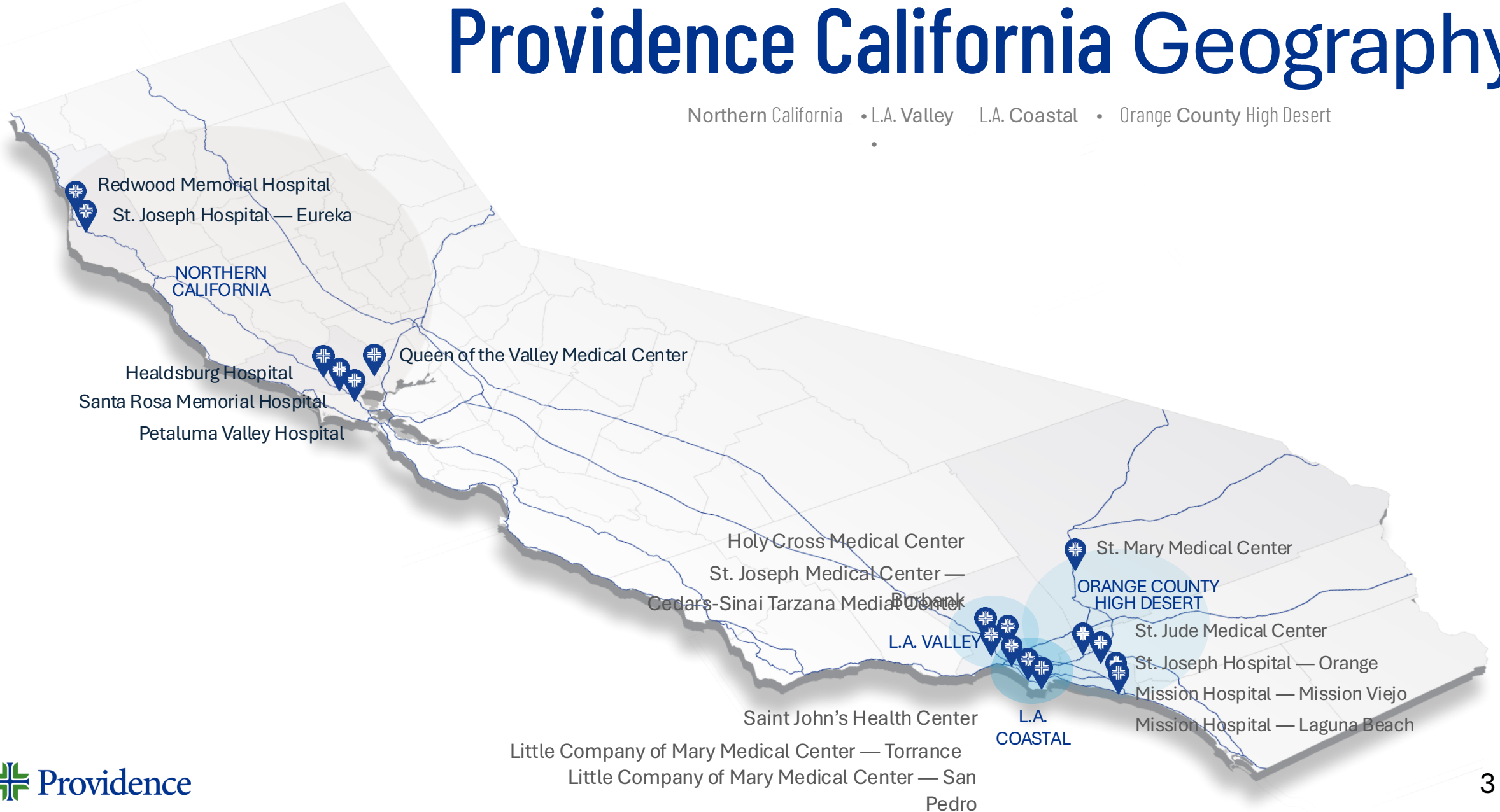
Daniel Kelly, MBA, BSN, RN

Chief Nursing Officer, Providence California



Providence California Geography

Northern California • L.A. Valley • L.A. Coastal • Orange County High Desert



Providence | California



17

Acute Hospital
Campuses



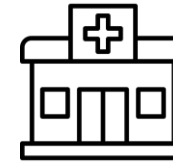
246

Clinics



18

Ambulatory
Surgery Centers



20

Urgent Cares



25k

Caregivers



10,544

Medical Staff



514

Affiliate
Primary Care



2,316

Affiliate
Specialists



528

Medical Group
Primary Care



1,660

Medical Group
Specialists

2830 TOTAL AFFILIATE PROVIDERS

2188 TOTAL MEDICAL GROUP PROVIDERS

5018 TOTAL AFFILIATE AND MEDICAL GROUP PROVIDERS



2.85M

Medical Group
In-house Visits



413K

Medical Group
Virtual Visits



695K

Value Based
Care Members

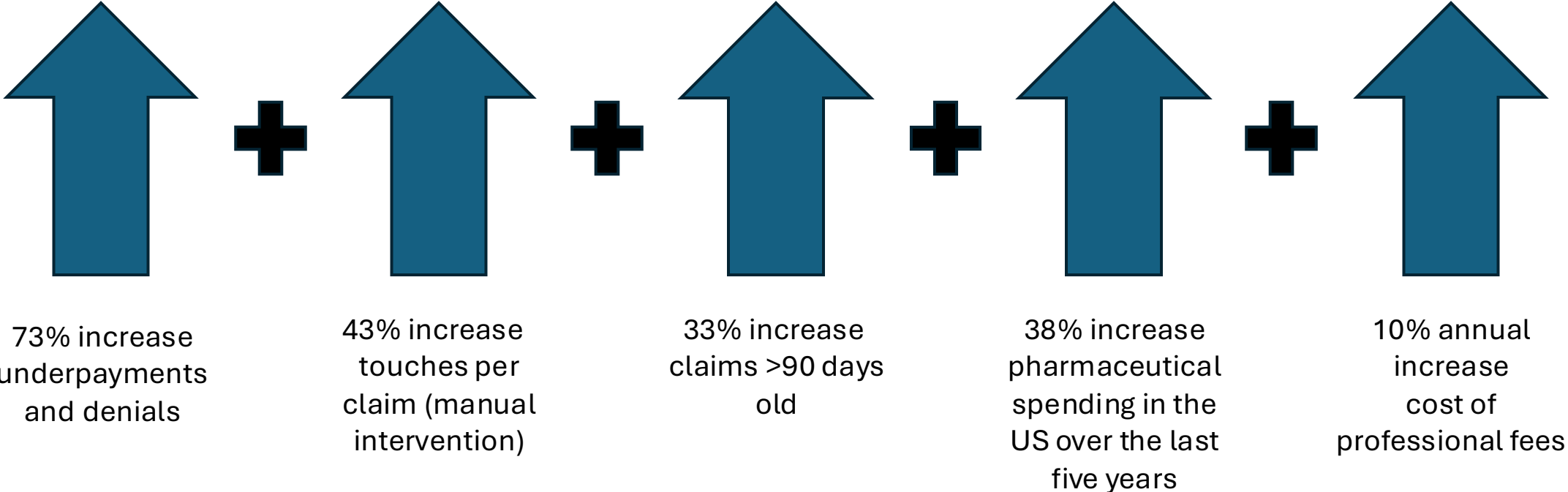


105K

Surgeries
(IP/OP)

Cost Drivers External to Our Control

Costs associated with payor behavior, labor, pharmaceutical costs, and fees result in an incremental cost of \$300m per year



Additionally, with current seismic regulations included, Providence needs to reinvest ~\$7 billion into capital over the next 5 years

Cost Control Measures

Core business operational Improvements

\$220m reduction in agency labor spend over 2 years

2024 length of stay improvements saved 14,740 patient days, and ~\$18M

Medical supply inflation held at 5.5% over prior 2 years vs national benchmark trend of 7.6%

Programmatic Improvements

Growth in high acuity services

Changes in payment models, funding sources

Strategic realignment of care to meet community needs

Reimagine & Partnership

QVMC Sale
(Late 2026)

Partnerships in post-acute and behavioral health

Physical Asset Optimization

Sustainable payment

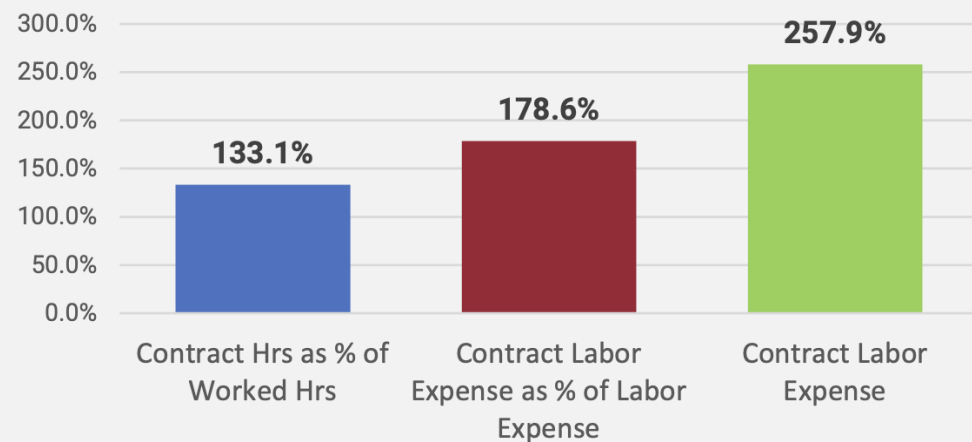
Contract renegotiations

Remediation of payment degradation

Agency Labor Cost: An Industry Challenge

Contract Hours and Expenses Increased Significantly from Pre-Pandemic Levels

% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

- A severe nationwide shortage of qualified healthcare professionals has forced many hospitals to rely on expensive agency labor to fill patient care needs.
- The COVID-19 pandemic significantly impacted caregiver retention, increasing the need for agency labor.
- Agency labor is significantly more expensive than full-time caregivers, typically adding **50% or more** to a caregiver's hourly rate.¹
- Compared to 2019, nationwide contract hours as a percent of worked hours rose 133.1% in 2022. contract labor expense as a percent of total labor expense increased 178.6% and total contract labor expense skyrocketed 257.9% over the three-year period.²
- Reducing agency spend frees resources to reinvest in our employed workforce.

Cultural Transformation| California



Analyzed Caregiver Engagement Survey → Caregiver Engagement

- Analyzed Caregiver engagement surveys for themes at the end of 2022
 - Lack of Connection to Core Leader
 - Lack of Career Opportunity
 - Plan to leave organization in 1-2 years



Developed Stay Conversations → Workforce Hiring

- Trained 900 Core Leaders on conducting Stay Conversations
- New hires receive 2 stay conversations in 1st 6 months of employment
- All Caregivers receive a Stay Conversation annually



Strengthened the Workforce → Agency Utilization Reduction

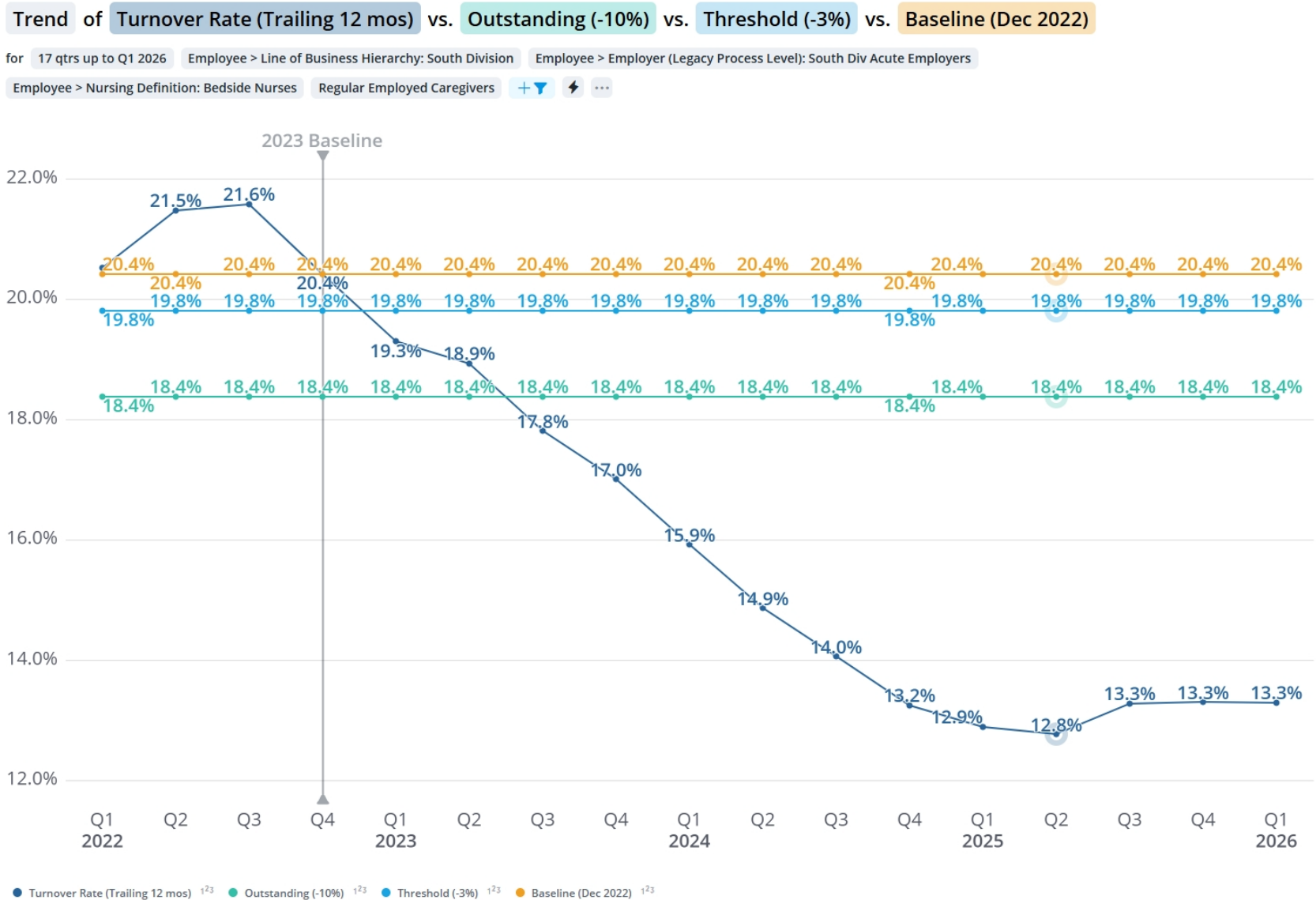
- Accelerated TIPs Hiring
- Developed Clinical Fellowship into Specialty Areas
- TIP Fellows / Residents Hired = **4550** since 2023
 - Fellows: 1603
 - Residents: 2947

Cultural Transformation | Strategic Focus

South Division Focus #1:

❖ Caregiver Engagement

- Strengthen hiring and retention initiatives
- Ministry reviews of Position Controls
- Partnering with Human Resources / Talent Acquisition on hiring initiatives
- Stay conversations focused on First-Year Turnover

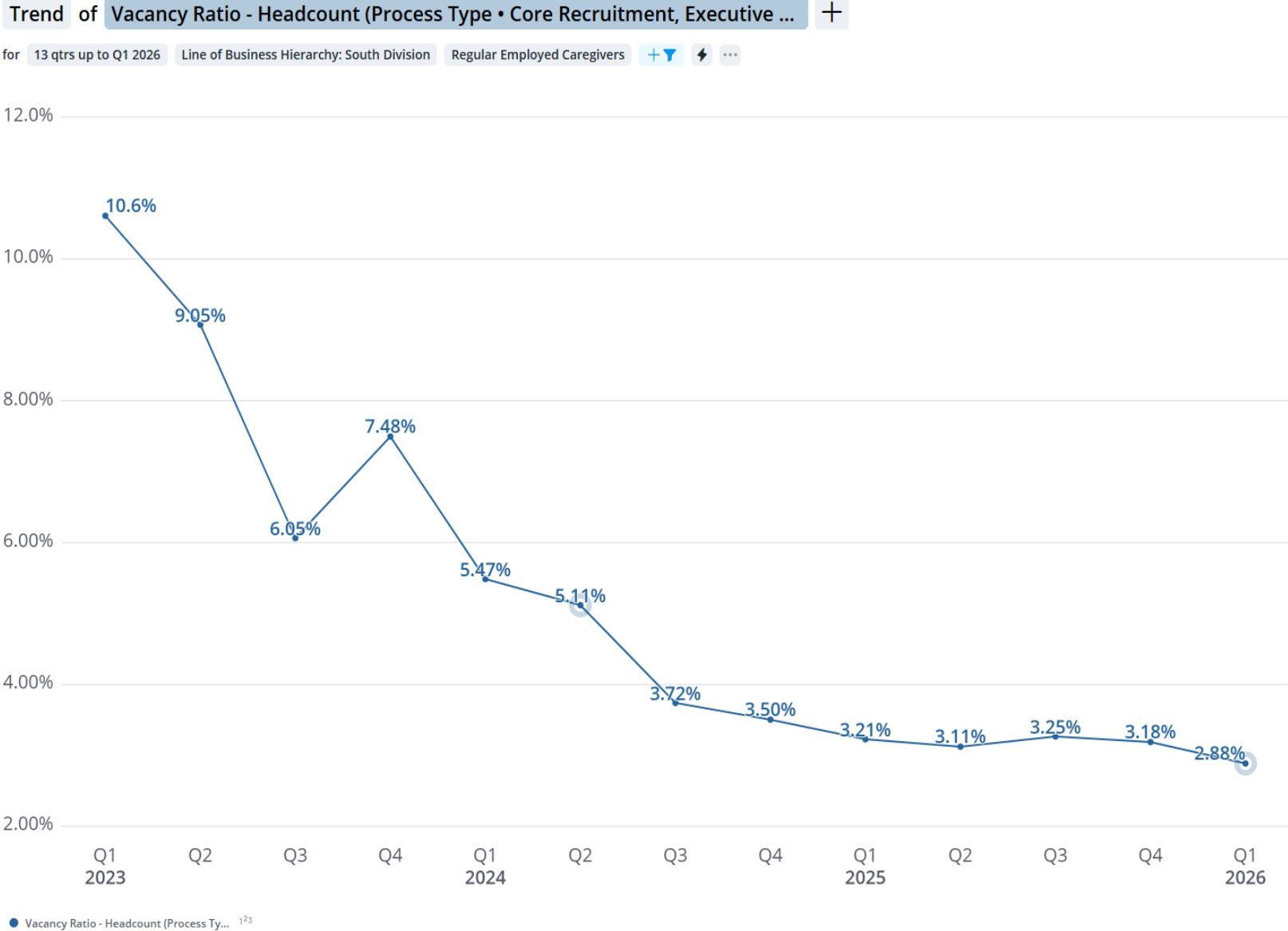


Cultural Transformation | Strategic Partnership

South Division Focus #2:

❖ Workforce Hiring

- Reduced open vacancies across Division
 - ✓ Increased TIP hiring (Fellows & Residents)
 - ✓ Improved Leave of Absence (LOA) Management
- Position Control Accountability
- Adjustments made to meet workforce needs and changes
 - ✓ Workforce Council focus on Talent Acquisition, Hiring practices, and LOAs
 - ✓ Focused Hiring Sessions
 - ✓ Flexible staffing and scheduling
 - ✓ Implementing innovation and technology at the bedside

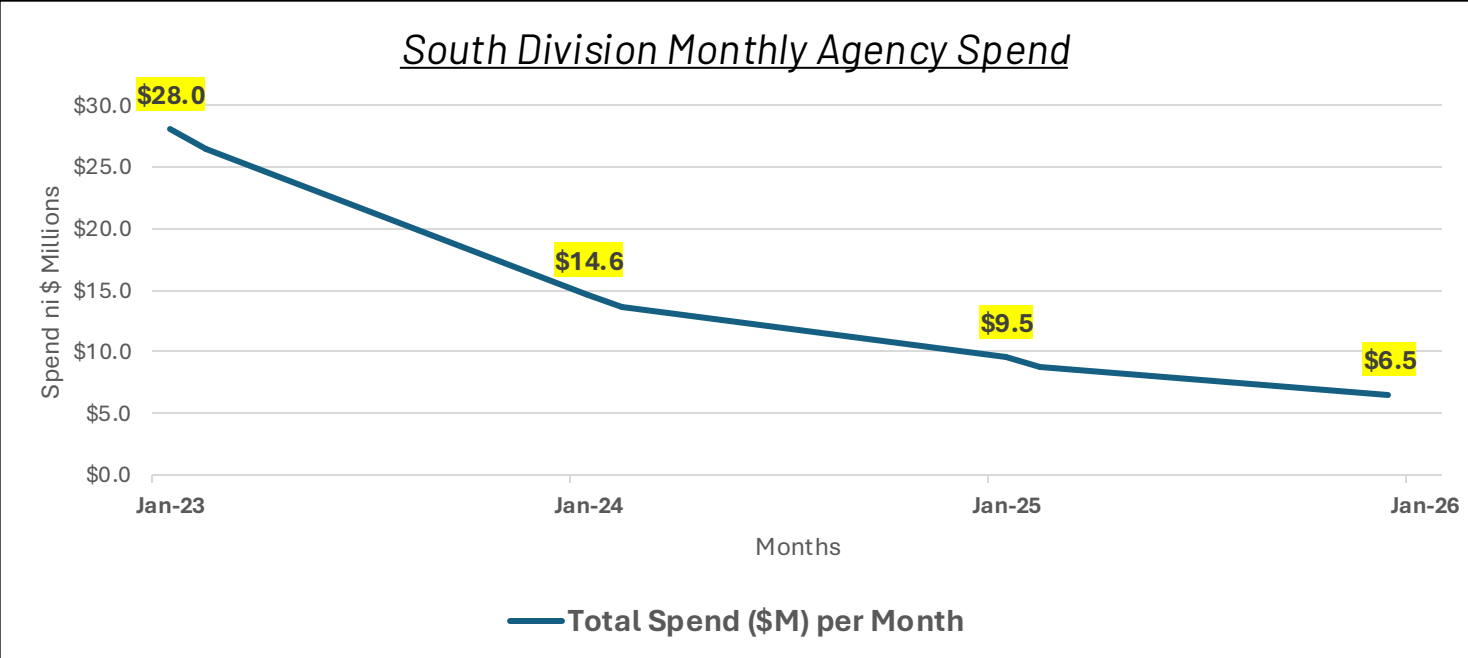
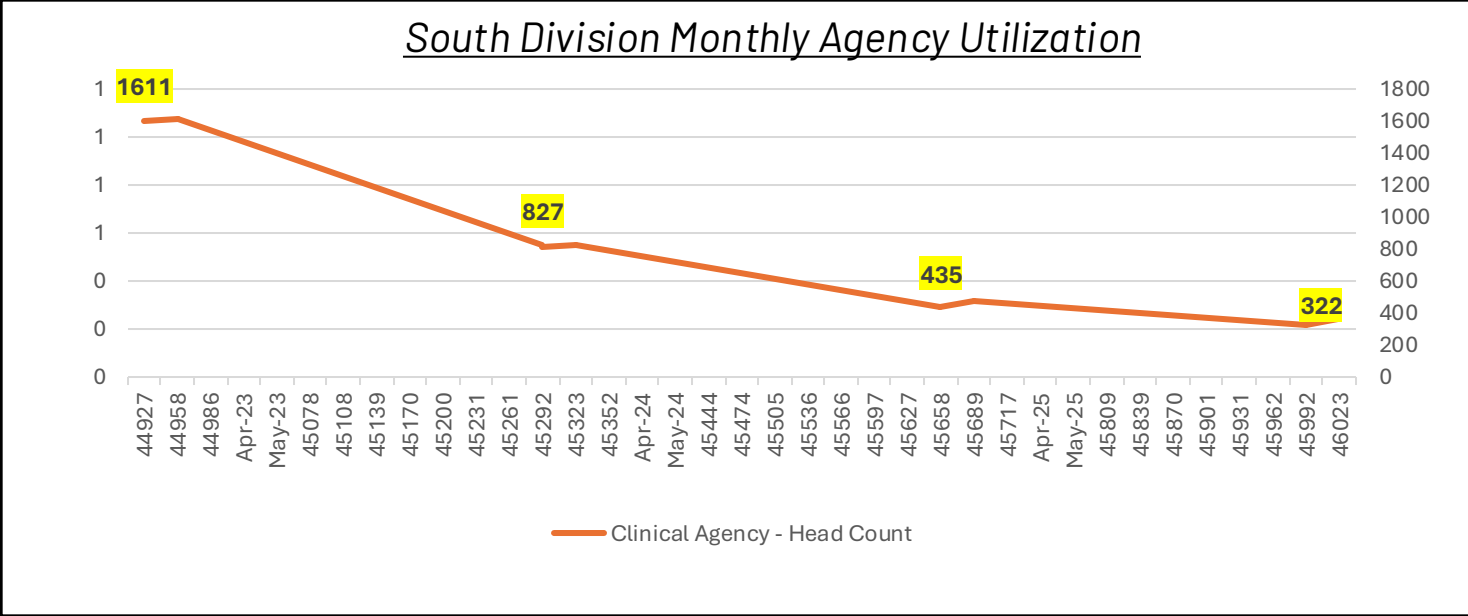


Cultural Transformation | Agency Reduction Plan

South Division Focus #3:

❖ **Agency Utilization Reduction**

- Increased accountability for local position controls
- Focused recruitment for high priority / high cost / hard to fill positions
- Reduce contract labor by filling vacancies with TIPs (Fellows/Residents)
- Increased focus on Leave of Absence management
- Achieved a reduction in spend and utilization of agency labor of **\$220+M** from 2023-2025. Today, monthly agency spend is **down 76%** compared to January 2023.



Cultural Transformation| Highlights

- Achieved a reduction in spend and utilization of agency cost by **\$220+M** from 2023-2025.
- The South Division team continues to sustain these significant reductions well into 2026 through collaboration with cross-functional teams and the implementation of cost-effective staffing models, along with continuous monitoring of agency labor utilization. Monthly agency spend **down 76%** compared to January 2023.
- Targeted measures implemented to optimize workforce management, in partnership with ministry leaders, Human Resource leaders, and Division leadership has resulted in
 - Nursing Turnover **down 40%**
 - Nursing Vacancies **down 86%**
- Strategic interventions aimed at enhancing workplace satisfaction and fostering a supportive environment, helped the South Division ministries exceeded caregiver retention goals set by the organization and improve Caregiver engagement overall.
 - South Division Glint Caregiver Engagement score as of 2nd Quarter (April 2026) is **74**, exceeding system score of 73.

	2026 Q2 Apr
Engagement	74 (+1)
Response Rate	52% (11,853 of 22,948)
# comments	12,405
<i>Top Strength</i>	Organization Potential I am excited about this organization's future.
<i>#2 Strength</i>	Growth I have good opportunities to learn and grow at this organization.
<i>#3 Strength</i>	Mission Connection Work The work that I do at this organization is meaningful to me.

Co-Caring Pilot

Co-Caring, or Virtual Nursing, is a new model of care delivery including a team approach and collaborative partnership of bedside and virtual caregivers, each practicing at the top of their scope to delivery high quality care and an exceptional patient experience. This model of care incorporates virtual registered nurses (vRNs) into team-based nursing and aims to reduce administrative burden and improve patient care.

The virtual nurse assists with the following:

- Completes admission assessment
- Reviews diagnosis and reason for hospitalization
- Completes medication reconciliation for previous and new medications
- Begins discharge education and prepares patient for discharge

Co-Caring and Virtual Nursing have shown positive health and safety outcomes:

- A 50% reduction in patient falls with moderate to severe injury
- A 20% reduction in average patient discharge time
- A 5% reduction in hospital-acquired infections



Thank You

References

- 1: Pradhan, R., Beauvais, B., Ramamonjiarivelo, Z., Dolezel, D., Wood, D., & Shanmugam, R. (2024). Agency Staffing and Hospital Financial Performance: Insights and Implications. *Journal of healthcare leadership*, 16, 365–374. <https://doi.org/10.2147/JHL.S470175>
- 2: Syntellis Performance Solutions. Hospital Vitals: Financial and Operational Trends 2022. Available from: https://www.syntellis.com/sites/default/files/202303/AHA%20Q2_Feb%202023.pdf