Written Testimony: Opposition to Proposed Authority to Cap Temporary Health Care Staffing Agency Margins

New York State Executive Budget – Article VII, Part J

Thank you for the opportunity to submit testimony regarding the proposal in the Governor's Executive Budget that would authorize the New York State Department of Health to establish and enforce caps on the rates or margins retained by temporary health care staffing agencies.

Our organization is a national healthcare staffing company operating across all 50 states, including New York. We support hospitals and health systems through travel nursing, allied health, interim leadership, and international nurse staffing programs. In New York, our clinicians are deployed to address persistent staffing shortages, support high-acuity environments, and stabilize care delivery when permanent hiring cannot meet immediate patient needs.

While we support transparency and appropriate oversight, we strongly oppose the creation of a statewide margin cap. Based on our direct operating experience and market data, this proposal would exacerbate staffing shortages, reduce clinician availability, and restrict patient access to care, particularly in high-acuity and rural settings.

Temporary Staffing Responds to Workforce Shortages—It Does Not Cause Them

The fundamental driver of temporary healthcare staffing is not agency behavior; it is the chronic, well-documented healthcare workforce shortage that predates COVID-19 and has only intensified since. Staffing agencies respond to these needs; they did not create them. Hospitals turn to temporary staffing because permanent hiring cycles take months, while patient needs are immediate.

Critically, New York's own data contradicts the narrative that hospitals are increasingly substituting contract nurses for permanent staff. According to Centers for Medicare & Medicaid Services data, New York hospital spending on contract labor peaked at 6.4% in 2022 and declined to 5.8% in 2023. This reflects a temporary, crisis-driven response that is already receding without legislative intervention.

New York Is Already a Challenging Staffing Market

New York is already one of the most difficult states to staff due to licensing complexity, high cost of living, geography and weather, and clinician reluctance to accept assignments in the state. Even without a margin cap, staffing success is limited. In 2025, New York ranked among our top five states for job volume, yet near the bottom for new placements:

- **Nursing & Allied:** 4,913 jobs received resulted in only 17 new placements (less than 0.5%).
- **Interim Leadership:** 84 jobs received resulted in 17 placements (approximately 20%).

This gap reflects clinician availability and market realities, not agency pricing behavior. Any further restriction on rate or margin flexibility would materially reduce placements in an already constrained market.

Rate Flexibility Is Essential to Clinician Compensation

Rate flexibility is not about excess profit; it is how agencies attract clinicians to difficult, high-cost, and high-stress assignments. In New York, this flexibility is essential to:

- Offset housing, transportation, and travel costs that are higher in New York and largely outside of agency control
- Maintain competitive compensation for high-acuity roles and interim leadership positions
- Respond to urgent needs, including seasonal surges, short-notice starts, and strikes

Interim Leadership positions currently account for approximately 61% of our New York gross profit dollars and involve executive-level clinicians supporting complex hospital environments, including exclusive relationships. Bill rates for these roles have already declined from over $200 per hour to approximately $180 per hour, compressing margins while operating costs continue to rise.

RN and Allied placements already operate at lower-than-standard margins in New York, limiting our ability to increase clinician pay without operating at a loss. A margin cap would force agencies to choose between clinician compensation and operational viability, resulting in fewer clinicians willing to accept or remain on New York assignments.

Disproportionate Impact on International Nurse Programs

International nurse programs are particularly vulnerable to margin caps despite their importance in stabilizing long-term workforce shortages. These programs require substantial front-loaded investments, often between $19,000 and $25,000 per nurse, covering recruitment, credentialing, licensure, immigration processing, relocation, housing, and acculturation support. These costs are incurred well before a clinician begins work and are traditionally recouped over multi-year contracts.

At present, we have only one international nurse placed in Albany, New York, underscoring how difficult the New York market already is for international recruitment.

We conducted a cost-of-living comparison between Albany, New York and Florence, Kentucky, where we operate under the same bill rate. While the posted hourly wage in Albany is higher ($38.00 versus $33.83), Albany's cost of living, particularly housing, ranges from 7% to 19% above the national average, while Florence is below the national average and offers significantly lower housing costs. As a result, take-home pay in New York is rapidly eroded.

Retention in the Northeast remains low, driven primarily by cost of living and climate rather than agency practices. Margin flexibility is essential to sustaining staff-to-permanent models, where agencies absorb significant upfront costs with the expectation that international nurses transition to permanent hospital roles after several years. Capping margins would make supplying international nurses to New York extremely limited and undermine long-term workforce stabilization.

Impact on Patient Access and Care

Staffing shortages have direct consequences for patients.

For example, we are aware of a patient in upstate New York who underwent knee surgery but was unable to receive timely physical therapy due to staffing shortages. As a result, the patient did not regain full range of motion. This illustrates how workforce constraints translate into delayed care and poorer outcomes, particularly in rural and underserved areas.

More broadly, when agencies cannot recruit and retain clinicians:

- Vacancies persist longer
- Units operate below safe staffing levels
- Patients experience delays, reduced access, and increased clinical risk

Rural and safety-net facilities are disproportionately affected, as they rely heavily on temporary and international clinicians to maintain essential services.

Rigid Caps Increase Risk During Strikes and Emergencies

New York is currently experiencing an active, open-ended healthcare strike. During such periods, compensation flexibility is essential to incentivize clinicians to accept high-stress assignments, retain interim leaders working extended hours under extraordinary conditions, and prevent abrupt staffing gaps.

Margin caps would further reduce clinician willingness to accept or remain on assignment during strikes and other emergencies, increasing the risk of destabilized care delivery when hospitals are already under strain.

Expanded Administrative Burdens Without Workforce Benefit

In addition to pricing controls, the proposal expands reporting, audit authority, and six-year record-retention requirements. These measures significantly increase administrative burden without improving staffing outcomes.

For staffing agencies, particularly those supporting international clinicians, where documentation already spans licensure, immigration, credentialing, housing, and compliance, these requirements divert resources away from recruitment, onboarding, training, and clinician support, further constraining workforce supply.

Conclusion

Temporary staffing is not the cause of New York's healthcare workforce challenges; it is a vital tool hospitals rely on to manage them.

In practice, this proposal would reduce clinician availability, limit emergency responsiveness, undermine long-term workforce stabilization, and restrict patient access to care, especially in rural and high-acuity settings.

New York already has mechanisms to address truly abusive pricing on a case-by-case basis through General Business Law § 396-r. A blanket margin cap is a blunt instrument that would punish responsible agencies, reduce staffing flexibility, and ultimately harm patients.

We respectfully urge the Legislature to reject this proposal and pursue policies that strengthen workforce recruitment, retention, and access to care across New York State.

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