

2ND QUARTER 2009

Twy Bethard, ed.

Healthcare Staffing Trends

Hollis Associates at HCSS, TechServe Tradeshow

Brooke Hollis will be a speaker on a panel titled "Exit Strategies: Positioning Your Staffing Firm for Maximum Value" at this year's Healthcare Staffing Summit in Washington, DC. The panel will convene Wed., Sept. 16, at 2:15. Hollis Associates is a sponsor of the show, which runs from the 15th to the 16th.

Hollis Associates will also be exhibiting at the TechServe Alliance Trade Show in Las Vegas, Oct. 7-9.

Check our website for other upcoming events and register to receive this newsletter by email.

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Q2 Financials: Some Firms Predict Improvement Next Quarter

The healthcare staffing companies tracked in our quarterly snapshot of financial trends in the industry continued to meet the challenges posed by economic conditions and reported higher margins despite declining revenues.

Revenues at these companies continued to decline this quarter (Figure 1). Earnings calls cited several reasons for the decline. Firms report that travel nurse staffing has been particularly hard hit, with lower hospital demand and more nurses opting for permanent positions and longer

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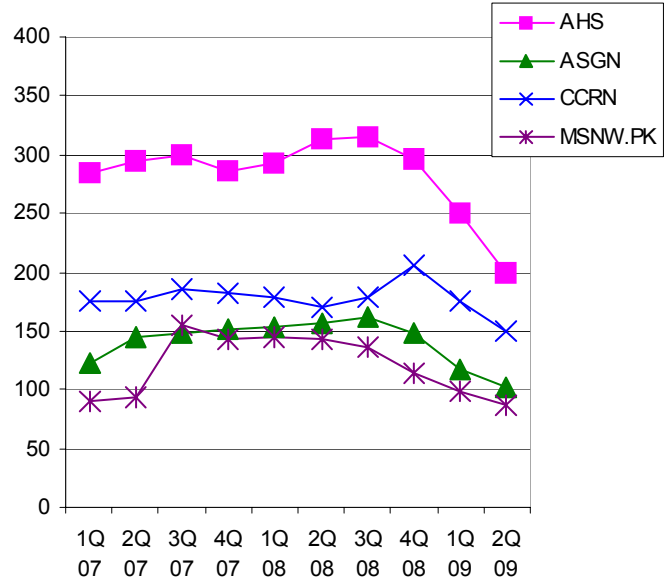


Figure 1: Net Sales (Millions USD) Sources: Thomson ONE Banker and company filings

Weathering the Storm... A Deutsche Bank analyst recently predicted that staffing companies will begin to recover early next year. A revenue rebound should mean much higher profits, because firms have cut costs.

Staffing Firms Weigh Costs, Benefits of Healthcare Reform

As the debate on healthcare reform sharpens, staffing agencies are examining the impact various proposals could have on their companies. A Congressional Budget Office brief released in July noted that some proposals might impose fees that would apply to all workers, but be lower for

temporary workers.

One of the largest providers of temporary workers, Kelly Services, has weighed in in favor of a pay-or-play system that would require large companies to provide health insurance—as long as the plan has effective cost controls. As Jim McIntire,

VP of public affairs, asserted, wider availability of health insurance could increase the supply of temporary workers.

For some small businesses taxed as individuals, the House proposal targeting the wealthy could increase their tax load.

Q2 Financials: Some Firms Predict Improvement Next Quarter *Continued*

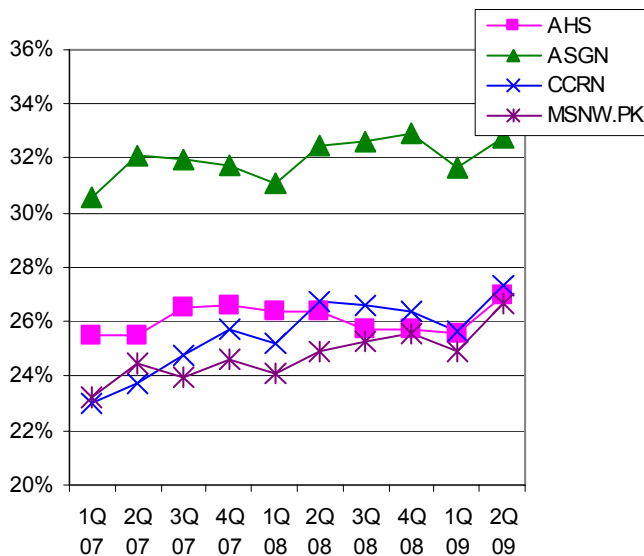


Figure 2: Gross Margin Sources: Thomson ONE Banker and company filings

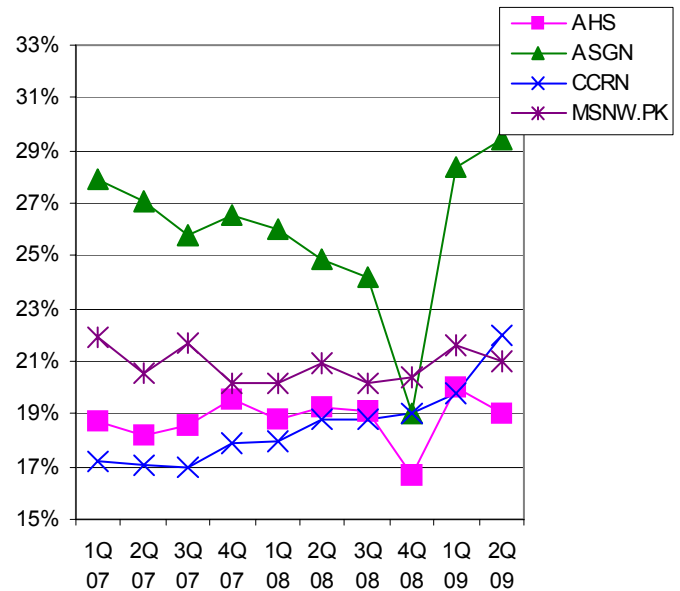


Figure 3: Sales, General & Administrative Expenses as a Percentage of

hours. However, demand for most locum tenens specialties remained strong.

Despite the revenue shortfalls, these companies reported an increase in their gross margins (Figure 2), through aggressive cost-containment measures. These companies reported mixed results in attempts to

reduce sales, general and administrative expenses (SG&A) vs. sales this quarter (Figure 3). Although cutting back on SG&A can improve profits and aid cash flows in the near term, cuts that are too deep can hamper the ability to participate in a recovery. Also, maintaining operations infra-

structure may improve valuations for smaller firms.

Many staffing companies reported signs of stabilization in July, and the Labor Department released figures showing that only 10,000 temporary jobs were lost in July, compared to 37,000 in June. Another optimistic signal comes

from a recent survey by CareerBuilder.com, which found that firms anticipate steady use of temporary staffing for the third quarter, and increasing numbers of firms expect to use staffing agencies to fill healthcare, professional, and IT positions.

Social Network Sites May Be Supplanting Job Boards

Online job board sites such as Monster.com and CareerBuilder.com largely replaced classified ads for jobs in newspapers. Now social networking sites appear to be replacing the job boards as a source of recruitment

at all levels, from temporary staff to top executives.

In response, job boards and staffing agencies are looking for ways to use social networking sites to their advantage. In July, Monster announced plans to lay off

160 employees but hire 80 new employees to staff a research facility focused on integrating social networking into the site.

A host of online startups are also combining job listings with social networking.

Is retirement on your horizon? Is the best time to sell your firm? How can you prepare for an eventual sale? The advisors at Hollis Associates specialize in helping owners plan and implement their succession and exit strategies.