

# *2010* National Healthcare Survey

Part 2 of 4

## **TOP CHALLENGES** **Staffing & Retention Strategies** with **Effectiveness Measurements**

(Reducing Labor Costs, Cost of RN Contract Labor and Recruitment Cost per Hire)

***NSI* NURSING SOLUTIONS, INC.**<sup>®</sup>

2055 East State Street, East Petersburg, PA 17520  
717-560-3863 or Fax 717-560-9111

Email: [Marccolosi@nsinursingsolutions.com](mailto:Marccolosi@nsinursingsolutions.com)

Website: <http://www.nsinursingsolutions.com/>

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# ***NSI* SIXTH ANNUAL NATIONAL SURVEY**

- This *NSI* survey and its resulting reports will be provided in 4 parts consisting of information on the:
  - Impact of the Nursing Shortage on Hospitals
  - Recruitment & Staffing Strategies with Effectiveness Measurements
  - Healthcare Economics
  - Nursing Shortage Data and Trends
  - RN Turnover Rates
  - Reasons for RN Turnover
  - Cost of RN Turnover
  - Top CEO Challenges
  - Cost of RN Contract Labor
  - Recruitment Cost per RN Hire
- Hospitals Surveyed: 3,071
- Survey Participating Hospitals 787
- Survey Participation Rate: 25.6%

**In keeping with our promise of confidentiality, all participant raw information, data and work sheets have been purged.**

# CNE CHALLENGES

N=712

## ISSUES

2010

|  |            |
|--|------------|
| Patient Safety and Quality of Care:        | 71%        |
| Patient Satisfaction:                      | 65%        |
| <b>RN Shortage and Agency Nurse Costs:</b> | <b>61%</b> |
| <b>Nurse Retention/Turnover:</b>           | <b>60%</b> |
| Physician/Nurse Relations:                 | 51%        |
| Capacity:                                  | 47%        |
| Work and Family Balance:                   | 33%        |
| JCAHO Mandates:                            | 32%        |
| Other Professional Issues:                 | 30%        |

Sources: Amalgamation Analysis from: HealthLeaders; Modern Healthcare; AONE; AHA

# NURSING SHORTAGE WORSENS

|   | 2010    | 2012    | 2016    | 2020        | 2025        |
|---|---------|---------|---------|-------------|-------------|
| NURSING SHORTAGE:                           | -14%    | -18%    | -23%    | -29%        | -31%        |
| NURSES IN HOSPITALS:                        | 351,523 | 455,479 | 715,565 | 1.1 million | 1.3 million |
| NURSE RECRUITMENT DIFFICULTY RATE:          | 61.3%   | 59.9%   | 61.2%   | 61.0%       | 61.3%       |
| RN DEMAND (PROJECTIONS- EACH SPECIFIC YEAR) | 87.2%   | 89.3%   | 92.1%   | 94.6%       | 95.3%       |
|   | +27%    | +31%    | +36%    | +43%        | +45%        |

**RN and NURSE LEADERS RETIREMENT & EXIT RATE: By 35% & 20%**

The BLS, *Monthly Labor Review*, projects 1,000,000+ **new and replacement RNs will be needed by 2016; and also forecasts a 23.5% increase (587,000+) new RN positions.**

HRSA officials state that "...to meet the projected growth in demand for RN services, the U.S. must graduate 90% more nurses..."

Sources: HRSA, <http://bhpr.hrsa.gov/healthworkforce/reports/behindrnprojections/index.htm>  
Regina Cusson, Dean, University of Connecticut School of Nursing, AARP, April, 2009

# HOSPITAL VACANCY RATES N=712

- 2% report a vacancy rate to 5%.
- 12% report vacancy rate of 5.1% to 7%.
- 43% report average vacancy rate of 10% to 13%.
- 15% report elevated vacancy rate of 13.1% to 17%.
- 12% report high vacancy rate of 17.1% to 24%.
- 12% report very high rate of 24.% to 31%.
- 4% report severe vacancy rate of 31.1%+.

Source: First Consulting Group; Solutions Group Amalgamation Report, 2009; NSI Nursing Solutions, 2010

# STAFFING STRATEGIES-

## What are hospitals doing to offset vacancies?

- The Optimal Labor Cost as a % of Operating Revenue, above which margin erodes; is 59% in acute hospitals.
- Maintain Optimal Efficiency Full/Part Time ratio
  - Maintain % of FT to PT/Short hour staff ratio at 60%/40%
  - Deviations of more than 3% need correction.
  - Too many short hour employees generally cause premium and contract labor costs in increase.
- Maintain Optimal Scheduling Percentage Ratio
  - Maintain 12 hour to 8 hour shifts ratio at 70%/30% (70% 12 hour and 30% 8 hour),
  - Deviations >70% and the schedule becomes rigid, gaps often occur and premium pays and contract labor costs increase.
  - Deviations downwards from 70%/30% are acceptable.

Sources: "Economics of Labor in Healthcare", Workforce Prescriptions, Inc.

# STAFFING STRATEGIES-

What are hospitals doing to offset vacancies?

| Strategy  | Utilization Frequency | Effectiveness Rating | Cost Impact (of Salary)   |
|---|-----------------------|----------------------|---------------------------|
| <ul style="list-style-type: none"> <li>Overtime:</li> </ul> <p>(Nurses working 12.5+ hours were 3 times more likely to commit errors, than RNs working less than 8.5 hours... University of Pennsylvania School of Nursing)</p> | 80%                   | 38%                  | To 173%                   |
| <ul style="list-style-type: none"> <li>In-house Pools:</li> </ul>   | 52.4%                 | 31%                  | To 155%                   |
| <ul style="list-style-type: none"> <li>On-Call Staff:</li> </ul>  | 41.9%                 | 13%                  | To 180%                   |
| <ul style="list-style-type: none"> <li>Flex Scheduling:</li> </ul>  | 74%                   | 76.2%                |                           |
| <ul style="list-style-type: none"> <li>Self Scheduling:</li> </ul>  | 74%                   | 76.2%                |                           |
| <ul style="list-style-type: none"> <li>Float/Flex pools:</li> </ul>   | 82%                   | 74.2%                | 145% to 190%              |
| <ul style="list-style-type: none"> <li>RN On-Boarding Coaching</li> </ul>   | 58%                   | 78.6%                | Saves on RN Turnover Cost |

# STAFFING STRATEGIES-

What are hospitals doing to offset vacancies?

| Strategy        | Utilization Frequency | Effectiveness Rating | Cost Impact (of Salary) |
|-----------------|-----------------------|----------------------|-------------------------|
| □ Contract RNs: | 64.1%                 | 17.5%                | 2+ times                |

NOTE: Employed RN Cost with benefits \$83,473 vs. Travel/Agency Costs at \$65/hr or \$135,200/RN/year ROI and Addable Profits Net- per 29 RNs: \$1,984,238+

|                                     |     |          |                  |
|-------------------------------------|-----|----------|------------------|
| □ High Volume US Nurse Recruitment: | 10% | to 94.8% | Could save 200%+ |
|-------------------------------------|-----|----------|------------------|

NOTE: The Temporary RN Workforce Commitment Index is: 73.

The Healthcare Workforce Commitment Index is: 97.5 (based on ASHHRA's Drivers of Commitment to Work. Scores closer to 100 indicate higher commitment)

NOTE: The *NSI total* calculated average ROI, Bottom Line Improvements c/b: \$3,108,500

# STAFFING STRATEGIES-

What are hospitals doing to offset vacancies?

| Strategy                  | Utilization Frequency | Effectiveness Rating | Cost Impact (of Salary) |
|---------------------------|-----------------------|----------------------|-------------------------|
| Multi-area Bonus:         | 12%                   | 8%                   | 5% to 20%               |
| Self Contained Groups:    | 21%                   | 27%                  |                         |
| System Rotation:          | 6%                    | 12%                  |                         |
| Parent Schedules:         | 31.4%                 | 32.3%                |                         |
| Schedule Surfing:         | 9%                    | 33.1%                |                         |
| Retiree Pull-Backs:       | 4%                    | 10%                  |                         |
| Shift Bidding:            | 15%                   | 12%                  | to 165%                 |
| In-Fill Self Contracting: | 1%                    | 6%                   | 145% to 175%            |

# STAFFING STRATEGIES-

- ❑ Shift that are harder to fill than week days are Friday evenings/Friday Nights: 74%/73%
- ❑ Departments reporting holes in schedules due to the scheduling variables and not by vacancies: 48%
- ❑ Retirements expected within the next 5 years: 30%
- ❑ Nursing departments not having a healthy mix of senior and junior level staff: 72%

## RN LABOR WASTE -- OPPORTUNITIES

- ❑ RNs equipment hunting consumes an average of 40 minutes per RN per shift.
- ❑ Completing redundant paperwork consumes an average of 57 minutes per RN per shift.
- ❑ Cumulatively these consume 16% of all bedside nursing labor.

# RETENSION STRATEGIES

NSI RETENSION INSTITUTE - 2010

| <b>STRATEGY</b> N=123        | <b>EFFECTIVENESS</b> | <b>USAGE</b> |
|------------------------------|----------------------|--------------|
| RN Residency Program:        | 86.4%                | 36%          |
| Tuition Assistance:          | 83.6%                | 90%          |
| Comprehensive Benefits:      | 83.4%                | 92%          |
| Scholarship/Loans:           | 83%                  | 78%          |
| Senior Leadership Rounding:  | 81.6%                | 76%          |
| Shared Governance:           | 81.6%                | 52%          |
| Clinical Ladders:            | 81.4%                | 82%          |
| No Mandatory Overtime:       | 80%                  | 38%          |
| Open/Two-way Communications: | 79.6%                | 88%          |
| Pay-for-Performance:         | 79.4%                | 64%          |
| Concierge Services:          | 66%                  | 20%          |
| Retention Bonus:             | 60%                  | 36%          |
| On-site Child Care:          | 79%                  | 38%          |
| On-Boarding Programs:        | 78.6%                | 58%          |

# RETENSION STRATEGIES

NSI RETENSION INSTITUTE - 2010

| <b>STRATEGY</b> N=123          | <b>EFFECTIVENESS</b> | <b>USAGE</b> |
|--------------------------------|----------------------|--------------|
| ❑ Recognition Program:         | 78%                  | 82%          |
| ❑ Mentorship Program:          | 77.6%                | 66%          |
| ❑ Above Market Pay:            | 76.8%                | 62%          |
| ❑ Magnet Recognition:          | 76.4%                | 34%          |
| ❑ Turnover Reporting/Tracking: | 76.4%                | 88%          |
| ❑ Self/Flex Schedules:         | 76.2%                | 74%          |
| ❑ Employee Opinion Surveys:    | 74.8%                | 70%          |
| ❑ Float/Flex Pools:            | 74.2%                | 82%          |
| ❑ Management Development:      | 74%                  | 80%          |
| ❑ Stay Interviews:             | 71.2%                | 36%          |
| ❑ Elder Care Benefits:         | 70%                  | 20%          |
| ❑ Continuing Education:        | 67.8%                | 92%          |
| ❑ No Weekends or EOWO:         | 58%                  | 18%          |
| ❑ Flight Risk assessments:     | 58.8%                | 32%          |
| ❑ Profit Sharing/Gain Sharing: | 66.6%                | 12%          |

# ECONOMIC VALUE OF NURSES

Nursing, April, 2009; H&HN, February, 2009; HealthLeaders,

<http://www.healthleadersmedia.com/video/content/202667/The-New-Rainmakers.html>

- According to a study by “Medical Care”, there is a major cost, revenue and quality relationship with RN Staffing.
- Researchers found that adding 133,000 FTE RNs to the hospitals workforce, would decrease LOS by 3.6 million days, increasing productivity by \$231 million/year.
- The number of lives saved amounts to 5,900 lives,. The productivity value of deaths averted is about \$1.3 Billion, or \$9,900 per added RN/ year.
- Also a University of Pennsylvania Study found that surgical patients had a “substantial survival advantage” if treated... by nurses with a BSN. Every 10% increase in BSN nurses resulted in a 4% decrease in risk of death. (Aikin, 2003, 2008)
- The savings are estimated to amount to \$6.1 Billion, amounting to an additional \$46,000 per RN/year.
- The combined savings (medical and productivity) would have an additional economic value of \$57,000.
- **RNs generate \$250,000 to \$300,000 in revenues.**

# LABOR SAVINGS BY REDUCING "AVOIDABLE DAYS"

Sample hospital with 26,700 patient days per year, with 2,190 avoidable days that could be reduced:

## Census translation

= 6 patients/day (2,190/365), census drop of 6 patients/day 8.2%

## FTE reduction translation

= 16.7 FTE's reduced just in nursing

(2,190 reduced days, 15.8 nursing hours per patient day)

= 4.2 FTE's reduced in other departments

(2,190 reduced days, 3.95 hours per patient day)

**= 20.9 FTE's**

## Labor \$ reduction translation

= \$1,200,000 just in nursing

(34,691 hours/16.68 FTE's \$35.70 - average rate of \$30/hr + 19% COB)

= \$ 240,000 in all other labor reductions

(8,764 hours/4.17 FTE's \*\$27.37 - average rate of \$23/hr + 19% COB)

**= \$1,440,000**

# U.S. RECRUITMENT STRATEGIES

- ***NSI*** NURSING SOLUTIONS, INC is a 10 year old national high volume ***U.S. nurse recruitment firm***, recruiting only within the continental U.S. for American *Experienced Nurses*, as **YOUR** core employee staff.

***NSI*** is NOT a Foreign recruiter  
NOR a Travel or Temporary Agency.

- ***NSI*** **RISK FREE** Commitment is a **WIN-WIN** for you:

YOU MUST HIRE THE NURSES  
**BEFORE** WE GET PAID.

- The Effects of a Successful U.S. Campaign could be:
  - Significant ROI , recoupable in weeks,
  - Reduce Vacancies/full staffing as your core employees
  - **The *NSI* Average Time-to-Fill is 32 days**

# COST OF CONTRACT NURSES

Could Be (C/B):

|                  | AVERAGE COST                                     | COST/HOUR                   | COST RANGE                                   |
|------------------|--|-----------------------------|--|
| TRAVEL NURSES    | \$64<br>Per Hour/RN<br>\$133,120<br>Per Annum/RN | \$58 to \$85<br>Per Hour/RN | \$120,640<br>to<br>\$176,800<br>Per Annum/RN |
| TEMPORARY NURSES | \$52<br>Per Hour/RN<br>\$108,160<br>Per Annum/RN | \$50 to \$63<br>Per Hour/RN | \$104,000<br>to<br>\$131,040<br>Per Annum/RN |

Average Employed Nurse Salary:  
\$30.18/Hour = \$62,778 per annum

**COMPARED TO YOUR CONTRACT NURSE  
SPENDING PER RN OF:**

\$104,000 to \$176,800 per annum/RN

# **COST OF CONTRACT NURSE**

**Could Be (C/B):**

**FOR EVERY 23 RNs HIRED**

**as**

**YOUR PERMANENT EMPLOYEES**

**YOUR CASH FLOW &  
BOTTOM LINE IMPROVEMENT c/b:**

**\$1,435,200+**

**(This is Net of Replacement Cost of Labor (Salary + Benefits))**

# MOST COMPELLING DATA

| Category  | <i>NSI</i><br>Best Efforts | National<br>Data |
|---|----------------------------|------------------|
| □ Targeted Time-to-Fill Range:                    | <b>26 to 33+</b> days      | 63 to 207 days   |
| □ RN Average Time-to-Fill:                        | <b>32</b> days             | 96.7 days        |
| □ Average Client Applicant Flow:                  | <b>1,082/RNs/Client</b>    | 63 to 1,115/year |
| □ Annualized F/Y Turnover                         | <b>6.3%</b>                | 15.5%            |
| Retention Rates could be (c/b):                   | <b>93.7%</b>               | 84.5%            |
| □ Calculated ROI recouped in:                     | <b>26+</b> weeks           |                  |
| □ Computed ROI Average<br>may Improve Profits by: | <b>\$3,108,500</b>         |                  |
| □ Average RN experience:                          | <b>13</b> years            | 7 to 9 years     |

# SOURCES

- MODERN HEALTHCARE, BY THE NUMBERS AND DAILY DOSE
- FITCH REPORTS
- PRESS GANEY
- MOODY INVESTER SERVICES
- BANK AMERICA
- AMERICAN HOSPITAL ASSOCIATION (AHA)
- AMERICAN NURSE ASSOCIATION (ANA)
- AMERICAN ASSOCIATION OF COLLEGES OF NURSING
- HOSPITAL FINANCE MANAGEMENT ASSOCIATION, "Financing the Future"
- AMERICAN SOCIETY OF HEALTHCARE HUMAN RESOURCES ADMINISTRATION
- SARATOGA INSTITUTE
- WILLIAM M. MERCER CO.
- HAY GROUP
- WATSON WYATT CO.
- TOWERS PERRIN
- AHCA FINANCIAL DATA
- HRSA BUREAU OF WORKFORCE STUDIES, THE NATIONAL RN SURVEY, 2008
- HOSPITALS & HEALTH NETWORKS
- HEWITT AND ASSOCIATES
- ALMANAC OF HOSPITAL FINANCIAL & OPERATING INDICATORS #7353
- MARTIN ARRICK, S&P
- HOSPITAL & HEALTH COMPENSATION SERVICES
- US BUREAU OF LABOR STATISTICS, 2008 REVISION OF US HHS 2000 REPORT

All survey information and data is obtained from: consulting firms and other published data, professional journals, white papers, professional associations and governmental websites, NSI surveys, etc., and all are coalesced, amalgamated and where applicable are trended and forecasted in the variously published NSI surveys and reports.

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\*Note: Applicant Flows, Interview-to-Offer Rates, Time to Fill, Turnover & Retention are different for each employer, due to Hospital: Image, Culture, Reputation, Geography, Market Competitiveness, Professionalism, Practice Modalities, Management Style, Focus, Policies, Employee Relations, Mid-stream Contract Changes, Mission and Vision etc. and all affect campaign costs. Campaign vendor costs are calculated on the number of contracted nurses, not hired nurses.

***NSI* fees are based solely on nurses hired and are invoiced only after a client has hired the nurses.**

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