RN Labor Market Tightens Belt

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For the first time in 3 years, the downward trend in hospital and bedside registered nurse (RN) turnover has been reversed and is expected to climb, according to NSI Nursing Solutions, Inc. The past few years, hospitals have enjoyed an artificially higher retention rate as a direct result of the sluggish economy. This increase in turnover is indicative of the strengthening economy, as evidenced by the decrease in the unemployment rate and the expansion of the housing and stock markets.

Encompassing approximately 450,000 employees and 115,000 RNs, NSI Nursing Solutions, Inc., has recently released the 2013 National Healthcare and RN Retention Report.1 According to the study, the national turnover rate for hospitals is 14.7%, a 1.2% increase from 2012 (see Figure 1). The profile of a hospital with the greatest retention rate is an acute care facility with over 500 beds and located in the Northeast. Conversely, a hospital with less than 200 beds and
located in the South Central United States is expected to record higher levels of turnover.

During this same period, the turnover rate for bedside RNs increased by 1.9% to 13.1%. In fact, RN turnover increased faster than hospital turnover, suggesting that the RN labor market is tightening at an accelerated pace. Given the varying size and location of facilities, turnover for bedside RNs ranged from 4.4% to 44.6%. According to Marlene McAllister, chief nursing officer at Medical Center Health System in Odessa, Texas (personal communication, April 4, 2013), “There is a huge focus on retention at the senior level, given the rise in turnover. Leadership is continuously seeking ways to improve our work environment and offer competitive compensation and benefit programs.”

The cost of turnover can have a profound impact on the already diminishing hospital margin. Although, the overwhelming majority (93%) do not track this cost, the 1.9% increase in RN turnover costs the average hospital an additional $630,420. In 2013, RN turnover cost the average hospital between $3.74 million and $4.98 million. For every percent change in turnover, an acute care facility can expect to spend/save an additional $331,800 on average. Whereas this cost can range to 2 times annual salary, these conservative figures can still be a tremendous drain on profit, particularly when considering the orientation costs for newly licensed registered nurses as “estimated to be between $39,000 and $65,000” alone. Regardless, turnover is costly and needs to be managed.

Not all specialties are created equal when it comes to retention. Communicating and creating a scorecard is an effective way to decrease turnover, since what gets measured gets managed! Figure 2 benchmarks the average RN turnover rate by specialty against the national norm. RNs working in surgical services recorded the lowest turnover rate at 10.7%. Critical care, pediatrics, women's health, and burn centers were also below the national average. Turnover rates for nurses working in medical-surgical and emergency have consistently exceeded the national average. Currently, they are turning at 16.8% and 16.5%, respectively. In essence, every 6 years, these units will virtually burn through their entire staff.

Three other units also exceeding the national benchmark are telemetry, step down, and behavioral health.

Any increase in turnover will strain the vacancy rate and wreak havoc on hospital staffing. Close to half (48.3%) of the hospitals reported a RN vacancy rate of less than 5%, a 9-point drop from 2012 (see Table 1). Those with a vacancy rate of 5.0% to 7.49% also saw a 9-point drop to 14.7% of the respondents. In fact, the most alarming find is that more than twice as many hospitals (37.1%) now report a vacancy rate higher than 7.5%. As the healthcare rolls swell, as the economy improves, as RNs no longer delay retirement, and as RNs reconsider travel nursing, as part-time RNs take fewer shifts, and as the demand for RNs increases, expect the vacancy rate to further deteriorate.

When the labor market tightens and the vacancy rate rises, hospitals have historically sought to bridge the gap by utilizing overtime, agency staff, and travel nurses, all of which are costly strategies and can lead to issues with quality, safety, physician satisfaction, employee satisfaction, and the patient experience. Hospitals should “minimize excess utilization and focus on a strategy that embraces full staffing and builds retention while enhancing the return on investment (Canning R, personal communication, April 3, 2013)” Return on investment can be $1.24 million for every 20 travel nurses not engaged.

Hospitals consistently view retention as a key strategic imperative as agreed on by an overwhelming majority (89.5%). Although the clear majority view retention as a key

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strategic imperative, and given the cost as discussed earlier, it is not evident in operational practice and/or planning. In fact, less than half (48.2%) have a formal retention strategy. However, it should be noted that this is a 6.1% increase from the previous survey, and 10.1% higher than in 2011, so there is movement and attraction to addressing retention. Over a quarter (27.1%) indicated that this is under consideration.

The issues and uncertainty surrounding the healthcare industry are unprecedented. The uncertainty of the economy, the high unemployment and underemployment rates, the expanding healthcare rolls, the aging of the population, the mandate on quality and safety, the decrease in reimbursements, the competition for patient volume, the shortage of physicians, nurses, and allied professionals, and healthcare reform are stressing the industry. As the healthcare labor market expands and opportunities become more abundant, expect retention rates to get squeezed.

Hospitals must seek ways to protect their human capital. The value hospitals place on their people will have a direct correlation to their commitment, confidence, and engagement. Enhancing culture and building programs to reinforce these values is critical to driving retention. Hospitals believe that retention is a key strategic imperative, yet are slow to translate this into a formal strategic plan. Remember: as the economy moves, so too will your employees.

References

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