2018 RN Labor Market Update

HEALTHCARE LANDSCAPE ANALYSIS
Due to the aging population, and growth in medical spending, it has long been obvious that healthcare would become the largest source for jobs in the U.S. In 2017, hospitals struggled to hire and maintain costs which will prove even more challenging in 2018. The Bureau of Labor Statistics (BLS) recently forecasted 10-year (2016-2026) RN employment growth at 15%...more than twice the growth rate when compared to all-industries.

Although hospitals have reduced expenses, costs associated with major staffing problems continue to escalate. Increasing RN retirements, rising turnover and expanding capacity are affecting vacancy rates. The surging RN shortage, which is felt by 77% of U.S. hospitals, is pushing up contract labor use and its attending fees. Experts agree that although the supply of RNs varies geographically; on a national level, a major shortage is felt and is expected to be worse than in the past.

RN DEMAND AND SHORTAGE ANALYSIS
During the recession, the supply of RNs increased due to: (1) RNs deferring retirement, (2) an increase in graduate nurses, (3) RNs working more shifts or overtime and (4) contract RNs returning to full time status. These trends have reversed, thus ending the false narrative of an evaporated RN shortage.

Healthcare jobs in 2017 exploded and are trending up for 2018. In the updated staffing report, the BLS estimates that 233,000 new RN jobs will be created annually while the growth rate in nursing school enrollments has leveled off. Click here for an interactive map of the nursing shortage by state.

Today, the shortage is estimated between 188,000 and 327,000 RNs, explaining why 67% of hospitals are looking to increase wages. To compound the problem, add the rising Nurse Practitioner (NP) demand that will draw off another 198,000 RNs. The question now is: how do we staff while controlling labor costs?

RETIREMENT WAVE ANALYSIS
As Baby Boomers age and the need for healthcare grows, RN shortages are expected to exponentially intensify. Given that 53% of working RNs are older than 50 and 43% have 20+ years of experience, healthcare providers need to prepare for a mass exodus of knowledge.

During the recession, 26.3% of RNs delayed retirement contributing to “the false impression of growth in the RN workforce.” Through 2020, 20% of retirement eligible RNs are forecasted to retire and all occurring as “boomers” increase consumption. When put together, the improving economy, coupled with RN retirements of 60,000 per year (rising to 70,000 per year by 2020) is evidence that the retirement wave has begun and will further fuel the RN shortage.

The above global view gives perspective to the problem, but when seen from subspecialties, the retirements could lead to a very uneven RN supply, particularly in Surgical Services, Behavior Health, and Women’s Health. The end of the RN shortage was an illusion created by hiring freezes and postponed RN retirements and according to Peter McMenamin, “there is some chance the retirement estimates are too low. In short, we face a catastrophic nurse shortage.”

RN VACANCY AND TURNOVER ANALYSIS
RN vacancies exacerbated by rising turnover drives overtime, travel nurse usage and increased patient loads. All of which are linked to higher costs, reduced quality & patient engagement, and further fuels turnover. Currently, the national average turnover rate for bedside RNs is 14.6% and projected to rise.

According to NSI Nursing Solutions: 2018 National Health Care Retention & RN Staffing Report, 25.2% of hospitals reported a vacancy rate greater than 10%. As RNs retire, as demand grows and as turnover rises, it will further push vacancy rates which continue to trend up. This explains why 74% of CNEs are concerned about RN recruitment and costly travel and overtime utilization.
TRAVERSE RN COST ANALYSIS
According to Reuters, hospitals nationwide face tough choices when it comes to filling RN jobs and are opting to engage travel RNs rather than risk patient safety or closing beds or units. Staffing Industry Analysts (SIA) reports that the cost nationally for travel RNs alone nearly doubled to $4.8 billion between 2015-2017. In 2018, travel nurse costs are expected to increase another 6%, further straining hospital finances.

BLS estimates there will be more than a million RN openings by 2024, twice the rate seen in previous shortages, a crisis far worse than in the past. This clearly shows it’s no longer a buyer’s market. Hospitals no longer have the upper hand...and should expect difficult negotiations, as well as to pay more for agency/travel staff.

According to NSI Nursing Solutions, the 2018 average travel nurse fee is forecasted at $78/hr and ranges to $120/hr. When comparing the average cost of one travel RN at $162K to that of an employed RN at $90K (includes 28% cost of benefits), it is obvious that the employed RNs provides a great savings opportunity.

STAFFING STRATEGIES AND ROI ANALYSIS
Not only are hospitals (42%) hiring more temporary and contract staff, they’re also keeping them longer. As competition heats up, they need to be creative in recruitment. The immediate reaction to the staffing crisis is 3-fold: (1) Overtime, (2) Sign-on bonuses, and (3) Travel nurse use.

A quantifiable measure of the severity of an institution’s increasing vacancies is contract labor use, RN turnover and their costs. Trending RN turnover based on historical data is a leading indicator of future hospital financial pressure. Management must also identify contract labor costs and not view it as an “operating expense”, but rather view it as aggregated with labor costs and integrated within the position control system. This identification to the payroll cost line, will provide insight into the actual direct cost of labor, turnover, vacancies, and sluggish recruitment efforts.

To trim labor cost, look to lower: (1) travel RN use, (2) overtime and (3) non-productive time. For every 20 travel RNs eliminated, a hospital may save on average $1,435,000. When viewed against recruitment costs or agency fees one can see the savings immediately.

CONCLUSION
In short, the nursing shortage is back and spiraling out of control. To strengthen the bottom line, hospitals need to build retention capacity, manage vacancies, bolster recruitment initiatives and control labor cost. Breaking the myopic ways of hiring travel RNs to band-aid the staffing issue or taxing the staff with overtime, is a must. The battle for RN talent is on – and it’s going to be epic.

At NSI Nursing Solutions, we encourage our clients to minimize excess labor utilization and focus on a strategy that embraces full staffing and builds retention while enhancing ROI. For 18 years, NSI has helped clients stabilize their workforce and expand bed capacity and we can help you too. Contact Michael Colosi at (717) 575-7817 or macolosi@nsinursingsolutions.com to learn how NSI can improve your bottom line results.

SOURCES
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