THE NURSING SHORTAGE…
“A CLEAR and PRESENT STAFFING and FINANCIAL DANGER”
IS THERE A QUICK STAFFING & FINANCIAL SOLUTION HOSPITAL-BY-HOSPITAL?
By: Marc L. Colosi, MS Labor Law, BA, ERSQ, CIE

HEALTHCARE is an industry besieged by the need to balance the equities between timely and effective quality patient care delivery and its fiscal capabilities and responsibilities to employee “work and family balance”. It is an industry that needs to recognize a patient care and a nurse paradigm shift that dictates a philosophy that…“Nurses are not a cost; but rather they are in fact Revenue generators”. Further, Healthcare is an industry caught between the fiscal reality of fluctuating patient volumes and a need for nurses during elevated patient occupancies. It is an industry experiencing a national shortage that is currently approaching 156,000 nurses and expected to reach as much as 800,000 nurses by 2015, with a growing vacancy rate that currently runs between 12.6% to 17.1%, coupled to a national turnover rate of 21.3% that ranges between 13% to 36%1 and spending in excess of $8 billion dollars2 per annum on travel, temporary and per diem nurses. These are expenses that exclude: excess overtime (generally overtime beyond 3%), crisis pay differentials, closed beds, diversion, turnover costs and other revenue losses, not to mention adverse physician, community and patient and employee satisfaction.

The recruitment conundrum is quite stark…if nurses are available, would healthcare organizations hire them or do they use the shortage as an excuse to manipulate flexible staffing to coincide with shifting or seasonal volumes? Is it used as a political excuse, due to an organization’s inability to attract nurses? That is, an inability to attract or recruit nurses due to issues of image and reputation or because the employer is not considered an “employer-of-choice” or quality care giver or is it because of internal “territorial and turf wars?” In short, when marrying all the above issues, we find that healthcare is an industry in a toxic financial, recruitment, staffing and political environment, compounded by a general patient care crisis…but a reparable crisis…and in the short term quickly fixable, but only on a hospital-by-hospital basis. An attempt at resolution will be uncovered by examining the various components of the issues. This article addresses on a hospital by hospital basis, the recruitment and hiring of “NURSES… STAT.”

So, during this nursing shortage the key question becomes, other than travel and temporary agencies, is there another way to resolve the staffing requirements of an institution on a hospital-by-hospital basis? Further, can turnover be ameliorated and retention enhanced? THE ANSWER TO BOTH QUESTIONS IS A RESOUNDING YES…but there needs to be changes in attitudes and in the speed of decision-making. Human Resources needs to be more open to new successful recruitment strategies and be in tune to ROI and bottom line, more receptive to creative recruitment and retention ideas. Finance needs to consider nursing as “revenue generators” and not as “costs or expenses.” It needs to think outside of the… “it’s not in the budget” box: It needs to think in terms of ROI and bottom line improvements. Administration needs to consider nurses as “people” who need recognition and respect and Medical Affairs needs to treat nurses with respect as collegial professionals. The excuses, the politics and the “turfdom” associated with nurse recruiting (loading), nurse hiring (landing) and nurse orientation and indoctrination (on-boarding) must be secondary to speedy and effective recruitment, after all recruitment and retention is everyone’s’ responsibility.

Unfortunately, the facts are overwhelming, according to Robert Valasek, a Healthcare Consultant and former Vice President for a large prominent Health System, “that somewhere along the way healthcare professionals and the nursing academic profession did, indeed, take their collective ‘eye off the ball’ and somehow overlooked what was happening to the supply of nurses for the successful ride into the new millennium. Certainly, as in all cases, this is not universally true for many who were addressing this issue, but, as in most situations, we tend to overlook issues until they affect us personally!”
Before our discussion, consider the following national climate affecting nurse supply and demand:

- **The Supply of Nurses 2003 (Licensed)**: 1,256,000 Nurses
- **The Demand for Nurses 2003**: 1,406,000 Nurses
- **The Supply of Nurses 2005**: 1,300,000 Nurses
- **The Demand for Nurses 2005**: 1,765,000 Nurses
- **The Supply of Nurses 2010**: 1,425,000 Nurses
- **The Demand for Nurses 2010**: 2,291,000 Nurses
- **The Supply of Nurses 2020**: 1,500,000 Nurses
- **The Demand for Nurses 2020**: 2,550,000 Nurses
- **Specialty Shortages/Demand 2003**: ER Nurses-17.4%; Med/Surg-18.6%; ICU-19.3%
- **Average Range of Vacancy Rate 2003**: 12% to 21%
- **Average National Vacancy Rate 2003**: 14.9%
- **National Average RN’s/10,000 Population**: 78.2RN’s
- **National Management Load**: 1:32
- **Management Load by Number of Staffed Beds**: 1:42

In viewing this national climate, it becomes obvious that the nursing crisis is two dimensional, comprising both of supply and demand issues. Considering natural “Nursing Supply/Demand” issues, which consist of the nursing shortage (supply) and the nursing requirements (demand), the industry is cotermously experiencing a healthcare services-side demand explosion, which in 2001 experienced an 8.1% increase. This trend is driven, not only by the population growth, but also by the aging population, improving technology and diagnostics coupled with less invasive therapies, increasing customer expectations, crowding Primary Care Physician (PCP) panels, and relaxing health insurance products (PPO). This explosion is driving increased service demands and new service line needs. Said differently, the drivers of market volatility include: surging service demands, competition, new & specialty hospitals, “for-profit” institution entrance into the arena, competition for labor from out of the healthcare industry, decreased education/training capacity and a strong and ever increasing presence and reliance on “Travel or Temporary Agency Nurses,” which is costing the industry 2½ to 3 times the cost of a regular staff nurse employee. The hiring of nurses is driven by the incremental requirements (service-demands) that are caused 39% by turnover and 61% by growth. Obviously, in markets with the greatest gap between supply and demand, intensity of the local competition will cause a “labor churn”, evidenced by increasing nurse turnover rate.

Increased and or forced overtime, elevated shift and weekend rotations and additional on-call and nurse floating requirements further fertilize this already bleak landscape which leads to fatigued nurses with more than 43% scoring “high” on a “Burnout Inventory”. This Inventory measures emotional exhaustion and the extent to which a nurse feels overwhelmed at work. Read together, this data should be enough for an institution to begin a financial, managerial, Human Resources and a political refocusing of the nurse recruiting, staffing and retention paradigms and methodologies. After all, the effects of the nursing shortage are causing a 76% increase in patient load, a 55% increase in administrative duties, a 57% increase in floating, a 48% decrease in support services, and a 45% increase in mandatory overtime.

While many are beginning to address the longer term solutions to this issue, the crises is here now, it’s real and it’s causing beds to be closed and admissions to be turned away and, unfortunately, causing hospitals and their physicians to lose money since they can’t admit and care for the patient. These revenue and cost issues are further exacerbated according to a recent survey from Towers Perrin that indicates healthcare costs are rising faster than feared. That survey says the cost of health-benefit plans at big companies will increase an average of 15% in 2003 and that Healthcare costs, per se, are rising dramatically:
### HEALTH CARE COSTS

**RESPONSES N=152**

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>1999</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor &amp; Benefit Expenses per staff occupied Bed</td>
<td>$273,530</td>
<td>$314,563</td>
<td>$344,365</td>
</tr>
<tr>
<td>Labor &amp; Benefit Expense per FTE</td>
<td>$47,796</td>
<td>$54,350</td>
<td>$59,035</td>
</tr>
<tr>
<td>Pharmacy Cost per Adjusted Discharge at 50%</td>
<td>$243</td>
<td>$313</td>
<td>$375</td>
</tr>
<tr>
<td>Energy Cost</td>
<td>$13.6M</td>
<td>19.5M</td>
<td>22.1M</td>
</tr>
<tr>
<td>Nurses Working in Agencies</td>
<td>65,101</td>
<td>71,897</td>
<td>77,990</td>
</tr>
<tr>
<td>Travel/ Temporary Agency Annual Costs</td>
<td>$6.7 Billion</td>
<td>$7.4 Billion</td>
<td>$8.1 Billion</td>
</tr>
</tbody>
</table>

The nursing shortage and the shortage of Pharmacists, Radiology Technicians, and Coders are also having a dramatic financial impact on institutions, fueled by a heavy dependence on contract labor (travel, temporary and per diem agency nurses), premium paid labor (excess overtime) and unavailable labor, which becomes the foundation for lost revenues (bed closure, diversion and cancelled surgeries etc),” according to Scott Burnette, President/CEO at Community Memorial Health Center of South Hill, VA. This financial dependency is affecting the institutions bottom line, causing margins to evaporate; evidenced by the fact that 2002 margins dropped on average to 4.3% from 5.1% in 2001 and that 32% of the institutions are currently in the ”red.”

The impact of this dramatic panorama in 2003 is causing a spiraling of nursing salaries. The RN median salary in 2003 is $49,151 ($23.63/hour)\(^\text{11}\). This spiral is accelerating from100% to 400% of the CPI\(^\text{12}\).

**THE BIG PROBLEM IF NOT ALREADY STATED:**

To address Recruitment and Retention we need to understand “Why Nurses Leave AND Why Nurses Stay” with their Employer, this gives us a methodology to identify nurses who are potential “flight risks”. “Flight Risk recovery is an important element to retention and to reducing the cost of turnover.

When viewed from the perspective that a nurse, as a “revenue generator” has a value of $250,000 to $300,000 per annum\(^\text{13}\) and on the flip side has a turnover cost of $94,000 to $145,000\(^\text{14}\) per nurse, the organization that looks to budgets, the controlling of expenses for recruitment, staffing and retention approaches is an organization that is doomed to loss of market advantage, market share and market competitiveness. To avoid closing beds and to avoid missing out on the opportunity for additional revenue many hospitals are applying various approaches to address staffing and nurse attraction (nurse applicant flow). The following abbreviated NSI Nursing Solutions study, represents the top 10 of the 32 different recruitment and retention strategies and how effective they are from a nurse’s view and the hospitals perspective. In, reviewing these strategies, of which outside Travel and Temporary Nurse Agencies are the most frequently used and least effective for staffing and that, typically they cost 2½ to 3 times the cost of an employed nurse; it becomes prudent management to look to other recruitment sources, such as high volume American (domestic) nurse recruitment firms who recruit for your permanent employees. Institutions’ need to rely on and emphasize ROI and not artificial budgets, since the conversion of travel and agency nurse costs which from institution to institution can range from $500,000 to as much as $75,000,000 can transform “red ink” to “black ink”. 
Employers are finding that nurses hired through high volume American nurse recruitment firms have high Returns-on-the-Investment (Bottom Line Improvements). One such firm indicates an average Bottom Line Improvement of $4,050,000 per institution and an ROI of 2 to 5+ times the investment, which is recouped in 15-24 weeks. These firms generally have high applicant flow rates (i.e. 622 applicants per hospital) and extremely low time-to-fill rates (i.e. 26 to 33 days) and their nurses stay longer (94.7%). Here is where the ROI and the BOTTOM LINE improvements come from. Here is where the rubber meets the road…not in artificial budgets.

**RECRUITMENT and RETENTION STRATEGIES**

This following underscores the reality that if an employer maintains the foundation of market competitiveness in salary and benefit structures, that, **MONEY IS NOT THE PRIMARY DIVER TO LEAVE A JOB. Therefore to be successful in recruitment and retention one must address the prime reasons to stay.** The employer must structure “Work and Family Balance” plans and marry them with strategic and measurable recruitment and retention programs emphasizing image, branding and core values.

<table>
<thead>
<tr>
<th>Recruitment/Retention Program</th>
<th>Found it Effective</th>
<th>Utilization Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise base pay</td>
<td>96%</td>
<td>Nurse Perspective 81%</td>
</tr>
<tr>
<td>Use of High Volume Recruitment Firm</td>
<td>95%</td>
<td>Hospital Perspective 9%</td>
</tr>
<tr>
<td>Manager and Co-worker Relationship Building</td>
<td>81%</td>
<td>Nurse Perspective 7%</td>
</tr>
<tr>
<td>Flexible Scheduling and Shifts</td>
<td>69%</td>
<td>Nurse Perspective 63%</td>
</tr>
<tr>
<td>Appropriate Patient to Staff Ratios</td>
<td>66%</td>
<td>Nurse Perspective 14%</td>
</tr>
<tr>
<td>Preference for Minimal to No Travel/Agency use</td>
<td>49%</td>
<td>Nurse Perspective 64%</td>
</tr>
<tr>
<td>Self Scheduling</td>
<td>41%</td>
<td>Nurse Perspective 23%</td>
</tr>
<tr>
<td>Minimal to No Foreign Recruitment</td>
<td>3%</td>
<td>Nurse Perspective 26%</td>
</tr>
<tr>
<td>Supplemental Pay Programs</td>
<td>24%</td>
<td>Nurse Perspective 17%</td>
</tr>
<tr>
<td>Professional Autonomy</td>
<td>14%</td>
<td>Nurse Perspective 27%</td>
</tr>
</tbody>
</table>

So, where does it all begin? According to Dawn Ruth, RN, MHA Nursing Administrator at NSI Nursing Solutions, Inc, first it begins with “enhanced nurse pipeline loading management, then with applicant flow and landing (hiring) the RIGHT nurse. The key is never bypass employee fit (work style, attitudes and behavior patterns). Bear in mind that recruitment is an on going and focused process, while retention is a long term and constantly changing process of redeployment and commitment.” Committed hospitals can achieve strong retention by becoming an “Employer of Choice” (the foundation to high applicant flow) and by insuring that the right candidates are recruited (selected). This recruitment process begins with nurse profiling to the persona of the institution, which must be coupled with a trouble shooting zero sum process by pin-pointing turnover threats through Flight Risk Analysis and by developing coherent sensing mechanisms that detect potential issues and sets in motion intervening approaches to prevent Flight”, according to Dawn Ruth.
What’s an Organization to do NOW?

While many are beginning to address the longer term solutions to this issue, the crisis is here right now, it’s real and it’s causing beds to be closed and admissions to be turned away and, unfortunately, causing hospitals and their physicians to lose money since they can’t admit and care for the patient. If the weathermen are right then we are in patient care and nursing choppy waters of tsunami proportions, so what and how do we do it? According to Robert Valasek, General Manager for NSI Nursing Solutions Inc., a national high volume American nurse recruiter; “The reality is the organizations that have the nurses, as employees own the marketplace. The strategic resolution not only rests in vision and culture, but in the resolve of the management, the tactical ability and confidence to act”. Let us address some of the mundane operating strategies: Although, there are nurse-recruiting companies in the marketplace, many perform foreign recruitment and others are simply contingent employment agencies, therefore emphasis must be on high volume American nurse recruitment to resolve hospitals immediate needs.

According to Virginia C. Campbell, RN, Ph.D, Senior Operations Executive, Cambio Health Solutions, a management and turnaround firm, “Phase 1 is Commitment. The Institution must have resolve and be prepared to make rapid decisions based on competitive, market driven, recruitment return-on-the-investment, retention policies and retention return-on-the-investment. It is here that there must be the integration between Human Asset/Capital Management and Human Value Management. This approach when effectively communicated to staff enhances trust, respect, and credibility and shows staff that you are concerned with their work and family balance. This enhances and loads retention. Commitment begins with the Board of Directors, while resolve begins with the CEO and the senior management.” Implement a Board Committee on Recruitment and Retention and garner their support since there is a paradigm change in the methods suggested in this article.

PHASE 2, is the new paradigm. The Institution must change approaches and emphasize “the marketplace, competition and aggressive, creative and unconventional recruitment tactics that are also coupled to retention and communications strategies”. Here according to, Virginia C. Campbell, RN, Ph.D “is where many institutions fail because the strategies are often looking too far into the future and not addressing today’s shortage. The institution must learn to climb the ladder...one rung at a time and to allocate all the financial resources necessary to attract the nurses”.

PHASE 3 is to understand and determine Recruitment and Retention Return-on-the-Investment. For example, An organization that utilizes 50 Travel and or Agency Nurses is expending approximately $7,800,000 per annum, but if that organization hired permanent employees, it would drop $3,600,00 to $4,200,000 directly to their Bottom Line. Further, that organization, with 500 nurses and a low turnover rate of 10% would also have a turnover cost impact ranging from $4,683,000 to $7,500,000. Here is where retention strategies become important.

PHASE 4 according to Dawn Ruth, RN, MHA, “is to understand that increased market demand only makes it easier for nurses to find new jobs. The underlining causes for recruitment difficulties and turnover are due to an organization’s image and reputation both as an employer and a care-giver. Image has its predicates in an institution’s misalignment between care, clinical and operational processes, competency-skill mix, new role expectations, insufficient orientation or training, increasing higher patient acuity, advances in technology and the pressures to increase productivity and reduce cost; all of which impinge upon “work and family balance.” It is here that the institution must design and define recruitment and retention standards, as exemplified by:

- Full staffing
- Reduced Nursing turnover rates
- Improved moral
- Improved Time-to-Fill Rates
- Increasing Retention rates
- Beds NOT closed due to staffing

PHASE 5 The Future. Thereafter an organization must look to staff forecasting, whose genesis is in the “talent wars”, loading and landing as well as “nurse talent energizing”, “(re)motivation”, (re)deployment, and creating the future preferred workforce.
Conclusion

"Healthcare today is facing a ‘Darwin’s model’ of survival”. According to Dawn Ruth, RN, MHA “there is one certainty…and that is that healthcare owns the crisis, which on a hospital by hospital basis can be resolved by effective creative recruiting”. In this context institutions need to create the revolution of right-bedding a community, thus assuring patient care, quality, technology and bottom lines by redistributing nurses in the short run, through aggressive and creative recruitment and in the long term by infusing additional nurses into the system. Adequately staffing a hospital is a prime priority, from the patients’ and the nurses’ perspectives. Hospitals with high patient-to-nurse ratios are more likely to experience burnout and job dissatisfaction19.

Further, for Institutions, to make their mark…endeavor to become an "Employer-of-Choice", a “Magnet Institution”, an “Attraction Hospital” or a “TOP 100 Hospital”. Learn to maneuver the landmines of human resource resistance, nursing bureaucracy and fiscal myopia. Courage amid the chaos is important and the Eye of Ethics and Business should never leave the line of sight of patient care and that nurses are people too.

Although there will be increased bed closings, diversion, elevated patient to staff ratios and declining patient and physician satisfaction with increasing RN turnover, vacancy rates and nurse labor costs, the power to prevail is all but inevitable. Even with all these issues the hospital must look beyond convention and fly the friendly skies of creative innovation. Survival of the fittest will be with those hospitals that have aggressive recruitment and retention strategies. Make Recruitment and Retention a Board issue. View Nurse Recruitment as a Return on Investment, not a cost and make Recruitment and Retention a Revenue and Quality issue, not a budget item. As a whole, create a culture where everyone is a participant and feels responsible for the institutions recruitment and retention successes.

END NOTES

1 American Health Care Association, Staff RN Turnover and Vacancy Report, June 30,2002.
2 GAO-01-944 Report to Health Subcommittee on Health, House of Representatives, Nursing Workforce, Emerging Nurse Shortages Due to Multiple Factors, July, 20012
3 American Hospital Association, Hospital Statistics 2000, Total Budgeted RN FTE Positions
4 The Advisory Board, Washington, DC, Hardwiring Right Retention, 2001
5 NSI Nursing Solutions, Inc, Lancaster, Pennsylvania, A 2003 Study What are Institutions Doing to: Reduce Turnover, Stabilize Staffing, Enhance Retention and Improve the Bottom Lines, while Eliminating Costs, Marc Colosi, May 2003
6 Op. Cit. at 2
7 American Medical Association, JAMA, Hospital Nurse Staffing and Patient Mortality, Nurse Burnout and Job Dissatisfaction,, 2002
8 Peter D. Hart Research Associates. The Nursing Shortage: Perspectives from Current Direct Care Nurses, April, 2001
9 Towers Perrin, Healthcare Cost Report, 2002
10 Op. Cit. at 2
11 Op. Cit at 5
12 Op. Cit at 4
13 Op. Cit. at 7
14 ibid
15 JONA, Rules of Engagement for a Nursing Shortage, Marc Colosi, 2002
16 NSI Nursing Solutions, Inc, Lancaster, Pennsylvania, Strategies Addressing the Nursing Shortage and Retention, Robert Valasek, 2003
17 NSI Nursing Solutions, Inc, Lancaster, Pennsylvania, Experiencing a Nursing Shortage, Dawn Ruth, 2003
18 ibid

Source Publication are available on request
Marc Colosi has 25+ years of diverse HR, Industrial Engineering and General Management experience from six industries with extensive expertise in: HR Organizational Effectiveness; HR Strategic Planning and alignment to business plans; High Volume Recruitment and Retention strategies; Talent Energizing and creative landing programs; Labor Law; HR Financial Management; Compensation and Human Value/Capital Management programs. Marc Colosi has improved business process through Transformation/Culture Shift Management and CQI programs including Right-sizing and Restructure programs.

Marc Colosi is the founding member of NSI Nursing Solutions, Inc. that is a 6 year old national firm recruiting nurses and consulting in nurse retention and nurse talent energizing. He is also the founder of HR Strategic Solutions Inc., which is a full service human resources consulting firm composed of seasoned senior executives from “FORTUNE 500” companies & “TOP 100” healthcare organizations.

Prior to the Solutions Group of Companies, Marc Colosi served as a Senior Vice President at the Lancaster Health Alliance (a Top 100 and Magnet Health System), and at Albert Einstein Bronx Lebanon, a University Teaching Medical Center and served as Group HR Director at W.R. Grace (a “FORTUNE 500” company).

Marc Colosi is a noted lecturer and author, holding a BA in Psychology from Hofstra University, a Masters in Labor Law from New York Institute of Technology and a Certificate from the American Institute of Industrial Engineers. He has authored articles on Nurse Recruiting, Retention, Staffing, the Nursing Shortage, and on Productivity, Compensation Systems, HR Strategic Planning, HR Organizational Effectiveness and Labor Law. Marc Colosi also held Associate Professorships at Pace University, St. Joseph’s University and, at the New York Institute of Technology and is a fellow at the Wharton School’s Center for Human Resources.