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THE WAR FOR NURSES IS DESTINED TO BE EPIC…
BUT WHO CARES FOR THE PATIENTS?

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ABSTRACT

Nurse supply and demand forecasts project nurse shortages into 2025 and worsening into 2030. Based on a 2016 survey composed of 838 participating hospitals, and supported by over 50 recent articles and studies, it is evident that the **nursing shortage has reemerged,** with the BLS reporting a need for 233,000 additional RNs just in each of the next 2 years, due in part by the creation of 574,400 new jobs and exacerbated by the Recession where 26.3% of the 555,100 retirement eligible RNs delayed retirement, all **contributing to "the false and misleading impression of an evaporated shortage or that their has been a growth in the RN workforce".**

Nurse recruitment will be at a faster pace in 2016 and 2017 as a healthier economy and a shrinking uninsured population and baby boomers fuel the uptick in patient care needs. Yet hospitals are unprepared for the calamity of how to recruit staff and control spiraling labor cost. The key questions are: (1) "how does one minimize the effects of the shortage? (2) what are the more effective recruitment tactics? But the big **question is "by altering strategies can costs be mitigated and converted to ROI, adding dollars to the bottom line, ergo profits?"**

BIOGRAPHY

Marc L. Colosi has 25+ years of diverse healthcare HR, Industrial Engineering and General Management experience, at prominent teaching hospitals, as senior vice president human resources and also worked in 4 other industries, in Fortune 500 companies. He has extensive expertise in: HR Organizational Effectiveness; HR Strategic Planning and alignment to business plans; High Volume U.S. Recruitment and Retention strategies; Talent Energizing and creative Landing Programs; Labor Law; Collective Bargaining, HR Financial Management; Compensation and Human Value/Capital and Asset Management programs and published 40+ articles in these areas. He also held associate professorships status at three universities.

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KEY WORDS

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THE HEALTHCARE ENVIRONMEMT
Healthcare occupations are expected to have the fastest employment growth between 2014 and 2024, rising from 12% in 2014 to 13.6% in 2024, but is complicated by the increased number of retirement eligible people. As a result, the labor force growth rate is expected to lead to a GDP growth of 2.2% annually between 2014 and 2024. [1] In 2015 Not-for-profit (NFP) hospitals reported double digit growth in operating cash flow, leading to a rating upgrade; that after several years of instability has now been upgraded by Moody's Investors Service from a "negative" to "stable" outlook for 2016. This growth is forecasted to continue through 2017, yet, it is deemed temporary, due to: (1) increased competition from retail based clinics, (2) better population health management, (3) physician practice purchases, (4) IT cost of improvements and (5) pressures from staffing and costs associated with agency labor. [2]

An improving economy is also pushing turnover and exacerbating vacancy rates, negatively impacting patient quality, experience and safety. "While the recession raged, many nurses deferred retirement, picked up more hours or returned to the workforce, putting the looming nursing shortage on a temporary hold, but as the economy improves, the population ages and more people are insured, the country again faces a serious shortage…," according to Cole Edmonson, CNE at Texas Health Presbyterian Hospital. [3] Further, the Economic Policy Institute reports, that healthcare jobs are expanding significantly, creating staffing shortages. This sentiment is supported by: Patricia Morton, Dean at the University of Maryland School of Nursing stating, "…the nursing shortage is in no way solved. There may have been a temporary easing…," but the war for nursing talent is destined to be epic. Consider this: (1) The Bureau of Labor Statistics (BLS) has projected from 2012 to 2020: a 19% job growth for RNs and a 34% growth in Nurse Practitioners (NPs); (2) in its ranking of top 100 healthcare jobs, US News ranks NPs second and RNs in the top sixth position and (3) that 53% of working RNs are older than 50. Further, to complicate the hospital environment, the ACA has caused a shift in RN practice modalities, resulting in even stiffer competition for talent. [4] Couple this environment to states looking at staffing ratios…already found in 13 states, according to the American Nurse Association (ANA). Now consider the rising vacancy rates forecasted in 2016 to increase dramatically and one can understand why Peter McMenamin agrees that "...there is a nurse shortage that will get worse before it gets better, and hospitals need to try... to retain good nurses". [5] With projected massive RN staffing shortages, including faculty RNs, the U.S. will need a tidal wave of new nurses to meet the growing needs and retirements.

POPULATION AND WORK FORCE CHANGES
According to experts, there is good news for healthcare in 2016 and beyond. Although other sectors of the economy seem to languish with a slow 8.9% projected jobs growth rate from 2012–2022, healthcare is booming by comparison with a projected 26.5% growth rate and the trend shows no sign of stopping, with hospital employment projected to add 826,000 jobs between 2012 and 2022, with "[RNs] being … the largest story," according to Professor Patricia Pittman, of George Washington University, "who expects the number of nurses hired to increase by as many as 526,800 over the next few years. We're seeing an incredible spike in the hiring of nurses." [6]

It is obvious that healthcare is in the midst of a patient care paradigm and a staffing structural shift, due to changes necessitated by: (1) healthcare reform, that increased access by 3.4%, [7] (2) the CMSs' reimbursement rules, (3) practice models and (4) complicated by the reemerged shortage, especially among experienced nurses, all of which is compounded exponentially by a patient care supply spike. This increase in patient volumes…has helped drive a strong demand in…staffing. Although during the recession the population continued to grow and age, patients deferred their healthcare needs, that fueled low admissions and by declining elective surgeries. These shifting healthcare attitudes; caused lower censuses, all contributing to the appearance of an evaporated RN shortage, that masked the reality of that RN shortage. In fact it produced a "blip" creating a deeper crisis than originally thought.

Forecasts of an exacerbating RN shortage are not new and although nursing school enrollments are up, applicants are turned away, suggesting an easing of the nursing shortage, but, "though enrollments rose, the increase will be insufficient to meet the demand for nurses," according to Marcia Bankirer, President of the Denver School of Nursing. Although the supply of RNs varies geographically, the general consensus is that at the national level we "already have a nursing shortage," [8] evidenced by spiraling hospital hiring, according to the BLS, that forecasts 1.1 million more RNs needed by 2020 [9] and complicated by the ACA, that suggest that the need will be at a faster rate, while also requiring 2.4% more RNs, according to a Fitch report, [10] heightening the demand and spiking the shortage.

This surging demand for nurses over the coming years will grow exponentially, as 78 million baby boomers, which started to turn 50 every 7.6 seconds since 1996 began turning 65 in 2011. With health spending in the U.S. already consuming 18% of the GDP, it is important to note that this group represents 12% of the population, but consumes 34% of all surgical procedures, 26% of all physician office visits and 90% of all nursing home residents. [11] Add to this cauldron, the fact that between 2012-2015, 29% of RNs became retirement eligible, with 8% retiring in 2015, while 7% are projected to retire in 2016 the issues begin to crystallize. Simultaneously nursing school faculty is also retiring. When viewed together one can appreciate why and how there is an RN supply-demand gap. Based on a workforce

model, by Professors Douglas Staiger, David Auerbach and Peter Buerhaus, pointing out that "…the substantial expansion in the RN workforce is a temporary bubble that will deflate during the next several years…as the RNs…in the workforce withdraw as unemployment rates fall…and this will occur simultaneous to a wave of RN retirements…contributing to lower levels of RN workforce growth." [12] In short as the economy improves, RNs are: returning to part-time work, exiting the workforce or retiring and as the shortage progresses it will be worse than it was pre-recession. Currently there is an estimated shortage of 126,000 RNs according to ANA, explaining why 67% of hospitals are looking to increase wages in order to attract staff. [13]

Further according to the New England Journal of Medicine, although the number of nurses increased by 386,000 from 2005 to 2010, largely due to: (1) 146,000 nurses deferring retirement, (2) an increase in GN graduates, (3) RNs working more part-time shifts and (4) contract RNs returning to full time status to obtain health coverage, the shortage has reemerged. The BLS updated its 2012-2022 report, projecting hospitals to grow by 26.5% and estimating 233,000 new RN jobs to be created between 2012-2016, while growing annually by only 109,000 FTEs.[14] In short the net effect of this 5-year RN growth was only 240,000, not 386,000, thus the "bubble", the "blip" effects become clearer. Moving ahead to 2020 and beyond, there are concerns that the projected shortages will be larger than what we've seen. The shortage has already begun with 118,000 RNs exiting the profession between 2010-2015 [15] and worsens as aging baby-boomer RNs continue to retire and new delivery models are implemented.

Even if the influx of new RNs offsets the retiring RNs the problem still exists, since by 2022 newly created RN jobs will grow by 574,400, but demand will grow even faster according to the BLS and the HRSA. [16] Healthcare in 2015 exploded, adding 474,700 new jobs, with 43% being RN jobs (which is within the forecasted BLS estimates of 233,000 new RN jobs to be created annually over the next 3 years).[17] In fact, when RN retirements are also added, the U.S. needs to generate an additional 1.13 million new RNs to fill these jobs, but the shortage will worsen by 2030.[18] Of those, as many as "…300,000+ won't be filled when timed with graduation trends…" according to the American Journal of Medical Quality,[19] while Georgetown University CWE project's the shortfall to be 193,000 by 2020, Juraschek, Zhang, et al. forecast a shortage of 918,232 by 2030, ranging from 725,619 to 1,112,112. [20] The highest forecasted RN shortage states by 2030 are: [21]

   California (193,100), Florida (128,364), Texas (109,779), Arizona (56,781), Georgia (43,075), Nevada (19,398), N. Carolina (20,851), S. Carolina (15,477), New Mexico (12,884), Colorado (12,550), Oklahoma (11,120), Utah (10,416), Arkansas (8,545), Alabama (8,212), Ohio (3,630), Montana (3,479), Missouri (1,757) and Wyoming (1,689). In short the South, Southwest, Southeast and the West, will see severe shortages some as high as 20%+.

Also according to Peter McMenamin "…there is some chance the retirement estimates are too low-- in short we face a catastrophic nurse shortage…" [22] It is evident that RN employment is countercyclical, and the "bubble (blip)" is likely to burst. In fact in 2011 it did burst. [23] Considering that the current level of utilization is not sustainable and will accelerate, the next question becomes-- Is there a patient care crisis looming?

There are 3.25 million licensed RNs, with 63% working in hospitals. Amid debates about the nursing shortage and changes to the nurses' scope of practice and the educational requirements, one thing is certain-- the future of nursing is in flux. With RN understaffing threatening patient care, 77% of hospitals are feeling the renewed nursing shortage. So no matter how we use Peter McMenamin's term "tsunami," or Peter Buerhaus' and Beverly Malone's term "bubble" or "blip," respectively, it suggests massive waves of pandemonium lie ahead. [24] Carrie Sala, CEO at Holton Community Hospital, put it quite succinctly, "depending on which study you use, the numbers vary from an RN shortfall of 200,000 to as many as 300,000 or more…by 2016." [25] Whatever that number is, it's enormous. So why is all this happening now and how do we care for patients', staff and control the labor costs?

(N.B. Due to the many and varying sources, their study focus, the criteria used by each source, the measurements applied, and the timing of each study, numeric variation may occur, but are generally within forecasted relative parameters by the experts.)

NURSING SCHOOLS FACING PROBLEMS AFFECTING APPLICANTS

According to the AACN, the reasons for rejecting 68,932 qualified applicants included: (1) a lack of faculty (with 56% of schools reporting vacancies), (2) limited classrooms, (3) insufficient preceptors and (4) budget cuts. Because of this the BLS projects a 35% faculty increase needed just to meet demand. This is compounded against 1,358 current faculty vacancies and by the 10,200 (44%) expected faculties to retire and against the 20% planning to go part time, translating to 34,200 additional faculty needed by 2022. Even if faculty and student issues get resolved, there still is a dilemma. In short the growth rate in nursing school enrollments of the 2000s has already begun to level off, with the proportion of RNs under age 35 falling to 28% [26] and to further inflame the problem, is that between 2012-2016 an estimated 233,000 new RN jobs are annually being created, but only 155,000 will graduate, and only 140,000 will pass the NCLEX. [27] Now to compound the problem add the rising demand for APNs that will draw off another 198,000 RNs. **Now subtract the thousands of RNs who retire or exit the field and the problem becomes crystal clear**.

AN RN SILVER RETIREMENT TSUNAMI
The RN workforce will be sensitive to changes in retirement, especially given that 56% of RNs in the workforce are baby-boomers, with 43% having 20+ years of experience, of which 62% are considering retirement within 3 years, with the BLS estimating 555,100 will retire by 2022. During the recession 26.3% of these RNs delayed retirement contributing mightily to the "blip", "the bubble" and "the false impression of a recent growth in the RN workforce and as nurses retire, hospitals will be hit hard, yet 58% are unprepared for retirements. Between 2013–2015, 37% of the nurses became retirement eligible, with another 7% in 2016, of which 32% are considering retirement in 1-year or less and 47% in the next 3-years, [28] just as baby boomers are increasing healthcare consumption– compounding the urgency of the situation. In the aggregate this represents 187,200 RNs that would retire or switch to non-nursing jobs, with another 81,900 switching to part-time, totaling 269,100 RNs exiting full time employment." [29]

The above global view gives perspective to the problem, but when seen from a micro perspective, that is from nursing subspecialties, the retirements could lead to a very uneven RN supply. For example RNs in the following subspecialties that are considering retirement, plus those additional RNs that are planning to move to part time, respectively include: (1) NICU/Neonatal --39%, plus 9%, (2) OR/PACU --45%, plus 15%, (3) Psychiatry --43%, plus 15%, (4) Women's Health/L&D --44%, plus 9%. This obviously will push an increase in nurse-patient ratios that in turn, reduce patient outcomes, quality of care and satisfaction.[30] In *short* the end of the RN shortage was an illusion created by hiring freezes and postponed RN retirements. As these nurses retire over the next 7+ years, it leaves a less experienced workforce. Retirement eligible RNs forecasted to retire are as follows: [31] (1) in 2015 -- 8% (2) in 2016-2017 --22% (3) In 2018-2020 --27% (4) In 2021 --2022--7% (5) In 2022-2025 --5%

Now add the 574,400 newly created RN jobs, one immediately sees we need 1.13 million additional RNs. When this happens, "…the shortage will be worse than it was pre-recession…" according to Dr. Marvel Williamson, dean at Oklahoma City University, School of Nursing. [32] **Again, when adding the thousands of RN newly created jobs the problem becomes even more crystallized.** Armed with this data, the relevant question now is: How are you preparing to staff and cost effectively staff the hospital?

RN TURNOVER AND VACANCIES SPIRAL
According to the BLS, "although healthcare staffing did not decline during the recession, the economic environment was turbulent enough to shake the confidence of the staff, who found themselves preferring the security of a full-time job…." The BLS JOLTS survey underscores the trends in "churn" (turnover) noting "the precipitous drop during the great recession and now signals the return of a healthy level of "churn" and an especially positive trend for travel and staffing firms. And as the level of economic uncertainty decreases and turnover increases RNs will find themselves more willing to take on risk or try new things, i.e. change jobs, travel assignment or exit nursing etc.." [33]

Exacerbating the RN staffing dilemma is turnover and vacancies. Although turnover is expected to rise, yet, according to Jackson Healthcare, et. al. 64% of surveyed nurses report various degrees of job satisfaction. However, 75% of those are dissatisfied, believing nursing has changed for the worse, as do 39% of the satisfied. Their concerns included: 1) short-staffing, 2) fatigue, 3) non-nursing functions and 4) regulatory intrusions, with 67% saying they negatively affect bedside time. On average, an RN has 16 minutes per hour of bedside time to care for 6+ patients. This frenetic work pace is a principal cause of turnover. With *76% of CNEs reporting turnover expected to rise to 20%,*[34] *and* ranging 3% to 32%, *explains why 67% of CNEs feel this pushes a significant increase in costly travel RN and overtime utilization.* This scenario explains why sign-on bonuses are increasing and explains how turnover costs have risen to $72,585 - $145,172 per RN. [35]

Demand for experienced nurses at hospitals continues to grow, as vacancy rates have more than doubled in recent years, with 25% reporting a vacancy rate of 10%+ in 2015, compared to 5% in 2012. With *74% of CNEs reporting rising vacancies, t*he 2016 average vacancy rate is projected at 8.4%+. Hospitals report vacancy rates at: [36] (1) 16% reported 3% to 5.9% (2) 51% reported 6% to 15.9% (3) 24% reported 16% to 25.9%   and   (4) 9% reported 26%+

Obviously, in terms of improved patient quality, safety and experience, turnover must be addressed especially among new graduate registered nurse (NGRN), whose turnover rates in the first year may run 30% to 45%, which compared to experienced RNs is projected at 19.7% in 2016. The importance of an experienced staff and the hiring of experienced RNs is buttressed by an ancillary study analyzing economic outcomes (cost-benefits) of NGRN residency programs, utilizing turnover rates and contract labor usage data. Findings indicated a NGRN residency program was associated with a decrease in the 12-month turnover rate from 36.1% to 6.4% and a reduction in contract labor usage from $19,099 to $5,490 per average daily census. These cost-benefits suggest net savings between $10 and $50 per patient day when compared to traditional methods of orientation. This residency program offers a cost-effective innovative approach and should be valued as an investment as opposed to an expense, yet this also supports the reasons to hire experienced RNs, [37] that have an immediate ROI without any additional ancillary costs, amounting for every 20 travel nurses eliminated an average to $1,430,000 net of the cost of the employed RN hired to replace the travel nurse, as noted below.

AGENCY NURSE USE AND COSTS SPIKE

Healthcare job growth has accelerated exponentially since the recession, with staffing increasing 17% in 2015 and rising 23% for travel nurses and is expected to rise 8% in 2016, [38] explaining why 64% of hospitals look to increase starting salaries 4% to 10% [39] and why agency fees are forecasted to rise 3% to 5% in 2016. This clearly shows it is no longer a buyer's market...with hospitals no longer having the upper hand...and should expect difficult to no negotiations and to pay more for agency/travel staff... leading to margin concerns. The forecasted 2016 average travel nurse fee is forecasted at $68.75/hr, ranging $57.10 to $91.15/hr. [40] Thus when comparing the average cost for one travel nurse of $143,000 and those for an employed nurse at $72,986, it is obvious that employed RNs save millions.

HOSPITAL STAFFING AND FINANCIAL IMPROVEMENT STRATEGIES

The immediate hospital reaction to the RN shortage and the climbing RN vacancies and turnover rates are generally 3-fold: (1) sign-on bonuses that in 2016 are forecasted at $7,257 and ranging $3,875 to $25,500, [41] will be utilized by 77% of hospitals, (2) overtime will be utilized by 60% of hospitals, which unfortunately pushes higher RN turnover and impacts cost, that may average 176% of straight time pay (when rolled-up for cost of benefits) [42] and (3) travel nurse use will be utilized by 67% of hospitals, leading to reduced profitability.

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. Also management must identify contract labor costs and not view it as an "operating expense", but rather view it as aggregated with labor costs and be highlighted within the position control (PC) and charged to a specific PC-number. This identification to the payroll cost line, will not only provide insight into the actual direct expense of an institution's nursing shortage, but can indicate a path to improving financial performance. It focuses attention to the accountable department for the: (1) aggravated costs, (2) turnover, (3) vacancies, (4) sluggish recruitment, and (5) staffing.

To trim labor cost, look to overspending due to: (1) lost productivity, (2) agency nurse use, (3) overtime and (4) non-productive time. Non-Productive Time averages 13% or 270 hours or $9,462 per year per RN. A hospital with 1000 RNs loses $9,462,000...capturing just 20% drops $1,892,400 to the bottom line. Also, for every 20 travel nurses eliminated, a hospital may capture on average $1,430,000. When this is viewed against recruitment costs or agency fees one can see the ROI immediately. Here alone a hospital could save $3,322,400 net to the bottom line.

CONCLUSION

In short the nursing shortage is back and spiraling out of control. So…how are you preparing? Although the nursing shortage forecast is 19% by 2020, causing labor costs to rise, hospitals can mitigate cost and improve the bottom line. 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 using overtime which taxes the staff, is a must. In Short "the battle for RN talent is on – and it's going to be epic." [43]

References available upon request