

**PUBLISHED BY THE JOURNAL ON NURSING ADMINISTRATION
2002**

**“RULES OF ENGAGEMENT FOR THE NURSING SHORTAGE”
“More RN’s on staff leads to lower Hospital Costs”**

By: Marc L. Colosi MS Labor Law, BA, ERSQ, CIE

NSI NURSING SOLUTIONS, INC.

2055 State Street
East Petersburg, PA 17520
717-560-3863 (o)
717-575-4050 (C)
717-560-9111 (F)

**“RULES OF ENGAGEMENT FOR THE NURSING SHORTAGE”
“More RN’s on staff leads to lower Hospital Costs”**

By: Marc L. Colosi, MS, BS, ERSQ, CIE,

Healthcare is an industry in distress. It is an industry whose customers are concerned with the quality and the level of patient care delivery capabilities; which according to a recent study by the University of Pennsylvania School of Nursing's Center for Health Outcomes Policy Research as published in May, 2001 Journal of Health Affairs indicates that 84% of the surveyed nurses believe that quality and delivery has declined over the last year. It is an industry still reeling from managed care and reduced government reimbursements, while being assaulted by the increasing costs in technology, quality and costs of labor. It is also an industry bombarded by overburdening governmental and managed care bureaucracies while being pressured by private industry to reduce the cost of healthcare, which has increased by 11%. What is worse it is also being barraged today by a staff nurse shortage of in excess of 100,000 nurses according to Joseph Boshart, President of Cross Country TravCorps, a large nurse travel agency. In short healthcare is an industry in a toxic reimbursement and staffing environment, which is in a general patient care crisis...but a fixable crisis. To attempt to resolve the crisis is an examination into the various components of the crisis. In this article we shall address the recruitment and the hiring of "NURSES... STAT."

"Hospital executives...", according to Nursing Shortage Raises Worries over Care", Philadelphia Enquirer, April 8,2001, "...say that they would hire more nurses if they could find them..." but "the search for the nurses has its foundation in the human (nurse) value management and retention of those nurses . Which in turn, has its basis in professionalism, core values, management style, attitudes and image of the hospital" according to Dawn Ruth, MSN, RN, with NSI Nursing Solution, Inc, an extremely successful, national multimillion dollar high volume recruitment and retention firm, that recruits nurses in high volume as employees of hospitals.

According to Ms. Ruth, in agreement with Jim Bentley a Senior Vice President at American Hospital Association, some of **the reasons for this shortage** include:

1. Of the 2.7 million registered nurses, 20% or 540,000 nurses were not using their licenses.¹
2. Greater opportunities in other less stressful, career expanding, stable and perceived better work and family balance industries.
3. Nursing School enrollments that have declined by 22% over the past 3 years.²
4. An aging Nursing population that will reach on average 56 by the year 2005.³
5. The high competition for labor.
6. Hospitals having a high tech image in the manufacturing society but appear low tech in an information and computer driven world.
7. The low image of the profession vis-à-vis other healthcare professionals.
8. The need to delegate more authority to nurses...a need for self-governance
9. The high stress related to the profession.
10. The perception of mandatory overtime is more damaging than its reality.
11. The extreme work and family imbalance in the field.
12. A Nursing student average age of 36⁴.
13. A low average salary of \$46,832 per year.⁵

¹ Nurses: In their own words, American Nurses Association, Lancaster Intelligencer, May 6,2001

² Bureau of Health Professionals in the Department of Health and Human Services Report, February, 2001

³ Nursing Workforce, Emerging Nurse Shortages Due to Multiple Factors, GAO Report to Health Subcommittee on Health, House of Representatives, July, 2001

⁴ Ibid

14. A belief by 57% of the nurses that salaries are inadequate⁶
15. Short salary experience scales capped on average at 7 to 10 years.
16. Health executives misguided concern over inter-hospital camaraderie, with some concern over “not shaking the boat”.
17. A need for Hospital executives to emphasize: Investment in Human (Nurse) Capital Assets, ROI, Return on Human (Nurse) Capital Investments, rather than just seeing “costs and budgets”.
18. Although nurses may find unions unprofessional, unionization is on the rise.
19. Nurses concern with strikes causing quality patient care impacts.

From urban centers to rural communities, the nursing shortage is wreaking quality patient care havoc. It is a patient’s nightmare and a hospital’s worst-case scenario. The shortage not only affects patient care, a family’s peace of mind and a communities’ confidence in its most basic value...that is ”confidence in the healthcare system”; but it also dramatically impacts the Institution, the physicians, the nurses and all employees.

As a matter of fact, one of the strongest indicators of care a patient will receive is whether the hospital assigns each patient a primary nurse to oversee care⁷. With the paucity of nurses taking its toll on American hospitals this may not be a reality in every hospital, but based upon the exacerbating shortage it can become an issue. The nursing shortage is fueling the reality of declining quality patient care as expressed by 18% of recently discharged patients who have indicated a satisfactory encounter⁸. In short 82% seemingly have had an unfavorable patient stay while 64% of the nurses describe the quality of care that they were giving deteriorating⁹.

Obviously staffing has a significant effect on quality of care patients receive¹⁰, so much so that a Health and Human Services Report demonstrated that Hospitals with full staffing had a 2% to 25% reduction in unfavorable patient outcomes.¹¹ The importance of staffing diligence was also dramatically pointed up in a recent malpractice suit, where the

plaintiff argued an unfavorable outcome due to short staffing. The suit that lead to a \$2.7 million settlement¹². Interestingly, a recent study also found that adding just one nurse to a patient’s care rotation reduced the odds of patient’s mortality by half¹³. This clearly points up the logical argument for full staffing.

This nursing shortage is also affecting the fiscal integrity of the Institutions. It is causing bed and unit closings, postponed or cancelled elective surgeries, hospital diversions, and deferred growth, expansion and technologic advancement. This landscape is further fertilized by increased and or forced overtime, increased shift rotations and weekend rotations, elevated on-call and nurse floating requirements. This leads to a

⁵ Ibid

⁶ University of Pennsylvania School of Nursing’s Center for Health Outcomes Policy Research as published in May Journal of Health Affairs

⁷ How to Lessen Impact of Nursing Shortage on Your Hospital Stay, Wall Street Journal, Tara Parker-Pope, March 2, 2001

⁸ Ibid

⁹ Ibid

¹⁰ Nurse Staffing and Patient Outcomes in Hospitals, Department Health and Human Services, April 20, 2001

¹¹ Ibid

¹² Wichita General Hospital, Wichita, Kansas, April, 2001

¹³ How to Lessen Impact of Nursing Shortage on Your Hospital Stay, Wall Street Journal, Tara Parker-Pope, March 2, 2001

fatigued nurse, with more than 43% scoring “high” on a “Burnout Inventory”¹⁴. This Inventory measures emotional exhaustion and the extent to which a nurse feels overwhelmed at work. Add to this prescription a dwindling nursing faculty whose average age is 51¹⁵ to a 40% of the surveyed nurses reporting general job dissatisfaction¹⁶ with a reported 20% of the nurses surveyed¹⁷ planning on leaving the profession over the next year is all contributing to the current and growing nursing crisis.

It is apparent that nurses are voting with their feet... They not joining unions and taking to picket lines, but by walking away from hospital work or even the profession as a whole. Some localities are experiencing greater difficulties than others. The national employment of RN’s per capita has decreased by 2%. This has reduced the average number of nurses from 79.8 RN’s per 10,000 population to 78.2 RN’s per 10,000 populations. This means 50% of the States are below the national average with the South, Southeast, Southwest and West being hit the hardest¹⁸. Pennsylvania hospitals are exhibiting a 10-12% shortage¹⁹, while New Jersey²⁰, Oregon²¹, New York²², California²³, Texas²⁴ and many Midwest areas are now seeing a 20% to 22% staffing gap. Although this shortage is driving the nurse compensation and nurse cost of labor up, it is also happening at a time where one out of every three hospitals nationally, three of every four hospitals in Pennsylvania and four out of five hospitals in the West and Midwest are losing money on operations. Unless the toxic reimbursement environment and the causes for the nursing shortages described above are addressed, it’s going to be extremely difficult to recruit and retain the nurses, barring some miracle.

Notwithstanding all the above arguments, this Nursing Shortage issue is to a large extent two-dimensional. The first dimension deals with the nursing shortage per se. The second dimension deals with the misappropriation of nurse’s skills, education, functions and tasks. Flex Staffing is an issue of organizational philosophy and culture that has financial and physician impact implications. This flexibility of staffing addresses costs of labor as well as “work and family balance” issues that are driving turnover. Depending on the national geography turnover ranges from 9% to 22%. The organization needs to understand and know its minimum flexible staffing requirements, all of which are driven by acuity, length of stay, patient population and census. In determining the flex staffing level, Institutions may consider adding an enhanced staffing index of at least 10% to 16% for call-outs, leaves of absence, holidays, vacations, educational requirements and other administrative duties that take the nurse from the bedside. Thereafter the staffing is supported through nursing pools, nursing internships, travel nurses, temporary (PRN) nurses and per diems.

¹⁴ Study: Nurses are frustrated, overworked, Hospital caregivers concerned about declining patient care, Associated Press, Bill Berstrom

¹⁵ Nursing Workforce, Emerging Nurse Shortages Due to Multiple Factors, GAO Report to Health Subcommittee on Health, House of Representatives, July, 2001

¹⁶ Ibid

¹⁷ Ibid

¹⁸ GAO-01-944 Emerging Nurse Shortage, July, 2001

¹⁹ A cry for help, The Philadelphia Inquirer, April8, 2001

²⁰ Ibid

²¹ 20% RN Vacancy rate projected, Nurse Week, May 7, 2001

²² Nursing Shortage is Raising Worries on Patients’ Care, The New York Times, Milt Freudenheim et al, April 8, 2001

²³ Ibid

²⁴ Ibid

Despite the aggressive behaviors and recruitment strategies in healthcare, market driven forces and socio-economic corrections that alleviated the nursing shortage in the 80's will not be enough to abate the current and acerbating shortage. The shortage is projected to reach 800,000 nurses by the year 2005, according to the Bureau of Labor Statistics²⁵ and Dartmouth Professor Douglas Staiger. This acerbated shortage could even reach as much as 66% or 1.4 million additional nurses needed by 2020, according to Ira Wolfe, President of Success Performance Solutions. According to Ira Wolf the shortage being further exacerbated by a dramatic expansion of the staff nurses' purview driving increased requirements; improved technology; new pharmaceuticals and advanced medical protocols and mounting restrictive regulations.

If the weathermen are right then we are in nursing choppy waters of hurricane proportions, so what and how do we do it? According to Ms. Ruth, "the issue is not only one of finding and hiring the nurses through the front door, but one of preventing disillusionment and disenchantment causing the disinterested nurse to jump ship". Hospitals need to reconcile the culture and management style, core values and philosophy with economics. There needs to be recognition that..." the organization that has the nurses, own the marketplace." Further, according to Robert Valasek, Business Development Executive at NSI Nursing Solutions, Inc, "there is one certainty...and that is that healthcare owns the crisis, which on a hospital by hospital **can be resolved by:**

1. Shifting attitudes to nurse as professionals,
2. Gauge employee attitudes and change readiness propensities,
3. Culture shift management and nurse development programs,
4. Changing paradigms focused on work and family balance and revenues per nurse, not the cost of nursing or the cost to recruit nurses".
5. Address issues causing higher staff to patient ratios at a time when patients are having higher acuties
6. Incorporate magnet hospital principles.
7. Develop Human (Nurse) Value Management programs
8. Correlate Human Value Management with Human Capital Management
9. Develop Staffing Forecasting methods and invest in recruitment and retention.

Having said this, how do we do this? Although there is no lack of awareness that the nursing shortage exists, the real issue for an Institution is the ability to make the necessary philosophical, core value, political, and financial decisions expeditiously, irrespective of competitor (inter-Institutional) impacts. The concern or issue needs to be the staffing integrity of the Institution and its ability to maximize quality and revenues. According to Gary Caraway, Managing Partner for HR Strategic Solutions, Inc, a Human Recourses Organizational Effectiveness and HR Strategy Consulting firm, "it is important that the prime response by the hospitals not be collegiality or concern over the reaction from their competitors. Rather their concern needs to be their patient outcomes; their physicians and the community that they serve." Healthcare today is facing "Darwin's model" of survival. In this context Institutions need to create the evolution of right-bedding a community, thus assuring patient care, quality, technology and bottom lines by redistributing nurses in the short run and infusing additional nurses into the system in the long run

²⁵ Ibid

According to Mr. Valasek, **its back to basics**; courtesy, respect, communications and management credibility, self-governance and work and family balance programs and processes. “Let the staff see your concern”. The Trustees, CEOs, CNOs and Vice Presidents of Human Resources must take responsibility and held accountable for retention, staffing, recruitment and staff forecasting. According to Mr. Caraway, “hospitals, as in the for-profit industries should rigorously compete and recruit in the marketplace. It is important to focus on aggressive, creative and new recruitment strategies attracting the nurses and redeploying them to centers that maximize quality, professionalism and work and family balance. After all the primary customer is the nurse; so focus on recruitment return on the investment and not the cost for recruitment”.

The strategic resolution not only rests in vision and mission, but in the resolve of the management, the tactical ability and confidence to act. Let us address some of the **mundane operating strategies**:

Step 1 Resolve. The Institution must be prepared to make rapid decisions based on competitive, market driven, recruitment return on the investment, retention policies and retention return on the investment. Here there must be the marriage between Human 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 supports retention. Resolve, begins with the Board of Directors (Trustees). Implement a Board Committee on Recruitment and Retention and communicate **the strategies for a successful campaign and garner** their support since there is a paradigm change in the methods suggested in this article. To accomplish this, the institution also needs a Strategic and Operational Human (Nurse) Resources Plan (Staff Forecasting).

Step 2 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. The trick here is enhanced nurse attraction to an Institution. Here is where many Institutions fail because the strategies are often looking too far into the future and not addressing the shortage of today. The Institution must learn to climb the ladder...one rung at a time. Although there are many nurse recruiting companies in the marketplace, many perform foreign recruitment and others are simply contingent agencies. There is one company NSI Nursing Solutions, Inc., whose corporate offices are located in Lancaster, Pennsylvania that is different in its strategies, approaches and tactics. This firm is dedicated to the search for high volume American Experienced Nurses. Their novel approach emphasizes that the responsibility to meet the Institutions staffing needs and to provide Retention education is with NSI...but the Institution is responsible for Retention ...through culture management. Interestingly enough, through this two-pronged approach, NSI Nursing Solutions reports a typical recruiting assignments ranging from 20 to over 100 nurses that marries recruitment with retention. Utilizing unique sourcing and target identification and “concentric circle recruitment approaches” the reported average nurse attraction rate is 325 nurse applicants for each of its clients. The most outstanding deliverable is the time to fill rate ranging from 4.5 to 21 interview days. According to Robert Valasek, NSI Nursing Solutions maintains an average nurse experience level of 7 years.

Further through a unique Institutional nurse practice, nurse culture and Human Resource Assessments, NSI designs a customized Retention Program at the same time that it recruits the organizations employees (nurses). These nursing assessments review “magnet concept acceptance” and ‘Work & Family Balance issues. Here is where Institutions need to spend more time, especially when current nursing turnover rates are approaching 10 to 16%. Compare this to NSI’s reported retention rates of 97.51%. This is where Human Resources should be strategizing and partnering with recruitment and retention consulting firms to build Staff Profiling tools for interviewing, retention and development-succession planning. This is referred to as a “**STAR** process” (**S**earch for **T**alented **A**pplicants **R**eview). It is a talent profiling method to determine success and retention stability, according to Ms. Ruth, RN.

STEP 3 Understand and determine Recruitment Return on the Investment.

Institutions need to determine the cost of RN turnover, which on a national basis ranges from two times the nurses salary (average national salary \$46,832 X 2=\$93,664) to \$145,000 per RN²⁶. The ingredients of turnover include the costs for:

1. Advertising
2. Interviewing (Nursing and HR)
3. Administrative time in HR (Job Posting, Position Control, Referencing and Investigation screens etc.) and Nursing
4. Union requirements,
5. Terminal pay outs
6. Lost productivity and intellectual property
7. Pre-employment physicals and Drug screens
8. Increased use of Travel nurses
9. Increased use of Per Diems
10. Lost revenues per nurse
11. Postponed elective surgeries
12. Bed or unit closures
13. RN Orientation Time
14. Training costs
15. Preceptor time
16. Employment Agencies
17. Increased Overtime
18. Elevated Incentives to work overtime
19. Increased Call-outs
20. Elevated weekend rotations
21. Elevated shift and floating rotations
22. Impact on morale and additional turnover effects
23. Other idiosyncrasies in an organization

An Institution for example with 500 nurses and a turnover rate of 10% has a cost impact ranging from \$4,683,000 to \$7,500,000. NSI research reports that the ROI against the fees to achieve full staffing ranges from 13 days to 16.6 weeks depending on current

²⁶ Saratoga Institute

labor expenses (as above reflected). Robert Valasek, reports that that NSI recruitment return on investment is 4- 20 to 1 and is recouped in 13 days to 16.6 weeks.

Step 5 The Future. Thereafter NSI helps the Institution plan **its future nurse staffing needs (Staff Forecasting)**. The custom retention program has its genesis in the “talent wars”, loading and landing as well as “nurse talent energizing”, “re-motivation”, (re)deployment, creating the future preferred workforce and “territoriality”. NSI then guides the Institution to succession planning and nurse staff forecasted recruitment requirements and then delivers on those requirements.

As with other strategies, recruitment and retention should be measured.

Dawn Ruth, MSN, RN from NSI Nursing Solutions suggests that the results of a successful recruitment campaign should be determined using “standards of success”. Ms. Ruth offered the following “standards of success:

- Full Staffing levels achieved
- Improved morale
- Increasing Retention rates
- Reduced Nursing turnover rates
- Reduced cost of Nurse Recruitment
- Improved Customer Service
- Improved patient outcomes
- Reduced length of stay
- Declining Call-outs
- Reduced Overtime costs
- Improved Communications and the trust in it
- Improved customer friendliness among staff at all levels
- Reduced Union Vulnerability
- Enhanced management credibility
- Reduced Temporary Agency costs
- Travel Nurse costs are eliminated
- Reduced Workers Compensation costs
- Elective surgeries are not postponed”
- Improved patient satisfaction
- Improved physician satisfaction
- Reduced incidents of patient diversion
- Beds are open
- Programs are expanded
- HR Organizational Effectiveness measurements (RevComp, CompEx, BenComp, BenEx, Human (nurse) Investment Factor Human (Nurse) Revenue Factor etc).

CONCLUSION

For Institutions, to make their mark...to create and become an ”Employer of Choice”, a “Magnet Institution” or a “TOP 100 Hospital” that is fully staffed courage amid the chaos is important. Learn to maneuver the landmines of human resource resistance, nursing

bureaucracy and fiscal myopia. Although there will be increased closing of hospital beds, diversion, elevated patient to staff ratios and declining patient and physician satisfaction with increasing RN turn-over, vacancy rates and nurse labor costs, the power to prevail is all but inevitable. Even with all these issues the industry must look beyond convention and fly the friendly skies of creative innovation, aggressiveness and survival of the fittest in designing recruitment and retention strategies. Make Recruitment and Retention a Board issue. View Nurse Recruitment as a Return on Investment, not a cost and make Retention a Revenue and Quality issue and 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.

MARC L. COLOSI,

MS Labor Law, BS, ERSQ, CIE

Marc Colosi has 20+ years of diverse HR and General Management experience from six industries with extensive expertise in: HR Organizational Effectiveness; HR Strategic Planning and alignment to business plans; High Volume Nursing & Clinical Recruitment and Retention strategies, Talent Energizing and creative landing programs, Labor Relations, defeating 23 union drives and as Chief Negotiator in over 40 union contract negotiations; HR Financial Management; Compensation, having designed performance, variable pay, at risk, competency and career modules, as well as Performance Based Incentive and Market systems; Human Value/Capital Management programs and Designed Benefit plans. Marc Colosi has improved business process through Transformation/Culture Shift Management and CQI programs including Right-sizing and Restructure programs in Growth and Turnaround industries

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

Prior to the Solutions Group of Companies, Marc Colosi served as a Senior Vice President at the Lancaster Health Alliance (a Top 100 healthcare organization), and at Albert Einstein Bronx Lebanon, a major 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 and a Masters in Labor/Employment Law from New York Institute of Technology and a Certificate from the American Institute of Industrial Engineers. He has authored articles on Productivity, Compensation systems, HR Strategic Planning, HR Organizational Effectiveness and Labor Law. Marc Colosi also held Associate Professorships at Pace University, Lebanon Valley College, St. Joseph’s University and, at the New York Institute of Technology and is a member Of the Wharton School’s Center for Human Resources