



Nursing Solutions, inc.

2018 RN Labor Market Update - June

The current nursing shortage has challenged all hospitals to control costs, improve quality, expand service lines and grow bed capacity. With an elevated RN vacancy rate (8.2%), nursing school enrollment leveling off, rising turnover and a retirement wave about to break, hospitals need to account for these labor impediments in their staffing forecasts.

By 2026, the Bureau of Labor Statistics (BLS) projects that 438,000 new RN jobs will be created. 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. Today, the shortage is estimated between 188,000 and 327,000 RNs. The question now is: how do we staff while controlling labor costs?

RN VACANCY AND TURNOVER

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 turnover rate for bedside RNs is 16.8%.

According to the [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. This explains why 74% of CNEs are concerned about RN recruitment and costly travel and overtime utilization.

TRAVEL RN COST

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. Given the shortage, hospitals must realize it's no longer a buyer's market and expect 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 employed RNs provide a great savings opportunity.

STAFFING STRATEGIES AND ROI

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 integration with 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 fees one can immediately see the savings.

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 costs. The battle for RN talent is on and NSI can help!

At **NSI Nursing Solutions**, we encourage our clients to minimize excess labor utilization and focus on a strategy that embraces full staffing, builds retention and enhances ROI. Since 2000, NSI has helped clients open towers, expand bed capacity, stabilize their workforce, 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.