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2016 HEALTHCARE STAFFING SURVEY REPORT

Top Challenges...
Impact of the Nursing Shortage on:
Recruitment, Staffing, Turnover,
Labor Costs, Savings, ROI & Strategies



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NSI Ninth Annual National Survey:

- This survey and its resulting report consists of information on:
 - Nursing Workforce data and trends,
 - Impact of the Nursing Shortage on Hospitals,
 - Vacancy Rates and Staffing Forecast,
 - RN Recruitment Metrics,
 - Recruitment & Staffing strategies with effectiveness ratings,
 - RN Turnover Rates and Cost,
 - Healthcare Economics and Financial Impact, and
 - Cost of RN Contract Labor.
- Hospitals Surveyed: 3,451
- Participating Hospitals: 838 (24.3%)

** In keeping with our promise of confidentiality, all participant information, data and worksheets have been purged.*



Hospitals see shortages NOW!

- Over 77% of hospitals rated the staffing of MDs, RNs and Allied Health Professionals as a top priority for 2017, with agency staffing expected to rise 6%. (SIA)
 - 42% of employers plan to add more contract staff. (Harris)
 - 45% plan to convert contract staff to permanent staff. (SIA)
- The agency penetration rate is forecasted to rise, which explains why 80% of organizations are willing to **increase salaries** for existing staff and 64% will **increase starting salaries**.
 - 62% of hospitals plan a 3-4% increase
 - 12% plan a 5-9% increase
 - 6% plan a 10%+ increase. (SIA)
- 67% of hospitals report RN agency use rising, as reflected by the contract labor index, and is expected to grow 6% per year thru 2018. Therefore, it is no wonder that the forecasted 2016 average **travel nurse fee to rise to \$68.75/hr, ranging \$57.10 to \$91.25/hr**. This represents, in many instances, more than 2X the average employed RN cost.



What could go wrong?

- There are 78 million Baby Boomers. Since 2011, every 7.6 seconds another individual turns 65 years old. This segment represents 12% of the population but, consume **34% of healthcare services**.
- The ANA estimates that 23% or 187,200 RNs plan to retire in the next 2-3 years, and an additional 81,900 will switch to part time status. In total, it is estimated that **269,100 RNs will exit the work force or reduce hours**.
- In addition, the rising demand for Advance Practice Nurses can draw another 198,000 RNs from the bed side.
- **The 2016 – 2017 nursing shortage is projected to be up to 327,000 RNs.** This includes the number of GNs expected to pass the NCLEX (140,000).

Sources: McMenamin, Peter, *RN Retirements--Tsunami Warning!* Nurse Space, ANA, 3/14/14; BLS, *FierceHealthcare*, *AONE Discussion*,

What could go wrong? *(con't)*

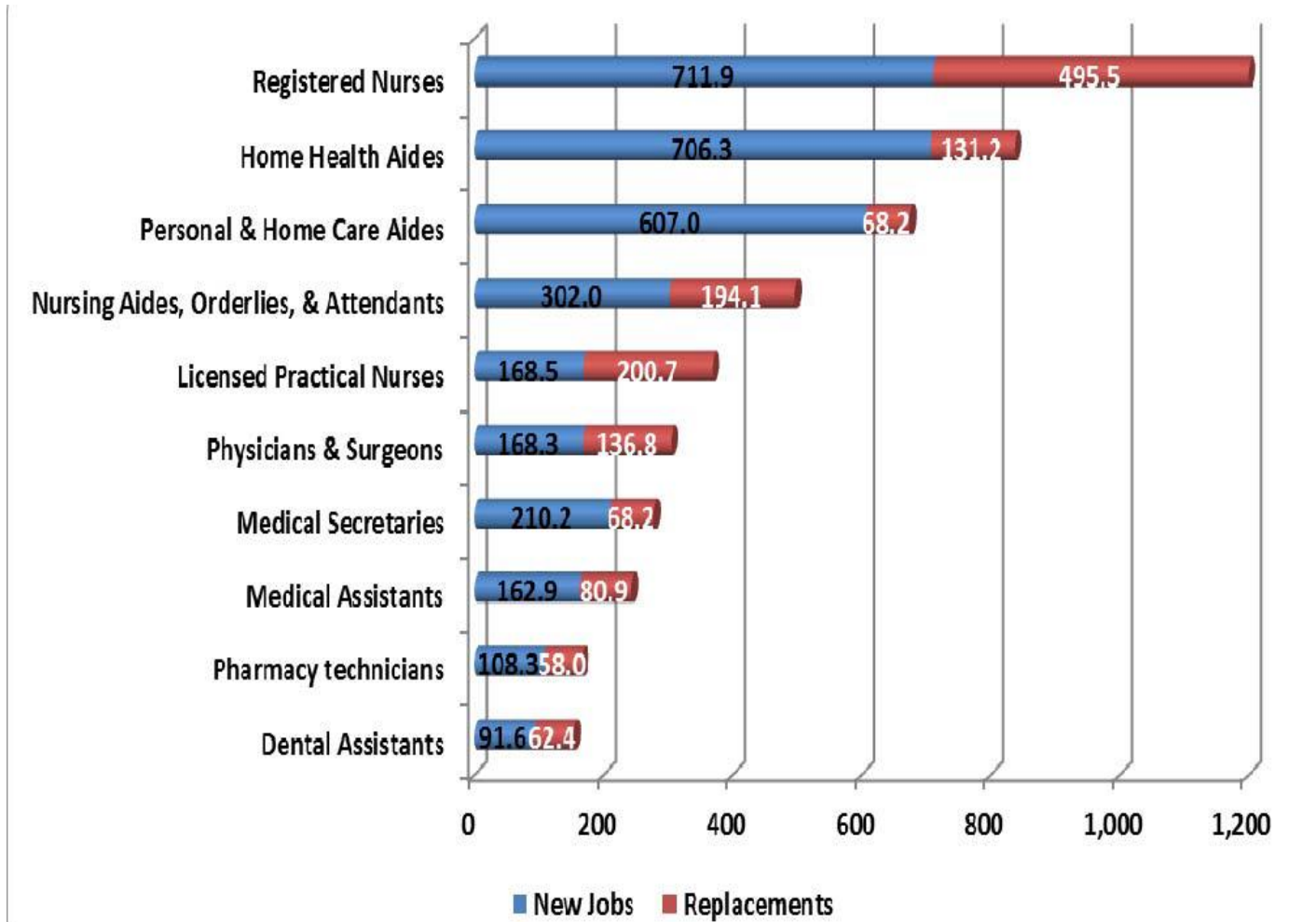
- The average RN hours worked per pay by age:... *What happens if this is reduced?*
51 – 60 yrs = 36/hrs 61 – 70 yrs = 34/hrs 71+ yrs = 26/hrs
- 67% of hospitals report rising **turnover** rates. The 2015 average turnover rate for bedside RNs was **16.4%**. This is projected to increase.
- Over a quarter (29%), of all employee separations, had less than one year of tenure. First year GN turnover further exacerbates this, ranging to 60%.
- As the economy expands, staffing will get harder and more costly, affecting cash flow, margins, continuity of care, quality, and employee morale. In 2015, the **average time-to-fill** a RN vacancy was 85 days, ranging from 53 to 110 days, given specialty. Expect this to continue to deteriorate.



Occupations with the Greatest Job Growth 2010 - 2022

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RN Shortage by 2030

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<u>STATE</u>	<u>SHORTAGE</u>	<u>STATE</u>	<u>SHORTAGE</u>	<u>STATE</u>	<u>SHORTAGE</u>
CA	193,100	SC	15,477	MS	4,550
FL	128,364	MD	12,894	PA	4,091
TX	109,727	NM	12,884	KS	3,827
AZ	56,781	CO	12,550	OH	3,630
GA	43,075	OR	11,321	MT	3,479
NY	39,696	OK	11,121	MN	2,750
VA	32,464	WI	10,530	WV	2,480
MI	25,725	UT	10,416	MO	1,757
NJ	23,358	LA	10,249	WY	1,689
NC	20,851	IN	9,112	IA	1,243
WA	20,609	TN	8,770	ND	811
NV	19,398	AR	8,545	NB	238
IL	18,240	AL	8,212	Nationally	949,035

Source: "United States Registered Nurse Workforce Report Card and Shortage Forecast", AJMC, 2012



Impact of the Nursing Shortage on the Hospital:

(N=654)

Yes

• Increased RN Turnover Rate:	71%
• Increased RN Contract Labor Use:	67%
• Emergency Department Overcrowding:	58%
• Elevated RN Cost of Labor:	57%
• Increased Customer Complaints:	25%
• Elevated Call-Outs:	23%
• Redistribution of Work Loads:	23%
• Elevated Incident Rates:	13%
• Elevated Wait Time:	13%
• Increased Patient to Staff Ratios:	11%
• Delayed Opening of New Beds:	5%
• Closed Beds due to Lack of Staff:	2%



Vacancy Rates on the rise:

- 74% of CNOs believe vacancy rates will worsen in 2016, increasing nursing demands. The average RN vacancy rate is projected to increase to 8.4%, from 7.2% in 2015.

Vacancy Range (N=513)

3% to 5.9%

6% to 7.4%

7.5% to 8.9%

9% to 12.5%

12.6% to 18.9%

19%+

2016 Hospital Expectations

11%

22%

34%

15%

8%

10%



What are hospitals doing to offset Vacancies?

	Utilization Frequency	Effectiveness Rating	Cost Impact (% of Salary)
Overtime*:	65%	46%	To 168%
Float/Flex Pools:	61%	64%	145% to 190%
Flexible Scheduling:	72%	63%	
Self Scheduling:	53%	64%	
On-Call Staff:	39%	19%	To 175%
Shift Bidding:	12%	13%	To 165%
RN On-Boarding:	57%	77%	

* “Nurses working 12.5+ hours of overtime were 3X’s more likely to commit errors, than RNs working less than 8.5 hours of overtime” ... (University of Pennsylvania School of Nursing)



What are hospitals doing to offset Vacancies? *(Con't)*

	Utilization Frequency	Effectiveness Rating	Cost Impact <i>(% of Salary)</i>
Foreign Recruitment:	34%	17%	
Retiree Pull-Backs:	27%	47%	
Parent Schedules:	11%	24%	
Schedule Surfing:	9%	25%	
Multi-area Bonus:	4%	7%	5% to 20%
Self Contained Workgroups:	4%	13%	
In-Fill Self Contracting:	3%	8%	145% to 155%
System Rotation:	2%	9%	



Nurse Overtime is more cost effective than Agency Nursing:

- According to Columbia University School of Nursing “...use of employed more experienced RNs give higher quality of care.”
- The study showed the use of overtime as more cost effective “since the use of overtime fostered continuity of RN staffing, over the use of agency staffing nurses.”
- Unfortunately, overtime use to resolve vacancies also pushes increased RN turnover, negatively impacting cost and quality.
- The cost of overtime runs 165% to 173% of straight time pay. (*Social Security, Taxes, Healthcare, Pension, Life Ins, other Benefit cost roll-ups*)
- Shorter LOS indicates not only better quality, but more cost effectiveness due to overtime as compared to using agency RNs. Contract nursing can ...**increase costs by as much as 2X the cost of a regular RN.**

Sources: Nurse.com, SIA, Bloomberg, BLS; HRSA



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Scheduling/Staffing remains a top hospital concern:

- 73% reported that the Friday night shift is difficult to staff, followed by Friday evening at 65%.
- 35% of departments reported a “hole” in the coverage due to scheduling variables, not vacancies.
- 76,850 RNs expected to retire in the next 2 years.
- Nursing departments are concerned (57%) with their staffing mix between senior and junior level employees.

RN Turnover:

- 67% of hospitals report rising turnover rates. The 2015 average turnover rate for bedside RNs was 16.4%. This is projected to increase.
- Over a quarter (29%), of all employee separations, had less than one year of tenure.
- According to the Studer Group, “...every 1% reduction in turnover saves direct costs of \$250,000 and \$500,000 in indirect costs.”

RN Labor Waste Amounts -- Opportunities:

- RN equipment hunting consumes an average of 40 minutes per RN per shift.
- Completing redundant paperwork consumes an average of 57 minutes per RN per shift.
- Cumulatively, these activities consume 13% (*270 hours*) of bedside cost of nursing labor per RN.

Sources: SIA, Studer Group, ANA



RN Time-to-Fill:

- In 2015, the average time-to-fill a RN vacancy was **85** days, ranging from 53 to 110 days, given specialty. Expect this to rise in 2016.

Med/Surg RNs:	68.3 days
PCU/Step Down RNs:	78.1 days
Labor & Delivery RNs:	82.7 days
Critical Care RNs:	91.3 days
Emergency Department RNs:	95 days
Operating Room RNs:	95.6 days

Note: The NSI RN Average time-to-fill is 34.2 days.



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RN Recruitment Strategy

(N=680)

Social Media/Internet Posting:

Increased Travel RN usage:

Increase RN Starting Salaries:

Newspaper Advertisings:

Job Fairs:

Referral Bonus:

Sign-On Bonus:

Professional Journal:

Direct Mail:

Foreign Nurse Recruitment:

Radio/TV/Billboards:

Utilization Frequency

82%

67%

64%

55%

53%

51%

51%

39%

34%

35%

Up to 1%

Effectiveness Rating

41%

22%

57%

6%

11%

21%

13%

12%

29%

18%

Up to 1%



RN Cost per Hire:

- **LEVEL 1: Direct Recruitment Campaign Only: \$9,556**
Includes: Advertisement, Journals/Fairs/Mailings, Interview Travel, Relocation
- **LEVEL 2: Additional Recruitment Costs: \$22,211 to \$25,17**
Includes: Agency Fees, Sign-On incentives
- **LEVEL 3: Total Cost/Hire: \$31,767 to \$34,730**
Excludes: Travel/Temporary Agency, Overtime usage and soft dollar costs such; as orientation, processing, preceptor, training, etc...

Robert Wood Johnson Foundation - \$36,567

Sources: Compensation Analyst, 2016; SIA; ASHHRA; HRSA



“Employed” vs. Travel Nurses:

Hospital average time-to-fill a RN vacancy:	85 days
Travel Nurse average time-to-fill:	21 to 32 days
Travel Nurse average experience:	7.6 years
Travel Nurse average cost: <i>(Range: \$57.10 to \$91.25/hour)</i>	\$68.75/hour
<u>Hospital average salary, including benefit costs:</u>	<u>\$40.59/hour</u>
Annualized average Excess Travel Nurse Cost:	\$58,573/RN

- Compared to Travel Nurses, **Employed Nurses** ...have a higher work commitment, better productivity, quality, and **“...are 200% less costly.”** *(Steven H. Burger)*

Sources: ASA, NCSB: *By the Numbers*, National Association of Travel Healthcare Organizations



Hospital Travel Nurse Usage:

Employed vs. Travel RN Ratio:	90:10
Average number of Contract RNs per hospital:	24
Number of Contract RNs by hospital bed size:	
•200 to 300 beds	7 to 31
•301 to 500 beds	11 to 48
•500+ beds	15 to 111
Travel Nurse average cost: <i>(Range: \$57.10 to \$91.25/hour)</i>	\$68.75/hour
<u>Annualized Travel Nurse average cost: <i>(\$68.75 * 2080)</i></u>	<u>\$143,000/RN</u>
Average Hospital Total Travel Nurse Cost: <i>(X24)</i>	\$3,432,000/yr

Sources: ASA, NCSB: *By the Numbers*, National Association of Travel Healthcare Organizations



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“Employed” vs. Travel Nurse ROI:

	*Hourly Rate	Annual Cost
Travel Nurses:	\$68.75	\$143,000
Temporary/Agency Nurses:	\$56.00	\$116,648
<u>Hospital RN Average Salary:</u> <i>(includes benefits)</i>	<u>\$40.59</u>	<u>\$84,427</u>
Average Savings Per Eliminated Travel RN:	\$28.16	\$58,573

**All fees exclude 1% ACA pass-along.*

- **By eliminating Travel Nurse usage, the average hospital (24 RNs/hospital) can experience an **Annualized NET Savings of \$1,405,752.****



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Selecting the Right Staffing Strategy

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Company Type	Ability 1-5 <i>(low-high)</i>	Quality 1-5 <i>(low-high)</i>	Time-to-fill 1-5 <i>(slow-fast)</i>	Cost 1-5 <i>(high-low)</i>	Replacement Guarantee 0-4 <i>(based on quarters)</i>	Retention Strategy 0-1 <i>(No-Yes)</i>	Score
Contingency	Low (1)	Low (1)	Slow (1)	Low/Med (4)	3 months (1)	No (0)	8
RPO	Low (1)	Med (3)	Moderate (3)	Med (3)	3 months (1)	No (0)	11
Foreign	Low (1)	Low/Med (2)	Slow (1)	High (1)	6 months (2)	No (0)	7
Travel	Med (3)	High (5)	Moderate (3)	High (1)	None (0)	No (0)	12
Agency	Low (1)	Med (3)	Moderate (3)	Med/High (4)	None (0)	No (0)	11
High Volume	High (5)	High (5)	Fast (5)	High (1)	12 Months (4)	Yes (1)	21



Why NSI?

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- NSI is a high volume nurse recruitment firm; that only recruits within the continental U.S. for “**Experienced RNs**”, as **your** core staff.
- NSI utilizes a full service executive search model.
- Focus is on cultural fit and core competencies to enhance retention capacity. NSI **first year retention rate of 94.2%**.
- Founded in 2000, NSI continues to lead the industry:
 - Proven success rate with an average **time-to-fill of 34 days**.
 - High quality; with an 82% interview-to-offer rate and an average **RN experience rate of 14.5 years**.
 - **One (1) year replacement guarantee**.
- All NSI engagements are “**Risk Free**” since you must hire the nurse **before** NSI is paid.