

“What Works: Healing the Healthcare Staffing Shortage” (2007)

Excerpts From the Study

1. Use of temporary nurses is no longer a stopgap measure but has become a way of life for hospitals. Reacting to several years of 7% to 10% nurse vacancy rates, hospital executives surveyed said they use temp nurses for an average of 5% of nursing hours.
2. The process of educating and retaining new nurses is broken. The number of denied applicants for nursing schools is at its highest ever, increasing more than six fold since 2002. Turnover among newly hired hospital nurses is highest in the first two years.
3. Failure to retain nurses is costly and wasteful. Every percentage point increase in nurse turnover costs an average hospital about \$300,000 annually. Hospitals that perform poorly in nurse retention spend, on average, \$3.6 million more than those with high retention rates.
4. Nursing education programs often lose money for colleges, limiting colleges’ willingness to expand their programs and raise faculty salaries.
5. The workforce is often a second thought for executives, distracted by numerous payment and regulatory issues. A disconnect exists between what hospital executives think about medical workforce shortages and how they address them. Three-fourths of hospital executives surveyed said workforce shortages are real. However, when asked to rank these shortages as a priority in their organizations, physician issues ranked 6th and nursing issues ranked 7th behind reimbursement, government regulations, clinical quality, and uncompensated care.
6. Rainmaker roles may change for hospitals. Employment changes and pay-for-performance reimbursement may combine to flip the workforce dynamic in hospitals. Traditionally, physicians were rainmakers who brought in revenue, and nurses were overhead. Through new, pay-for-performance programs that focus on clinical quality and patient satisfaction, nurses will have significant impact on the key metrics that will drive reimbursement.
7. Since 1999, hospitals have been on a construction binge, heightening competition for nurses. Hospitals spent an estimated \$30 billion on construction in 2006—a 30% increase in just one year—and 83% of hospitals report they plan to add capacity in the next two years. In addition, Medicare’s case mix index for inpatients started to rise again in 2001 signaling sicker patients who need more care.
8. International recruitment has filled the gaps but isn’t viewed as a sustainable solution. Nurses have been emigrating to the U.S. for many years, especially from Canada and the Philippines. By 2000, 11% of all U.S. nurses were international nursing graduates (INGs). By 2005, 13% of all newly licensed nurses were INGs.
9. High vacancy rates and continuous turnover of staff are stressing the financial and cultural fabric of healthcare providers. In 2006, hospitals nationally reported an 8.5% nurse vacancy rate, according to the American Hospital Association.
10. Nursing education programs are expensive. Brian Foley, acting provost of the Medical Education Campus of Northern Virginia Community College, states: “We lose \$8,000 per year for every nurse we train.” Understandably, public colleges aren’t anxious to expand such programs. Their tuition rates are set by the state, meaning they can’t simply pass on the higher costs to students.



11. Another problem for colleges is the scarcity of clinical training sites. Overburdened hospital departments and staffs are often reluctant to take on the additional task of teaching students. Some are asking for payment, thereby adding to a college's educational costs.
12. Regulation can impact shortages. For example, in California in 2004, the legislature mandated nurse-staffing ratios in hospitals. The vast majority of hospitals had been in compliance with the ratios prior to the law, but those that weren't had to scramble to comply. Unfortunately, the mandate was not accompanied by any initiatives to enhance the number of graduates through additional educational funding or other mechanisms. As a result, many hospitals contracted with agency nurses at higher expense, or they eliminated other staff, such as patient care assistants, to pay for additional nurses.
13. After several years of nursing vacancies that ranged from 7% to 10%, hospital executives have learned to sustain operations by supplementing with temporary nurses as necessary. As the workforce shortage continues to grow, the number of supplemental RNs and licensed practical nurses is projected to grow 57% by 2012. According to the HRI survey, hospitals are using temps to supplement about 5% of nursing work hours on average, resulting in a low vacancy rate. Depending on the organizational culture, executives may perceive this scenario as a sustainable solution. Hospital executives are experiencing initiative overload. Recruitment and retention initiatives must compete with many other hospital priorities according to an HRI survey of hospital executives. According to the survey, workforce issues are prioritized lower than all other complex issues except for managed care contracting.



14. This disconnect seems to indicate that hospital executives do not yet fully appreciate the impact of workforce issues on other strategic initiatives. Consideration of the availability of financial resources as an input to planning is commonplace; however, human capital is not always given the same consideration. Failure to consider human resource constraints can lead to faulty planning and an inability to implement key strategies. Hospital executives are not aligned regarding prioritization. CNOs and VPs of nursing and human resources prioritize nurse staffing and clinical quality higher than do hospital CEOs, CFOs, and COOs.
15. In addition, nursing leaders point to serious fractures in the system. One study showed that 40% of U.S. hospital nurses reported job dissatisfaction, and more than 43% demonstrated high levels of burnout. Nearly 23% of U.S. nurses said they planned to leave their current job within the next year. For nurses under 30 years of age, that figure was 33%. Almost 55% would not recommend the profession as a career choice.⁶⁵ A commonly heard phrase is "love nursing, hate the job." Many nurses graduate but do not pursue nursing as a career. Of those who do, half leave their first employer after two years. This can indicate several things: nurse education programs are not properly preparing students regarding what to expect on the job; organizations are hiring nurses into an inflexible model that doesn't accommodate what young nurses want to put into and get out of nursing; the problems that cause nurse dissatisfaction aren't being addressed sufficiently by hospital leadership.
16. **Strategies for developing a workforce model for the future:** PwC's research indicates that healthcare organizations need to design a sustainable workforce model that incorporates solutions from training to retaining.