

2019 NSI National Health Care Retention & RN Staffing Report

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Preface

We are proud to present the annual NSI National Health Care Retention and RN Staffing Report. In January 2019, **NSI Nursing Solutions Inc.** invited over 3,000 hospitals across the country to participate in the nation's most comprehensive survey on healthcare turnover, retention initiatives, vacancy rates, recruitment metrics and staffing strategies.

The health care labor market continues to be bullish with demand for nurses and allied professionals outpacing supply. By 2024, the Bureau of Labor Statistics (BLS), projects the RN labor shortage to reach 1.13m RNs. With rising turnover and a retirement wave about to break, hospitals need to be creative in their talent acquisition efforts and in protecting their human capital investment.

NSI Nursing Solutions provides industry insight to help you benchmark performance, identify best practices and understand emerging trends. We sincerely extend our appreciation to all 221 participating facilities for making this report possible. Your feedback and suggestions were encouraging and valuable. As promised, all information is provided in the aggregate to maintain the confidential and sensitive nature of the data provided.

Should you have any questions or recommendations on expanding the scope or depth of this survey, please feel free to contact me at bcolosi@nsinursingsolutions.com. I request your participation in future studies conducted by NSI Nursing Solutions, Inc.

Brian Colosi, BA, MBA, SPHR

NSI Nursing Solutions, Inc.

President

March 2019

About NSI Nursing Solutions, Inc.

NSI Nursing Solutions, Inc. is a national high-volume nurse recruitment and retention firm. We only recruit U.S. experienced RNs (averaging 14 years) as your employees, who fit your culture, and do so in an average time-to-fill of 32 days. At NSI, we provide an industry leading one (1) year guarantee and the best part is that our services are risk-free... since you must hire the nurses before we are paid.

We have helped many clients and can help you! I encourage you to call Michael Colosi, EVP, Business Development, at (717) 575-7817 or macolosi@nsinursingsolutions.com to learn how NSI can improve your bottom line results.

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Executive Summary

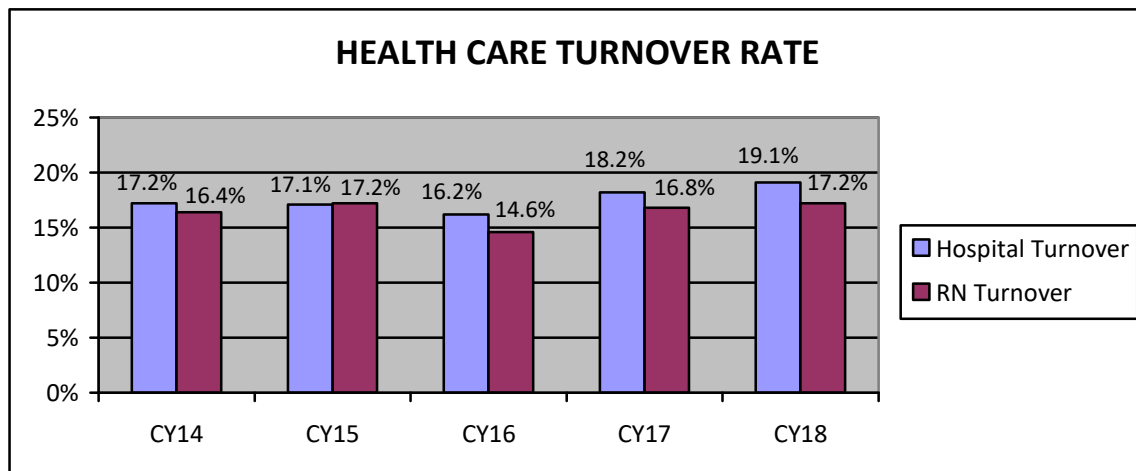
In 2018, the health care jobs market continued to grow and is trending up for 2019 with 42.3% of hospitals surveyed anticipating an increase in their labor force. At the same time, hospital turnover increased by 0.9% and set a new high-water mark for the decade. Currently, the hospital turnover rate stands at 19.1%. Hospitals addressing this issue have set a 2019 goal to reduce turnover by 3.26% on average.

From a nursing labor perspective, the market continues to tighten with 45% of hospitals projecting to increase their RN staff. Last year, the turnover rate for bedside RNs grew to 17.2% and tied CY2015 as the highest in the past decade. Registered Nurses working in Burn Care, Women's Health, Surgical Services and Pediatrics recorded the lowest turnover rate, while nurses working in Behavior Health, Telemetry and Emergency Care experienced the highest. Certified Nursing Assistant (CNA) turnover exceeded all other surveyed positions at 31.9%.

The cost of turnover can have a profound impact on the diminishing hospital margin and needs to be managed. According to the survey, the average cost of turnover for a bedside RN is \$52,100 and ranges from \$40,300 to \$64,000 resulting in the average hospital losing \$4.4M – \$6.9M. Each percent change in RN turnover will cost/save the average hospital an additional \$328,400.

Although the RN vacancy rate slightly decreased to 8.0%, only one in five (21.9%) hospitals reported a RN vacancy rate of “less than 5%” while approximately a quarter (23.7%) reported a vacancy rate exceeding 10%. The RN Recruitment Difficulty Index increased to 86 days on average, regardless of specialty. In essence, it takes close to 3 months to recruit a RN.

Feeling the financial stress, half (48%) of hospitals would like to decrease their reliance on supplemental staffing. The greatest potential to offset margin compression is in the top budget line item (labor expense). For every 20 travel RNs eliminated, a hospital can save, on average, \$1,435,000. Contact Michael Colosi at (717) 575-7817 to learn how NSI can improve your bottom line results.



Methodology

In January 2019, invitations were sent to healthcare facilities across the nation to participate in the “NSI National Health Care Retention & Staffing Survey”. To maintain consistency and integrity, all facilities were asked to report data from January through December 2018, and for systems to report each hospital separately. I am pleased to announce that 221 facilities from 42 states, including the District of Columbia, responded. This is a sixty-one percent increase from last year. In total, this survey covers 521,810 healthcare workers and 137,919 Registered Nurses.

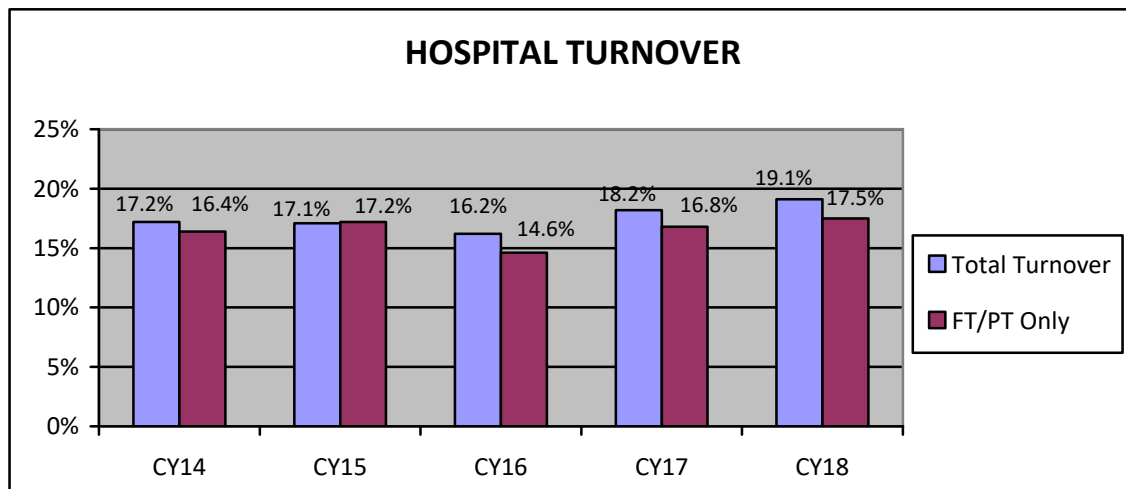
All findings are reported in the aggregate, with no individual hospital identifying information provided. Since organizations track and report turnover differently, it is important to establish a consistent methodology. To this end, raw data was collected on all employee terminations, whether voluntary or involuntary. Temporary, agency and travel staff were specifically excluded. Also, this survey does not measure transfers or “internal terminations.”

According to the findings, hospitals continue to be split on which employment classifications to include when calculating turnover. A majority (60%) include all employment classifications, such as full time, part time, per diem, prn, casual, occasional, etc. when reporting turnover. The remaining hospitals only include full time and part time employment classifications. Given this split, respondents provided data on all employees and for full/part time staff only. For comparative purposes, we will adjust for this distinction and report “TOTAL Turnover”, which includes all employee classifications, and we will report “FULL/PART TIME Turnover”, which only includes these two classifications.

Hospital Turnover

Hospital turnover is on the rise and executives need to be concerned since this is a leading indicator of future financial pressure, and patient & employee satisfaction. Last year, hospitals experienced the highest turnover rate in over a decade ago. Since 2014, the average hospital turned over 87.8% of its workforce.

The following graph illustrates annual changes since 2014. The national average “TOTAL” hospital turnover rate is 19.1%, 0.9% greater than 2017, with the median and mode recorded at 18.4% and 13.7%, respectively. Hospitals that only measure “FULL/PART TIME” separations reported a 0.7% increase to 17.5%, with a median of 16.1% and a mode of 14.6%. Presently, hospital turnover ranges from 5.3% to 36.3%.



The following table records the average “TOTAL Turnover” and “FULL/PART TIME Turnover” by region and bed size. The number in parenthesis reflects the percent change from 2017. Hospitals with more than 500 beds and located in the South-Central and West experienced turnover below the national average and tend to have a greater retention level. Conversely, the profile of a hospital with the highest turnover is a facility with 350-500 beds and located in the South-East region.

The 2017-18 percent change in regional turnover ranges from -1.7% to +2.6%. The South-Central group is the only region which saw a decrease in turnover from the prior year. The North-Central experienced the greatest increase. The South-Central and West reported a turnover rate below the national average, while the North-East mirrored the nation.

Upon review of turnover by bed size, all categories reported an increase. Hospitals with 200-349 beds and more than 500 beds outperformed the other facilities. Those with less than 200 beds experienced the greatest increase in turnover. Hospitals with 350-500 beds continue to be the most challenged.

REGION	TOTAL TURNOVER	FULL/PART TIME TURNOVER
North East – (CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI & VT)	19.1% (+2.3%)	17.3% (+0.7%)
North Central – (IA, ID, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI & WY)	19.4% (+2.6%)	17.7% (+2.5%)
South East – (AL, FL, GA, KY, MS, NC, SC, TN, VA & WV)	19.5% (+1.1%)	18.5% (+2.3%)
South Central – (AR, AZ, CO, LA, NM, OK, TX & UT)	18.3% (-0.8%)	16.2% (-1.7%)
West – (AK, CA, HI, NV, OR & WA)	17.0% (+0.5%)	15.9% (+1.9%)
BED SIZE		
<200 Beds	19.3% (+2.5%)	16.8% (+2.3%)
200-349 Beds	18.6% (+1.6%)	17.5% (+1.9%)
350-500 Beds	20.5% (+1.0%)	19.0% (+1.8%)
>500 Beds	18.6% (+0.2%)	17.2% (+0.7%)
NATIONAL AVERAGE	19.1% (+0.9%)	17.5% (+1.2%)

Voluntary terminations accounted for 92.7% of all hospital separations. To further understand turnover, respondents were asked to identify the top three (3) reasons why employees resigned. Participants were asked to select from a list of 20 common reasons. Personal reasons (*caring for a child/parent, marriage, disability, etc.*), career advancement and relocation are at the top of the list, with retirement coming in fourth. As the population ages, expect retirement to remain a driving force for future separations. Rounding out the top ten reasons include: salary, education, scheduling, commute/location, immediate manager and workload/staffing ratios.

While an overwhelming majority (81.3%) of organizations view retention as a “key strategic imperative” it is not evident in operational practice/planning. Almost all hospitals have retention initiatives, however, only 43.2% have translated these into a formal retention strategy. An additional 27.4% indicated this is “under consideration”.

Establishing measurable goals needs to be a core component of any retention strategy. For 2019, hospitals looking to improve retention have set a goal to reduce turnover by 3.26% on average. Over forty percent (42.6%) of the respondents have set a goal to reduce turnover by up to 3%. An additional 19.7% have taken a more aggressive approach to reduce turn by 5% or more. The remaining third (37.7%) have not established a measurable goal.

Other strategic considerations include developing programs to retain new hires and older workers. Approximately, sixty percent (58.1%) of hospitals have strategies in place to protect new hires, but only 16.4% have a strategy on retaining older workers. With Baby Boomers ready to retire, expect hospitals to focus more energies on retaining this knowledge base.

RN Vacancy Rate

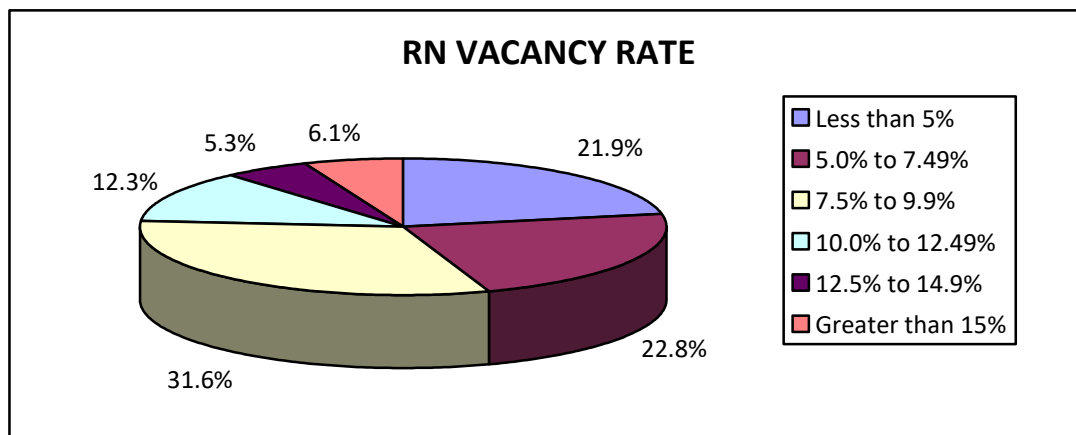
The RN vacancy rate continues to be of concern and currently stands at 8.0%. This is slightly below 2018 (8.2%), but still at an elevated level leading to excess labor utilization such as overtime and travel/agency usage. Today, only one in five hospitals (21.9%) reported a RN vacancy rate of “less than 5%”. In 2015, sixty percent (60%) of hospitals reported a vacancy rate below 7.5%. Today, only 43.7% can agree with that statement. This downward shift, along with the rising RN Recruitment Difficulty Index, (*see page 11*) is a clear indication that the RN labor shortage is here.

Of significant concern is that over half (55.3%) of all hospitals have a RN vacancy rate higher than 7.5%. This is up from 39.9% in 2015. With the improved economy, RNs no longer are delaying retirement and many have gone back to travel nursing. As the demand for RNs increase expect the vacancy rate to further deteriorate.

When the labor market tightens, hospitals have historically sought to bridge the gap by utilizing overtime, agency staff and travel nurses. All of which are costly strategies and can lead to issues with quality, safety, physician satisfaction, employee satisfaction and the patient experience. The greatest potential to offset margin compression is in the top budget line item (labor expense). When patient volume is flat; when Medicare/Medicaid is squeezed; when commercial insurance rates decrease or are bundled; when health care legislation is uncertain...recapturing lost productivity, controlling contract labor and excess overtime can help offset this compression.

At NSI Nursing Solutions, Inc. we encourage our clients to minimize excess labor utilization and focus on a strategy that embraces full staffing and builds retention while enhancing ROI. I encourage you to contact Michael Colosi, at (717) 575-7817 or macolosi@nsinursingsolutions.com to learn how NSI can improve your bottom line results.

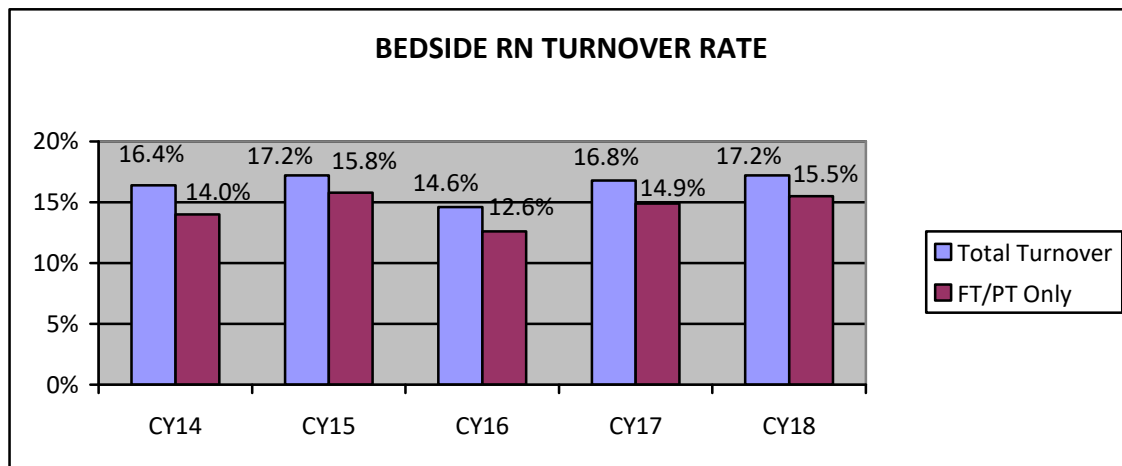
RN VACANCY RATE	2015	2016	2017	2018	2019
Less than 5%	34.3%	28.1%	18.2%	15.8%	21.9%
5.0% to 7.49%	25.7%	23.4%	31.8%	30.5%	22.8%
7.5% to 9.9%	15.7%	15.6%	27.3%	28.4%	31.6%
10.0% to 12.49%	10.0%	14.1%	9.1%	12.6%	12.3%
Greater than 12.5%	14.2%	18.8%	13.6%	12.7%	11.4%



Bedside Registered Nurse Turnover

This section will follow the same format as “Hospital Turnover”. The following graph illustrates the turnover range for bedside RNs since 2014. In 2018, hospitals experienced an increase in RN turnover. With this increase and the growing nursing shortage, the question becomes...Will Talent Acquisition be ready?

Last year, turnover for bedside RNs ranges from 2.4% to 40.4%. The national average “TOTAL” RN turnover rate is 17.2%, a 0.4% increase from 2017, with the median being 14.9% and a mode of 18.9%. Hospitals that only measure “FULL/PART TIME” separations reported a 0.6% increase to 15.5%, with a median of 15.6% and a mode of 16.5%.



The cost of turnover can have a profound impact on the already diminishing hospital margin. Although hospitals recognize this fact, two-thirds (66.7%) do not track this cost. Based upon feedback, the average cost of turnover for a bedside RN edged up to \$52,100 and ranges from \$40,300 to \$64,000 resulting in the average hospital losing \$5.7M. RN turnover will cost a hospital from \$4.4M – \$6.9M. Each percent change in RN turnover will cost the average hospital an additional \$328,400. Whereas the cost of turnover can range to two times annual salary for professional positions, this conservative figure still represents a tremendous drain on profits.

The following table records the average “TOTAL” and “FULL/PART TIME” turnover by region and bed size for staff RNs. The number in parenthesis reflects the percent change from 2017. Hospitals with under 200 beds and located in the North-Central and West experienced turnover below the national average and tend to have a greater retention level. The profile of a hospital with the highest RN turnover is a facility with 350-500 beds and located in the South-East region.

The 2017-18 percent change in regional RN turnover ranges from -1.2% to +2.1%. Results by region were mixed, with the South-Central and North-East reporting a decrease from the previous year and performing around the national average. The South-East experienced the greatest increase resulting in the highest turnover levels.

When viewed by bed size, the larger hospitals experienced a higher degree of RN turnover. Hospitals under 200 beds performed the strongest. Hospitals with 350-500 beds reported the greatest increase and highest turnover rate.

REGION	TOTAL RN TURNOVER	FULL/PART TIME RN TURNOVER
North East – (CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI & VT)	17.7% (-0.8%)	15.3% (-1.2%)
North Central – (IA, ID, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI & WY)	14.9% (+0.8%)	14.4% (+1.2%)
South East – (AL, FL, GA, KY, MS, NC, SC, TN, VA & WV)	18.7% (+1.8%)	16.8% (+2.1%)
South Central – (AR, AZ, CO, LA, NM, OK, TX & UT)	17.2% (-1.2%)	15.4% (-1.4%)
West – (AK, CA, HI, NV, OR & WA)	15.8% (+0.5%)	12.3% (-0.6%)
BED SIZE		
<200 Beds	15.4% (-0.9%)	14.5% (+1.1%)
200-349 Beds	17.0% (+0.4%)	14.8% (-0.2%)
350-500 Beds	18.4% (+1.0%)	16.2% (+1.5%)
>500 Beds	17.5% (+0.6%)	15.8% (+0.5%)
NATIONAL AVERAGE	17.2% (+0.4%)	15.5% (+0.6%)

Respondents were also asked to identify the top three (3) reasons why RNs voluntarily resigned. Participants were asked to select from a list of 20 common reasons. Personal reasons, career advancement and relocation continue to top the list. Rounding out the top 10 reasons why RNs voluntarily resigned, in descending order, are: salary, retirement, scheduling, commute/location, education, workload/staffing ratios and immediate management. Of note is retirement has remained amongst the top 5 reasons. With 60,000¹ more RNs expected to retire this year, expect retirement to remain a top driver for turnover. Hospitals need to prepare for a mass exodus of knowledge with the retirement wave upon us.

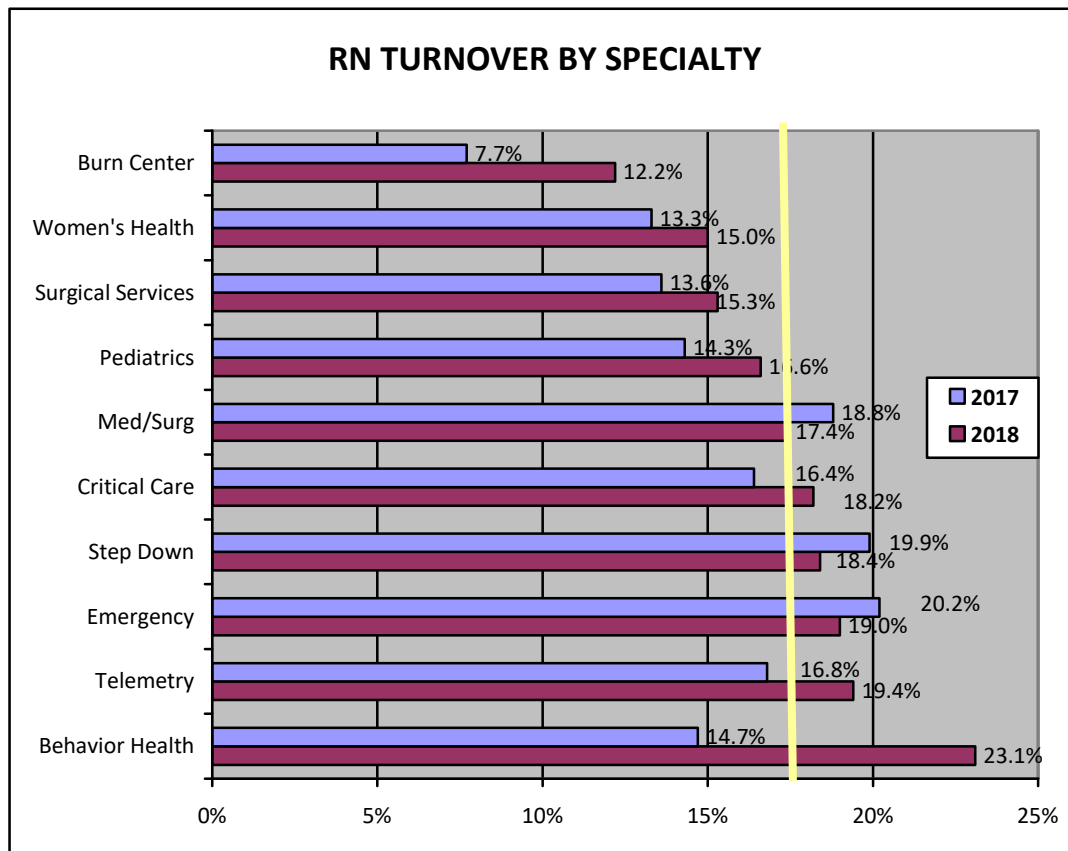
1. Buerhaus, Skinner, Auerbach, Staiger, *Four Challenges Facing the Nursing Workforce in the United States*, Journal of Nursing Regulation, July 2017

Registered Nurse Turnover by Specialty

The following graph compares the average RN turnover rate by specialty for the past two years. The solid yellow line represents the national turnover rate for RNs (17.2%). Behavior Health, Telemetry and Emergency Room RNs were the most mobile specialties and exceeded the national average. Looking back over the past five years, Behavior Health and Emergency Room RNs have a cumulative turnover rate of 112.4 and 101.1%, respectively. In essence, every five years, the average Behavior Health and Emergency Department will turnover their entire RN staff.

Also exceeding the national average were nurses in Step Down and Critical Care. Med/Surg RNs experienced a 1.4% drop in turn and performed at the national average. Burn Center, Women's Health, Surgical Service and Pediatric RNs were more stable with turnover rates below the national average.

When we consider the average age of nurses and the anticipated wave of retirements about to break, we need to keep in mind that some specialties will be impacted at a quicker pace. This is particularly true for Surgical Services, Behavior Health and Women's Health; two of which are currently below the national norm. Managing retention should be a strategic imperative, particularly given the high cost of turnover and the RN staffing crisis.

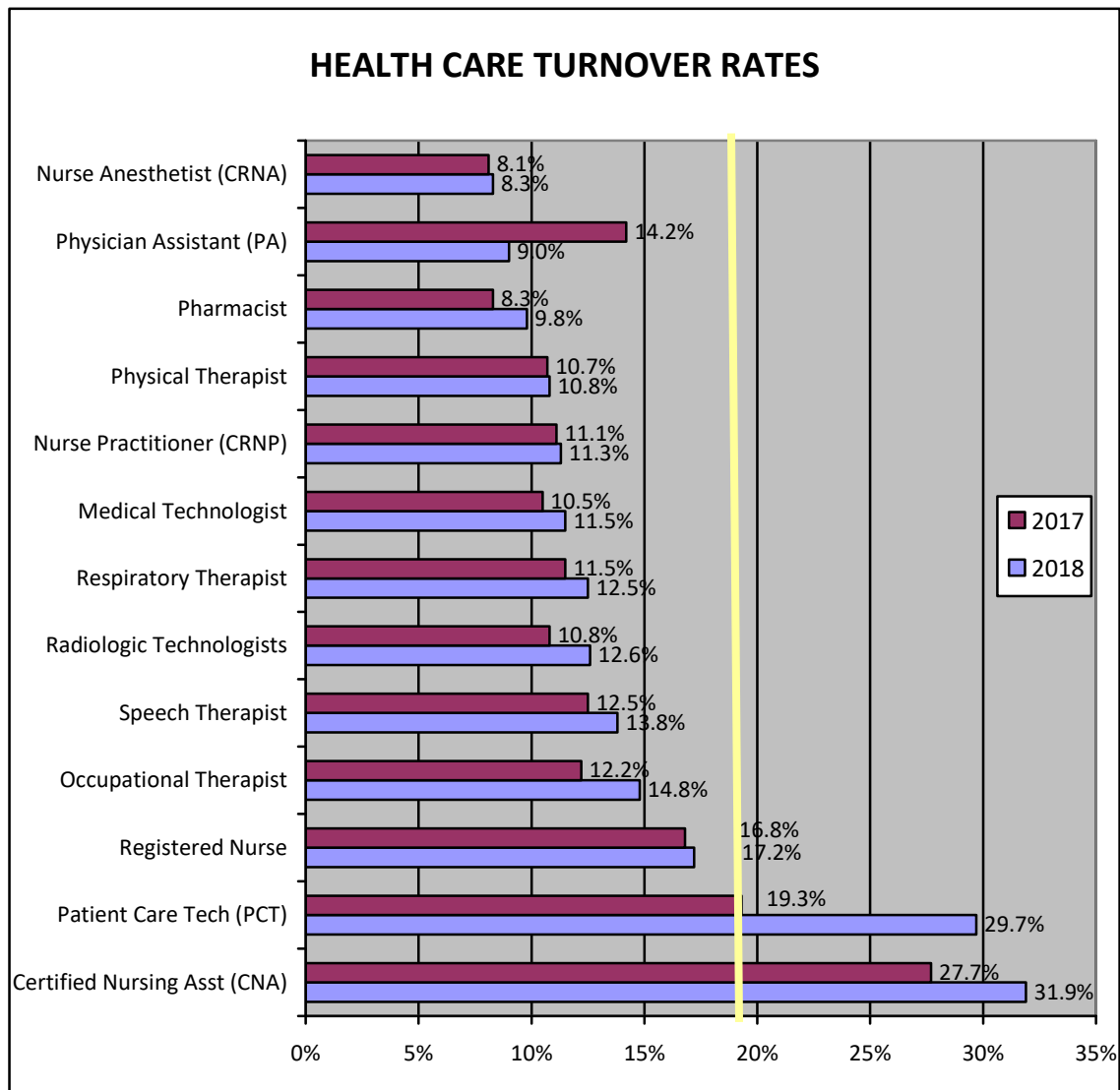


Advance Practice and Allied Health Turnover

The following graph compares the average turnover rate for advance practice and allied health personnel in an acute care setting for the past two years. The solid yellow line represents the current turnover rate for acute care hospitals (19.1%).

Hospitals struggle to retain Certified Nursing Assistants (CNAs) and Patient Care Technicians (PCTs). CNA turnover stands at 31.9%, 4.2% higher than 2017. Patient Care Tech (PCT) turnover is 29.7%.

For the past five years, all advance practice nurses and allied health professional positions reported turnover rates below the hospital average. With the exception of Physician Assistants (PAs), all other professions saw an increase in turnover. Occupational Therapists saw the greatest increase of 2.6%.



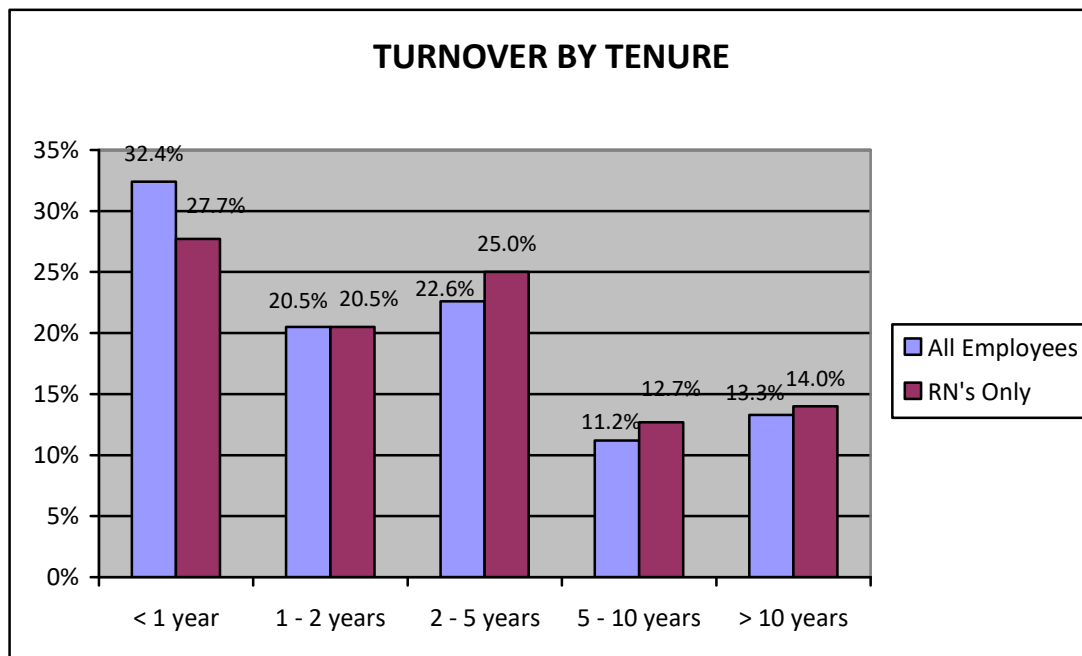
Turnover by Tenure

The following graph illustrates the years of service (tenure) for all employees and RNs who left during the survey period. Based upon the survey data, a quarter (25.6%) of all new hires left within a year. This group accounted for a third (32.4%) of all turnover. In fact, more than half or 52.9% of the exited employees had less than two years of service. As expected, employees with more than 5 years of tenure experienced a greater level of organization commitment.

Consistent with previous surveys, first year turnover continues to outpace all other tenure categories. When looking at the range of those employees who terminated with “less than one year of service”, this group can make up 60% of a hospital's total turnover. When expanding this to include all employees with less than two (2) years of service, the range jumped to 97%. Without saying, this is not the typical or average facility. However, the point is that a large percent of all separations can be caused by employees with less than two years of tenure.

Although not as dramatic, when viewing RNs, a similar trend is noted. Over twenty percent (22.9%) of all new RNs left within a year. First year turnover accounted for over a quarter (27.7%) of all RN separations. With the projected surge in retirements, expect to see the longer tenure groups edge up creating an inverted bell curve.

A significant opportunity to protect a hospital's investment in Human Capital and recapture revenue exists. Operational considerations must address how employment decisions are made and include programs that build relationships, commitment and confidence early in the employment cycle. When it comes to protecting the more tenured staff, hospitals have historically given less consideration where only 16.4% have a specific strategy to retain older workers.

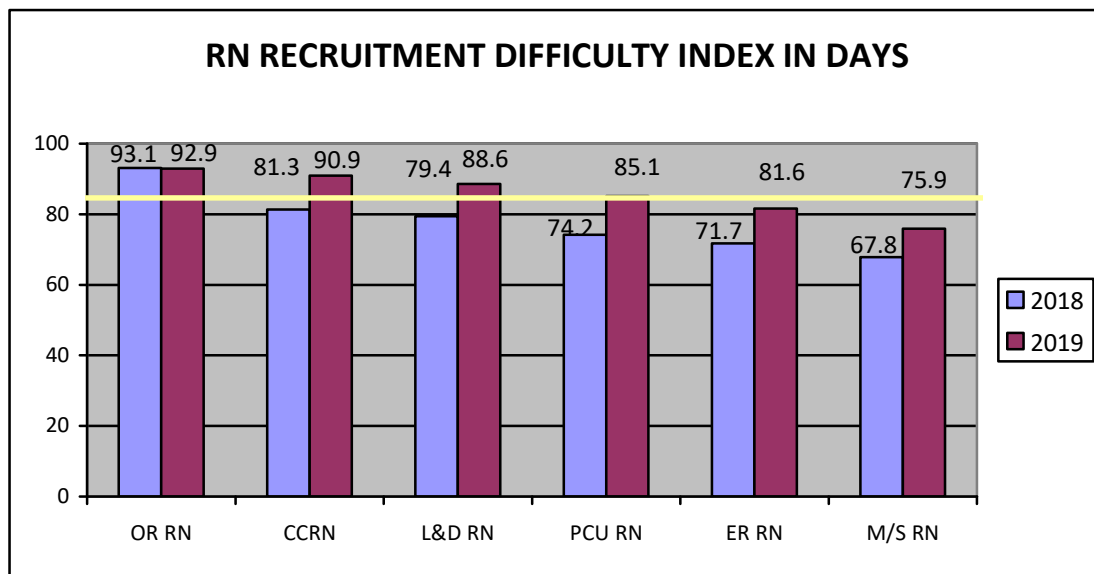


RN Recruitment Difficulty Index

The RN Recruitment Difficulty Index (RDI-RN) gauges the average number of days it takes a hospital to recruit an experienced RN. Participants were asked to identify the range which best describes the time to fill a RN vacancy, given specialty. This year saw an increase in the RDI-RN by eight days, costing the average hospital an additional \$53.6K to \$138.6K in excess labor utilization. The average time to recruit a RN ranged from 62 to 108 days, pending specialty.

The following graph illustrates the average number of days it took to recruit a RN by specialty. The yellow line is the current RN Recruitment Difficulty Index and represents the average time to fill a vacancy regardless of specialty. Currently, this stands at 86 days.

On average, it takes close to 3 months to hire a RN. When viewed by specialty, Operating Room, Critical Care and Labor & Delivery RNs continue to be more elusive and posted higher time-to-fill rates than the index. For the seventh straight year, RNs in Surgical Services continued to be the most difficult to recruit. On average, it took 79 to 108 days to fill an experienced OR RN, with the average being 93 days. Based upon this information, it is easy to understand the magnitude of the shortage and the challenge facing Talent Acquisition.

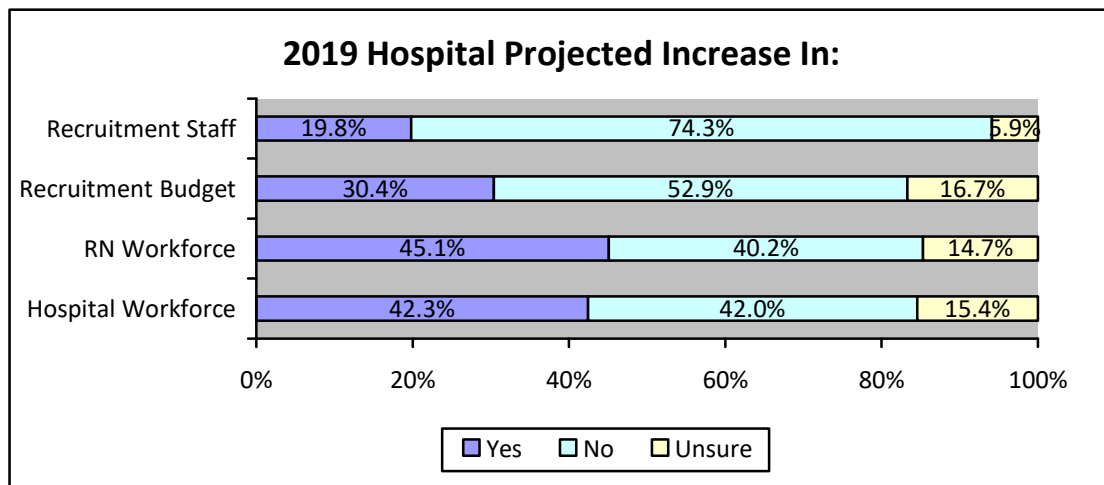


When it comes to recruiting RNs, not all regions perform the same. The North-East and North-Central markets outperformed all other regions and could recruit RNs quicker than the national average, with an average time to fill of 72 and 73 days, respectively. The West region posted the longest time to fill at 117 days.

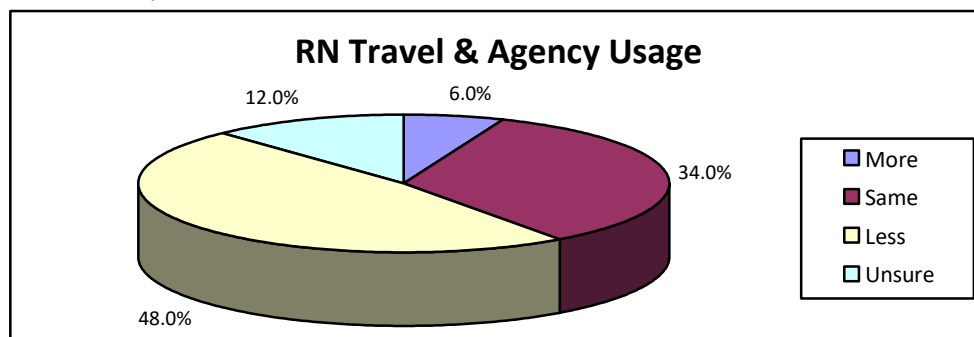
Workforce Projections

Labor force demands are forcing many hospitals to use more costly approaches to staffing beds. Authorizing critical staffing pay, increasing overtime utilization and expanding agency & travel usage were the top strategies to meet scheduling needs. In 2018, healthcare jobs exploded and are trending up for 2019 with 42% of hospitals anticipating an increase in their total labor force and 45% projecting to increase their RN complement.

This mandate to hire more employees will further strain Talent Acquisition. While hospitals expect to grow their total and RN workforce, only 30.4% anticipate an increase to the recruitment budget and only 20% plan to increase their recruitment staff. Currently, the ratio of budgeted Full Time Equivalents (FTEs) in Human Resources to hospital employees is 1:145.



To improve margins, hospitals need to control labor costs by decreasing reliance (48.0%) on travel and agency staff. When comparing the cost difference between employed RNs vs travel RNs, the amount is staggering. For every 20 travel RNs eliminated, a hospital can save, on average, \$1,435,000. When viewed against recruitment costs or agency fees, one can see the savings immediately.



To meet this rising challenge, the question becomes, how will HR achieve these results. Please call Michael Colosi at (717) 575-7817 or macolosi@nsinursingsolutions.com to learn how NSI Nursing Solutions can help.

Conclusion

The healthcare industry continues to be a cornerstone of our economy and must be ready to adapt to the changing landscape. The expanding healthcare rolls, the aging population, the mandate on quality & safety, the squeeze in reimbursements, the competition for patient volume, the shift in the delivery of care, the shortage of physicians, nurses & allied professionals, and the legislative football have all stressed the industry.

The value hospitals place on their people will have a direct correlation to their commitment, confidence and engagement. Enhancing culture and building programs to reinforce these values is critical to driving retention. Hospitals believe that retention is a “key strategic imperative”, yet are slow to translate this into a formal strategic plan. Focus on strategies that enhance culture and eliminate those that do not.

A quantifiable measure of the severity of a hospitals vacancy rate is contract labor and overtime usage. Trending turnover, based on historical data, is a leading indicator of future organizational pressure. Management must identify contract labor costs and not view it as an “operating expense”, but rather as aggregated within the position control system. Inclusion within the payroll cost line, will provide greater insight into the actual direct cost of labor.

To strengthen the bottom line, hospitals need to build retention capacity, manage vacancy rates, bolster recruitment initiatives and control labor expenses. Breaking through the myopic ways of hiring travel and agency staff to band-aid the issue or utilizing excessive overtime which taxes the staff, the quality and the patient experience is a start. Building and retaining a quality workforce is paramount to navigate the shifting paradigm. Let NSI Nursing Solutions Inc. help!

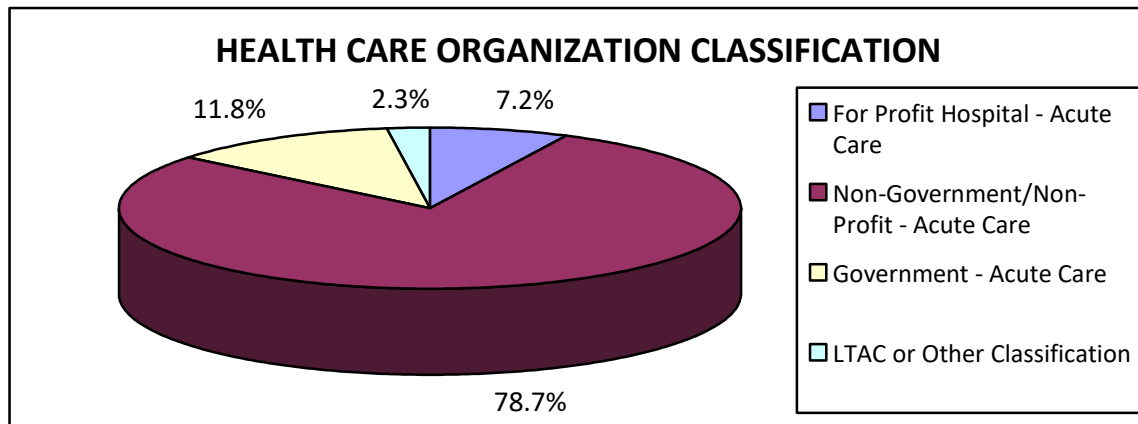
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Overview of Survey Participants

REGION - Responses were received from forty-two (42) states, including the District of Columbia. To identify trends and establish regional benchmarks, the data was split into five geographic regions, as indicated by the following matrix.

PARTICIPATION RATE BY REGION	
North East – (CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI & VT)	17.2%
North Central – (IA, ID, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI & WY)	28.1%
South East – (AL, FL, GA, KY, MS, NC, SC, TN, VA & WV)	28.5%
South Central – (AR, AZ, CO, LA, NM, OK, TX & UT)	17.6%
West – (AK, CA, HI, NV, OR & WA)	8.6%

ORGANIZATIONAL CLASSIFICATION - Acute care facilities were further delineated by ownership. As consistent with previous years, the overwhelming majority of responses (78.7%) were from Non-Government/Non-Profit Acute Care Hospitals.



HOSPITAL BED SIZE - When viewing participants by bed size, all groups are well represented.

