



Healthcare Recruiting: Vacancy Rates and Revenues

by Sam Patrick

It is well known throughout the medical care industry that the nursing vacancy rates are high and continuing to climb. What is not widely known is that there are still more problems with vacancy rates in specialty areas for medical care, as well. In looking at the recruiting systems of medical centers and hospitals and what is being done to change them, we can see how some hospitals are changing the tide of low nursing rates and high revenue loss. While nurses are still the most needed in hospitals, the reasons for the decline of their availability are many. Some of those reasons lie within the recruiting systems of hospitals and some lie in the frustrating area of declining enrollment for nursing school.

Since there are problems with filling positions throughout the industry, we decided to take a look at the overall approach of hiring medical staff. All of our examples come from a study done by one hospital system. This is both because it is a thorough study that is recent and relevant, and because they have implemented a successful program that has shown vast improvements in this area. You'll see this as we look at the history of the problem, see a concrete example of success and find out how to implement these changes in other clinics and hospitals.

In order to understand the context of these examples, a bit of background of this hospital system is necessary. The organization has been around for almost a hundred years. It is a 600+ bed system serving a fifteen county area with a population of nearly one million. It includes a flagship hospital and two rural county hospitals. They have a workforce of about 5,000 employees with an HR staff to employee ratio of 1:140. This includes 9 full-time recruiters. In 2003 there was a voluntary turnover (all staff) of 12.4%.

The recent history of the nursing vacancies for their flagship hospital broke down like this: In 2000, they had an 12.4% vacancy rate (the national rate in 1999 was 11%). These rates increased steadily with a 13.2% vacancy rate in 2001 and

15.3% rate in 2002. It was obvious that action was needed, so in 2001, the nursing management initiated a cross-functional study to understand recruiting and retention. The team, consisting of nursing leaders, HR leaders and financial leaders, started by surveying all RNs and LPNs. Once the data had been gathered, they initiated a review of related data in order to understand the scope of the improvement initiative.

One of the outstanding revelations was that while RN/LPN applications had increased by 84%, offers only increased by 3%. When looking into the data further, they discovered that the average time to fill an RN or LPN position (requisition posted to requisition closed) was 68 days. In typical hospitals throughout the nation, it takes 11 days to begin the search, 27 days until the first interview, 17 days until an offer is made and then 10 days until the applicant is employed totaling 68 days. When Best Practices says that it should take 5 days from interview to offer, then five more from offer to start date, 68 days is far off that mark. Applicants were finding other opportunities. In addition, the time it took to fill specialty area positions, including surgery, OBGYN, oncology, ED, MICU/SICU, pediatrics, OR/PACU and cardiac care, averaged 111 days.

Because of the amount of time it was taking to get positions filled, agency replacements were a constant need, and the costs for agency replacement in 2000-2001 increased by 16%, which accounted for the largest single portion of replacement costs. In 2000, the affect on revenue was a marginal profit loss of \$1,622,454. In 2001, these losses increased to \$2,465,138. The inordinate amount of time it took to process applicants accounted for these losses.

The survey results clearly demonstrated that there was no single area that was wholly responsible for the time lag in filling positions. An unexpected finding of the study was that the declining enrollment in local technical schools was not due to disinterest in becoming an RN or LPN, but that there was not enough faculty to teach students when these schools were a major recruiting source. It's a frustrating dilemma due to the fact that there are waiting lists for students who are interested in enrolling in these classes. While this was a problem that the study could not directly address, it did show that other methods of recruiting had to be at the forefront of the search for these positions. In order to address the problems, four teams were developed including a Compensation Team, New Hire



Orientation and Support Team, Recruitment Pipeline Team and a Chief Retention Officer Team.

The goals of the Recruitment Pipeline Team were to assess the practices of the recruiting process and redesign them, develop recruiting turnaround performance standards and develop real-time application tracking. The team also looked into reengineering the Bedside Nurse recruitment process. First, they redefined the Nurse Recruiter position to include only licensed positions. Next they hired dedicated support staff for Nurse Recruiters and developed benchmarks and pathways (pipeline indicators) for process improvement. They purchased and implemented a new applicant tracking system, which was key to their success.

The results of the changes were obvious. Not only did marginal profit losses decrease substantially, but the differences in cash loss due to the new system was also astounding.

By eliminating the sign-on bonus, in 2003 there was a savings of \$760,000. By eliminating the need to constantly replace nurses and other licensed staff, the savings in 2002 were a whopping \$3.5 million (77,000 hours). In 2003, this savings improved by eliminating 25,000 additional hours of replacement agency use, adding \$1.4 million in savings over 2002. As of 2003, there was only one agency nurse in the OR.

In creating and adopting these enormously helpful policies, the company learned many lessons. They found it essential to adopt a no-blame policy in order to assure everyone's honest input and to have their full dedication to the project. They also found it necessary to track and measure everything consistently using the same guidelines using and presenting only data that could be

validated. As a result of these procedures, they found that building relationships through the course of the process was not only intrinsic to the cause, but also a natural result of it. It allowed all involved to focus on the project which was another critical element for success.