



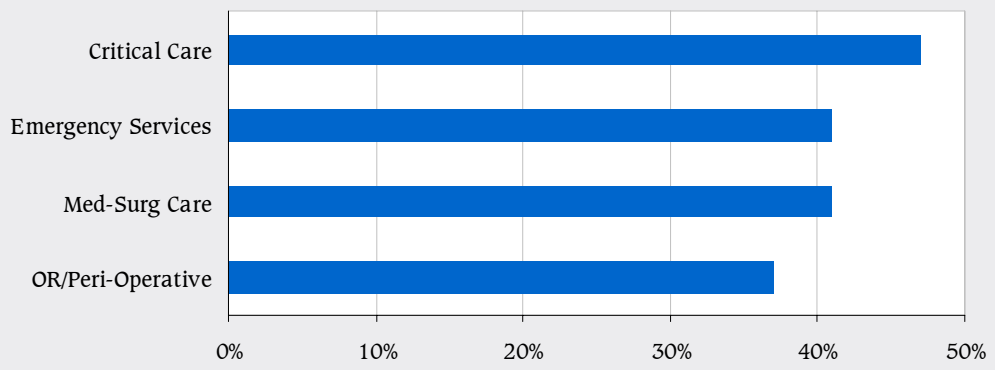
TRENDWATCH

RN Shortages in Hospitals *March 1999, Vol. 1, No. 2*

Nurses comprise the largest sector of the healthcare workforce and the majority of nurses work in hospitals. Because of the prominence and importance of this employee group, the availability of nurses, particularly Registered Nurses (RNs), is of particular strategic importance to hospitals and health systems. An RN shortage appears to be emerging in certain specialty and geographic areas. This shortage may become more serious and widespread over time, due to changes in social, demographic and economic factors. Hospitals are implementing a variety of approaches to manage present and future shortages. However, broader public policy issues may also need to be addressed.

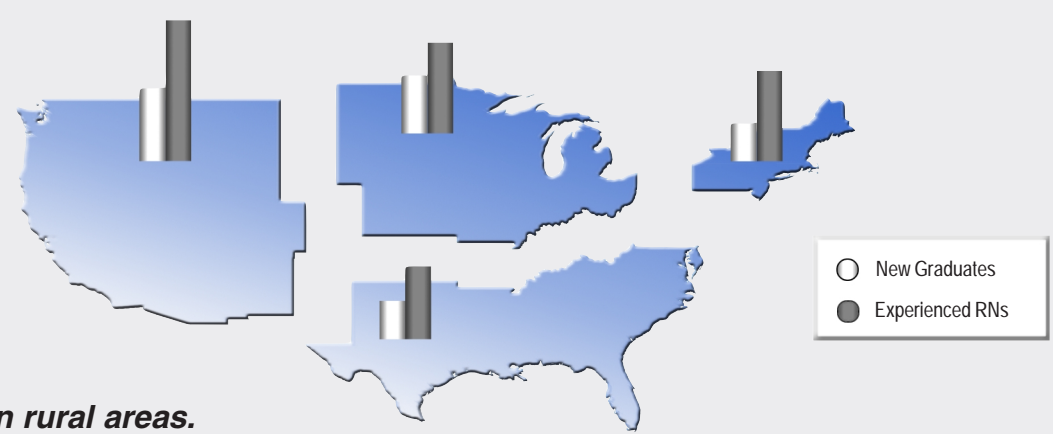
Today, a nurse shortage is emerging in specialty areas...

Chart 1: Percentage of hospitals reporting increased difficulty in hiring and recruiting specialty RNs compared to six months earlier



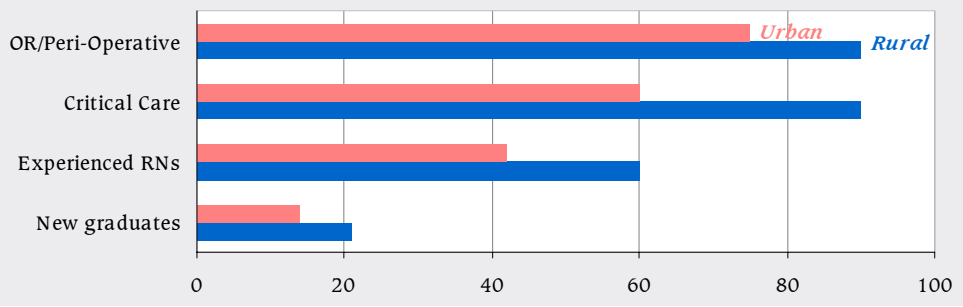
The shortage appears more severe in the West...

Chart 2: Median number of days to fill vacancies by region



And in rural areas.

Chart 3: Median number of days to fill vacant RN positions in urban and rural areas



Nurse shortages, in both the short and long term, are important issues for hospitals and health systems. Recruiting and retaining experienced specialty RNs is a challenge that is expected to increase over time. The long-term shortage may be severe due to the influence of the baby boomer generation and emerging forces in health care delivery and finance.

RN Dissatisfaction May Be Driving the Current Shortage in Hospitals

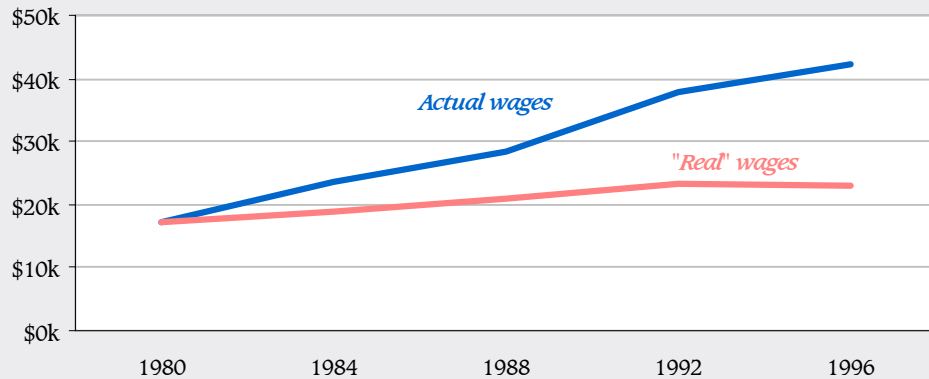
Quote from the field...

"What we are finding is that we are ending up with more assisted living facilities in the area and they are needing (nurses). So the market demand for nursing people in our area is increasing as well."

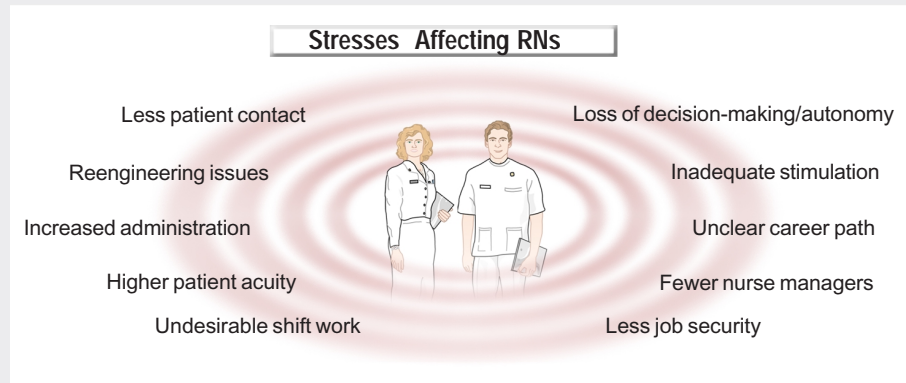
Job related stress for RNs is perceived to have increased in hospitals while salaries lag behind inflation. Hospitals have undergone fundamental change driven, in part, by changes in patient demand for care. Hospital patients are now older, sicker, and require a greater intensity of care from RNs and other personnel. At the same time, hospitals have restructured the provision of care through interdisciplinary teams. Now, there are fewer nurse managers in hospitals providing professional support to the nursing staff. Many nurses report dissatisfaction with the changes in hospitals and their jobs. Meanwhile, as the hospital environment has become more volatile, RNs have more employment choices outside the hospital. Demand for RNs in alternative work settings, such as home health, has increased.

When adjusted for inflation, RN wages have been flat in the last few years...

Chart 4: Actual and inflation-adjusted RN wages

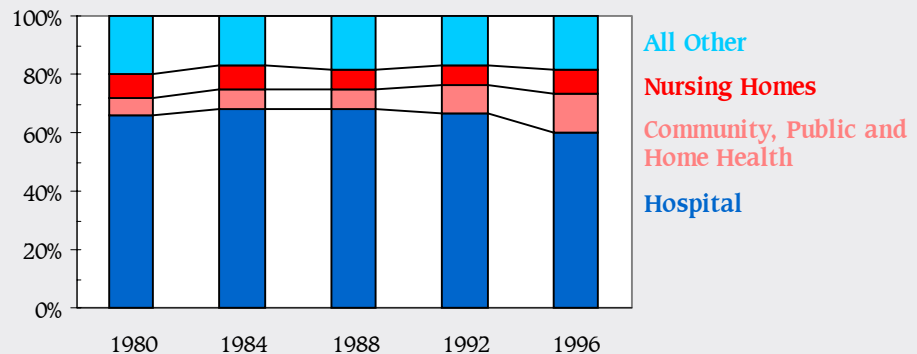


At the same time, nurses have been under more pressure...



And have more employment opportunities outside hospitals.

Chart 5: The percentage of RNs working in hospitals and other health care settings



"Because of years of 'rightsizing', the executive team is so small that they are unsure how much longer the small infrastructure can withstand all the need that exists."

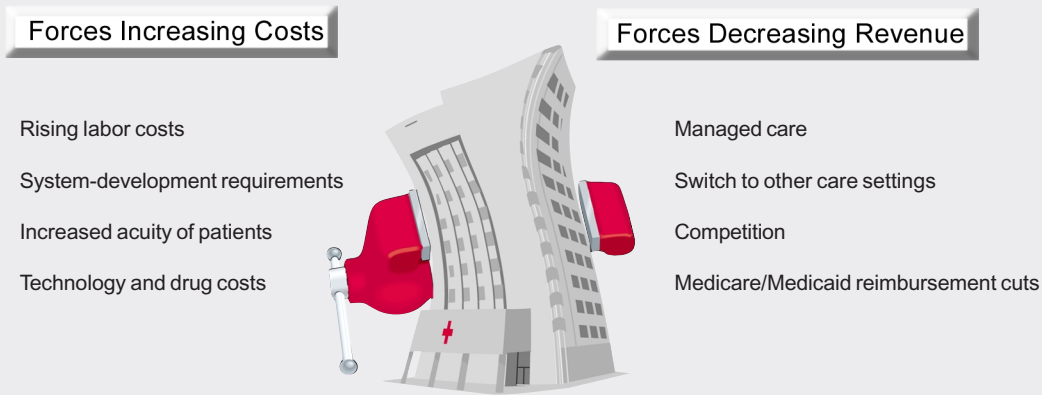
But Hospitals' Ability to Respond is Limited by Competing Pressures

Most hospitals feel constrained in their ability to address RN issues. Increased competition and the need to cut costs conflict with efforts to improve working conditions for RNs in hospitals. Reduced reimbursement, utilization review and managed care have prevented hospitals from increasing the number of RNs they employ. At the same time, proposed staff ratio legislation in some states would mandate minimum requirements for nurse staffing and decrease management flexibility.

Quote from the field...

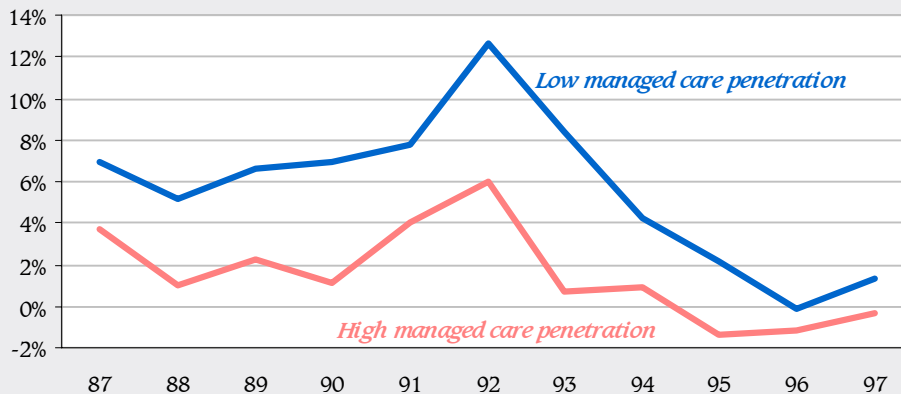
"The uncertainty of the impact of the BBA of 1997 on a hospital's ability to develop new services and even maintain current services, coupled with the continuing pressure from managed care contracts and third party payers, ultimately will determine where nursing shortages are likely to occur."

Hospitals are facing many competing pressures...



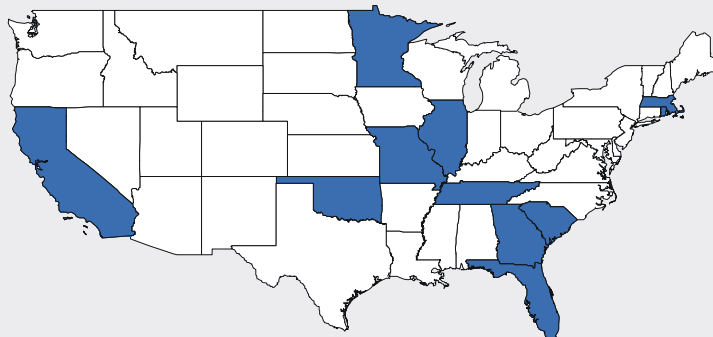
Resulting in hospitals adding fewer RNs, particularly in markets with high managed care penetration...

Chart 6: Annual percentage change in RN FTEs employed by hospitals based on MSA managed care penetration



And proposed staff ratio legislation would limit flexibility in staffing.

Map 1: States that have proposed staff ratio legislation impacting health care facilities



The RN Shortage is Expected to Worsen Over Time

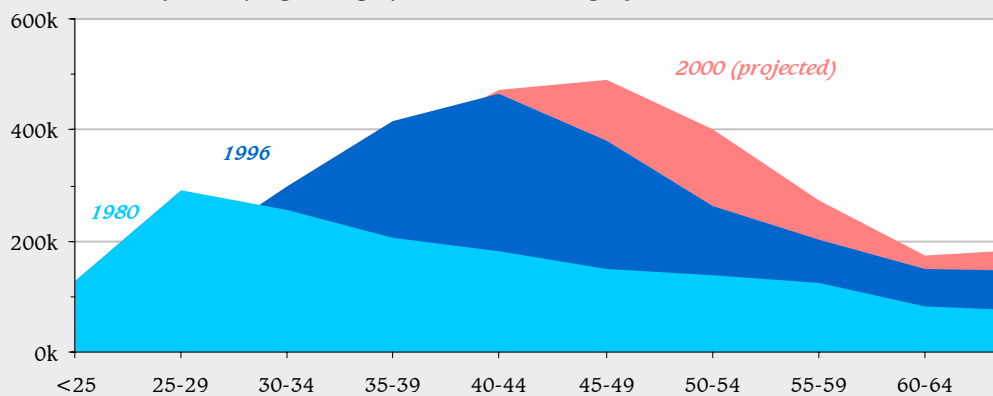
Quote from the field...

"Retirement, and competition from managed care companies and insurance companies, has cut into the number of experienced staff."

Currently, the shortage remains isolated in certain specialty and geographic areas. However, it is expected to become more widespread over time. Fewer people are now entering nursing education programs, and some programs have grown smaller or closed. In addition, the average age of nurses has been increasing. The number of nurses retiring each year will grow over the next few years, with insufficient numbers of nurses in the education pipeline to replace them. This will dramatically decrease nurse supply. At the same time, a number of demographic changes will increase demand for nurses. These include rising patient acuity and a growing number of baby boomer seniors with chronic care needs.

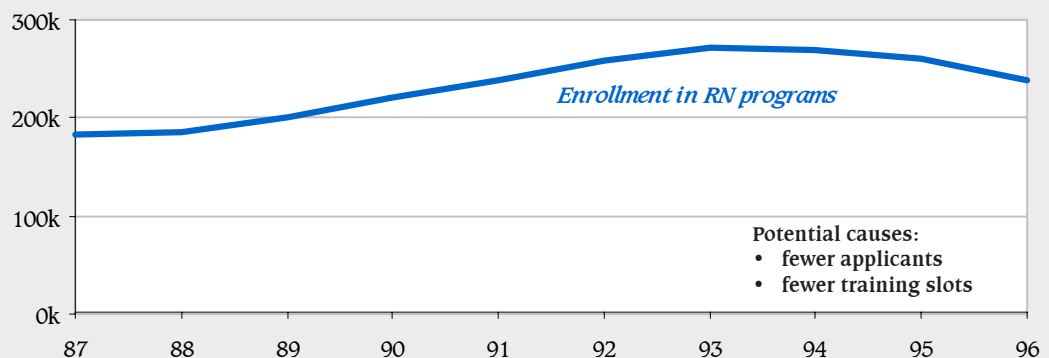
The average age of RNs is increasing with the baby boomer generation...

Chart 7: Number of RNs by age category, 1980, 1996 and projected 2000



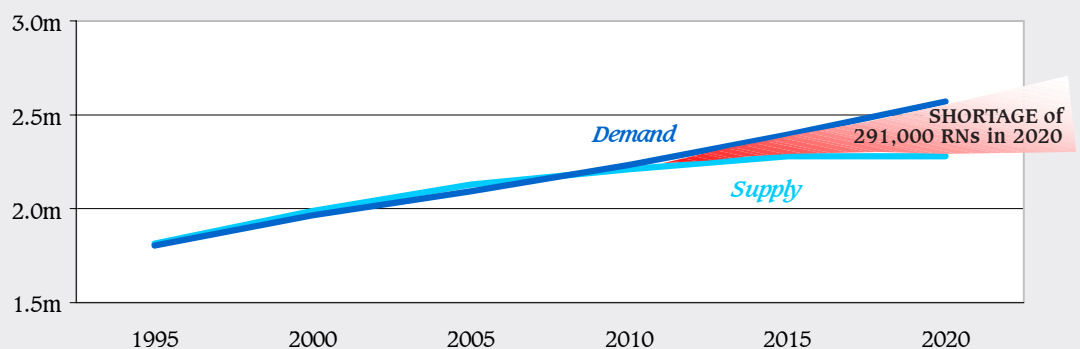
While the retiring RNs will be hard to replace as the supply pool shrinks...

Chart 8: National enrollment in RN education programs



So a shortfall between supply and demand will develop over time.

Chart 9: Projections of RN supply and demand to 2020



Requiring New Hospital Strategies

A study of RN shortages commissioned by The American Organization of Nurse Executives and interviews we conducted with 46 hospital CEOs and nurse administrators found that hospitals are having difficulty recruiting and retaining nurses. Both studies identified common incentives and strategies that administrators use to recruit and retain nurses. Over the next decade, however, a more fundamental gap between supply and demand may require creative public policy solutions.

Administrators report using a range of incentives and other strategies to minimize their current shortages...

Table 1: Incentives hospitals use for recruitment and retention of nurses

Incentives	% using
Flexible Hours	63
Bonus	27
Child Care	17
Relocation bonus or assistance	10
Differentials/incentive pay/holiday bonus	7
Benefits package	7
Transportation	5
Competitive salary/market parity	3

- “(We) have used agency nurses to cope with short term shortages, but they are bankrupting the hospital.”
- “To address the shortage, (we) now pay a signing bonus for new nurses and a bonus to staff members that help recruit new nurses.”
- “(Our) hospital has responded to the shortage by having managers working a lot of clinical hours.”

While continued pressures on hospitals and RNs will require coherent medium and long-term strategic solutions.

Table 2: Long-term strategies hospitals use for recruitment and retention of RNs

Long-Term Strategies	% using
Supporting training and education	62%
Increasing communication and recognition	62%
Establishing links with nursing schools and education	47%
Changing staff mix	15%

- “An internal training program has been developed to provide a career ladder for our existing staff and to help develop a core group of critical care nurses with high loyalty to the institution.”
- “(We are) able to better retain nurses by creating a culture where nurses have more say in their job structure and greater job satisfaction.”

Quote from the field...

“(We have) a system-wide recruitment and retention program. Each hospital has a special training program for the new graduates and they recruit in foreign countries. Nurse registry costs continue to go up as we rely more and more on this source. We have also created a system-wide ‘pool’ of nurses that work at various facilities as needed.”

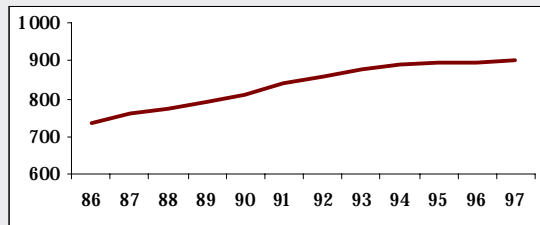
Policy Questions Raised by the RN Shortage

There may be a need for public policy discussion about nurse staffing issues at the local and federal levels.

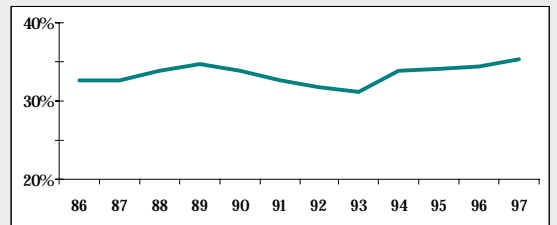
- How should nurse education be funded and supported at the state and federal level?
- How can public policies, local initiatives and hospital programs develop more community interest in the nursing profession to bring supply and demand into balance?
- How can hospitals balance consumer demands for quality with pressures for cost control and the need for management flexibility in staffing?
- What can be done at a local and federal level to retain experienced nurses, particularly in critically under-served and rural areas?
- Are public policy interventions required to prevent a major RN shortage in the future, or will the market naturally 'fix' itself?

Statistics for RNs Working in Hospitals

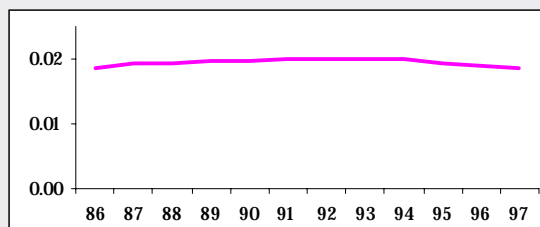
RN FTEs (in 1,000s):	1995	1996	1997
86 to 97 Trend	894	895	901



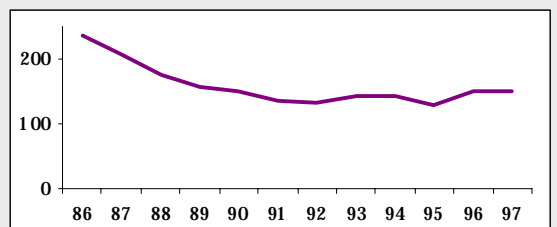
Percent of RNs Working Part Time: 86 to 97 Trend	1995	1996	1997
	34.1%	34.3%	35.3%



RN FTE per Adjusted Admission:	1995	1996	1997
86 to 97 Trend	0.019	0.019	0.018



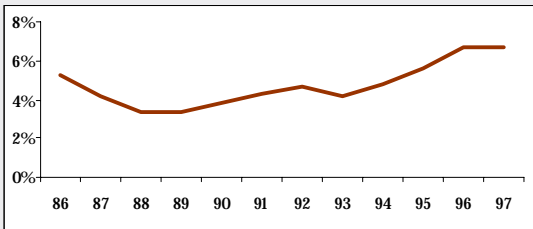
Number of Hospitals with Nursing Schools: 86 to 97 Trend	1995	1996	1997
	129	150	150



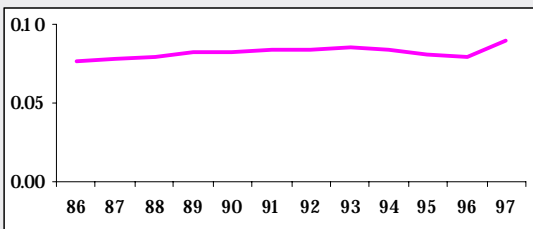
Stats to know

Hospital Sector

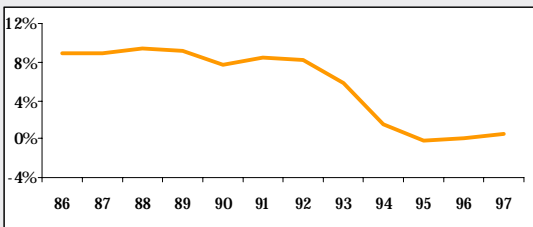
Total Margin:	1995	1996	1997
86 to 97 Trend	5.6%	6.7%	6.7%



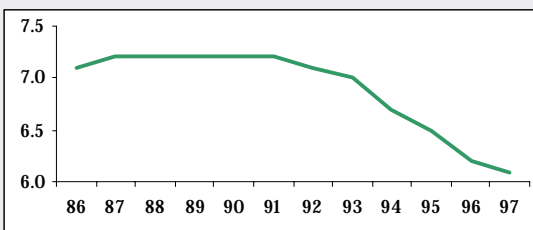
FTE per Adjusted Admission:	1995	1996	1997
86 to 97 Trend	0.08	0.08	0.09



Percent Change in Cost per Case:	1995	1996	1997
86 to 97 Trend	-0.2%	0.2%	0.6%

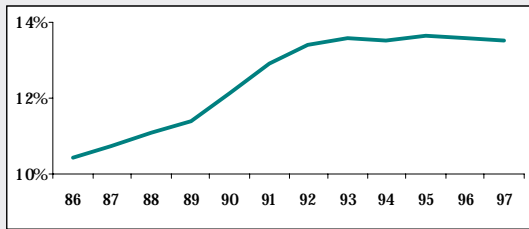


Average Length of Stay (in Days):	1995	1996	1997
86 to 97 Trend	6.5	6.2	6.1

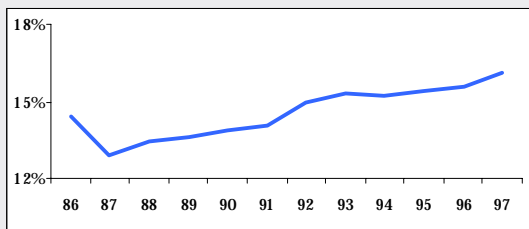


Healthcare Industry

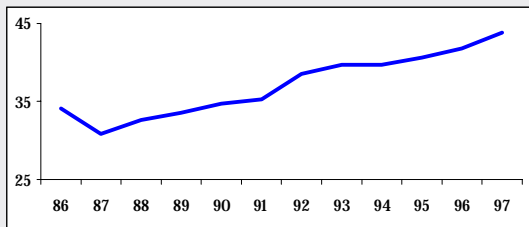
National Health Expenditure	1995	1996	1997
as a % of GDP: 86 to 97 Trend	13.6%	13.6%	13.5%



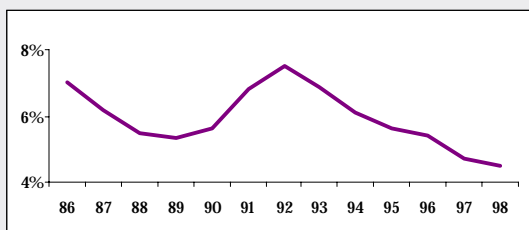
Percent Uninsured:	1995	1996	1997
86 to 97 Trend	15.4%	15.6%	16.1%



Number Uninsured (in Millions):	1995	1996	1997
86 to 97 Trend	40.6	41.7	43.7



Percent Unemployed:	1996	1997	1998
86 to 98 Trend	5.4%	4.7%	4.5%



Sources:

- Chart 1: *Research on Nurse Staffing*, The American Organization of Nurse Executives, November 1998. Prepared by The HSM Group Ltd.
- Chart 2: *Research on Nurse Staffing*, The American Organization of Nurse Executives, November 1998. Prepared by The HSM Group Ltd.
- Chart 3: *Research on Nurse Staffing*, The American Organization of Nurse Executives, November 1998. Prepared by The HSM Group Ltd.
- Chart 4: *Findings from the National Sample Survey of Registered Nurses*, 1980-1996, Bureau of Health Professionals, Division of Nursing, DHHS
- Chart 5: *Findings from the National Sample Survey of Registered Nurses*, 1980-1996, Bureau of Health Professionals, Division of Nursing, DHHS
- Chart 6: American Hospital Association Annual Survey, 1986-1997, and 1996 InterStudy data
- Chart 7: *Findings from the National Sample Survey of Registered Nurses*, 1980-1996, Bureau of Health Professionals, Division of Nursing, DHHS
- Chart 8: *Nursing DataSource 1997, Volume 1: Trends in Contemporary RN Nursing Education*, Table 19, Center for Research in Nursing Education and Community Health, National League of Nursing
- Chart 9: *Report to the Secretary of the Department of Health and Human Services on the Basic Registered Nurse Workforce*, 1996, National Advisory Council on Nurse Education and Practice, Bureau of Health and Human Services, Division of Nursing, DHHS
- Map 1: American Hospital Association Analysis
- Table 1: *Research on Nurse Staffing*, The American Organization of Nurse Executives, November 1998. Prepared by The HSM Group Ltd.
- Table 2: American Hospital Association Interviews
- Statistics for RNs Working in Hospitals (page 6): American Hospital Association Annual Survey, 1986-1997

Sources for "Stats to Know":

- Total Margin*: American Hospital Association Annual Survey, 1986-1997
- FTE/Adjusted Admission*: American Hospital Association Annual Survey, 1986-1997
- Percent Change in Cost per Case*: American Hospital Association Annual Survey, 1986-1997
- Average Length of Stay: Hospital Statistics*, 1999 Edition, Healthcare InfoSource, Inc.
- National Health Expenditure as a Percent of GDP*: Compiled by HCFA on www.hcfa.gov/stats/nhe-oact/tables/t09.html
- Percent Uninsured*: Compiled by Bureau of the Census on <http://www.census.gov:80/hhes/www/hlthins.html>
- Number Uninsured*: Compiled by Bureau of the Census on <http://www.census.gov:80/hhes/www/hlthins.html>
- Percent Unemployed*: Compiled by Bureau of Labor Statistics on <http://stats.bls.gov:80/wh/cpsbref2.html>

TrendWatch is a quarterly report produced by the American Hospital Association and The Lewin Group highlighting important and emerging trends in the hospital and health care field.



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TrendWatch March 1999, Vol. 1, No. 2
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