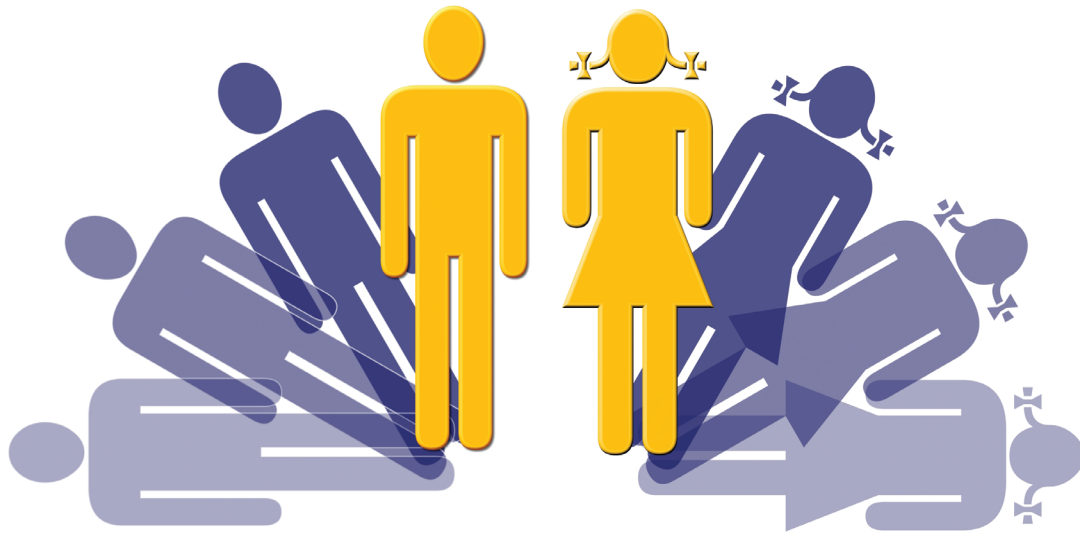


# Staffing Alternatives

## Research versus Perception



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*The most difficult thing in the world to change is an attitude, even when — most particularly when — the facts do not support it. Such is the case with many nurse executives' attitude toward supplemental staffing companies. This article refutes the most common misperceptions.*

**Myth:** Only hospitals that are “in trouble” use staffing companies.

**Fact:** Staffing companies provide professionals for many Magnet hospitals.

**Myth:** Nurses employed by staffing companies are less educated and less competent than nurses employed by hospitals.

**Fact:** Many staffing company registered nurses are BSN degree prepared and typically have more than 8 years of experience.

**Myth:** The more applications a staffing company sends to a hospital for the same position, the better service that the staffing company provides the hospital.

**Fact:** The staffing company that sends only the most qualified candidates' profiles for the same position actually provides better service to the hospital by saving the hospital personnel's time.

**Myth:** Staffing companies are more expensive than other alternatives designed to meet staffing shortfalls.

**Fact:** With careful planning and contracting, you can save money by working with a staffing company. Data from a large academic medical center in New York shows that a facility can improve staffing, quality, and patient outcomes and reduce overall spending by 10% through staffing company employees.

## QUALITY ASSURANCE AND IMPROVEMENT

The United States is in the midst of a nursing shortage that is expected to intensify as baby boomers age and the need for health care grows. Compounding the problem is the fact that nursing colleges and universities, burdened with aging faculty, are unable to expand enrollment levels to meet the rising demand for nurses.<sup>1</sup> Faced with an aging nursing workforce and a dwindling supply of nurses, America's hospitals have engaged in a variety of strategies to meet these challenges with varying degrees of success.<sup>2</sup>

Nonetheless, staffing companies, which can help mitigate the shortage effects on many hospitals, face a paradox: they are perceived negatively by many constituents in the hospital sector for a variety of reasons. Some even blame staffing companies for the shortage, claiming that they compete with hospitals in hiring nurses.<sup>3</sup> Others claim that nurses from staffing companies threaten patient safety because of their lack of familiarity with the patient and hospital routines.<sup>4</sup> Still others blame poor nursing morale and high staffing costs on the staffing companies rather than on their own inability to think strategically about nursing.<sup>4</sup> Such denial leads to lack of engagement that, in turn, hampers joint ventures to develop staffing solutions, which leads to more staffing crises<sup>5 6</sup> and higher costs.

Staffing firms, as viable businesses, began in the 1970s and matured in the 1990s. Today, it is neither uncommon nor poor practice to use staffing firms to help meet hospital staffing needs. According to the American Hospital Association, over half of its member hospitals use contract or agency nurses to fill vacant positions,<sup>6</sup> and several state hospital associations actually inspect and act as a vendor for some firms. For example, the Arizona Hospital Association's Registry Program offers a cooperative purchasing program that assists member hospitals and health systems in obtaining high quality, customer-oriented supplemental staff, including nurses, at competitive rates. Both local per diem and traveling staff are provided.<sup>7</sup> Moreover, large group purchasing organizations like the Veterans Hospital Administration select high quality staffing firms as preferred providers for their members.

In 2003 the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) developed a program for certifying excellence in staffing companies and began implementing it in 2004. A number of staffing firms were involved with the development of standards and became some of the first staffing firms to be certified by JCAHO. The certification program provides a comprehensive evaluation of key processes such as verifying the credentials and competencies of health care staff. The JCAHO standards address leadership, human resources management, performance measurement and improvement, and information management.<sup>8</sup>

Today the staffing industry has grown to a \$10 billion business, providing temporary staffing services to acute and nonacute health care facilities. The industry can be further segmented into four subsegments based on the

model of delivery and professional specialization. Nursing, including per diem and travel workforce combined, represents \$6 billion of this market, with travel being \$2.1 billion or consisting of approximately 18,000 to 20,000 nurses. Thus the travel segment is a rather thin slice of the overall nursing profession and the health care staffing industry, with two companies having the major share of the market or approximately 10,000 nurses. Figure 1 compares and differentiates the per diem nursing model with the traveler model for supplemental staffing. The traveler model is considered by most chief nursing officers to be more desirable for providing more continuity of care, with the average traveler working a typical assignment for 13 weeks.

Most hospital staffing plans account for 90% full-time employees with 10% supplied by supplemental staff to cover the planned and unplanned vacancies caused by leaves of absence, vacations, and seasonality. Figure 2 shows the typical staffing needs experienced by hospitals and the potential solutions available for meeting the staffing need. It further demonstrates the relationship between the preferred method for meeting various needs and the relationship between planning (forecasting) and expense associated with the solution selected; the more advance planning involved, the more cost effective the staffing solution will be.

Recently several leading health care staffing firms began to offer a unique solution to hospitals by adapting what other industries have successfully offered to their non-health care clients for a number of years—vendor management. In this new model the staffing firm serves as a strategic staffing partner and also manages all other staffing companies for the hospital. The vendor management model integrates technology specifically designed for the vendor management platform or functions to capture the front and back office components (order entry, position postings/control, time schedules, and payroll). This solution frees the hospital staff from dealing with 20 or more staffing companies and the associated paperwork by transferring all the responsibility without losing control to the staffing firm.

## PATIENT SAFETY

Why is there such concerted and relatively recent effort to ensure quality among those firms offering staffing services? In part, it was pressure from both hospitals and staffing firms.<sup>8</sup> However, the impact concern about patient safety is also a major motivating factor in maintaining safe nurse patient ratios that, in turn, often requires the strategic use of staffing firms.<sup>9</sup> A series of studies of US hospitals indicate that, and maintaining safe nurse patient ratios is a key factor in this effort.<sup>10-12</sup> One recent study<sup>13</sup> indicated that for every 100 common surgical patients who die in US hospitals with 4 to 1 patient to nurse ratios, the number that would die in hospitals with higher ratios would be (Figure 3).<sup>14</sup>

After adjusting for patient and hospital characteristics (size, teaching status, and technology), each additional patient per nurse was associated with a 7% (odds ratio [OR],

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# Exhibit 1

## Nursing Segments

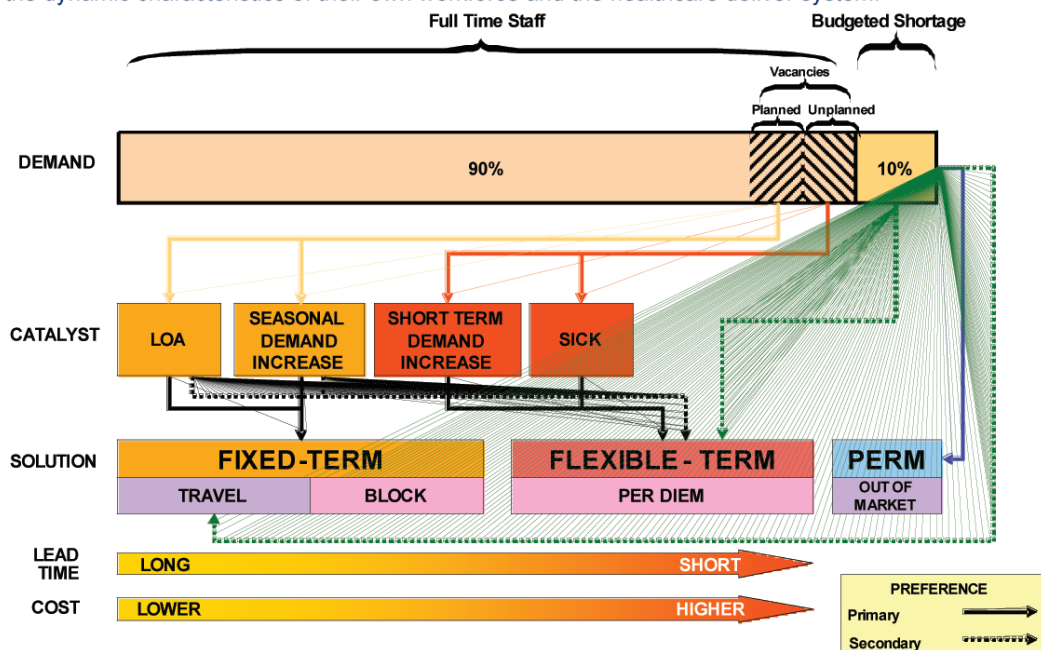
This nursing segments of the Healthcare Staffing Industry are split by delivery model. The chart below compares the two models. The travel model is approximately \$2.1 billion in size with more than 18,000 – 20,000 nurses working on a full time basis at client facilities. In contrast, the per diem model is approximately twice the size of travel model, but employs a much larger number of nurses because of the part time nature of the assignments.

	Per Diem	Travel
<b>Office Network</b>	Decentralized; local offices in each major market	Centralized; few offices for nationwide coverage
<b>Assignment Length</b>	Daily shift work	13 weeks or longer
<b>Continuity of Care</b>	Low	High
<b>Screening</b>	In Person	Phone
<b>Recruiting Activity</b>	Local customers; local candidate pool	Nationwide customers; national candidate pool
<b>Quality Process</b>	Branch Dependent	Centralized
<b>No. of Service Providers</b>	1,000 plus	≈ 60 companies 3 companies have ≈ 75% share
<b>Financial Cost of Bad Placement</b>	Small	High

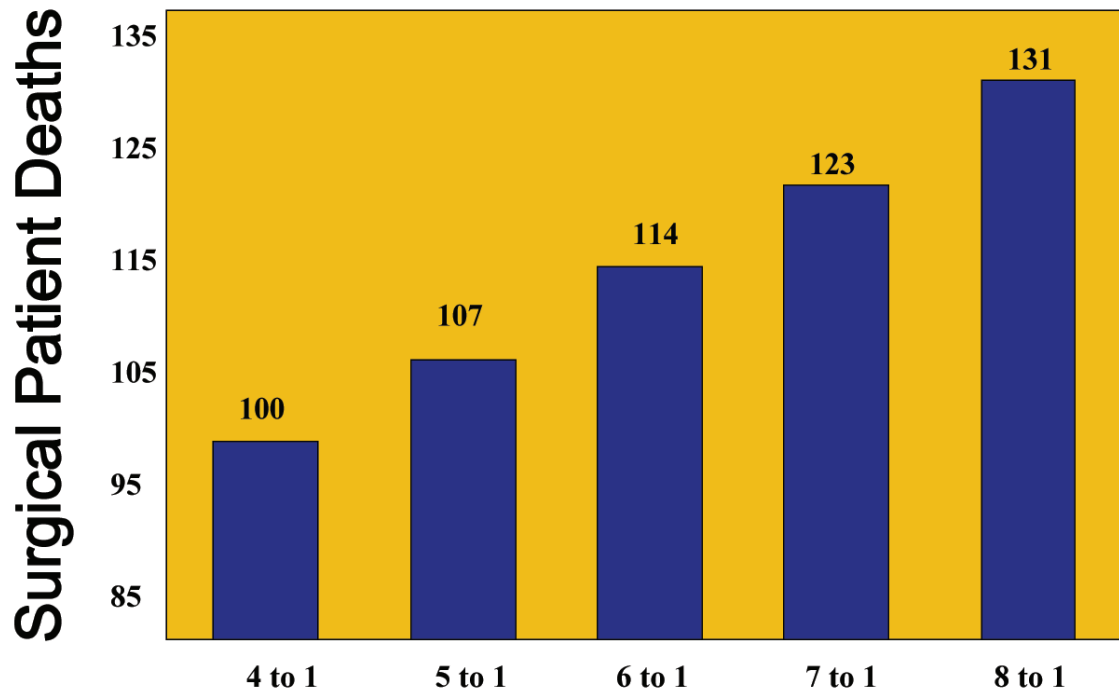
# Exhibit 2

## Why do Hospitals work with Staffing Agencies?

As illustrated in the chart below, there are a number of factors which can affect the type of solution which best meets the need of the hospital to meet its staffing plan. But, regardless of the solution, the best hospitals partner with agencies because of the dynamic characteristics of their own workforce and the healthcare deliver system.



## Exhibit 3



## Patient to Nurse Ratios

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1.07; 95% confidence interval [CI], 1.03-1.12) increase in the likelihood of dying within 30 days of admission and a 7% (OR, 1.07; 95% CI, 1.02-1.11) increase in the odds of failure to rescue. After adjusting for nurse and hospital characteristics, each additional patient per nurse was associated with a 23% (OR, 1.23; 95% CI, 1.13-1.34) increase in the odds of burnout and a 15% (OR, 1.15; 95% CI, 1.07-1.25) increase in the odds of job dissatisfaction. Thus Aiken et al<sup>13</sup> concluded that in hospitals with high patient-to-nurse ratios, surgical patients experience higher risk-adjusted 30-day mortality and failure-to-rescue rates, and nurses are more likely to experience burnout and job dissatisfaction.

These findings, along with legislative initiatives, have led to significant concern about the number and the competence of nurses. In a very recent study, Donaldson et al<sup>14</sup> examined staffing and outcomes data from 268 medical-surgical and step-down units in 68 hospitals in California. They found that mean total RN hours of care per patient day increased by 20.8% in medical-surgical units and that the number of patients per registered nurse decreased by 17.5%. The strain on existing supplies of registered nurses is obvious, and staffing firms and hospitals struggle to meet the demand.<sup>9</sup>

### A COMPETENCY PROFILE OF TRAVEL NURSES

Travel nurses are among the youngest, best educated, and most qualified in the nation. According to a national

sample,<sup>15</sup> only 30% of nurses have a BSN degree, whereas more than half of some staffing firm registered nurses hold BSN degrees. Moreover, more than a third of some staffing company nurses are certified in their clinical specialties, whereas only about 23% of the RN population in 2004 completed any type of additional academic nursing or nursing-related preparation after they graduated from their initial nursing education<sup>15</sup> (refer to figures 2 and 3).

A staffing firm's competency model requires that their processes parallel the hospital's, so what is typically required of a hospital's staff nurse is also required of a traveler—from health screening to initial and continued competency. In addition, the staffing firm's model must be applied consistently for all travelers and per diem nurses. The three domains of competency are assured, affective, cognitive *and* psychomotor. Staffing firms typically have more systems for checks and balances, going beyond one hospital assessment to many. Travelers are screened by the staffing firm and by different hospitals every 13 weeks (3 months) as typical assignment is 13 weeks (3 months) long. For each new assignment, the travelers go through the entire process again, and this is repeated about four times every year.

Health care professionals who choose to work as employees of staffing firms are carefully screened, hired, and monitored at a distance—a relationship that creates certain challenges for competence management. Some

staffing firms require a rigorous yet flexible competence management system:

- **Initial credentialing and health screening.** The nurse is evaluated for employment requirements: licensure, education, and certification. Each item is verified and recorded, information obtained from current and past employers, clinical references, performance/peer evaluations, and validation of certification. The physical exam includes PPD results; titer results for rubella, rubeola, and varicella; and a hepatitis B consent/declination form.
- **Skills competency self-assessment.** All candidates complete an initial specialty specific-skills checklist and competency assessment that is updated at least annually. A preferred skills checklist consists of a dual-rating scale skills assessment form that enables clients to review experience (subjective) and frequency (objective) of use of various procedures.
- **Mandated cognitive assessment of educational content.** Online learning modules address major area as mandated by standards developed by state boards of nursing and accrediting and regulatory agencies such as JCAHO, the Centers for Disease Control and Prevention, and the Occupational Safety and Health Administration. A self-directed remediation program is mandated to address any knowledge deficit identified. In most situations the staffing companies are considered the employer of the travelers and therefore have a responsibility for providing their staff the opportunities to participate in life-long learning. Some staffing firms have created centers for professional development or a corporate university that is often accredited by the American Nurses Credentialing Center's Commission on Accreditation to award continuing education contact hours to nurses.
- **Cognitive clinical specialty knowledge.** One staffing company developed nine unit-specific specialty tests and one for IV therapy and medication administration. A passing score of 80% or higher is required to meet its standards and a higher score may be required by a given facility. Tests are continually monitored according to reliability, standard deviation, item difficulty, and determination index and revised and updated as needed.
- **Continuous competency management.** The competency of health care professionals is continually assessed as it relates to the staffing firm's specifications and the unit-specific job specifications provided by the facility(ies) in which they work. Further content areas are identified from a variety of sources, which include but are not limited to learner's need assessment, performance improvement activities, risk management reports, online analytical processing, review of continuing education professional

**The competency of health care professionals is continually assessed as it relates to the staffing firm's specifications and the unit-specific job specifications provided by the facility(ies) in which they work.**

development activities, and the performance evaluation completed by the health care facility.

### **HOSPITAL SPECIFIC TESTING**

Some facilities require specific testing developed by the facility. There are two options for implementation: prefacility placement testing and on-site testing as part of the on-boarding process.

### **COMPARATIVE COSTS OF STAFFING FIRMS**

This section is not about comparative costs among staffing firms, but rather is about the comparative costs of using staffing firm services as opposed to other alternatives for filling staffing needs. More specifically, it will address the cost differences between hospitals that think and act strategically in meeting their nurse staffing needs and those that use staffing firms as a last ditch effort to fill holes in their staffing.

When people think of the costs of alternatives to using supplemental staffing, they may consider cost of overtime and even mandatory overtime (a known nurse dissatisfier), closing beds (loss of revenue), canceling elective surgery procedures (loss of revenue), canceling outpatient surgical procedures (loss of revenue), floating (a known nurse dissatisfier), lowered morale leading to higher turnover, recruitment costs as well as excessive sick time and absenteeism costs, and costs associated with increased errors due to fatigue.

However, to accurately calculate comparisons of the costs of using staffing firms, one also must consider the following: base hourly wage and benefits (paid time off, health care, tuition reimbursement, retirement plans, and so forth); pay differentials (for BSN degrees, specialties, certifications, blended shifts); FICA taxes, workers' compensation insurance, state unemployment, and federal unemployment; loss of productivity; cost per hire; sign-on bonuses; BSN degree hire bonus; liability insurance; recruitment costs; and orientation costs of new hires. The final of these sums provides you with your total hourly costs for the nurses you employ and it is this figure that you must use to compare with the costs of using a staffing firm—wisely and judiciously as part of your staffing strategy.

As one large hospital systems analyst put it: "Centralized traveler deployment, when streamlined and proactive, is a more efficient staffing model, saving both money (eg, we can leverage volume with agencies) and management time (eg, a single group is focused on traveler staffing)..." Analysis demonstrated that using contract labor could save as much as \$9/hour per contracted nurse!<sup>16</sup>

Moreover, if hospitals contract with a "prime" vendor, efficiency improves, quality improves, and costs go down.<sup>17</sup> For example, in 2003 Tucson Medical Center (TMC) spent 15% of

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all salaries and wages on contracted labor—mostly travelers. The total contracted hours were 6.9% of all nursing labor. Clearly contracted labor was driving up their rate per hour. The total spent on contracted labor was nearly \$18 million, up \$2.3 million from the prior year. However, after contracting with a prime vendor in 2004, Tucson Medical Center spent 12.6% of all salaries and wages on contracted labor—mostly travelers—down from 15% the prior year. The total contracted hours were flat at 6.5%, which reflects a decrease in overall rate as the total spent on contracted labor dropped to under \$16 million, down \$1.8 million from 2003!

## CONCLUSION

These are the reasons—quality, efficiency, patient safety, and lower costs—that 88% of *US News and World Report's* top 10 honor roll hospitals and 60% of Magnet hospitals contract with a prime staffing firm to meet certain staffing needs at specific and predictable times. Well-managed hospitals that think and act strategically can provide high quality staff to provide excellent care at affordable costs because they think and act *strategically* about and with their most important resource: nursing!

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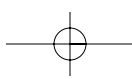
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