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Temporary Nurse Staffing: Taking a Closer Look

By Karen Wagner

As wages, benefits, and nonlabor costs for permanent registered nurses (RNs) trend upward, hospitals should reassess their approach to temporary nurse staffing.

Many hospitals use temporary nurses to some extent. Indeed, two-thirds of hospital executives participating in a recent study reported using travel or per diem nurses, according to KPMG's 2011 Hospital Nursing Labor Costs Study, which was commissioned by the National Association of Travel Healthcare Organizations (NATHO).

However, typically as little as 3 percent of hospital nurse staffing is temporary, says Mark Stagen, NATHO founder and CEO of Emerald Health Services, a staffing firm based in Marina del Rey, Calif.

"Health care does not incorporate the idea of temporary labor into their business model as aggressively as other industries do," Stagen says. He suggests that it makes sense for hospitals, as seasonal, census-driven organizations, to reassess the untapped potential offered by temporary nurse staffing.

Impact on Quality

In the past, concerns about quality of patient care led many hospitals to be wary of temporary nurse staffing, on the premise that nurses who are less familiar with a hospital's or unit's practices and procedures could inadvertently contribute to an increase in the rate of adverse events, such as patient falls or medication errors. Nurse leaders also have questioned whether use of temporary nurse staffing could detract from continuity of care and team communication, thereby affecting patient outcomes. After analyzing data about 1.3 million patients and 40,000 nurses at more than 600 hospitals, researchers from the University of Pennsylvania School of Nursing concluded that these concerns are unfounded.

The study's lead author, Linda Aiken, PhD, RN, a professor of nursing and sociology and director of the Center for Health Outcomes and Policy Research at the University of Pennsylvania, says that research supports prudent use of travel nurses as a supplemental staffing strategy. "What we find in our research is that almost all hospitals use travel nurses at some time or another, including the very best hospitals in America. Most magnet hospitals, which have been accredited for their excellence in nursing, use agency nurses," Aiken says. (For more information,

see Aiken, L.H., Shang, J., Xue, Y., et al., "Hospital Use of Agency-Employed Supplemental Nurses and Patient Mortality and Failure to Rescue," *Health Services Research*, Dec. 6, 2012).

Benefits of Temporary Staffing

Respondents to a 2011 KPMG study "feel that 90:10 is the ideal ratio of full-time employed nurses to traveling or other temporary nurses," and Stagen agrees, citing benefits in terms of cost, flexibility, and reliability.

Cost. Stagen points to Bureau of Labor Statistics data showing that full-time wages for permanent staff RNs increased 17 percent from 2005 to 2010. Meanwhile, hourly rates for temporary RNs increased approximately 5 percent during the same time period, according to NATHO member data. Consequently, Stagen says hourly rates for travel nurses are often equal to, and sometimes lower than, the total cost of using permanent nurses, which includes not only hourly wages but also benefits, payroll taxes, overtime pay, worker's compensation, and recruiting expense.

"Often, hospitals don't look at their total labor burden. They just look at the actual W-2 pay rate for a nurse, which is a part of the actual cost, but not the whole picture," Stagen says.

According to the KPMG study, full compensation cost is about 176 percent of a nurse's base wage—meaning the full cost for a nurse with a base wage of $30 an hour, for example, is really $52.80 an hour, Stagen says. The total compensation for permanent nurses is especially high in certain locations, including large metropolitan areas such as San Francisco, where the cost of living and, therefore, hourly wages and other labor costs exceed the national average, Stagen says.

Flexibility. Seasonal variations in census are typical for most hospitals. More nurses are needed, for example, in the busy flu season or the summer "baby" season, Stagen says. Regional population migration patterns can also affect hospital

How Much Do Nurses Cost?

According to the 2011 Hospital Nursing Labor Costs study by KPMG, the total cost of full-time direct-care registered hospital nurses is, on average, $45 per hour. The survey was sent to a list of hospital executives throughout the United States, and responses were received from 120 senior executives, including CEOs, chief administrators, COOs, CFOs, and directors of human resources. The breakdown includes:

- Base wages (76 to 78 percent of the total cost, including payroll tax, shift differential costs, overtime pay, holiday pay, paid time off, bonuses, pension contributions, and other costs)
- Nonproductivity costs (11 to 12 percent, including training and education)
- Insurance costs (8 to 9 percent)
- Recruiting costs (1 to 2 percent)
- Other costs (1 percent)

Using data from the Bureau of Labor Statistics and a nursing cost calculator developed by KPMG, Mark Stagen, founder of the not-for-profit group National Association for Travel Healthcare Organizations (NATHO), calculated the national average total cost for staff nurses at $59.67 per hour. That compares with an average cost for travel nurses of $58-$64 per hour (based on rates from temporary staffing agencies belonging to NATHO), which includes costs such as payroll, taxes, insurance, housing, meal per diems, assignment travel, and other associated costs to recruit and administer the assignment. (These costs vary from state to state based on housing and other factors.)

Cost Category	National Average[a]
Total payroll costs (wages, taxes, PTO, shift differential, overtime, pension or 401[k])	**$46.08**
Base wage	$32.56[b]
PTO pay	$2.34
Payroll tax (federal, state, FICA, etc.)	$4.06
Shift differential	$2.99
Overtime	$1.29
Holiday pay	$0.70
Pension contribution	$0.91
Recurring bonuses	$0.12
401(k)/403(b) match	$0.45
Other	$0.66
Total insurance costs (health, malpractice, workers' comp, disability, life)	**$4.43**
Total recruiting costs (advertising, orientation, sign-on bonus, relocation, testing, and screening)	**$0.81**
Other costs (benefits administration, payroll services, uniforms, licensing)	**$0.59**
Productivity factor (87% productivity)	**$7.76**
Total all-in hourly cost of RN	**$59.67**

a. Calculated using data from Bureau of Labor Statistics, May 2010 (www.bls.gov/oes/current/oes291111.htm) and the 2011 KPMG *Nursing Labor Cost Study*.
b. Source: BLS, May 2010.

census. During winter months, southern states, such as Florida, see an influx of snowbirds seeking to escape cold weather. "There are natural variations of demand within a hospital environment," Stagen says. Contracts for temporary staff run through the busy season and the temporary labor is let go when demand returns to typical levels, allowing hospitals to flex nurse staffing and have a smaller, permanent nurse workforce, he says.

Reliability. Due to location or the skill of the local labor force, some hospitals face chronic shortages for certain types of nurses, such as those who work in the emergency department. Hospitals located in inner city and remote and economically disadvantaged areas, for instance, often face chronic skill set shortages, Stagen says. Travel nurses can fill that gap when permanent staffing is not a viable option.

A Supplemental Approach

Temporary nurses should be a supplemental approach that carries benefits not available in the permanent staffing domain, rather than a hospital's primary strategy. "When hospitals look at their budget line items, they can no longer consider temporary nurses as an 'extra cost,'" Stagen says. "Temporary nursing should be a thoughtfully budgeted element to allow for the greatest flexibility in the workforce, because hospitals don't always need the same number of employees."

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