



KPMG's 2017 U.S. Hospital Nursing Labor Costs Study





Foreward

Since our last study in 2011, the United States economy has continued to improve, resulting in increased demand and wages for nurses.

Hospital executives continue to face challenges that include how to best allocate scarce resources and optimize hospital staffing in order to reduce labor costs, while improving patient care and safety. As agencies continue to better service hospitals and offer competitive benefits to both traveling and per diem nurses, executives are seeking to better understand the total cost of their labor, and how to successfully blend full-time and supplemental labor strategies.

In this survey, KPMG's 2017 U.S. Hospital Nursing Labor Costs Study, we take a look at the current condition of U.S. hospital labor costs, how and why healthcare providers are using traveling nursing resources, and some of the dynamics and strategies used to meet a hospital's nursing labor demand.

The survey was sent to a list of hospital executives throughout the United States and we received responses from 100 hospital executives, including CEOs, chief administrators, COOs, CFOs, and directors of human resources.

The responses and insights received provide insight on current staffing trends in the United States and benchmarks that may be utilized when considering how to optimize your nursing labor strategy; and they serve to better understand the fully loaded cost elements of a registered nurse.

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Executive summary

KPMG's 2017 U.S. Hospital Nursing Labor Costs Study identifies several trends and benchmarks in relation to hospital nursing labor costs in the United States. Some of the key findings are summarized below.

When all costs are considered, traveling nurses appear to cost less than permanent nurses on an hourly basis. Cost data provided by hospitals indicates that the hourly, all-in cost for a full-time, permanent nurse is approximately \$89. This hourly cost is higher than traveling nurses that cost approximately \$83 per hour.

Key costs that are captured in this all-in measure are overtime pay, paid time off, retirement, insurance, recruiting, and payroll taxes – and these costs vary by nurse type. Additionally, the survey finds a quantifiable “hidden” cost associated with permanent nurses that is the result of non-productive labor hours, and an unquantified “hidden” cost associated with attrition and time required to fill a permanent direct care registered nurse position.

Respondents to the survey indicated that traveling nurses are widely used today, representing approximately 11% of respondent's nursing staffs. Also, these hospitals indicated their use of traveling nurses will likely continue to grow in the future. Primary factors for this upward trend are local nursing shortages and facility growth.

In all, traveling nurses appear to be a cost effective source of labor for hospitals, and hospitals are forecasting higher usage of these nurses in the future.

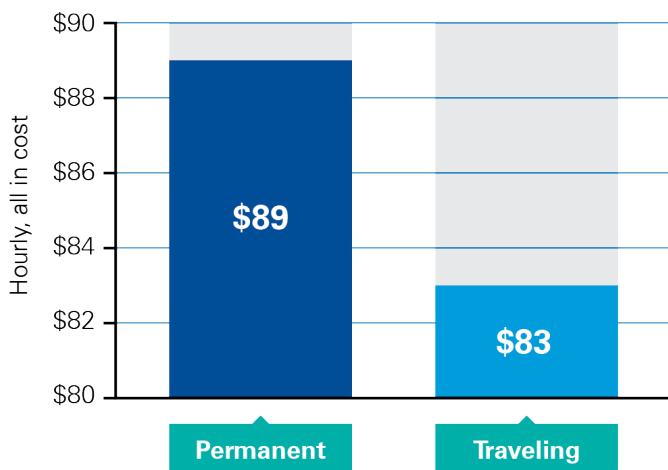


Uncovering the costs of permanent and traveling nurses

When all costs are considered, traveling nurses appear to be a cost effective solution for providing care.

According to KPMG's 2017 U.S. Hospital Nursing Labor Costs Study, the all-in cost for a permanent, full-time registered nurse is \$89 per hour. This total is higher than the all-in cost for a traveling nurse, which is \$83 per hour.

Hourly, all-in cost for permanent and traveling nurses



Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Permanent nurses are nurses that are hired through the hospital for full-time positions. Traveling nurses are nurses that the hospital hires through a nurse staffing agency for a short-term contract (from 4 to 52 weeks, on average 13 weeks). Upon completion of the contract, the traveling nurse is eligible to accept a new short-term contract negotiated by the staffing agency with a different hospital anywhere in the U.S.

Base wages are a poor measuring stick – base wages represent 48% of the total cost for a permanent nurse

Although a permanent, full-time nurse typically has a base wage that is lower than a traveling nurse's bill rate, fully loaded payroll costs (base wages and other payroll costs) for a permanent nurse represent 76% of the all-in cost. This is in contrast to traveling nurses at ~98% of all-in costs represented by payroll costs.

Hourly costs for permanent and traveling nurses

	Permanent	Traveling
Base Wages	\$43	\$67
Other Payroll Costs	\$24	\$15
Insurance Costs	\$4	
Recruiting Costs	\$3	
Other Costs	\$8	\$1
Non-productivity Costs	\$7	
Total	\$89	\$83

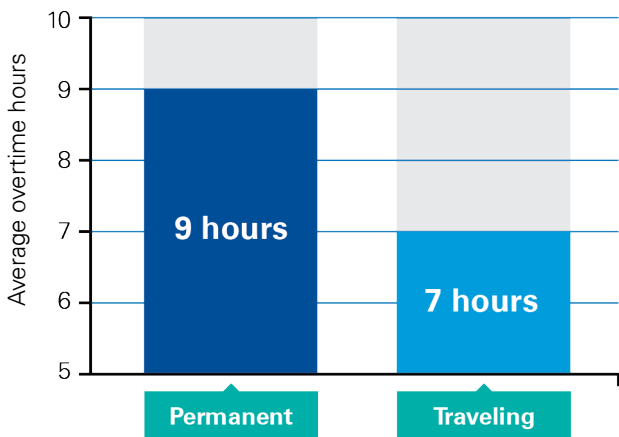
Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Base wages are the hourly wage paid by a hospital to a nurse. Bill rates are the hourly wages paid by the hospital to the staffing agency for labor provided by the nurse. Bureau of Labor Statistics (BLS) estimates that registered nurses that work in general medical and surgical hospitals earned on average \$36 per hour in 2016. BLS data also indicates the average wage is higher in the western and northeastern regions of the U.S., which are regions that represent 55% of our survey respondents.

Other payroll costs include paid time off, holiday pay, performance bonuses, retirement, and overtime for a permanent nurse. For the traveling nurses, this category only includes overtime pay. Of note, shift differential is not included in this cost, however, it is likely to add up to an additional \$5 per hour for each type of nurse.

Respondents indicated that average overtime hours worked per week for a permanent nurse is approximately 9 hours. For traveling nurses, the survey found that this average has closer to 7 hours a week. This high amount of overtime hours accounts for a significant portion of the costs associated in "Other Payroll Costs."

Average overtime hours worked per week for each nurse type



Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Insurance costs for permanent nurses include health, dental, vision, disability, malpractice, and life insurance. These costs are not captured for traveling nurses as these benefits are likely provided or offered at an additional cost to the traveling nurse through the staffing agency.

Recruiting costs for permanent nurses include orientation, new hire training, referral program, advertising, health screening, and sign-on and relocation bonuses.

Other costs for permanent nurses include payroll services, statutory taxes, benefits administration, reimbursements, and other administrative costs. For traveling nurses, this costs includes on boarding fees, additional agency fees, completion bonuses, and other administrative costs.

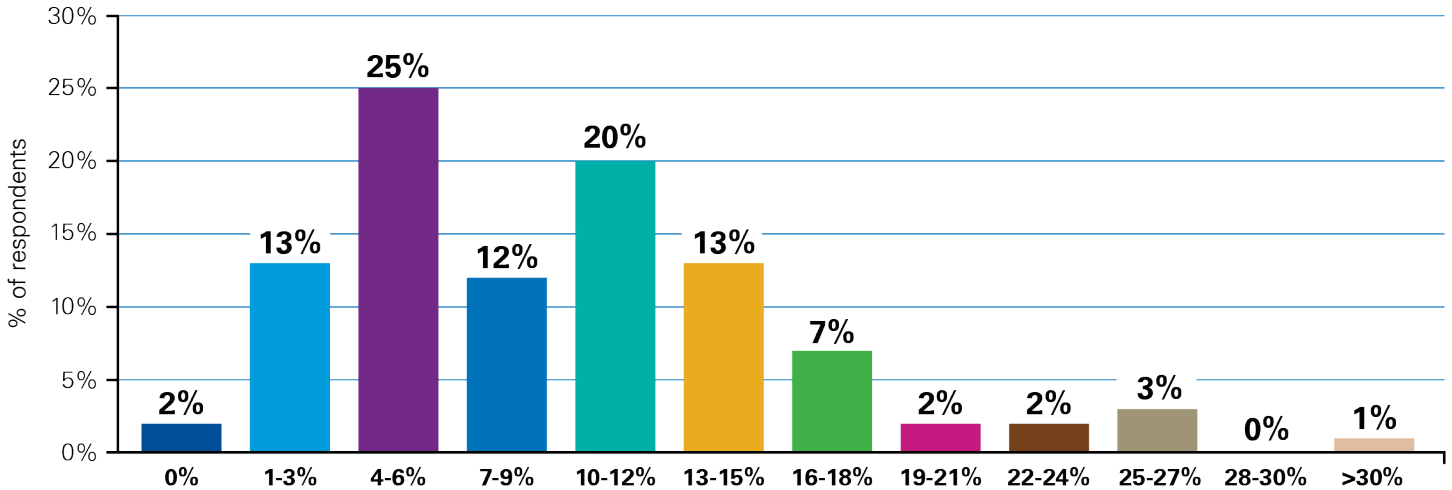


Non-productivity is a hidden cost for permanent nurses

Respondents indicated that on average ~10% of a permanent nurse's time is dedicated to non-productive labor. This non-productive time includes continuing education, paid annual training, and administrative tasks not directly linked to patient care. It is assumed that

traveling nurses are unlikely face a similar non-productivity issue as they typically do not participate in continuing education and annual training requirements while under contract.

The annual % of paid non-productive hours for full-time permanent nurses



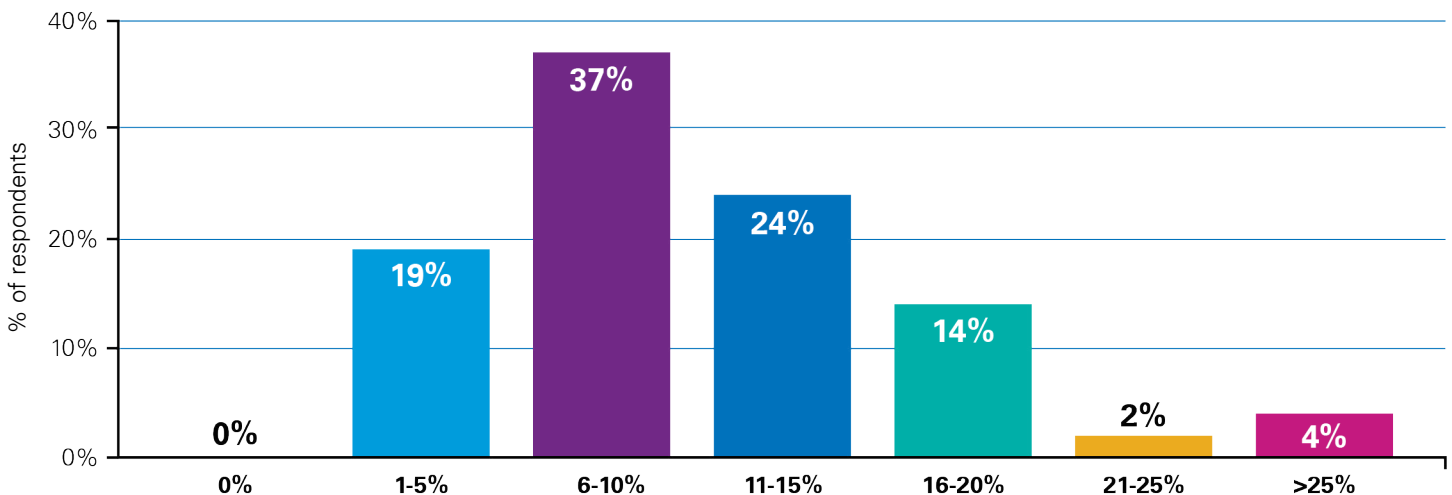
Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Attrition and hiring timeline of permanent nurses creates an unaccounted cost for hospitals

Surveyed hospitals estimated on average that attrition of permanent nurses is 13% annually. This attrition likely leads to vacancies that burden hospitals to find new labor

while providing adequate care for patients. This friction may cause additional costs for hospitals that are not fully captured in this survey.

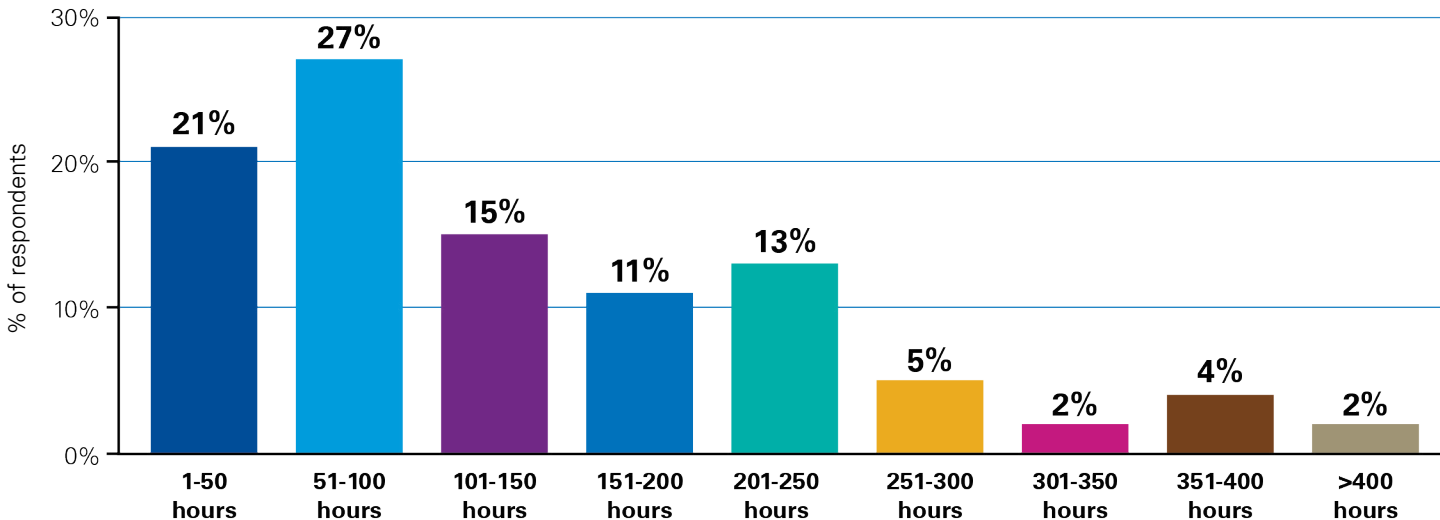
Estimated annual attrition/turnover rate for permanent full-time nurses



Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Respondents indicated that newly hired permanent nurses complete on average 17 days, or 137 hours, of orientation and training prior to joining the staff full-time. 37% of hospitals surveyed responded with programs longer than 137 hours.

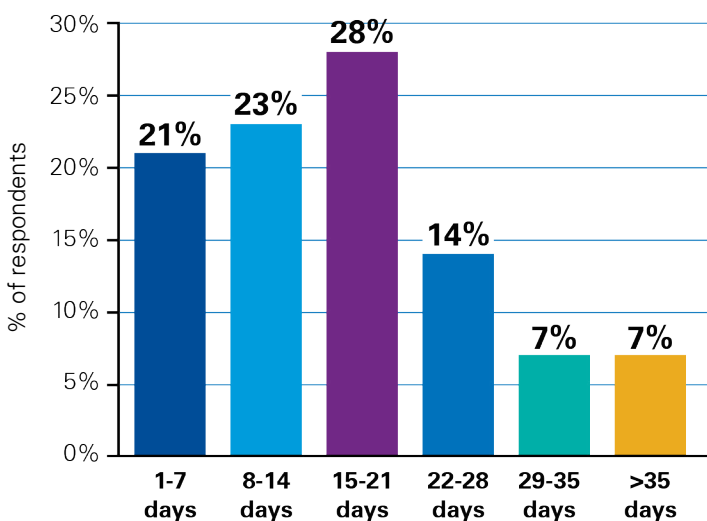
Typical length of new hire orientation and training program for a permanent nurse



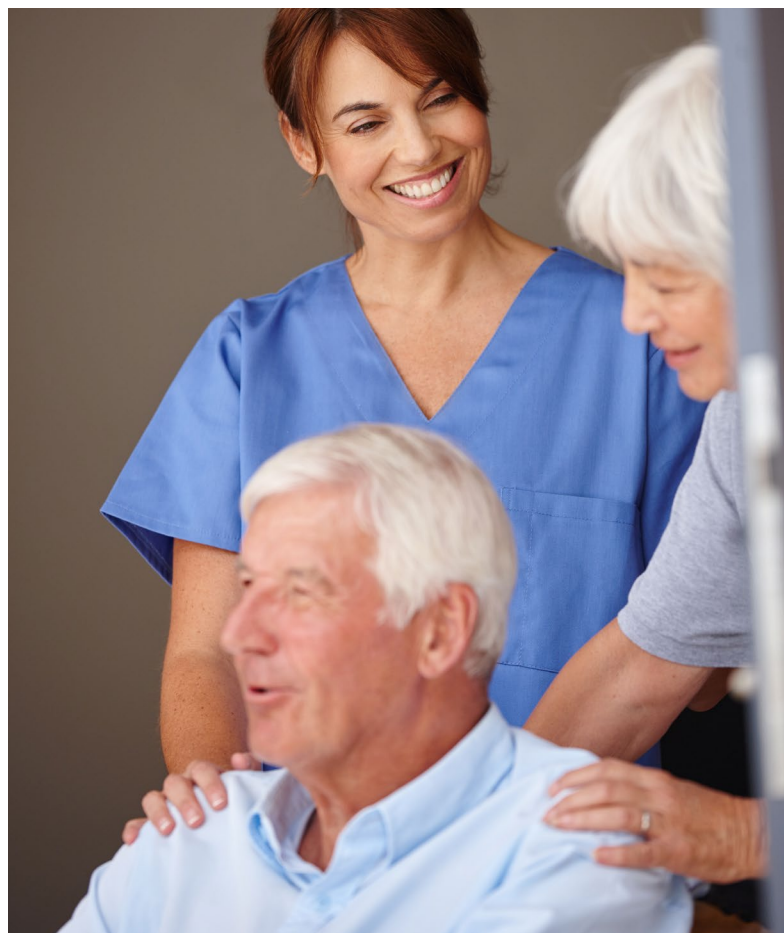
Source: KPMG’s 2017 U.S. Hospital Nursing Labor Costs Study

However, surveyed hospitals indicated that it takes on average 2 – 3 weeks to hire a traveling nurse and fill a vacant position – or roughly the average time it takes to train a new permanent nurse. Considering that it may take several weeks or months recruit a permanent nurse before the nurse is trained, traveling nurses may provide a quick and cost effective means to provide quality care to patients of the hospital without having to wait months for a vacancy to be filled.

Number of days to hire a traveling nurse



Source: KPMG’s 2017 U.S. Hospital Nursing Labor Costs Study





Traveling nurses are in demand across the U.S.

Nursing shortage continues to be a key driver for hospital's use of traveling nurses.

Permanent nurse attrition and resulting vacancies discussed above are likely reasons for the continued nursing shortage problem.

Respondents to the survey indicated that local nursing shortage was the top or key reason for their continued use of traveling nurses. "Facility Growth" and "Cost goes to different departmental line item" also garnered high marks.

Key factors for hospitals when considering the use of traveling nurses – Ranking¹

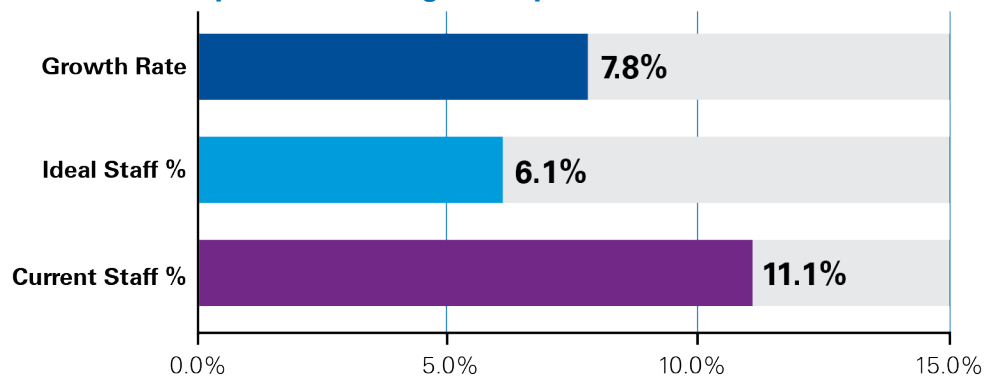
- | | |
|--|-------------------------------|
| 1 Local nursing shortage | 5 Seasonal needs |
| 2 Facility growth | 6 EMR/special projects |
| 3 Cost goes to the different departmental line item | 7 Other |
| 4 Prefer flexibility allowed | |

Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

Hospitals are poised to grow traveling nurse staff

When asked about the relative change in traveling nurses in the coming year, the surveyed hospitals expected about an ~8% increase in number of traveling nurses used at their facilities. When asked for the ideal mix of traveling nurses in the total nurse population, respondents indicated this percentage should be about 6%. However, the survey found that the current percentage is about 11%. Given the positive growth rate in expected traveling nurse usage, it appears that hospitals may remain above their ideal traveling nurse percentage in the coming year.

Current and expected traveling nurse performance

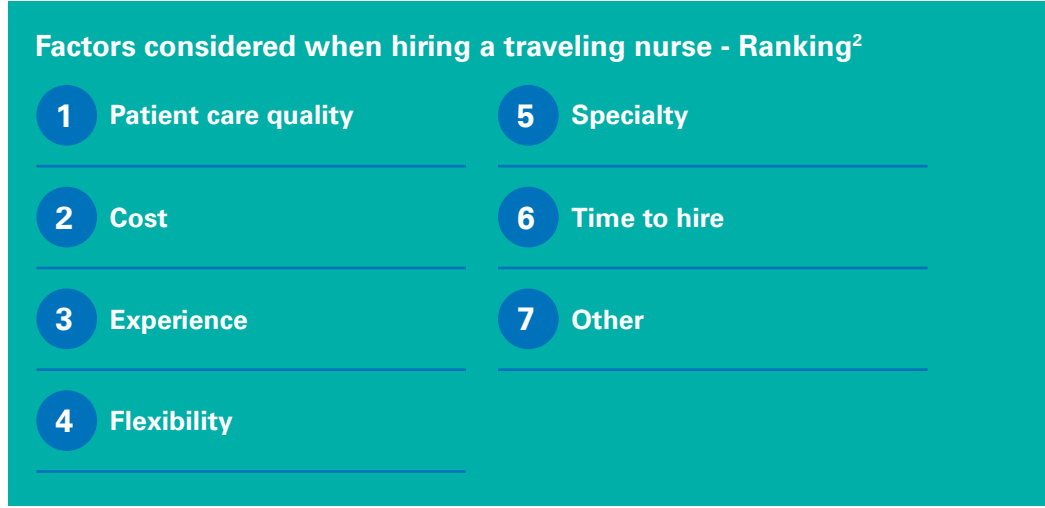


Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

¹Note: Survey respondents were asked to comparatively rank the categories above on order of importance with 1 being the highest rating and 7 being the lowest rating.

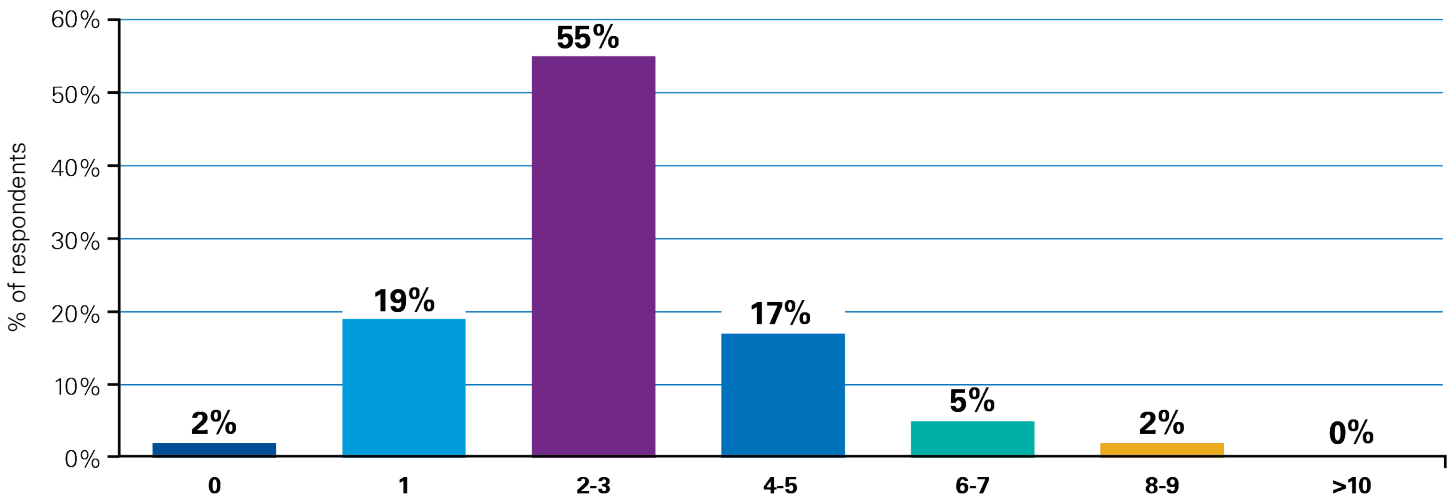
Patient quality of care remains a key factor in hiring traveling nurses

Even though a nursing shortage is likely a key demand driver for traveling nurses, respondents showed their primary concern is finding traveling nurses that provide highest quality of care. This is shown in the table below by respondents rating "Patient care quality" as the most important factor when hiring a traveling nurse.



In search of finding quality traveling nurses, surveyed hospitals appear to use about 3 different staffing agencies, on average. However, nearly 40% of respondents indicated that they use 4 or more staffing agencies to fill traveling nurse positions.

Number of staffing agencies used to fill traveling positions



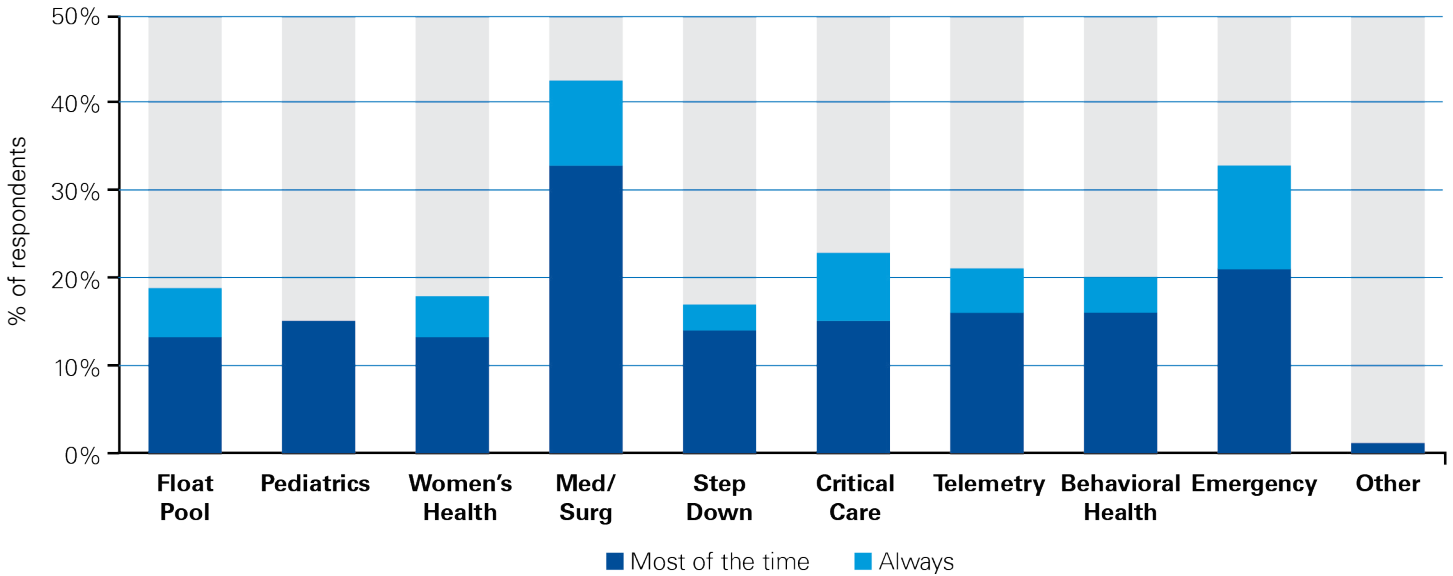
Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

²Note: Survey respondents were asked to comparatively rank the categories above on order of importance with 1 being the highest rating and 7 being the lowest rating.

When prompted about which departments traveling nurses are typically hired in, the survey found that the majority of traveling nurses are more often hired in “Medical-Surgical” and “Emergency Room” departments. It is likely these

may be larger departments for each hospital and thus require more traveling labor with specific skills. However, there does not appear to be a department in which traveling nurses are not in demand.

Traveling nurse demand by department



Note: Responses allowed were: Never, Sometimes, Most of the time, or Always.
 Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

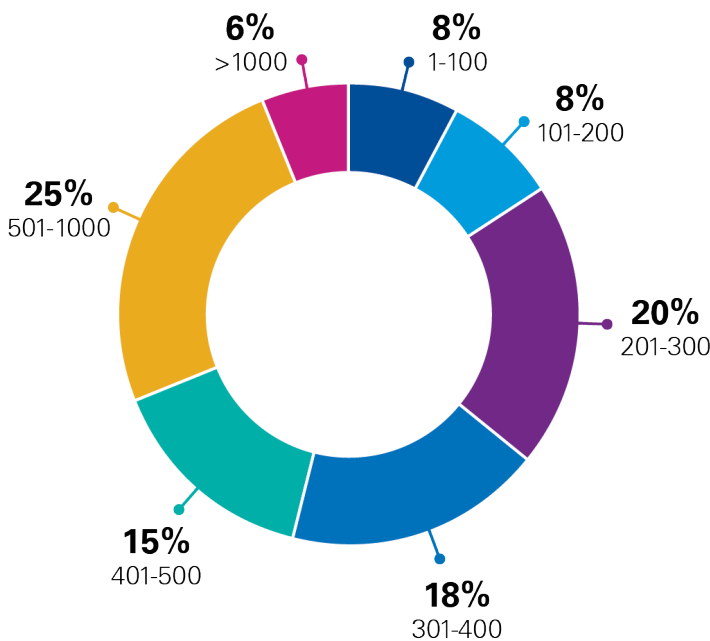


About the survey

A total of 100 senior executives from hospitals across the United States participated in this survey. These executives included CEOs, CFOs, COOs, human resource directors and other key administrators within a hospital.

Hospitals polled by the survey show a fairly even distribution in number of beds per hospital.

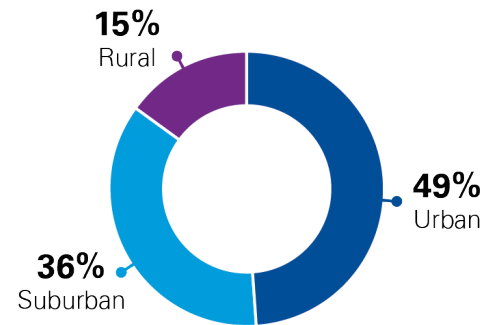
Total number of beds in the hospital



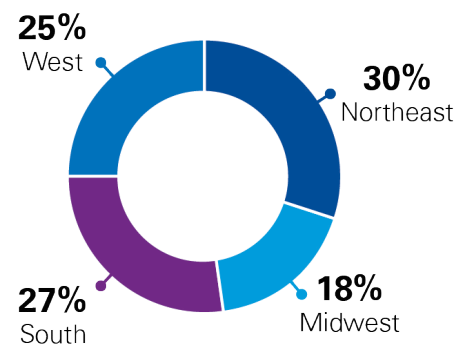
Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

49% of respondents identified as operating in an urban area, whereas only 15% identified as operating in a rural area. Additionally, 55% of survey respondents indicated that they operating in the northeast or west coast, and 67% of all hospitals identified as non-government/ not-for-profit.

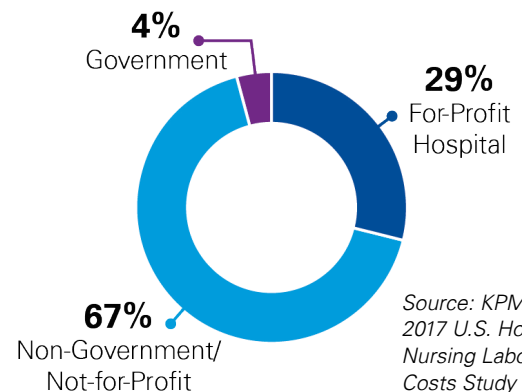
Hospital Location



Hospital Region



Hospital Type



Source: KPMG's 2017 U.S. Hospital Nursing Labor Costs Study

This survey, which was conducted online, was executed during the third quarter of 2017.



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