

# More Than Staying Afloat

A closer look at how to tackle supplemental healthcare staffing.

By Ralph Henderson

The last recession resulted in many hospitals and health systems launching or expanding internal float pools—a group of full-time and part-time employees willing to work whenever and wherever they're needed. This resurgence in float pools was helped by an increased availability of registered nurses, a result of both permanent positions and travel nursing assignments being at all-time lows during the recession.

A well-run float pool can help a hospital cope with the constant ups and downs of patient volumes and staff vacancies. Float pools are supposedly more affordable than using supplemental clinicians from staffing agencies while providing higher quality workers. But is this really true?

Let's look at the cost issue first. A recent study funded by the Minnesota Nurses Association Foundation, which ran in peer-reviewed *MEDSURG Nursing*, found that temporary nurses at a Minneapolis hospital cost \$71 an hour while the average staff nurse salary at the same hospital was \$38. The article then stated: "Therefore, it is in the hospital's financial best interest to avoid using agency nurses if possible."

Such cost comparisons may be misleading—they don't tell the whole story because they only compare base wages and exclude all other employment costs. There is valid data contradicting the assertion that hiring staff nurses is less expensive than supplemental nurses. The *U.S. Hospital Nursing Labor Costs Study* by KPMG found that, when all labor expenses are considered, the cost of a full-time nurse is comparable to that of a supplemental nurse. The study, which surveyed senior executives of hospitals and health systems, noted, "wages and other payroll costs appear to be only part of all-in hospital nursing labor costs." It goes on to report that base wages represent only 57 percent of the all-in cost of a nurse. Comparing salaries between staff and supplemental nurses to justify a float pool is not an accurate assessment of true cost.

In order to assess the financial benefit of using an internal float pool, there are many costs that must be considered, including employee benefits like life and health insurance, 401(k) savings or pension plans, and paid time off. Often internal float pool employees are paid wage premiums over core staff, and there also are incremental recruitment,

credentialing, training, and overtime costs. In addition, statutory costs like the employer's portion of Social Security and Medicare taxes, state and federal unemployment taxes, worker's compensation insurance, professional liability insurance, and other costly regulatory and compliance expenses have to be considered. Of course, you'll also have to add in the cost of managing a float pool and the technology required to do it efficiently.

With float pools, all these additional costs must be borne by the hospital or health system. With supplemental nurses, staffing companies pay them.

In some cases, health systems create internal float pools so they can set up a two-tiered compensation and benefit system for float pool nurses. Many believe this allows them to pay and provide benefits to float pool employees differently from core staff. But laws about these types of arrangements can be very complex and getting it wrong can result in significant penalties to the enterprise. In one of the more famous employment cases, Microsoft paid out nearly \$100 million to settle a protracted lawsuit by thousands of employees who had been employed as temporary workers with open-ended contracts, known as "permatemps." These permatemps did not receive full benefits, particularly pensions, which a United States appeals court eventually ruled was unlawful because they were in fact full-time employees.

#### Other Considerations

Not surprisingly, the KPMG study found that cost was not the most important factor for healthcare senior executives when considering temporary staffing. The main concern by far was quality, followed by flexibility then cost. Sixty-three percent of senior healthcare executives said that quality was most important factor in contingent staffing situations. In the past, hospitals and health systems believed that they had to control all aspects of quality assurance. Today, however, the top supplemental staffing organizations can guarantee clinician quality standards that are equal or higher than their clients' standards. In fact, many core staff members moonlight as supplemental workers. The use of agency staffing can provide the level of quality that hospitals and health systems seek to achieve with float pools.

Satisfaction is another issue. The same MEDSURG Nursing study that showed float pools were cheaper than

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supplemental nursing also found that many nurses don't like floating due to unfamiliarity with various units and concerns about competence in providing care. It cited one survey showing that 73 percent of nurses disliked floating. It takes a special kind of clinician to gravitate toward the challenge of constantly changing work locations, departments, and hours. Many hospitals and health systems that only a few years ago had no problem filling internal float pools are now struggling because the job market for nurses has improved significantly.

The rise in float pools in healthcare may be caused by inaccurate yet persistent negative beliefs about cost and quality in supplemental staffing. However, if overall costs are comparable between staff and supplemental clinicians, and if top staffing companies can meet or exceed the quality standards of their clients, where is the rationale for float pools?

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