A hospital effort to shift the composition and reduce the use of its contract employee workforce has produced financial savings and improved staffing flexibility. The change is best represented by a dramatic shift away from agency-hired traveling nurses, who work at the hospital on a 13-week contract, in favor of nurses hired to plug staffing holes on a daily basis.

Reducing the number of traveling nurse contracts has been a goal of the hospital since it placed management of its contract labor in the hands of a single in-house vendor, Kansas City-based Favorite Healthcare Staffing Inc., nearly two years ago (Insider, June 17, 2008). Favorite locates and brings in contract staff when the hospital doesn’t have enough regular employees to cover its work shifts.

**Trend reversal.** During the last three months of fiscal year 2009 (April, May and June), the hospital spent just over $190,000 on per-diem nurses and slightly less than $330,000 on agency-hired traveling nurses. Through the first nine months of fiscal year 2010 (July 2009 to March 2010), by contrast, per-diem costs were a little more than $540,000, compared with just under $310,000 for agency travelers (see table).

The effort also contributed to a dramatic decrease in the total amount the hospital spends on agency staff (see sidebar).

Agency-hired traveling nurses cost about $18 an hour more than travelers hired through the hospital’s own traveler program, notes Human Resources Employment Manager Mame Fuhrman. But the hospital prefers to use agency per-diem staff over agency traveler staff whenever possible, she adds, even though they bill at about the same rate.

**The potential savings are about $10,000 every time we use a per-diem versus a traveler.**

Left to right: Fuhrman, Le-Lazar and DeVine have helped redesign the hospital’s staffing patterns.
More flexibility. “The real savings [of using a per-diem employee] is in not being tied to a 13-week contract,” she says. “When the job is done we don’t have to scramble to place them somewhere else in the hospital for the remaining balance of the contract.”

For example, Fuhrman says, the hospital typically takes 60 days to fill an open nursing position. Hiring a per-diem nurse to cover shifts allows the hospital to terminate the contract as soon as a full-time employee is ready to step in. By contrast, if the hospital uses an agency traveler in the same situation, it’s responsible for paying for 13 weeks (about 90 days), regardless of how quickly it fills the position.

“The potential savings are about $10,000 every time we use a per-diem versus a traveler,” Fuhrman estimates.

There is flexibility even while the per-diem nurse is here because the hospital does not have to guarantee him or her a certain number of shifts, says Jamie Le-Lazar, a clinical data specialist with the hospital who works with Favorite to compile and ensure the accuracy of data on agency staff.

By contrast, Le-Lazar explains, the hospital can cancel shifts for agency travelers only three times without penalty. “If our census is down, and we have to cancel them more than three times over the 13-week contract, we have to use them over our regular staff,” she says.
Resource Office Director Deborah DeVine, RN, MS, says decreasing the number of agency travelers – there were 50 on board in October 2008 – was just one part of a broader objective when the hospital brought in Favorite Healthcare Staffing Inc. to consolidate its vendor management.

“We wanted to reduce our agency use overall,” she says, “and make better use of our staff through scheduling.”

Indeed, says Jamie Le-Lazar, the hospital now spends between $1 million and $2 million on agency staff per year, down from about $7 million when Favorite began.

A significant portion of that can be chalked up to the nearly two-year downturn in the economy, DeVine acknowledges, which has helped keep the hospital’s turnover extremely low. “We now have nurses signing up for extra shifts,” she says. “The agency is a back-up.”

Better use of resources. Better use of resources. However, she adds, the hospital has also improved its workforce management. For example, nurse managers use reporting tools to analyze their staffing trends and make adjustments during low-census times, which are typically Sunday and Monday. The managers construct schedules by working with the Resource Office team, which then uses them to help balance staffing throughout the hospital.

Rather than automatically falling back on agency help for a short-term staffing hole, the hospital also makes better use of “nurses on release,” DeVine adds, who can provide spot coverage following employee-approved absences or for late sick calls.

“We’ve been able to double the use of in-house Resource Office staff to fill slots,” Le-Lazar notes, “and make more efficient use of our resources.”

A new initiative in the works will further the ability to allow staff to cover shortages. Staff members who want to pick up extra shifts will get an automated alert that there is work available. Like AlertFind, the hospital-wide emergency notification system, the program will call every contact number the employee lists.

“It’s another way to keep our staff working,” Le-Lazar says.

The agency still plays an important role in helping the hospital meet its staffing needs, DeVine says, particularly hard-to-fill positions like OR or ICU nurses.

“But we’ve been able to accomplish a balance,” she concludes, “and improve use of our own staff.”