Addressing the Nursing Shortage:

Business, Consumer, and Health Care System Perspectives

The American health care system costs too much with, too often, little return on investment. There are far too many wasted resources, far too many errors and the desired outcomes are often not achieved.

Nurses provide quality, skilled health care, including care coordination, chronic care management, and preventive care services. Moreover, research demonstrates that the care provided by nurses saves lives and improves patient outcomes. But our nation is facing a critical shortage of nurses that is projected to get worse – 500,000 by 2025.

Despite these projections, our nation’s nursing schools are unable to educate the nurses we need now and in the future because they lack adequate resources and faculty. Each year, tens of thousands of qualified applicants are turned away from nursing schools – 99,000 in 2008. This means we cannot educate potential nurses for the jobs that are waiting for them now and for jobs that will be created for them in the future.

Investing in nursing education is a significant way to contribute to fixing this broken system. The good news is that solutions exist, they cost less than you think, and the return on investment is high.
Introduction

For businesses and others who pay the bulk of health care bills in the U.S., a shortage of nurses translates into higher costs.

For consumers, nurses are their most common connection point to the health care system. Consumers rely on nurses in nearly every aspect of the health care they and their loved ones receive – whether in the operating room, school health center, doctor’s office or urgent care clinic.

In the health care system, nurses are the largest group of health care professionals and are counted as critical members of the care team leading and providing quality care. A shortage of nurses threatens the quality and safety of care provided across all care settings.

The Numbers

There are approximately 116,000 unfilled nursing jobs in American hospitals and more than 25,000 unfilled nursing jobs in our nursing home facilities. Home health agencies report an 11 percent nursing vacancy rate. More than 5,000 community health centers that serve those without adequate insurance are experiencing a vacancy rate of 10 percent for registered nurses (RNs) and nine percent for nurse practitioners. Despite this need, in 2008, 99,000 qualified applicants were turned away from nursing programs due to lack of faculty and other resource constraints.

Without aggressive action, the shortage will only worsen; researchers project an estimated shortage of 500,000 RNs by 2025. All this as health care costs continue to rise and 78 million baby-boomers age and need more complex health care.

Impact on the Bottom Line

Rarely acknowledged but painfully true is that health care costs are directly impacted by the shortage of nurses. Costs rise with high turnover rates and avoidable errors that often occur when there are too few nurses.

Staff retention plays a pivotal role in health care costs. The costs associated with replacing an RN can run as high as 150 percent of the base salary, including lost productivity and temporary staffing expenses. A recent national survey found that health care organizations spend $300,000 more annually in nurse turnover costs for every one percent increase in turnover.
In 2005, the state of Maryland reported that the average temporary agency RN received an hourly rate of $60.85, while the comparable cost for a staff RN was significantly less at $40.25 an hour.\(^9\)

The high turnover for certified nurse aides in nursing homes raises health costs by more than $4 billion each year.\(^{10}\)

Substantial costs are associated with errors tied to inadequate nursing staff. An Agency for Healthcare Research and Quality (AHRQ)-funded analysis revealed that adverse events happen more frequently in hospitals with fewer nurses per patient.\(^{11}\) And, most of these events are associated with increased costs. For example, AHRQ found that, for patients who developed pneumonia while in the hospital, care costs increased by 84 percent.\(^{12}\)

Furthermore, Medicare, under its new payment rules, will no longer reimburse for the care associated with adverse events, thus placing even greater financial burdens on hospitals.

Other costs resulting from the nursing shortage are passed onto businesses and consumers in the form of higher premiums and cost sharing. For example:

- Managed care organizations experience an increase of nearly one percent in hospital inpatient costs for every one percent increase in the nursing shortage.\(^{13}\)

- Liability costs for providers are increased by the nursing shortage due to the resulting increase in errors.

**Increasing Health Care Quality and Value**

A 2007 review by AHRQ documented the correlation between the value and quality of care in all settings to the lack of nurses. The study's principal findings noted that:\(^{14}\)

- Americans treated in hospitals with more RNs per patient had lower rates of five adverse outcomes (pneumonia, shock, upper gastrointestinal bleeding, longer hospital stay and urinary tract infection) than patients in hospitals with fewer RNs.

- Patients treated in hospitals with more hours of nursing care per patient had up to 25 percent fewer serious adverse outcomes.

The Joint Commission found that 24 percent of adverse events in hospitals that resulted in injury, death or permanent loss of function were related to inadequate numbers of nurses at work.\(^{15}\)
Local Economies

Health care facilities and other settings where nurses work are often important economic anchors in U.S. communities. Nursing salaries can have a considerable direct or indirect economic impact on the local community. A 2007 analysis by the Southern Regional Education Board found that filling the projected openings for nurses in its 16 member states and the District of Columbia would generate more than $5 billion in annual economic benefits and add $68 million in annual income tax revenues.¹⁶

Nursing schools also have a significantly positive impact on local economies. A recent analysis found that the typical nursing school contributes $110 million to the local economy and $115 million to the state economy.¹⁷ Any expansion in the number and size of nursing schools as part of the effort to solve the nursing shortage provides an opportunity for sizeable boosts to local and state economies.

Collective Involvement is Essential

The nursing shortage will not be resolved without aggressive action supported by nursing and non-nursing organizations alike. This includes health care providers, businesses and consumer stakeholders who can serve as major catalysts to ensure that high quality, affordable health care is available to all Americans.

That is why the Center to Champion Nursing in America, a joint initiative of AARP, the AARP Foundation, and the Robert Wood Johnson Foundation, has convened a coalition representing the voices of consumers, purchasers and providers of health care, all in support of common sense, common ground solutions to the U.S. nursing shortage. This group, the Champion Nursing Coalition, is committed to raising awareness about the nursing and nursing faculty shortage and to achieve permanent solutions to this looming health care crisis.
The Center to Champion Nursing in America is a joint initiative of the Robert Wood Johnson Foundation, the AARP Foundation and AARP. A consumer-driven, national force for change, the Center seeks to ensure that this country has the nurses it needs to care for all of us, now and in the future. The Center aims to increase the nation’s capacity to educate and to retain nurses.

www.championnursing.org


12 Kane et al. AHRQ, 2007.


