

# Turnover: The Cost, the Causes, and a Sustainable Solution

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## Introduction

Healthcare is a labor intensive industry, so during this time of hyper-focus on reducing costs, it's not surprising that there is a lot of talk about turnover. Unfortunately, most organizations measure turnover and try to improve it, but they don't really understand it, or take a holistic approach to attracting and retaining the best talent, at every level of the organization.

Turnover is a relatively easy metric to track and it's one way that human resources can demonstrate ROI tied to an initiative. Accordingly, it's routinely reported on, and senior leadership looks to HR to improve it. What they are usually looking for, though, is a simple solution to what seems to be a simple metric without really understanding turnover's role in more comprehensive organizational issues.

Not everyone fully appreciates the real cost of turnover. In fact, since it's not a line item on the budget, human resources often has a challenge getting funding for initiatives to address it. Before we can really address it, though, we need to examine the causes of turnover – including the underlying causes that affect the organization far beyond your turnover metric. Once you understand the cost and the causes, you need to take a more holistic approach to turnover that complements everything else that your organization is trying to accomplish. The beauty of this approach is that it is intertwined with and supports your efforts to build a patient and family-centered culture by valuing and developing your people – the people who drive outcomes and the patient experience.

## The Cost

Most organizations know intuitively, that there is a cost associated with turnover. Quantifying it is another matter. Some struggle to understand and quantify the cost, but it is real. Whether you are looking at front line staff, nursing, physicians, or leadership, there are dollars tied to the inability to retain talented people and, beyond the hard dollars, there is a significant impact on organizational effectiveness.

### Front Line Staff

Most organizations appreciate the role of front line staff – including patient transporters, environmental service workers, patient care technicians, and similar roles – in the patient experience. Turnover in these roles, which is sometimes as high as 60%, is an inconvenience and a burden on human resources. Some though, looking at their lower pay scales, miss the financial impact. The generally accepted industry standard is that non-exempt, front line staff turnover cost is one-half times

an individual's salary. That means if a large organization can reduce turnover by 30-50%, the annual savings will be in the hundreds of thousands of dollars. More importantly, though, keeping dedicated, hard-working, front line staff means that you can achieve your goal of creating a patient and family-centered culture.

### Nursing

Every organization, on the other hand, seems to appreciate the cost and impact of nursing turnover. First-year nursing turnover can run as high as 60%. Overall, the problem is increasing, with 22.2% of new nurses leaving after their first year at a hospital (*PricewaterhouseCoopers Saratoga 2012/2013 U.S. Human Capital Effectiveness Report*).

The cost of turnover for nurses and other exempt employees is at least 1.5 times the base salary. Consider a hospital with 700 nurses. Average annual base salary is \$67,000 and annual turnover is 20%. Assuming a turnover cost of 1.5 times average annual base salary, reducing turnover by a mere 5% would result in \$3,517,500 annual savings. At a time of pressure to reduce costs, turnover should be an obvious priority.

This cycle of constantly losing and recruiting nurses costs the organization in other ways: contingent staffing costs increase, continuity of care is disrupted, training costs increase, process improvement and quality programs suffer, the ability to develop nurses into leaders is impeded, staff workloads, accident rates, and absenteeism increase (contributing to staff dissatisfaction and greater turnover). Finally, nursing turnover can lead to medical staff dissatisfaction as communication and care continuity are disrupted.

### Physicians

Everyone is focused on physician recruitment, but what about retention? Physician turnover across the U.S. is pushing 7%. While it's much lower than overall hospital average turnover, the cost is astronomical. Calculating physician turnover costs is an inexact science, but here are the basics:

- Salary
- Sign on bonuses, income guarantees, and relocation costs
- Recruiting costs on the low end at \$40,000 per position
- The lost revenue while the position is open. A primary care physician can generate over \$1 million annually for the hospital. Certain specialties generate several times this much

- Cost of the administrative time taken up during the separation process. On-boarding, credentialing, and training costs for new physicians
- Decreased productivity and revenue while a new physician's practice gets up and running
- Effects on patient satisfaction; Impact on continuity of quality improvement initiatives; Impact on other providers and referral patterns

The loss and replacement of a single primary care physician starts at \$250,000. The real cost is over \$1 million ([American Journal of Medical Quality](#), *Review of Physician Turnover: Rates, Causes and Consequences*).

### Leadership

Hospital CEO turnover in the U.S. hovers close to 20%, which is much higher than other industries (<http://ache.org/pubs/Releases/2016/Hospital-CEO-Turnover-Rate-Remains-Elevated.cfm>). The cost of transitioning through leadership turnover is as high as \$1 million (severance, recruitment, loss of momentum, and market share). The impact of losing good leaders, on an organization's culture and success may be difficult to quantify, but they can't be understated – particularly when this sets the tone for the organization and impacts the ability to retain top people in the other areas discussed.

### The Causes of Turnover

Most research has concluded that when people leave the organization it has less to do with financial incentives, and more to do with job fit and behavioral performance issues. While there are exceptions, generally pay is trumped by work environment and culture, including relationships with supervisors and colleagues. For instance, nurses are rarely terminated because of poor technical or clinical skills. The most cited reasons for involuntary terminations are a lack of dependability or professionalism and poor decision-making skills. With regard to voluntary turnover, nurses cite:

- Work schedule and location
- Workload
- Career development opportunities
- Relationship with the direct supervisor
  - The impact of the direct supervisor is consistent with findings across industries and positions. It is often the single most important variable in job satisfaction. Healthcare generally, not just nursing, has done a poor job selecting and developing managers

- Relationship with co-workers
  - The role of the relationship with colleagues is unique in nursing. Nurses often work under pressure and the culture values teamwork and career development, but there is also a tradition in nursing of less than ideal colleague support

Similarly, physician turnover is not always associated with pay issues. A common contributor to turnover is the mismatch between physician expectations and organizational culture or rules.

- Over half of physicians leave their group within the first five years
- The most cited reason for leaving is “practice issues.” Physicians often leave due to disappointment over perceived “broken promises” about patient volume and administrative support
- Less than one third of physicians report that their group has a formal retention plan (<https://recruiters.neimcareercenter.org/>)

The same holds true for leaders. Studies consistently show that money is one of the least influential factors. The number one driver of retention is work environment, specifically an individual's relationship with supervisors and staff. Our experience has been that senior leader engagement and retention are related to things like career advancement/growth opportunities, relationships with superiors and colleagues, and flexibility/life balance.

### Holistic Solutions

As the causes can be complex, there is no single solution to turnover. Step one is to really understand unique variables in your organization, but more often than not, they will involve those discussed above. Practical, holistic, strategies and tactics you can employ:

#### Front Line Staff and Nursing:

1. Clarify work expectations during recruiting and on-boarding
2. Create a structure for staff to have input on critical issues and feel like a part of the efforts to improve the patient experience and organizational success
3. Support career development
4. Optimize schedule flexibility
5. Place and train better managers – managers who value, engage, and develop front line staff
6. Build teamwork and do not tolerate lateral violence

- Reward superior performance and address under-performance. Under performers burden their colleagues and failure to address it undermines faith in the organization

#### Physicians

- Identify the behavioral skills necessary for physician success – because it’s evolving and drastically different than just a few years ago.
- Evaluate candidates carefully. Certainly, attracting physician candidates is still the number one priority for most organizations. Communicate your vision and do all you can to evaluate physician behavioral skills and fit with your culture.
- Develop and Support. After the formal on-boarding process, ensure a structure to align and support their goals and professional growth.

#### Leaders

- Selection. Up to 40% of senior leaders fail and their failure is often because of behavioral leadership skills gaps that are unidentified until it’s too late. Take a deliberate approach to evaluating those skills during the selection process.
- Development. Each leader should have a structured development and retention plan – tying their goals to those of the organization. Ensure a clear path and don’t leave their success to chance.
- Plan for turnover and identify and prepare future leaders. Turnover is going to happen. To lessen its negative impact, be ready for it by pro-actively identifying and developing future leaders.

For a broader perspective on turnover, we asked for input from Ted Kinney, Ph.D., the Director of Research and Development at Select International. Ted is a recognized expert in human behavior as it impacts work performance, with a special expertise in understanding turnover. He’s worked with some of the largest healthcare systems in the country. His summary of the situation:

**“Turnover, particularly in healthcare, is a complex behavior. Frequently cited drivers found in this research - both voluntary and involuntary - include intrinsic factors (interests in work tasks, preferences for job characteristics), extrinsic factors (pay, commute, work environment), attitudes (organizational commitment, perceived fairness, employee engagement), and personal characteristics and traits (conscientiousness, stress tolerance, adaptability, impulsivity). All of these factors must be considered. How do you select people with the ‘right’ attributes such that they build a sense of commitment and engagement, become involved and satisfied in their jobs, and value the organization’s mission, vision, and values? Conversely, how do you build a strong situation that will influence people not only to remain, but to perform well and demonstrate solid organizational citizenship behaviors? Like most talent issues, the solution lies in developing effective talent selection and onboarding systems and at the same time, fostering and improving the presence of a patient-focused culture. In other words, we must focus on the people AND the situation.”**

We’ve seen clients make modest improvements in turnover by taking moderate steps. A new reference checking program, new scheduling flexibility, a better interviewing program, or use of a pre-employment screening tool. Where we’ve seen the greatest gains, however, is when turnover is viewed as merely one part of a larger organizational initiative. One of our clients, a top children’s hospital, realized that beyond their clinical excellence, they had not established themselves as a truly patient and family-centered organization. They set a five year, multi-pronged mission to change the situation with particular focus on their culture. The results included significant, sustained strides in patient satisfaction scores, employee engagement, hospital rankings, achieving Magnet Status, AND reducing short term turnover from a high of 24% to 7%. Rather than congratulating human resources for a modest reduction in turnover, this group can look to a substantial change to who they are as an organization – changes that have made it a much harder decision for leaders, physicians, nurses, and front line staff, to leave.