

Executive Briefing #16 – 36-Hour Nurses are Killing Your Bottom Line



36-Hour Nurses: The Profit Killer

The byproduct of innovative shift strategies in the healthcare sector has been the 36-hour workweek. Used as a method to motivate healthcare professionals to work the traditionally undesired shifts, the strategy of offering 12-hour based schedules has become more popular every year. Many institutions are scheduling nurses for three 12-hour shifts each week or four 9-hour shifts, with some even paying employees 40 hours for only 36 hours of work. Having your employees work less than 40 hours each week creates a significant financial problem: you are increasingly burdened with the fixed cost of benefits that are traditionally based on 40 hours. This kills profit.

Full-time employees are paid certain benefits regardless of the number of hours they work. Healthcare, holidays, and vacations are examples of these benefits. Others are only paid based on hours worked. Those include things like FICA and retirement benefits. If your employees are working 36 hours and are receiving standard benefits, these costs rise. Hourly costs can easily rise \$1.00 per hour per employee (this presumes the low end of the range). While this does not seem like a lot of money, the annual costs can quickly become significant. For 100 nurses working 1,728 hours per year (36 hours per week and 48 weeks per year), the additional cost is \$172,800. For 1,000 nurses, the additional cost is \$1,728,000. This is only from an increase in benefit costs, not all the other peripheral issues.

A separate challenge results from full-time employees working less than 40 hours per week as it requires more nurses to cover the required workload. This magnifies the challenges associated with turnover because you need to hire more nurses. You also need to train more in order to stay properly staffed. Bringing all your nurses from 36 hours to 40 hours reduces your staffing roster by 10%. That minimizes headaches associated with managing a larger pool of personnel.

Core Practice is a leading provider of operational and labor strategy consulting services with over 20 years of experience designing, developing, and implementing innovative labor solutions. Core Practice's labor strategies combine the best people with the right equipment at the right time and provide clients with a competitive advantage. To learn more about Core Practice and what we do, please contact:

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Some institutions, seeing the 36 hours of pay as a “short paycheck,” simply pay an additional 4 hours to make up the difference. This creates a significant financial challenge. The costs can add up quickly. For a regional medical center with 200 nurses currently working the 36 hours and paying 40, working 1,728 hours per year, with an hourly rate of \$28.17 per hour, the additional cost amounts to over \$1,082,000 annually. Paying employees an additional 11.1% per year only increases the burdens placed on hospital administrators to provide world-class patient care while managing and reducing costs.

There are several options available for hospital administrators looking to increase financial performance and employee well-being. Labor is your number one controllable cost and labor strategies can significantly drive profitability (in either direction). Mistakes are costly and the change management associated with capturing cost savings is critical. One major mistake is assuming that you know what your employees want. They are all individuals with individual needs. There is no “one size fits all” situation. Copying schedules from other facilities can add hidden costs based on financial and cultural realities. Also, institutions regularly treat day shift and night shift the same although they have a completely separate set of needs. Knowing what your employees want and providing innovative scheduling systems can help increase profitability while improving employee well-being and job satisfaction.

If this topic interests you, we can help. To find out how we actively engage all areas of your workforce and develop an actionable strategy to drive employee morale and cost savings, contact John Frehse at Core Practice: 212-534-0539.

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