



IMA INSIGHTS

UNDERSTANDING AND MANAGING THE *TRUE* COST OF NURSING EDUCATION AND ORIENTATION

To our Healthcare Clients and Friends:

In this edition of *IMA Insights*, we discuss the significance of properly understanding and accounting for the hours and costs of employee orientation and continuing education. These costs exist throughout the hospital labor pool but loom largest within Nursing functions. Annual nursing turnover rates frequently exceed 10 percent, and are approaching 15 to 20 percent in many markets. Turnover at these levels assure that orientation hours and costs are a significant issue for nursing leadership. In addition, implementation of new information systems, introduction of new clinical technology, and pressures to respond to ever evolving regulatory requirements entail ongoing education of staff and will continue to increase in both amount and complexity.

Confusion regarding accountability and disagreement on how to manage these costs is a source of discord in c-suites. Optimal management requires a partnership of all executive leadership, particularly between Chief Nursing Officers and Chief Financial Officers. Only when orientation and education hours and costs are properly understood, and appropriately tracked and allocated, can development and monitoring of productivity standards and budgets be assured.

ISSUES & CONSIDERATIONS

While assisting organizations to improve their management and control of labor expenses, we receive requests for guidance regarding the proper allocation of education and orientation hours. Particularly for hospital Nursing departments, these hours can represent a significant component of a unit's operating budget. Nursing is responsible to design and implement education processes for its staff. However, Finance is responsible to provide the infrastructure to properly allocate these hours and costs. A literature review reveals two and three-fold differences in the length and total amount of orientation and continuing education for nursing staff. Clearly, different education standards and practices are at play here. In addition, some hospitals account for these hours as productive hours; other hospitals class this as non-productive time. Further, some hospitals aggregate these hours into a centralized department, such as nursing education, while others assign the hours at the unit or cost-center level based upon actual or estimated usage. These wide variations in practice contribute to significant confusion regarding appropriate hours and staffing levels for hospital nursing units.

Discussions regarding staffing for nursing units frequently begin with nurse to patient ratios – such as the one nurse to two patients (1:2) ratio often cited for staffing intensive care units, or a 1:5 ratio often cited for staffing a medical/surgical unit. However, these ratios do not fully address the complexities of staffing a nursing unit since they do not explicitly acknowledge the hours allocated to support staff, charge nurses, clinical nurse specialists, or educators in providing direct or indirect patient care. Perhaps most significantly, these simple ratios do not acknowledge the impact of nursing education and orientation on hours of care.

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Differences in methods of allocating orientation and education hours lead to measurable differences for internal and external benchmarks.

An examination of widely used comparative databases provide useful information to keep in mind when comparing nursing hours per patient day or nursing hours per unit of service. According to benchmarking data submission guidelines:

*The majority of payroll systems code staff orientation and continuing education time as productive or worked time. To the extent possible, include **staff orientation and continuing education in worked hours or worked unit of service.***

For a standard medical/surgical unit, approximately 83 percent of the units submitting data to comparative databases indicate that staff education and orientation hours were in fact included in the worked hours total for the nursing unit and therefore would be represented in the worked hours per patient day or worked hours per unit of service labor benchmark. However, this left 17 percent of the respondents indicating that nursing education and orientation hours were **not** included in the specific unit’s worked hours or unit of service.

When the median (50%tile) worked hours per patient day for the two groups are compared in the table below, an eight percent difference in the stated productivity benchmark is seen, solely due to differences in the allocation method for orientation and education hours. Similar differences exist in the cost benchmarks.

| | WORKED HOURS PER PATIENT DAY | WORKED COST PER PATIENT DAY | SIZE OF THE COMPARISON GROUP |
|--|------------------------------|----------------------------------|--------------------------------|
| Group 1 – Includes Education and Orientation Hours in Unit Worked Hours | 9.2 | \$254 per patient day | 83% of reporting nursing units |
| Group 2 – Excludes Education and Orientation Hours from Unit Worked Hours | 8.5 | \$232 per patient day | 17% of reporting nursing units |
| Differences | 0.7 (8%) | \$22 per patient day (9%) | |

With differences this large in benchmark values, it is clear that standard definitions and allocation methods are essential to financial clarity and accountability.

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INSIGHTS

Based on IMA Consulting's work helping administrative teams define worked hours per unit of service and instilling accountability for productivity and budget targets, we recommend:

- Allocate all nursing education and orientation hours to worked hours, and directly to the unit or cost center level where staff are based. This creates a clear line of accountability to the nursing unit driving the orientation and education needs. When education and orientation hours are allocated to a centralized nursing administration cost center, this diffuses accountability. Individual nursing units are less attentive to assuring the orientation and education hours are efficiently provided and most effective in creating the desired productive staff.
- Create educational processes that are streamlined, efficient, effective, and adaptable by considering the following:
 - Individual staff nurse needs
 - Unit needs
 - Available resources for education and training
 - Anticipated needs for new programs, standards, procedures, and practices
 - Regulatory and accreditation requirements, including Joint Commission
 - Facility practice or policy related to the allocation of a set amount of paid education time
 - Labor contract agreements, which may establish a set percentage of base pay or set number of days for education
 - State licensure educational requirements
- Assign the Nursing Education department or function as a direct report to the Chief Nursing Officer, with a council of nurse directors, managers, educators, and staff evaluating the specific curriculum design and hours requirements for all existing and any new Nursing Education and Orientation Programs. This will ensure that the management group responsible for managing nursing labor costs will approach education and orientation with a consistent cost-benefit or return-on-investment mindset.
- Compare hours of nursing education and orientation across nursing units within your organization and longitudinally over several years. This may reveal both favorable and unfavorable trends, as well as potentially point out orientation and education practices that should be replicated or redesigned.
- Calculate and compare the full cost of turnover, including the impact of orientation and education on nurse staff costs, for each nursing unit and function.
- Compare or benchmark to nursing units that also fully assign nursing orientation and education hours to the consuming unit. This may create a smaller group for comparison, but it will be a much truer comparative group. Further, this will foster improved efforts to reduce staff turnover, as well as encourage efficient and effective educational processes.



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SUMMARY

It is well known that hospitals have some of the highest educated and highest paid members of today's workforce. Leaders of this workforce bear a responsibility to provide for proper curriculum design, as well as tracking, allocation, and management of education and orientation hours and expenses. The need to properly understand and manage orientation and education hours extends beyond Nursing, to all areas of the hospital workforce. However, no area is as significantly impacted as Nursing.

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We are pleased to provide this information to you. If you have any questions or need assistance, please do not hesitate to contact me at 866-840-0151.

Yours very truly,

Mary Ann Holt, RN, MSN
Partner

ANNOUNCEMENTS

IMA Consulting recent engagements include:

- Midwest Health System, IL - Patient Access Initiatives
- Urban Medical Center, NY - SQL Database Resource
- Mid-Atlantic Health System, PA - Transfer DRG Validation Analysis
- Mid-Atlantic Health System, PA - Signature WebU Training Modules
- Academic Medical Center, NJ - Transfer DRG
- Midwest Hospital, MI - Transfer DRG