Since The Florida Center for Nursing’s (Center) report in 2008 on the economic benefits of resolving the nursing shortage, the landscape of Florida’s nurse workforce has dramatically changed. The recession prompted nurses to return to work, work longer hours, and delay retirement, resulting in fewer than anticipated vacant positions. At the same time, nurse employer response to the economy was to hold on expansion and delay recruitment to fill open positions. In 2009, there was an estimated 6,806 vacant RN positions in Florida.¹ As the economy improved from 2009 to 2011, the number of nursing vacancies increased as nurses returned to normal work patterns or retired and employers began to increase hiring. As of July 2011, the number of vacant RN positions was estimated to be 8,995, along with 1,564 vacant LPN positions.² At the same time, turnover began to increase, particularly in home health and skilled nursing, demonstrated by an estimated 27,900 separations from nursing positions in 2010 and 2011. High turnover in nursing has significant negative cost impact for employers. The Center also forecasts a shortfall of 50,321 RN full-time equivalent (FTE) positions in 2025 due to an aging nurse workforce, an aging population requiring more care, and increasing care access, as the Patient Protection and Affordable Care Act (PPACA) is implemented.³ All of these changes have a significant economic impact for Florida.

Economic Benefits of Filling Current Vacancies

The Center surveyed hospitals, psychiatric hospitals, skilled nursing facilities, home health agencies, hospices, and public health departments for information on the number of nurse vacancies as of July 2011, and estimated the number of statewide vacant positions as 8,995 RN vacancies and 1,564 LPN vacancies.² We used salary data from the Florida Research and Economic Information Database Application (FREIDA) to estimate the combined annual earnings were these positions filled.⁴ A tax burden of 9.3 percent of combined per capita income was used to estimate the state and local tax revenues on the combined earnings.⁵ The estimations shown in Table 1 indicate that over $58 million in tax revenue could be collected if these vacant nursing positions were filled.

Table 1. Estimated Impact of Filling Vacant Licensed Nurse Positions

<table>
<thead>
<tr>
<th>Nurse Type</th>
<th>Estimated # of Vacancies</th>
<th>Median Annual Salary per Vacancy</th>
<th>Estimated Combined Annual Earnings</th>
<th>Estimated State and Local Tax Revenues on Combined Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>RN</td>
<td>8,995</td>
<td>$62,550.60</td>
<td>$562,642,647</td>
<td>$52,325,766</td>
</tr>
<tr>
<td>LPN</td>
<td>1,564</td>
<td>$41,592.44</td>
<td>$65,050,576</td>
<td>$6,049,704</td>
</tr>
<tr>
<td>Totals</td>
<td>10,559</td>
<td></td>
<td>$627,693,223</td>
<td>$58,375,470</td>
</tr>
</tbody>
</table>

Note: Nursing vacancies as of 2011.
Economic Impact of Nurse Turnover

Employee turnover is inevitable as individuals retire, change jobs to advance careers, find positions that better fit their interests and goals, or reduce their work hours. Some turnover may even be desirable for employers, such as turnover that leads to new employees with fresh ideas or the loss of less competent or motivated employees. Excessive position turnover, however, is costly for employers in a number of ways: expenses related to recruiting and hiring replacement staff, lost productivity when positions are vacant or new employees are being trained, increased payments for overtime hours or agency personnel to fill the gap, and, potentially, compromised quality of care and patient outcomes.

The Center estimated the cost of turnover for one employee as one year’s salary. To estimate the cost of nurse turnover in Florida, the average salary was multiplied by the estimated number of separations (statewide) from hospitals, skilled nursing facilities, home health agencies, hospices, psychiatric hospitals, and public health departments from July 1, 2010 through June 30, 2011. The resulting estimated economic impact of nurse turnover is shown in Table 2. The combined costs of RN and LPN turnover in fiscal year 2010-2011 were estimated to be over $1.6 billion for the health industry in the state of Florida.

Table 2. Economic Impact of Turnover from July 1, 2010 through June 30, 2011

<table>
<thead>
<tr>
<th>Nurse Type</th>
<th>Estimated # of Separations</th>
<th>Estimated Cost of Turnover at One Year’s Salary Per Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>RNs</td>
<td>22,833</td>
<td>$1,428,217,850</td>
</tr>
<tr>
<td>LPNs</td>
<td>5,091</td>
<td>$208,918,826</td>
</tr>
<tr>
<td>Totals</td>
<td>27,924</td>
<td>$1,637,136,676</td>
</tr>
</tbody>
</table>

Turnover rates for RNs and LPNs, as reported by survey respondents, remain high, varying from an average of 16 percent in hospitals to 53 percent in skilled nursing facilities. Furthermore, attrition of nurses from the state and/or nursing profession remains high, as over 19,800 RNs were lost from Florida’s nurse workforce between 2010 and 2011. Although we recognize that turnover cannot be eliminated, nurse turnover could be decreased and the facility-level cost savings could lead to higher quality, less expensive healthcare. The Center advocates prioritizing the retention of nurses and implementing best practices for nurse retention. Creating an improved work environment through workplace initiatives such as ergonomic improvements and shared governance can lead to enhanced retention. Improved work environments can also lead to increased employee satisfaction, resulting in a positive cycle of increased nurse retention. It is also recommended that nursing students be educated about the demanding nature of nursing work to increase awareness as they begin working in their first nursing position. Educating nursing students, coupled with new employee retention strategies such as orientations, residency programs, and preceptorships, may lead to decreased employee turnover and thus cost savings for the employer.

Improving employee retention can have long-term positive impacts as well. The Center’s forecasts show that increasing retention by 2% is predicted to reduce the RN shortage to
approximately 13,000 FTEs by 2025. If a 2 percent increase in retention were combined with a
30 percent increase in new graduates over the next six years, the Center predicts the nursing
shortage would be eliminated by 2022.3

Economic Impact of Future Nurse Shortages

The Center’s current supply and demand forecasts indicate that both RN and LPN supply and
demand are approaching equilibrium through 2013.3 However, beginning in 2014, the combined
factors of an improving economy, full implementation of PPACA, aging of the nurse workforce,
and aging of Florida’s population will act together to dramatically increase the nursing shortage
through 2025. Without improvements in retention and continued production of new graduates,
the nursing shortage will be more than 50,000 RN FTE positions in 2025. Future tax revenues in
conjunction with the projected RN FTE shortage through 2025 (assuming per capita tax burden
remained unchanged) translates to $226 million in state and local tax revenues that would be lost
because of the vacant, high wage positions (see Figure 1).

![Figure 1. Florida’s Projected RN FTE Shortage and State and Local Tax Revenues, 2010-2025.](image)

Other Economic Considerations Related to the Nurse Workforce

In the next 20 years, Florida will have fewer young people to replace its aging population.
Florida’s population is forecast to grow by 4.9 million from 2010-2030, and 55.9 percent of this
growth (approximately 2.7 million) will be among people aged 60 and older. Consequently,
people age 65 and older will comprise 20.5 percent of Florida’s population in 2020.9 At the same
time, the percentage of younger people age 25-64 (the bulk of the workforce) will decline from
52.1% of the population in 2010 to 50.6% in 2020. Florida also has 248 Health Professional
Shortage Areas, representing 4 million people or 22% of the population.10 The aging population,
combined with the increased access to care from the PPACA, means that Florida will need more
primary care providers.
Projections indicate a shortage in primary care physicians over this same time period, when the nation’s primary care workforce is expected to experience a shortfall of 65,800 primary care physicians in 2025.11 Meanwhile the nation’s Nurse Practitioner workforce is forecast to grow by 6,000 to 7,000 people per year, to 244,000 FTEs nationally in 2025 (an increase of 94% from 2008).12 Nurse Practitioners, or Advanced Practice Nurses (APNs), are nurses with advanced education of at least a Master’s degree. Seventy to 80 percent of APNs work in primary care and are capable of filling the gaps in the primary care workforce.13 Studies have shown that quality of primary care delivery from nurse practitioners and physicians are equivalent. Furthermore, healthcare costs of APN care are less than for physician care (Naylor).13 Current Florida state law restricts the scope of practice of APNs. Recent discussions about expanding the scope of practice for APNs in Florida considered how such changes could generate fiscal savings and increase access to primary care providers.10

Improving nurse retention and reducing turnover can have a significant positive impact for the state’s employers. Filling vacant nursing positions, and planning now to alleviate future nursing shortages, has benefits for Florida’s tax structure. Increasing the number of Advance Practice Nurses in Florida, and removing scope of practice restrictions, can help address current and future primary care needs of Florida’s population.

References


