

# The Business Case for Investing in Staff Retention

## Can You Afford Not To?

by David Farrell and Steven Dawson

High turnover among direct care workers creates a host of problems for aging-services providers and the seniors they serve: reduced quality and continuity of care, increased stress for remaining staff, inefficient use of time due to the need for constant recruiting and training, and truly staggering costs.

This article looks at the last of those problems, as quantified by the Better Jobs Better Care (BJBC) program, and shows how proactive efforts to reduce turnover—some expensive, some simple and cheap—are almost always worth the effort. Providers who solve the turnover problem free up tremendous resources that can be used to improve training, increase wages, boost staff satisfaction and bring in more residents and home care clients.

“**I**nevitable” is what most home care and nursing home providers say when asked about the high turnover of their frontline staff. Within home care agencies, turnover of aides generally runs between 40 and 60 percent. In nursing homes, the turnover rate of certified nurse aides (CNAs) is estimated at 70 percent.

Yet “shocked!” is what providers remark, if they take the time to calculate their annual turnover costs and tally up the enormous expense associated with replacing caregivers each year. When Dorie Seavey, national policy specialist with the

Paraprofessional Healthcare Institute (PHI), reviewed the research on the cost of replacing direct care staff for the Better Jobs Better Care (BJBC) program, she found a minimum average cost of \$2,500 to replace each lost worker.

But there is another important reason for providers to be alarmed at the turnover rate. Keeping staff—leading to more consistent caregiving practices—is associated with improved client and resident satisfaction and quality of care. As Robyn Stone, executive director of AAHSA’s Institute for the Future of Aging Services (IFAS) and leader of the BJBC program, noted after reviewing the findings from the BJBC researchers and others, “Better jobs really mean better care. When facilities and agencies have direct care workers who are empowered to provide services in a stable, healthy work environment and offer continuity of care, providers are much more able to address the needs of residents and consumers.”

The BJBC program, which funded eight research studies and five state demonstration sites, looked at the causes of turnover and found solutions that worked. A number of providers involved in the program successfully reduced their turnover and improved staff and consumer satisfaction.



### The Real Cost of Turnover

According to Seavey, the estimated turnover cost per worker, \$2,500, is supported by the existing empirical literature but only represents the direct costs from recruiting and training new employees and from the costs associated with separation and vacancy. Indirect costs, while much more difficult to measure, are just as real. They include lost productivity (until a replacement is trained), reduced quality to clients and lost client revenues (existing and potential) due to deterioration in the provider's image. Indirect costs can also include deterioration in the organizational culture and employee morale, which can adversely impact a provider's reputation and quality of care, leading to further increases in turnover.

### There Are Solutions

While these costs may be overwhelming, there are solutions. "All providers can reduce turnover costs by knowing the true cost of turnover, calculating the costs carefully and investing in proven retention strategies," says Seavey.

However, given tight reimbursements, the question for any individual provider remains, "Can my agency afford those investments?"

There is a formula you can use to figure out what you are already spending on turnover. Knowing this data may help you

inescapable: A provider that averages 40 terminations annually is spending approximately \$100,000 each year in additional recruitment, orientation, training, disciplinary and termination costs.

	Projected savings from reduced turnover/vacancies
(+)	Projected income from more clients served
(-)	Additional cost of retention practices
(=)	Net cost or benefit

Plugging numbers into the example above, your calculation might go something like:

\$50,000	Savings from reduced turnover/vacancy
(+)	\$10,000 Net income (after subtracting fixed costs) of serving five <i>additional</i> residents or clients annually
(-)	\$45,000 Additional training, seniority wage increases, peer mentor program, and other personnel costs associated with stabilizing staff, etc.
(=)	\$15,000 Positive net benefit

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think about ways to redeploy and redistribute this money to reduce turnover, rather than just pay for it.

Here is a "back of the envelope" calculation: Pencil out the following for your organization: The number of direct care terminations times \$2,500 equals the annual cost of turnover. The math is

If you could cut those terminations in half, you would lower those expenses to \$50,000, and in turn provide not only a more consistent, higher quality of care, but might also—by having fewer vacancies—allow your organization to serve more clients, and therefore increase income.

As always, it "takes money to make

## Reduced Turnover Goes Straight to Bottom Line

As a consultant working with Barbara Frank and Cathie Brady of B&F Consultants, I was part of the team that helped Scott West calculate the financial returns from the investments at Birchwood. I was so impressed with West's results that I took the same staff-investment strategy with me to California when I became administrator of the Oakland-based Medical Hill Rehabilitation Center (MHRC), owned by the Ocadian Care Centers.

At MHRC, I found that our average cost of finding and replacing a single CNA was—very conservatively—\$1,961. With an annual CNA turnover rate of 94 percent, MHRC was on track to spend over \$100,000 replacing CNAs in 2006. In addition, our schedule was unstable and our staffing was inconsistent. In response—thanks to the support of Ocadian's CEO, Robert Peirce, and Chief Operating Officer Lynn Blair—I began investing in some proven staff retention strategies, focusing on changing the organizational culture toward more individualized, person-directed care.

Our investments were not unique or expensive, but they were evidence-based interventions that represented a multi-faceted approach. Over the past six months, as staffing stabilized, the results have been dramatic: Our annualized CNA turnover rate has dropped from 94 percent to 29 percent, representing significant savings. Reducing turnover can also lead to a decrease in workmen's compensation, health insurance premiums and health care costs, and lower the indirect costs of turnover from lost productivity and the loss of clients to other agencies, among others.

For MHRC, investing in retention strategies has paid off. We now have no vacant positions. Consequently, our resident occupancy rate has increased from 87 percent to 93.5 percent. And the future continues to look promising: CNA applicants are now waiting in line to be employed here.

Remarkably, by stabilizing our staff, we have been able to increase direct-care wages while our overall payroll has dropped.

—David Farrell

money.” So the second calculation (which might take a bit more pencil work, but is well worth the time) is to figure out how to use the money you would be spending anyway to keep staff rather than replace them.


The specifics for your organization will differ, but the experience of several providers involved with BJBC suggest that a range of investments—some large, many small—make high rates of turnover not inevitable after all. Linda Bettinazzi, executive director of the VNA of Indiana County and a regional coordinator for BJBC in Pennsylvania, led by the Center for Advocacy for the Rights and Interests of the Elderly (CARIE), got wonderful results after investing in her home care workers: “When we started our Extended Home Care Agency, we would have all part-time workers with no benefits, minimum wage. And then we wondered why we not only had massive turnover, but were turning down cases because we had no staff.”

As a result of workforce investments such as providing coaching supervision training to home care workers and supervisors, and creating a career lattice program, VNA’s turnover rate went from 53 percent in 2003 to 11 percent in 2006. Bettinazzi adds, “We have higher revenues than we’ve ever had.”

Scott West, another BJBC participant and administrator at Birchwood Terrace Healthcare in Burlington, Vt., reported on what happened after BJBC in Vermont, led by the Community of Vermont Elders (COVE), helped stabilize his staffing by increasing the percentage of his permanent full-time and part-time staff.

“The most effective change was the wage package. It really helped us stabilize our staffing,” says West. “Stabilizing staffing allows you to ... spend more time speaking to residents and speaking to staff. Other than trying to constantly worry about who is on a schedule, we can actually spend time on doing things that are going to promote better patient care.

“Based on the BJBC work, our RN full-time/part-time permanent staff grew by at least 20 percent. Our LPNs [increased] by almost 20 percent, and our aides [increased] by at least another 17 percent. Being able to spend time on retaining people versus trying to recruit them is huge.”

The BJBC program is showing providers that expending precious resources on retention strategies is an investment, not an expense. In order to make it easier to calculate whether a particular organization can expect to see a return on its investment, PHI (the BJBC national technical assistance organization) is preparing to release a free, Web-based business calculator. The calculator will allow a provider to create different retention investment scenarios specific to his or her organization. This tool, to be released in summer 2007, will facilitate sound decision making and intelligent investments in retention strategies. Look for it at [www.directcareclearinghouse.org](http://www.directcareclearinghouse.org). 

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**David Farrell is the administrator of Medical Hill Rehabilitation Center in Oakland, Calif. Steven Dawson is president of the Paraprofessional Healthcare Institute (PHI).**

## Resources

### **Better Jobs Better Care**

[www.bjbc.org](http://www.bjbc.org). The report, “The Cost of Frontline Turnover in Long-Term Care” by Dorie Seavey, Ph.D., can be downloaded from: [www.bjbc.org/page.asp?pgID=27](http://www.bjbc.org/page.asp?pgID=27),

### **Paraprofessional Healthcare Institute (PHI), Bronx, N.Y.**

Contacts: Steven Dawson, president, or Dorie Seavey, Ph.D., national policy specialist, [www.paraprofessional.org](http://www.paraprofessional.org) or (718) 402-7766.

### **Visiting Nurse Association of Indiana County, Indiana, Pa.**

Contact: Linda Bettinazzi, CEO, [lbettinazzi@yahoo.com](mailto:lbettinazzi@yahoo.com) or (724) 463-6340.

### **Birchwood Terrace Healthcare, Burlington, Vt.**

Contact: Scott West, administrator, [Scott.West@Kindredhealthcare.com](mailto:Scott.West@Kindredhealthcare.com) or (802) 863-6384.

### **Medical Hill Rehabilitation Center, Oakland, Calif.**

Contact: David Farrell, administrator, [David.Farrell@kindredhealthcare.com](mailto:David.Farrell@kindredhealthcare.com) or (510) 832-3222.