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GAO

United States General Accounting Office
Washington, DC 20548

Human Resources
Division

February 18, 1981

Mr. Paul Willging
Acting Administrator
Health Care Financing Administration

Subject: [Information on Health Facility Costs Related
to Using Nurse Supplemental Staffing Services]
(HRD-81-59)

Dear Mr. Willging:

Over the last several years concerns have been expressed within the hospital and nursing home industries about the impact on costs and quality of care arising from the use by facilities of supplemental staffing services or nursing pools. ^{1/} The extent of concern is demonstrated by efforts in at least two States (Connecticut and Minnesota) to enact legislation to regulate nursing pools.

Because of the alleged substantial extra costs involved in using nursing pools and the impact this could have on Medicaid and Medicare, as well as the other concerns that had been expressed about pool use, we surveyed the impact nursing pools are having on health care facilities. At the 14 New England facilities we visited, which were selected because they were relatively high users of pools, we found that:

- (--The facilities in the main were not losing their permanent nursing staff to the pools, which had been a common complaint.
- Although the cost of using pool nursing was often higher than the cost of permanent staff, facility nursing costs increased an average of only 1.6 percent because the facilities use of pool nurses averaged only 7 percent of total nursing hours.
- The use of nursing pools had generally leveled off or declined at the facilities visited and facility administrators expected this trend to continue.

^{1/}Entities which provide nursing personnel, normally on an hourly rate basis, to health care facilities for temporary periods.



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The information we obtained indicates that the use of nursing pools currently is not having a substantial cost impact on the Medicaid and Medicare programs in New England. However, this could change if pool fees and/or facility usage of pools increases.

We did not attempt to evaluate the impact nursing pool use has on quality of care because the Department of Health and Human Services (HHS) has an ongoing study that addresses this issue.

BACKGROUND

(Temporary help agencies which supply nursing personnel are called supplemental staffing services or nursing pools. 1/ The nursing pool is a form of personnel service. The pool employs nurses and aides, assigns them to health care facilities, and provides payment for work completed. The nursing pool provides the usual payroll services such as withholding taxes and contributing to Social Security. The pool may also provide such fringe benefits as holidays, vacation, and health and liability insurance.

Nursing pools enable their clients (hospitals, nursing homes, etc.) to meet fluctuating workloads caused by peak patient levels and to cover for staff shortages caused by temporary absences due to vacations, sick leave, or other reasons. Pools can also be used to cover shortages due to permanent staff vacancies. Pools can meet the needs of nurses who desire flexibility in their scheduling because, in working for pools, nurses can often dictate their own work schedules.)

Medicare, a Federal health insurance program for most aged and some disabled persons, and Medicaid, a Federal/State program which pays for health services received by eligible low income persons, are the Government's two largest health programs. These programs are administrated at the Federal level by HHS's Health Care Financing Administration (HCFA). Both programs pay enormous amounts to health care facilities--in fiscal year 1979 Medicare paid \$19.1 billion to hospitals and \$359 million to nursing homes while the Federal share of Medicaid payments totaled \$3.1 billion to hospitals and \$5 billion to nursing homes.

1/Nursing pools differ from private duty nurse registries in that the latter require the nurse to pay a fee for obtaining an assignment, and the nurse is subsequently paid by the nursing care recipient. The nursing pool, in contrast, employs the nurse. The facility pays the nursing pool which, in turn, pays the nurse.

Because Medicare and Medicaid generally pay facilities on a cost or cost related basis, they would pay a substantial part of any extra costs incurred by facilities through the use of nursing pools.

OBJECTIVES, SCOPE, AND METHODOLOGY

(The primary objectives of our survey were to determine (1) if the fees that pools charge for nursing services are significantly higher than facility costs to maintain similar employees and (2) what impact pool usage has had on facilities' annual nursing costs.) We did not attempt to evaluate the reasonableness of pool fees or the profit made by pools.

We identified the extent selected facilities were using pools and obtained information and comments on future pool usage. We did not evaluate the impact that pool usage has on the quality of patient care because HHS had recently awarded a contract to Mathematica Policy Research, Inc., to study, among other things, the effect of temporary nursing services on the quality of patient care. We did note, however, facility officials' views on how pool usage affects patient care.

We performed our survey at 12 nursing homes (six in Massachusetts, three in New Hampshire and three in Connecticut) and at two hospitals in Massachusetts. At one of these hospitals, we surveyed only 2 of its 58 nursing units because the necessary records were maintained on a nursing unit basis. The facilities were located in both urban and rural areas. We also spoke with officials from HCFA, the Massachusetts Hospital and Nurses Associations, nursing home associations and State welfare agencies in Massachusetts, Connecticut and New Hampshire and national nursing home and nursing pool associations located in Washington, D.C. We also visited six nursing pools and obtained information from nine additional pools.

In selecting facilities to be visited, we attempted to identify those facilities within each State which reportedly had used pools extensively. In Massachusetts, we utilized a recent State Rate Setting Commission nursing home survey which identified the extent of pool usage by individual nursing homes. In selecting the two Boston area hospitals, we relied on information furnished by the Massachusetts Hospital Association. In Connecticut and New Hampshire, the State nursing home associations identified nursing homes which were relatively heavy users of pool nurses.

At each facility visited, we obtained information necessary to compare the fees charged by pools for nursing personnel--registered nurses, licensed practical nurses and nurses aides--to the facility's

costs to maintain its own nursing staff. The average hourly pool fee by type of nursing personnel was determined by reviewing pool billings for a recent three month period. The facility's average hourly cost for its own nursing staff was computed through an analysis of average hourly wages, fringe benefits, employer taxes, orientation and training, recruiting, overtime and shift differential costs. We did not include nursing department overhead costs for nursing administration, supervisors, head nurses or other administrative functions such as personnel, payroll, accounting or general administration.

To determine the overall financial impact pool usage had on facility nursing costs, we projected the additional hourly cost each incurred by using pools to the facility's total pool costs for the most recently completed fiscal year, thereby arriving at the additional annual cost attributable to pool usage. We then compared this additional pool cost to the facility's total nursing costs for the fiscal year.

IMPACT OF POOL USAGE ON NURSING COSTS

The hourly fees charged to facilities by pools for nursing personnel generally were higher than facilities' costs to maintain their own nursing staff. However, the additional hourly cost did not substantially increase total nursing costs because of the relatively low use of pool personnel. Thus, the impact on Medicaid and Medicare cost was minimal. Also, it should be noted that some use of pools or similar organizations will probably always be necessary to cover peak patient periods and absences of permanent staff due to vacations and sickness.

Pool fees exceed health care facility costs

Pool fees for nursing personnel generally exceeded facility costs for similar personnel. For registered nurses, average nursing pool fees ranged from \$8.30 per hour at one facility to \$14.18 per hour at another, while average facility registered nurse staff costs ranged from \$7.37 to \$12.67 per hour. The average licensed practical nurse pool fees ranged from \$7.24 to \$12.11 per hour, while facility costs ranged from \$5.71 to \$12.15 per hour. For aides, average pool fees ranged from \$4.60 to \$7.18 per hour, while facility costs ranged from \$4.15 to \$7.71 per hour.

The following table shows the additional hourly cost paid by each facility for the use of pool personnel. Overall, nursing homes

paid an average 1/ of \$1.62 (17 percent) more per hour for pool registered nurses, \$1.68 (20 percent) more per hour for pool licensed practical nurses and \$1.21 (24 percent) more per hour for aides. Hospitals paid an average 1/ of \$1.15 (9 percent) more per hour for pool registered nurses, \$.99 (10 percent) more for pool licensed practical nurses and \$1.27 (16 percent) less per hour for aides.

1/Weighted average based on extent of pool usage.

ADDITIONAL HOURLY COST FOR POOL PERSONNEL

	<u>Registered nurses</u>			<u>Licensed practical nurses</u>			<u>Nurse aides</u>		
	<u>Average cost for facility personnel</u>	<u>Average additional cost for pool personnel</u>	<u>Percent increase (decrease)</u>	<u>Average cost for facility personnel</u>	<u>Average additional cost for pool personnel</u>	<u>Percent increase (decrease)</u>	<u>Average cost for facility personnel</u>	<u>Average additional cost for pool personnel</u>	<u>Percent increase (decrease)</u>
Nursing home									
#1	\$ 8.08	\$ 6.10	75	\$ 7.25	\$ 1.68	23	\$ 4.24	\$ 2.34	55
2	8.55	2.65	31	6.67	1.95	29	4.54	1.35	30
3	10.62	1.98	19	9.36	2.74	29	6.32	.19	3
4	12.59	1.31	10	11.21	.87	8	-	(note a)	-
5	-	(note a)	-	7.17	.07	1	4.15	.45	11
6	-	(note a)	-	7.59	.68	9	5.43	.22	4
7	9.73	.23	2	7.89	.31	4	5.16	.55	11
8	9.38	2.32	25	7.48	2.81	38	5.06	2.12	42
9	9.64	2/72	28	9/58	1/41	15	-	(note a)	-
10	7.37	1.48	20	6.28	1.30	21	-	(note a)	-
11	7.48	1.99	27	5.71	1.97	35	4.62	1.63	35
12	8.21	.09	1	7.08	(.18)	(3)	5.60	(.42)	(8)
Hospital									
#1	12.67	1.19	9	9.95	2.16	22	7.71	(1.27)	(16)
2 b/	11.95	.94	8	12.15	(1.30)	(11)	-	(note a)	-

a/Type of pool nursing personnel not used by facility.

b/Data relates to only 2 of the hospital's nursing units.

Impact of increased pool costs on total nursing costs

The increased costs facilities paid for pool services did not substantially increase total nursing costs. As shown by the following table, pool usage by 13 of the 14 facilities resulted in increased costs ranging from \$332 to \$63,634 for the most recently completed cost reporting year. By using pools, the remaining facility experienced about a \$300 savings during the cost reporting year. Overall, the increased costs of using pools for the 12 nursing homes was \$114,000 or only 1.6 percent of their total nursing costs, while the additional costs for the two hospitals was \$65,500 or 0.6 percent of total nursing costs.

<u>Facilities</u>	(1) <u>Total pool costs</u> <u>(note a)</u>	(2) <u>Increased costs because of pool</u> <u>(thousands)</u>	(3) <u>Total nursing costs</u> <u>(note a)</u>	Percent increase because of pool use <u>(note b)</u>
Nursing home #1	\$57.6	\$20.0	\$501.7	4.0
2	63.2	14.6	678.6	2.1
3	87.2	3.6	661.6	0.5
4	127.1	10.1	1,435.8	0.7
5	8.8	.3	122.4	0.3
6	33.2	1.9	123.7	1.5
7	79.5	3.2	686.7	0.5
8	47.2	11.6	534.9	2.2
9	245.6	39.7	1,469.4	2.7
10	21.1	3.5	463.2	0.8
11	24.1	5.8	193.2	3.0
12	19.0	(.3)	266.7	(0.1)
Total	<u>813.6</u>	<u>114.0</u>	<u>7,137.9</u>	1.6
Hospital #1	749.2	63.6	9,268.5	0.7
2c/	187.9	1.9	1,201.3	0.2
Total	<u>937.1</u>	<u>65.5</u>	<u>10,469.8</u>	0.6

a/Cost for most recently completed cost reporting year.

b/Column 2 divided by column 3.

c/Data relates to only 2 of the hospitals' nursing units.

The increased costs the visited facilities incurred by using nursing pools have had limited impact on the Medicare and Medicaid programs because such costs generally represented only a small percentage of each facility's total nursing costs which in turn are only a part of the facility's total costs. Furthermore, the impact that increased costs had on these programs becomes even less significant because some patients in facilities are not covered by Medicare or Medicaid.

Pool usage is relatively low when compared to total nursing hours

The hours worked by pool personnel were generally small when compared to the visited facilities' total nursing hours. Furthermore, most facility officials indicated that utilization of pool nurses has or is expected to level off. In some cases, officials noted that decreases in pool usage had already occurred.

As shown by the following table, pool hours in comparison to total nursing personnel hours for the most recently completed cost reporting fiscal year ranged from 2 percent at one facility to 18 percent at another. Overall, pool usage in terms of total nursing hours only averaged 7 percent.

<u>Facilities</u>	<u>Total nursing hours (note a)</u>	<u>Pool hours</u>	<u>Percent</u>
Nursing			
home # 1	100,013	7,681	8
2	149,216	7,649	5
3	112,066	12,867	11
4	230,919	10,037	4
5	20,261	1,440	7
6	28,122	5,108	18
7	102,497	9,483	9
8	78,350	4,403	6
9	205,082	21,396	10
10	101,920	2,472	2
11	35,176	3,110	9
12	55,631	2,670	5
Hospital #1	828,876	55,656	7
2 b/	<u>133,687</u>	<u>15,469</u>	12
Total	<u>2,181,816</u>	<u>159,441</u>	7

a/Includes all hours worked by facility staff and pool personnel.

b/Data relates to only 2 of the hospital's nursing units.

A 1979 study by the Massachusetts Rate Setting Commission also indicated that facilities were not using pool nurses to any great extent. Of 476 nursing homes responding to the study 1/, 265 (56 percent) stated they were using pool nurses. For these homes, pool costs as a percentage of total nursing costs ranged from 1 to 48 percent but averaged only 5 percent.

Anticipated pool usage

Information obtained from facility officials indicates that, in most cases, pool usage has or is expected to level off or even decrease during their current cost reporting year.

Of the 12 nursing homes visited, data or comments relative to trends in pool usage were obtained from 11 facilities. The remaining home has ceased operations. Pool usage at 7 of the 11 nursing homes has or is expected to decrease. For the remaining four homes, usage has leveled off at one facility and increased at three others.

Both hospitals visited experienced a decrease in pool usage during their most recent cost reporting year. Furthermore, hospital officials expect pool usage to remain constant during their current cost reporting year.

Pool usage may further decline because some facilities and groups of facilities have established pools to meet their own needs. One hospital has already formed its own pool and is considering combining resources with four other area hospitals to further reduce reliance on nursing pools. A nursing home is also contemplating the establishment of its own list of "on-call" nurses to meet temporary staffing requirements. This facility had recently distributed a questionnaire to registered nurses in its area to determine the availability of nurses for this purpose.

POOL RECRUITMENT OF FACILITY PERSONNEL

A common complaint against pools was that they were hiring away facility permanent staff, but we found this was not generally the case in the facilities visited. Although most of the facilities lost some nurses to pools, the numbers lost did not appear to be substantial. In fact, facilities have, in several cases, hired pool nurses.

1/There are about 650 nursing homes in the State.

At 5 of the 14 facilities, no permanent nurses were lost to pools during the previous year. Even though nine had lost some nurses to pools, facility officials considered most of the losses insignificant. For example, a nursing home with an equivalent of 19 full-time nurses lost only one nurse to a pool in the past 2 years. Another facility with the equivalent of 24 full-time nurses lost two nurses to pools during the past year. Officials at these nursing homes noted that most nurses who leave seek permanent positions in hospitals.

Not only have facilities lost relatively few nurses to pools, some have even hired pool staff. Four of the 14 facilities had done so to fill vacant positions. One nursing home had hired five pool nurses in the past year--the same number lost to pools. The other three facilities had hired one pool nurse each in the past year. Two of these facilities had not lost any staff to pools during this same period.

VIEWS ON HOW POOL USAGE AFFECTS PATIENT CARE

Facility officials had mixed feelings regarding the care provided by pool nurses. Most officials also cited quality of care problems associated with pool use.

Facility officials at 8 of the 14 facilities indicated they were generally satisfied with the care provided by pool nurses, while officials at the remaining six facilities expressed dissatisfaction. Collectively, nursing home administrators and hospital officials believed there were numerous quality of care problems associated with pool use. For example, officials at 10 of the 14 facilities commented that pool nurses are unable to provide continuity of patient care because they are assigned to facilities for brief periods and, accordingly, are not familiar with patients' needs. Other problems alleged by facility officials were

- pool nurses are not dedicated to the facility or its patients;
- pool nurses are not sufficiently aware of facility policies and procedures;
- pool nurses hurt staff morale because they are frequently paid better, work flexible hours, and are not as productive; and
- pool nurses require close supervision and monitoring because many are not dependable.

The problems cited by facility officials may indeed affect the quality of patient care. However, alleviating these problems may be difficult, because most of these problems could be encountered when using any type of temporary help. The HHS study should provide additional information on this subject.

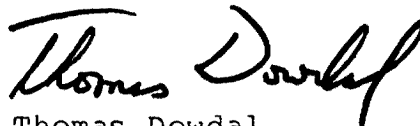
CONCLUSION

Our survey results show that at the facilities visited

- pool hourly fees were usually higher than the cost of permanent staff, but the impact on facility costs was not great because facilities use relatively few pool nurses;
- nursing pool usage has had limited impact on Medicare and Medicaid costs;
- pool usage has generally leveled off or declined; and
- few, if any, nursing personnel have been lost by the visited facilities to pools.

The above situation could change, however, if pool fees and/or usage increase dramatically. Also, the conditions we found in the New England area may not represent what is occurring in other areas of the country.

Sincerely yours,



Thomas Dowdal
Group Director