

How much are unfilled roles costing your hospital?



Calculating and applying total cost-per-vacancy

Healthcare providers simply cannot afford an inefficient workforce. Salaries, wages and benefits represent 55-65% of total operating expenses for hospitals and health systems. Unfilled roles affect patient care and have a significant financial impact. In this era of reform, organizations need quality talent, in the right places, at all times.

Leaders intuitively know that vacant positions increase the workload of other team members, reduce productivity, harm employee morale, negatively impact care quality and patient satisfaction, and ultimately result in lost revenue. But, to truly measure the overall impact to healthcare organizations' bottom lines, there is one critical business indicator: total cost-per-vacancy (CPV). Understanding the cost of vacancies is imperative to managing overall hospital expenses. With this information, leaders can:

- Determine the true business impact of talent shortages
- Make decisions about how quickly positions need to be filled
- Transform recruitment approaches
- Achieve organizational cost-efficiency

Impacts of vacancies

Relying heavily on cost-per-hire metrics often leaves soft and hard costs related to unfilled positions unattributed. For example, after adopting CPV measures, organizations have found that 33-50% of overtime costs stem from unfilled positions. A formal calculation of CPV offers clear transparency into the direct and indirect impacts of open vacancies, and enables organizations to mitigate the known risks.

Direct and indirect impacts

Financial

- Increases travelers and agency usage
- Increases contract salaries
- Increases overtime costs and premium pay
- Increases misuse of staffing incentive/bonuses
- Increases need for international recruitment

Culture/engagement

- Damages the morale of permanent staff
- Increases staff burnout
- Reduces ability to hire for cultural fit
- Puts quality of hire at risk
- Makes talent initiatives reactive, not strategic
- Limits opportunity for employee development
- Increases voluntary turnover rates

Productivity

- Leads to under-performance and loss of idea generation
- Creates reluctance to terminate substandard employees
- Increases need for management supervision of teams
- Limits leader focus on strategic initiatives
- Increases staff absenteeism

Patient Satisfaction

- Drives restricted access to care
- Increases accident and error rates
- Diminishes patient experience
- Lowers HCAHPS Survey scores
- Increases staff absenteeism



Total cost-per-vacancy (CPV) is the cost to an organization for having unfilled roles, such as hiring manager time, overtime expenses, and contingency or agency spend.



Calculating total cost-per-vacancy

To realize the benefits of understanding the financial impact of unfilled positions, use the following worksheet to calculate CPV. If your HR data allows, consider adding more in-depth qualitative measures such as the cost of hiring manager time spent on recruitment activities.



Recruitment marketing spend	_____	
Salaries and benefits of recruiting staff	_____	
Administrative and overhead expenses of recruiting staff	_____	
Technology costs	_____	
Temporary staffing and agency costs	_____	
Incurred overtime due to unfilled positions	_____	+
Total cost of all vacancies:	_____	
	_____	(/ - divided by)
 Average number of vacancies	_____	
 Total cost per vacancies:	_____	

Example: A large health system that has an average cost-per-vacancy of \$5,500 and averages 2,500 open positions, results in over \$13 million total cost of unfilled positions for the system.

Where HR can begin

Calculating total cost-per-vacancy and learning the full ramifications of open positions enables organizations to make a positive impact on financial performance, employee engagement, productivity and, most importantly, patient satisfaction. Sharing this information with executive leadership validates HR’s critical role in driving organizational performance and achieving healthcare’s triple aim: drive quality of care, improve patient satisfaction and reduce costs. On a more actionable level, calculating CPV provides the transparency HR leaders need to inform their strategic workforce plan and transform their approaches to talent acquisition and management – ultimately creating a highly efficient and effective talent function that attracts, engages and retains the right talent needed to deliver quality care to our communities.

About Cielo Healthcare

Cielo Healthcare is the world’s leading Talent Acquisition Partner to the healthcare industry. We deliver a better talent experience for everyone through Recruitment Process Outsourcing, Executive Search, Contingent Workforce Solutions and Consulting services. With our fresh approach – we design and build comprehensive, proven solutions inspired by technology to find and keep the unique talent that elevates our clients above the competition. Learn more at cielohealthcare.com.