HAWAII HEMA Annual Conference

Taking a Hard Look at the Cost of Turnover

- How partnering with your Human Resource Leader can make a difference -

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Kalaukia
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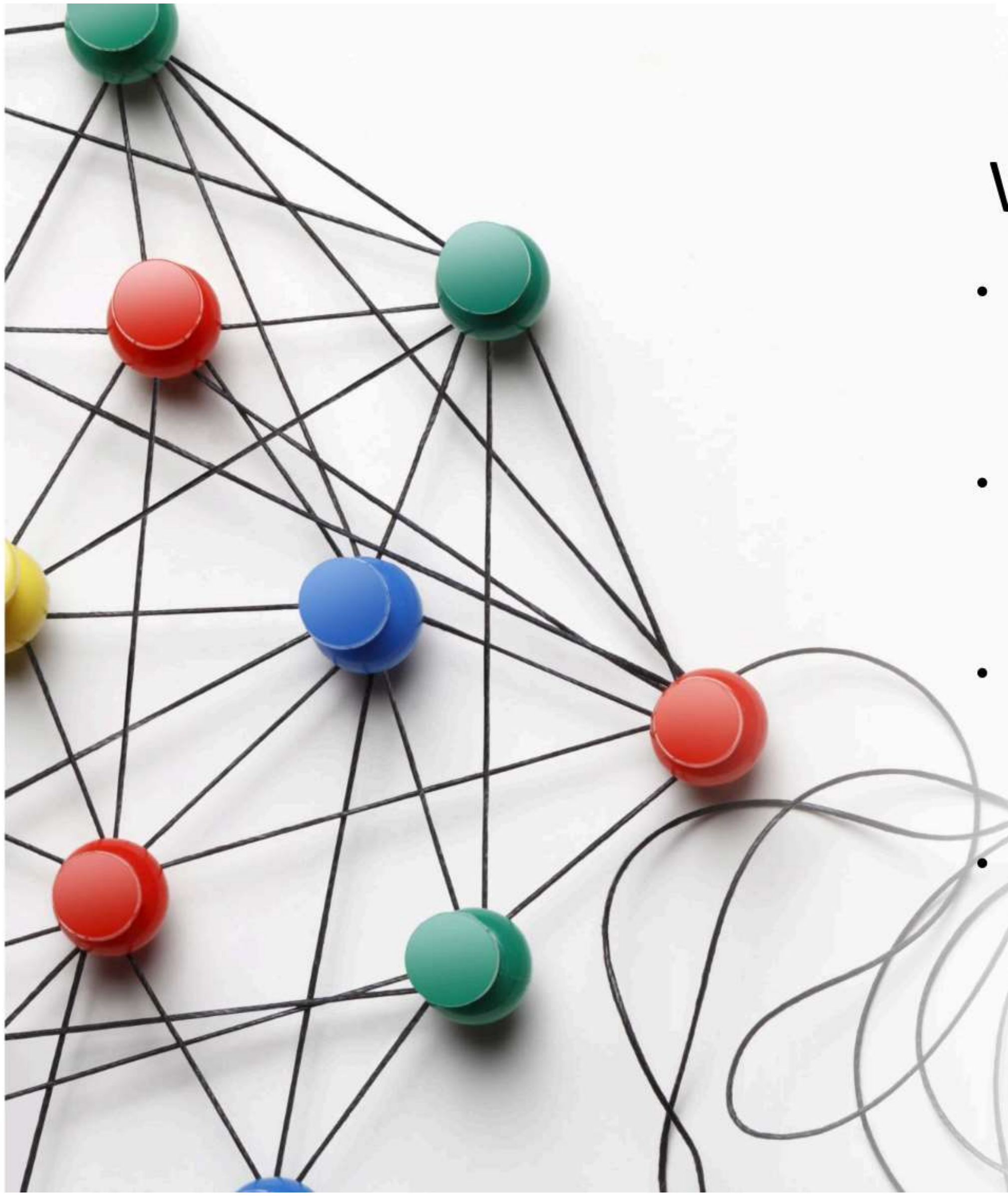
Session Objectives

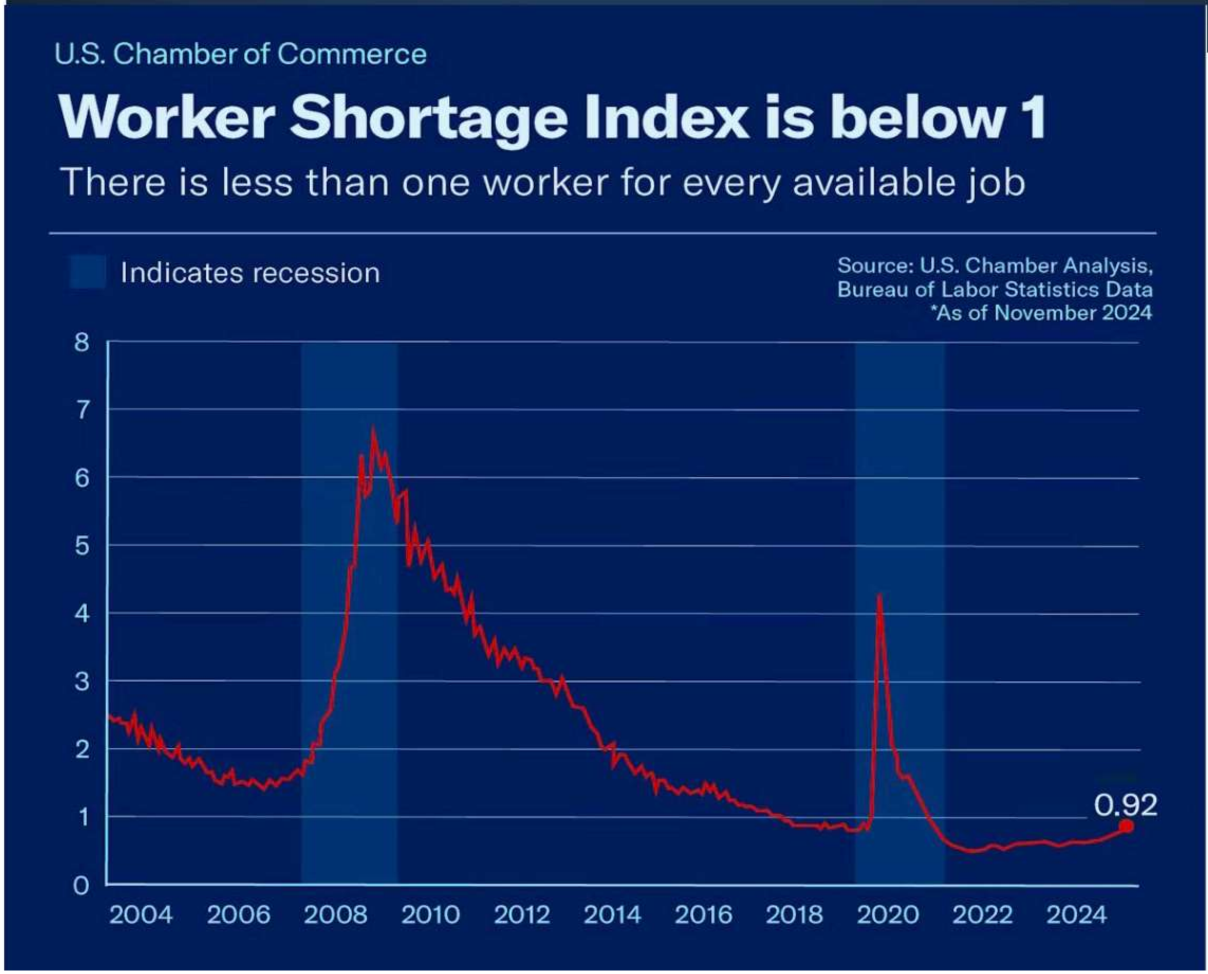
Overview	Provide an overview of current workforce landscape and trends.
Quantify	Quantify the cost of healthcare employee turnover, including direct and indirect financial impacts.
Understand	Understand the evolving role of HR in healthcare organizations and its increasing strategic importance.
Action	Call for action for Finance and HR leaders to align and partner for success.



Why This Matters

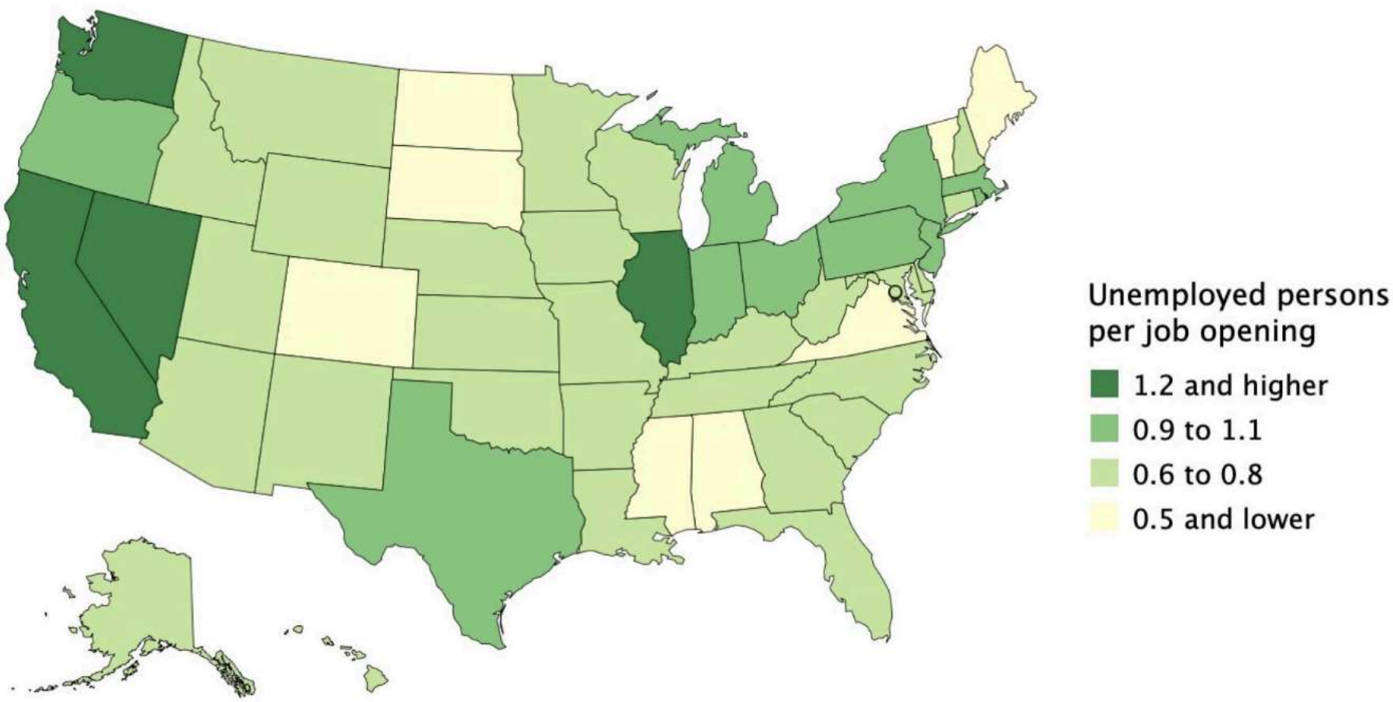
- Healthcare industry continues to face uniquely high vacancy and turnover rates.
- Impact on patient outcomes, operations, and financial sustainability.
- Organizations often underestimate (or don't quantify) turnover costs.
- Strong strategic alignment and partnership between Finance and HR Leader has the potential for significant dividends.

Labor Supply in the U.S.

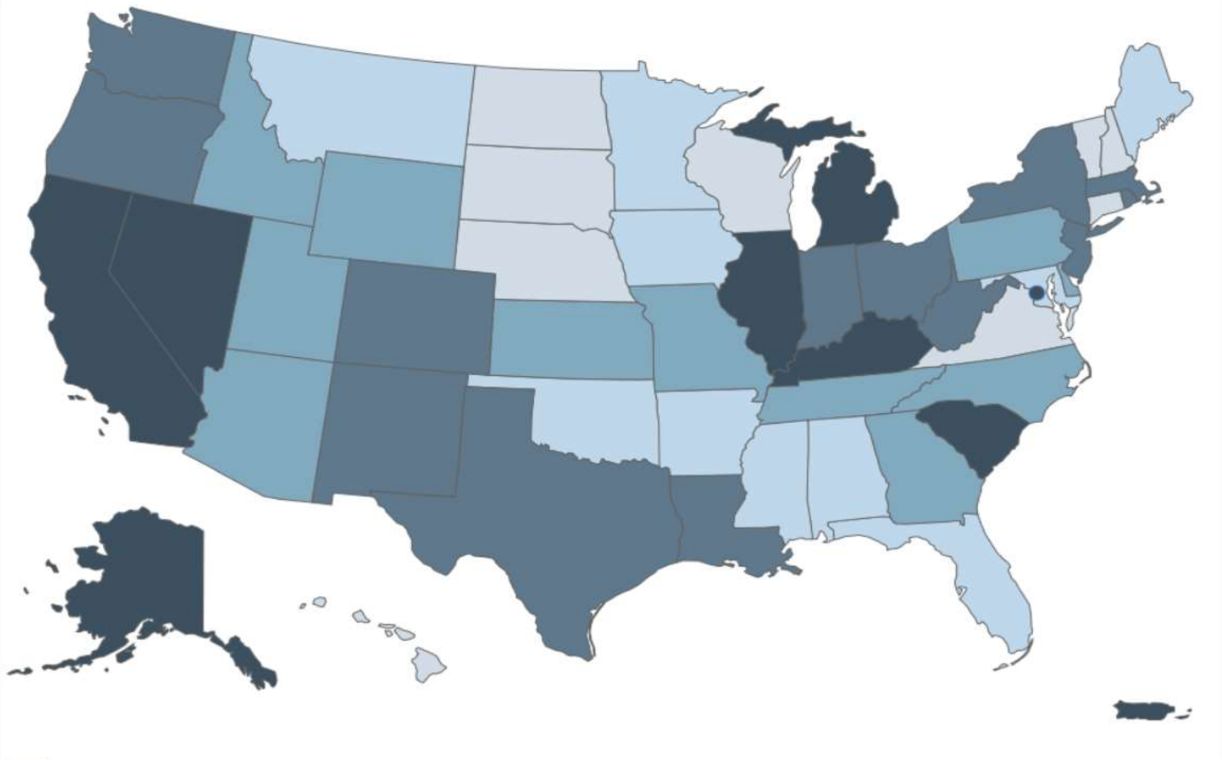


Source: https://www.uschamber.com/economy/american-business-data-center-2025

Number of unemployed persons per job opening by state, October 2024, seasonally adjusted (U.S. ratio = 0.9)



State unemployment rates, December 2024, seasonally adjusted

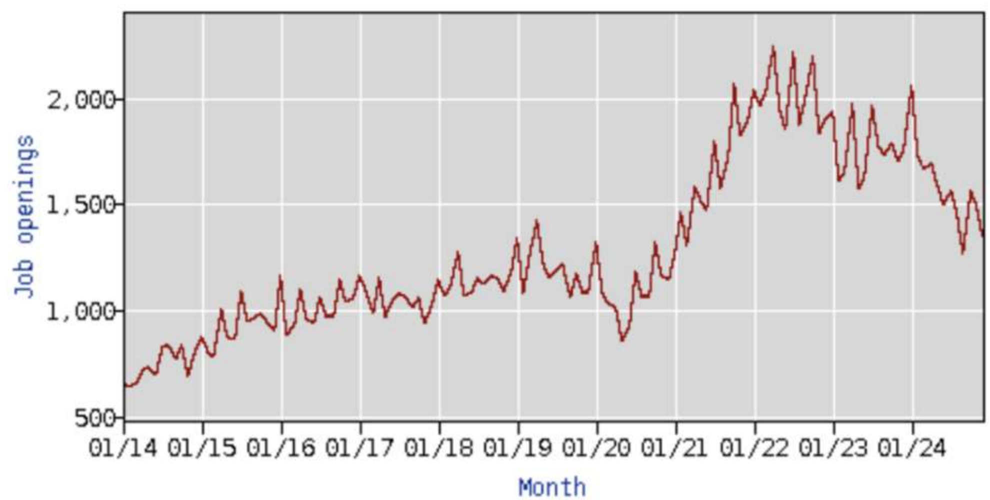


- 4.7% and above
- 4.1% to 4.6%
- 3.5% to 4.0%
- 3.1% to 3.4%
- 3.0% and below

Hover over an area to see data.
Hover over legend items to see states in a category.
Source: U.S. Bureau of Labor Statistics.

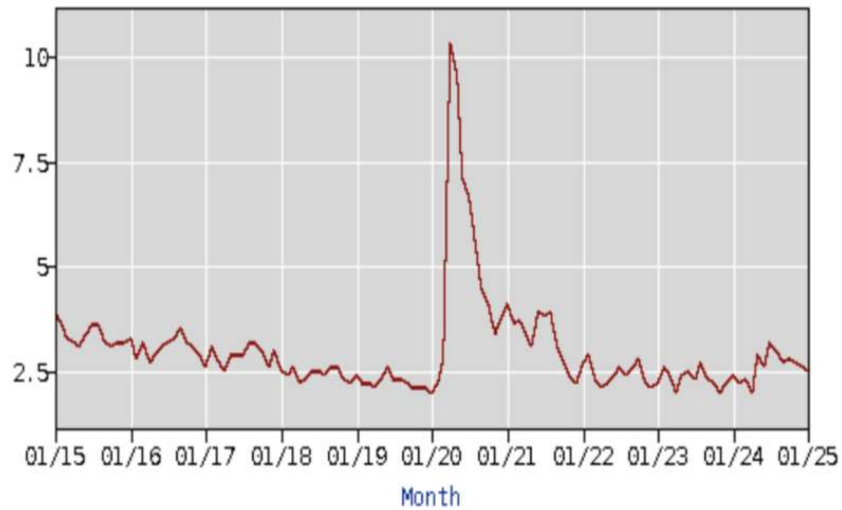
U.S. Healthcare and Social Assistance Workforce Statistics

Industry:	Health care and social assistance
State/Region:	Total US
Area:	All areas
Data Element:	Job openings
Size Class:	All size classes
Rate/Level:	Level - In Thousands



U.S. Healthcare and Social Assistance Workforce Statistics

Series title:	(Unadj) Unemployment Rate - Nonagricultural Private Wage and Salary Workers, Health Care and Social Assistance
Labor force status:	Unemployment rate
Type of data:	Percent or rate
Age:	16 years and over
Class of worker:	Private wage and salary workers
Labor force experience:	Experienced
Industry:	Health care and social assistance



Hawai'i Labor Force

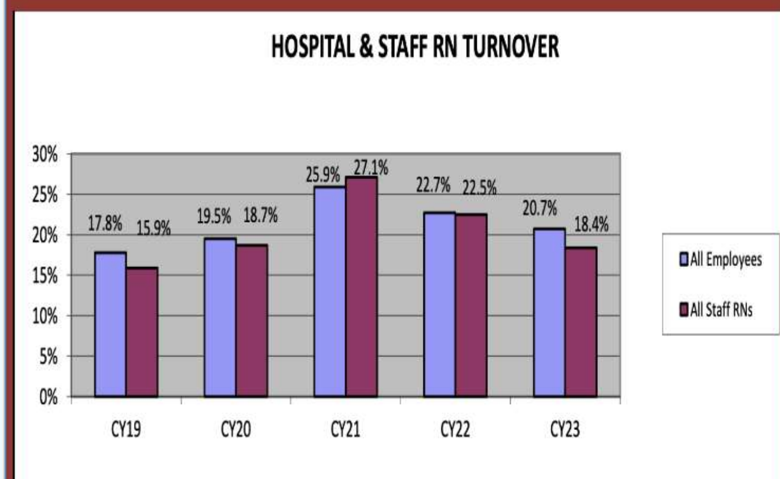
Chart 1. Job openings as a percent of employment for the United States and Hawaii, seasonally adjusted

Source: U.S. Bureau of Labor Statistics.

https://www.bls.gov/regions/west/news-release/jobopeningslaborturnover_hawaii.htm#map1

Series Id:	LASST150000000000006
Seasonally Adjusted	
Area:	Hawaii
Area Type:	Statewide
State/Region/Division:	Hawaii

Source: Health Resources and Services Administration National Center for Workforce Analysis, Health Workforce Projections, March 2024, https://bhw.hrsa.gov/data-research/projecting-health-workforce-supply-demand



Source:https://www.nsinursingsolutions.com/Documents/Library/NSI_National_Health_Care_Retention_Report.pdf

The Cost of Turnover

The Predictive Index Blog:
"Employee turnover cost is calculated by taking your vacant position coverage cost plus cost to fill the vacant position plus onboarding & orientation costs plus the productivity ramp-up cost multiplied by the number of employees lost in that position in a given year multiplied by 12 to give you your annual rate".

The Direct Costs of Turnover

Severance Pay & Benefits Payouts – Final paychecks, accrued vacation, pension contributions, or other contractual payouts.

Recruitment Costs – Expenses for advertising, job postings, hiring consultants, recruitment agencies, and internal HR resources.

Hiring Costs – Background checks, pre-employment assessments, and onboarding expenses.

Training Costs – Formal training programs, materials, certifications, and trainer salaries.

Temporary Staffing Costs – Cost of hiring contractors or temporary employees to cover vacancies.

Relocation Costs – If a replacement hire needs relocation assistance.

Legal & Compliance Costs – Legal fees related to employment disputes or compliance issues.

Society for Human Resource Management (SHRM) Jan 2022: "…on average it costs a company **6-9 months of an employee's salary** to replace him or her.

"The cost of replacing an individual employee can range from **one-half to two times the employee's annual salary** -- and that's a conservative estimate.

So, a 100-person organization that provides an average salary of $50,000 could have turnover and replacement costs of approximately $660,000 to $2.6 million per year." (March 13, 2019)

"XYZ Health Systems" Turnover Estimate Example

500 12-month Avg # employees

9 # of separations/month

21.6% Annualized TR

$48,000 Median annual salary

$2.6M - $10.4M Estimated Turnover Cost

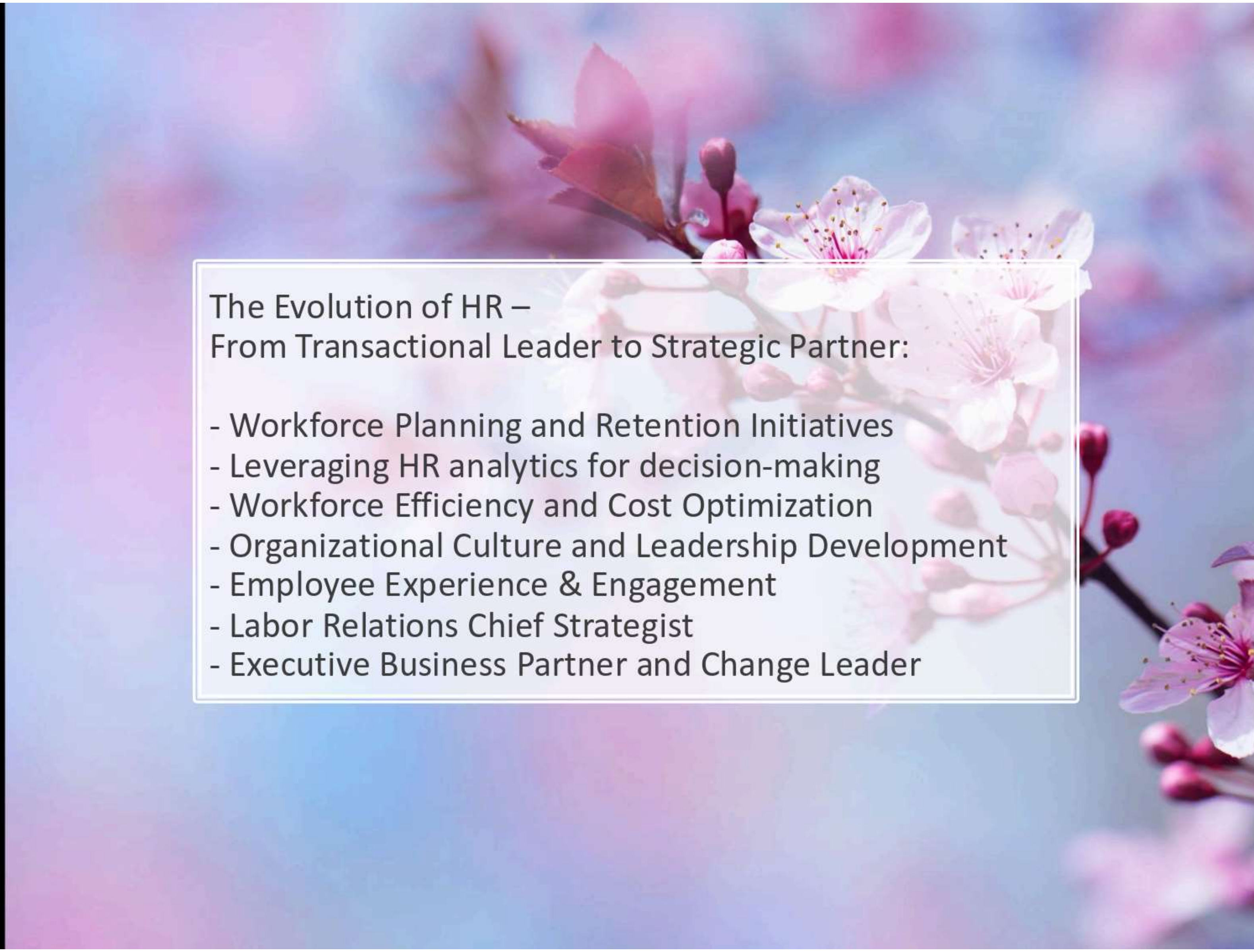
The (not so) indirect Costs of Turnover

- Productivity Loss
- Knowledge Drain
- Patient Service Impact
- Team Disruption and Morale
- Increased Workload for Remaining Staff
- Lost billable Revenue
- CMS payment penalties
- Cultural & Brand Damage

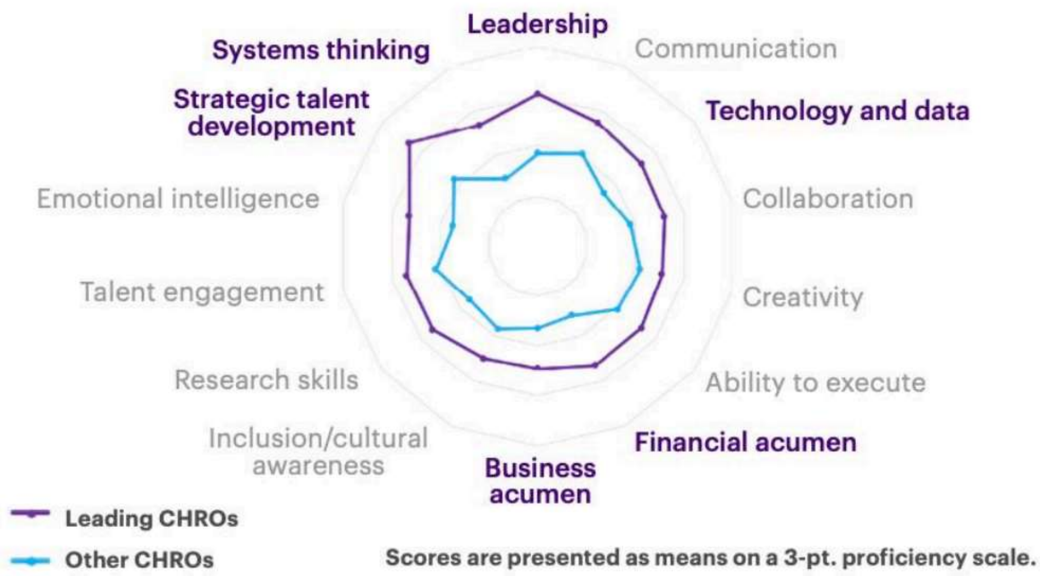
Accenture Study
https://www.accenture.com/content/dam/accenture/final/capabilities/strategy-and-consulting/talent-and-organization/document/Accenture-CHRO-Growth-Executive.pdf#zoom=40

Top focus areas identified by CEOs for driving growth in the next three years (% frequency)

Data from n=570 CEO survey responses


The Evolution of HR –
From Transactional Leader to Strategic Partner:
- Workforce Planning and Retention Initiatives
- Leveraging HR analytics for decision-making
- Workforce Efficiency and Cost Optimization
- Organizational Culture and Leadership Development
- Employee Experience & Engagement
- Labor Relations Chief Strategist
- Executive Business Partner and Change Leader

High-Res CHROs are more proficient than their peers across all skills measured



Data from n=570 CHRO survey responses

Accenture: “The CHRO as growth executive”

Source: https://www.accenture.com/content/dam/accenture/final/capabilities/strategy-and-consulting/talent-and-organization/document/Accenture-CHRO-Growth-Executive.pdf#zoom=40

SENIOR HR LEADER SURVEY:

WHAT DO YOU SEE AS THE BIGGEST MISCONCEPTIONS HELD BY TOP ORGANIZATIONAL LEADERS ABOUT THE ROLE OF THE SENIOR HR LEADER?

2024 Senior HR Leader Survey
by Kalaukia Enterprises LLC

That decisions are made in a vacuum by a single person. Creates misperception about process used to make decisions. That decisions are made solely based on economics. Creates misconception that we don't care about the people.

HR leaders may not understand the business and are a barrier to the organization’s success. This doesn’t empower the HR team to drive change and engage leaders and employees in alignment with the CEO.

That I have capacity to influence departments that I don't oversee. I always attempt to collaborate, but I don't have knowledge or expertise of departments. There is an assumption HR can make changes to quality, training etc., when those aren't under HR scope.

HR is Transactional & Administrative. HR is a Cost Center and Not a Strategic Partner. HR is Reactive rather than Proactive: focus on short-term problem-solving rather than long-term strategic planning

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2024 Senior HR Leader Survey by Kalaukia Enterprises LLC
Mistakes Top Org Leaders make when it comes to working with their HR Leader, and impact on Organization:

" Not listening to broader effects of single decision made. Creates additional problems for HR to deal with newly created inequity."

"Not involving HR in planning stages of organizational priorities."

"Not involving HR in change management"

"Frequent changes with too little time to see results / impact"

"Not understanding how to maximize the strategic impact HR can have in moving an organizations strategic plan forward and impact all areas of revenue growth, risk management, and operational efficiency through aligned human capital initiatives."

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2024 Senior HR Leader Survey by Kalaukia Enterprises LLC
Misconceptions about Senior HR Leader Role result in:

"Underutilization of the HR team's potential, frustration among HR professionals, and a lack of involvement in strategic decision-making processes."

"Inadequate resources and support for HR initiatives, leading to burnout and a sense of underappreciation among HR professionals. It may also hinder the ability of the HR team to implement effective programs and strategies."

"Focus on short-term problem-solving rather than long-term strategic planning, reducing the effectiveness of HR initiatives. It may also result in a lack of foresight and preparation for future organizational needs."

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Call to Action:
Finance & HR Partnering for Success

Why:

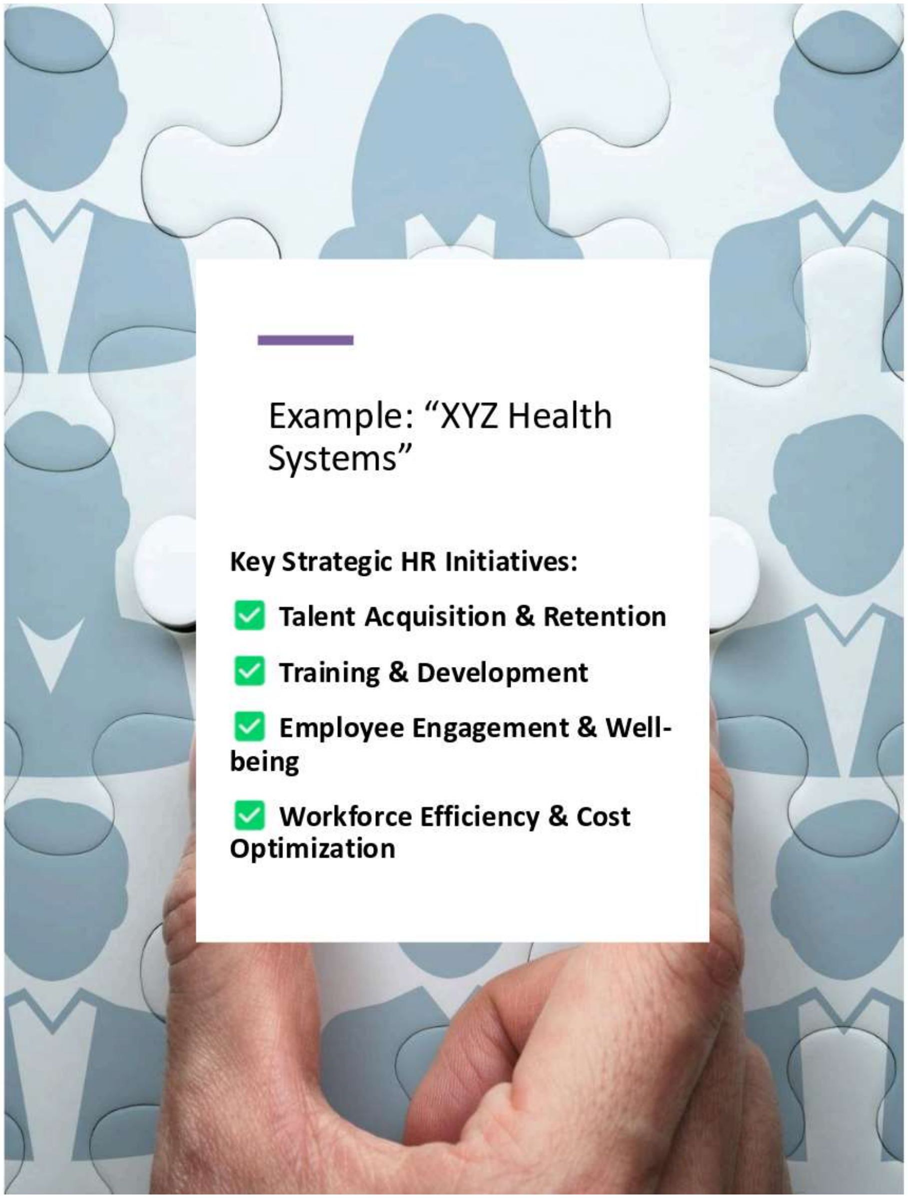
- Aligns HR & Finance on Strategy, Goals, and KPIs
- Drives Data-Backed Workforce Decisions
- Improves Predictability and allows for more proactive rather than reactive Budget Decisions
- Optimizes Cost while Retaining Talent
- Enhances buy-in for HR Initiatives

How:

- Use Data & Analytics together
- Invest in Workforce Planning Analytics
- Align Financial & Workforce Planning
- Collaborate on Compensation & Benefits Strategy
- Invest in and demonstrate ROI for employee training, wellness, and engagement initiatives
- Apply Leadership Best Practice

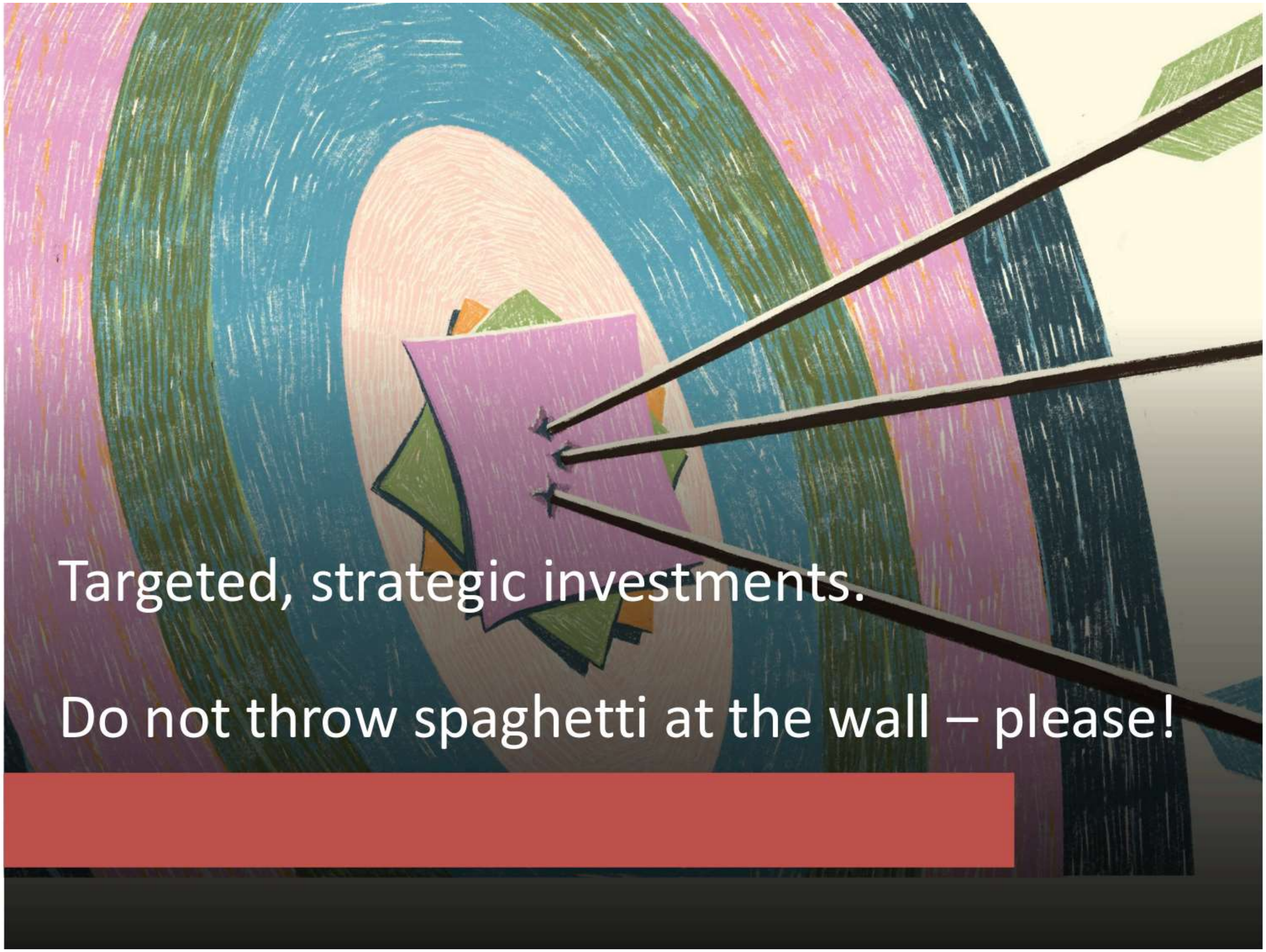
Best Leadership Practice Considerations for Senior Finance and HR Leaders

- ✓ Develop a shared language
- ✓ Align strategies with goals
- ✓ Establish regular, proactive communication
- ✓ Create a safe space
- ✓ Seek to broaden your understanding of HR
- ✓ Help broaden your HR leader's financial acumen
- ✓ Set example for and hardwire cross-functional collaboration



HR Strategic Goals:

1. **Reduce Employee Turnover** - lower turnover by 8% within 12 months.
2. **Enhance Workforce Productivity** – improve employee efficiency by 15%.
3. **Improve Employee Engagement & Satisfaction** – increase overall engagement scores by 20%
4. **Optimize Labor Costs While Enhancing Retention** - balance cost-efficiency and workforce investment


Targeted, strategic investments.
Do not throw spaghetti at the wall – please!

Example Basic Dashboard: "XYZ Health Systems"

HR Metrics	Strategic HR Focus	Financial Metrics	Strategic Finance Focus
Turnover Rate (%)	Reduce employee turnover through retention initiatives.	**Turnover Cost $**	Quantify turnover cost and budget impact
Time-to-Fill (Days)	Decrease the duration required to fill open positions.	**Cost per Hire ($)**	Reduce hiring expenses by optimizing recruitment spending.
Employee Engagement Score (%)	Enhance employee satisfaction and engagement.	**Productivity per Employee ($ Revenue Contribution)** **Net Revenue per Full-Time Equivalent (FTE) ($)**	Measure how engagement improves workforce productivity and revenue. Higher engagement can lead to increased productivity, impacting revenue generation.
Training Investment per Employee ($)	Invest in employee development programs.	**Return on Investment (ROI) for Training Programs (%)**	Evaluate the financial returns of training initiatives through improved performance, retention, and efficiency.
Overtime Hours per Employee	Manage and reduce unnecessary overtime.	**Premium Pay Costs ($) and Percentage (%)** **Labor Cost as a Percentage of Total Operating Expenses (%)**	Control labor costs to maintain financial stability.
Absenteeism Rate (%)	Minimize employee absenteeism through wellness programs.	**Lost Productivity and/or Revenue Due to Absenteeism ($)**	Address potential revenue losses resulting from staff absences.
Vacancy Rate (%)	Keep vacancy rates low to ensure adequate staffing.	**Revenue lost due to open Positions ($)**	Ensure sufficient staffing to maintain patient flow and revenue. Track financial loss due to unfilled roles in revenue-generating departments.
Patient Satisfaction Score (HCAHPS) (%)	Improve patient experience through better staffing and training.	**Value-Based Purchasing (VBP) Adjustments ($)**	Link higher patient satisfaction to financial incentives or penalties.

Summary

1) Healthcare industry continues to face uniquely high vacancy and turnover.
2) Impact on patient outcomes, operations, and financial sustainability.
3) Turnover costs are “felt”, but often not fully captured.
4) Targeted strategic investments beyond traditional salary and benefits adjustments are necessary to reduce turnover.
5) Quantifying turnover cost (and savings) is necessary for ROI.
6) Shift in the role of Senior HR Leaders.
7) Strong strategic alignment and partnership between Finance and HR Leader <u>will</u> pay significant dividends.

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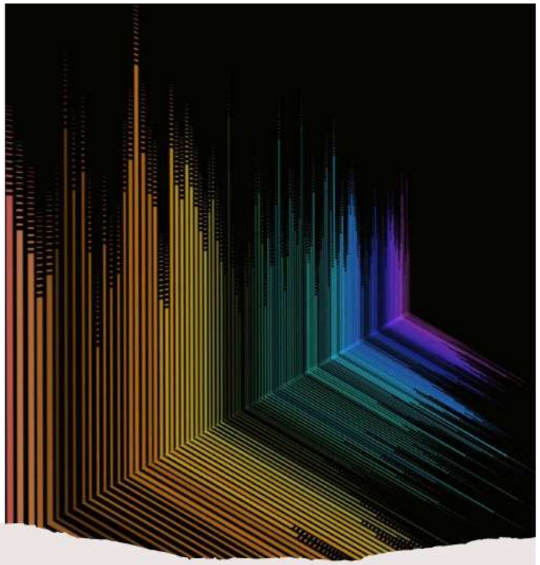

THANK YOU!

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