A photograph of a protest. A large crowd of people is visible behind a banner that reads "Support Sharp Nurses". The banner is held up by a metal structure. The background shows a clear sky and some utility poles.

Sharp HealthCare Has a Nursing Turnover Crisis, Despite the Financial Capacity to Fix It

A research report by

United Nurses Associations of California/Union of Health Care Professionals
and
American Federation of State, County and Municipal Employees

SUMMARY

Sharp HealthCare has a healthier financial picture than the one it likes to paint. Sharp has a healthy store of cash reserves—enough accumulated savings from past operating gains to purchase a top NFL football team. And Sharp's profit margin continues to dwarf other hospital systems in San Diego, and elsewhere.

What do we know about registered nurse turnover at Sharp?

- In 2012, Sharp saw 438 registered nurses walk out the door; by 2018, about 700 registered nurses were leaving each year.
- Sharp loses nearly \$80 million each year replacing the registered nurses who leave: In three years, the new Chula Vista hospital tower would be paid for.
- A registered nurse who stays at Sharp for 10 years will make 30 percent less than a Kaiser Permanente nurse making the same commitment.

SHARP HEALTHCARE HAS A NURSING TURNOVER CRISIS, DESPITE THE FINANCIAL CAPACITY TO FIX IT

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Report Prepared for United Nurses Associations of California/
Union of Health Care Professionals, AFSCME

Turnover of registered nurses is costly to any health care provider. Sharp HealthCare has a turnover crisis, despite clearly having the financial capacity to solve this problem.

Sharp's claims of financial difficulties do not ring true based on the organization's most recent audited financial statements.¹ Those statements cover the fiscal years that ended on September 30, 2017 and September 30, 2018. (Sharp is a nonprofit, but I use the terms "profit" or "profitability" as shorthand for net income.)

Sharp has been extremely profitable.

Sharp was strongly profitable in 2017 and finished the year with enormous available unrestricted net assets.

In fiscal year 2017, Sharp had operating income—income derived from its core health care functions—of \$151.1 million, a healthy 4.5% of operating expenses of \$3.33 billion. Sharp also had \$189.6 million of investment income.

Sharp finished fiscal year 2017 with a massive \$3.36 billion in unrestricted net assets—assets not earmarked or dedicated for a particular use, and thus, indicate financial flexibility. In total, Sharp's surplus, or change, in unrestricted net assets was \$384.4 million. At 11.6% of operating expenses, this was a very robust profit margin.

NOTE: Although part of this unrestricted category reflects the net asset value of capital, which is not liquid or available for spending, I estimate that capital assets—the value of property, plant and equipment minus the long-term debt which is likely financing the capital—contributed \$692.0 million to net assets. Subtracting this from the unrestricted figure still yields a very high \$2.67 billion, which is an extraordinary 80.3% of the system's operating expenses that year. As a rule, nonprofit entities usually target three to six months (25% to 50%) for this ratio.

In the past two completed fiscal years, Sharp performed remarkably well and had enormous reserves, much larger than a common benchmark.

¹ <https://emma.msrb.org/ES1236593-ES966053-ES1366947.pdf>; see especially pp. 3-4 and associated spreadsheet.

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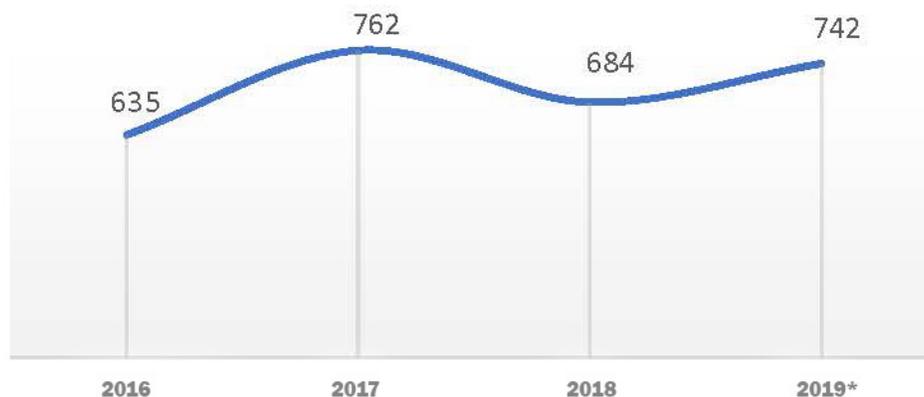
In fiscal year 2018, Sharp yielded \$198.1 million in operating income (an increase of 31.1% over fiscal year 2017). By a strange coincidence, once non-operating factors are included, Sharp again had \$384.4 million in net income. At 10.7% of operating expenses, the profit margin remained robust. Sharp's unrestricted net assets—again adjusted downward for the value contributed by capital assets—were \$3.03 billion, an astounding 84.1% of operating expenses. This is a sign of fiscal strength.

Sharp has wasted an important opportunity for patient care.

Despite its financial success, Sharp appears to have wasted money by failing to retain and attract sufficient nursing staff. This failure is inextricably linked to inadequate wages and benefits. The nursing turnover percentage has manifested in double-digits for several years.

- From January 2016 to December 2016, Sharp had turnover of 635 positions, out of a bargaining unit base of 4,709 members.² At 13.5% of the bargaining unit, this is a high turnover rate.
- From January 2017 to December 2017, Sharp had turnover of 762 positions in a bargaining unit of 4,863 (15.7% turnover).
- From January 2018 to December 2018, Sharp turnover dropped somewhat to “only” 684 positions in a bargaining unit of 5,023 (13.6% turnover).
- From January 2019 to June 2019, Sharp turnover was already at 371 positions. Turnover is on track to be 742 positions in a bargaining unit of 4,953 by December 2019 (15% turnover).

Nurse Turnover at Sharp



*Projected.

² Based on database using bargaining unit information provided to the union by management.

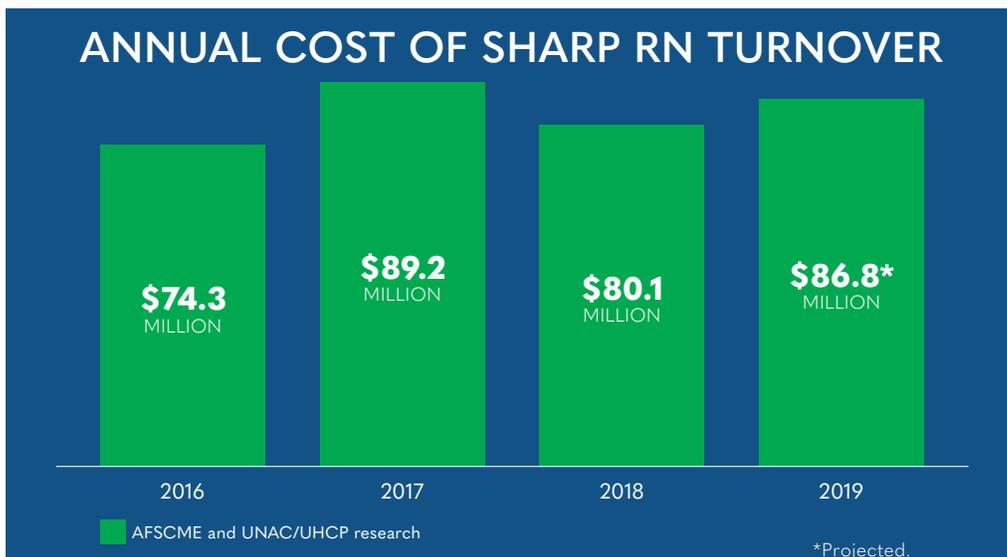
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Turnover is costly in both quantifiable and harder-to-quantify ways. A 2005 study estimated that turnover costs 1.3 times the salary of a departing nurse.³

Using a rough estimate of \$90,000 as the annual salary for the bargaining unit, this is the cost of Sharp's persistent turnover crisis:

- From January 2016 to December 2016, turnover cost Sharp \$74.3 million—(1.3 multiplied by \$90,000 multiplied by total number of registered nurses who left, 635).
- From January 2017 to December 2017, turnover cost Sharp \$89.2 million.
- From January 2018 to December 2018, turnover cost Sharp \$80.1 million.
- For 2019, turnover is projected to cost \$86.8 million.

These costs include advertising, recruiting, hiring, training, and other costs of replacing nurses, as well as an adjustment for lower productivity while new nurses are moving up a learning curve.



Turnover also has qualitative effects, which could affect patients. As one survey of the literature put it: "One commonly cited study did report that organizations with low turnover rates (ranging between 4% and 12%) had lower risk-adjusted mortality and lower patient lengths of stay than did organizations with higher turnover rates."⁴ Using these categories, Sharp had a "moderate" turnover rate in the one-year periods cited in this report. Elevated turnover (above the low range) may have contributed to negative patient care outcomes at Sharp.

³ Jones, C.B. (2005). The costs of nursing turnover, part 2: Application of the Nursing Turnover Cost Calculation Methodology. *Journal of Nursing Administration*, 35(1), 41-49. Cited in <http://ojin.nursingworld.org/MainMenuCategories/ANAMarketplace/ANAPeriodicals/OJIN/TableofContents/Volume122007/No3Sept07/NurseRetention.html?css=print#Jones05>.

⁴ VHA Inc. (2002). *The business case for workforce stability*. Cited in <http://ojin.nursingworld.org/MainMenuCategories/ANAMarketplace/ANAPeriodicals/OJIN/TableofContents/Volume122007/No3Sept07/NurseRetention.html?css=print#Jones05>

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Earlier raw turnover data indicate the persistence of Sharp's turnover crisis: According to a 2016 union report ("The Facts on Sharp's RN Turnover Crisis"), Sharp registered nurse turnover totaled 438 positions from January 2012 to January 2013 and remained stable at 439 positions from January 2013 to January 2014. The absolute number of turnovers then rose, exceeding 500 in every subsequent yearlong period. As mentioned above, the absolute number (762) and rate (15.7%) appear to have peaked from January 2017 to December 2017.



"Too few of us are staying at Sharp for a long time. A lot of the younger generation do end up leaving. Sharp doesn't offer the pay and pensions like other places such as Kaiser or UCSD. It's hard constantly training new nurses over and over again. They are getting that one year of experience on their resume and then moving on."

— ANNA PATTERSON, RN, HAS WORKED AT SHARP GROSSMONT FOR 20 YEARS. SHE IS A CHARGE NURSE IN MED-SURG ONCOLOGY

Summary of findings

- **Sharp makes money:** Sharp HealthCare is a nonprofit entity but is profitable in the common sense of the word. In both of the two most recent completed fiscal years (2017 and 2018), overall net income totaled \$384.4 million.
- **Sharp has cash on hand:** Sharp also finished both recent fiscal years with very high levels of reserves—unrestricted net assets minus the portion of net assets associated with capital—relative to the expenses needed for operations.
- **Sharp refuses to use its profitability and cash reserves to protect patients by ending a persistent nursing turnover crisis:** Despite its profitability, Sharp is wasting money and potentially harming patient care by allowing persistently high turnover. Sharp's elevated turnover rate reflects inadequate wages and working conditions that run counter to the dignity and values of our registered nurses.

"I don't want us to have the reputation of training nurses and then sending them off to a better opportunity. That's a horrible reputation."

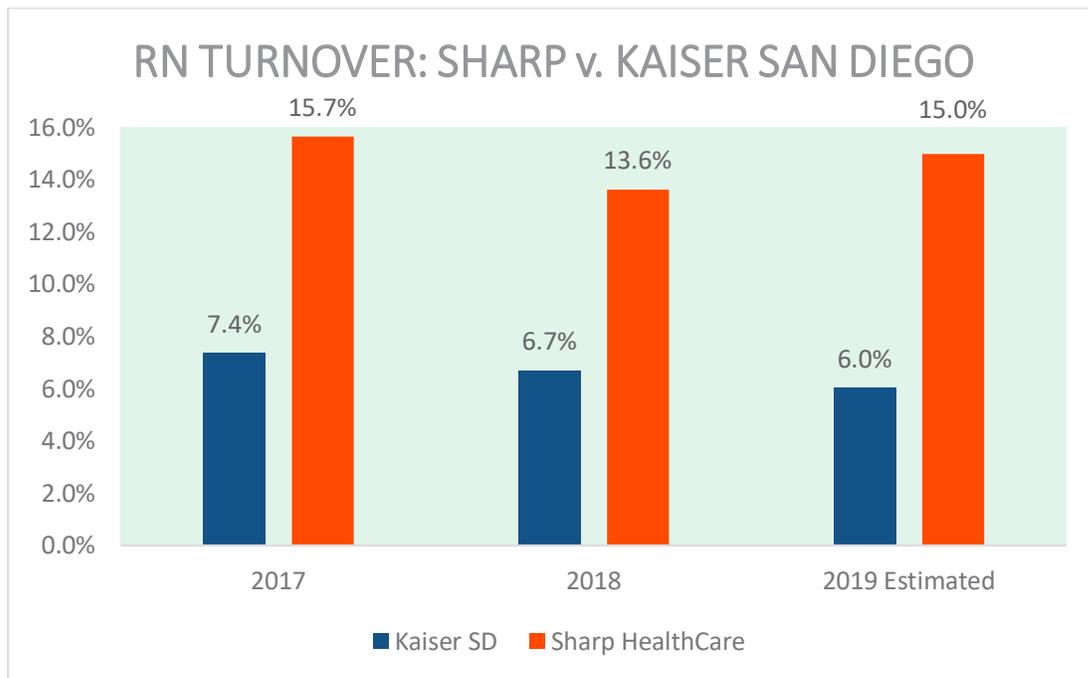
— MELISSA REED, RN, CHARGE NURSE IN THE ER AT SHARP CHULA VISTA



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How Sharp HealthCare measures up to union contractual standards in San Diego

	Kaiser San Diego	UC-San Diego	Sharp HealthCare
RN Wages 2019	New Grad: \$46.29 Five Year: \$63.19 Ten Year: \$69.72	New Grad: \$47.73 Five Year: \$51.37 Ten Year: \$56.70	New Grad: \$43.57 Five Year: \$45.57 Ten Year: \$49.94
Evening Shift Diff.	\$2.75	\$2.25	\$2.75
Night Shift Diff.	\$4.50	\$4.00	\$4.25
Weekend Shift Diff.	Consecutive weekend pay	\$2.80	NONE
On-Call	\$12.00	\$9.50	\$7.50 (\$12 during cancellation period)
Float	\$2.00	N/A	NONE
Defined Benefit Pension	YES	YES	NONE





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