The Business Case for Magnet®

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Presenter Disclosure Information

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The Business Case for Magnet

Financial Disclosure:
Director, Magnet Recognition Program/ ANCC
Unlabeled/Unapproved Uses Disclosure: None
Learning Objectives

1. Delineate the steps in preparation of a business case.
2. Describe the role of the chief nurse in preparing and presenting the Business Case for the Magnet Journey to Excellence.
3. Identify quality, service, and cost opportunities for a return on investment for pursuit of Magnet designation.
Building the Business Case for Magnet®
"Now will everybody please turn to page 5 of the hidden agenda."
Description of Magnet ®

- Identifying excellence in the delivery of nursing services to patients and residents;
- Reflecting the presence of both organizational, as well as nursing, excellence;
- Criteria based evidence of a professional practice environment;
- Promoting quality in a milieu that supports professional practice;
- Providing a mechanism for the dissemination of “best practices” in nursing services.
Magnet Recognition Program ®
Said Another Way...

- Great Leaders
- Great Structures
- Great Nurses
- Knowledge & Innovation
- Great Outcomes
“Remember, Art, statistics, credits and debits are in the eye of the manipulator.”
The Business Case for Magnet

• Situational (current state) assessment
• Link to strategic vision of organization
• Solution (Project) description
• Cost and benefit analysis
• Implementation timeline
• Critical assumptions and risk assessment
• Conclusions and recommendations
Project description

Magnet Journey to Excellence ®

• Multi-year process
• Requires commitment, support and resources
• Written documentation; site visit; decision by Commission
• Ongoing monitoring and evaluation
Appraisal Review Process: Four Phases

- Phase One: Application
- Phase Two: Written Documentation
- Phase Three: Site Visit
- Phase Four: Commission Vote
Cost and benefit analysis

- Identify benefits of Magnet
- Identify costs of Magnet
- Determine return on investment
## Benefits of Magnet Recognition: The Literature

<table>
<thead>
<tr>
<th>People</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Increased RN retention and lower nurse burnout (Aiken &amp; Sloane, 1997)</td>
<td></td>
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<tr>
<td>- Decreased RN vacancy rate (McConnell, 1999; Upenieks, 2003; Jones &amp; Gates, 2007)</td>
<td></td>
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<tr>
<td>- Decreased RN turnover rate (Upenieks, 2003; Aiken &amp; Sloane, 1997; Jones &amp; Gates, 2007; Lacey &amp; Cox, 2007)</td>
<td></td>
</tr>
<tr>
<td>- Reduction in RN agency rates (Upenieks &amp; Aiken, 2003)</td>
<td></td>
</tr>
<tr>
<td>- Improved operating margin (St. Mary’s; Tuazon, 2007; DeSilets &amp; Pinkerton, 2005)</td>
<td></td>
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<tr>
<td>- Improved bond rating (Tuazon, 2007)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
<th>Quality</th>
</tr>
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<tbody>
<tr>
<td>- Increased patient satisfaction (Gallup, 2008)</td>
<td></td>
</tr>
<tr>
<td>- Increased RN satisfaction (Brady-Schwarz, 2005; Waldman, 2004, Gallup, 2008)</td>
<td></td>
</tr>
<tr>
<td>- Decreased pressure ulcers (VA, 2004; Mills, 2008;</td>
<td></td>
</tr>
<tr>
<td>- Decreased ALOS (Aiken, Smith &amp; Lake, 1994)</td>
<td></td>
</tr>
<tr>
<td>- Decreased falls (NDNQI, Dunton, et al, 2009)</td>
<td></td>
</tr>
<tr>
<td>- Patient Safety – improved communication re: errors (Hughes, Chang &amp; Mark)</td>
<td></td>
</tr>
<tr>
<td>- US News and World Report rating (Top 20)</td>
<td></td>
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</table>
Magnet Benefits

- Clinical quality
  - Lower mortality in Magnet hospitals
  - Lower ALOS
  - Lower rate of needlesticks of staff
  - Lower rate of pressure ulcers

- Cost
  - Decreased RN vacancy
  - Decreased RN turnover
  - Lower cost/case
Magnet Hospital Statistics

- RN turnover: 11.32%
- RN vacancy: 3.81%
- Length of employment: 9.6 years

Direct care RN
- Nationally certified: 22.2%
- ADN: 37.38%
- Diploma: 12.3%
- BSN: 45.93%
- MSN: 3.56%
Quantifying Potential Benefits of Magnet

<table>
<thead>
<tr>
<th>Benefit category</th>
<th>Assumption</th>
<th>Cost Savings possibility for 500 bed hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressure ulcer</td>
<td>Cost per hospitalization = $43,180/case X 2.5 case improvement</td>
<td>$107,950</td>
</tr>
<tr>
<td>Decreased falls</td>
<td>Cost for fall = $1019-4253/fall X 3.8 case improvement</td>
<td>$11,400</td>
</tr>
<tr>
<td>Improved RN Vacancy and Turnover</td>
<td>Difference between Magnet and non-Magnet X FTE costs</td>
<td>$2,000,000-2,390,000</td>
</tr>
<tr>
<td>Decreased agency costs</td>
<td>Premium pay X difference in Magnet vs. non-Magnet X 5 FTEs</td>
<td>$260,000</td>
</tr>
<tr>
<td>Needlesticks</td>
<td>Difference between Magnet and non-Magnet 50 cases @ $500/stick</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
# Quantifying Potential Benefits of Magnet

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<th>Benefit category</th>
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<th>Cost Savings possibility for 500 bed hospital</th>
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</thead>
<tbody>
<tr>
<td>Marketing ROI – cost of ads replaced by scholarly publication and presentation</td>
<td>(8) opportunities/year @$400 - $10,000/ marketing event</td>
<td>$5,000-$20,000</td>
</tr>
<tr>
<td>Improvements due to efforts enacted to meet sources of evidence TL3 requirements for efficacy and efficiency</td>
<td>Current Magnet hospitals cost savings range from $5,000-$20,000/ project</td>
<td>$5,000-$20,000</td>
</tr>
<tr>
<td>TOTAL POSSIBLE BENEFIT</td>
<td>Not all categories will yield cost capture, so a range is projected</td>
<td>$2,414,350 - $2,834,350</td>
</tr>
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</table>
“Soft” benefits of Magnet status supported by literature

- Clinical autonomy and responsibility
- Participatory decision-making
- Strong nurse leaders
- Two-way communication w/ staff
- Community involvement
- Opportunity and encouragement for professional development
- Effective use of staff and resources
- Higher levels of job satisfaction
- High quality patient care and improved outcomes
Costs of Magnet

Costs include:

– Application fees
– Appraisal fees
– Appraiser fees
– Resource allocation (Magnet Program Director FTE; NDNQI or other benchmark data requirements; secretarial support; document preparation)
### Cost Benefit Analysis

| TOTAL RANGE OF BENEFIT | Depending on which savings hospitals achieves, range up to $2.8 million | $2,414,350 – $2,834,350 with vacancy and turnover savings
\((\$414,350 \text{ without vacancy and turnover savings})\) |
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<tbody>
<tr>
<td>TOTAL RANGE OF COSTS</td>
<td>Direct and indirect Magnet Costs</td>
<td>$46,570 – $251,100</td>
</tr>
</tbody>
</table>
| COST-BENEFIT ANALYSIS  | Benefits/ Investment – with Vacancy and Turnover benefits              | $2,414,350/46,570 = 51.84 (X100)
$2,414,350/251,100 = 9.61 (X100) |
|                        | Benefits/Investment without vacancy and turnover benefits              | $414,350/46,570 = 8.89 (X100)
$414,350/251,100 = 1.65 (X100) |

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Critical assumptions and risk assessment

- CNO shares findings of gap analysis
- Determine risk of failure and need to adjust timeline
- Discuss any changes in leadership that are required to decrease risk
- Assume:
  - Stable leadership
  - Resource commitment
  - Structure and process changes
Conclusions and recommendations

• The Magnet Journey to Excellence ® is a good fit for our hospital
• The structure and process will lead to great patient outcomes
• The potential benefits greatly outweigh the costs and provide up to a tenfold return on investment
• Magnet as a competitive advantage is a smart business decision
Extreme Accounting.
The Business Case for Magnet Questions?