



American Staffing Association

February 15, 2007

Senator Jonathan Harris
Chairperson
Human Services Committee

Representative Peter Villano
Chairperson
Human Services Committee

Re: HB 5637

Dear Sen. Harris and Rep. Villano:

On behalf of the nation's healthcare staffing firms, I am writing to express the American Staffing Association's deep concern regarding the impact that HB 5637 could have on the supply of nurses and patient care in Connecticut.

ASA represents over 300 healthcare staffing firms providing nurses and other supplemental staff to healthcare facilities throughout the nation, including Connecticut. Temporary nurses make up a relatively small percentage of the nurses employed in the state, but they play a vital role in meeting the nursing needs of hospitals, nursing homes, and other healthcare facilities.¹

Temporary nursing is an attractive option for many nurses because staffing firms pay competitive wages and offer professional development opportunities while providing greater scheduling flexibility—an advantage that keeps many in the profession who would otherwise leave. This helps to mitigate the nursing shortage.

Unfortunately, HB 5637 will negate those advantages.

HB 5637 Will Aggravate the Nursing Shortage

Connecticut continues to face severe nursing shortages. HB 5637 will only make matters worse. Capping staffing firm rates on nursing services is intended to alleviate the cost pressure on nursing homes due to inadequate state reimbursement. But price controls have a dismal record everywhere they've been tried. Rate caps will inevitably lower nurses' wages, causing many to leave the profession thus aggravating the nursing shortage at nursing homes as well as acute care facilities. Basic economics dictate that as the nursing supply further contracts, the cost of attracting and retaining nurses will rise - precisely the opposite of the intended result.

HB 5637 Is Based on Erroneous Assumptions Regarding Nursing Pool Wages and Prices

Support for HB 5637 is based on incorrect assumptions regarding what nursing pools pay their nurses, what they charge healthcare facilities for their services, and the profits they earn.

¹ We estimate that nursing pools supply less than 4% of RNs and 7% of LPNs in Connecticut. U.S. Department of Labor/Bureau of Labor Statistics (May 2005 National and State Occupational Data)

Nursing pools operate in a highly competitive market with many players and compete vigorously, not only on price but for workers. Yet, some lawmakers believe that nursing pool wages, prices, and profits are excessive. One legislator reported hearing that nursing pools charge upwards of \$90.00 per hour for LPN services. Such reports are completely groundless.

The chart below, based on an informal survey of nursing pools in Connecticut conducted last year, shows the range of average nursing pool pay and bill rates for RNs and LPNs compared with nursing home pay rates for internal pool nurses and permanent nursing staff. Pay and bill rate variations reflect different levels of skill, experience, and responsibility. The survey showed that nursing pool pay and bill rates for nurses of comparable skill, experience, and responsibility do not vary significantly because of the intense competition.

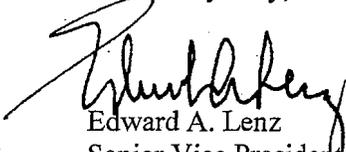
	Registered Nurses	Licensed Practical Nurses
Nursing Pool Pay Rates v. Bill Rates	Pay: \$28-38 Bill: \$43-59	Pay: \$26-31 Bill: \$39-46
Nursing Home Pay Rates (plus benefits estimated at 25% of wages)	Pay: \$26-50	Pay: \$23-44

After deducting the direct costs of employing temporary workers, including workers' compensation insurance, federal and state employment taxes, and other expenses such as drug testing, background checking, professional liability insurance, and benefits—plus the indirect costs of finding workers and placing them in jobs such as advertising, recruiting, interviewing, testing, training, and corporate overhead—nursing pools earn relatively modest after tax profits in the range of 2-4%.

This preliminary data creates a strong presumption that nursing pool wages, prices, and profits are not excessive.

We believe it is essential to have all the facts before embarking on a potentially costly and burdensome price control scheme that could result in serious economic harm to nursing pools, their employees, and clients—and ultimately the citizens of Connecticut. Our industry is committed to working with you to ensure a fair and objective examination of those facts.

Yours very truly,



Edward A. Lenz
Senior Vice President,
Public Affairs, and General Counsel