

# The High Cost of Employee Turnover

It pays to retain competent and loyal employees.

BY JON A. HULTMAN, DPM, MBA

**I**t is disruptive to lose a valued employee. The loss necessitates interviews, negotiations, and training someone new. In addition, doctors and staff

must adapt to the dynamics associated with having a new personality in the office. Employee turnover is not only disruptive, it can also be costly. For these reasons, a significant effort

should be made to retain productive, well-trained employees.

Why does someone leave a job? Usually, it is because that person is either unhappy with his/her salary or finds the work unfulfilling. Letting productive employees go to avoid increasing their salaries typically has a surprising result—increased costs rather than savings. As for providing “fulfilling work,” efforts can be made to improve job satisfaction, and when measures targeting this issue are implemented, the result is almost always increased productivity, which, in turn, creates the means for increasing salaries.

One of my first field projects at UCLA’s business school was participation in assisting a member of my study group who was the general

*Continued on page 114*



*Turnover (from page 113)*

manager of an airline food service company located at LAX. The company was considering a restructuring project focused on reducing their annual turnover rates for several job categories. At the time, some of these turnover rates were as high as

clinical processes being employed.

According to *Gallup*, the direct and indirect costs incurred when replacing a medical professional can range from 50% to 200% of the exiting employee's annual reimbursement, while *Monster Jobs* puts that same cost between 75% and 200% of the employee's salary.

ing process for a lengthy period of time and/or significantly reduce the doctor's productivity and the amount of time s/he has available for providing his/her former volume and array of services.

Cross-training—where staff are trained to perform a variety of tasks, thereby taking on increased responsibility, increases job satisfaction. Implementing this one process not only makes work more productive and more interesting for employees, it also increases retention and, when any employee leaves, the staff who remain are able to cover many of the tasks previously performed by that person. It is also easier to train a new employee when more of the staff have been cross-trained, thus making them capable of participating in the training process.

Since satisfaction with one's job and one's salary are both critical issues in retaining competent and loyal employees, an ideal strategy for reducing turnover is to (1) focus on improving job satisfaction

---

## Employee turnover is not only disruptive, it can also be costly.

---

75 percent! We recommended and implemented teamwork and quality improvement concepts—the first phase of which, upon implementation, resulted in a reduction in the turnover rate to 36%—less than half of what it had been. The application of these concepts not only made work more efficient, but employees also now found their work more satisfying. We estimated that this change saved the company a significant amount of money and also allowed executives to more productively use the time they previously had spent in the process of staff replacement.

Applying what was learned in this business school exercise to medicine, we ask, “What costs might a medical practice incur from staff turnover?” According to a recent study published in the *Journal of Healthcare Management*, the average yearly staff turnover rate for the healthcare industry in America is estimated at 20%. What is significant is that it can take one to two years for a new employee to reach the level of productivity of an exiting high-performing employee. In a medical practice, the direct costs, such as administrative, recruitment, and training, are relatively low; however, there are also indirect costs, the most significant of which is the negative impact that this disruption can have on a practice's productivity, efficiency, and level of patient satisfaction. These indirect costs vary dramatically among practices—depending on the number of staff and the efficiency level of the business and

For a small, private practice which has three employees, the loss of just one has a significant impact—a staffing loss of 33 percent! And, if the exiting employee happens to be a key staff member, he or she may actually have been responsible for more than one-third of the total staff output. When a clinical employee leaves, productivity is affected, and revenues are likely to be lower. If s/he is a business office employee, the percentage

of receivables collected is likely to decrease. Also, any employee turnover generally reduces the quality of service which, in turn, negatively impacts patient satisfaction. While poor service may not have an immediate financial impact, it can affect a practice's reputation and long-term growth potential.

If an employee is competent and liked by patients, it is a poor decision to let him or her go simply to avoid increasing their pay, or to find a “cheaper” replacement. The replacement process is aggravating, and based on results shown by the above studies, the doctor is unlikely to actually save money. The costs of losing a competent employee are difficult to quantify; the loss of one key staff person can virtually halt an entire bill-

and (2) pay competitive salaries. The lower employee turnover rate that results from implementation of this strategy will serve to increase both a practice's productivity and its profitability. As a result of this focus, staff will be more satisfied, the work environment will be more gratifying, patient satisfaction will be high, and the practice will enjoy greater profits. **PM**

---

## If an employee is competent and liked by patients, it is a poor decision to let him or her go simply to avoid increasing their pay, or to find a “cheaper” replacement.

---



**Dr. Hultman** is former Executive Director of the California Podiatric Medical Association and President, Medical Business Advisors, specializing in practice evaluations, valuations, and mergers. He is the author of *Reengineering the Medical Practice* and *Medical Practitioner's Survival Handbook*.