

Improving Workforce Expense Management

Labor expense can amount to 50% or more of a hospital's total operating expense. Yet, many hospitals do not provide a comparable effort when managing this expense. Worse yet, many department managers and front line supervisors are unaware of the significant impact that their staffing decisions have on the bottom line. Many staffing plans are not based on predictable workload variations, and when staff flexing is required, managers find all too often that they have too many full time employees working a given shift. Sending staff home with paid time off is clearly not in the CFO's plan.

Do you know how your staffing efficiency compares to other hospitals for each of your departments? Benchmarking each department's labor utilization to other hospitals is the quickest way to identify labor savings opportunities. And it's also a good way to establish appropriate labor targets for each department. Hospital leaders find the labor targets that work best to improve the bottom line are those that the department managers "buy into". Managers, therefore, need to understand how their labor targets were established so they can decide if they are valid and achievable.

Labor targets should be based on worked hours per unit of service not paid hours. Worked hours are what a manager has the opportunity to manage on a daily basis based on the actual workload demand for the day. So, how do you manage paid hours? You only have one opportunity to actually manage paid hours. That's when you hire the person. If you hire a person as a 1.0 full time equivalent, you've just committed to paying for all worked hours as well as any benefit time accrued such as paid time off. If you "hire" a person as PRN or for a float pool, you're only committed to paying for actual worked hours. Even hiring a person as 0.8 or 0.9 FTE gives you more flexibility to your staffing plan. You are not committed to having them work 40 hours per week and they accrue PTO (Paid Time Off) at a lower rate.

The unit of service used as the workload volume measurement for each department should be a simple measurement that is easy to obtain and is directly related to the amount of worked hours required to accomplish the work. Yes, it's possible to develop more accurate measures such as weighted measures or relative value units. But, do you have the staff time



available to develop and maintain these measures? An example of a target is 0.43 worked hours per procedure.

Leading hospitals train their managers and those who make staffing decisions in the fundamentals of productivity management. Managers need to understand how to efficiently plan their staffing mix, and how to schedule staff to meet workload variations. Many managers are clinical experts. Unfortunately, many have never received formal training in productivity management. Then, to manage labor productivity most effectively, managers need to know how well their departments are performing through timely productivity reports. These reports should be provided to department managers at least at the end of each pay period. Ideally, managers need to know their department's daily productivity. If reports are not provided daily, the managers should be trained in how to calculate daily productivity themselves.

To be most effective, productivity reports should display the target and actual worked hours per unit of service, and the target and actual worked FTEs. The variances between target and actual for each of these measures should also be displayed. It's also helpful for managers to see the productivity %, non-productive % and total paid hours. In addition to the measures for the reporting period, year-to-date measures should also be shown. Reports that include a year-to-date graph are ideal. A critical factor is that department managers need to understand how all the calculations on the productivity report are made. If they don't understand the calculations, they won't understand what they need to manage better in order to improve their department's performance.

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Flex staff up, not down. Sounds backwards, but think about it. To maximize staffing efficiency, managers must flex staff up to meet increased workload demand. Then, flex down by using less of the staff they flexed up with. Here's how it works. You start by determining the correct staffing mix for the Core Staffing level. The Core Staffing level should be based on an identified time period with lower workload volume, not the average volume. A systematic methodology must be used to calculate the most efficient staffing plan that provides positive impact to the bottom line. Identifying the correct mix of full time, part time and PRN staff is critical to maximizing labor productivity, and it's all based on identifying the correct core staffing.

Match staffing plans to expected workload volumes. Sounds simple, but many department managers have never analyzed their workload volume by time-of-day and day-of-week. When they do, they often find they have too many staff when workload is low and not enough when workload is high. Managers should prepare staffing plans that allow them to achieve their target worked hours per unit of service. For position control efforts to be most effective, each department must have a staffing plan that is calculated using a systematic and methodical process for determining the correct mix of full time, part time and PRN staff.

Train all department managers and key staff in the utilization of Lean methodologies. Lean is derived from the Toyota Production System which uses proven concepts enabling hospitals to focus on the elimination of non-value added activities, inefficiencies and defects while achieving a balance between quality and finance. Lean is a growth strategy, a survival strategy and an improvement strategy. Use Lean to create a better working environment where what is supposed to happen, does happen, on time, every time.

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