

Healthcare Cost Containment



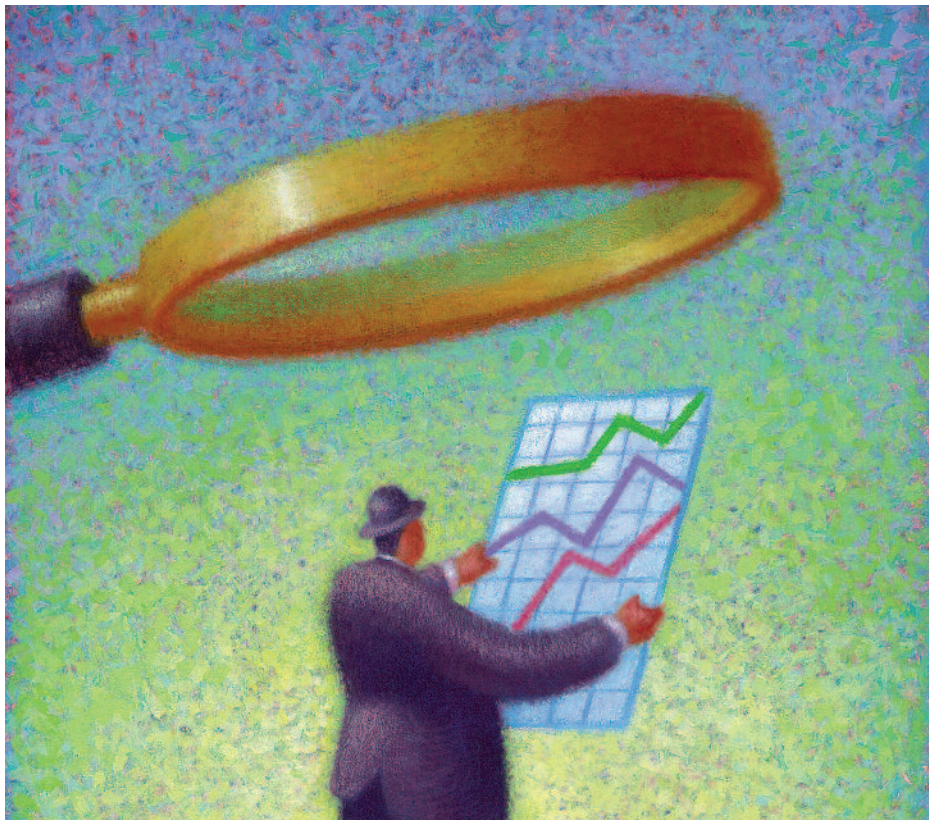
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Honing in on Costly Variation

By Karen Wagner



Variation is widely viewed as one of the main drivers of unnecessary cost. Focusing on clinical and operational departments across multiple facilities enabled one health system to more effectively pinpoint trouble spots—and has led to millions of dollars in cost reductions. → →

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WEB EXTRAS

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Strategies for Enterprise Labor Management

Systemwide processes for managing labor costs can result in decreased overtime and agency labor, improved outcomes, and enhanced patient and employee satisfaction.

For the healthcare industry to effectively and substantially improve, healthcare organizations must collectively pivot toward business models that emphasize the success of the enterprise as a whole, rather than the success of individual business units such as hospitals or ambulatory centers. When it comes to containing labor costs, an enterprise labor management strategy that emphasizes enhanced employee morale and improvements in quality of care could lead to decreased costs, turnover, and use of agency labor. Such a strategy also can promote efficiencies that support the organization's clinical, financial, and operational goals.

At the core of this approach is a focus on standardizing evidence-based tasks related to labor management in health care. For example, Champlain Valley Physicians Hospital, a 381-bed hospital in New York, experienced a time savings of seven hours per manager, per pay period by automating a consistent set of business rules governing scheduling, staffing, and start-of-shift contingency deployment procedures. By reallocating managers' time so that more of their efforts can be concentrated on administration of unit activities (e.g., rounding, mentoring, speaking with families) rather than scheduling and staffing, patient outcomes improved and both patient and employee satisfaction increased.

Healthcare organizations across the United States also have experienced bottom-line savings due the adoption of best-practice labor management strategies across the enterprise.

Forty-five percent of healthcare finance leaders who were surveyed said they had developed a strategic relationship with their nursing counterparts.

Mountain States Health Alliance, a 13-hospital system headquartered in Johnson City, Tenn., has decreased unnecessary overtime, premium pay, and use of agency staffing by implementing more efficient scheduling and staffing processes, strategies for contingency staffing, and open shift management solutions as well as establishing a central staffing office. The health system's flagship hospital, Johnson City Medical Center, a 514-bed hospital, achieved a \$7 million annual savings solely from eliminating the use of contract labor.

How They Did It

Successes such as these are the result of a combination of strategies and technologies working in tandem to create efficient, interconnected organizations.

Workforce analytics. These include analysis of core and contingency utilization trends, trends in staff dissatisfiers such as "float in" and "float out," and census mode (to determine appropriate resource banding).

Resource planning. This includes eliminating policy and practice variances that prevent efficient operations, right-sizing and properly layering contingency resources, and implementing best-practice frameworks and methodologies for centralized resource management.

Predictive analytics to aid in proactive labor management. These include workforce management/scheduling solutions that:

- > Automate enterprise business rules and custom, unit-specific practices
- > Facilitate an enterprisewide operational approach with tools customized for a central staffing office
- > Provide effective, staff-satisfying open shift management methodologies
- > Integrate with payroll and time-and-attendance systems to leverage organizational data,

putting it into the hands of clinicians who understand financial targets and productivity goals, and who are empowered to take action to counteract emerging negative trends

To effectively implement enterprise labor management strategies, healthcare organizations must first commit to functioning with an interconnected-system mentality. Cross-departmental teams should be established and communications plans developed that make the initiatives "real" for everyone in the organization. Managers and staff alike should understand how changing their processes will help the organization achieve its goals. Beyond that, individuals should understand what achieving these goals will mean to them.

Once initiatives are implemented, the key to sustaining successes is ongoing communication. These communications should provide metrics whenever possible to show the progress the organization is making toward its goals. Individuals should be able to tie what they are doing back to the progress the organization is making; otherwise, old habits will return and organizational goals will never be met.

Exploring

To uncover healthcare organizations' readiness to implement enterprisewide labor management strategies, Avantas conducted a brief survey prior to and during ANI: The HFMA National Institute this past June. The purpose of the survey was to uncover the biggest concerns of

Reimbursement and Reform Top Healthcare Finance Concerns

What most concerns you with regard to your organization's financial viability over the next fiscal year?

43%	Medicare & Medicaid Reimbursements
22%	Healthcare Reform Laws
17%	Labor Costs
12%	Healthcare IT/EHRs/ Meaningful Use
6%	Credit Rating

healthcare finance leaders, assess their relationships with their nursing counterparts, and examine their access to key performance indicators (KPIs) that are essential to labor management.

The survey results were thought provoking. Some of what was revealed was expected, some feedback was encouraging, and other elements were troubling.

Not surprisingly, Medicare and Medicaid reimbursement and healthcare reform laws were the top two concerns among the finance leaders surveyed. These two concerns will continue to dominate media coverage and hospital board meetings for the foreseeable future. However, it is encouraging that labor costs are among the top three concerns of healthcare finance leaders who were surveyed, with 17 percent of individuals polled citing labor costs as their primary concern.

The key here is to turn that concern into positive, proactive action. Too often, the primary response to high labor costs is reactive: cutting capital and operational expenditures for short-term gains, potentially resulting in a negative impact on the organization's ability to deliver high-quality patient care. Instead, executives should focus on investing in sustainable strategic initiatives that can both result in initial savings and also have a transformational impact on the financial picture of the organization over many years.

Forty-five percent of healthcare finance leaders who were surveyed said they had developed a strategic relationship (the highest level of relationship on the survey) with their nursing

Finance Professionals Describe Their Relationship with Nurse Managers

How would you characterize your relationship with your nursing counterparts?

Responses:

45% Strategic Partnership

31% Sufficient

12% Lackluster

6% Confrontational

6% Nonexistent

Although no organization can direct the outcome of healthcare reform, organizations do have a great deal of control over how they manage their enterprise—especially their labor costs.

counterparts—a reassuring response for healthcare organizations.

Thirty-one percent described their relationship with nurse managers as “sufficient.” This indication of a high to moderate level of cooperation between departments paves the way for implementing the strategic initiatives described above.

Healthcare finance professionals also were asked about the extent to which key performance indicators (KPIs) are automated in their organization. This question provided an interesting array of responses. On one hand, it is a good sign that about half of those polled have a system in place to automatically monitor adherence to budget vs. actual cost outcomes on unit/department and enterprise levels in addition to monitoring productivity. On the other hand, the other 50 percent are either employing time-consuming manual processes to monitor productivity and

budget versus cost variances or, worse, not monitoring them at all. Assuming the majority of this group is employing manual processes to track the data, the assumption can be made that these data, once processed, are no longer timely.

The key to analyzing productivity and variance data is timeliness—ideally, daily. The purpose of this type of decision-support data is to spot and immediately fix emerging trends that will negatively affect business goals. If this information is not delivered in a timely manner, it does not provide much benefit: The damage has already been done, targets have been missed, and organizations are left to play catch up.

Another area of concern is that 12 percent of financial leaders surveyed either do not have or do not know whether their organizations have the ability to automatically monitor any of these crucial KPIs. This is a serious issue.

Monitoring these KPIs is relatively simple. Once the right automated system/data feeds are in place and the necessary individuals are in the habit of viewing the data, the processes become routine and nailing financial targets becomes second nature.

Action Steps for Hospitals and Health Systems

The underlying theme of the survey is about focusing on what healthcare organizations can control. Although no organization can direct the outcome of healthcare reform, organizations do have a great deal of control over how they manage their enterprise—especially their labor costs, which account for 60 percent of every healthcare organization's operating expense.

Healthcare organizations' shift toward enterprise labor management strategies is as dependent on transforming the culture of each organization as it is on implementing the strategies and technologies needed to set change in motion. Committed executives and energized staff, in combination with effective strategies and robust technologies, are essential pieces of the healthcare enterprise labor management puzzle.

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Monitoring KPIs Via Automated Systems

Which of the following KPIs are you currently able to monitor via an automated system?

(Choose all applicable responses.)

45% Time-Clock Variances

26% Incidental Worked Time

50% Adherence to Budget vs. Actual Cost Outcomes—Unit/Department Level

51% Adherence to Budget vs. Actual Cost Outcomes—Enterprisewide

55% Productivity (in Hours)—Unit/Department Level

52% Productivity (in Hours)—Enterprisewide

12% None/Do Not know