



Work Force Management Design A Case Study

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Work Force Management Design – A Case Study

This 500-bed urban hospital, located in South Florida, was challenged to control staffing costs through seasonal patient volumes fluctuations. During the surge season, agency staff and significant overtime frequently inflated costs while flexing down in the slow seasons fell short of fully adapting to lower volumes. Benchmarking indicated a labor opportunity of \$5.5M spread across the organization. We engaged to assist them with a full work force management review and redesign.

Our first step was to establish an oversight group chaired by the Chief Operating Officer with participation from the CNO and directors from various clinical, support and overhead departments. The role of this group is to set strategy and provide overall direction for management of labor cost.

An oversight process was designed by this group to continually manage labor as outlined in Figure 1. This process enabled rigorous oversight and control in a systematic and repeatable methodology while supporting the quality and service needs for patients.

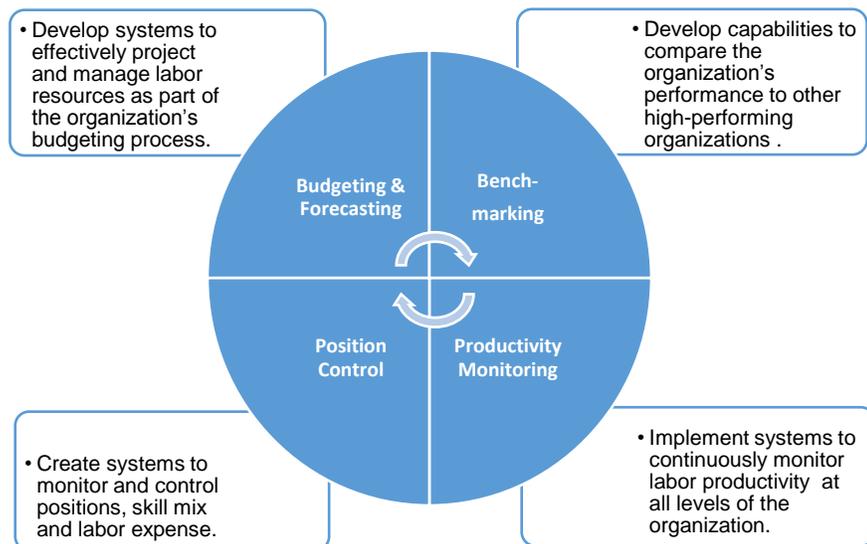


Figure 1

Based on benchmarking data, the group then established five initial target areas for improvement:

- Seasonal staffing needs
- Skill mix within units
- Premium pay usage
- Agency and professional services usage
- Compensation and payroll practices

Within each of the above areas, benchmarking also facilitated the identification of those departments with the most room for improvement and initial points of focus. Some of these departments had improvements available not requiring further analysis or extensive process redesign.

Surgical Services was an area where this client demonstrated significant excess staffing. A focus on routine process improvement, such as varied start times, add-on cases starting earlier, matching staffed rooms to volume and reconfiguring block times, resulted in reductions of staff costs. Surgical Services and other areas were addressed immediately to establish momentum for the overall improvement process.

Our next step was to analyze the volumes for each department, on a seasonal and daily basis, to determine the expected need for staffing to volume. Creating frequency distributions of volumes allowed for the identification of Core Staffing levels, defined as the staffing level required to meet volume needs for 60% of the daily volumes. Staff included in Core Staffing will generally work designated shifts with a low frequency being flexed to

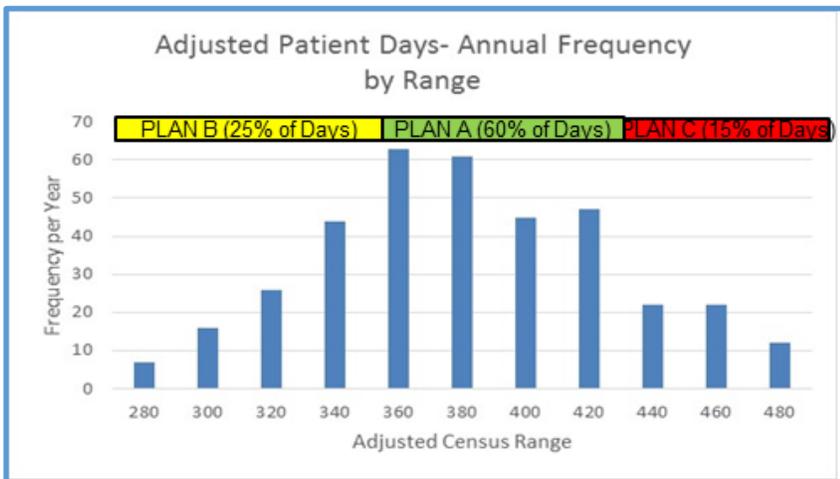


Figure 2

volumes. A PRN/Float Pool was established to provide the capacity to expand labor without the use of agency or premium pay.

Figure 2 shows the overall frequency distribution of daily census for inpatients. This analysis was used to build a flexing plan for departments typically viewed as “fixed” staffing departments.

Plan A days (highlighted in green bar above) is active

about 60% of the time and is referred to as “normal” operations with vacancy hiring and the regular use of PTO permitted. Plan B is considered low volume expected to be active 25% of days and normally out of season. Plan B has a goal of reducing productive hours by 5-11% using accelerated PTO, allowing select positions to remain vacant and eliminating overtime. Plan C represents high volume days, which are active 15% of days. Actions for Plan C include restricting use of PTO, use of PRNs in some areas and premium pay in select cases.

Their productivity monitoring system was strengthened to improve flexing of hours to volume. It is reviewed every day by leaders at all levels to allow observation of positive or negative variances and provide opportunities for coaching and support to improve performance. Mentors are also assigned to those leaders exhibiting frequent variances. Nursing units will review volumes and expected volumes in four-hour increments to adjust staffing levels.

The next step in the improvement process was redesigning the staffing models for all nursing. The goals were to maintain or improve RN to Patient ratios (Med/Surgical units at 4.5 to 1) and allow RNs to work at top of license activities as shown in Figure 3. The roles and assigned activities for Nurse Assistants were developed to include additional skills.

These additional skills were designed to be consistent with patient care needs, quality of care, patient outcomes and patient satisfaction. The result was improved productivity (roughly \$1M) and streamlined operations, while improving patient

Oncology and Surgical Unit	
Daily Census for Core Staffing	13.4
Patient to Nurse Ratio	4.5
Patient to Nurse Assit Ratio	13.4
Direct Care Hours per Pt. per Shift	3.58
Direct Care Care Labor Cost per Pt.	\$120.60

Figure 3

An additional benefit was improved nursing satisfaction resulting from working at top of license, focused on patient care and outcomes.

Renegotiation of agency contracts to allow for shorter terms during the surge season was also accomplished as a more disciplined estimate of labor needs were developed. Coupling this revised contracting with better staffing models and improved productivity monitoring resulted in reduction in agency staffing requirements, saving about \$930K.

Position Control procedures were strengthened to more tightly control the addition of staff. The team meets weekly to consider hiring requests for each unit with determinative factors including:

- Productivity performance for the prior 3 pay periods
- Usage of overtime required to meet patient ratios
- Agency employment to fill open shifts
- Expected seasonal volume shifts

Budget time is usually utilized to review benchmarking to determine opportunities for improvement in labor productivity and costs. This provides guidance for departments to review staffing levels and practices with a goal of standardizing with peers. The objective of this exercise is to challenge each department leader to continuously improve process and labor utilization.

An effective productivity process simplifies the budgeting effort. Once labor targets are established for each departmental unit of service, one need only apply forecast volumes to determine total hours and from that FTEs. We believe that providers will update forecasts and budgets quarterly to allow adjustment to the rapidly changing health care landscape. Therefore, the budgeting process will need to become much more efficient than most current processes.

Results

Client benefits from this productivity improvement engagement include:

- Improved staffing to volume regimens throughout the seasonal volume fluctuations
- Increased staff satisfaction from the Core Staffing model
- Increased nursing satisfaction from the redesign of the staffing model in which they work to top of their license
- Fairness from the broad application of flexing routines from nursing to fixed departments
- Savings in labor cost of \$5.5M reducing benchmark variance to near zero

Meet Our Experts



Larry Seston joined Galloway Consulting after more than 25 years of successful experience in consulting, training, marketing, product management, and sales management, all focused on the healthcare industry. Prior to joining Galloway Consulting, he was a senior partner with The International Group, where his clients included GE, Honeywell, Johnson & Johnson, Roche, and Toshiba America. He has held senior sales management positions with two medical technology startups, for which he developed sales and marketing strategy and built sales organizations. Larry is one of the country's foremost experts on productivity and strategy implementation in the healthcare field. He has a Master of Business Administration from Southern Illinois University and a Bachelor of Business Administration from the University of Wisconsin.



Gary M. Auton is a Senior Director with Galloway Consulting based in Atlanta, Georgia. Gary has over 30 years of consulting experience providing strategic and operational advisory services to a broad range of private- and public-sector organizations, including hospitals, health plans, physician practices, employer health coalitions, and state and Federal health agencies. Previous clients include over 150 hospitals and health systems located throughout the U.S. and internationally. He formally served on the Baldrige Board of Examiners of the National Institute of Science and Technology's Baldrige National Quality Program.

Gary has a Bachelor of Science in Health Systems from the Georgia Institute of Technology (Georgia Tech) and an MBA with a concentration in Strategic Management and Entrepreneurship from Georgia State University. He has a Lean Six-Sigma Greenbelt Certification with the University of Michigan College of Engineering Integrative Systems and Design. Gary is a frequent speaker at healthcare conferences and was a featured healthcare writer for *Competitive Edge* business magazine. He is the author of 18 Levers for High-Impact Performance Improvement, scheduled for publication by the Health Administration Press in Spring, 2018.