How Benchmarks and Productivity Management Brought a Community Hospital from the Red to the Black

Through the Collaboration of Soyring Consulting and Harrisburg Medical Center

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Session Objectives

• Understand how to evaluate departments’ labor productivity standards and metrics
• Determine how to recommend an appropriate variable productivity metric for each department
• Develop department leadership to continue monthly monitoring and management of productivity goals
• Understand the unique productivity and benchmarking circumstances in small, rural hospital settings
What is…

- Benchmarking?
  - *Something that can be used as a way to judge the quality or level of other, similar things*
  - Origin in industrial sector
- Productivity?
  - *The rate at which goods or services are produced by a standard population of workers*
What is it not?

- Quick
- Easy
- Just a number
- Just one more “consulting study”
- Copying what others have done

Success Criteria

- Senior leadership commitment and support
- Choose the right partner (do your research)
- Know your own goal(s)
- Verify the analysis results
- Commit the resources to implement
- Empower process change teams
- Verify implementation plans
- Measure, evaluate and adjust
- Keep the focus on your goal(s)
What was the driving force for this Medical Center/Consulting firm benchmarking and productivity collaboration?

- Leadership transition within the previous year at the Chief Executive Officer level, with short to longer term incumbents at the Vice President(s) level
- Organization experiencing increasing loss of revenue, decreasing ADC, difficulty recruiting and retaining specialty physicians
- Initially engaged Soyring Consulting in 2008 to evaluate staffing hospital-wide, along with a more in-depth evaluation of Surgical Services and Emergency Services

Case Study: Midwest Small Rural Community Hospital Setting
Approach

Phase I
• Determining the Current State in Relationship Where You Need to Be (Analyze Productivity Standards and Establish Appropriate Target)

Phase II
• Achieving Leadership Buy-in and Success (Productivity Target Implementation and Management)

Phase III
• Keep Your Focus on the Goal (Ongoing Measurement, Evaluation and Adjustment)

Methodologies to Analyze Current Productivity Standards and Establish Appropriate Targets include:
• asking those who know the current work
• observing what they do
• analyzing data
• Determine from Leadership:
  – Organizational structure and span of control
  – Current productivity metrics and reports/data utilized
  – FTEs, worked and paid hours, premium labor
  – Department strategic initiatives, planned growth or volume decreases
  – Unique departmental environmental or work process factors
  – Quality metrics

• Methodology: Interview/Survey

Phase I

• Methodology: Interview/Survey

• Distribute surveys to all staff to obtain their perspective on:
  – Workload strengths and opportunities for improvement
  – Understanding of productivity
  – Unique departmental environmental or work process factors
  – Quality focus
  – Perspective on the need for work process change(s)
Phase I

• Methodology: Interview/Survey

• Example staff survey perspective on the need for work process change(s)

Staff Survey Results: Radiology

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>20%</td>
</tr>
<tr>
<td>Disagree</td>
<td>6%</td>
</tr>
<tr>
<td>Neutral</td>
<td>11%</td>
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<tr>
<td>Agree</td>
<td>29%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>34%</td>
</tr>
</tbody>
</table>

Question 9: I think a change in the way we currently deliver our services would be beneficial.

Phase I

• Methodology: Observations

• Observations within key areas to:
  – Obtain visual perspective of work environment and work processes
  – Validate what is reported in interviews
  – Evaluate survey comments reported by staff and medical staff
  – Interact and communicate directly with front-line supervisors and staff concerning work processes
Data to collect for analysis includes:

- Organizational statistics: Admissions, Discharges, Case Mix Index, Inpatient/Outpatient Revenue, Patient Days, Observation Days/Hours
- Strategic initiatives/plans
- Monthly budget summaries and specific workload volume per department
- Average pay per hour/cost center/skill mix

*Validate data for accuracy*

**Phase I**

**Methodology: Data Analysis**

- Review current productivity metric, workload volume, work hours, paid hours and premium pay for each cost center
- Evaluate workload volume by day of week/time of day
• Setting the new target
  – Analyze current productivity standard for each cost center incorporating key comparative factors including:
    • State/National regulatory requirements
    • Organization characteristics: location, type, bed-size, physical structure, equipment, services, inpatient/outpatient mix, program/services
  – Establish a variable productivity target for each cost center
  – Identify the potential FTE and financial impact of managing productivity to new target

• Example of Analysis of Current Situation/Setting New Target/Potential FTE Impact
  • Annual procedure volume FY 2012 projected to be approximately 2% lower than FY 2011
  • 16-slice CT, high-end ultrasound (US) and nuclear medicine equipment, well functioning PACS and increasing digital radiology capabilities and Techs are cross-trained to at least two modalities
  • Productivity:
    – Unit of Service: 30,408 procedures for all modalities, hospital & clinics
    – Actual Worked 2012: 14,401.5 WH + 1554 WH at clinics (19.94 FTEs) = overall 1.36 WH/Procedure
    – Recommended Target Worked Hours/Statistic per modality (see next slide) would result in 17.38 FTEs for an overall 1.19 WH/Procedure, based on recommended targets per modality for a potential FTE opportunity of 2.56 FTEs
Phase I

- Methodology: Data Analysis

- Example: Data Analysis/Potential Financial Impact of New Target

<table>
<thead>
<tr>
<th>Financial Opportunity</th>
<th>Low Range</th>
<th>High Range</th>
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</thead>
<tbody>
<tr>
<td>Med/Surg</td>
<td>$205,000</td>
<td>$394,000</td>
</tr>
<tr>
<td>Behavioral Health</td>
<td>$210,390</td>
<td>$245,700</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$33,000</td>
<td>$33,000</td>
</tr>
<tr>
<td>Laboratory</td>
<td>$105,321</td>
<td>$105,321</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>$298,000</td>
<td>$298,000</td>
</tr>
<tr>
<td>Occupational Therapy</td>
<td>$65,890</td>
<td>$65,890</td>
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<tr>
<td>Home Health</td>
<td>$75,712</td>
<td>$117,624</td>
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<tr>
<td>Housekeeping</td>
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<tr>
<td>Patient Registration</td>
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</tr>
<tr>
<td>Patient Accounting</td>
<td>$71,760</td>
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</tbody>
</table>

Total: $1,160,077 $1,426,299

Case Study: Midwest Small Rural Community Hospital Setting

- Hospital-wide staffing analysis and evaluation of key target areas completed
- Potential variable productivity metric and target set for each cost center
- Some cost centers had intermediate and “stretch” goals identified
- Results presented to executive team and department leaders
Methodologies to get from this to

- Executive team reviews with department leaders analysis results and potential new targets
- What do you frequently hear in these initial meetings?
  - “I'm doing everything I can to meet current targets, how can I possibly meet a lower target”
  - “My staff will quit if they have to…”
  - “We are not like those organizations you are benchmarking against…our patients are sicker… staff have to drive further…”
Phase II • Methodology: Finalize

• Acknowledge the feedback
• Executive team finalizes productivity standard balancing department leader feedback and financial goals
• Identify which departments will likely need the most support to achieve their new financial goals (“Gap Analysis”)

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Phase II • Methodology: Communicate

• CEO and responsible administrative executive jointly present the finalized financial goals to department leaders
• Acknowledge your hospital's/departments’ uniqueness
• Focus on the “why” of the goal and the “who” (should be the entire organization)
• Ask department leaders what they need from the executive team members
• Present expectations for immediate next steps
Phase II

• Methodology: Support

• Require development of action plans and timelines to achieve new goals
• Determine level of support needed for those departments that has the greatest “gap” to achieve new goals
• Ensure immediate access to relevant workload data and the “tools” to drill down, summarize, and trend data
  – Daily
  – Biweekly
  – Monthly

Phase II

• Methodology: Cultivate Accountability

• Continuously monitor and evaluate progress of reporting department(s)
• Provide feedback to direct reports
• Share common dashboard views, encourage transparency of various department challenges as well as successes
• Encourage department leaders peer to peer collaboration for problem solving (“goal buddies”)
• Educate and engage physicians and employees
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• Hospital-wide initiative to meet established staffing goals finalized and implemented by the executive team and department leaders/staff
  – Financial success story with the “red” ink turning to “black” with strong reserves to reinvest in the organization, 2009-2011
• New CFO predicted what bottom line could become with the potential reimbursement changes
  – Re-analysis of hospital-wide staffing and productivity requested and conducted in 2011

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• The re-analysis of 2011 productivity goals and re-establishing appropriate future targets conducted
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- Results of 2011 re-analysis of current volumes, staff mix, programs, and services demonstrated additional opportunity even with the previous changes made from 2009-2011:
  - $1,340,000 in top seven opportunity departments
  - Total potential opportunity ~ 53 FTEs and $2,370,000

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- Tools developed to assist with staffing decisions
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- No burning platform to make the changes immediately in 2012
- Multiple life event distractions in community and organization outweighed “productivity” focus for much of 2012
- Early 2013 financial picture necessitated refocus

Phase III

- Keep Your Focus on the Goal

Methodologies include continuous:
- Measurement
- Evaluation
- Adjustment
Phase III • Focused Measurement

• Track your results of monitoring and managing productivity and costs in relationship to:
  – Skill mix
  – Overtime
  – Premium labor

• Continuous information access required
  – Timely and automated
  – Complete, non-fragmented
  – User training as needed

Phase III • Focused Evaluation

• Evaluate productivity management success in relationship to:
  – Financial goals
  – Quality and safety goals
Phase III • Focused Adjustment

• Make timely data driven adjustments to:
  – Changing volumes/units of service
  – Cost per unit of service
  – Regulatory/standards of practice
  – Quality outcomes
  – Strategic initiatives

“\textit{The successful man is the average man, focused.}”

\textit{~ Author unknown}
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- 2013 and beyond continuous re-focus and leadership/staff initiatives results included:
  - Reduced FTE excess from 79 FTEs/pay period to 6-7 FTEs

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0 10 20 30 40 50 60 70 80
FTEs

Baseline Post ReFocused Adjustments
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“Success is not final, failure is not fatal: it is the courage to continue that counts.”

~ Winston Churchill
Questions?

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