

From Margin Pressure to Measurable Gains

How Labor Benchmarking Reveals
Barriers, Waste, & Opportunity



plante moran



Woman's

Your Speakers Today



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Foundational Principle: People First

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A good objective of leadership is to help those who are doing poorly to do well and to help those who are doing well to do even better

YOUR EMPLOYEES ARE YOUR BEST ASSETS & YOUR GREATEST INVESTMENT

- No one shows up to work to do a bad job.
- Engaged employees drive better patient outcomes.
- The key to a successful initiative is executive sponsorship.

Productivity is Rarely a People Problem

Performance gaps are typically a result of:



Unclear expectations



Misaligned staffing
models



Limited visibility to
performance drivers

Productivity improves when leaders fix systems and processes, not when they blame people. Leaders can enable productivity by providing structure and support to their departments.

Labor Drives the Majority of Hospital Costs

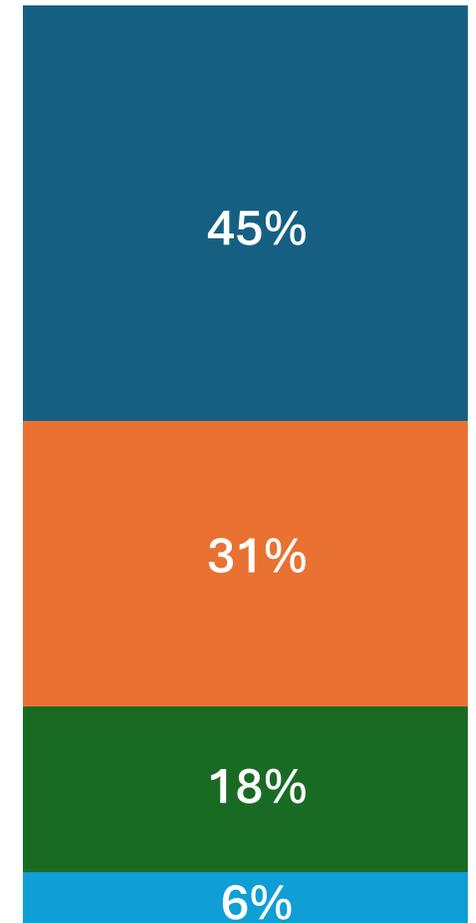
- ✓ Labor accounts for 55% of total hospital spending.
- ✓ Managing labor productivity is essential to controlling labor costs.
- ✓ Productivity targets ensure every labor dollar delivers value.

You can't manage what you don't measure.

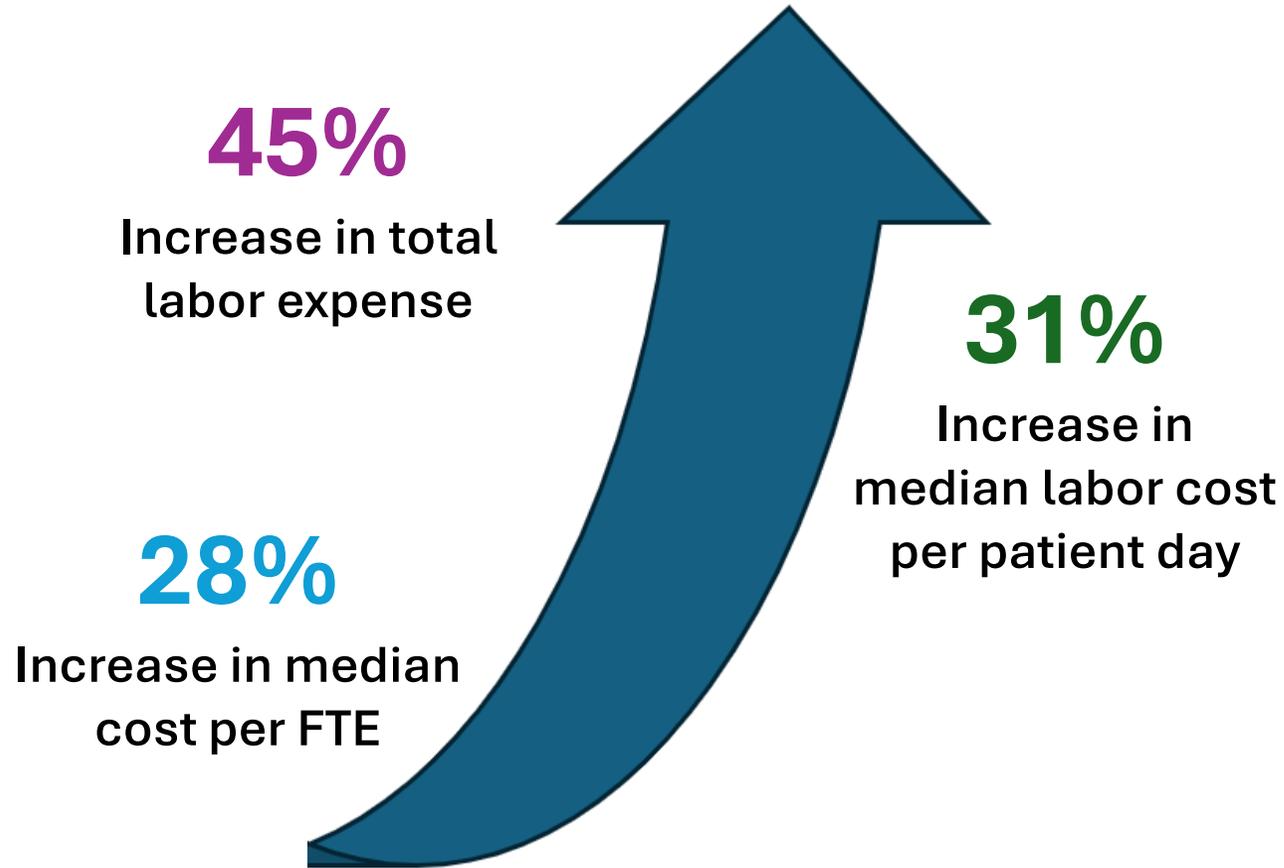
Labor Expenses

Healthcare Occupations
Healthcare Practitioners
Non-Clinical Occupations

Non-Labor Expenses



Labor Costs are Rising – And Pressuring Hospital Margins



Why Costs are Increasing



Rising wages and benefits



Contract labor has doubled



Overtime hours up 21%

Labor Must Be a Strategic Priority

Margin
Pressure



Reimbursement limitations with rising costs compress margins.

Labor
Volatility



Staffing shortages, agency use, wage variability, and vacancies drive instability.

Operational
Risk



Unmanaged volatility and a lack of real-time data translates into quality and financial risk.

In a fast-changing healthcare landscape, thoughtful measurement brings direction and clarity.

What Leaders Need to Make Productivity Successful

Real-Time, Easy-to-Use Data

Leaders need timely, clear performance visibility – not delayed reports.

Focus on the Drivers That Matter

Volume, hours, and premium pay were highlighted to pinpoint opportunities and explain the “why” behind performance.

Actionable Targets and Support

Clear targets, transparent goal-setting, and change-management support enabled confident action and sustained results.



Labor is the largest and fastest-growing expense. How can leaders manage it daily?

Woman's Hospital had labor and volume data, but benchmarking gave us context to turn data into daily decisions

A New Direction: Prioritizing Productivity in Labor Decisions at Woman's Hospital

Woman's Hospital began its labor productivity benchmarking initiative to bring clarity and consistency to how productivity performance was measured and managed. Leadership understood there was opportunity to better align labor cost with demand but lacked a reliable way to quantify performance or hold departments to common standards.

What Stayed the Same

- Leaders cared about staffing, safety, and patient experience
- Labor and volume data were captured and reported

What Had to Change

- Benchmarks established clear department-level productivity targets
- Position control decisions tied to productivity performance

Why This Works

- Shared targets and transparency created healthy accountability
- Governance and cadence turned insight into action



LABOR PRODUCTIVITY PRIMER.

*You can't manage what
you don't measure!*

Labor Productivity is about
getting the most out of every
hour worked.

THREE ELEMENTS OF LABOR PRODUCTIVITY

1

LABOR

2

STATISTIC

3

BENCHMARK

THREE ELEMENTS OF PRODUCTIVITY

01. LABOR

02. STATISTIC

03. BENCHMARK

01



LABOR

Paid hours of
productive time

02



03



THREE ELEMENTS OF PRODUCTIVITY

01. LABOR

02. STATISTIC

03. BENCHMARK

01



02



STATISTIC

Department
specific unit of
service

03



THREE ELEMENTS OF PRODUCTIVITY

01. LABOR

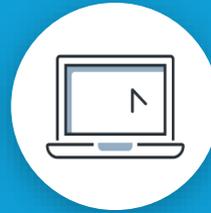
02. STATISTIC

03. BENCHMARK

01



02



03



BENCHMARK.

Comparison
against like
facilities

THREE ELEMENTS OF LABOR PRODUCTIVITY

1

LABOR

2

STATISTIC

3

BENCHMARK

PRODUCTIVITY RESULTS
Expressed as FTEs



Guiding Principles to Labor Productivity



1 Assign a benchmark goal to every department



3 Emphasize production & staffing alignment



5 Rely on data for position control



2 Use measures that are department-specific



4 Report performance on a recurring basis

Principle #1: Assign a Benchmark Goal to Every Department

- Each department throughout the healthcare system should know how its performance is being measured and be assigned an appropriate target.
- It is not enough to focus only on clinical departments.
- Understand services, site specific characteristics, staffing and barriers distinct to the department.


Woman's

Cost Center: 12345 X-Ray
Director/Manager: Sue Sample

Service Description
This department performs general diagnostic radiology procedures for General Hospital

Exclusions:

- No interventional procedures are performed
- No Mammograms
- No guided biopsies (only general)

Currently mapped to: Imaging Services - 03411 - Diagnostic Radiology Without Interventional Procedures
This department performs general diagnostic radiology procedures. Procedures may include but are not limited to: X-rays, fluoroscopy, and mammography (only if a separate 03440, Mammography department, is not being reported). The department is also responsible for the pre-procedure and post-procedure care.

Consider mapping to: No change to department mapping

Site Specific Characteristics
2 x-ray rooms, one portable unit

Staff Specific Characteristics
Does not have any clerical support (ER takes care of registration)

Current Staffing
No tech on midnight
1 tech on day and 1 on night shift

Barriers to Optimum Staffing and Care/Service Delivery
No barriers identified.

Signature
This is an accurate representation of the characteristics of this department.

Department Leader Signature _____ Date _____



Consistent Expectations, Flexible Accountability

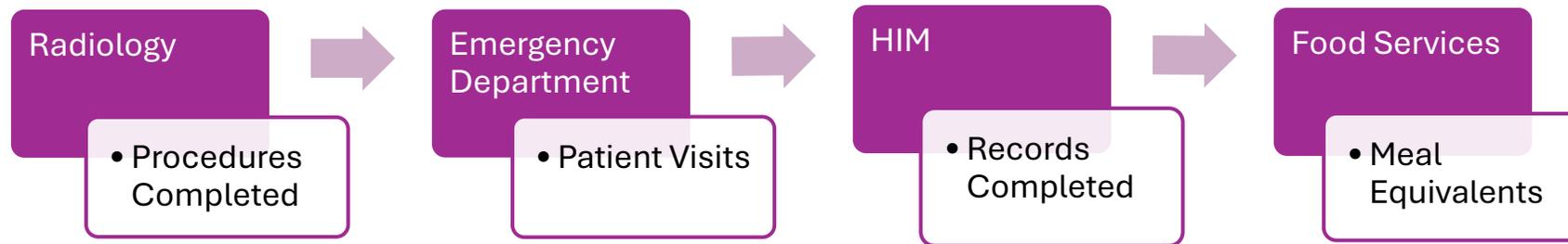
- Woman's Hospital sought to benchmark all departments in the organization.

Clinical Departments	Non-Clinical Departments
Patient-facing Technical Work Examples: <ul style="list-style-type: none">• Nursing Services• Surgical Services• Imaging Services• Rehabilitation Services	Administrative Work Salary-Based Examples: <ul style="list-style-type: none">• Executive Leadership• Revenue Cycle• Finance & Accounting• Information Technology

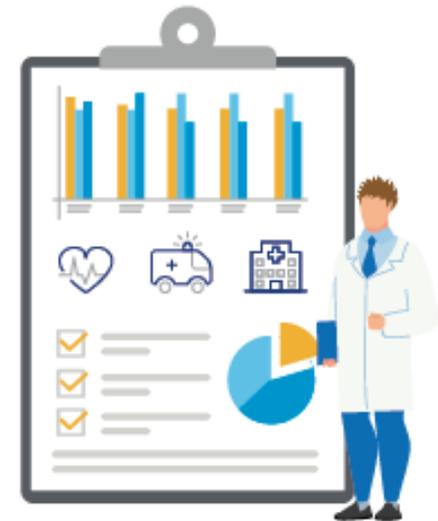
- Benchmarks established a **consistent, organization-wide standard** no matter the nature of the department.
- Accountability looked different across departments, but consistent expectations remained.
- Vacancies were reframed as **planned opportunities, not emergencies.**

Principle #2: Use Measures that are Department-Specific

- Productivity is department or cost center based.
- Each cost center should have a measure that is meaningful to the work they perform.



- A productivity measure is more than position control. It helps your management team have a tool to say “yes” to staff activity that adds value and “no” to activity that does not.



Productivity Statistic vs Revenue Statistics

In some departments, they may be the same, but they are used differently

Productivity

What it represents

- Operational activity that drives staff workload
- May generate revenue, but reflects work performed, not dollars earned

What it is used for

- Benchmarking staffing efficiency
- Aligning labor hours and FTEs to demand
- Managing daily and short-term staffing decisions

Key takeaway

- Manage staffing demand, even when volume and revenue move together

Revenue

What it represents

- Financial performance of services delivered
- Influenced by payer mix, reimbursement, pricing, and contracts

What it is used for

- Evaluating service line profitability and ROI
- Evaluating volume growth and impact
- Supporting capital and investment decisions

Key takeaway

- Explain financial results, which may not move in proportion to labor expense

Even when volume and revenue are correlated, labor expense may not move proportionally to either

Supply Chain Case Study: When the Measure Masked the Issue

- Initial Benchmarking: The Wrong Story
 - Supply Chain productivity was initially measured as a combined function using Items Handled
 - Early benchmarking results suggested the department was highly productive
 - At the same time, operational work was underway to:
 - Evaluate PAR levels
 - Reduce Days on hand
 - As inventory practices improved, the productivity signal become distorted
- What Leaders Were Sensing
 - The leader suspected staffing imbalance:
 - Central Supply functions appeared overstaffed
 - Warehouse functions appeared understaffed
 - Both functions were combined within a single cost center, masking the issue

Supply Chain Case Study: Fixing the Measure Changed the Story

- What We Changed
 - Re-engaged Plante Moran to reevaluate the productivity measures
 - Separated Central Supply and Warehouse into distinct functions
 - Assigned department-specific statistics aligned to actual work performed
- Why it Mattered
 - The revised measure validated leadership intuition with defensible data
 - Data supported restructuring decisions following resignations
 - Productivity becomes a management tool, not just a report
 - When the trend shifted, it triggered deeper engagement and refinement of the metric
 - Fixing the measure changes both the story and the decisions.

Principle #3: Emphasize Production & Staffing Alignment

- The manager of a department should understand the levers they can pull to directly impact productivity performance & feel empowered to implement positive change to improve.
- Each department leader should understand:
 - How is production measured?
 - What is current performance?
 - What is capable performance (best 5 months)?
 - What is the goal production statistic for each department?
 - End goal: Department Managers own their results



Principle #3: Emphasize Production & Staffing Alignment

There are two key levers a department leader can adjust to align production with benchmarks:

HOURS:

Flex hours up and down according to volume.

VOLUME:

Increase volume produced while maintaining current staffing.



Winning at productivity doesn't always require reductions. It often provides an opportunity to increase production, generate revenue, and meet patient demands in your market.

Benchmarking Enabled Increased Production Without Adding Headcount

What the benchmark revealed

At the time of the engagement, Woman's Hospital operated a single MRI Machine

Benchmarking showed staffing exceeded current production levels

The opportunity was to increase volume and utilization, not reduce staff

How Emphasizing Production Changed the Approach

Focus shifted from flexing labor to expanding production

Lean methodology identified scheduling and workflow constraints

Outcome

Successfully added an additional MRI machine

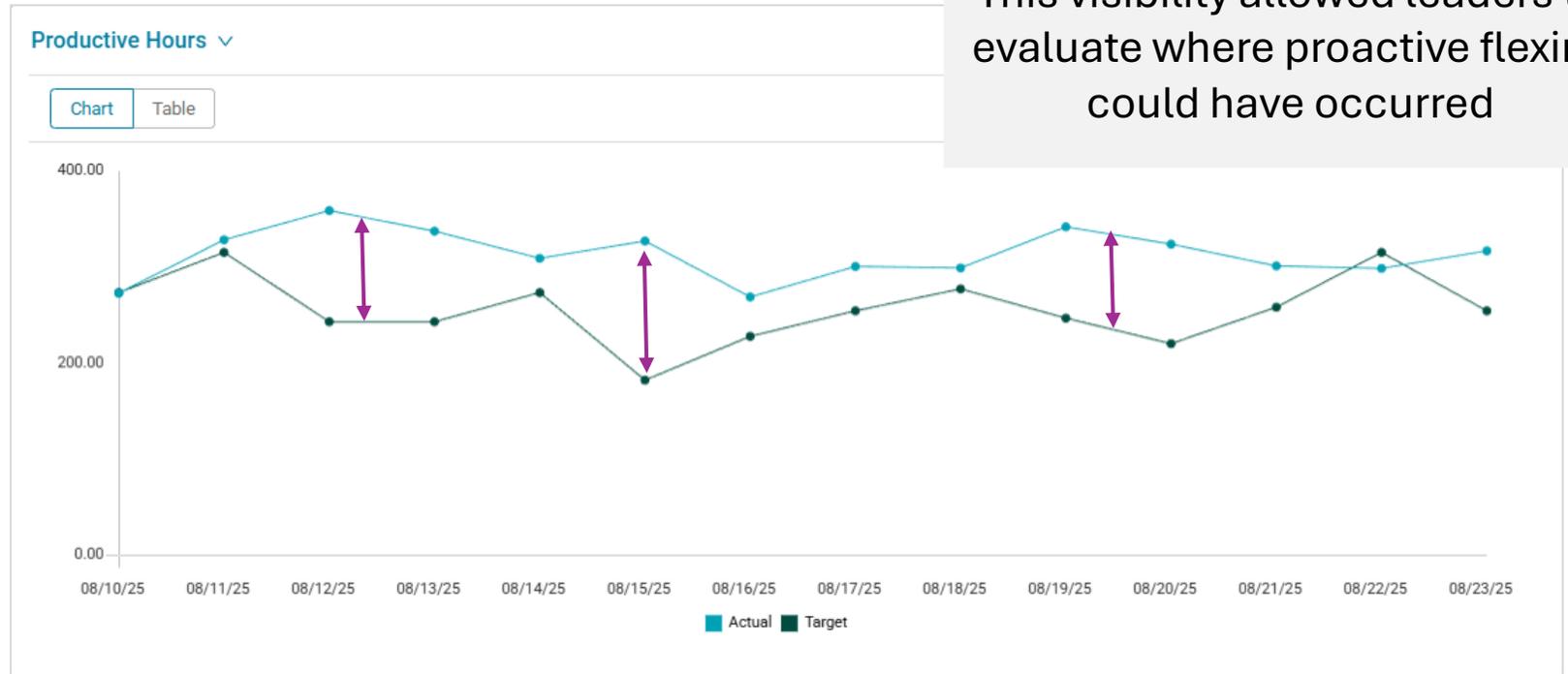
Increased volume was supported without adding staff

Staffing and capital decisions aligned to true production capability



What the Benchmark Revealed: Staffing and Demand Mismatch

- Our Assessment Center perceived staffing shortages, but benchmarking showed underproductivity relative to demand
- Strata highlighted consistent gaps between target and actual hours on specific days



Benchmarking Enabled Staffing Alignment Without Adding Headcount

What we saw:

Staffing patterns did not align with demand peaks, creating idle time during low volume periods and pressure during high volume periods

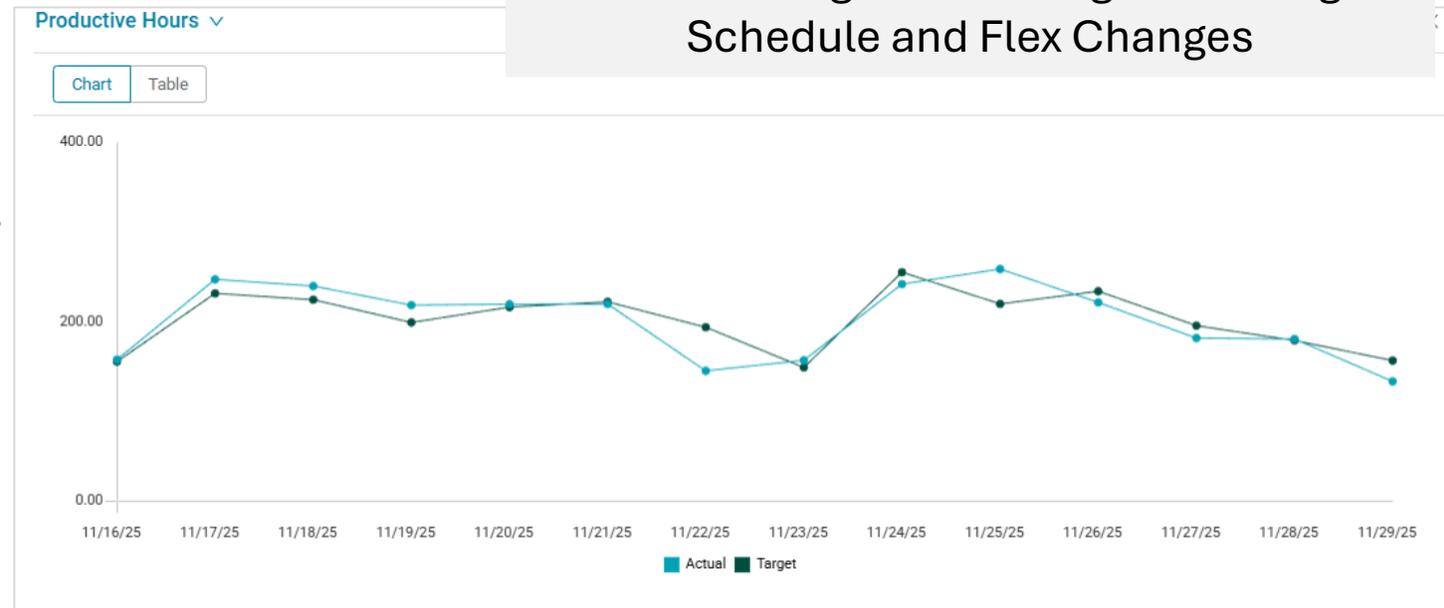
What changed:

Shift start times and role coverage was adjusted, supported by clear flexing expectations and Charge Nurse education

Result:

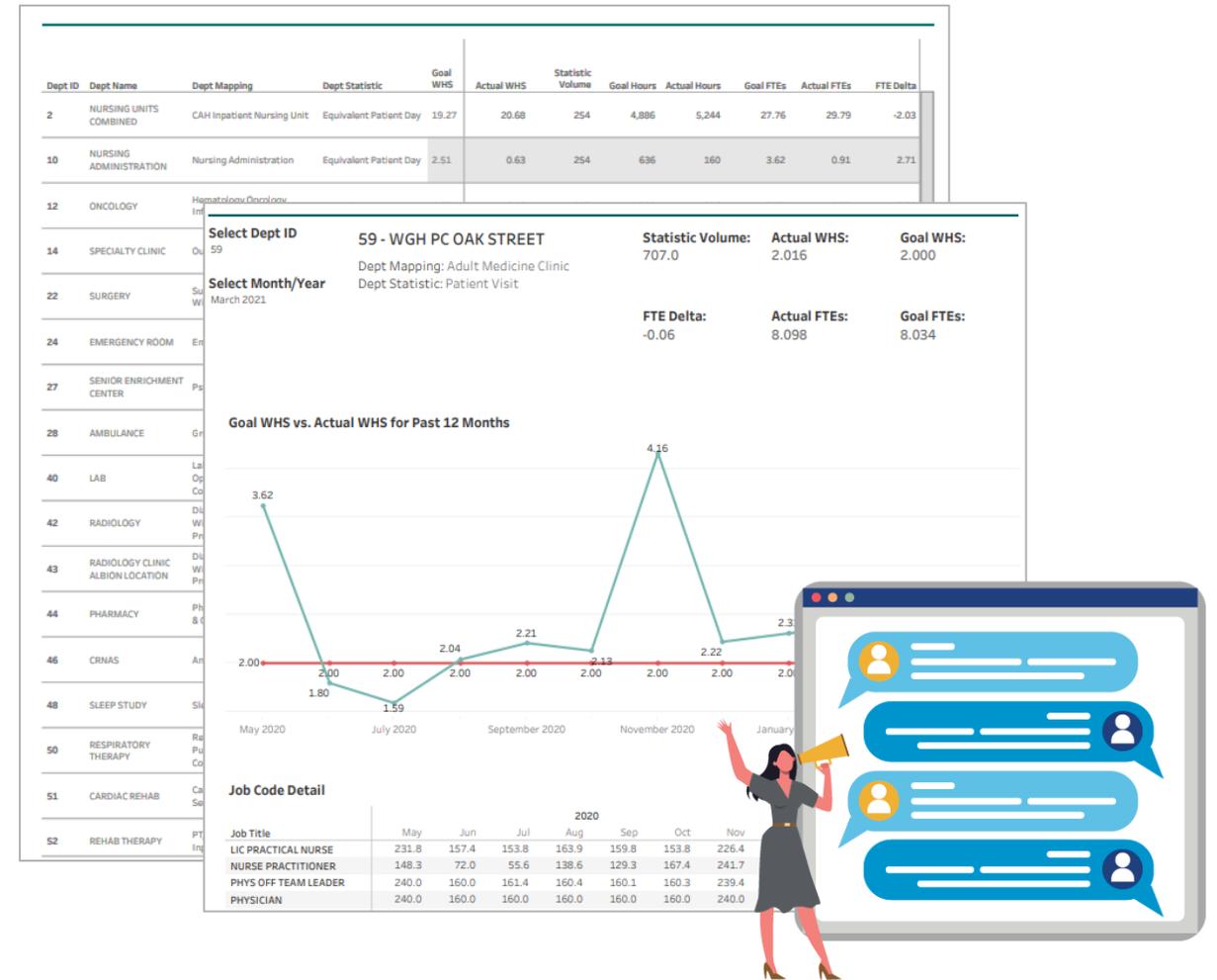
Reduced idle time, improved productivity, and maintained patient safety and experience

Actual vs Target Hours Aligned Through Schedule and Flex Changes



Principle #4: Report Performance on a Recurring Basis

- Managers need access to real-time productivity data to make actionable change.
- Use display software such as Strata to build recurring reports that assess real-time performance.
- Metrics come directly from your source systems (EMR, Finance, Payroll) without normalization or other manual manipulation.



Embedding Accountability Through Operating Rhythm



Daily Visibility to Metrics

Daily review of real-time performance against targets



Biweekly Variance Review

Review performance drivers and document corrective action



Clear Ownership & Escalation

Assign clear owners and escalate persistent trends through leadership



Sustained Focus Through Routine

Performance management becomes part of normal operations, not a one-time reporting exercise

Principle #5: Rely on Data for Position Control

- Establish governance structure to monitor productivity performance and make staffing decisions based on the recurring data.

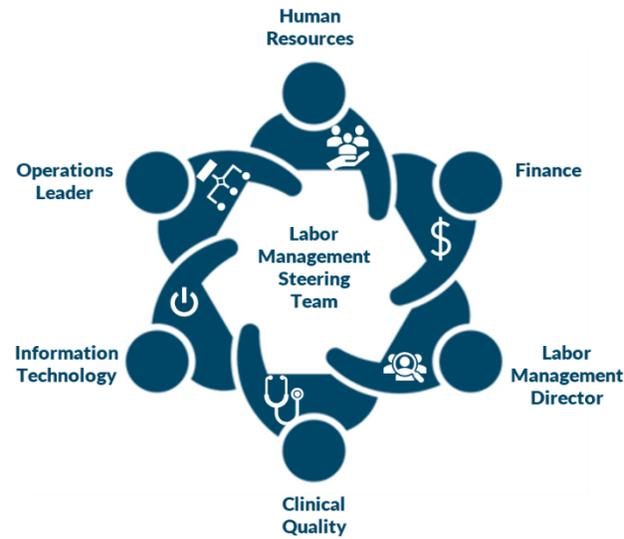
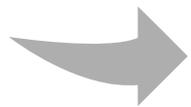
Function:

Sets the Vision and Goals

Determines Tactics and Implementation Plans

Maintain Gains Using Data

Team:



How Data Changed Woman's Position Control Process



Before: Budget-Driven Decisions

Backfills approved without reviewing productivity

Vacancies tracked to budgeted FTEs rather than operational need



What We Changed: Data-Driven Review

Added productivity review to every position request

Evaluated backfills against benchmark performance and demand trends

PPRC reviews requests and department performance biweekly



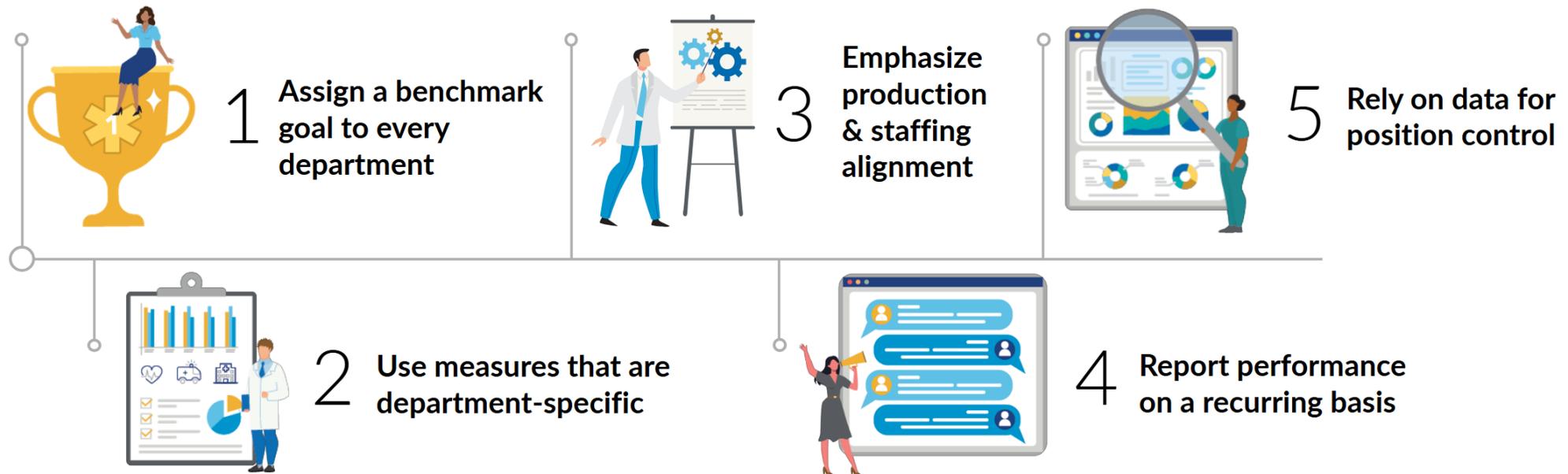
How it Works Today: Consistent, Transparent Staffing

Departments meeting targets may backfill without committee review

Underperforming departments review barriers, drivers, and plans with PPRC

Small Changes Lead to Measurable Impact

Productivity improvement is incremental, not instant, and not linear. Incremental adjustments compound over time.

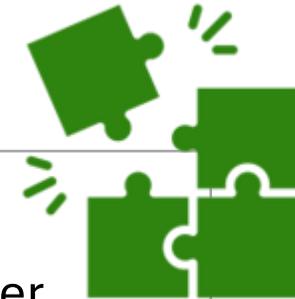


What the Benchmark Revealed: A Structural Outlier

- Mother Baby productivity was flagged as most overstaffed department relative to peers
- This result prompted leadership to examine underlying drivers

Analysis revealed a key structural difference:

- Transition nurse hours were attributed to Mother Baby rather than Labor and Delivery
- Peer comparisons indicated this work typically resides in Labor and Delivery



- Benchmarking clarified a credible productivity target and surfaced a structural attribution issue impacting results.

Turning Insight into Action

What we Changed

- Transition nurse hours reassigned to Labor and Delivery
- Ownership realigned to better reflect where work is performed
- Cross-training initiated to support transition coverage
- Plans defined for short-term demand spikes
- Reduced reliance on a Mother Baby staffing “cushion”

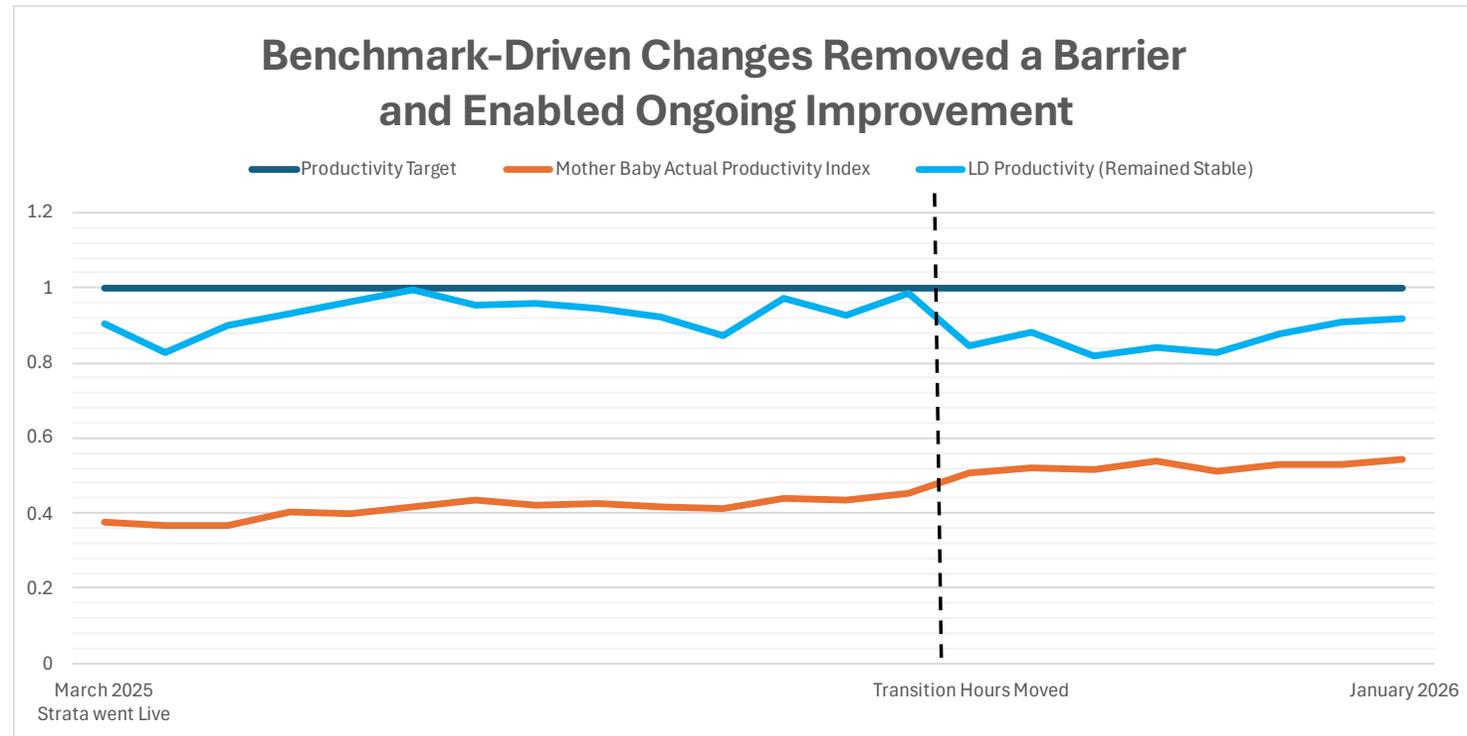
How it is Working Today

- Staffing alignment has improved relative to demand and peer benchmarks
- Cushion hours are being converted to productive RN time
- Structural barriers have been reduced, enabling continued optimization
- Work is ongoing to mature reporting structure and cross-training



Benchmarking Enabled Sustainable Productivity Improvement

- Structural changes removed a key barrier, creating the foundation for continued improvement as cross-training and flexing mature
- Early improvements validate direction; full financial and operational impact will scale as behaviors mature
- Benchmarks give leaders a clear visual target and a way to evaluate what is working and where further improvement is needed



From Data to Discipline: What Changed at Woman's Hospital

What we started with

- Payroll hours and volume data, but limited context
- Monthly, after-close management reporting (lagging indicators)
- General sense of opportunity, but no way to quantify it
- Staffing actions were reactive and inconsistent across departments

What we implemented

- Department-level productivity benchmarks
- Strata for timely, automated visibilities (performance vs. target)
- Operating rhythm and governance

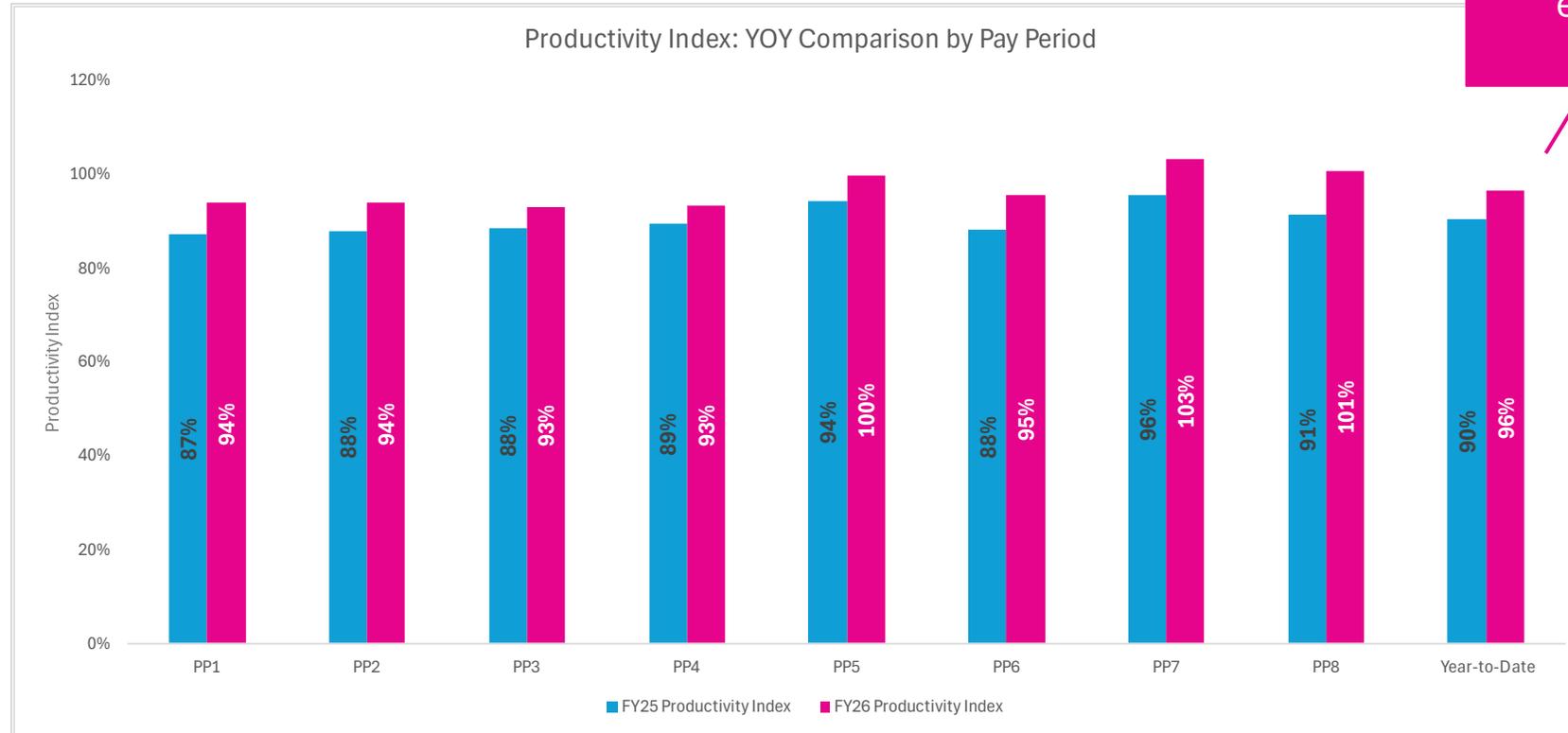
What we have now

- Clear direction: trusted targets by department
- A management tool, not a retrospective report
- Trend visibility and accountability
- Improved position control and reduced cost leakage through earlier course correction

Benchmarking:

- Created a **shared definition** of expected performance
- Converted labor management from retrospective reporting to **proactive decision-making.**

Benchmarking Drove Sustained Productivity Improvement



Year-to-date productivity exceeded prior year performance!

- Productivity improved year over year across every pay period
- Gains were sustained, not one-time corrections

Productivity Improvement Delivered Measurable Financial Impact

Productivity improvements drove measurable labor cost avoidance:
Expected **5:1-6:1 return on investment** within the first two years

Gains were achieved via:

- ✓ Improved utilization of existing staffing
- ✓ Better alignment of labor to demand
- ✓ Strong governance and accountability for productivity

Clear direction and disciplined execution generated productivity success, **not workforce reductions**.



Benchmarking Uncovers Hidden Waste

Staffing and Demand Mismatch

Staffing patterns did not align to demand peaks, creating idle time in some areas and pressure in others



Hidden Nonproductive Time

Nonproductive time was embedded in schedules and routines, masking inefficiencies and limiting output



Process Inefficiencies and Skill Mix

Workflow inefficiencies and skill mix challenges disrupted flow and limited productivity gains



These patterns pointed us to targeted case studies and operational redesign opportunities.

Benchmarking as an Operating Discipline, Not a Policing Tool

Benchmarking as Improvement Tool

Benchmarking helps clinical teams improve performance and fosters trust when used for support rather than punishment.

Accountability Through Transparency

Transparency, regular feedback, and coaching create an environment where accountability is embraced and trust is strengthened.

Sustainable Improvement and Culture

Consistent measurement, clear standards, and a strong culture with ongoing improvement ensure lasting change and sustainability.



Thank you! Any Questions?



Without them, benchmarking is just another report.

Feel free to contact us:

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