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

Joyce Converse, RN, MS, Senior Vice President Soyring Consulting

Rodney Smith, MBA, FACHE, President/CEO Harrisburg Medical Center
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?
Case Study: Midwest Small Rural Community Hospital Setting

- 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
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

Phase I
• 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

- Strongly Disagree: 6%
- Disagree: 11%
- Neutral: 29%
- Agree: 34%
- Strongly Agree: 20%

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

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

<table>
<thead>
<tr>
<th>Service</th>
<th>Low Range</th>
<th>High Range</th>
</tr>
</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>
</tr>
<tr>
<td>Home Health</td>
<td>$75,712</td>
<td>$117,624</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>$64,584</td>
<td>$64,584</td>
</tr>
<tr>
<td>Patient Registration</td>
<td>$30,420</td>
<td>$30,420</td>
</tr>
<tr>
<td>Patient Accounting</td>
<td>$71,760</td>
<td>$71,760</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,160,077</strong></td>
<td><strong>$1,426,299</strong></td>
</tr>
</tbody>
</table>
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…”

Methodology: Review
• 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")
• 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: Communicate
• 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
<table>
<thead>
<tr>
<th>Phase II</th>
<th>Methodology: Cultivate Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continuously monitor and evaluate progress of reporting department(s)</td>
<td></td>
</tr>
<tr>
<td>• Provide feedback to direct reports</td>
<td></td>
</tr>
<tr>
<td>• Share common dashboard views, encourage transparency of various department challenges as well as successes</td>
<td></td>
</tr>
<tr>
<td>• Encourage department leaders peer to peer collaboration for problem solving (&quot;goal buddies&quot;)</td>
<td></td>
</tr>
<tr>
<td>• Educate and engage physicians and employees</td>
<td></td>
</tr>
</tbody>
</table>
Case Study: Midwest Small Rural Community Hospital Setting

- 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
Case Study: Midwest Small Rural Community Hospital Setting

- The re-analysis of 2011 productivity goals and re-establishing appropriate future targets conducted
Case Study: Midwest Small Rural Community Hospital Setting

- 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
Case Study: Midwest Small Rural Community Hospital Setting

- Tools developed to assist with staffing decisions

<table>
<thead>
<tr>
<th>Census</th>
<th>RNs D 12 Hr</th>
<th>WC D 12 Hr</th>
<th>Tech D 12 Hr</th>
<th>WC D 8 Hr</th>
<th>Tech D 8 Hr</th>
<th>RN E 8 Hr</th>
<th>RNN 12 Hr</th>
<th>WC N 12 Hr</th>
<th>Tech N 12 Hr</th>
<th>WC E 8 Hr</th>
<th>Tech E 8 Hr</th>
<th>RN N 8 Hr</th>
<th>WC N 8 Hr</th>
<th>Tech N 8 Hr</th>
<th>Other 8 Hr</th>
<th>Total</th>
<th>Direct</th>
<th>RN Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>78.40</td>
<td>72.00</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>39.20</td>
<td>36.00</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>26.13</td>
<td>24.00</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>22.60</td>
<td>18.00</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>18.08</td>
<td>14.40</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>17.07</td>
<td>14.00</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>16.34</td>
<td>13.71</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>14.30</td>
<td>12.00</td>
</tr>
<tr>
<td>9</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>14.04</td>
<td>12.00</td>
</tr>
<tr>
<td>10</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>13.84</td>
<td>12.00</td>
</tr>
<tr>
<td>11</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>13.67</td>
<td>12.00</td>
</tr>
<tr>
<td>12</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>13.53</td>
<td>12.00</td>
</tr>
<tr>
<td>13</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>12.49</td>
<td>11.08</td>
</tr>
</tbody>
</table>
Case Study: Midwest Small Rural Community Hospital Setting

- 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
Methodologies include continuous:

• Measurement
• Evaluation
• Adjustment

Phase III
• Keep Your Focus on the Goal
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
• Evaluate productivity management success in relationship to:
  – Financial goals
  – Quality and safety goals
• 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
Phase III

• Keep Your Focus on the Goal

“The successful man is the average man, focused.”

~ Author unknown
Case Study: Midwest Small Rural Community Hospital Setting

- 2013 and beyond continuous re-focus and leadership/staff initiatives results included:
  - Reduced FTE excess from 79 FTEs/pay period to 6-7 FTEs
Questions?

• Joyce Converse, Senior Vice President, Soyring Consulting

• Rodney Smith, President & CEO, Harrisburg Medical Center