Impacting Financial Outcomes with Workforce Management Initiatives

Expecting More from Workforce Management Initiatives

Managing the workforce and containing labor costs has long been an important initiative for hospitals and health systems. With labor accounting for more than half of operating expenses, labor cost containment has always been on the minds of healthcare executives, but it is quickly moving to the top of their priority list. A *Becker's Hospital Review* survey of 75 healthcare finance executives showed that nearly three-quarters of respondents said that managing labor costs was the top financial concern keeping them up at night[1].

With the move to value-based care and reimbursements tied to outcomes, the focus on the workforce is growing in importance for health systems both large and small. According to the CFO at an 18,000-employee health system in the Southeast, "We really made workforce management a priority last year when we put the imperative as one of our key metrics with our strategic plan." The importance of workforce management is echoed by the CFO at a rural community health system in the Midwest, "Managing productivity is key in light of the fact that reimbursements are steadily decreasing. We need to become much more efficient at the care we provide."

Workforce management strategies that worked in the past are being re-examined and expanded. There is an increased awareness that the success of a workforce management

What are the top three financial concerns for your organization? What keeps you up at night? Select three.

Managing labor costs	73%
Uncertainty around reimbursements	71%
Staying competitive in the market	61%

Based on survey of 75 healthcare finance executives conducted by *Becker's Hospital Review* in April, 2017.

initiative is based upon both data transparency and increased accountability for executives and front-line managers. "It comes down to initiatives that hold leaders accountable as well as getting leaders to think differently about how to manage workforce issues," says the Midwest health system CFO.

Paying closer attention to the numbers and taking action to achieve better workforce outcomes is a common focus for the healthcare executives interviewed. "We are just now increasing our oversight and monitoring of unfavorable variances or large year-over-year growth numbers. So workforce management is a priority, but we did not apply any discipline around managing it before. Now we do." explains the director of finance at a children's hospital in the Southeast.

Overcoming the Biggest Workforce Management Challenges

With labor cost containment a top priority, we wanted to know where organizations struggle the most with workforce management. We then examined how health systems are addressing those challenges.

Challenge 1 – Ability to Flex Staff Up and Down Based on Volumes and Patient Needs

Optimized staffing requires staffing levels to be adjusted up and down based on patient needs. Sixty percent of the finance executives surveyed said that flexing staff was a challenge for their organization.

The challenge often starts when staffing plans are developed based on a static budget. While the budget may provide an accurate overview of patient needs averaged over a period of time, it often does not account for the daily and shift-by-shift variances in patient census and acuity levels. That can lead to instances of understaffing, which can jeopardize the quality of care, and instances of overstaffing, which leads to unnecessary labor costs.

Technology can be utilized to address the challenge of staff flexing in three ways.

1 – Provide Visibility into Flexing Needs

Real-time transparency into patient demands compared to actual staffing levels provides visibility into instances of under- and overstaffing in time for adjustments to be made.

A CFO at a health system on the East Coast shares how they have leveraged technology to make staff flexing easier, "Our staffing dashboard pulls in census and acuity numbers, as well as other volume metrics such as number of lab tests, and then applies the staffing plan. Because we're comparing actuals, our unit managers and staffing office can easily see if we're under- or overstaffed and make the necessary adjustments."

2 – Make Flexing Easier

Another way to address the challenge of flexing staff up and down is to make flexing easier.

The senior vice president and system nurse executive at a large health system in the Carolinas explains how they've used technology to operationalize their strategy to make flexing easier for staff and schedulers. "Since moving all of our disparate float pool nurses into a single centralized regional pool we have seen a really good rate of adoption. The staffing and scheduling technology we use to manage regional float pool teammate deployment has enabled us to

Where do you struggle with workforce management in your organization? Select all that apply.

1. Ability to flex staff up and down based on volumes and patient needs	60%
2. Managing overtime and premium labor costs	47%
3. Leveraging staff across the enterprise	45%
4. Staffing productivity as a lagging measure vs. proactive	43%
5. Managing staff turnover and the cost of turnover	40%

Based on survey of 75 healthcare finance executives conducted by *Becker's Hospital Review* in April, 2017.

Without Shift-by-Shift Flexing
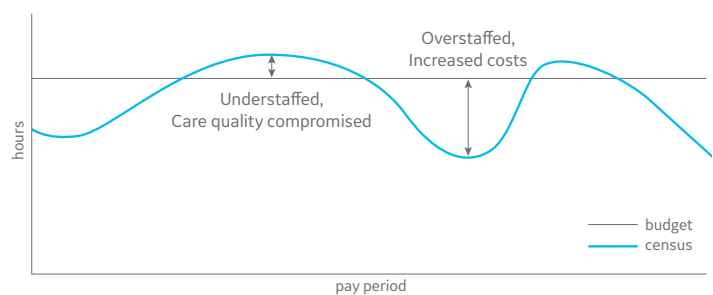
When a static budget is used to create schedules, staffing levels need to be adjusted to meet actual patient needs. If those adjustments are not made effectively, it can jeopardize both patient outcomes and the bottom line.

more effectively utilize our own resources instead of looking at contract labor or incentive pay to fill open shifts, and we are better equipped to support flexing census numbers. Skill optimization, improved engagement, and more effective deployment of resources are difficult without visibility into the workforce and implementation of consistent staffing and scheduling policies across the enterprise. Accomplishing all of these goals was next to impossible with a pen and piece of paper."

This health system has linked their staffing strategies to their corporate imperatives. Their nursing executive says, "Effective staffing that includes skill optimization and complete visibility across the enterprise is fundamental to achieving downstream corporate goals. For an organization as large as ours, open communication, transparency, and the strategic deployment of teammates across the enterprise play a significant role in achieving clinical and financial goals."

3 – Improve Scheduling Accuracy, Less Need for Flexing

The third way to address the challenge of staff flexing is to develop a more accurate schedule that requires less flexing. When schedule development is based on historical trends and predictive staffing analytics, it leads to a schedule that is much more accurate than a static schedule based solely on the budget.

A vice president of finance and CFO at a regional health system in the South explains their strategy, "With the creation of labor analytics dashboards, our executives have a real-time view of productivity so that real-time adjustments can be made based on actual volumes. We can also spot departmental trends and staffing patterns so it's easy to see if departments are on track with meeting quality standards as well as predict future staffing needs based upon past history."

Challenge 2 - Managing Overtime and Premium Labor Costs

Nearly every health system has taken steps to reduce overtime and other premium labor costs. However, even many of those that have already made some positive changes can drive more cost containment by taking a closer look at these areas:

1 – Use the Data to Proactively Pinpoint Projected Overtime

Building overtime reduction strategies that rely on historical data are incomplete at best. Instead, focusing on analytics that synthesize both scheduling and time/attendance data enables managers and schedulers to view projected overtime and make proactive adjustments to avoid the overtime. With clear visibility into scheduled hours and hours already worked, overtime can be corrected before it happens.

The VP of HR at a 3,500-employee health system in the Northeast explains the power of data transparency: "Having the capability and flexibility of adjusting and redeploying workforce is invaluable. Real-time data allows managers to make decisions at any given moment on who works, where each person will work, and if there is a need for redeployment, of which could quickly have an impact on scheduling and overtime."

2 – Focus on Incidental Overtime

Incidental overtime is a block of overtime that is less than an hour in length and usually happens when an employee clocks in a few minutes early, stays a few minutes late or misses their lunch break. Also called incremental or creeping overtime, the cost of incidental overtime is anything but incidental. After analyzing the overtime data of health systems across the country, the Workforce Management team at GE has found that incidental overtime typically accounts for 5-10% of overtime costs.

Since these blocks of overtime can often be eliminated by creating awareness and using some simple training initiatives, they can be a perfect target for quick-win labor cost reductions.

Here's an example shared by a regional health system in the Midwest. The organization had nearly 900 instances of staff missing their lunch break during each two-week pay period. After taking a closer look at the data and realizing that many of these missed lunches were an unnecessary expense that was not delivering value to the patients, the chief operating officer asked the management team to better manage lunch breaks. Within one month, they dropped the number of missed lunches by 35%, saving the organization over $4,700 each pay period and nearly $125,000 annually – with potential savings over $185,000 annually if those missed lunches were pushing the employees into overtime.

Challenge 3 - Leveraging Staff Enterprise-Wide

Staffing in silos often leads to missed opportunities in other parts of the organization. As the senior vice president and system nurse executive at the health system in the Carolinas explains, "If one hospital had three or four critical care nurses out sick, they may desperately need critical care nurses, even spending huge dollars in premium labor and staffing incentives to get those shifts covered when, ten miles down the road [at another facility], we might be sending people home because we didn't have enough patients. Being able to pull resources from other units or locations is a tremendous benefit."

When health systems use standardized staffing practices and technology across the enterprise, they are empowered to use more sophisticated staffing strategies that enable them to leverage their staff enterprise-wide. Those strategies become even more powerful when managers and staff work collaboratively to fill open shifts. Some examples of these strategies include:

- Creation of a central staffing office
- Development of internal resource pools
- Viewing and adjusting staffing needs organization-wide
- Self-scheduling and self-directed floating programs

Challenge 4 – Staffing Productivity as a Lagging Measure vs. Proactive

For many health systems, productivity is analyzed at the end of the pay period. However, when productivity is a lagging measure, making adjustments is like aiming at a moving target; you're using historical data to make future decisions, which means the accuracy of those decisions is hit-or-miss.

There is a better way to manage productivity. As a CFO on the East Coast sums up, "Productivity shouldn't be after the pay period. Now, technology can deliver proactive productivity analysis as a function of integration between time and attendance and staffing and scheduling."

The vice president of finance and CFO at the [regional hospital in the South](#) explains how they've put software solutions to work for their organization: "Our labor analytics technology gives us the ability to look at the data as it's happening within the pay period and then make corrections proactively so that we can get the results we're hoping to achieve. Instead of using a rearview mirror approach where you look at outcomes days or even weeks after the pay period has ended, our managers can affect the outcome of the pay period before it ends."

Challenge 5 - Reduce Turnover through Staff Engagement

Work schedules and staffing policies can have an enormous impact on staff satisfaction. Creating schedules and making staffing adjustments needs to be a delicate balance between meeting patient needs, managing labor costs and engaging staff. "You can increase nurse satisfaction by giving them a say in what's happening with their schedule, within the staffing guidelines and rules you put together for your units and for your departments. The more that you can keep them informed about their schedule in advance, the more satisfied they are," explains a vice president of nursing/CNO at a 5,800-employee [health system in the Southeast](#).

Many organizations are using technology to empower staff with more control over when and where they work. With a system of checks and balances that allows employees to see the shifts they're qualified to work based on criteria such as skill sets, credentials, whether or not the employee is working up to their committed hours and if they're approaching overtime, health systems are engaging staff in the staffing and scheduling process, giving them much more control over their own work/life balance.
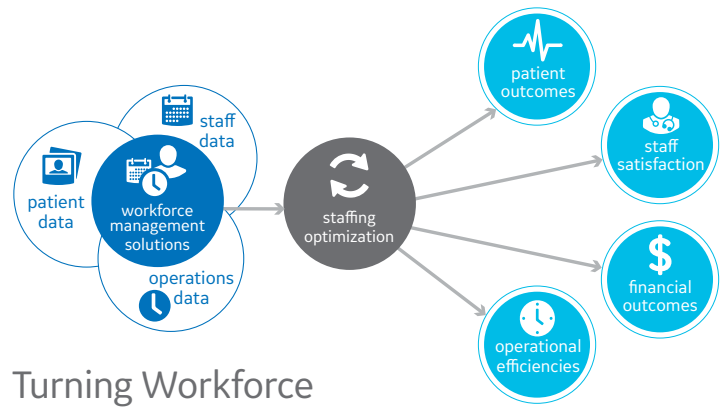
As the director of patient care services at a 651-bed [teaching hospital on the East Coast](#) shares, "For me, it's about effective communication. We put all of the open shift information out there so that all of our employees have equal access to it. They can self-direct their activity, provided they meet the credentialing and training standards that are set for them. It's really about allowing them visibility and a voice in their schedule."

Finding the Data Gaps

Successful workforce management strategies are predicated on having and using the right data. The CFO at the large health system in the Southeast explains what they're looking for with their workforce management initiatives: "Success is leadership having the updated information to plan and meet the needs of the volumes and growth for our organization."

The CFO at the rural Midwest health system has a similar view of success, saying, "We are looking for accurate reporting and benchmarking based on historical department performance."

However, accessing and using the right workforce management data is still a challenge for many of the health systems surveyed. For example, while many organizations are using real-time census data for staffing decisions, only one-quarter are using real-time acuity information[2]. There are also large gaps in using staff skill and competency data, patient information from the Electronic Health Record, and information about the cost of the staff, all critical data components that can improve outcomes when used for making staffing decisions.

How are you using these data elements to make staffing decisions?

	Real-Time	Retroactively	Not Using
Data on the comparative cost/actual hourly rate of staff	12%	64%	24%
Data on non-nursing/ancillary workload volumes	20%	63%	17%
Acuity	25%	44%	31%
Staff skill/competency data	28%	35%	37%
EHR data	37%	33%	29%
Admissions/Discharges/Transfers	60%	31%	9%
Census	79%	20%	1%

Based on survey of 75 healthcare finance executives conducted by *Becker's Hospital Review* in April, 2017.

Turning Workforce Data Into Better Outcomes

A successful workforce management strategy accounts for people, processes and technology, with a focus on providing the right people with access to the right information at the right time. The above model shows the data that is leveraged through the workforce management solution, in order to make staffing decisions to achieve your organizational outcomes.

This strategy is built on a foundation of integrated solutions that pull together patient, staff and operational data for staffing optimization. With this strategy, managers, executives and staff all have the information they need to overcome the biggest workforce management challenges, including flexing staff up and down, managing labor costs, leveraging staff enterprise-wide, improving productivity and keeping staff engaged and satisfied.

Key Takeaways

1. Managing labor costs is a top priority for healthcare financial executives.

2. Top workforce management challenges are similar for health systems of all sizes across the country:
   - Staff optimization – having enterprise-wide visibility to flex staff up and down based on patient needs across units and facilities
   - Managing labor costs – Minimizing overtime and other premium labor expenses
   - Proactive rather than reactive – Having access to the right data to make proactive staffing decisions that affect the desired outcomes rather than simple reporting after the fact
   - Staff engagement – Providing staff with a voice in the staffing and scheduling process to improve satisfaction and reduce turnover

3. A critical success factor for addressing these challenges is focusing on using integrated data to achieve staffing optimization, which improves financial, clinical and operational outcomes.

About Centricity™ Solutions for Workforce Management

Health systems are under mounting pressure to elevate care quality while reducing costs. Key to tackling those challenges is an optimized workforce that delivers better clinical, financial and operational outcomes. To meet the evolving demands of the healthcare industry, GE Healthcare can help health systems and provider organizations focus on strategies to turn workforce data into better outcomes.

References

1 *Survey of 75 healthcare finance executives conducted by Becker's Hospital Review in April, 2017.*
2 *Ibid*

Imagination at work