



Clinical connection



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PRODUCTIVITY AND LABOR MANAGEMENT

“Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort.” - Paul J. Meyer

Productivity is generally defined as, “a measure of how efficiently a system uses resources to produce the desired output”. Labor management is defined as, “all the systems, processes and initiatives designed to support, measure and influence productivity”. Or, to state it another way, productivity is the rate at which we operate as a business, whereas labor management is the art of controlling that rate.

Development of a productivity system is a fundamental and essential tool for managing labor expense. There are four basic steps:

Step 1: Position Control: Determine appropriate mix of full-time, part-time and per-diem positions

Step 2: Productivity Targets: Develop worked hours per unit of service targets

Step 3: Scheduling and Staffing: Develop staffing grids to guide daily staffing decisions

Step 4: Monitoring and Controlling: Develop systems to monitor productivity

Step 1: Position Control

Position control defines the number of staff, FTE status and skill mix for a department. Position control is a tool for determining if a vacant position should be replaced, modified or eliminated.

Position control starts with determining the number and type of FTEs needed for your lowest, average and peak census or workload levels. You will also need to determine additional FTEs that may be needed to cover non-productive time (sick calls, vacation, etc.).

The general principle is to use full-time staff to cover your lowest workload and to use part-time and per-diem staff to meet average and peak levels. An example is illustrated in the two tables.

| Staffing for Lowest, Average and Peak Workload | | |
|--|---|---|
| Lowest Workload | Average Workload | Peak Workload |
| 2 RNs | 3 RNs 1 LPN 2 CNAs 1 Health Unit Clerk | 4 RNs 1 LPN 3 CNAs 1 Health Unit Clerk |

| RN Staff —Lowest Workload | RN Staff—Average Workload | RN Staff—Peak Workload |
|---------------------------|---------------------------|---------------------------|
| 0.9 FTE RN | Core Staffing – plus – | Average Staffing – plus - |
| 0.9 FTE RN | 0.6 FTE RN | 0.6 FTE RN |
| 0.9 FTE RN | 0.6 FTE RN | 0.6 FTE RN |
| 0.9 FTE RN | 0.6 FTE RN | 0.6 FTE RN |
| 0.9 FTE RN | 0.3 FTE RN | 0.3 FTE RN |
| | Per-Diem positions | Per-Diem positions |

There are other factors to be considered of course, including the ability to hire part-time staff and replacement for paid time off. The position control worksheet illustrated below, is a tool that can be used to begin the analysis.

Position Control Worksheet

MINIMUM

- 1) What is the lowest volume / workload for the last 12 months?
- 2) What is the lowest volume / workload by shift?
- 3) What is the minimum staffing (worked hours / FTEs and skill mix) required for the lowest workload?
- 4) What is the minimum staffing by shift?
- 5) Does the minimum staffing also constitute core staffing? (The lowest number of staff regardless of volume). If not, what is the core staffing?

AVERAGE

- 6) What is the average volume / workload for the last 12 months?
- 7) What is the average volume / workload by shift?
- 8) What is the staffing (worked hours / FTEs and skill mix) required for the average volume / workload?
- 9) What is the average staffing by shift?

PEAK

- 10) What is the peak volume / workload for the last 12 months?
- 11) What is the peak volume / workload by shift?
- 12) What is the staffing (worked hours / FTEs and skill mix) required for peak volume / workload?
- 13) What is the peak staffing by shift?

OTHER CONSIDERATIONS

- 14) Are there seasonal fluctuations in workload? If so, when does this occur.
- 15) Are there any anticipated changes in workload (higher or lower) over the next 12 months?
- 16) What are the non-productive hours (non-worked hours) for the last 12 months?
- 17) What is the percentage of worked hours to total paid hours?
- 18) What is the turn-over rate by position?
- 19) What is the current percent of full-time and part-time staff in total and by position?
- 20) Will any of the information in questions 14 – 19 impact your position control? If yes, please describe the impact.

Step 2: Productivity Targets

A productivity target establishes the worked hours that are required for the workload or volume. Developing a productivity target is a process that includes: (1) choosing or identifying a unit of service (i.e. patient days, procedures, treatments, etc.), (2) estimating volume or workload (usually based on budget or historical data) and (3) determining the required worked hours for the estimated workload. The information is then used to develop a target per unit of service. For example 11.0 worked hours per patient day or 2.0 worked hours per procedure.

Develop your productivity target by completing the following steps.

- 1) Unit of Service: Choose a unit of service for each department. Determining the unit of service should take into consideration the reliability of collecting the unit of service data. Ideally the data is generated thru the financial system.
- 2) Workload: Review lowest, average and peak workload as well as any workload that may not be captured in the unit of service statistic that has the potential to impact the target.
- 3) Worked Hours: Identify the number of worked hours needed for the average projected workload. Review the frequency of minimum staffing and if applicable, adjust target worked hours.
- 4) Worked Hours per Unit of Service: Utilize the information to develop a productivity target, worked hours per unit of service, and compare to industry benchmarks. If the target is significantly different than industry targets, analyze the data to determine if the target should be adjusted.

The productivity worksheet example below, is a tool for gathering the data needed to develop a departmental productivity target.

Productivity Calculation Worksheet Example

| | |
|--|-----------------------------------|
| a. Unit of Service | <i>Patient Days</i> |
| b. Workload for the last 12 months | 3542 |
| c. Worked hours for the last 12 months | 55313 |
| d. Worked hours per unit of service | 15.6 worked hours per patient day |
| <i>Worked hours (c) divided by workload (b)</i> | |
| e. Projected workload for the next 12 months | 3542 |
| <i>(this is usually determined by the budget)</i> | |
| f. Projected worked hours for the next 12 months | 49073 |
| g. Projected worked hours per unit of service | 13.8 worked hours per patient day |
| <i>Worked hours (f) divided by workload/volume (e)</i> | |
| h. Does the recalculated productivity target meet industry standards? | |
| <i>If not review staffing patterns, processes and minimum staffing requirements.</i> | |
| i. Revised worked hours | 44275 |
| j. Target worked hours per unit of service..... | 12.5 worked hours per patient day |
| <i>Worked hours (i) divided by workload/volume (e)</i> | |

Step 3: Scheduling and Staffing

Staffing Grid

Most organizations review and refine staffing on a daily or shift-by-shift basis. This includes a process of:

- Forecasting workload for upcoming shift(s)
- Identifying the required number of staff, including skill mix
- Adjusting staffing to meet workload

Developing a staffing grid facilitates the process of determining the number of staff needed for the workload. A grid such as the one illustrated below can be used to guide the decision-making process of determining if replacement staff is needed or if additional staff should be called in.

| Census | Day Shift | | | | | Evening Shift | | | | Night Shift | | | |
|--------|-----------|------|-----|-----|-----|---------------|-----|-----|-----|-------------|-----|-----|-----|
| | *Manager | **RN | LPN | CNA | HUC | RN | LPN | CNA | HUC | **RN | LPN | CNA | HUC |
| 8 | 6 | 24 | 8 | 0 | 8 | | 0 | 8 | 4 | 24 | 0 | 8 | 0 |
| 9 | 6 | 24 | 8 | 8 | 8 | | 0 | 8 | 4 | 24 | 0 | 8 | 0 |
| 10 | 6 | 24 | 8 | 8 | 8 | | 0 | 8 | 4 | 24 | 8 | 8 | 0 |

*40 hours per week allocated over 7 days; ** 12 hour shifts

| Target | Actual | Hours | Target | Actual |
|--------------|--------------|------------|----------------------|----------------------|
| Worked Hours | Worked Hours | Difference | Worked Hours per UOS | Worked Hours per UOS |
| 88 | 90 | 2 | 11.0 | 11.2 |
| 99 | 98 | (1) | 11.0 | 10.8 |
| 110 | 106 | (4) | 11.0 | 10.6 |

Replacement Staff

Reducing worked hours by not covering 100% of time-off (i.e. vacation, sick calls, etc.) is an important strategy for aligning staffing with workload. Management approval before staff are called or scheduled to cover for sick calls or other time-off is a generally accepted practice to control staffing expense.

Low Census

Some degree of flexibility to call-off staff during periods of low workload is a common industry practice. It is important to ensure that there are very clear rules so that it is equitable and fair to all staff.

Step 4: Monitoring and Controlling

Productivity Reports

Productivity data is generally reported on a bi-weekly or monthly basis to managers and to senior leadership. Most organizations require managers to develop a variance report when hours are over or under by more than 1 – 2%.

Basic information in a productivity report should include: Unit of Service, Volume, Target Worked Hours per Unit of Service, Target Worked FTE, Actual Worked Hours per Unit of Service, Actual Worked FTE, and the difference between Actual Worked FTEs and the Target Worked FTEs.

Daily Productivity Reports

Implementing a daily departmental staffing report is especially useful for monitoring productivity on a more timely basis than at the end of a pay period and/or if the payroll system cannot provide accurate information. The table below is an example.

| Day of Month | Daily Volume | Worked Hours per UOS Target | Daily Target Worked Hours | Actual Worked Hours | Hours Over/Under | Minimum Staffing | Overtime Hours |
|--------------|--------------|-----------------------------|---------------------------|---------------------|------------------|------------------|----------------|
| 1 | 43 | 0.75 | 32.25 | 17.75 | -14.5 | 12 | 2 |
| 2 | 46 | 0.75 | 34.5 | 12.5 | -22 | 12 | 3 |
| 3 | 40 | 0.75 | 30 | 12.5 | -17.5 | 12 | 0 |
| 4 | 34 | 0.75 | 25.5 | 13 | -12.5 | 12 | 0 |
| 5 | 34 | 0.75 | 25.5 | 14.25 | -11.25 | 12 | 0 |

Overtime

Minimizing overtime is a critical strategy for controlling staffing costs. Review overtime expense at least each pay period. Differentiate overtime incurred as the result of holiday pay, staff working extra shifts and incremental overtime (overtime at the end of the shift). Separating overtime in to these categories will help determine if you need to add an additional FTE, work with staff to better manage their time and/or improve processes such as end of shift report.

| Holiday Overtime | Overtime due to extra shifts | Incremental Overtime | Total Overtime | Percent of overtime |
|------------------|------------------------------|----------------------|----------------|--------------------------|
| Hours: | Hours: | Hours: | Hours: | Percent Overtime Hours: |
| Dollars: | Dollars: | Dollars: | Dollars: | Percent Overtime Dollars |

Management approval for overtime is a generally accepted practice for controlling overtime. If you don't have an approval process in place, there is a good chance that you are incurring unnecessary overtime expenses.

How Can We Help?

Designed to help your healthcare organization balance its workforce with the healthcare needs of the community, our consultants will work with your hospital's department managers to create a better understanding of effective productivity that results in financial, operational and clinical improvement. We can help you improve your bottom line without sacrificing patient care.

Our productivity and benchmarking assessment includes:

- Interviewing staff to assess each department's needs
- Evaluating current staffing levels and identifying opportunities to improve work processes
- Benchmarking in terms of quality, time and cost with hospitals similar in size and scope of services
- Developing realistic productivity targets based on benchmarking and best practices
- Educating and training managers both collectively and individually
- Creating management action plans to begin the implementation process.

For more information and to request a call
with one of our productivity specialists, please contact:

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