

Demand-based Staffing: How a 12-Week Process Saved a Community Hospital \$4.5m in Seven Months

Jeffrey Sommer, MPP, Director

Ron Hughes, Senior Advisor

C. Ryan Sprinkle, JD, Senior Consultant

Stroudwater Associates

Stroudwater's performance improvement specialists recently partnered with a regional community hospital in the Southwest. This \$100M-net-patient-revenue organization faced challenges in managing its labor force to meet declining patient volume. Working in partnership with hospital leadership and frontline managers, Stroudwater supported the organization in developing and implementing a rapid-cycle change process focused on controlling labor cost.

Utilizing the Stroudwater Demand-Based Staffing System, hospital leadership, front line managers and Stroudwater quickly identified and quantified labor-cost management opportunities and implemented systems and management tools that allowed the organization to save \$4.5M in salary costs over a seven-month period.

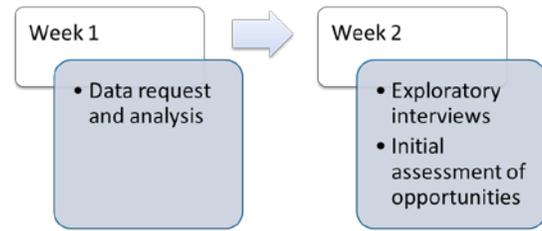
As healthcare organizations struggle with declining reimbursement and reduced inpatient utilization, Stroudwater's performance improvement specialists partner with hospitals, health systems, providers, and other interested parties to deliver high-intensity operational expertise focused on rebuilding value and sustaining healthcare access. Designed to create transparency and accountability around staffing practices inside healthcare organizations, Stroudwater's Demand-Based Staffing System supports overall performance improvement for clients by optimizing staffing to provide quality care while controlling labor cost.

The Stroudwater Demand-Based Staffing System empowers clients to implement a short interval staffing management system, enhance and empower frontline managers in efficiently staffing their departments, and provide leadership teams with reliable and accessible reporting on labor cost improvements and achievements. This system assists healthcare organizations in realizing sustainable labor cost within a twelve-week period and can be more rapidly deployed depending on each client's particular needs and resource capabilities.

Rapid Diagnostic of Labor Cost Management Opportunities

Stroudwater begins a Demand-Based Staffing System engagement by conducting a two-week opportunity assessment to review the operational and managerial aspects of a healthcare organization's staffing practices. Our team reviews management tools and reports to evaluate how these are being used to align labor resources with the work to be completed on a shift-by-shift basis.

Week One: Quantifying the Opportunity. A Stroudwater Demand-Based Staffing System engagement begins with a simple data request. The first week of the engagement is spent off site, reviewing the information that the client has provided. Stroudwater’s labor productivity specialists analyze this data and develop variable workforce tables. These analyses help shape the interviews and time spent onsite in Week Two.



Rapid Diagnostic of Labor Cost Management Opportunities

Week Two: Qualitative Review of Current Practices. Week

Two of Stroudwater’s Demand-Based Staffing System engagements initiates the process of working with client leadership and frontline managers and directors. Stroudwater’s labor productivity specialists interview client leadership, management, and directors. These interviews are designed to gain detailed information, specifically from frontline managers and directors, concerning existing labor management planning processes, work load assignments, and existing reporting and control tools that may be in use.

At the conclusion of Week Two, Stroudwater’s labor productivity experts perform an exit interview with client leadership. The exit interview provides client leadership with an initial assessment of their organization’s labor productivity opportunities based on the quantitative findings from Week One and the qualitative findings from the Week Two interviews.

Demand-Based Staffing System Design and Implementation

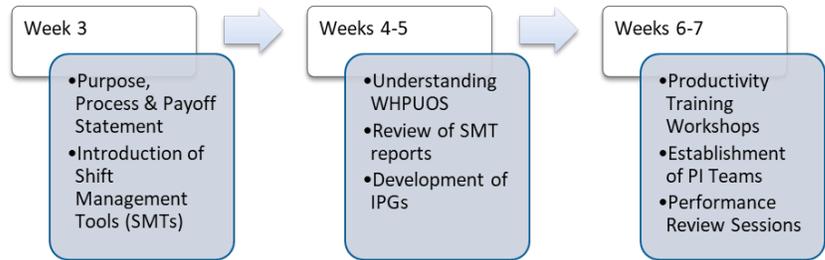
Week Three: Design and Launch of Demand-Based Staffing System. Stroudwater’s team collaborates with client leadership to develop a *Purpose, Process & Payoff Statement*. This statement is the engagement “Charter,” aligning all stakeholders in a set of documented expectations and shared objectives. One of these expectations is the utilization of Stroudwater’s Shift Management Tools (“SMTs”), which are developed and installed within the client organization beginning in Week Three and updated at the conclusion of each shift.

The Stroudwater SMTs serve the critical role of capturing shift-by-shift staffing data across the departments being assessed. As a result of using the SMTs, department staff and managers will begin to understand the vital role that Worked Hours Per Unit of Service (“WHPUOS”) play in measuring each department’s labor productivity. In essence, each department’s WHPUOS serves as a variable performance standard or target, assisting department leaders in managing staff productivity against established WHPUOS targets and providing hospital leadership with clear optics into department-specific demand-based staffing needs. As an example, a nursing unit may utilize hours per patient day as a WHPUOS target.

Weeks Four - Five: Shifting to Demand-Based Staffing Practices. At the beginning of Week Four, Stroudwater works with department staff and managers to train these leaders in understanding how the daily calculated WHPUOS change as department volume and worked hours vary in their respective units. The critical focus during this period is

Demand-Based Staffing System Design and Implementation

on ensuring compliance with the daily SMT and training department leaders to identify the relationship between department volume and worked hours and then develop proactive staffing strategies to respond to those volume fluctuations.



During this same period of time, Stroudwater partners with hospital leadership to review the SMT reports and begin developing Initial Performance Goals (“IPG”). IPGs are the starting point for articulating WHPUOS expectations across different departments. In our experience, IPG WHPUOS are initially set based on the hospital’s internal 25th percentile of productivity performance or available and relevant industry benchmarks. Stroudwater works with the hospital’s senior leadership to identify and develop these IPGs.

At the conclusion of Week Five, the Initial Performance Goals are included in the SMTs. Inclusion of the IPG productivity metrics and targets in the SMTs allows department leaders to measure productivity against an initial baseline for enhanced staffing performance. In their review of prior weeks’ SMT data, department leaders see a running average of department daily staffing performance against the IPG WHPUOS targets.

Weeks Six – Seven: Productivity Training Workshops: After the SMTs are implemented and performance data is captured, Stroudwater will conduct Productivity Training Workshops. Most hospitals have a diverse range of frontline managers with varying levels of professional experience. Given this internal diversity of professional experience, Stroudwater’s staffing productivity specialists facilitate these workshops. Through the course of these training workshops, Stroudwater works with department managers and other stakeholders to ensure management personnel within the organization have a core knowledge and consistent understanding of labor productivity management. Additionally, these workshops focus on teaching managers and directors to communicate using the common language of finance.

Department-specific IPG WHPUOS targets are shared with department managers during these Productivity Training Workshops. Given the critical importance of achieving the IPGs, these Productivity Training Workshops focus on equipping department managers with the tools and processes needed to address issues that prevent their departments from meeting their IPG WHPUOSs.

One of the end products of the productivity training workshops are the formation of Productivity Improvement Teams (“PI Teams”). These PI Teams serve a critical purpose in the organization’s ability to reach its WHPUOS targets. The PI Teams are composed of peer managers, and each team has a senior management team member representative and a project leader. The balance of the team is comprised

of a fluid membership depending on the characteristics and needs of each department being supported (e.g., Patient Care Services versus Facilities Management). Each team's focus is on the department's productivity improvement plans. The PI Teams focus on eliminating the conditions limiting productivity improvement within their departments.

Importantly, these PI teams are not committees intended to "study" or "assess" issues ad nauseum. PI teams are work groups designed for the specific purpose of quickly identifying limiting conditions and then taking necessary action to achieve IPG WHPUOS and stretch targets. In the initial weeks following the formation of the PI teams, Stroudwater's staffing productivity specialists work in collaboration with the PI teams in identifying these limiting conditions and implementing solutions to those limiting conditions. Importantly, this collaborative approach serves the important role of transferring content knowledge and operational expertise from Stroudwater to the PI teams. Executive-level sponsorship and leadership of the improvement process is essential, and organization-wide transparency is required.

It is both appropriate and expected that PI Teams will challenge departments on existing management practices and processes, and "the ways we have always done things." This phase is about discovering factors such as culture, practices, methodologies and habits that prevent departments from managing to the IPG WHPUOS and the stretch target performance goals that are later developed. The conditions that limit improved productivity are documented and action plans with timelines and responsibilities are created.

The PI teams, project leader, and department managers work together in an iterative process designed to quickly but effectively identify barriers to realizing productivity goals. Stroudwater's productivity specialists work with the PI teams to address these barriers and find productivity-enhancing solutions. This process utilizes Stroudwater's Performance Tracker tool, which monitors ongoing departmental level productivity performance. When a department has not reached its WHPUOS IPG or stretch goal targets, the PI team and Stroudwater reviews the limiting conditions that the department manager indicates caused the department not to reach its goals.

Performance Review Sessions between individual department managers and the project leader are held bi-weekly. In these sessions, department productivity performance is reviewed and a Variance Improvement Plan ("VIP") is jointly developed for those departments that fall short of productivity goals. These VIPs are developed in a collaborative fashion and address the limiting conditions that have prevented a department from reaching its productivity target. Stroudwater's staffing productivity specialists are skilled at facilitating these VIP discussions, ensuring that real barriers are identified, addressed, and productivity progress is realized. Ultimately, the VIP provides a department manager with an offensive strategy to reach productivity targets over the next period.

Realizing Sustainability in Labor Cost Management

Weeks 8 – 12: Equipping and Empowering Department Managers.

A trademark component of Stroudwater’s Performance Improvement suite of services is the sustainability of the client’s positive operating improvements. By Week 8, a structured performance improvement program with daily management planning, monitoring, reporting, and control tools will be in use by frontline managers and supervisors. Using the daily discoveries documented in the SMTs and Stroudwater’s Bi-weekly Performance Tracker, department leaders will begin working more closely with the PI Teams to continuously improve workforce efficiencies.

Weeks 8-12

- Equipping and empowering department managers
- Ongoing performance targets
- Future-state processes

Realizing Sustainability in Labor Cost Management

Beginning in Week 8 of a Stroudwater Demand-Based Staffing System engagement, Stroudwater’s labor productivity specialists make a targeted effort to equip and empower frontline managers and department leaders to be responsible for making demand-based staffing changes within their departments. By this point, frontline managers and department leaders are responsible for implementing the labor management improvement opportunities identified from SMT data and the WHPUOS targets in place. Building off the Productivity Training Workshops and the new labor management concepts discussed in those sessions, ongoing performance expectations and targets are developed and responsibility for realizing those expectations and targets rests with frontline managers.

These performance expectations and targets are formed in a collaborative process that incorporates feedback from the organization’s senior leadership, frontline managers and department leaders, and Stroudwater’s labor productivity specialists. With this diverse stakeholder group, future-state processes are developed that rely upon the organization’s best practices, Stroudwater’s industry expertise, and the client’s internal data and performance benchmarks.

Daily Management Key to Realizing Labor Cost Improvement

The \$4.5M labor cost savings that Stroudwater’s regional community hospital client experienced using the Stroudwater Demand-Based Staffing System represented a 16% reduction in labor costs, or a 4.3% reduction in overall operating expenses. Similarly, provider organizations that implement Stroudwater’s Demand-Based Staffing System can reasonably expect to reduce its overall worked hours as much as 10 to 15 percent. Importantly, this improvement in labor cost per unit is achieved while also increasing patient and provider satisfaction.

To realize these results, it is critical that organizations develop the daily discipline of labor management based on demand and productivity metrics. Stroudwater's Demand-Based Staffing System provides hospital leadership, department managers, and other interested parties with the tools, processes, and labor productivity specialists that help healthcare organizations achieve this discipline within a 12-week timeframe.

Stroudwater's labor productivity specialists work with hospital leadership to identify and quantify the opportunity, provide the tools required to monitor and respond to productivity changes, and equip and empower department managers to be effective leaders in their own units. This tested approach creates sustainable results for healthcare organizations, while improving operating performance and enhancing access to care for patients.

To discuss how Stroudwater's Demand-Based Staffing System could assist your organization, contact Jeff Sommer (jsommer@stroudwater.com) or Ryan Sprinkle (rsprinkle@stroudwater.com).