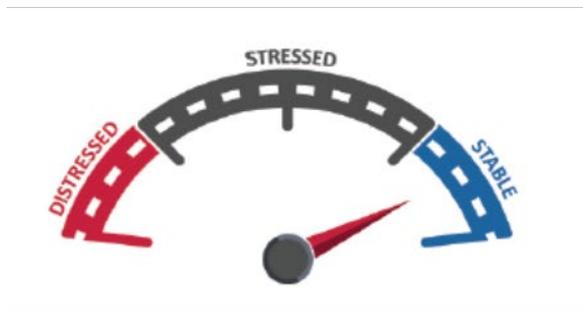




How to Reduce Labor Costs 15% Using Demand-Based Staffing

Tested Tools & Best Practices for Hospitals & Health Systems

April 16, 2019

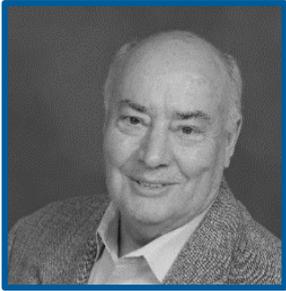


STROUDWATER

PERFORMANCE IMPROVEMENT SPECIALISTS

*Focused on Rebuilding Value and Sustaining Healthcare Access
for Hospitals, Health Systems, and the Communities They Serve*

Introductions



Ron Hughes has over 25 years experience working directly with front-line managers and staff, in both unionized and nonunionized hospitals, to train, teach, and partner with those organizations to realize more efficient staffing practices.



Lan Nguyen is a member of Stroudwater's Demand-Based Staffing team and brings a strong background in finance, analytics, and process improvement. Lan has extensive experience in enhancing quality outcomes through effective leveraging of data and organizational change.

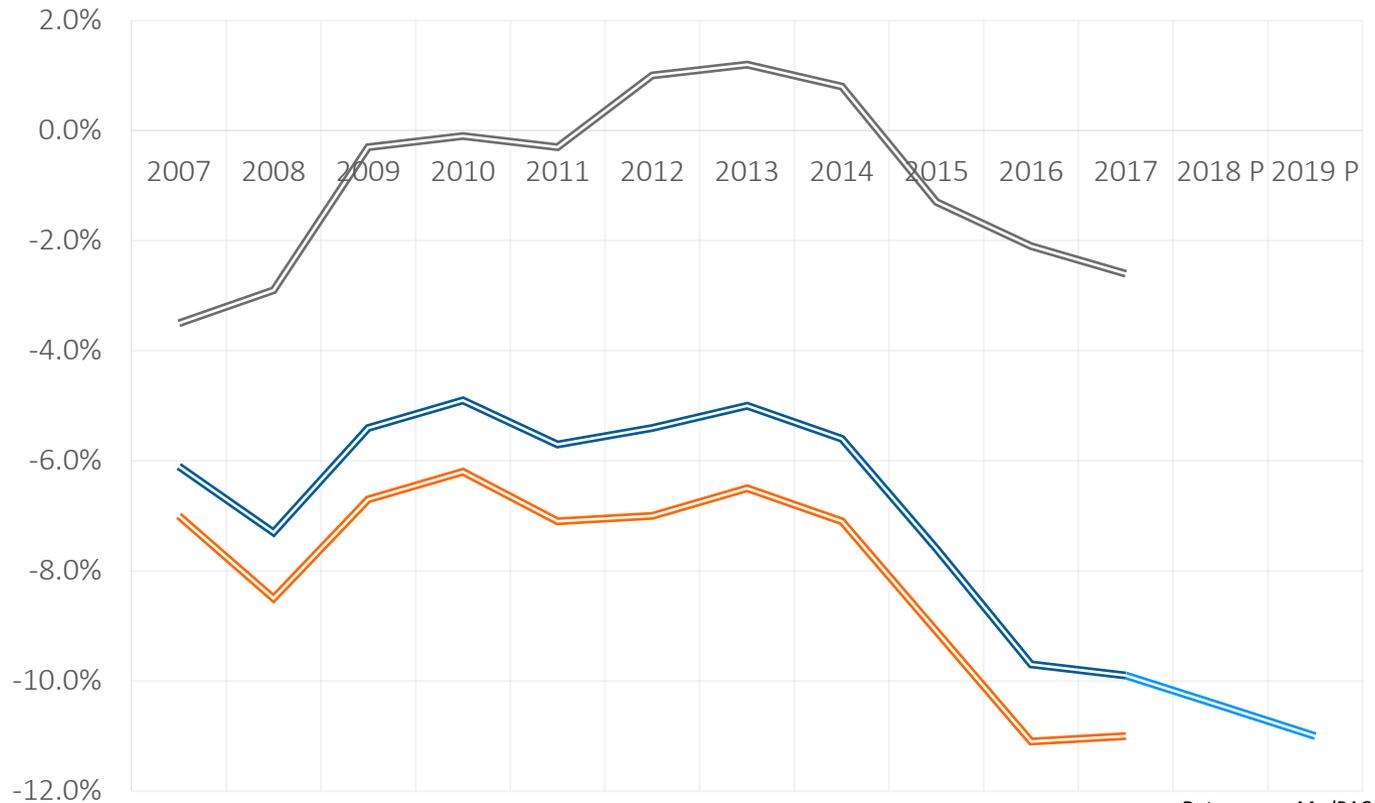


Ryan Sprinkle is a Practice Leader in Stroudwater's Performance Improvement service line. Ryan has worked with multiple healthcare organizations to identify performance improvement opportunities and develop turnaround plans, and then managed the team in assisting clients to implement those plans.

Why the Need for Enhanced Labor Productivity?

MEDICARE MARGINS

— All (exc. CAHs) — NFP — FP — All Projected



Data source: MedPAC

Medicare Margins continue to trend downward through 2017 and 2019 (projected).

Medicare margins per MEDPAC for All (excluding CAHs), Nonprofit and For Profit hospitals from 2007 to 2017 and 2019 projected are shown in the chart above.

Why the Need for Enhanced Labor Productivity?

MOODY'S
INVESTORS SERVICE

Continued growth in operating expenses will place pressure on bottom line performance for nonprofit hospitals.

FitchRatings

Negative outlook for nonprofit healthcare and hospital sector in 2019.

Expectation that **operating cash flow will be flat or decline** as bad debt rises.

Expenses will outpace revenues.

Negative sector outlook for nonprofit healthcare and hospital organizations in 2019. Expectation that organizations will **continue to struggle with operational weaknesses.**

Larger health systems may be **better positioned** to weather current environment **given balance sheet size.**

Source: Becker's Hospital Review, *Outlook is negative for nonprofit hospital sector, Moody's says*, Ayla Ellison, 12/5/18
<https://www.beckershospitalreview.com/finance/outlook-is-negative-for-nonprofit-hospital-sector-moody-s-says.html>

Source: Becker's Hospital Review, *Nonprofit hospitals will continue to struggle in 2019, Fitch says*, Kelly Gooch, 12/5/18
<https://www.beckershospitalreview.com/finance/nonprofit-hospitals-will-continue-to-struggle-in-2019-fitch-says.html>

Why the Need for Enhanced Labor Productivity?



Ongoing declines in reimbursement require organizations to better minimize variable costs and better convert fixed costs (like labor) into variable costs.



On average, labor costs represent anywhere from 50 to 60% of total operating expenses for most healthcare organizations.



Developing systems and tools that allow healthcare organizations to better match staff to demand can reduce labor expenses anywhere from 10 to 15%.



Hospitals and health systems of all sizes have opportunities to better manage staffing levels to demand for services.

**ENHANCING LABOR
PRODUCTIVITY THROUGH
DEMAND-BASED STAFFING**

Demand-Based Staffing Drives \$4.5M Savings in 7 Months



\$100M net-patient revenue hospital in the Southwest that was experiencing **significant financial losses** and needed to **better adjust staffing levels in the face of declining volume.**



Within a **12-week period of time**, Stroudwater performed a **rapid assessment** of labor productivity opportunities and assisted hospital leadership in **implementing the tools and resources** to better flex staff to daily fluctuations in volume.

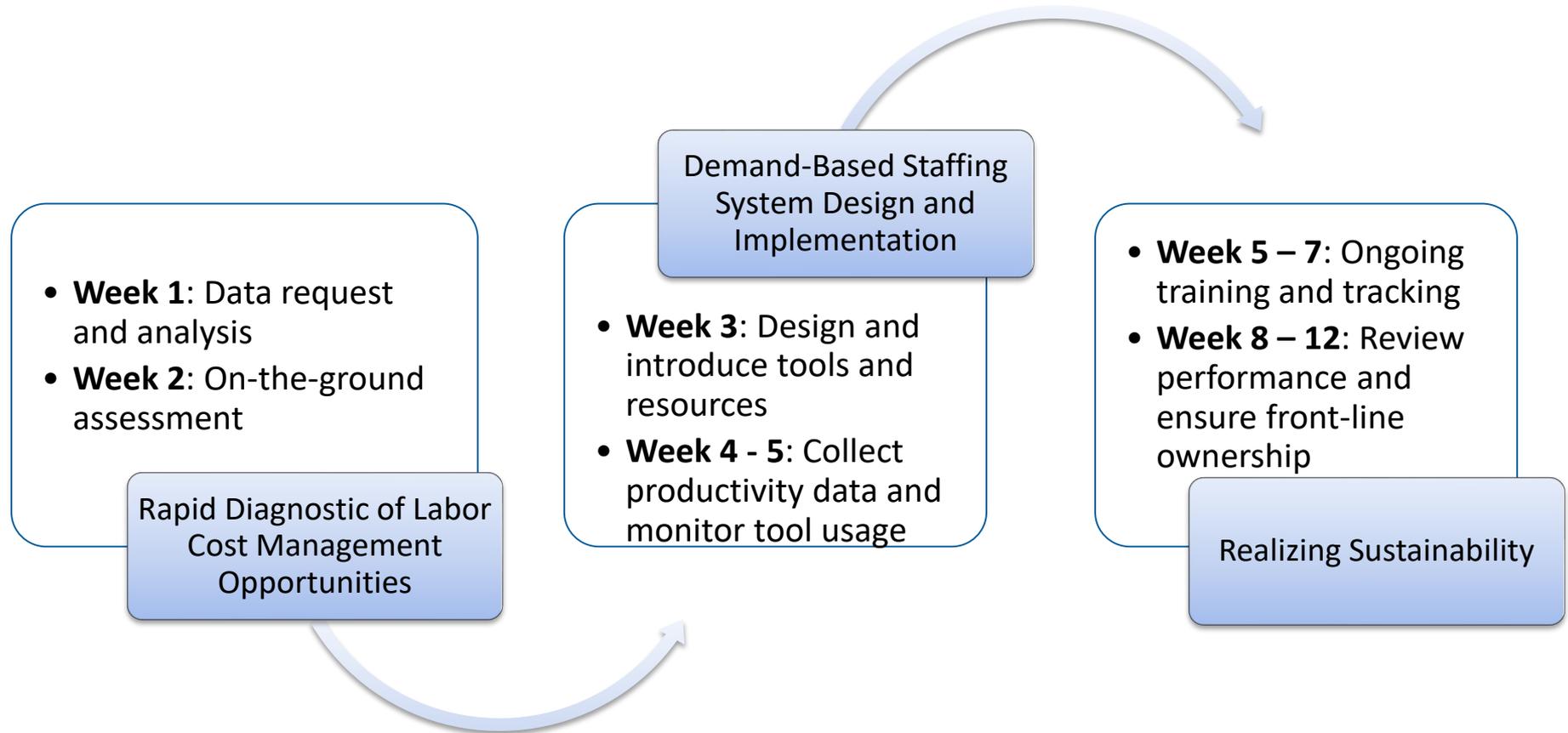


As a result, hospital saved **\$4.5M within the first 7-months.**



To **ensure sustainability**, Stroudwater **embedded the tools and resources** that allowed the hospital's front-line managers to maintain a demand-based staffing system and **continue to drive bottom-line results.**

Stroudwater Demand-Based Staffing System



Rapid Diagnostic: Identify and Quantify the Opportunity

- **Week 1:** Data request and analysis
- **Week 2:** On-the-ground assessment

Rapid Diagnostic of
Labor Cost Management
Opportunities

Key Objectives



Translate actual historical data into **productivity data that front-line managers can understand and impact.**



Understand current-state of labor management processes, work load assignments, and existing reporting and control tools.



Identify and quantify opportunities from enhancing productivity in individual departments.

- **Week 3:** Design and introduce tools and resources
- **Week 4 - 5:** Collect productivity data and monitor tool usage

Demand-Based Staffing System Design and Implementation

Key Objectives



Create a **common understanding** around productivity metrics, goals, and objectives.



Collaborate with managers to choose and understand initial performance goals that will **enhance each department's productivity.**



Begin to **implement and monitor a work force that flexes** and responds to **demand for services.**

- **Week 5 – 7:** Ongoing training and tracking
- **Week 8 – 12:** Review performance and ensure front-line ownership

Realizing Sustainability

Key Objectives



Identify barriers to greater efficiency and productivity.



Form Productivity Improvement Team tasked with addressing and removing those barriers.



Empower “PI Team” with processes, tools, and authority to monitor performance, impact change, and measure progress.

Best Practices for Enhancing Staffing Productivity



Enhancing staffing productivity is **won or lost with your front-line managers.**



Equipping and empowering front-line managers **with** the necessary **tools and resources** to track and enhance productivity is **central to developing a demand-based staffing system.**



Creating and leveraging **open communications to share challenges or barriers** to enhancing productivity within and across departments is **crucial to moving the organization forward.**



Providing **transparent information** about the identified productivity goals and the financial impact from reaching those goals **better motivates teams and positively impacts behaviors.**

Q&A



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*For interested webinar attendees,
Stroudwater's Demand-Based Staffing Team
is available for a phone consultation to
discuss your current staffing practices*