STROUDWATER

DEMAND-BASED STAFFING: HOW TO SET THE COURSE WITH INITIAL PERFORMANCE GOALS

Ron Hughes, Senior Advisor
Jeff Sommer, Managing Director
Lan Nguyen, Consultant

In a previous article, we described Stroudwater's Demand-based Staffing advisory practice. This article described in greater detail one of the foundational components of our approach to Demand-based Staffing, the Initial Performance Goal.

An Initial Performance Goal (IPG) is a preliminary performance goal, the starting point for articulating expectations across departments. Defining performance goals establishes a level of potential improvement in productivity, using today's performance as a reference point. Selecting appropriate Initial Performance Goals is critical to promoting team buy-in, establishing expectations, and providing direction for a department. The selection of the IPG by department is typically made by senior leadership but is a collaborative exercise among all involved stakeholders. It is essential to note that the IPG is an *initial* target for a given department and can be modified as discoveries are made on the daily operational challenges.

An IPG establishes a common framework for all cost centers to participate in improving labor productivity. Most IPGs are measured in terms of **W**ork **H**ours **P**er **U**nit **O**f **S**ervice (WHPUOS). For more information on WHPUOS, please refer to this article. Some departments will require additional review to reflect any major future volume changes, the introduction of new programs, or the closure of a service.

Department-specific performance goals can be based on many potential variables, including:

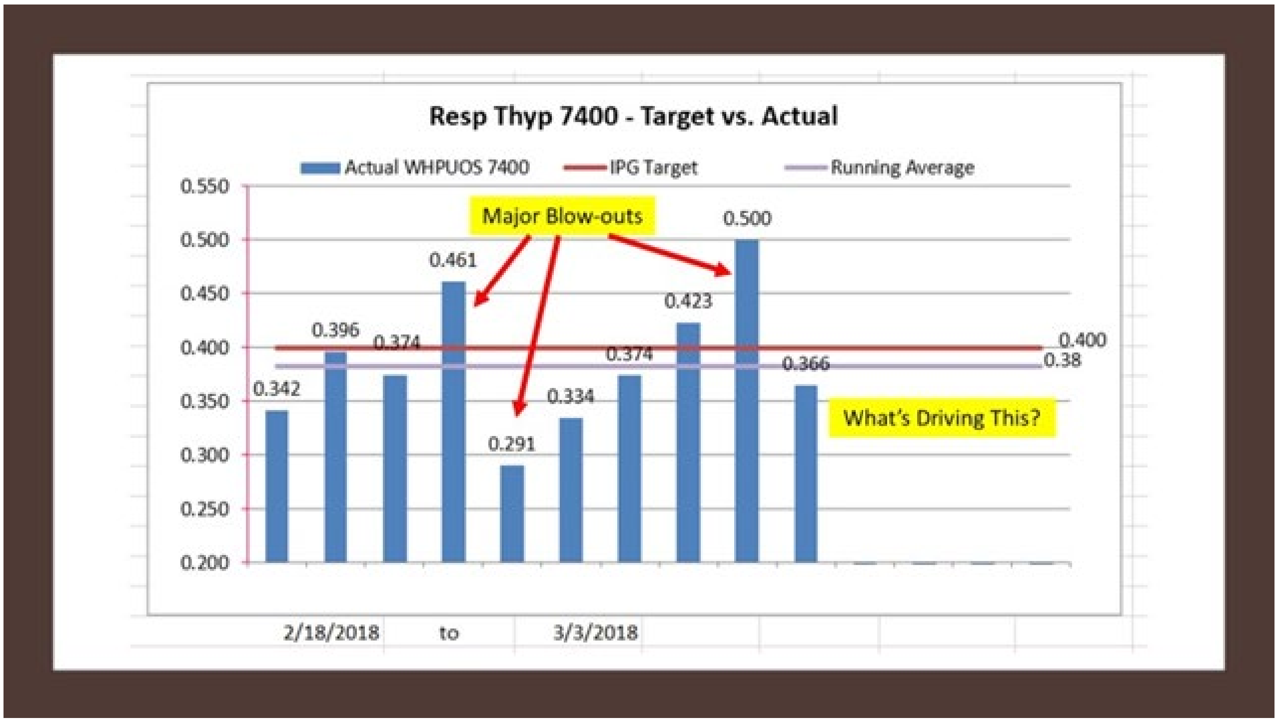
- Current targets
- Actual historical performance of a department
- Internal benchmarks (e.g., internal 25th percentile performance) explained below
- National benchmarking data if available
- Departmental variables that impact productivity (geography, seasonality, staff tenure, physician practices, EMR/manual documentation, etc.)

As a general guideline, IPGs should be set at an operational performance level that has previously been achieved, but not necessarily sustained. This results in an IPG that is attainable and realistic but not necessarily guaranteed. When selecting an IPG, relevant reference points include current performance, variable budget targets, and Internal 25th Percentile Performance.

A cost center's current performance, as measured by an average of the last four pay periods, is key to understanding the gap between current and IPG performance levels. It provides the basis for measuring the potential improvement between current state and desired future state.

An organization's Internal 25th Percentile Performance is an important data point used in choosing the IPGs. While it is common to use the 25th/50th/75th performance percentile in external benchmarking, using this approach internally allows an organization to assess a specific cost center over one year to determine the 25th lowest—or highest—WHPUOS performance for the department(s) in question. Said differently, the Internal 25th Percentile Performance means the cost center performed at that level or lower (or higher) for six pay periods (12 weeks) over the past year. These data points provide a department with insight into how to avoid their lowest-performing pay periods and how to strive for their highest-performing periods.

Once the IPG, target or standard is established, it can be loaded into a daily Shift Management Tool (SMT), allowing department leaders to measure productivity against an initial target. In their review of prior weeks' SMT data, department leaders see a running average of department daily staffing performance against their set IPG targets.



The SMT allows leaders to compare daily performance to both actual average performance over the pay period and set IPG targets. Daily comparisons allow leaders to assess any major discrepancies that occur within in a pay period, while averages allow leaders to monitor their overall performance towards the department's goals.

For example, in hypothetical "Unit 7400," a leader would investigate the cause of major blow-outs, whether they are far below or above targets, while the department's running average of 0.38 is an indicator that the unit is moving towards its IPG of 0.4.

When the department fails to match the earned hours with the actual hours, the discovery work truly begins. If a stretch performance target is established and the department doesn't reach it, what were the barriers or limiting conditions keeping them from their goals? As the SMT begins to create performance snapshots, the PI Teams can conduct a gap analysis to determine the changes that need to be implemented for the department to reach the IPG or even surpass it.

Approximately eight weeks into a Demand-based Staffing engagement, the departments make their commitments to performance goals for the remainder of the year. When making these commitments, each department transitions from an IPG to an FPG (Final Performance Goal). These FPGs set the course for the rest of the fiscal year and provide a baseline for developing the next fiscal year's budget.

###