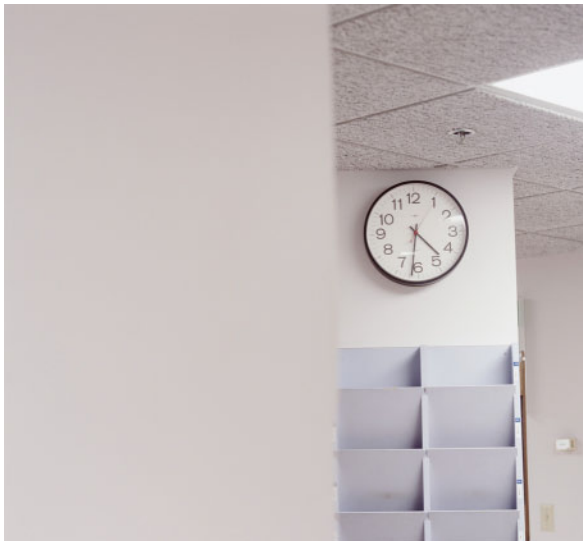


How Easily Overtime and Premium Pay Drive Healthcare Costs Up



Pressured by the prospects of mounting losses, leaders of Miami, FL, hospital expressed concern that the public hospital employees had racked up almost 1.2 million hours of overtime over a 12-month period. Jackson leaders expect the system to lose \$56 million this year and \$168 million next year, and they're looking to shave costs wherever possible.

Response by Shawna O'Neill, RN, MHA, and Workforce Productivity Consultant at Compass Clinical Consulting:

Yikes!!

In hospitals across the country (unionized and non-unionized) we find the phenomenon of unreasonable overtime driving the cost of safe, quality healthcare out-of-control.

What the use of overtime and premium pay does to drive up health care costs is a shame, when those dollars could be put to much more productive use.

With the mandate to cut hospital costs, this is one area that is easily identifiable and fixable vs. the trauma of laying-off employees or 5% “across the board” cuts which is unfair to those departments already doing a good job. Some employees get very used to the overtime and in fact count on it in their pay check. Paying overtime to employees can never be cheaper or save the hospital money than having staff deployed according to:

RIGHT PERSON, RIGHT ROLE, RIGHT TIME, RIGHT PLACE (R4)

There are times when overtime may be an okay option in small doses. In departments where the workload is very volatile, overtime may be a better answer than having too many core staff that are asked to stay home when the volume falls. This is a delicate balance because once overtime is approved for a few departments it can easily get out of control in those departments and can then spread through the entire hospital.

HOW DO HOSPITALS OVERCOME THIS?

Determine your current percent of overtime hours compared to your total paid hours. Productive hospitals run 1% – 3% of overtime hours total paid hours.

Measure overtime by department to determine outliers. Work with those managers to find the reasons for excessive overtime (process changes to become more efficient, time management education if there are specific employees identified as consistent recipients of overtime).

Avoid casual behavior regarding clocking in and clocking out and make sure managers are monitoring and dealing with incremental overtime.

There needs to be departmental workload based productivity standards. Each department should have a staffing plan based on these standards and additional plans for increases or decreases in volume e.g. seasonal fluctuations in census. The position control should be filled with employees to meet the staffing plan – correct skill mix and adequate full-time and part-time mix must be identified. Float pools &/or per diem staffing should be built based on historical leaves, PTO, and seasonal census fluctuations. There should also be a daily staffing plan so that staff shifts as volume shifts.

The staffing plan should only have 12 hour nurse scheduled for 6 days in a pay period (0.9 FTE) so that overtime is not incurred (most hospitals have full-time benefits for 72 hour / pay period employees).

A GOOD NEVER

A good policy is to never schedule overtime.

It should only be used for emergencies (sick call, FMLA). Clear staffing and scheduling policies that are adhered to and implemented in all departments can also help to eliminate overtime e.g. the number of staff, by skill mix and shift, that are allowed to take vacation at the same time. Ensure that employees with attendance problems are progressively disciplined and that human resource policies are consistently employed throughout the organization.

