

Shawna O'Neill, RN, MHA
Eric Dam, MHA

Productivity without Fear

*Creating an Efficient
Hospital Through
Workforce Engagement*

COMPASS
CLINICAL CONSULTING SM



Productivity: The New Competitive Edge

Over the next 18 months it will be the most efficient hospitals that will be best positioned to take advantage of emerging healthcare reform and marketplace opportunities by improving healthcare quality and patient value.

Despite emerging healthier bottom lines, the new reality is that every hospital – the best, the average and the troubled – all need to reflect on how to deliver care more efficiently and in such a way as to motivate the entire staff to see the positives. This way, everyone in the organization is driving forward together to create a better hospital.

The consultants at Compass Clinical Consulting have spent the last decade concentrating on new approaches to helping hospital leaders achieve better, safer and more efficient clinical systems.

We are sharing these approaches to show you how to become a leader in efficient delivery of patient care.

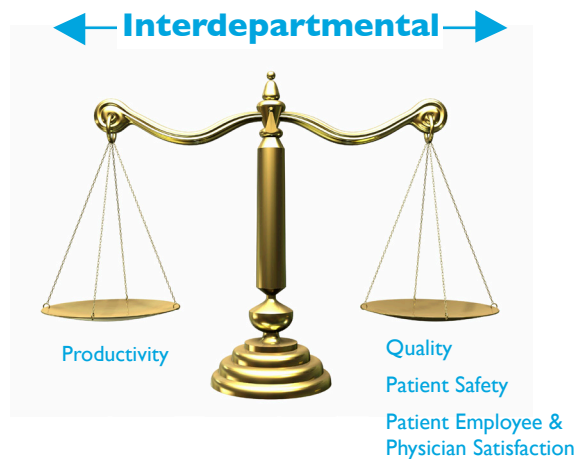
The Rubik's Cube of Hospital Productivity

Hospital productivity is like a multi-dimensional Rubik's Cube. Twisting and turning all the options until the sides of this Rubik's Cube align can be a complex challenge. Twist one row and it knocks another row out of alignment. Achieving an efficient hospital requires a balance between cost, quality and staff engagement. Ideally, productivity is gained without internal disruptions or large-scale layoffs.

There are several options that can be considered when looking for improved financial performance – revenue cycle management, labor management technologies, reimbursement contracting, merger and acquisition, and simplification of supply chain systems, among others. Most hospital executives have already fixed finance and IT, so those savings are now in the books.

The area that has gone largely untouched is reducing the cost of delivering safe, quality healthcare – the clinical side of the business where new thinking about workforce productivity, case management and lean processes and policies can make dramatic dents in the cost of running a hospital.

We know from experience that it is possible for hospital leaders to transform their organizations into leaner, faster and better organizations – with sustainable improvements; not one-time gains.



The most important asset of any healthcare facility is its people. Without the right people, it is difficult to deliver high-quality, efficient patient care with great patient, employee, and physician satisfaction scores. The majority of productivity gains will come from getting the right person, with the right skills, in the right place, at the right time. This is a delicate balance.

Dave Molmen's experience as Chief Executive at Altru Health System confirms that you can gain efficiency and staff engagement: "We were very specific about the outcomes we wanted. Yes, we wanted to achieve efficiencies, but we also wanted a change process to strengthen our culture. I think we achieved our bottom-line results and a greater commitment by the entire staff to our mission."

In productivity design, every step within every process should add value to the patient's experience and to the financial stability of the hospital. The point is to add as much value as possible without excessive cost.

The difficulty is that the hospital team is so close to the trees that it is difficult to see the forest. "The way we do things around here" has become so ingrained that the inefficiencies are virtually invisible. Another executive at Altru put it this way: "We have lots of experience in our organization, but we needed fresh thinking from the outside to help us first with what we needed to do and then to show us how to get there."

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- Dave Moleman, CEO, Altru Health System

Getting Past the Fear of Taking Action

From interviews conducted with senior Chief Financial Officers in the not-for profit hospital sector, it is abundantly clear that there is a fear of tackling productivity projects among some hospital leaders. Often there is a reluctance to pursue a formal productivity assessment and coordinated program to improve labor productivity.

Among the possible causes of fear and reluctance cited are:

- Productivity has a richly deserved bad reputation based on failed attempts that executives have participated in or heard about (e.g., the slash-and-burn approach).
- Hospital leaders are often in a precarious position. High turnover, short tenure, and concern about trustee, leadership and employee reactions can make even fearless CEOs pause.
- Hospital leadership often assumes that trade-offs are necessary due to potentially competing goals (e.g., decreasing labor costs will lead to decreased quality and patient satisfaction).
- Hospital leaders are concerned that if an objective assessment of hospital productivity reveals significant improvement opportunities, the result will be interpreted as a failure of management.
- Many hospitals have an existing productivity measurement system in place and, in the absence of an objective assessment, feel that productivity has already been maximized.
- In the context of a perceived nursing shortage, many executives are reluctant to pressure nursing productivity for fear of losing nurses to competing hospitals.
- In some highly mission-driven hospitals, an emphasis on productivity can be seen to be in conflict with concern for employee well-being.



How to Help Alleviate the Fear

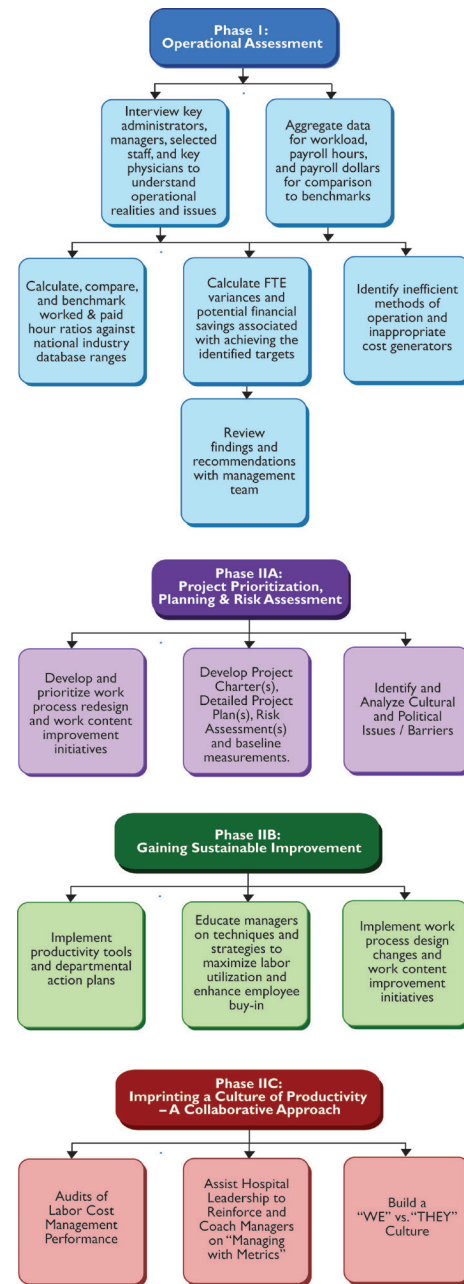
- **Respect for operational and strategic realities.** Any productivity target should be carefully tailored by leaders in individual departments. These targets are based on a thorough understanding of circumstances, strengths and challenges within the department. Significant strategic initiatives that the hospital is putting in place need to be taken into account—for instance, expanding a cardiology program. Large organizational initiatives have definite consequences for all departments. This core principle of setting productivity targets within each department makes good sense to managers, whereas the establishment of arbitrary quartile or percentile targets is generally resented or dismissed by department managers.
- **Fair and all-inclusive.** Another guiding principle, and one that managers find to be reassuring, is that the process of establishing productivity targets should be fair and all-inclusive; that no sector or department should be left out of the process; that politics should not influence the setting of targets. While one or two individual departments may feel singled out by this principle, the vast majority of managers applaud it.
- **It's not just staff cuts.** Although expense reduction is the ultimate goal, the credibility of the standard-setting process is enhanced by the stated willingness to add to staffing whenever it is indicated. There are also other payroll expense reductions that are not related to FTEs (e.g., overtime, premium, skill mix changes).
- **Respect and genuine interest.** Really listen to your managers concerns about issues in their departments. How could process changes assist them in meeting a reasonable target while improving value to physicians, staff and patients? How can you help?
- **Building trust.** Don't be locked into a departmental standard for life. You will build trust with managers if you are open to changing a standard as new information develops, changes occur within the department, or new insights emerge.
- **Support for “managing to the numbers.”** Provide tools and education to managers so that you are not only giving them the objective, but also the means of reaching the objective.

A Methodology for Success

The first step is to assess your organization's readiness and willingness to change. If you are not ready you can make the organizational changes necessary to be successful as you move forward. If you are ready, move on to an organization-wide operational assessment. Why organization-wide? Everyone should be included in the process in order to obtain buy-in throughout the organization; there cannot be any sacred cows.

The assessment begins with interviewing each department manager to understand the operational realities that affect how productive their employees can be. The type of interview questions asked of managers will depend on whether a.) there are productivity metrics in place that are either being ignored or not working; or b.) there are no metrics and a culture of productivity must be built from the ground up. This interview process also helps to obtain buy-in from the managers once their targets are set – they feel like they were a part of the process and not just handed a target then told to figure out how to meet it. (www.compass-clinical.com/questions)

Once the interviews are completed and a comparison of each department to national benchmarks is done, a specific target can be set for each department. A comparison can then be done to determine actual versus expected FTE staffing levels. Positive variances indicate a department is functioning at a high level and well within benchmark ranges. Negative variances indicate that a department has too many FTEs. When negative FTE variances are found, it is important to have a realignment/reassignment plan in place for staff. Lay-offs are detrimental to an organization. Not only do they decrease morale, but if processes are not changed, quality and satisfaction suffer and FTEs will begin to seep back into the organization.



To download this diagram, visit www.compass-clinical.com/productivity-resources

Another area of focus during the interview process is the identification of other labor expenses that are not FTE related. Many times these are quick fixes that can help your bottom-line immediately (i.e. overtime, premium pay, incremental time, meeting time).

After the assessment is completed, findings and recommendations should be shared with the entire management team. Work process redesign opportunities and other projects can be identified and prioritized. Detailed project plans, timelines, and risk assessments for each project should be completed.

Once the plans are completed, the right team members must be selected and implementation can begin. To sustain the improvements, tools should be implemented to help managers achieve and monitor their progress. A culture of responsiveness to metrics (productivity, quality, and satisfaction) will begin to evolve.

As processes and the bottom-line improve, celebrate the success. Share this with the entire organization and begin to imprint a culture of productivity throughout the hospital.

