Productivity Management-
Highlighting the Key Principles

Carolinas Rehabilitation Network Summit
November 6, 2014
A little productivity humor for your day…

“...I am SO doing something — I’m making my coworkers look more productive!”

I spent the first part of the week installing our new productivity software.

Then I used the rest of the week trying to make it interface with our time reporting system.

So far all it can do is tell me how much time I’m wasting in this meeting.
Objectives of Productivity Management

- Align resources with activity levels
- Develop accountability and ownership
- Communicate transparent philosophy
- Align long-term labor expense performance goals with long-term forecast
- Identify areas/opportunities for process improvement and redesign
- Leverage data/benchmarks
- Share best practices
Productivity management: A part of your balanced scorecard

Operations
- Worked Hours / Unit
- Labor $$ / Unit
- Margin

Quality
- Outcomes
- Infections

Supplies
- Pricing
- Utilization

Customer Service
- Physician Satisfaction
- Patient Satisfaction
What is productivity?

Productivity reporting is the process of measuring staffing efficiency against expectations.

- Identify key statistic
- Establish labor standard (budget)
- Measure productivity performance
Concepts of productivity

• Productivity
  – A ratio of output to input, compared to expectation
  – A concept you use everyday

• Examples
  – Favorable productivity: Planned to mow the yard in one hour, but did it in 45 minutes
  – Unfavorable productivity: Planned to conduct 100 diagnostic tests in 160 staff-hours, but used 185 staff-hours
What drives labor utilization

Number of hours
- Baseline staffing
- Fluctuations with volume

Cost of hours
- Regular hours
- Skill mix & premium pay
Key Principles of Labor Management

1. Lead With Quality
2. Understand that Labor Management is a Journey
3. Be Objective
4. Rapidly Design and Implement
5. Achieve Leadership Resolve
6. Standardize Processes and Tools to Establish Accountability
7. Use Benchmark Information
8. Provide Dedicated Coaching Support and Persistent Education
9. Set Aggressive Targets
10. Translate to Daily Operations
11. Variabilize Fixed Costs

Source: Premier
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Source: Premier
A Fundamental Shift in Approach

Traditional Approach
- Productivity targets set with considerable departmental input
- Isolated, episodic cost-cutting campaigns
- Limited external benchmarking when setting targets
- Goals calibrated to average performance
- Responsibility for proving benchmark relevance falls to finance
- High-performing units required to maintain performance

Emerging Approach
- Productivity targets more prescriptive, leadership-driven
- Permanent focus on transformational cost reduction
- Goals based on external data comparisons
- Targets moving toward top quartile performance
- Burden on unit to demonstrate that goals require adjustment
- Strong units expected to continue to improve performance

1 - The Advisory Board Company
Managing Change

- Crisis-Driven Change
  - Overreaction and bad decision
- Feel-Good Change
  - Changes with little or no real impact
- Synergistic Change

Vision of the future integrated with current reality through collaboration and self-determination

1- E.C. Murphy, LLC
Paradigm Shift

The one caterpillar says to the other caterpillar:

“You’ll never get me up in one of those butterfly things…”
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Source: Premier
### Benchmarking and Productivity: Two Separate, Distinct processes

<table>
<thead>
<tr>
<th></th>
<th>Benchmarking</th>
<th>Productivity Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
<td>Annually</td>
<td>Daily and/or Biweekly</td>
</tr>
<tr>
<td><strong>Performance Standards</strong></td>
<td>Compare performance to other hospital peers; may require paradigm shift to achieve</td>
<td>Compare performance to established expectations; what is achievable tomorrow</td>
</tr>
<tr>
<td><strong>Targets Updated</strong></td>
<td>Annually</td>
<td>During budget, and as needed thereafter</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Challenge the organization to ask and answer how we can perform more efficiently, e.g. “why?” and “why not?”</td>
<td>Maintain focus on established targets</td>
</tr>
<tr>
<td><strong>Strategic Use</strong></td>
<td>Prioritize areas of focus for strategic assessment and improvement</td>
<td>Hold managers accountable for achieving expected results</td>
</tr>
</tbody>
</table>

Source: Premier
Benchmarking 101

Comparing the level of efficiency to peers with “like” operations

Organization Info

- Volumes
- Expenses
- Worked Hours

Comparative Mappings

- Peer Groups
- Key Indicators
- Comparative Database

At What Level Should the Organization Perform?

**Top Quartile Performance**
- More aggressive target
- Comparison to the top 25th percentile performance of the Peer Group

**Top Third Performance**
- Moderate target
- Comparison to the 33rd percentile performance of the Peer Group

**Median Performance**
- Least aggressive target
- Comparison to the 50th percentile (median) performance of the Peer Group

Source: Premier
Benchmarking

• Purposes
  – Identify similar departments in other organizations for meaningful comparison
  – Integrated into the annual budgeting process to drive improvement
  – A tool for finding, adapting and implementing best practices in order to achieve operational excellence

• Key Questions
  – If we are different, why and at what cost?
  – Are we doing the right thing and doing it right?
  – Do we promote best practice?
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Source: Premier
Sustainable Efficiency

“Managing labor costs to survive in a difficult reimbursement environment” was the highest ranked concern for finance leaders.¹

- Strategies for embedded financial discipline²
  - Articulate demanding goals
  - Hold staff accountable
  - Support staff efforts

- Executive involvement
  - Continued and consistent focus
  - Shared sacrifice

¹- The 2012 Financial Leadership Council Executive Survey, The Advisory Board Company
²- The Financially Accountable Health System, The Advisory Board Company
Re-aligned labor budgeting process with long-term strategy and forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Details</th>
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</table>
| 2011 | • Formulaic improvement goals set at the department level without regard for system or local strategy  
  • Driven by Finance but disconnected from long-term forecast  
  • No long-term labor management goal |
| 2012 | • Facility-specific improvement goals that allowed for local flexibility  
  • Driven by local leadership; supported by Finance and Labor Mgmt Group  
  • Aligned with system and local strategy; disconnected from long-term forecast |
| 2013 | • Facility-specific improvement goals that allow for local flexibility  
  • Driven by local leadership; supported by Finance and Labor Mgmt Group  
  • Aligned with system/local strategy and forecast (close accountability loophole) |
Know the goal your shooting towards

Stolen from Cathy Trower, Harvard Graduate School of Education
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Source: Premier
Program improvements to reduce performance variation

- **Performance measured via frequent productivity reporting**
  - Bi-weekly for all hospital departments; daily productivity for inpatient nursing and select other clinical departments
  - Various proactive tools available for front-line managers

- **Shared sacrifice between clinical, ancillary and support departments**
  - **ALL** departments placed on variable measurement; “fixed” departments asked to flex monthly

- **Locally-designed accountability models**
  - Localized labor management steering committees
  - Action plans reviewed for underperforming departments
  - New and replacement FTE approval processes
Established processes reduces variation
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Source: Premier
Improved productivity requires accountability

• **Senior leadership – drives accountability**
  – Executive commitment and engagement
  – Consistent message, delivered regularly
  – Structured regular accountability process – performance matters

• **Middle management – drives execution**
  – Understand and use reports and staffing tools to improve productivity
  – Act on information
  – Continually seek to improve processes to improve productivity

• **Labor Management Group – support**
  – Manage Productivity reporting: timely and accurate
  – Provide tools, analysis, coaching for execution and accountability beyond the reports
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Source: Premier
Driving productivity improvement

• Employee Schedule
  – Do we have too many people scheduled at our slow times?
  – Are there too few at our busy times?
  – Do people work more than their scheduled hours?
  – Are there opportunities to share/cross-cover staff?

• Workflow
  – Do we have to wait on other areas or make others wait?
  – Are we doing things in the right or logical order?
  – Is there significant re-work?

• Value of staff’s time
  – Is what we are doing contributing to meeting patient needs?
  – Are we doing things that are productive or are we just “busy”?
  – Could we be doing things a different way or not at all?
Building a daily rhythm

- Utilize daily tools
  - Daily Productivity Report
- Take the pulse of your department’s volume frequently during the day
- Understand your upstream volume drivers and try to anticipate the ebb and flow of your department’s volume
- Have a well documented plan for flexing to volume and execute that plan when volume dictates
- Educate all teammates of the goal and the plan to achieve success
- Monitor consistently to drive change and improve productivity

*Our productivity reports are reflections of the decisions that we made.*
# Building a daily rhythm: Daily Tools

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<th>Nursing Unit/Department Name</th>
<th>CMC-NE CVPC</th>
<th>Cost Center</th>
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<th>Target Worked Hours per Unit</th>
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Please fill in the yellow shaded cells.

**Exclude:** any hours charged to other cost centers

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<th>Date</th>
<th>Midnight Census</th>
<th>Actual Worked Hours</th>
<th>Target Worked Hours</th>
<th>Variance Actual vs. Target</th>
<th>Actual WHpU</th>
<th>WHpU w/o EDU, Orient, and Sitters</th>
<th>Education</th>
<th>Orientation</th>
<th>Light Duty</th>
<th>Sitters</th>
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</tbody>
</table>

**Performance Summary**

| Target Worked Hours per Unit | 11.39 | 11.39 |
| Actual Worked Hours per Unit | 0.00  | #DIV/0! |
| Target Worked FTE | #DIV/0! |
| Actual Worked FTE | #DIV/0! |
| FTE Variance (Actual vs. Target) | #DIV/0! |
Using the right tools to get the right results

https://www.youtube.com/watch?v=v0pSUOLc81w
Greater improvement will require increased education and accountability
Labor Management: Lessons Learned

- Develop long-term strategy for labor management in conjunction with implementation. Ask the questions that are critical to your organization.

- Remember that turning on the productivity tool itself is not enough to drive change. You also need:
  - Standardized processes and tools
  - Dedicated coaching support
  - Persistent education

- Set short-term and long-term financial goals specific to labor expense.
  - Benchmarking can help support this work

- Achieve leadership resolve. Accountability and engagement by facility executives is a critical success factor.