



Carolinus HealthCare System

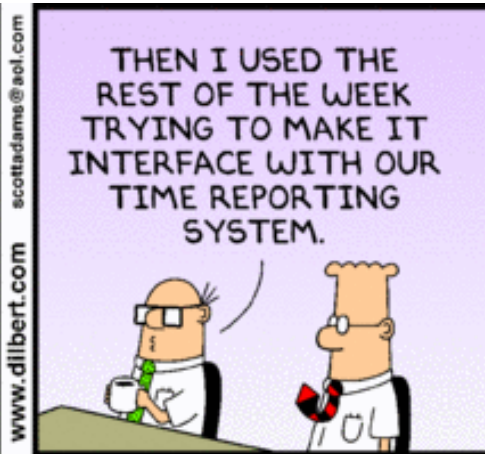
Productivity Management- Highlighting the Key Principles

Carolinus Rehabilitation Network Summit

November 6, 2014

One

A little productivity humor for your day...



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



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

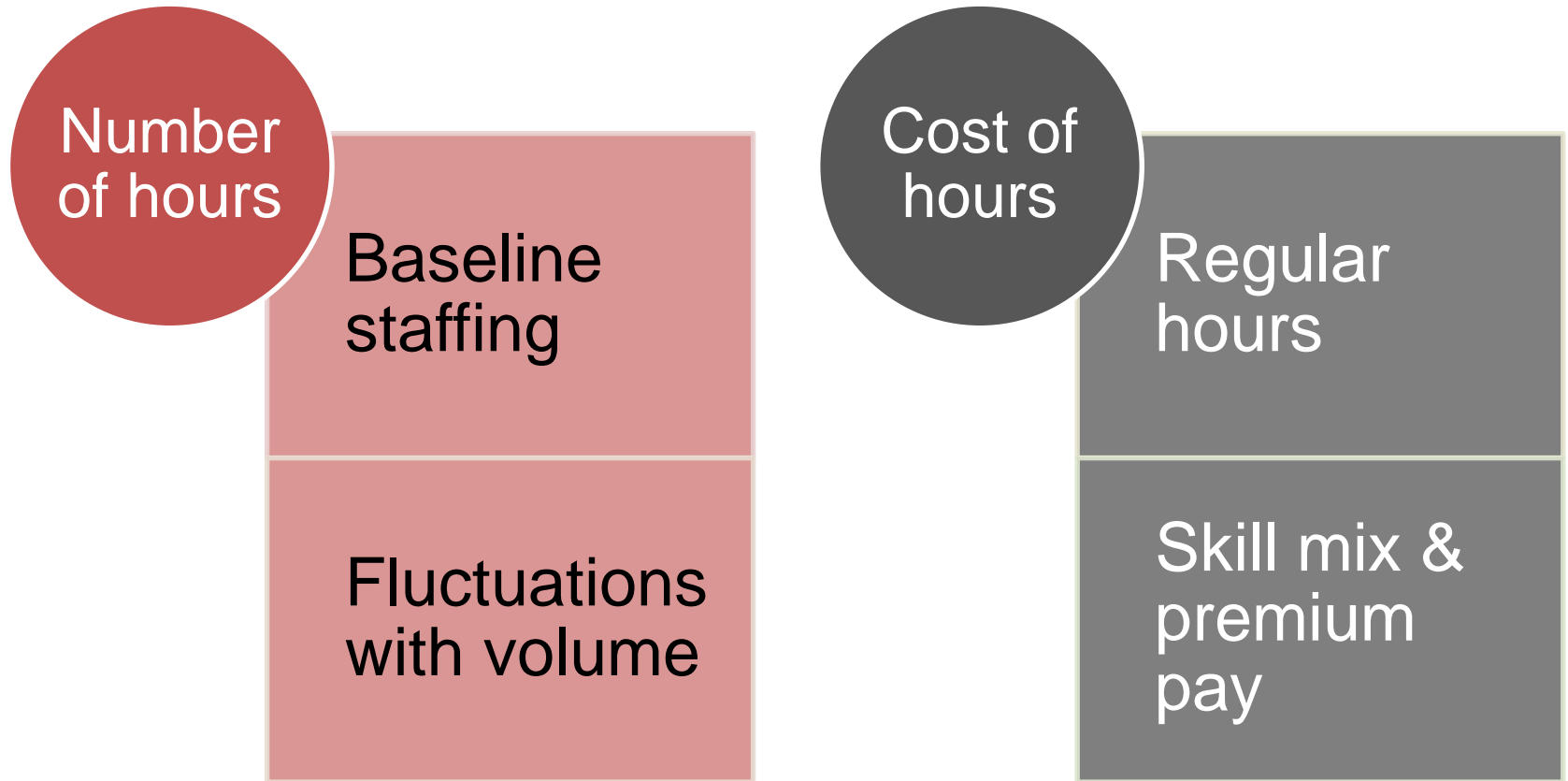
- A ratio of output to input, compared to expectation
- A concept you use everyday



- 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



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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A Fundamental Shift in Approach¹

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

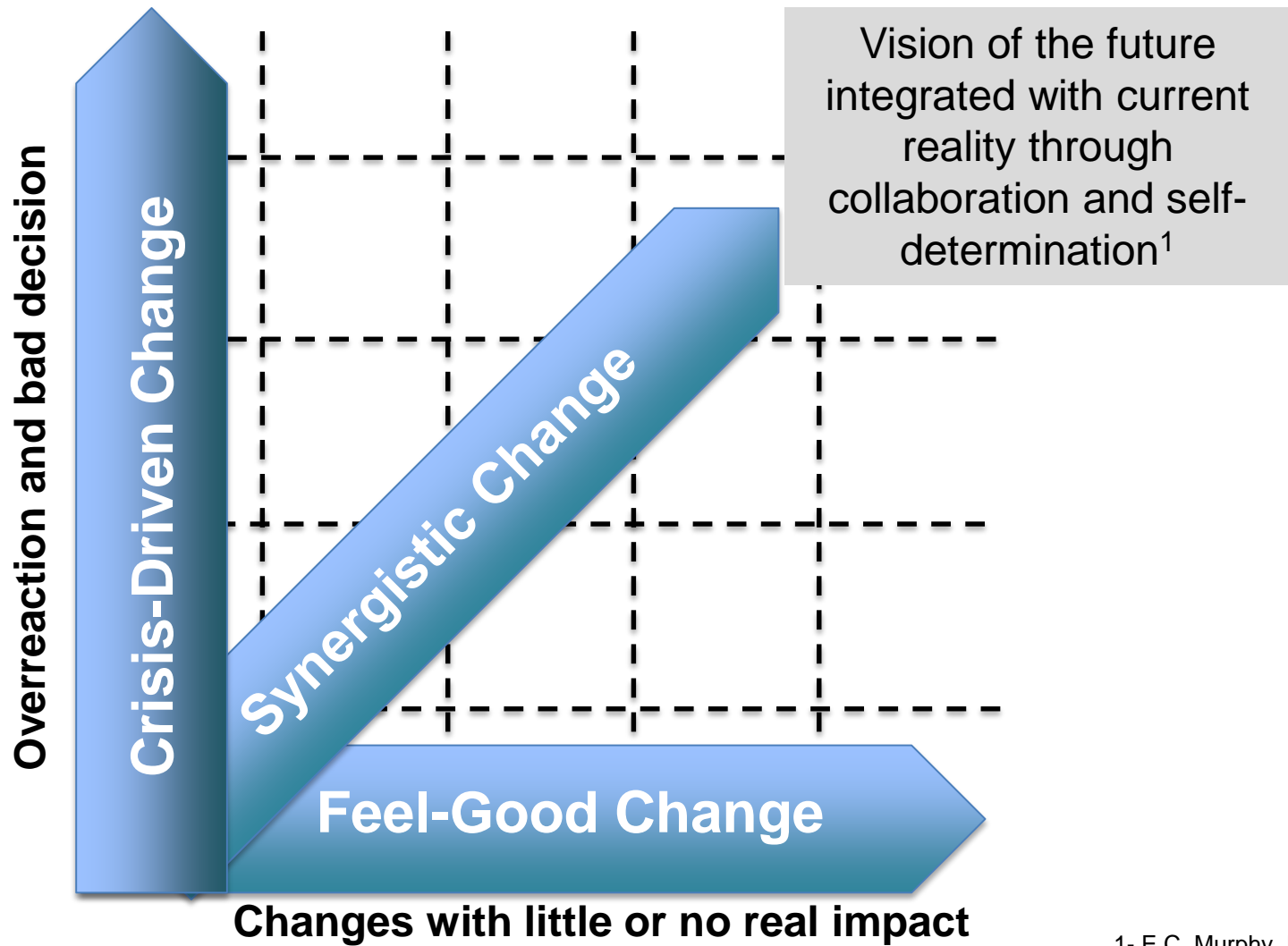
Goals based on external data comparisons

Targets moving toward top quartile performance

Burden on unit to demonstrate that goals require adjustment

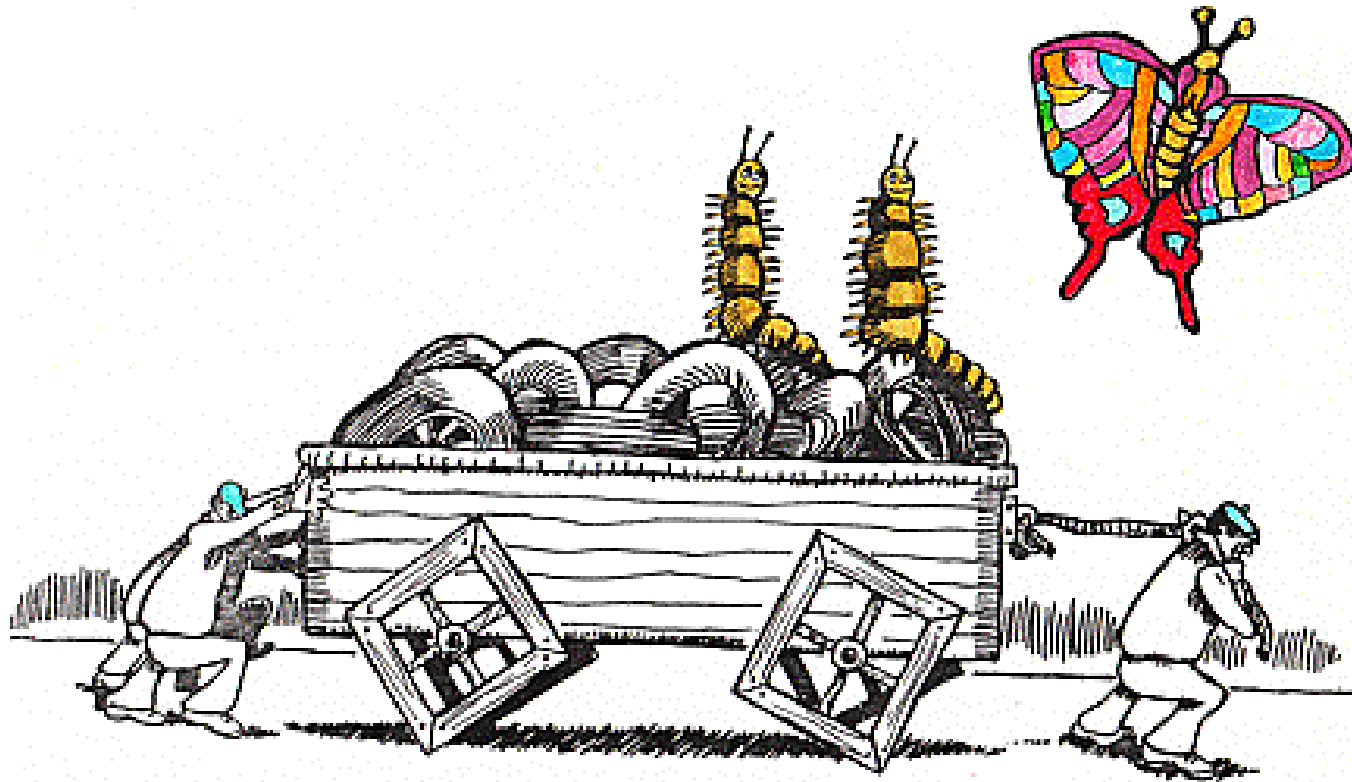
Strong units expected to continue to improve performance

Managing Change



1- E.C. Murphy, LLC 11

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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Benchmarking and Productivity: Two Separate, Distinct processes

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

Source: Premier

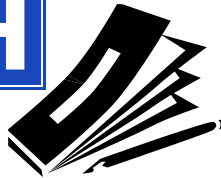
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Benchmarking 101

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

Organization Info

- Volumes
- Expenses
- Worked Hours



Comparative Mappings

Operations Advisor™

- 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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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



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

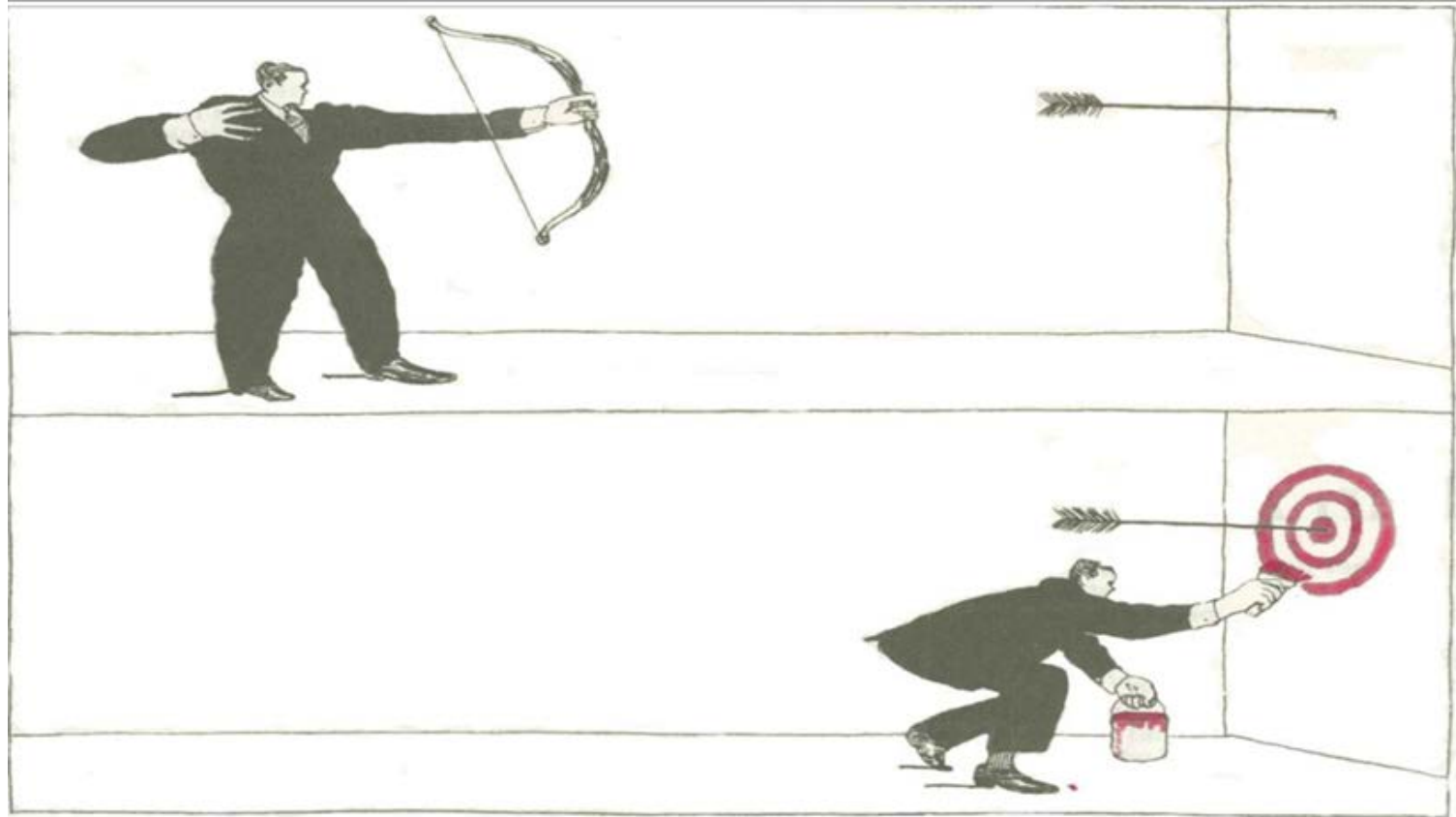
2012

- 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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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**

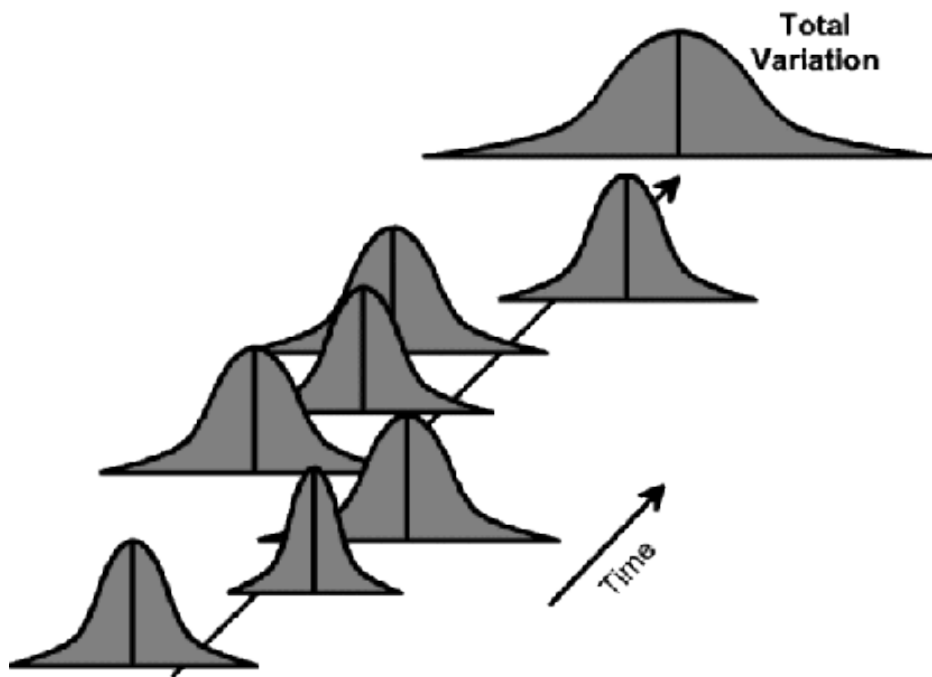
- ALL departments placed on variable measurement; “fixed” departments asked to flex monthly

- **Locally-designed accountability models**

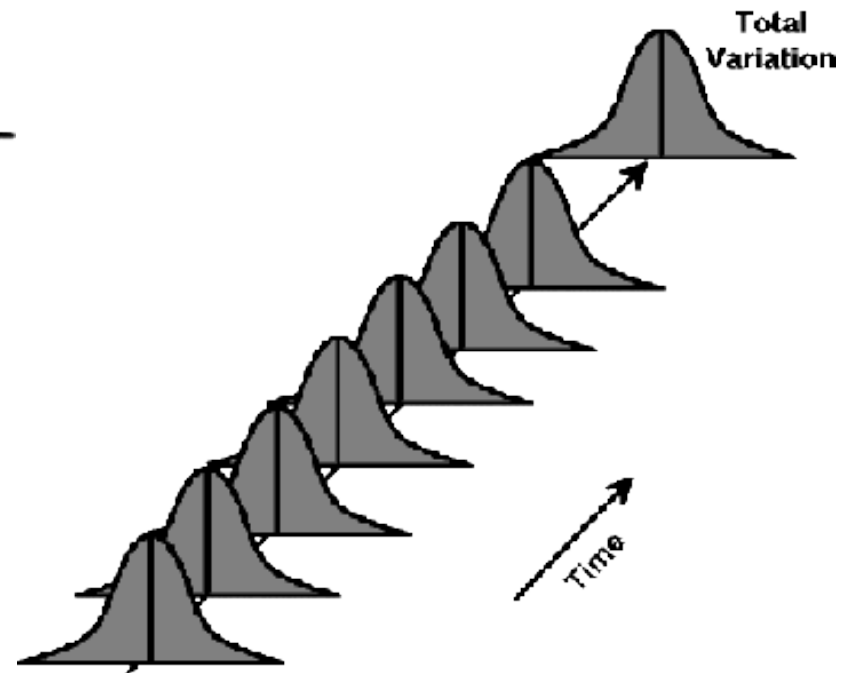
- Localized labor management steering committees
- Action plans reviewed for underperforming departments
- New and replacement FTE approval processes

Established processes reduces variation

UNSTABLE PROCESS



STABLE PROCESS



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Source: Premier

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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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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

Nursing Unit/Department Name	CMC-NE CVPC		Please fill in the yellow shaded cells									
Cost Center	517400											
Target Worked Hours per Unit	11.3900											
Pay Period Ending (mm/dd/yy)	11/02/13						Exclude: any hours charged to other cost centers					
							Worked Hours Utilized For					
Date	Midnight Census	Actual Worked Hours	Target Worked Hours	Variance Actual vs. Target	Actual WHPU	WHPU w/o EDU, Orient, and Sitters	Education	Orientation	Light Duty	Sitters	Contract Hours	
Sunday, October 20, 2013	0		0.00	0.00	0.00							
Monday, October 21, 2013	0		0.00	0.00	0.00							
Tuesday, October 22, 2013	0		0.00	0.00	0.00							
Wednesday, October 23, 2013	0		0.00	0.00	0.00							
Thursday, October 24, 2013	0		0.00	0.00	0.00							
Friday, October 25, 2013	0		0.00	0.00	0.00							
Saturday, October 26, 2013	0		0.00	0.00	0.00							
Sunday, October 27, 2013	0		0.00	0.00	0.00							
Monday, October 28, 2013	0		0.00	0.00	0.00							
Tuesday, October 29, 2013	0		0.00	0.00	0.00							
Wednesday, October 30, 2013	0		0.00	0.00	0.00							
Thursday, October 31, 2013	0		0.00	0.00	0.00							
Friday, November 01, 2013	0		0.00	0.00	0.00							
Saturday, November 02, 2013	0		0.00	0.00	0.00							
Pay Period Total	0	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	
Comments / Other Justification for Variance to Target Worked Hours							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.

