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From Benchmark to Budget: *Collaborating to find the best department labor standard*

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PREMIER

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Work Family:

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My Family

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Path from Benchmark to Budget Achievement

- Collaborate
- Evaluate
- Consummate

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Collaborate

- Work Family Problems

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Collaborate

- Financial Leadership Initiatives
- Decrease in labor expense
- Improved margins
- Efficient care both departmental and interdepartmental
- Biggest bucket of expense
- Lean organization

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Collaborate

- One on One meetings with each department director before looking at any data
- Inform them of the vision of the organization
- Confirm they want to do better for the hospital and the community
- Let them know you will empower them to be creative, innovative and provide resources to improve their area
- It is not punitive
- Get their confirmation that they will agree to collaborate to agree on a target based on current performance
- This is the **socioemotional process**: Our ability to forge relationships and function within a unit.

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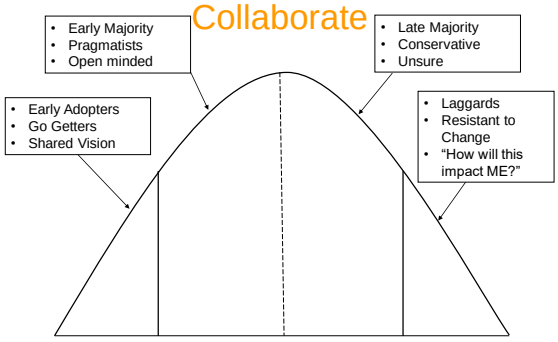
Collaborate



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Collaborate

- Early Adopters
  - Eager
  - Willing
  - Intelligent
  - "Easy Child"

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Collaborate

- Early Majority
  - Open minded
  - Will require slight support
  - Will adjust quickly
  - "Slow to warm up" Child

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Collaborate

- Late Majority
  - Will struggle to achieve targets
  - Not resistant but find it difficult
  - Can come around in time
  - "Slow to warm up" child

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Collaborate

- Laggards
  - Lazy
  - Difficult
  - Resistant to the change
  - "Difficult Child"

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- What is Not Recommended: force + blind side
- Subjective Approach, each organization will finds its own rhythm/path.
- What we are seeing that works
- Today→Short-Term Goal
  - Low Hanging Fruit. Correcting overtime, aligning skill mix, staffing to volume
- Short-Term→Mid-Term Goal
  - Novice Process Improvement
  - Flexing Part-time/half-time staff UP instead of flexing full-time staff down
- Mid-Term→Long-Term Goal
  - Advanced Process Improvement
  - Tracking steps
  - Finding 7 sources of waste and eliminating
- Expectations at end of process
  - Leadership
  - Solution-oriented minds

Today (Point A)	Short-Term Goal	Mid-Term Goal	Long-Term Goal (Point B)
Labor Management Program Launch	Identifying Target Performance for Immediate Future (End of FQ or FY)	Identify Next Level Target for Midterm (ex. End of Next FY)	Identify Long-Term Target (ex. Where Do We want to be in 3 Years?)
Identify Where Performance Stands Relative to Peers	Reasonable and Achievable	Reasonable and Achievable	Identify a Target that is Aggressive yet Achievable
Identify Strategy to Improve	Quantify Impact	Builds Off of Progress from Short-Term Goal	This is a Target that You Would Like to Sustain Long-Term
	Input into Productivity as Budget Target	Quantify Impact	Achievement of this Long-Term goal Provides Significant Savings
	Track Consistently	Input into Productivity as Budget Target	

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Evaluate

- External: Directional. Confirm this is not absolute and all parties will do their best to find the most appropriate fit.
  - Hospital X: July 2019
  - Emergency Department Worked Hours: 2,750
  - Emergency Department Unit of Volume (Procedures): 1000
  - ED Worked Hour/Procedure: 2.75 Hours Worked/Unit (2,750/1000)
  - Benchmark Peer Group: 60 Facilities Emergency Departments
  - 50th percentile: 2.55 Hours Worked/Unit
  - 33rd percentile: 2.40 Hours Worked/Unit
  - 25th percentile: 2.25 Hours Worked/Unit

"You see, Ms. Jenkins, by doubling up on patients in the MRI, we're able to cut costs in half, thereby passing the savings on to you."

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Evaluate

- Internal:
  - Previous Year Target
    - Improve by 10% (example)
  - Example:
    - Emergency Department: 2.75 Hours Worked/ED Visit
    - 2.75-.275 (10%)=2.475 Hours Worked/ED Visit

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Evaluate

- How does this implicate my budget?

Labor Expense Reduction: Labor expense represents between 50-60% of total OpEx (Operating Expenses)

	2018	2019	Δ
Labor Expense	$55,000,000	$50,000,000	-9.1%
Operating Expense	$100,000,000	$95,000,000	-5%
Ratio	55%	52.6%	-2.4%

Operating Margin: (Revenues-Expenses)/Revenues

	2018	2019	Δ
Revenues	$98,000,000	$98,000,000	0.0%
Expenses	$100,000,000	$95,000,000	-5%
OM	-2.0%	3.2%	+5.2%

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Evaluate

	2018
Labor Expense	$55,000,000
Emergency Department	$1,000,000

Hours Worked/ED Visit: 2.75
Labor Expense/ED Visit: $500

If , $\frac{\$500}{1} = \frac{2.75}{1}$

Then, $\frac{\$500}{2.75} = \$181.82\ per\ hour\ of\ work$

Then, $\frac{\$1{,}000{,}000}{\$181.82} = 5{,}500\ Worked\ Hours$

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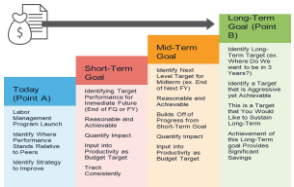
Evaluate

– Example:

- ED Worked Hour/Procedure: 2.75 Hours Worked/Unit (2,750/1000)

- 50th percentile: 2.55 Hours Worked/Unit
- 33rd percentile: 2.40 Hours Worked/Unit
- 25th percentile: 2.25 Hours Worked/Unit



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Evaluate

Hours Worked/ED Visit: 2.55
$181.82 per hour of work
Labor Expense/ED Visit: X

	2019
Labor Expense	$50,000,000
Emergency Department	$927,282

If ,

$$\frac{X}{1} = \frac{2.55}{1}$$

Then,

$$\frac{\$464}{2.55} = \$181.82\ per\ hour\ of\ work$$

Then,

$$\frac{\$X}{\$181.82} = 5{,}100\ Worked\ Hours$$

How 5,100?

$$\frac{5{,}500}{2.75} = \frac{X}{2.55}$$

X=5,100

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Evaluate

Hours Worked/ED Visit: 2.55
X per hour of work
Labor Expense/ED Visit: $500
If ,

$$\frac{\$500}{1} = \frac{2.55}{1}$$

Then,

$$\frac{\$500}{2.55} = \$196.08\ per\ hour\ of\ work$$

Then,

- Productivity has increased (Hours Worked/Unit decreased)
- Labor Expense has INCREASED? HOW?
- Check:
  - Overtime
  - Skill mix
  - Education/Training/Retention Rate

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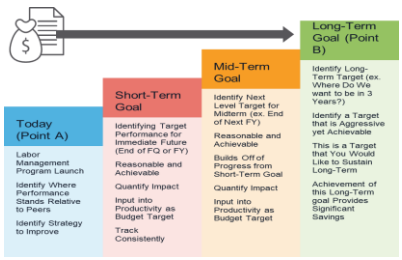
Consummate

- "To Bring to a State of Perfection; Fulfill"



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Consummate

- Quarterly Check-ins: Finance/Department Leads
  - "What's working? What's not?"
  - "What can WE do to help you?"
  - "Have you considered looking at your business unit processes in a different light?"
- Labor Council
- Extended Learning

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Consummate

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Managing the Employed Provider Groups

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Why are Hospitals Acquiring Physician Practices?

Grow market share, increase referrals, leverage negotiating power with payers, prepare for physician shortage, accommodate payment reform (e.g. bundled payments, medical homes, ACOs)

Physicians may be seeking income certainty, relief from billing hassles, security from healthcare reform, avoid IT investments to satisfy regulatory requirements

The New England Journal of Medicine estimated hospitals lose $150,000 - $250,000 per year for the first three years they employ a doctor!

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Physician Practice Workforce Management

- Physician Migration:

	2012	2016	2017	2018	Future
Employed	25%	42%	48%	55%*	75%*
Private	75%	58%	52%	45%*	25%*

*Estimates

Per Becker's Hospital Review:
- From July 2012 to July 2016, the number of hospital-employed practices increased by 36,000 practices, reflecting a 100 percent incline.
- As of July 2016, nearly a third (29 percent) of physician practices were hospital-owned.
- Between July 2015 and July 2016, the number of physicians employed by hospitals increased by 14,000 nationwide. The percentage of employed physicians grew by almost 11 percent during the same time.

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Median loss for employing a physician in 2018 was $176,463

Post Practice Acquisition:

- Costs increase ~32%* (overhead, salaries, IT, office staff, etc.)
- Productivity decreases

Ramifications of On-going Losses:

- Negative financial impact on health system/medical group
- Possible decreased bond ratings

Why continue to acquire?

- Downstream revenue opportunity from integrated network
- Control quality

Market uncertainty and region variation exists regarding rate of future acquisitions

*Cited by 2013 American College of Physician Executives survey

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