



Case Study

Hospital-Wide Staffing Assessment

BUSINESS CHALLENGE

OVERVIEW:

The client facility had identified the need to significantly reduce their labor costs. They had been experiencing a decline in their general level of reimbursement, a significant reduction in their bottom line, and heightened competition in their immediate marketplace. Their goal was to achieve the needed savings while maintaining or improving their current level of patient care, and employee, physician and patient satisfaction. They also wanted to encourage volume growth in revenue-producing departments, particularly in the outpatient arena. Administration felt it was critical that mid- and upper-management not only understand, but also support, the recommended labor reductions/targets that would be set in all of their areas. The Sullivan Lakier Group was engaged to perform this assessment, report its' findings and recommendations, and develop realistic labor targets.

ASSESSMENT APPROACH AND ACTIVITIES:

The consultants with the participation of hospital administration developed a comprehensive assessment work plan. Hospital administration set a three to four month target date for the completion of the staffing assessment.

The assessment was commenced and consisted of the following activities. Interviews were conducted with key departmental leadership. The hospital's overall financial situation was discussed, the purpose of the assessment was reviewed, and the assessment process was outlined. An in-depth analysis of each department's operations was initiated. These analyses included: interviews with key department stakeholders, a review of existing department management reports and statistics, on-site observations and staff skill-level assessments. On each nursing unit, on each shift, on-site observations were conducted to assess staff skills, patient needs and inter/intradepartmental workflow and operations. These departmental assessments were conducted by a core team of productivity consultants who were assisted by experts in certain specialties.

Upon completion of the departmental assessments, each department was benchmarked against high performing peers using the leading national labor-benchmarking database. After the benchmarking was completed, the consultants worked with department management to establish conservative and aggressive labor targets in each of the cost centers.

The consultants developed a standard departmental summary which included a description of current departmental operations, a quantitative baseline of current labor and volume statistics, the benchmarking of the department according to 25th, 50th, and 75th percentile peer performers, a list of pertinent findings and observations, the conservative and

aggressive labor targets for that department, and corresponding recommendations to achieve the conservative and aggressive targets.

During the course of the assessment, a bi-weekly productivity report was installed. These reports extracted payroll data from the payroll data system and volume data from the patient charging system and admit/discharge and transfer system. The volume statistics or units of service (UOS) in the productivity report were the same as those used in the benchmarking survey.

RESULT:

The projected savings at the conservative targets equated to 71 FTEs or \$2.1 million salary without benefits. The aggressive target equated to 166 FTEs or \$5.8 million in salary without benefits.

RESULT:

The findings, recommendations, benchmarking data and conservative targets were presented to administration by the consultant/manager team. Administration then selected the immediate target for each cost center, equating to \$2.2 million in projected savings. The selected goal hours per UOS were entered into the productivity report.

RESULT:

The project was completed prior to the four-month deadline. The projected savings at the conservative and aggressive targets were within the hospital's overall strategic labor goals.

RESULT:

The hospital achieved their short-term goal of \$2.2 million savings within four months and within 14 months had achieved a savings of \$5.2 million. They continue to work toward the more aggressive targets. The hospital's bottom line has improved significantly as a result of this effort as well as other strategic initiatives undertaken by hospital administration, and they are currently in the midst of a major expansion project.

CLIENT PROFILE:

350 bed not-for-profit hospital located in Southern California.
