

By Rich Miller

Reducing Labor Costs Without Layoffs

Take control of your budget and increase efficiency by updating antiquated systems

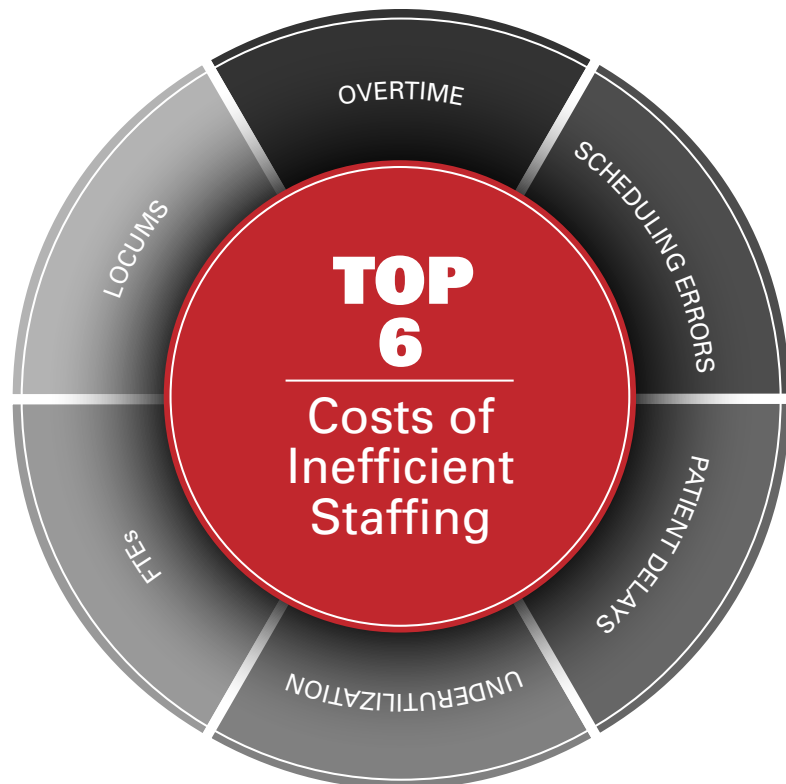
The financial and legislative maelstrom of the past several years has hit healthcare systems hard. Budgets are constrained, reimbursements are down and there is tremendous pressure on healthcare leaders to justify every expense.

It is, therefore, no surprise that layoffs are a tool used, however reluctantly, to help healthcare organizations stay afloat. However, layoffs are not the only answer and, in fact, can be the result of inefficient workforce processes, which contribute to high labor costs. These inefficien-

cies boil down to two main problems: antiquated systems and lack of systems integration.

Antiquated systems range from paper-based staff scheduling to rudimentary software requiring tremendous administrative support. For instance, requests for PTO or call are often handled using a mix of email and post-it notes. This requires that vacation credits be reviewed manually and that the proposed schedule change also be manually checked for potential conflicts with quotas or other clinical rules. The time-consuming nature of this process is inherently inefficient.

Lack of integration is also a significant problem. It gets a lot of press when it comes to electronic health records, but labor-related systems benefit from integration, too. Most obviously, integrating



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time and attendance solutions with staff schedules can make it much easier to track provider time. By further integrating payroll processing into the mix, health systems gain the ability to forecast overtime costs—giving them a significant degree of control over their operating budget.

In addition, when these various systems are unable to communicate with one another, health systems lose the ability to accurately interpret their data. Creating reports becomes inordinately time consuming and may even not be available when most needed. For instance, when time tracking, staff scheduling and payroll are not integrated, it is not possible to see the impact of potential scheduling changes on overtime costs until the payroll period ends and the checks are cut. That is far too late for the in-charge provider looking to send somebody home without adding to overtime costs.

The costs of inefficient workforce processes fall into six main categories: overtime, underutilization, locums, scheduling errors, patient delays and FTEs.

INEFFICIENT PROCESSES

Overtime is an operating expense that too many health systems accept as a cost of doing business, yet that does not have to be the case. Certainly, there will be situations where overtime is necessary to provide patient care but that is not the case with the bulk of overtime hours being paid.

In fact, overtime costs can be reduced significantly by integrating systems and creating a dashboard or daily report that shows how much overtime each employee is working. This same process impacts staff underutilization, which occurs when people are paid for a set number of hours, regardless of how many they actually work. In the worst situations, lack of integrated data results in an underutilized provider being sent home while a provider already into overtime is assigned call. The health system ends up paying twice for the work—once to the underutilized provider who is paid for a set number of hours, and again, at a higher rate, to the provider working overtime. This is the kind of situation that adds up significantly over time but can be easily prevented.

Hiring locums is another area that can be positively impacted by increased efficiency. Like overtime, locums are sometimes necessary but, when they are being used as a result of scheduling gaps and errors, they are an expense that can definitely be reduced.

Moreover, scheduling gaps and errors are, themselves, a labor-related expense. When gaps occur or inappropriate assignments are made, rooms and

equipment can be left unutilized. This represents an opportunity cost to the entire practice.


Patient delays are another indirect cost resulting from workforce inefficiencies. For example, when a patient's surgery is delayed because an inappropriate provider was assigned and a correctly-certified provider must be located, the surgical team may be left standing around.

Finally, these inefficiencies require an extraordinary amount of administrative time, leading to high FTE costs. For example, it is not uncommon for differential and incentive pay to have to be calculated and processed manually. This requires finding out what hours were actually worked (as opposed to what were scheduled), determining the correct pay, calculating it and entering it into the payroll system. Clearly, these are things that can be done most easily with automated and integrated systems, leaving employees time to work on more pressing projects.

HONESTLY ASSESS SYSTEMS

In the face of all these costs, reducing workforce inefficiencies should be a priority for health systems. The first step is to honestly assess your workforce-related systems and processes. "We've always done it this way" is simply not a viable reason in the current economy. Moreover, thanks to today's large health systems, it is unrealistic to believe manual systems are going to be the most efficient and cost-effective.

One tell-tale sign of inefficiency is if your senior providers are the ones responsible for piecing together a spreadsheet for staff schedules. Whenever this is occurring, it quickly follows that your schedule is taking longer than necessary to build and update, that you are paying far too much in terms of hourly wages for that schedule to be maintained and that you are missing out on revenue coming from having your senior providers seeing patients.

Health system mergers and practice acquisitions have created complex healthcare organizations where the costs of workforce inefficiencies quickly add up. Antiquated, often paper-based, systems and the inability of those systems to communicate with one another deprive practices of relevant and timely data that could be used to control their operating costs. The impact is seen most clearly with costs of overtime, underutilization and locums, but also creates indirect costs relating to scheduling errors, patient delays and excess FTEs. By addressing these issues, health systems gain control over their labor budgets without the need to resort to layoffs. 

ON THE WEB

Healthcare organizations lose millions of dollars every year using paper-based staff scheduling. Read "The ROI of Using Excel" at www.advanceweb.com/executiveinsight