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# At Sacred Heart, All Employees—including Finance—Take Time Off During Low Census Periods

*The initiative spreads responsibility for taking time off during periods of low census to all employees, rather than clinicians alone. The result: a less than 1 percent variance in budgeted labor hours during the first year of the initiative.*

In 2009, Sacred Heart Hospital of Eau Claire, Wis., faced a challenge that is familiar to many hospitals: how to adjust labor costs during periods of low census across the organization—including in departments such as finance and marketing, and among salaried employees—rather than solely in departments that provide patient care.

“I think healthcare organizations are coming to the realization that you cannot put the burden of an inconsistent census only on clinicians,” says Faye Deich, COO.

“There is a cost to keeping everyone on duty during periods of low census. At our

organization, we’ve been lucky: Our census is pretty stable. Previously, when we’ve experienced variances in patient census, all of our departments that have variable staffing have flexed their staff during these periods, but the departments with fixed labor hours never had to participate in that pain. We came to the conclusion that, out of fairness to everyone, if we weren’t getting the volumes that we needed, every department should pitch in to help reduce labor costs.”

Sacred Heart had already created a culture of cost containment in 2007, when the organization asked for employees’ assistance in reducing controllable operating

expenses by \$5 million in response to predicted losses in revenue, and again in 2008, when Sacred Heart determined it would need to reduce expenses or grow revenue by another \$1.4 million. Both times, employees had risen to the challenge.

But how would departments with non-variable staffing respond to requests to reduce their labor hours during periods of low census?

For Sacred Heart, keys to success in establishing a flexible staffing initiative included clear and continual communication, an easy-to-understand process, support from senior leaders, and recognition of the benefits of the initiative for the organization as a whole.

### How Sacred Heart Did It

In 2009, Sacred Heart leaders set about creating a system in which all

## Example of How Hours Are Flexed During Low-Census Periods at Sacred Heart

Department	Budgeted FTEs	Volume	Reduction Factor	FTE Reduction	Allowable FTE	Hour Reduction
Quality Resources	7.8	120	4%	0.31	7.49	2.50
	7.8	115	8%	0.62	7.18	4.99
	7.8	110	12%	0.64	6.86	7.49
	7.8	105	16%	1.25	6.55	9.98
	7.8	100	20%	1.56	6.24	12.48
	7.8	95	24%	1.87	5.93	14.98
	7.8	90	28%	2.18	5.62	17.47
Medical Staff Office	2.0	120	4%	0.08	1.92	0.64
	2.0	115	8%	0.16	1.84	1.28
	2.0	110	12%	0.24	1.76	1.92
	2.0	105	16%	0.32	1.68	2.56
	2.0	100	20%	0.40	1.60	3.20
	2.0	95	24%	0.48	1.52	3.84
	2.0	90	28%	0.56	1.44	4.48

**Formula:** Percentage below budgeted daily census × budgeted FTEs = FTE reduction factor

**Example:**

Budgeted daily hospital census is 125.

Today’s census is 120, or 4 percent below budget.

The quality department has 7.8 budgeted fixed FTEs, so it will need to decrease  $7.8 \times 4\% = .31$  FTE.

departments would flex their staffing when patient census is lower than anticipated. These leaders created an algorithm based on the organization's budgeted census and the number of FTEs in each department. When the census is lower than the hospital's budgeted figure, each department is asked to cut a percentage of hours, based on a detailed grid that outlines each department's response in circumstances such as this.

Salaried employees—mostly leadership—take vacation days during low census to share the responsibility of reaching flexing goals. During one low census period, Sacred Heart found that leaders were working hard to keep up with the fluctuations and not taking time off themselves. The hospital instituted a “mandatory day off” for all leaders the next week. This helped with the count of productive hours and also gave hospital leaders a break that they needed.

“Hospitals’ greatest expense is generally labor costs,” says Amy Dwyer, chief

nursing officer for Sacred Heart. “If you can manage your organization’s labor expenses well, you have a greater likelihood of meeting your budget and your resource expectations. If you don’t manage these expenses well, they can quickly spiral out of control.

“Our response to lower-than-budgeted census is based on a common sense approach: We plan for a set number of patients, and when that figure does not materialize, we look at ways to contain expenses,” she says.

Sacred Heart began the initiative by having senior leaders meet with department heads and managers to explain why the new approach was an important move for the hospital. Then, the hospital held town hall-style meetings with the employees to explain the reasons behind the initiative and how it would be implemented. Additional meetings were held between department heads and their staff to explain how the program would

be applied to specific departments. (See the exhibit on page 8.)

Although it took time for fixed-staffing departments to become used to the idea, overall, employees responded well to the new program, says Shannon Portell of the hospital’s communications department. “I think we rolled it out in such a way that people understood that we all work together—we all contribute to the experience of the patient, whether we’re working in an office or providing care,” she says. “Nurses appreciated that there was recognition that everyone needed to participate in adjusting staffing in response to low census, and overall, the initiative was viewed as important to the greater good of the organization. Having strong financial performance allows us to reinvest in salaries and in equipment and keeps our organization moving forward.”

When the need to reduce labor hours becomes clear, the organization allows departments to make the adjustments



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within a week, so that the expenses are contained within a single pay period. “In our organization, we have the benefit of providing employees with a little time to make an adjustment such as this,” Deich says.

When Sacred Heart needed to reduce labor hours, directors and managers spoke with their employees regarding the number of hours their areas would need to cut and how the employees preferred to make the adjustments. “Directors will ask, ‘Who has a light load this week? Who would like to take some time off?’, so that those who would prefer to take some time off are able to volunteer,” Portell says. “Each department ensures that the adjustments are made equitably, so that a few employees aren’t continually bearing the burden for their areas.”

Each quarter, key metrics that show the effect of the initiative on the organization are shared with employees.

The results: During the first year of the initiative, Sacred Heart’s variance in FTEs was less than 1 FTE. (The organization has 1,000 FTEs and a total of 1,300 employees.) “We’ve been consistently meeting our FTE budget and consistently meeting our financial budget as well, while scoring in the top decile for quality,” Deich says. “When we look at our balanced scorecard, overall, the organization is performing very well. I’m very proud of the way our employees have adjusted and adapted to this new system.”

### **Lessons Learned**

There were a number of lessons learned by Sacred Heart in implementing the program that could benefit other organizations considering similar initiatives.

***Provide continual communication regarding the programs goals, how it will be implemented, and the results.*** “It’s important to

make sure that everyone gets the same message and that they get it at the same time,” Dwyer says. “Make sure employees understand how the process will work, why it is necessary, and when it will begin. Providing enough time for discussion is important so that if managers need help from their senior leaders in answering questions about the program, they can get that assistance.

“You can never underestimate the power of continual communication with your people, because if you’re going to get buy-in for an initiative, you have to make sure that employees understand the ‘whys’ of the initiative, and that it doesn’t come off as a huge surprise,” she says. “It’s very important to us that employees stay engaged all the time, whether the news is good or bad. If you have created a culture of communication and teamwork, you then have the ability to ask your staff to contribute toward the greater good of the organization.”

***Select a metric that makes sense for your organization.*** “Our census is a very good baseline for us to use as a baseline, because about 75 percent of our volume is inpatient volume,” Deich says. “Other hospitals might need to look at their outpatient numbers and consider how those numbers might affect their response or the metrics that they set.”

***Take action sooner rather than later.*** Don’t spend too much time analyzing your organization’s approach before a plan is implemented, Sacred Heart leaders say. “A program like this doesn’t require a fancy spreadsheet or a new software program or a person with another degree,” Dwyer says. “What is important is gathering leaders together and asking, ‘How are we going to address this challenge?’, then determining the right approach for the organization.”

“At some point, you just need to get the initiative started,” Deich says. “Sometimes, you can spend so many months tweaking a program before it is implemented that the organization gets behind in its efforts to address the challenge at hand. We decided we would go ahead and implement the program as soon as we were able to, obtain feedback throughout the process, and make adjustments, if needed, as the program progressed.”

***Ask for volunteers when adjustments to labor hours are necessary.*** “When there are not volunteers, make sure the reductions are spread evenly throughout a department or area,” Deich says.

***Allow for variances, when needed.*** “If there is a specific reason why a department cannot adjust its staffing at a particular time, that is a variance, and that variance is explained,” Deich says. “It’s not an absolute rule that there will not be exceptions to reducing hours. However, we do keep those exceptions to a minimum.”

***Demonstrate senior leadership support of the program.*** “At Sacred Heart, certain administrators take time off during periods of low census, just as other employees do,” Deich says.

### **Showing Appreciation Is Key**

Taking the time to share the results, and to show gratitude for employees’ efforts, is critical to sustaining a flexible staffing initiative. “Each quarter, when I provide our colleagues with updates regarding the impact of this program, I make a point of thanking each of them for their participation in the flexing program,” Deich says. “It’s because of the proactive flexing that we do that we are able to meet our budget.” ☞