Estimate of the Situation

Critical Information for Critical Times, Edition of Wednesday, March 12, 2014

Primary Disconnect?

"Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort." Paul J. Meyer

Whether or not it is written down somewhere, every hospital department has an implicitly defined productivity goal. It is automatically created by the department's labor budget and its relationship to the department's primary work.

However, even in hospitals that have formally adopted department productivity or staffing standards, the relationship between those standards and labor budget goals can be surprisingly tenuous. The relationship between explicitly-stated labor budget goals and any given department's staffing matrix is frequently non-existent.

In cases such as this, any department manager's ability to meet labor budget expectations, particularly in times of extreme volatility in workload, is largely a matter of chance. This can pose a serious problem, especially if the manager doesn't receive ongoing systematic feedback on actual labor management performance vs. budget.

Here's how to check the issue in your departments.

1) Identify each department's de facto productivity standard as defined by the hospital's formal budget using the following process.

   - First, identify the number of total paid hours authorized for the department in the labor budget.

   - Then identify the workload (unit of service[1] volume) reflected in the current year's revenue budget. Note that in many hospitals, workload (unit of service) estimates will be used to build both the revenue and the labor budgets. *In non-revenue departments, skip this step for the time being.* In some systems, workload will not have been explicitly identified during the revenue budget development process. In that case, a few additional calculations may be necessary.

[1] A "unit of service" is the standard statistic used as a surrogate measure of workload in each department (billed tests in Laboratory, billed increments in PT/OT and Speech, patient days + observation patients in Med/Surg Units, meal served in Dietary, net square feet serviced in Environmental Services, etc.).

  - If the revenue budget for any given department in the current year was developed by applying a percentage to last year's revenue budget (positive or negative), simply apply the same percentage to the last budget year's known unit of service (workload) number to obtain the current workload estimate for the department. If the revenue budget also reflects the effect of charge increases, that will also need to be taken into account.

- Divide the total number of paid hours authorized for the department in the labor budget by the unit of service volume (workload) reflected in the current year's revenue budget to calculate the department's budgeted paid hours per unit of service.

- To calculate worked or productive hours per unit of service, multiply the actual worked (productive) hours as a percent of paid hours experienced in the last budget year to the current year budgeted paid hours per unit of service calculated above. Note that in U.S. hospital department's productive or worked hours are typically between 87% and 91% of paid hours. If the prior year's experience varied significantly from that range because of some anomaly (a reduction in force or an unusual amount of non-worked time), use 89% instead of the actual percentage.

2) Now compare these results to the scheduling practices in each department. Calculate the full year affect of applying each department's staffing pattern or matrix to expected workload. What financial results do the tools used to develop department employee work schedules produce? How do they compare to budgeted results?

One final word about units of service for non-revenue departments is in order. Some non-revenue departments have readily available workload-based units of service. Laundry uses laundry pounds. Food Service departments use meals served. Maintenance/Engineering and Environmental Service-type departments use gross and net square feet serviced[2]. Other overhead departments (Administration, Materials Management, etc.) lack a universally-recognized unit of service. In such cases, we recommend the use of adjusted discharge units (ADUs) in place of the unit of service. ADUs do not measure productivity directly. Instead they measure the relative investment that hospitals are making in a particular administrative function using revenue as the metric. The formula is:

ADUs = Total Patient Revenue ÷ (Acute Inpatient Revenue ÷ Acute Inpatient Discharges)

It goes without saying that identified discrepancies must be corrected.

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[2] Departments that use square feet as a unit of service have the same amount of reported workload regardless of the number of days in the reporting period. Consequently, any productivity calculation for departments of this type must take the number of calendar days into account. For example, Worked Hours per 1000 Square Feet Per Calendar day is calculated as: Worked Hours÷(Total Volume÷1000)/Days in Period.