

Improved Labor Utilization to Save Hospital \$1.7 Million

While this not-for-profit hospital has just over 65 licensed beds, its average daily census is between 15 and 20 patients. Appropriate labor utilization and use of proven resource management techniques were lacking at this small community hospital, and as a result, the hospital was operating at a significant financial loss.

To address these issues, the interim chief executive officer

asked B. E. Smith to bring in the appropriate resources to ensure that the correct number of staff members was available to meet patient care needs. Upon beginning its assessment, B. E. Smith discovered that much of the problem was due to not having a framework for productivity, accountability or effective resource management — and immediately moved to address those issues.

A Plan for Significant Savings and Value

Challenge: The hospital faced high executive team turnover, including human resource, CNO, and CFO, resulting in instability and no strategic plan or framework of accountability.

Solution: In order to stabilize the organization, B. E. Smith brought in a team of experienced Interim Leaders and Consultants to implement its strategic turnaround recommendations while the hospital recruited a permanent, seasoned executive team with healthcare experience.

Challenge: With no organized staffing plan or budget to fund such a plan, departments were acting independently — ultimately leading the entire hospital down a road of financial instability.

Solution: Consultants worked with various departments to create staffing plans to help operationalize their budgets. The team also decreased nursing paid hours per patient day on the medical/surgical unit from 16.7 to be closer to the industry standard of 8.0 and helped administrators learn to adjust staffing patterns based on patient volume. Further, nursing overtime was eliminated by adjusting the staffing matrix, resulting in an additional \$25,000 savings.

Challenge: The hospital's Special Care Unit (SCU), averaging one patient daily, had two caregivers — a ratio higher than even critical care staffing. Staffing the unit required 14 percent overtime pay and 3.3 percent agency pay.

Solution: Consultants recommended integrating SCU patients' care into the medical/surgical unit, thus eliminating agency and overtime pay. Not only would this move eliminate 3.4 full-time employees and save the hospital \$400,000 annually, it would also improve the consistency and quality of care.

Challenge: The hospital's Emergency Department (ED) staffing did not correlate with the peak utilization time. In addition, wait times increased for patients during peak volume times and there was unproductive down time for staff during low-volume usage times.

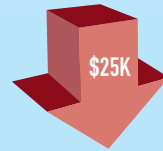
Solution: Consultants performed a five-month, hour-by-hour patient utilization of the ED, resulting in staffing pattern modifications that saved the department \$100,000 annually.

The hospital will save a conservative \$1.7 million by implementing the labor utilization recommendations from B. E. Smith. This well-rounded, collaborative improvement plan that dramatically improves both the hospital's executive team and labor utilization issues positions it for a much more prosperous future, while also enabling it to provide higher quality healthcare for the community.

by the numbers

The path to saving \$1.7 million and a healthier organization began with these steps:

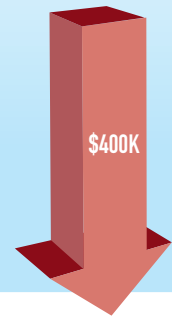
Adjusted nurse staffing matrix and eliminated overtime saving \$25,000.



Hour by hour patient utilization of the ED resulted in staffing pattern modifications saving \$100,000/year.



Integrated SCU patients' care into medical/surgical unit saving \$400,000/year.



4 recommendations

Labor Utilization Guidelines

Labor utilization doesn't necessarily mean letting employees go. It could simply mean a redistribution of employees to where they're needed most — which benefits both your patients and your bottom line. Here are a few more things to remember about appropriate labor utilization:

- **Perform an in-depth assessment:** It's critical to ensuring that recommendations are appropriate for your organization.
- **Implement changes in phases:** Your employees will appreciate it.
- **Solicit a second set of eyes:** They can always provide a much-needed perspective to a challenging situation.
- **Remember that there are multiple ways of accomplishing the work:** This is easy to forget if you've always done things one way.