

# Driving down labor costs by improving performance

Webinar  
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# Driving down labor costs by improving performance

- **Understanding its importance**
- Identifying opportunities
- Capturing the value

INTERACTIVE POLL

How much higher were operating expenses per adjusted admission (AA) in 2012 compared with 4 years prior?

**Pick the best answer from the following list**

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3%

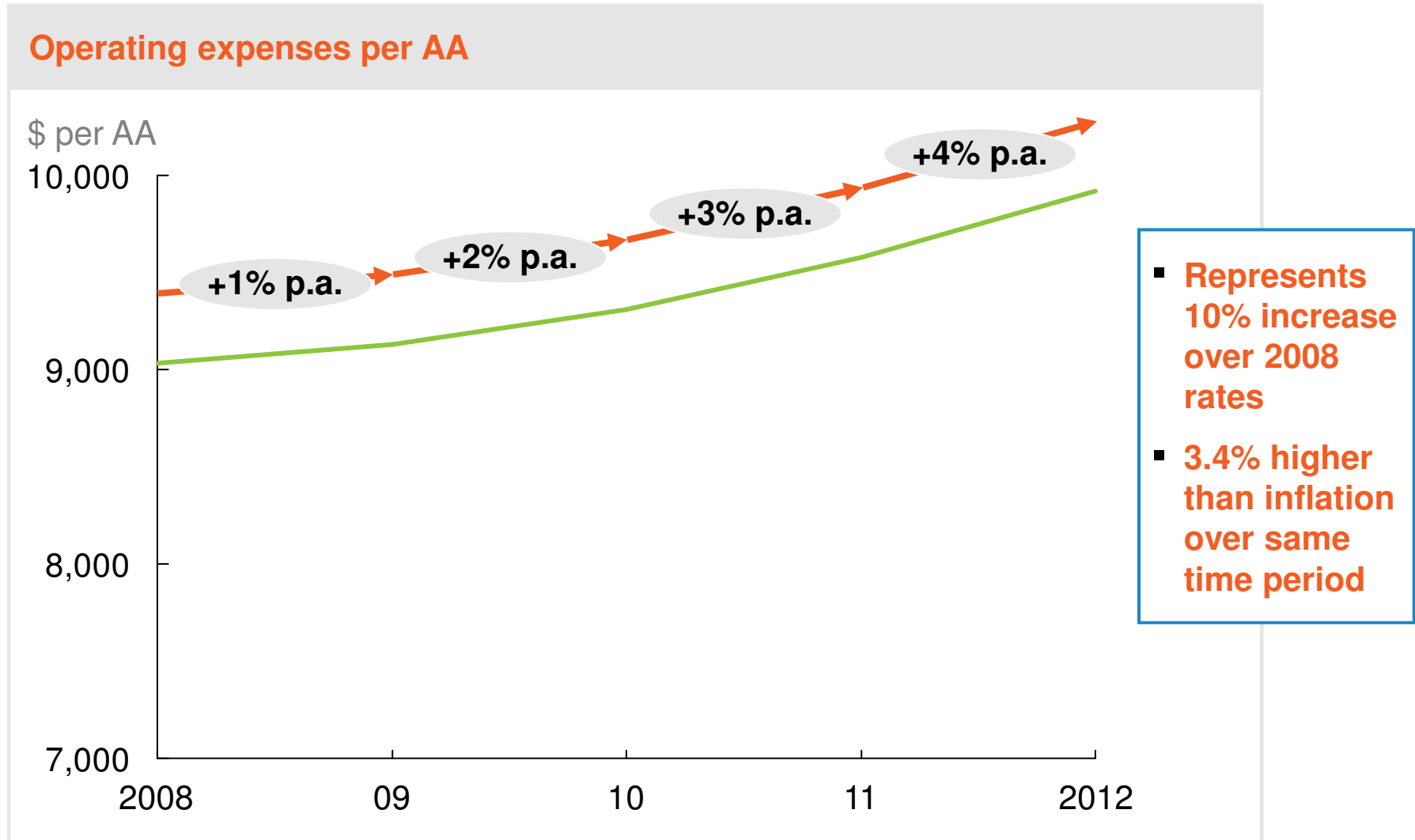
5%

10%

12%

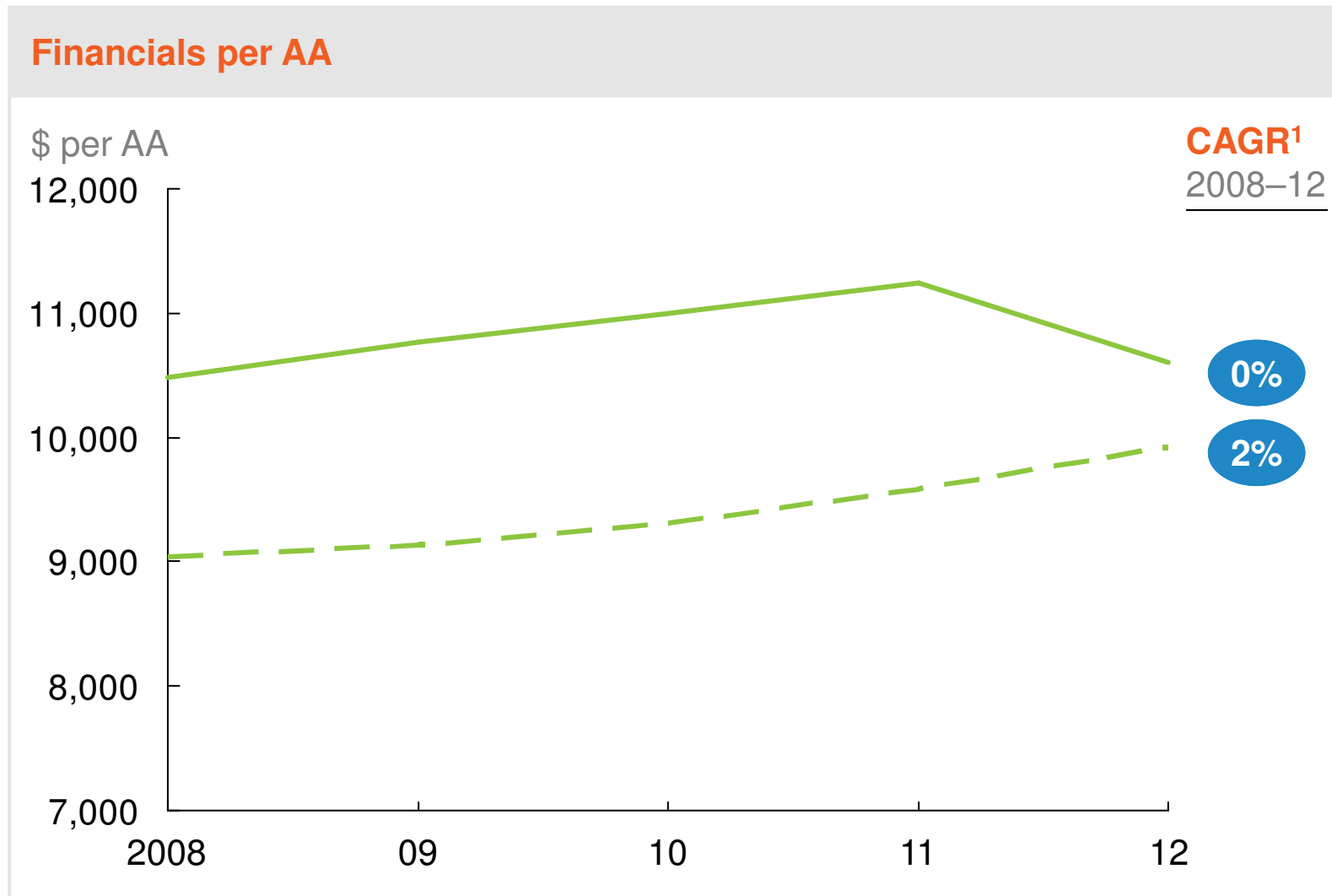


Operating expenses have grown 2% annually in recent years, but the pace of growth is accelerating



Meanwhile NR/AA has been flat and actually declined in 2012

NR/AA Op Ex



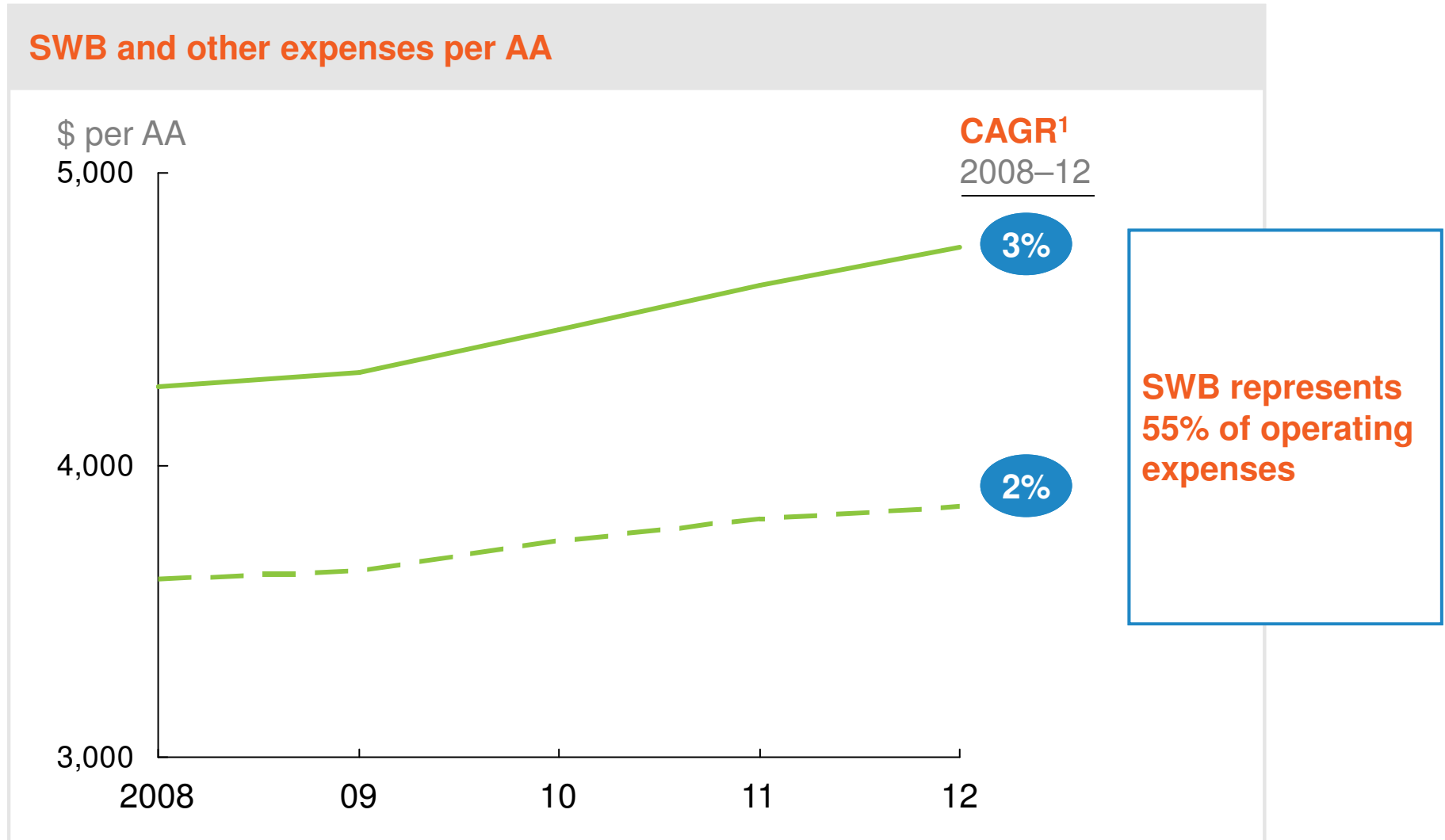
1 Compound annual growth rate.

Source: Publicly reported provider financials (includes CYH, HCA, HMA, LPNT, THC, UHS); [www.usinflationcalculator.com/inflation/current-inflation-rates](http://www.usinflationcalculator.com/inflation/current-inflation-rates)

OBJECTIVE HEALTH™

Of the expense categories SWB is growing the fastest at 3% CAGR

— SWB<sup>2</sup>    - - - Other



1 Compound annual growth rate.

2 Salary, wage, and benefits.

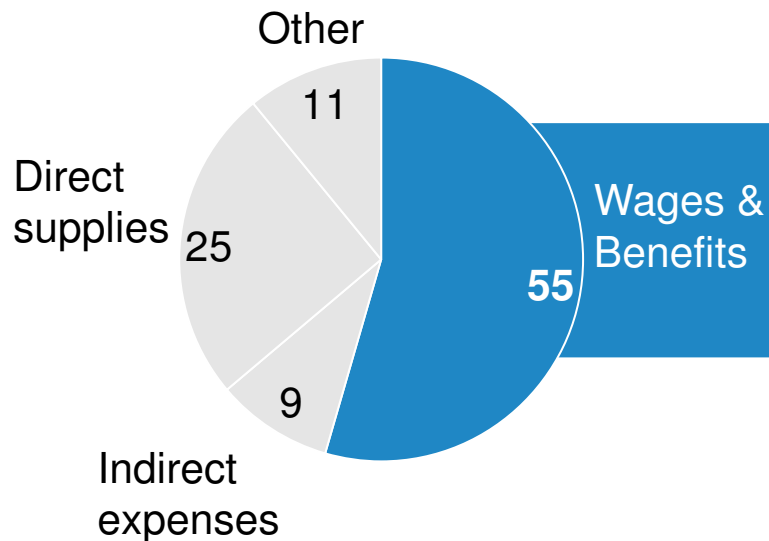


Source: Publicly reported provider financials; includes CYH, HCA, HMA, LPNT, THC, UHS

Labor is the largest hospital expense and is typically driven by a set of large, high-spend departments

### Hospital expenses

% of total cost



### Hospital labor spend by department

\$Millions

% of total labor spend



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## INTERACTIVE POLL

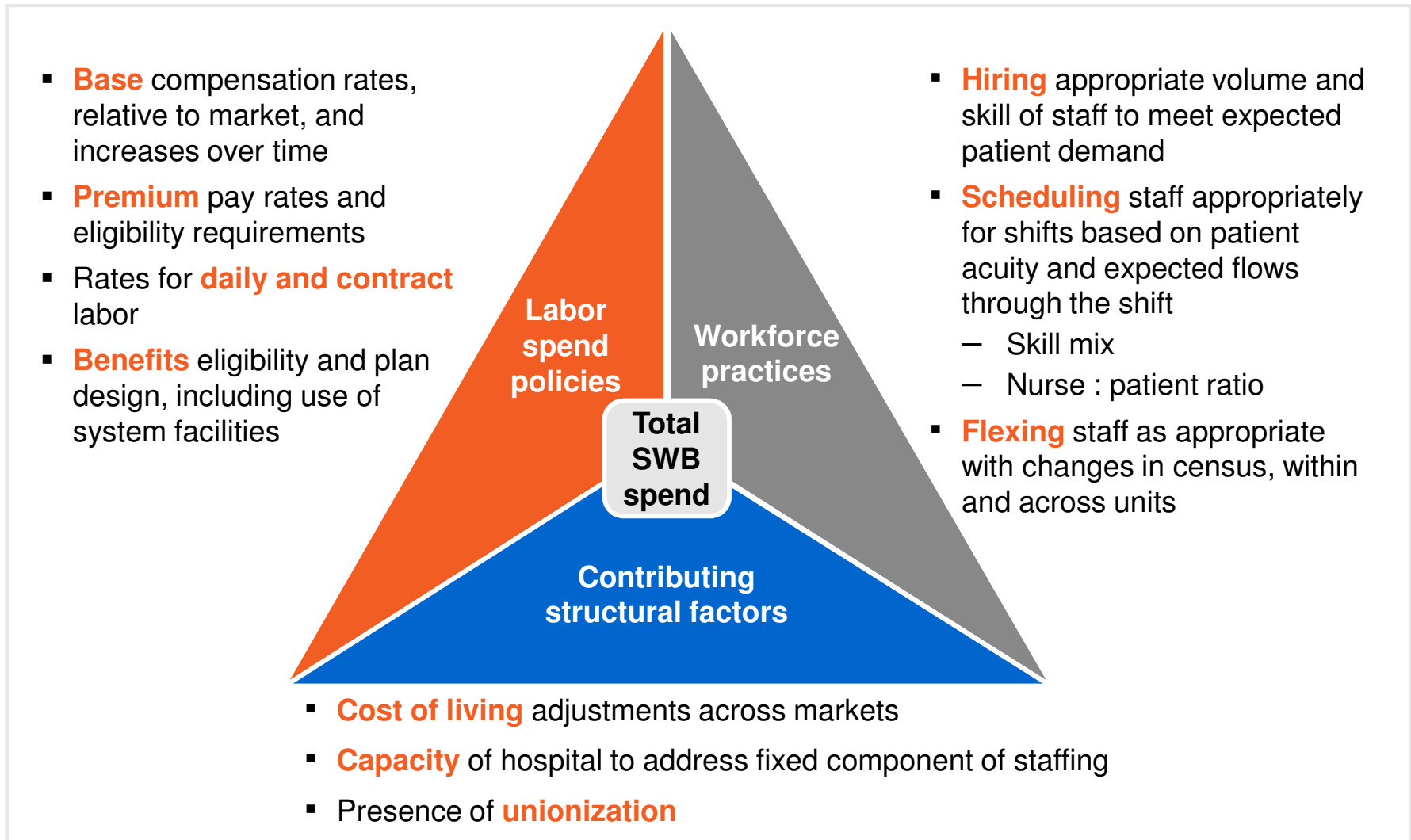
To tackle salary, wage, and benefit spend, how many of you have tried...

### Pick the best answer from the following list

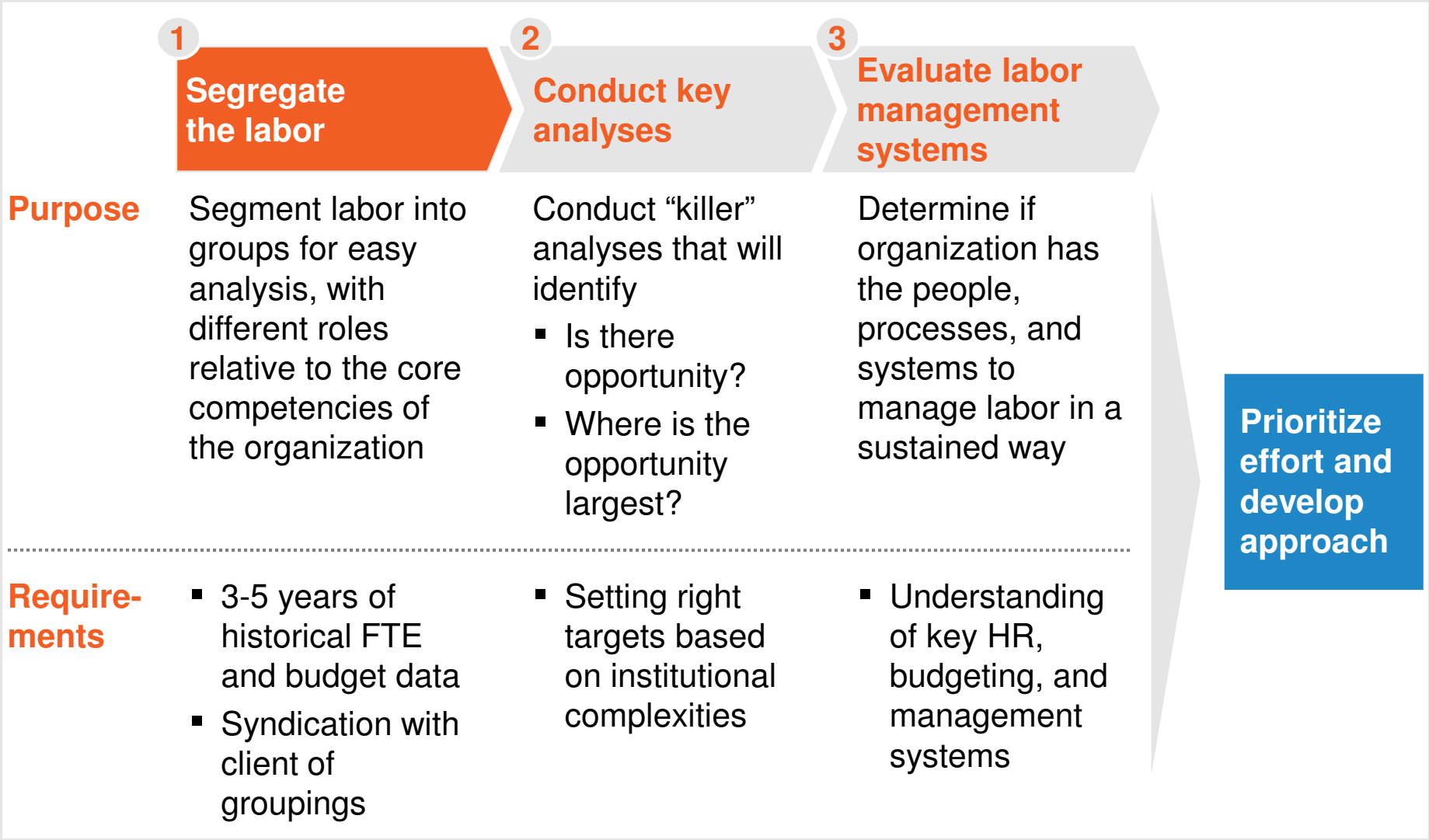
- Set productivity standards for all departments to flex staff based on census
- Redefining nursing skill mix to increase use of individuals working at the top of their qualifications
- Addressing premium-pay policies
- Freezing wage increases
- Redefining labor contracts
- All of the above



Spend on salaries, wages and benefits is made up from a combination of labor spend policies, workforce practices, and structural factors



# Diagnosing and prioritizing SWB opportunities is a 3-step process



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## INTERACTIVE POLL

In your experience, how difficult is it to go after these types opportunities as compared to more traditional areas?

**Pick the best answer from the following list**

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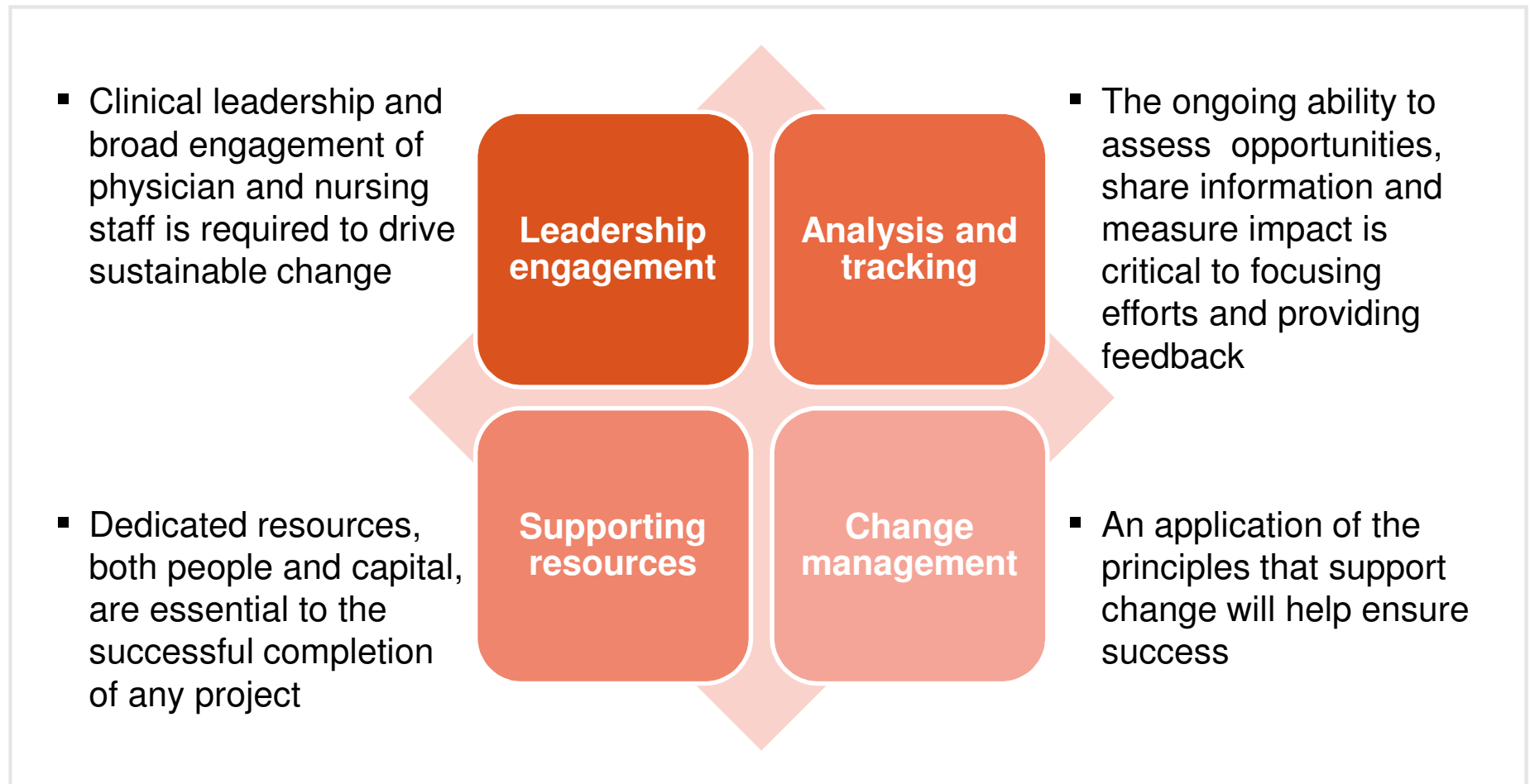
- Easier than other opportunities
- About the same as other opportunities
- More difficult that other opportunities



## A world-class labor management organization has three primary attributes

	<b>Description</b>	<b>Examples</b>
<b>Labor management processes</b>	The hardwired processes that force organizations to reevaluate labor spending on a continuous basis	<ul style="list-style-type: none"><li>▪ Periodic FTE budgeting and review process</li><li>▪ Wage and benefit analysis and calibration process</li><li>▪ Process for periodically conducting in-depth analysis of employee activity</li></ul>
<b>Critical people-management capabilities</b>	The analytic and management capabilities within the organization to analyze and manage the labor spend proactively	<ul style="list-style-type: none"><li>▪ Ability to conduct thorough make vs. buy analysis</li><li>▪ Capability to evaluate labor decisions from an ROI perspective</li><li>▪ Analytic skills to determine the total cost of labor (e.g., wage, benefits, management overhead)</li><li>▪ Algorithms for overtime/regular time</li></ul>
<b>Labor management systems and platforms</b>	The tools and infrastructure necessary to assist leaders in making labor management decisions	<ul style="list-style-type: none"><li>▪ Labor productivity metrics and reporting system</li><li>▪ HRIS system leveraged to provide critical information to management</li><li>▪ Accurate labor data and market data integrated into strategic HR decisions</li></ul>

## Four elements need to be in place in order to successfully capture opportunities



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## Q & A

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