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Reimagining healthcare:

Top three operational improvements for hospitals to drive efficiency in times of crisis

Panelists

Sharon Ulep

Principal

MBB, MBA, CMCA, CPHQ

Dr. Heidi Steiner

Senior manager

DNP, NE-BC, RN-BC

Christopher Walski

Partner

CPA, MSA

Healthcare in crisis

Learning objectives

Labor
Understand key productivity metrics and discover methods to educate and empower staff to implement productivity measures within their teams.

Patient empowerment
Recognize how patient empowerment can improve outcomes for patients and staff in a value-based care environment, reducing readmissions and increasing efficiency.

Reimbursement & revenue cycle
Learn how to optimize your reimbursement and revenue cycle processes to realize your full reimbursement and net revenue potential.

Hospital labor trends & management

Labor leading change

- **Overall turnover** in hospitals jumped to **more than 23% in 2021*** with bedside nurses leading the trend
- Hospital **vacancy rates** jumped from **5.4% in 2020** to more than **10.1% in 2021***
- Premium labor expense as percentage of payroll expense went from **4.8% in 2020** to **9.7% in 2021***

*Advisory Board 2021 hospital turnover and vacancy benchmarks released Feb. 28, 2022

Engaging your team

"A good objective of leadership is to help those who are doing poorly to do well and to help those who are doing well to do even better."
— Jim Rohn

- No one shows up to work to do a bad job. **Bad processes lead to poor production.**
- **Happy employees make for happy patients.** Do you know what motivates your staff?
- The key to a successful labor management is executive sponsorship.

Leaders managing labor

Before automatically filling every vacancy, leaders should evaluate if their labor spend is within appropriate limits:

- Understand production and provide meaningful measurement by cost center
- Know your labor compensation ratio
- Benchmark your labor by department or cost center using data from hospitals of similar size and services
- Use a position control team to manage staffing to actual production

Measuring productivity

Productivity is department- or cost center-based. Every department should have a benchmark or goal.

Each cost center, clinical and nonclinical, should have a measure that's meaningful to the work they perform.

A productivity measure does more than position control. It helps your management team have a tool to say "yes" to staff activity that adds value and "no" to activity that doesn't.

Example productivity measures

Radiology	→	Procedures
Information technology	→	Active users
Finance office	→	Claims processed
Central sterile	→	Items processed
Emergency room	→	Visits
Human resources	→	Active staff

Labor compensation ratios

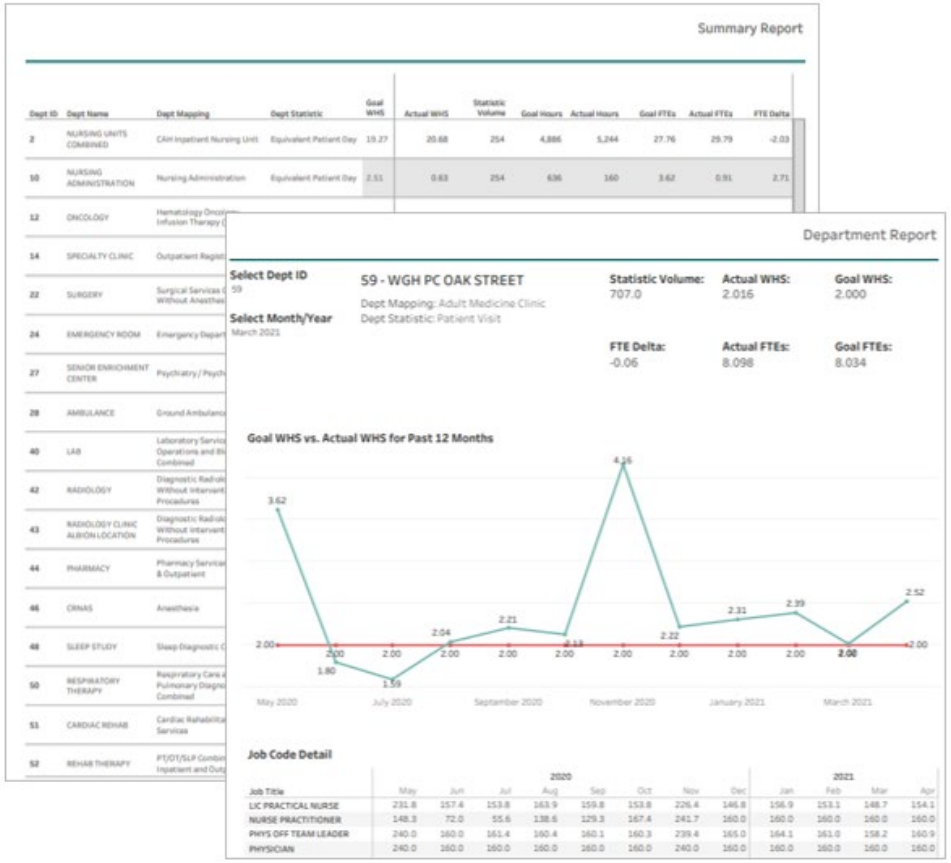
A good labor compensation ratio benchmark is **55%**.

Calculate your ratio by adding up salaries and benefits, including those for contract labor, and dividing the total by net revenue.

A compensation ratio that **exceeds 55%** should be investigated.

Analysis and reporting

- Analyze your past performance as a measure of opportunity
- Create payroll cycle-based reporting to drive change at the management level

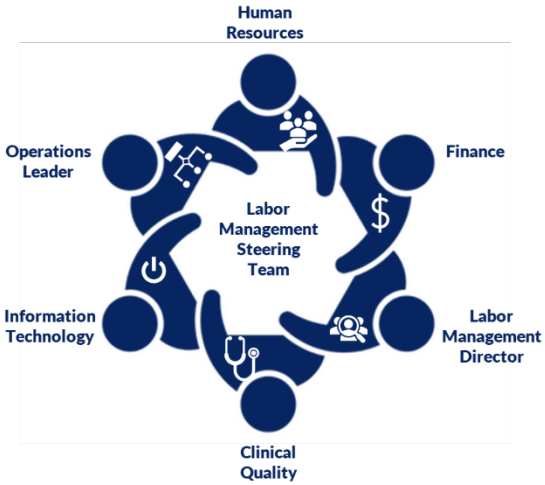


Ownership at the department level

- Your managers should view their cost center as a small business.
- Every hour of time charged to the cost center should have a return in productivity volume.
- Managers should know what levers they can use to improve productivity. Often, this is emphasizing already existing initiatives at your hospital.
- How can they get more patient transactions completed during regular paid business hours?

Establish labor governance

Sets the vision & goals



Determines tactics & implementation plans

Maintain gains using data

Support process transformation

Once your team understands their production performance against labor spend, they may need help address process changes that lead to efficiency:

- Connect current efficiency initiatives to production and labor management
- Evaluate current process opportunities in your major value streams (OR, ED, discharge process)
- Identify when technology upgrades and implementations will allow for labor reductions through attrition

Benchmarking leadership

1. Be a trusted partner with your clinical and nonclinical teams.
2. Lead by example!
3. There is nothing wrong with being different. Just understand the cost of your uniqueness and determine whether the cost is an investment worth making.
4. Don’t let productivity targets stop innovation.
5. Always err on the safe side! **Never** prioritize a productivity target before safe patient care!

Patient empowerment: The path to better health

Value-based care delivery

Proactively improving outcomes, reducing cost, and enhancing overall health and well-being

- Implementing quality care delivery models
  - Preventive care
  - Strong chronic disease management
- Can't be successful without empowering patients
- Value for organizations: fewer readmissions, appropriate length of stay, and improved patient satisfaction

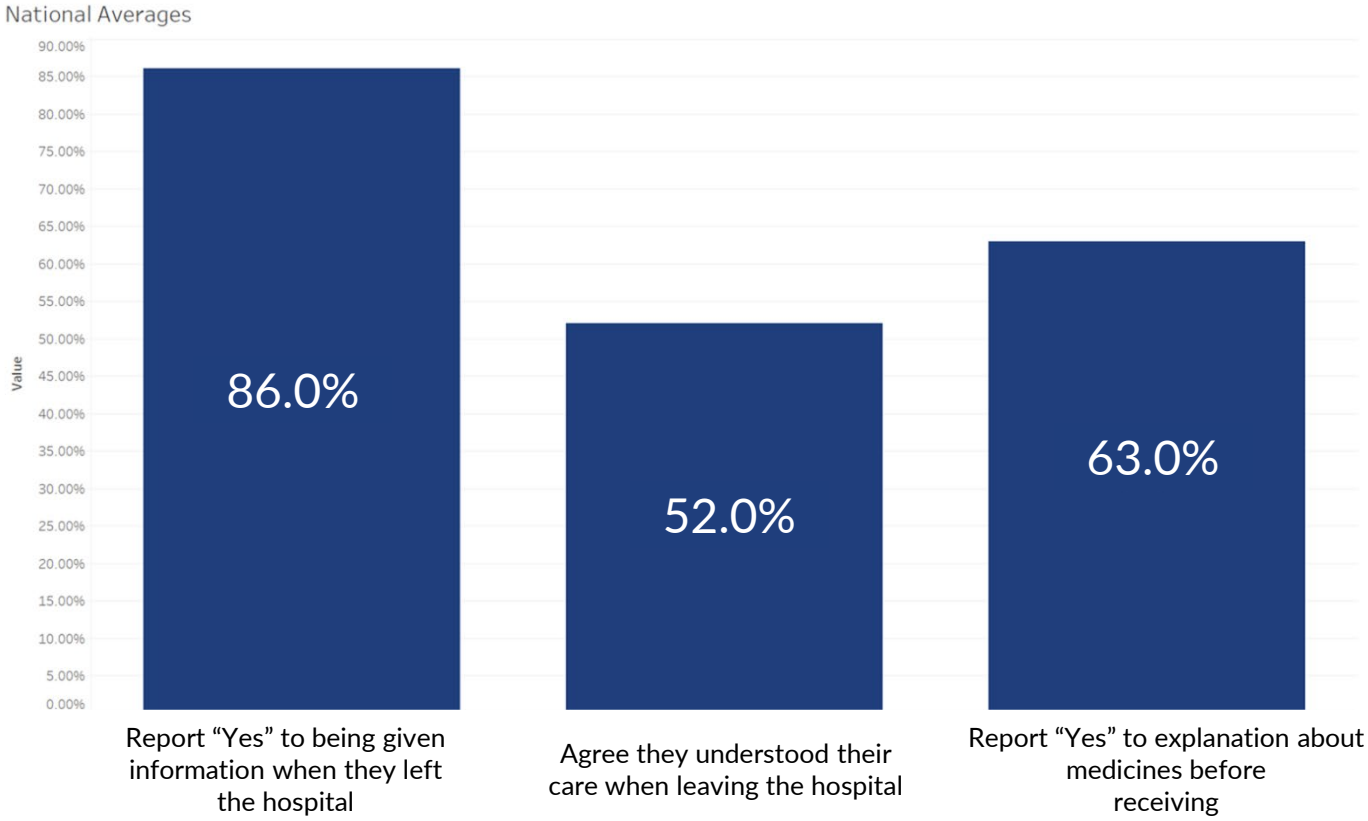
The value of patient education

Readmissions, length of stay, & patient satisfaction

- Modifiable factors that increase 30-day readmission risk:
  - Lack of patient/caregiver knowledge of self-care instructions
  - Adverse drug events and other medication errors
  - Lack of follow-up appointments
- Early discharge preparation can significantly decrease length of stay (Gabriel et al., 2017)
- Patient satisfaction scores are correlated to higher readmission rates (Boulding, Glickman, Manary, Schulman, & Staelin, 2011)

HCAHPS: Patient education

Short-term acute care hospitals (n=4,323)



Knowledge is power

Empowered patients

- Are respected and encouraged to understand and know about their care
- Make the best decisions when armed with information provided at the right time and delivered in a consumable way
- Can act and make decisions regarding their health according to personal goals and values
- **21st Century Cures Act:** Major win for patient empowerment
    - Outlines federal regulations for implementing technology that makes it easier for patients to access their information
    - Digital literacy (eHealth literacy)

Source: healthit.gov/curesrule/overview/about-oncs-cures-act-final-rule

Setting patients up for success

Patient empowerment & low health literacy

- Greater than **90 million Americans** struggle with **low health literacy**
- Patients immediately **forget up to 80% of information** provided to them, and of the information remembered, **nearly half is incorrect** (AHRQ, 2020)
- Discharge education is complicated, and suboptimal if left until the day of discharge
- Up to **79% of readmissions are deemed avoidable** and are the result of fragmented care and lack of communication (Polster, 2015)
- Adequately preparing patients for discharge helps maintain an appropriate length of stay

Clinician obstacles

Current healthcare landscape

- Staffing challenges preceded the COVID-19 pandemic
  - 2020 National Nursing Workforce Survey:
    - Median age of nurses in 2020 was 52 years old
    - Nurses aged 65 years or older account for 19.0% of the RN workforce
  - Clinician burnout existed before the Pandemic, and has exploded in the past two years
  - Violence in the healthcare setting is contributing to the shortage (Pollack, 2022)
- Very few clinicians argue the importance of patient education, yet is a daunting task given the amount of work during a given day

Keep it simple!

Empowering patients using best practices improves efficiency

Standardize patient education practices

- **Survival skills:** Education is brief and focused on critical information
- **Use teach-back method:** allows the clinician to identify and correct misunderstandings
- **Health literacy universal precautions:** assume the patient has low health literacy and use plain language
- **Identified learner:** include the patient and caregiver when providing education
- **Care planning:** incorporate patient education goals into the care plan and provide real-time updates to keep the interdisciplinary team on target
- **Discharge checklist:** provide patients or caregiver with a short questionnaire to assess readiness (leverage technology if possible)

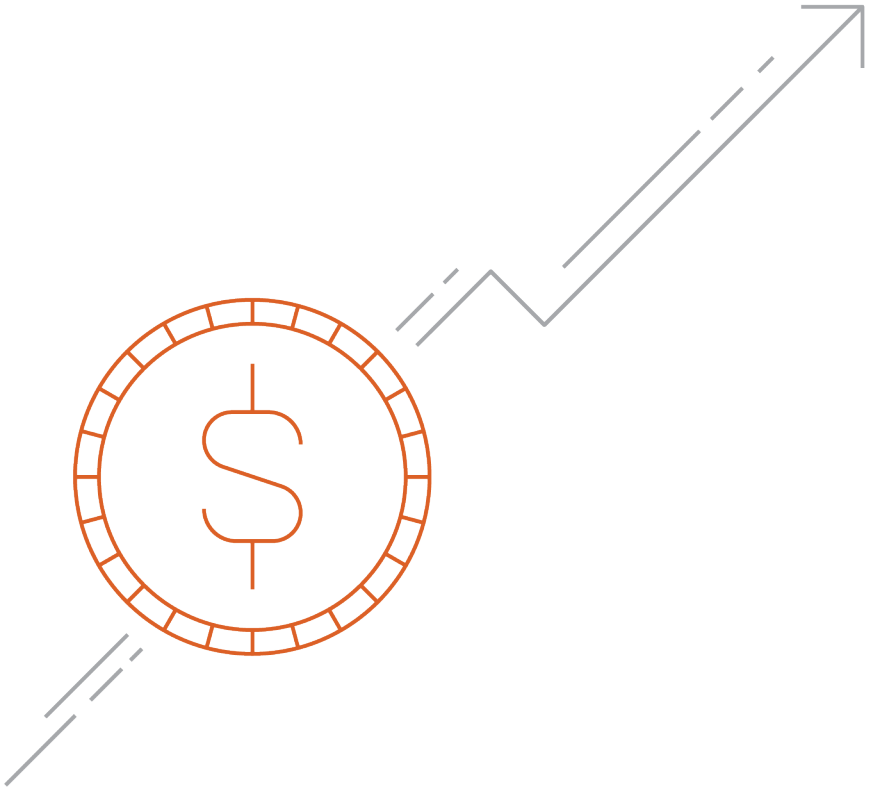
Reimbursement & revenue cycle

Reimbursement & revenue cycle

Considerations

- How staffing changes and changes in compensation impact your reimbursement
- How average hourly wage trends have impacted reimbursement historically
- Use current data to anticipate how reimbursement will be changed in the future
- Action items hospitals can take to ensure they are optimizing reimbursement

Healthcare labor rates & labor shortages



Medicare Wage Index

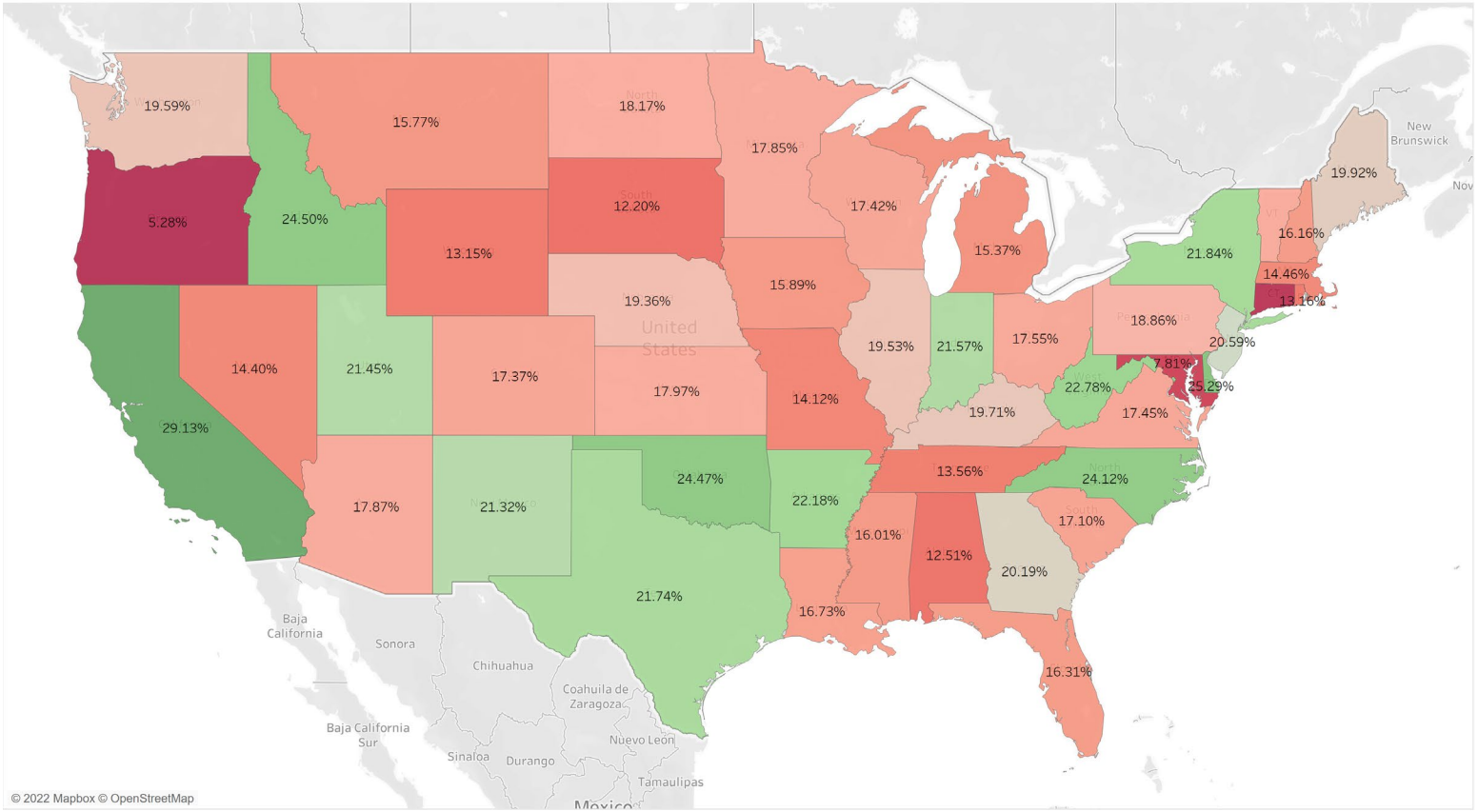
- Medicare compiles data annually from hospitals in order to establish a wage index. **This wage index is used to set rates for hospitals across the country.**
- In general, this wage index impacts **62.0–67.6% of Medicare IPPS rate** as well as **60% of Medicare OPPS rate**. Additionally, the Medicare Hospital Wage Index impacts other areas of both Medicare and Medicaid reimbursement.

2011–2019 average hourly wages

- The following map illustrates the changes we have seen historically as it relates to the average hourly wages for hospitals across the country. **This provides a baseline for what we have seen historically and what has been used for Medicare reimbursement.**
- The overall **national average hourly wage increase from 2011 to 2019 was 20.5%.** The scale on the map has been adjusted to show states that are higher than this average (green) and states that are below (red).

2011–2019 average hourly wages

Changes in Average Hourly Wages 2011 to 2019



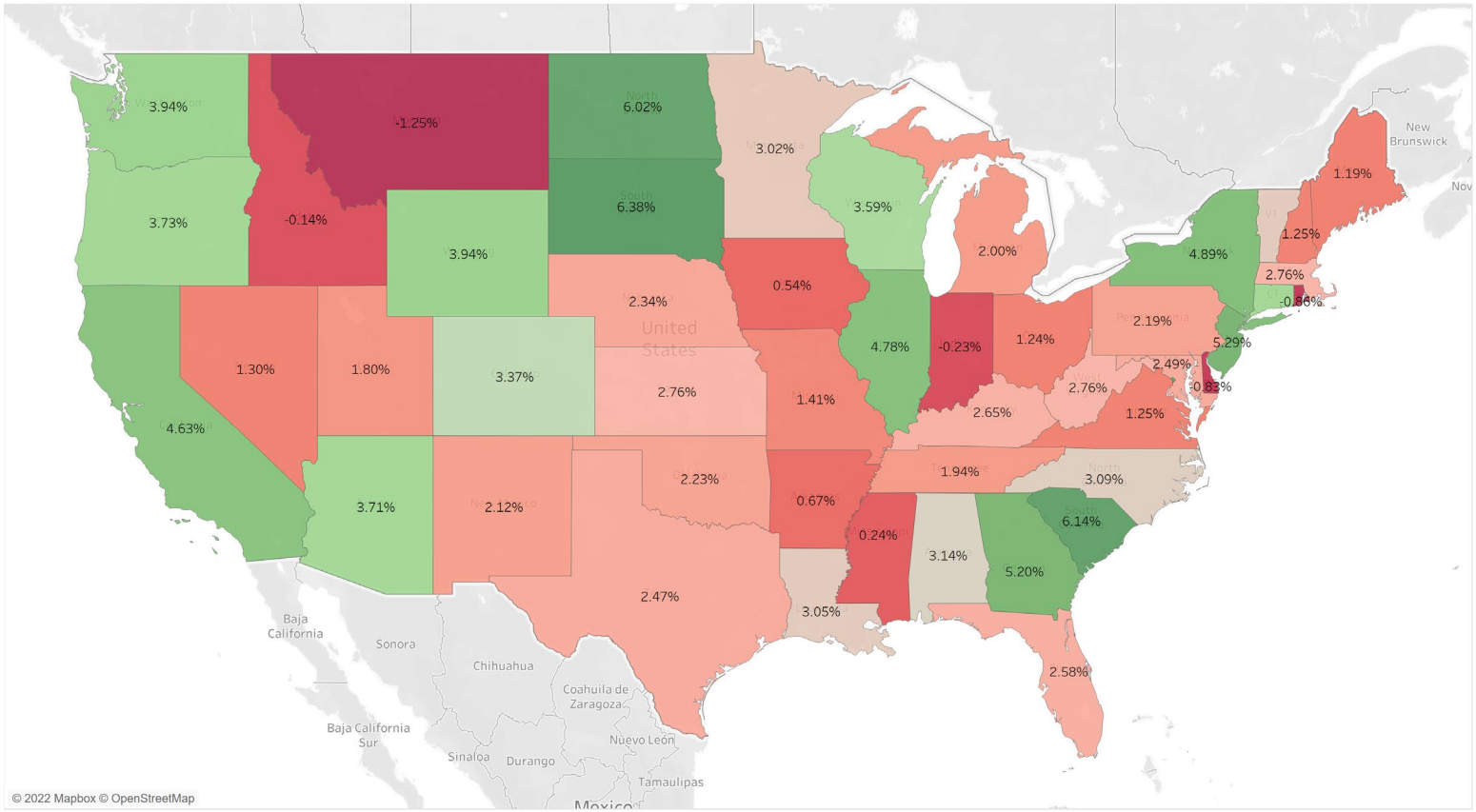
Map based on Longitude (generated) and Latitude (generated). Color shows sum of 2011 to 2019 AHW. Details are shown for State. The view is filtered on State, which excludes Alaska, Hawaii and Puerto Rico.

2019–2020 average hourly wages

- The following map illustrates the changes we have seen more recently as it relates to the **average hourly wages for hospitals across the country during COVID-19.**
- The overall **national average hourly wage increase from 2019 to 2020 was 3.2%.** The scale on the map has been adjusted to show states that are **higher than this average (green) and states that are below (red).**

2019–2020 average hourly wages

Changes in Average Hourly Wages 2019 to 2020

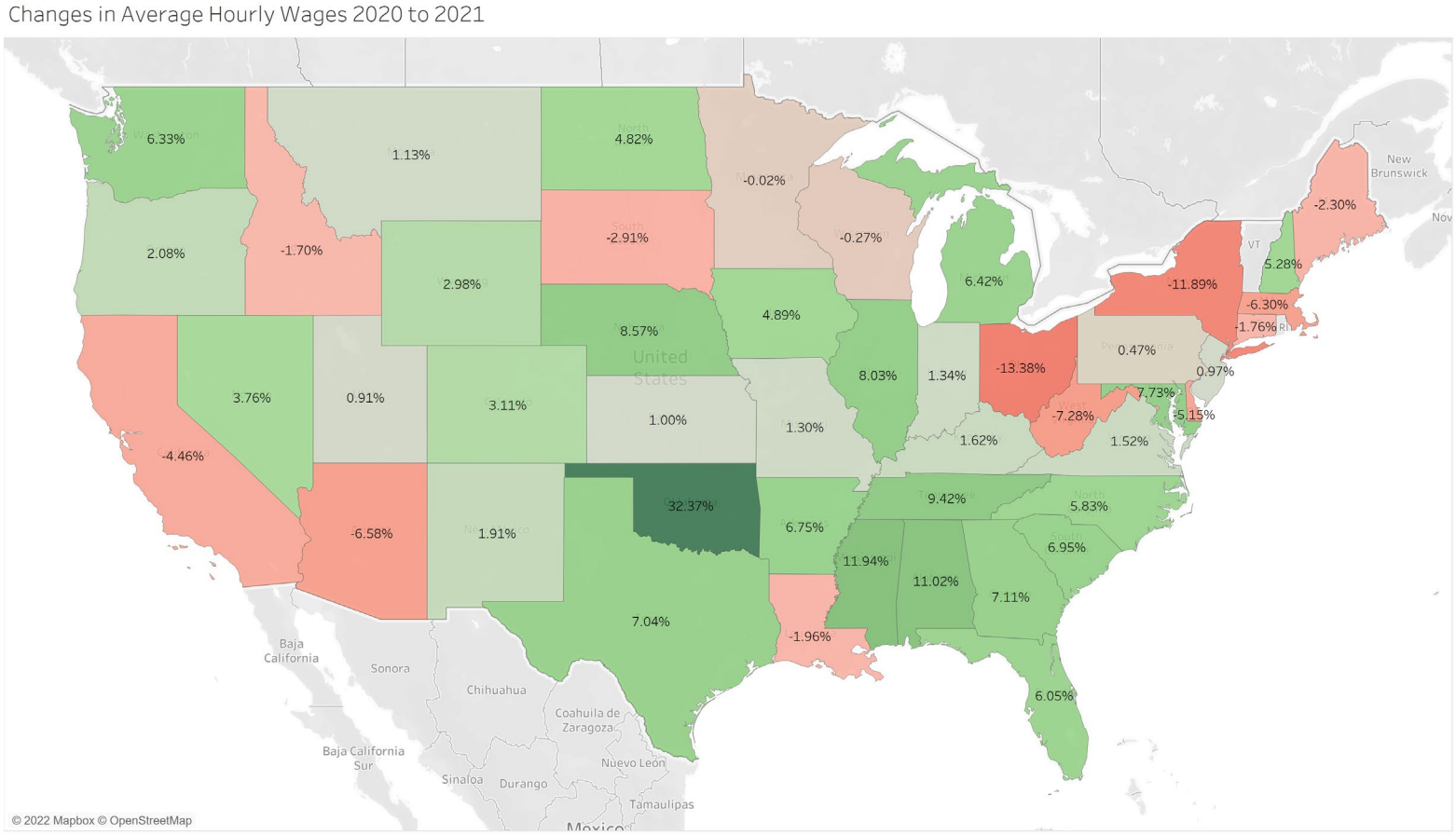


Map based on Longitude (generated) and Latitude (generated). Color shows sum of 2019 to 2020 AHW. Details are shown for State. The view is filtered on State, which excludes Alaska, Hawaii and Puerto Rico.

2020–2021 average hourly wages

- The following map illustrates the changes we are starting to see reported. This currently **only includes approximately 30% of the hospitals** in the country for the 2021 average hourly wages.
- The overall **national average hourly wage increase from 2020 to 2021 was 1.0%**. The scale on the map has been adjusted to show states that **are higher than this average (green) and states that are below (red).**

2020–2021 average hourly wages



Map based on Longitude (generated) and Latitude (generated). Color shows sum of 2020 to 2021 AHW. Details are shown for State. The view is filtered on State, which excludes Alaska, Hawaii, Puerto Rico, Rhode Island and Vermont.

Key takeaways

Below are some key items hospitals can do to make sure they get properly reimbursed and get credit for the increased labor costs they are experiencing.

- Review one-time bonuses or other compensation for proper wage index treatment
- Track and report contract labor dollars and related hours
- Be prepared for the 2022 Medicare Occupational Mix Survey


Q&A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