Iowa HFMA 2025 Winter Meeting

Mindset: Insights to Workforce Expense Challenges

January 15th, 2025

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Agenda

1. Introductions
2. Mindsets – Key Issues Today
3. Building a Productivity Culture
4. Case Study
5. Panel Discussion
6. Q&A
7. Closing

Introduction

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Key Issues Today

Mindsets 2024 Healthcare Executive Leadership Report

Survey of 120 healthcare executives across the U.S.

Four themes emerged:

- Financial Sustainability
- Workforce
- Strategic Planning
- Value-Based Care

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Performance Improvement
Cost Management

Labor Workforce

Faced with increasing financial demands as well as the need for an efficient labor force, the capabilities of some healthcare organizations could significantly exceed demand. However, patient care needs should not be compromised when determining staffing requirements.

Workforce Productivity Manager/Insights

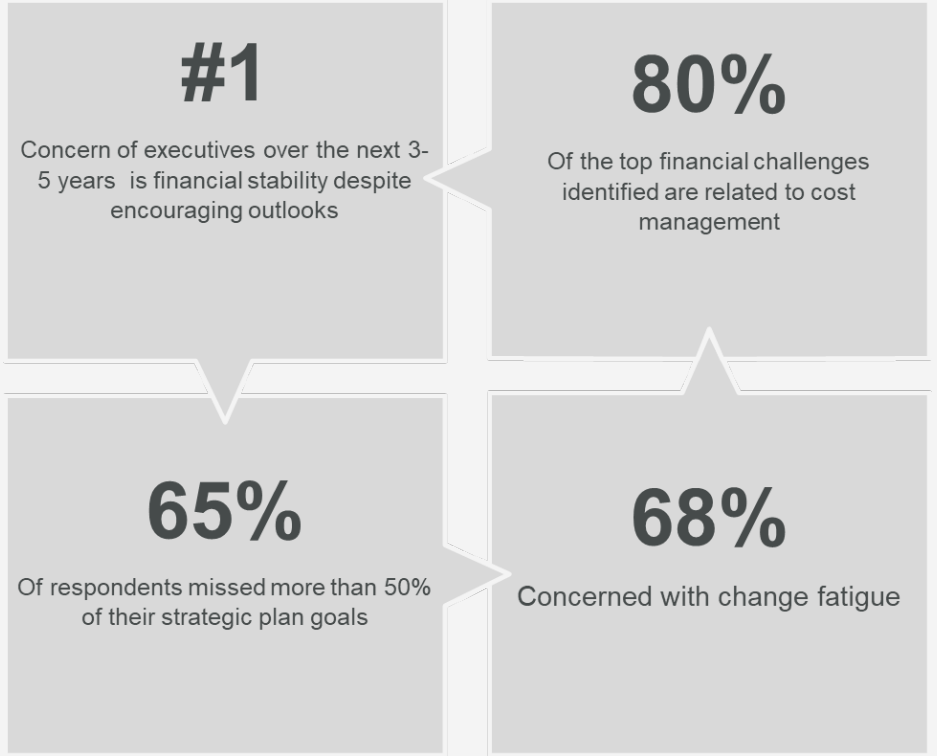
Workforce Insights assists healthcare leaders to identify improvement opportunities for workforce and production using leading practice comparative benchmarks, departmental productivity standards, organizational and departmental performance trends, and variance reports.

Non-Labor

Rising healthcare costs are a growing burden on many providers, making improved supply chain management an essential area for cost reduction. Supply chain, which is vast and complex, can include non-labor expenses, supplies, purchased services, technology, and capital. With the right strategy and resources, your supply chain can become a reliable value generator.

Mindsets 2024

The Importance of Cost Reduction



Chronic workforce challenges persist and continue to threaten performance recovery.

Productivity Culture: Workforce Management

Aligning Productivity with Key Operational, Business and Financial Objectives

DATA GATHERING & ANALYSIS

Healthcare Labor Cost Rising

Labor Cost consumes over 50% of Net Revenue
Cost Structure Improvements
Organizational Structure Shifts

TARGETED EXPENSE MANAGEMENT

Operating Margin Improvement

Alignment & Right Sizing to data analytics
Departmental KPI Development
Building Business Acumen

MONITOR AND ACTION TO EMERGING TRENDS

Healthcare Leaders Need:

Access to Meaningful Comparisons
Access to timely Productivity Reports
Active and Drillable Performance Dashboards
Assistance in Improvement Processes

Building Productivity Culture

Labor Ratios & Trends

Sample Hospital

Labor Ratio	Total Net Patient Revenue	Total Personnel Expense
58.6	$268.7M	$157.5M

Total FTEs	Average Salary & Benefit per FTE	Paid Hours per Adjusted Discharge
1,293	$111,700	105.8

Peer Comparisons

Measure	Median	Better	Best
Paid Hours per Adjusted Discharge	119.42	108.31	92.76
Personnel Expense as % of Net Patient Revenue	54.0%	52.4%	39.8%

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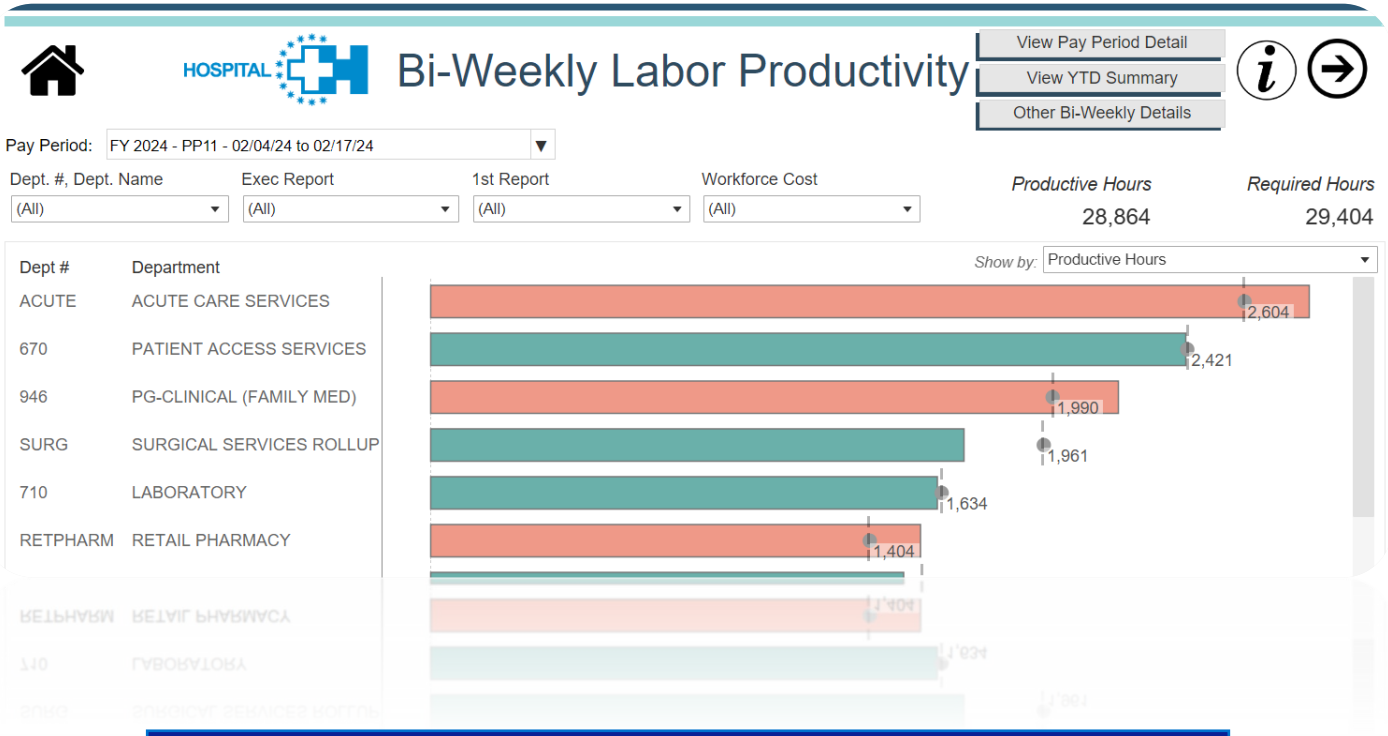
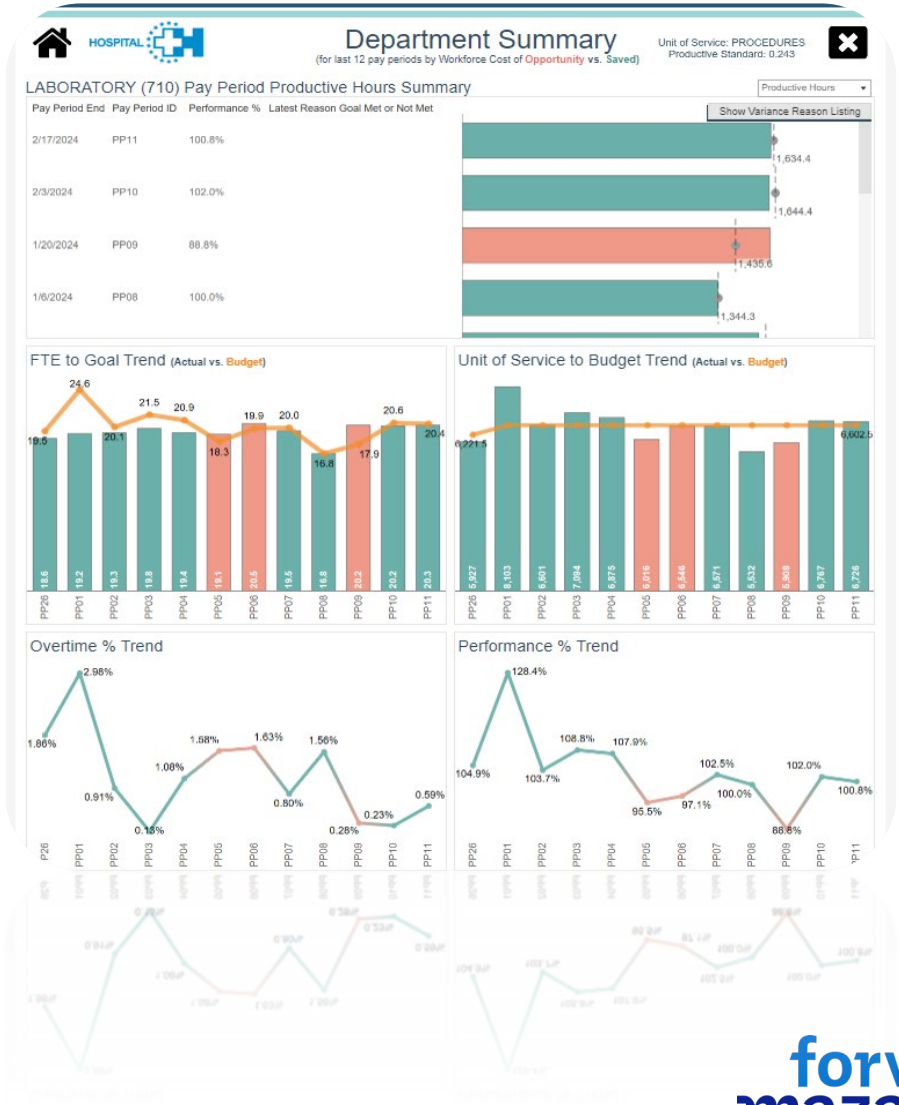
Building Productivity Culture

Monitoring Tools for Sustainability



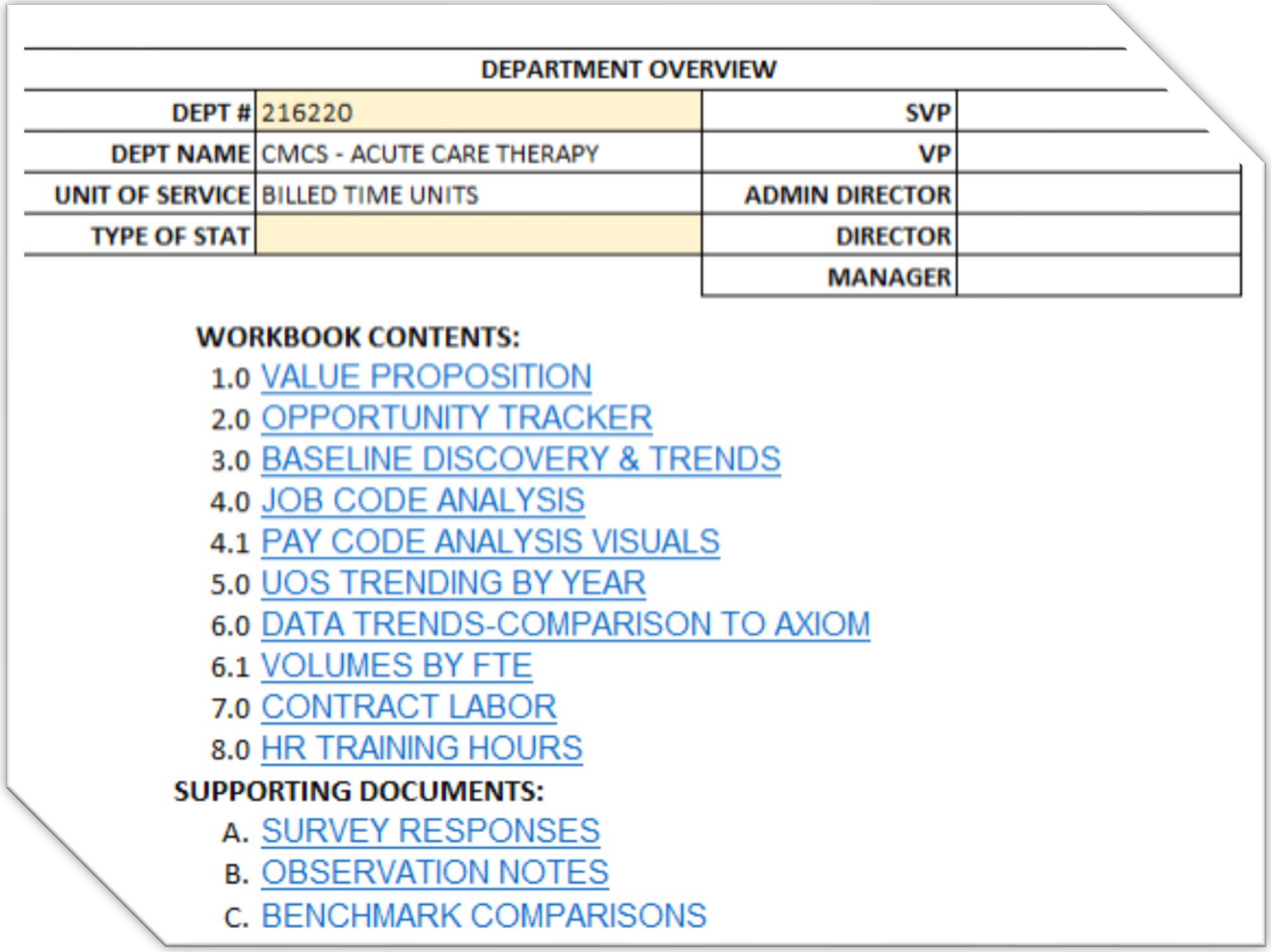


- Published data – easy to read & accessible
- Drillable details – labor & volume
- Trended performance
- Export functionality
- Consistency to promote visibility & accountability

Building Productivity Culture

Tools for Sustainability

- Departmental Summary
- Data Repository
  - Repository for leader explanation
  - Incorporates & highlights financial acumen
- Incorporates Data and Decisions



DEPARTMENT OVERVIEW

DEPT #	216220	SVP	
DEPT NAME	CMCS - ACUTE CARE THERAPY	VP	
UNIT OF SERVICE	BILLED TIME UNITS	ADMIN DIRECTOR	
TYPE OF STAT		DIRECTOR	
		MANAGER	

WORKBOOK CONTENTS:

1.0 VALUE PROPOSITION
2.0 OPPORTUNITY TRACKER
3.0 BASELINE DISCOVERY & TRENDS
4.0 JOB CODE ANALYSIS
4.1 PAY CODE ANALYSIS VISUALS
5.0 UOS TRENDING BY YEAR
6.0 DATA TRENDS-COMPARISON TO AXIOM
6.1 VOLUMES BY FTE
7.0 CONTRACT LABOR
8.0 HR TRAINING HOURS

SUPPORTING DOCUMENTS:

A. SURVEY RESPONSES
B. OBSERVATION NOTES
C. BENCHMARK COMPARISONS

Building Productivity Culture

Engineering a Sustainable Model

Step 1: Establish Labor Ratio & Trends

- Include contract labor

Step 2: Baseline Assessment - Peer Comparative Analysis

- Staffing & Detailed Activity of Departments
- Overtime & Premium pay code utilization

Step 3: Identify Key Improvement Opportunities

- People, processes & technology

Step 4: Education & Training

- Assessing and enhancing financial acumen
- Initial and ongoing

Step 5: Implementation

- Right size through attrition strategy

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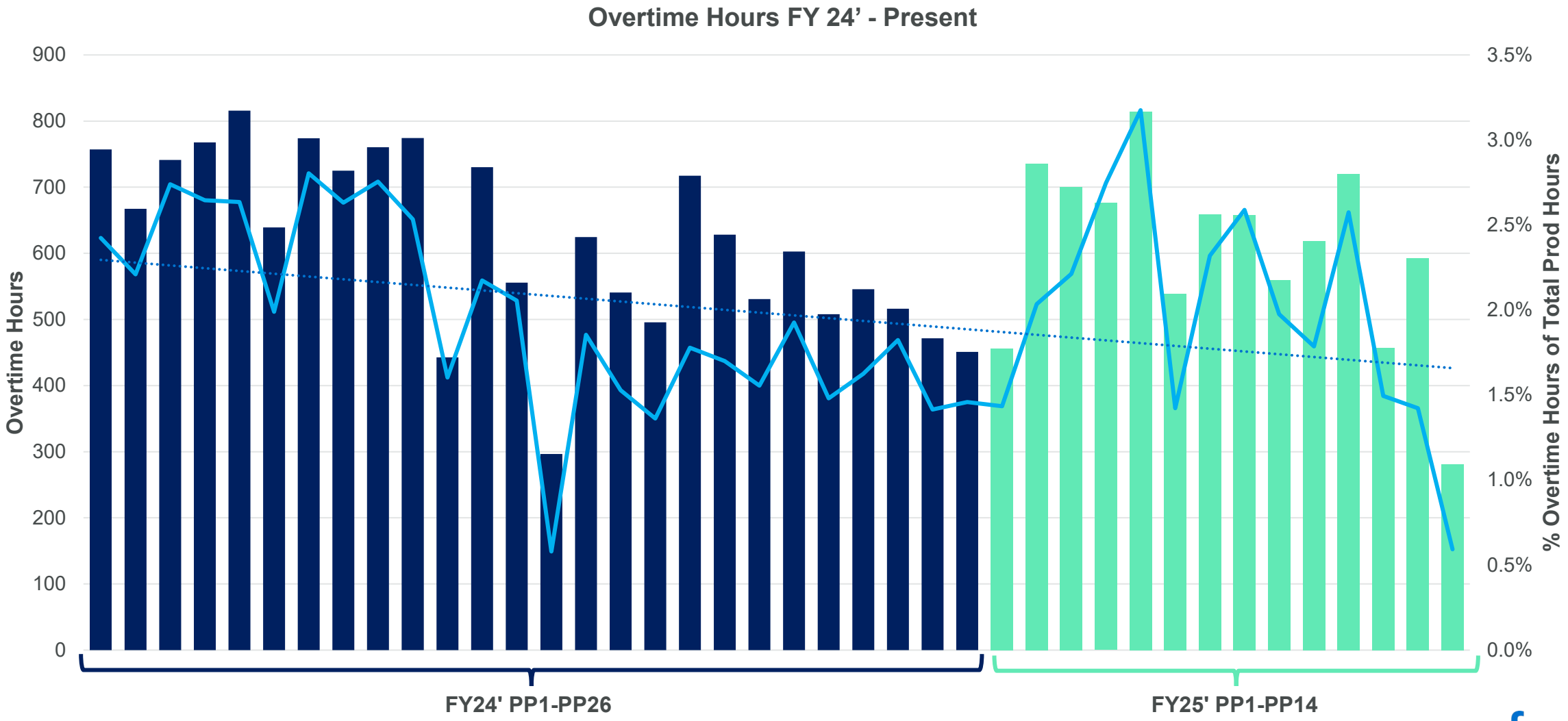
Case Study

Overtime



Data Source: FM WPM FY24-FY25

Panel Discussion with Q & A

Guiding Principles
General Hospital

Guiding Principles

Purpose: To have agreed upon processes for variable factors when creating department GoForward Standards

Overview:

- Will be posted enterprise wide
- Other guiding principles (GP) will arise and will need to be developed
- More to be determined from next phase of departments
- Edits to initial and new GP's must be approved by Senior Vice Presidents
- There is a workbook (to be sent out) that has the background information and GoForward procedures for each of the guiding principles

Areas for guiding principles:

- Education & Orientation: HR Training GL
- Sitter Hours
- Contract Labor Hours
- Peer Group Selections: Hospital
- Peer Group Selections: Medical Group
- %ile Goal In Comparison to Peers
- Automation of Statistics
- Clinic Department Review

Thank You

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Organizational Architecture Span of Control
Layers Analysis Summary

Layer	Layer Description	Total Manager(s)	% of Non-Clinical Managers
1	CEO	1	
2	EVPs	3	
3	VPs	9	67%
4	Senior Directors	23	39%
5	Directors	77	69%
6	Managers	147	54%
7	Assistant Managers	146	20%

Notes:
Senior Directors benchmark at 80th%tile for FTEs per Director.
Benchmark Source: The Advisory Board Company, Community Hospitals
Sources: Based on Actual Employed FTEs as of January 31, 2024

Takeaways

- Layers 5 and 6 have an average span per manager of 18.1 FTEs, currently at 10th%tile.
- Focus on non-clinical realignment to upper 10th%tile with average span per manager of 20.0 FTEs is a decrease of 21 non-clinical Director/Manager FTEs. Estimated benefit of $2.1M.
- To move to an average span per manager of 21.0 FTEs is a decrease of 31 non-clinical Director/Manager FTEs. Estimated benefit of $3.1M.
- Within layer 5 and 6, primarily see IT, Finance/Business Office, Practice Management, and Administrative Support job families.

Organizational Architecture Span of Control

Executive Summary

Role	Chief Financial Officer	Chief Physician Executive	Chief Operating Officer
Total FTEs*	396	1,096	2,604
%Tile Rank by FTE	70th %tile	90th %tile	90th %tile
Direct Reports**	6	15	3
%Tile Rank by Direct Report	80th %tile	90th %tile	50th %tile

Notes:
Benchmark Source: The Advisory Board Company, Community Hospitals
*Based on Actual Employed FTEs as of January 31, 2024
**Source: 1.0A Organizational Chart