

Spartanburg Regional Health System saves more than \$4.92 million with Premier's labor management program



With FTE control system using OperationsAdvisor™, S.C. provider not only holds gains but exceeds expectations; Premier Performance Partner on site

As Spartanburg Regional Health System leaders began to anticipate the opening of a new 48-bed hospital, they realized that system expenses were growing faster than revenue – not a positive scenario in light of substantial expense increases expected with the start-up. Something had to be done.

High level analysis revealed that FTE control presented the biggest opportunity. Chief Operation Officer Randy Nyp asked Janet Thompson, Director of Financial Performance, to lead the effort. She partnered with Douglas Kramer, a Premier Senior Performance Engineer, to implement a strategy for the effective and efficient deployment of hospital employees.

Using a combination of tools, services and knowledge sharing that defines Premier's LaborConnect philosophy, the healthcare system implemented a new labor management program that also included a strategic deployment of Premier Consulting Solutions. The initial project reduced FTEs by 63, saving more than \$3.62

million. By implementing a new FTE control process using Premier's OperationsAdvisor™ Productivity, SRHS is not only holding the initial gains, but has posted additional savings of \$1.296 million.

Spartanburg Regional is one of the Palmetto state's largest integrated systems serving Spartanburg, Cherokee and Union counties in S.C. and Polk and Rutherford in N.C. Flagship Spartanburg Regional Medical Center is a research and teaching hospital. With more than 100,000 visits annually, its emergency center is one of the nation's busiest Level I trauma centers. The system also operates a physician network, Spartanburg County Emergency Medical Services and Upstate S.C.'s only hospital-based air ambulance service.

The new hospital is the focal point of the Village at Pelham, a developing healthcare campus. Urgent care, ambulatory surgery centers and a medical office building are already open.



When Kramer joined Spartanburg Regional in January 2007, he and Thompson began working together to populate Premier's OperationsAdvisor™ tool with appropriate information. The tool integrates productivity measurement, benchmarking and comparative data analysis. By benchmarking at the 50th percentile for nursing units and 40th percentile for other departments, Thompson and Kramer determined a possible opportunity to reduce nearly 80 FTEs.

Because of the impending hospital start-up, the system needed quick turnaround on realizing the opportunities. Premier Consulting Services (PCS) was employed to help reduce nearly 63 FTEs from the FY08 budget.

"We wanted a collaborative approach, and Premier was open to that," Thompson said. "We announced to staff what we were going to do, met with small groups to comfort and console them and to make sure they understood that the engagement was to be a collaborative effort."

PCS subject matter experts worked with the department heads to implement identified FTE reductions. The entire process was led by a steering committee of system vice presidents. After working with PCS consultants and agreeing to an opportunity, a department head would report work plans to the steering committee.

"To me it was some of the best collaborative work I've seen," said Thompson. "In the lab for instance, the

recommendation was to cut 11 FTEs. They compromised at nine. Premier worked with the director to understand all that was going on. It was definitely a collaborative effort."

Thompson acknowledged that some directors thought they were "on top of everything, that they didn't need any changes. Some just didn't believe Premier consultants would find anything they could improve on. They were humbled. They were like 'Wow! This is very good. Very informative. Very educational.'"

Department heads were introduced to OperationsAdvisor's biweekly productivity reports in June 2007. In less than a year, SRHS moved departmental performance reporting based on actual versus budget with no adjustments made for volume to actual versus volume-adjusted budgets using both fixed and variable FTE assumptions. All of the system's cost centers are now up and running on the new productivity system, which now automatically feeds the labor cost and volume data into the benchmarking application.

In that time department heads have become quite proficient in reading and using the reports. Premier consultants developed a department head training tool that Thompson and Kramer use. "That has helped tremendously," Thompson said. Education which began as two half-day sessions with homework in between now takes a half day or less.



“It’s about more than productivity; it’s also financials,” she said. “We’re trying to help them understand that their cost center is like a business. There are inputs and outputs; there are variables. You make certain decisions, and here’s how those decisions impact you. When you decided to give Sarah more time because she’s going through a divorce right now, here’s what happens to your productivity.”

Thompson noted that department heads are successfully moving from a purely financial view to a resource utilization view. Use of appropriate resources is emphasized. Skill mix reports help department heads make sure they are using the appropriate skill levels.

If a department’s productivity falls below 95 percent or above 110 percent, it goes on a “Watch List.” If a department is on the “Watch List” for three consecutive pay periods, the manager in charge must prepare an action plan to bring the department back into compliance. The plan is reviewed by a small group of peer directors. It looks at the cause, lists specific actions, when they will be taken and their likely impact. Once the plan is accepted, a department head has 30 days to get back on target. If not, it is escalated to senior leadership.

The committee was originally made up of vice presidents, Thompson explained, but “department heads were not comfortable explaining themselves to the vice presidents. Peers holding each other accountable has worked much better.”

The group meets every two weeks. Using reports from OperationsAdvisor, they review cost centers that have not met productivity targets. The committee examines each case. There may be legitimate reasons why targets are not met. If department heads need to come up with an action plan, they get a week to prepare. “It has been very positive; people have adjusted. Some still don’t always understand, so we use the meeting as a coaching and mentoring session.”

“The watch list and action plans are a great idea,” Kramer said. “They have promoted accountability and made department managers more self-motivated. For the first time, they can see how they are adjusting to volume, how they are utilizing their skill mix, how they are trending in overtime, and even how they fare against fellow managers.”

“When we first started this,” Kramer explains, “over 100 cost centers found themselves on the ‘Watch List.’ Within weeks, that number dropped to 30, and now we usually have less than a dozen.”

“Because the reports have become so visible, managers have focused on managing overtime. Even without any special projects, SRHS has reduced overtime from slightly more than 5 percent to just below 3 percent simply because of [the reports.]”

Thompson said, “Department managers continue to make progress and productivity is improving.” When adjusted for volumes, current FTE levels are below budget even after



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reducing 62 FTEs. Managers are more involved in budgeting and are creating better action plans.

Hospital leadership can track performance, said Thompson. “The result is that negative changes are addressed before they become trends, and administration is recognizing managers for improving performance.”

She also notes that communication across the organization is better. As a result of the “Watch List” meetings, operational barriers and issues that need to be addressed are revealed. “Managers have a forum for expressing concerns. There is an increased willingness to share resources, even between service lines,” she said.

Fiscal 2008 was a difficult year, Thompson said, one she would not want to relive. The challenge now is to hold the gains and build on them in the future. “It will take time. But we’ve come a long way in less than a year.”

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