

# AMERICAN HEALTHCARE SOLUTIONS

Delivering Results to the Healthcare Industry

## A REAL look at Productivity: Fact and Fiction

Productivity is a term that often gets thrown around loosely in the healthcare industry. It seems to be a concept that everyone is familiar with, but that no one really seems to fully understand. For staff, it can be a point of contention as it either indicates a reduction in force or an increase in responsibility. To the healthcare executive, it is not always the clearest solution to the declining volumes and increasing costs plaguing American hospitals. In this era of reform, the pressure to do more with less is greater than ever. It is important to take a step back for a moment and separate truth from myth by discussing what productivity is exactly and why it is so important. Perhaps then, misconceptions can be put aside and the benefits of this progressive approach can be fully realized.

The best way to rationalize productivity is described by Paul J. Meyer, founder of the Success Motivation Institute:

***“Productivity is never an accident. It is always the result of commitment to excellence, intelligent planning, and focused effort.”***

Productivity, in this sense, should be what healthcare, or any business for that matter, is all about; a dedication to quality, smart preparation, and streamlined delivery. But is it really that simple? The execution of these ideals is where the catch comes in. Not every organization is knowledgeable or savvy enough to implement a successful productivity system without some guidance. When developing any action plan, it is critical to know what you’re up against right from the start.

With all of the talk swirling around Washington, it can be hard to decipher what is real and what is being speculated. Regardless of what comes to pass, some things are certain. Reductions in revenue on a case-by-case basis, cost shifting, and softening volumes have already begun to take shape. The slowly evaporating margins due to increasing costs and decreasing reimbursement are what must be addressed now if there is any chance of easing the impact.

Improving efficiencies and enhancing productivity have been listed among the top priorities for survival during healthcare reform. Harvard economist and 2008 campaign advisor to President Obama, David Cutler, claims that there is \$700B locked up in the poor productivity of American hospitals. In addition, the Centers for Medicare and Medicaid Services have developed incentives to encourage providers to reduce waste, improve care coordination (ACOs), and develop quality process standardization. The urgency to enhance the effectiveness of how hospitals provide care and ultimately do business is undeniable.

After all of the warning signs and motivating factors, why is it that hospitals and healthcare organizations are still hesitant to make the necessary changes? Is it that so many approaches involve “slash and burn” tactics with no sustainability? Of course it is! There is a laundry list of reasons why healthcare executives and their staff avoid implementing a productivity system. Do any of these sound familiar?

# AMERICAN HEALTHCARE SOLUTIONS

Delivering Results to the Healthcare Industry

All productivity systems result in a Reduction In Force

Productivity targets can't be customized for the uniqueness of the organization

Productivity systems ignore the culture of an organization

Reducing staff harms quality

More staff buys more quality

Reducing staff results in declining morale

The more hours employees work, the more productive they are

The faster employees work, the more productive they are

The more employees are paid, the more motivated they are to be productive

Management expert, Peter F. Drucker has an enlightening opinion on productivity that serves to shatter these nasty myths.

***“Thinking that the facility cannot improve productivity substantially is the principle affliction of the health care industry. Productivity is the first test of management's competence. One should get the greatest output for the least input effort, better balancing all factors of service delivery to achieve the most with the smallest resource effort.”***

In reality, the truth behind productivity is quite simple; when productivity management is made a priority, the organization can better control costs and improve margins. In contrast, when a hospital or business does not operate as efficiently as it should, the bottom line suffers. Poor experiences due to improper implementation have given productivity initiatives a bad reputation. When handled correctly, the benefits can far outweigh any negative aspects.

## **Myths aside, what does a successful productivity project look like?**

There are three seemingly simple ways to improve an organization's productivity:

1. **Expand output by increasing volumes** (Revenue)  
Regular service-line assessments and community needs/market evaluations are a great way to ensure that a hospital's care offerings are in line with patient demand.
2. **Reduce inputs by decreasing costs** (Expense)  
One of the best methods for cost containment is routine monitoring. Setting goals is an important step, but if progress is not tracked, achievement becomes more challenging as projects can fall to the wayside. For example, if department managers are only reviewing their current performance levels based on established benchmarks once a month or once a

# AMERICAN HEALTHCARE SOLUTIONS

Delivering Results to the Healthcare Industry

quarter, they are not gaining the benefit of real-time results. Cost-saving initiatives such as managing to targets by flexing staff according to volume and un-scheduling unnecessary hours require more frequent reporting.

### 3. Have the rate of change in output volume outperform the rate of change in input resources

- a. If volume increases by 8%, staff should only increase by 4%
- b. If volume decreases by 5%, staff should decrease by 10%

In a perfect scenario: do both! Reduce costs and increase volumes!

Now this probably seems overwhelming at first. However, if you follow the **Rules of Productivity** it makes the journey to improved efficiencies much easier.



**Move Quickly.** Conduct a “quick and dirty” but in-depth analysis of each department, historical trends, and an external comparison which should only take between two and three months. Stretching this out much longer than that will cause anxiety among employees and the rumor mill to start churning.

**Start Big.** 80% of most opportunities reside in 20% of the departments. Set a goal to make changes within these departments within five months of beginning the project.

- Did you know that often an improvement of 5% in nursing productivity hours will outperform a 30% improvement in overhead departments such as housekeeping and nutritional services?

**Provide Tools.** Educate your management staff on the process, the math behind it and the purpose for the initiative. Work with them to develop realistic targets that are achievable within 12 months.

**Hold Management Accountable.** The targets are in place, the goals have been set, now the trick is to hold everyone accountable for achieving and exceeding them. Review the progress regularly with the management team and share their results. Peer pressure still works in the real world.

# AMERICAN HEALTHCARE SOLUTIONS

Delivering Results to the Healthcare Industry

## Kicking off a successful productivity initiative.

When initiating a well-built productivity plan there are systematic tactics to consider. The approach should be methodical, the message clearly communicated, and the goals should tie directly to the organization's strategic and operational plans.

### Analytical

- Contains both global and departmental analysis
- Includes an operational assessment
- Establishes legitimate targets in all measurable areas
- Evaluates the scope of management and span of control
- Determines skill mix within cost centers

### Communicative

- Contains management and/or staff input
- Engages managers in action planning
- Trains staff appropriately
- Evaluates productivity performance during annual reviews

### Strategic

- Ties productivity standards and performance to position control system and job requisition forms
- Links global standards with strategic goals
- Includes department standards in budget process

## Keys to success

With every project or initiative there are always certain keys to success, and productivity is certainly no exception. There are some very important things to keep in mind when approaching this sensitive subject.

- **Every department, regardless of size, should be reviewed**  
All areas of an organization are interconnected and contribute to its overall success. It is critical to keep in mind that inefficiencies in one department can potentially cause problems for another. For example, if patients aren't being discharged in a timely manner due to a lack of case management, patients may be held in the ER until a bed opens up on one of the units. This concept further supports the significance of having management's input in setting productivity goals.

# AMERICAN HEALTHCARE SOLUTIONS

Delivering Results to the Healthcare Industry

- **Relate productivity targets and goals to the overall budget and strategic planning process**

If these elements are not aligned, progress will be unobtainable.

- **Gain external perspective**

Both historical trending and internal analysis are extremely crucial to the success of any productivity initiative. If you can visualize a department's progress, it is easier to maintain achieved levels of efficiency. Even more impactful is the power of outside knowledge. Being aware of what is happening in the industry and with competitors can motivate your managers to think outside the box and do things they might not have thought of on their own.

Now that the myths have been busted and productivity and its processes have been explained, it is time to stop talking and start acting. Incentives for increased efficiency and improved operations have been established and are out there for the taking. Be proactive in limiting the effects of healthcare reform for your organization - consider a productivity management system that will help to eliminate waste, monitor progress, and restore viability.

*For more information about how American Healthcare Solutions can help your organization with its productivity challenges, please contact us at 877.337.3011, or email us at [info@americanhs.com](mailto:info@americanhs.com).*