

Enhancing Processes To Manage Your Unit

Managing Labor Costs

U^{OF}L Hospital

U^{OF}L Brown Cancer Center

Requests for Positions (RFP)

The RFP Process

- Request submitted via iCIMS
 - <https://myulh.com/recruiting>
 - Provide Justification
 - Attach Department Labor Dashboard
- Request approved based on hierarchy
 - Director
 - VP
 - CFO (approves all positions)
- Replacement and PRN positions generally approved if productivity is within an acceptable range
 - If productivity not within an acceptable range, additional discuss may be needed before position is approved or position request may be put on hold
- New Positions require a Business Case Justification
 - Recommend discussion with VP and Finance before posting
 - Finance can assist with any Financial data needs

New Position Request

- **Making a Business Case**

- Define new position
- Title, role, minimum qualifications and reporting structure
- Obtain salary range data from HR
- Prepare a position justification
 - How will the new position impact current and long-term organizational goals, such as quality, safety, patient satisfaction, finance, etc...?
 - How will success be measured (ie. quality metrics, financial metrics, volumes, etc...)?
 - How would not filling this position negatively impact the organization?
 - How will the new position be funded?
 - Reduction of other expenses (ie. overtime, premium pay, agency costs, supply costs, ALOS savings, etc...)
 - Increased productivity or efficiencies
 - Increase revenues/volumes

Leadership and finance review multiple requests for new expenditures, such as new positions, capital requests, etc... and must prioritize based on quality/safety concerns and the organizations ability to fund the request. As such, a strong business case is essential in prioritizing projects.

Labor Management Concepts

FTE's

- FTE = Full Time Equivalent
 - Full Time Equivalent = 2,080 hours or 80 hours per pay period
 - Examples:
 - 1.0 FTE = 80 hours in a pay period; 2,080 in a year
 - 0.9 FTE = 72 hours in a pay period; 1,872 in a year
 - 0.6 FTE = 48 hours in a pay period; 1,248 in a year
 - 0.4 FTE = 32 hours in a pay period; 832 in a year
 - Exception for leap year (2,088 total hours)
- Paid FTE
 - Sometimes referred to as “Total” FTEs
 - All the hours charged to a department including worked hours and non-productive hours
 - The most common non-productive hours include:
 - Personal hours, On-call, Vacation hours, Sick hours, Jury Duty, Bereavement, etc...
- Worked FTE
 - Sometimes called “productive hours”
 - Includes direct care hours (employed and agency) and “other hours”
 - Orientation, Education, Call back
 - Basis for productivity reporting

Worked FTE's = Productive FTE's

Labor Budgets

- Types of Labor Budgets
 - **Static Budget** = Target Volumes X Target Hours X Target Hourly Rate
 - EPSi/Lawson Budgets are Static Budgets based on projected volumes, etc.. established during the annual budget process
 - Target Hours per Unit of Service (UOS) are based on a 3 Year lookback and benchmark data
 - Pros: Allows for strategic planning and forecasting for short-term and long-term needs
 - Cons: Budget is not adjusted for “real time” actual volumes or pay rates
 - **Flexed Budget** = Static Budget / Target Volumes X Actual Volumes
 - Productivity Reports are a type of Flexed Budget
 - Target Hours per UOS for Flexed Budgets = Static Budget
 - Pros: Allows for more “real time” planning and forecasting of staffing needs
 - Cons: Requires continuous monitoring and adjustment for changes in trends, operations, patient acuity/mix, etc...

Productivity Reports = Type of Flexed Budget

Labor Variances

- Three causes for Labor Cost Variances
 - **Volume Variance** = Measure of Staffing Needs
 - Volume is greater/less than budget, resulting in more/less hours (FTEs) being worked
 - Flex staffing up/down based on increase/decrease in volumes
 - **Hours Variance** = Measure of Staffing Efficiency
 - Using too many or too few hours in providing patient care or other job duties
 - **Rate Variance** = Measure of Staffing Composition
 - Generally the result of more expensive “Premium Pay” labor, including:
 - Agency/Contract Labor, Overtime, Orientation, Extra Shift/Short Staffing Bonuses, etc...
 - Largely impacted by turnover/vacancy rates, scheduling issues, etc...
 - Strategies to Reduce Premium Pay
 - Balancing schedules, Vacation planning, Leave of absence planning, Retirement planning, Orientation planning, Timely Filling of Vacancies
 - Identify staff who need help getting the work accomplished

Managing Productivity

- Productivity Index (%) = Target Hours per Unit of Service / Actual Hours per Unit of Service
 - Example- If your target is 9.1 hours and your census is 20, you earn 182 hours to use in a 24-hour period.
 - If you actually use 200 hours, you are at 91% (182/200).
 - Or, at 175 hours, productivity percent would be 104% (182/175).
- Expectation is for productivity to run between 95% and 105%, or a variance explanation may be required
- Core Staffing -
 - The minimal number of staff required to provide care for a given number of hours based on average daily census
 - Based on efficient processes and accepted practice
 - Must be able to flex up for increased census and flex staff down for decreased census

Worked Hours Variance = Productivity Variance

Target Worked Hours per UOS = Target Hours / Target Volumes

Actual Worked Hours per UOS = Actual Hours / Actual Volumes

Productivity Index = Target Worked Hours per UOS / Actual Worked Hours per UOS

Note: Patient safety and quality of care should not be sacrificed for productivity purposes.

Labor Dashboard Overview

Labor Dashboard - Productivity

Productivity Summary

Units of Service Description Notes	Equivalent Pt Days OK - Ready for Dept Review				Above Threshold	Threshold
	Pay Period	YTD				
Average Hourly Rate	\$ 31.03	\$ 29.96				
Volume Statistic	286	1,980				
Regular	3,110	21,700	83.5%	89.5%		
Overtime	176	1,122	4.7%	4.6%	YES	Less than 2%
Meeting/Education/Orientation	377	1,232	10.1%	5.1%	YES	Less than 5%
Agency	61	186	1.6%	0.8%	YES	0%
Total Worked Hours	3,724	24,240	100.0%	100.0%		
Target Worked Hours	3,592	24,871				
Hours Variance	(131)	631				
Total Worked FTE's	46.54	43.29				
Target Worked FTE's	44.91	44.41				
FTE Variance	(1.64)	1.13				
Worked Hours per Stat	13.02	12.24				
Target Hours per Stat	12.56	12.56				
Productivity Index	96.5%	102.6%			NO	Between 95% & 105%
\$ Variance	\$ (3,769)	\$ 18,140				

Goal is to keep Agency, Overtime, Orientation and Other Premium Hours and Dollars as low as possible, while keeping the Productivity Index between 95% and 105% of target.

Labor Dashboard – Position Control

Position Control			
YTD FTE Variance	1.13		
Overtime (Above 2%)	1.14	YES	Less than 2%
Meeting/Education/Orientation (Above 5%)	0.04	YES	Less than 5%
Agency (All)	0.33	YES	0%
Adj FTE Variance	2.63		
Currently Posted FTE's (iCims)	3.60		
Est. Net Available for Posting	(0.97)		

This is to be used for position management and taken into consideration when requesting new and or replacement position in iCIMS.

Other factors, such as quality of care and patient safety, are also taken into consideration when approving positions.

Labor Dashboard – Pay Type Summary

Pay Type Summary					
	\$'s	Hours	\$'s	Hours	
Productive	\$ 109,610	3,724	\$ 721,854	24,240	
Non-Productive	\$ 18,811	415	\$ 81,350	2,566	
Total	\$ 128,421	4,138	\$ 803,204	26,806	
% Productive	85.4%	90.0%	89.9%	90.4%	
	\$'s	Hours	\$'s	Hours	
Regular	\$ 90,078	3,110	\$ 635,278	21,700	
Overtime	\$ 7,180	176	\$ 45,764	1,122	YES
Meeting/Education/Orientation	\$ 8,052	377	\$ 26,961	1,232	YES
Other Premium	\$ 8,220	-	\$ 9,720	-	
Other Non-Productive	\$ 10,592	415	\$ 71,630	2,566	
Agency	\$ 4,300	61	\$ 13,851	186	YES
Total	\$ 128,421	4,138	\$ 803,204	26,806	
% Premium Pay	21.6%	14.8%	12.0%	9.5%	

Less than 2%
Less than 5%

0%

Goal is to keep Agency, Overtime, Orientation and Other Premium Hours and Dollars as low as possible as these are all considered Premium Pay and can negatively impact financial performance.

Cost of 1 Agency FTE = 2 Employed FTE

Labor Dashboard – Headcount

Headcount Summary (Excludes Agency)						
	Pay Period		YTD		Above Threshold	Threshold
Active (YTD = Avg EE Count)						
Full-time	57	66.3%	51	64.2%		
Part-time	6	7.0%	5	6.6%		
PRN	23	26.7%	23	29.2%		
Other	-	0.0%	-	0.0%		
Total Active	86	100.0%	80	100.0%		
New Hires						
Full-time	-	0.0%	4	44.4%		
Part-time	-	0.0%	1	11.1%		
PRN	-	0.0%	4	44.4%		
Other	-	0.0%	-	0.0%		
Total New Hires	-	0.0%	9	100.0%		
Terms						
Full-time	1	100.0%	2	100.0%		
Part-time	-	0.0%	-	0.0%		
PRN	-	0.0%	-	0.0%		
Other	-	0.0%	-	0.0%		
Total Terms	1	100.0%	2	100.0%		
Term Types (FT & PT Only)						
Voluntary	1	100.0%	2	100.0%		
Involuntary	-	0.0%	-	0.0%		
Total FT & PT Terms	1	100.0%	2	100.0%		
Net New						
Full-time	(1)	100.0%	2	28.6%		
Part-time	-	0.0%	1	14.3%		
PRN	-	0.0%	4	57.1%		
Other	-	0.0%	-	0.0%		
Net New	(1)	100.0%	7	100.0%		

To be used to understand staffing mix and turnover rates.

Labor Dashboard – Turnover

Period Turnover Rate				
Full-time	1.8%	3.9%		
Part-time	0.0%	0.0%		
PRN	0.0%	0.0%		
Other	0.0%	0.0%		
Total	1.2%	2.5%	NO	Less than 10%

Annualized Avg. Turnover Rate				
Full-time	45.6%	14.4%		
Part-time	0.0%	0.0%		
PRN	0.0%	0.0%		
Other	0.0%	0.0%		
Total	30.2%	9.3%	NO	Less than 10%

To be used to understand staffing mix and turnover rates.

Higher turnover rates generally result in higher costs associated with premium pay and additional recruitment costs.

Nursing Units By The Numbers

Nursing Units – YTD PP9

Productivity Summary

Units of Service Description	
Notes	
Average Hourly Rate	\$ 32.07
Volume Statistic	27,133
Regular	329,684
Overtime	22,268
Meeting/Education/Orientation	35,098
Agency	20,058
Total Worked Hours	407,108
Target Worked Hours	378,157
Hours Variance	(28,951)
Regular	81.0%
Overtime	5.5%
Meeting/Education/Orientation	8.6%
Agency	4.9%
Total Worked Hours	100.0%
Total Worked FTE's	565.43
Target Worked FTE's	525.22
FTE Variance	(40.21)
Worked Hours per Stat	15.00
Target Hours per Stat	13.94
Productivity Index	92.9%
\$ Variance	\$ (840,545)

Position Control

YTD FTE Variance	(40.21)
Overtime (Above 2%)	19.62
Meeting/Education/Orientation (Above 5%)	21.60
Agency (All)	27.86
Adj FTE Variance	28.87
Currently Posted FTE's (iCims)	37.10
Est. Net Available for Posting	(8.23)

**High Utilization of Premium Pay
Labor – Approx. 69+ FTE's**

**This does not include Bonus Pay,
which would allow for additional
FTE's**

Nursing Units – YTD PP9

Pay Type Summary

	\$'s
Productive	\$ 12,937,119
Non-Productive	\$ 1,090,552
Total	\$ 14,027,671
% Productive	92.2%

	Hours
Productive	407,108
Non-Productive	30,287
Total	437,395
% Productive	93.1%

	\$'s
Regular	\$ 9,776,485
Overtime	\$ 842,049
Meeting/Education/Orientation	\$ 864,731
Other Premium	\$ 220,047
Other Non-Productive	\$ 870,504
Agency	\$ 1,453,855
Total	\$ 14,027,671
% Premium Pay	24.1%

	Hours
Regular	329,684
Overtime	22,268
Meeting/Education/Orientation	35,098
Other Premium	9
Other Non-Productive	30,278
Agency	20,058
Total	437,395
% Premium Pay	17.7%

In terms of \$'s, 1 FTE of Premium Pay Labor is roughly equivalent to 2 employed FTE's.

In other words, management of premium pay allows for additional investments in staffing.