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Frontline Defense:
Raising Financial Acumen of
Clinical Leaders

HFMA Texas Chapter

July 17, 2024

Frontline Defense
Understanding the past & developing a road map for the future

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Content

- Components of a Productivity Culture

  -Strategy & Approach

  -Engineering a Sustainable Model

  -Data Integrity

- Improvement Plan

  -Value Proposition

  -Ongoing Monitoring Tools

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Building Productivity Culture
Assessment to Sustainability

Opportunity Assessment → **Detailed Performance Improvement Plan** → **Implementation** → **Monitor & Transition** → *Sustainability*

Enhancing Productivity Culture

DATA GATHERING & ANALYSIS
Healthcare Labor Cost Rising
Labor Cost consumes over 50% of Net Revenue
Care continues to transition to Ambulatory Setting
Cost Structure Improvements
Organizational Structure Shifts

TARGETED EXPENSE MANAGEMENT
Margin Growth
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

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Building Productivity Culture
Strategy & Approach

Productivity Culture

Build a "productivity culture" to cultivate business acumen for leaders and guide staffing decisions through data and key metrics. Ensure leadership and management are active parts of organizational solutions.

Departmental Relationships

Empower leadership & management with data transparency. Points of data include:
- Productive standards (based on historical volume and productive hours recorded)
- Department units of service volume (volume based on Revenue and Usage reports)

Policies and Procedures

Clarify policies and ensure staff is educated on their importance. Policies for review:
- Time and attendance
- Pay codes
- Pay rules & practices

Decrease Analytical Burdens

Maximize automation to decrease time spent on manual processes creating a partnership between leaders, staff, and data to improve analytical efficiencies.

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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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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
Establishing Data Integrity

Accuracy
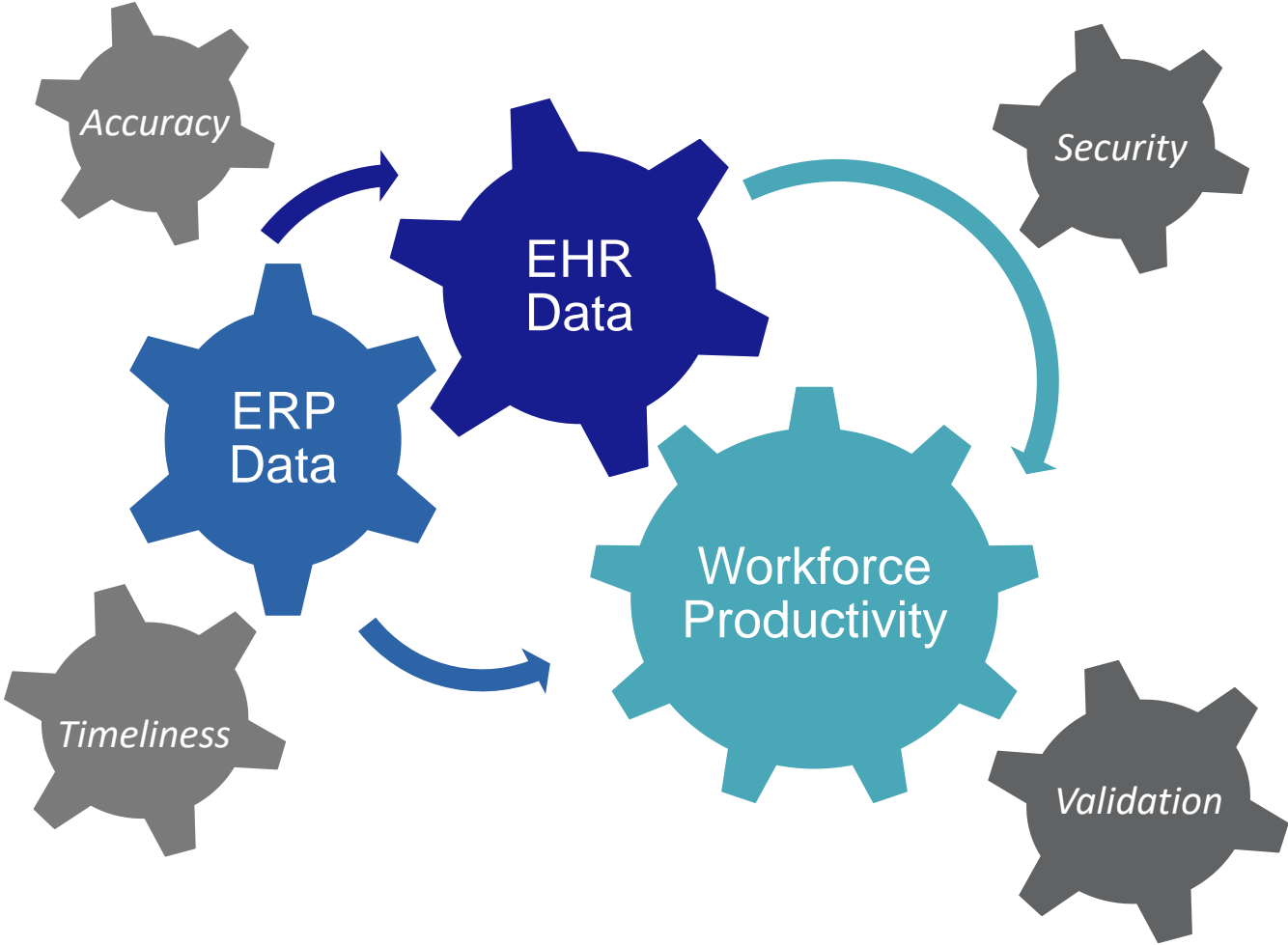- Quality check data to ensure it is error free and reliable

Security
- Utilize secure transfer portals

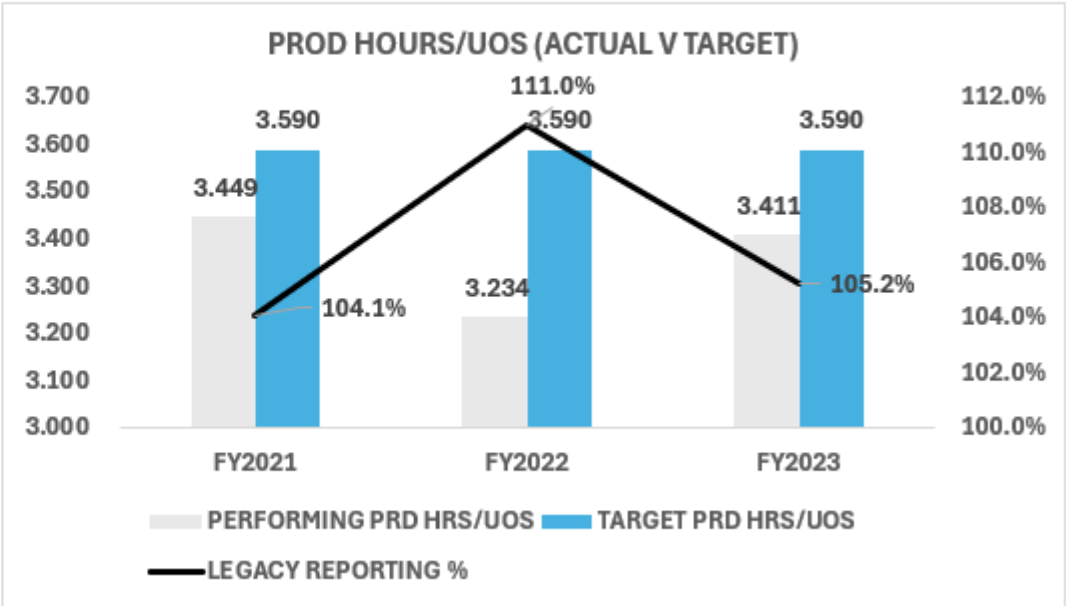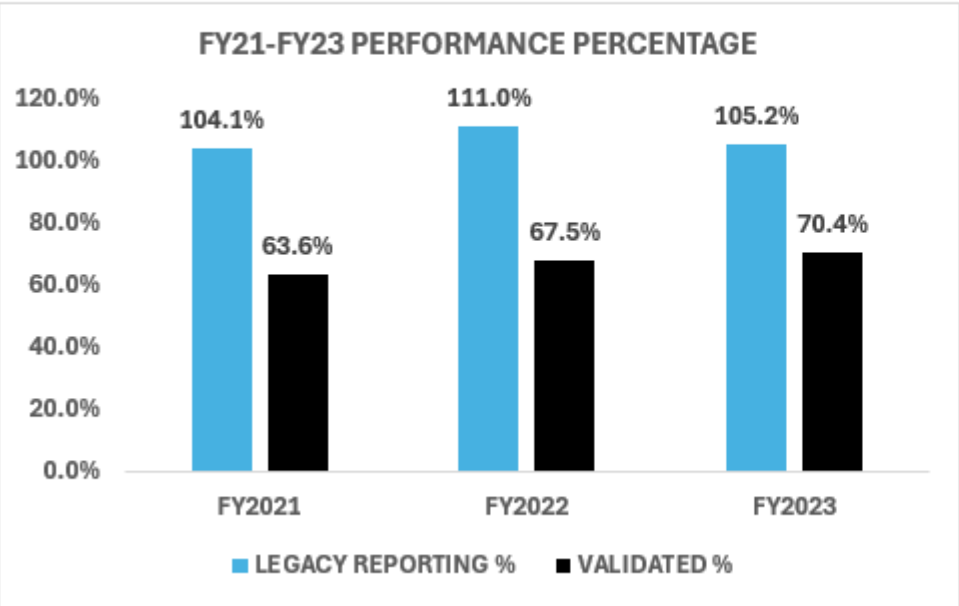**Validation**
- Clean and process data to ensure quality

Timeliness
- Develop processes to ensure data is ready in a timely manner

Accuracy

Security

EHR Data

ERP Data

Workforce Productivity

Timeliness

Validation

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Building Productivity Culture
Sample Validation

Building Productivity Culture
Improvement Plan Design

Value Proposition

Opportunities Summary Description

Key Implementation Steps

Benefit Quantification

Investment Required

Key Issues and Risks

THE "WHAT"
The value proposition aims to gather the improvements that can be made in a department and summarize what the result will be once implemented.

ISSUES AND CONCERNS
The opportunities summary describes difficulties with the current state that have potential to be resolved or mitigated.

THE "HOW"
The key steps will guide managers and staff to begin resolving department specific issues.

TANGIBLE RESULTS
The benefit quantification will showcase how these improvements will affect the overall financial health and sustainability of Hospital.

INPUTS
The investment required looks at the necessary inputs needed to execute the plan.

THE "WHAT IF"
Key issues and risks are evaluated and considered to eliminate the possibility of any unintentional results or issues.
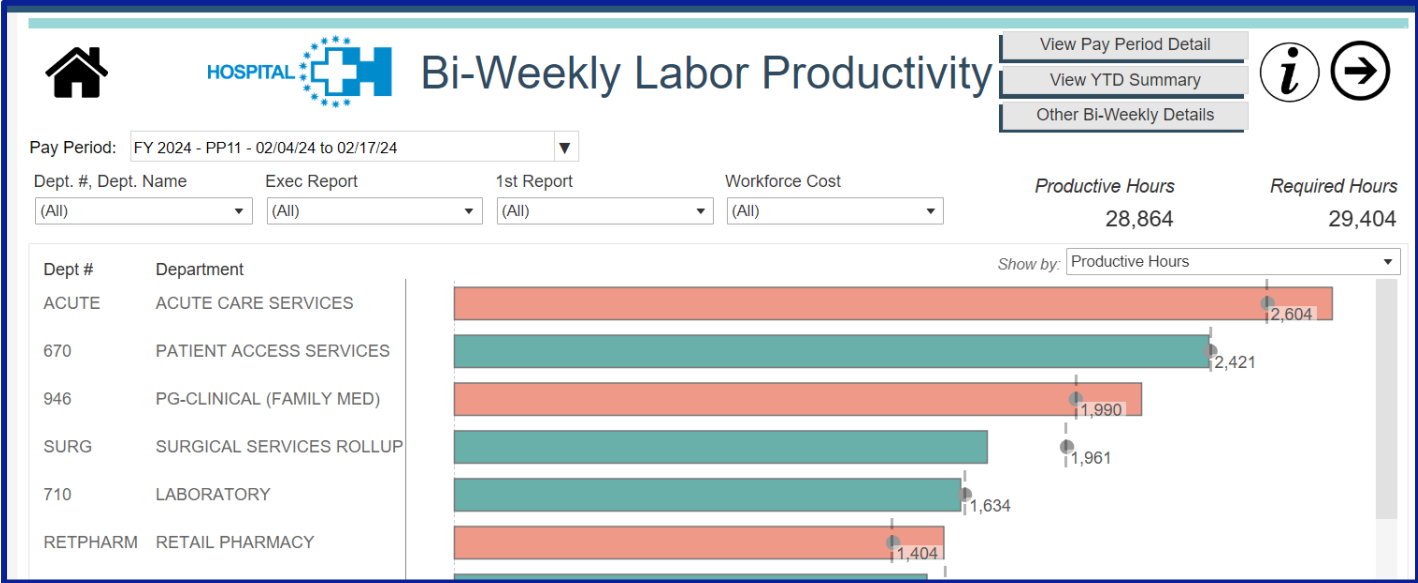
Building Productivity Culture
## Sample Improvement Plan

Opportunity Summary

Baseline Results: Historical volume for the prior three fiscal years (FY2021, FY2022, and FY2023) have been reviewed and validated for a baseline trend of productive hours and unit of service volume [billed time units].

Extract defined the following baseline activity for performing productive hours per unit of service:
Target productive hour per UOS: 0.407
FY2021: 0.429, *performing % to target = 95.0%*
FY2022: 0.404, *performing % to target = 100.9%*
FY2023: 0.424, *performing % to target = 96.0%*

Productive Hours Validation: Variance still exists between Legacy reporting data ingestion and Lawson productive hours extracts. No identified pay codes for areas of concern that would equate to material amounts. No contract labor for prior three fiscal years identified.

UOS Validation: Validation of current units of service indicated that current methodology of weighted relative value units (statistical multipliers) are higher than industry standards on select group of procedure charge codes. Altering the weights to industry standard impacts overall units of service for historical fiscal years and go forward.

Recommendation to split GLs for separate PT and OT activity into separate cost centers with unique productivity targets for each modality. Validation of data and updating methodology for statistic multipliers comparable to industry standards for both PT and OT create a new baseline trend:

Newly calculated **PT** modality trends for performing productive hours per unit of service:
Target productive hour per UOS: 0.407
FY2021: 0.497, *performing % to target = 81.8%*
FY2022: 0.511, *performing % to target = 79.7%*
FY2023: 0.480, *performing % to target = 84.8%*

Newly calculated **OT** modality trends for performing productive hours per unit of service:
Target productive hour per UOS: 0.407
FY2021: 0.448, *performing % to target = 90.9%*
FY2022: 0.477, *performing % to target = 85.3%*
FY2023: 0.564, *performing % to target = 72.1%*

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Building Productivity Culture
Monitoring Tools for Sustainability

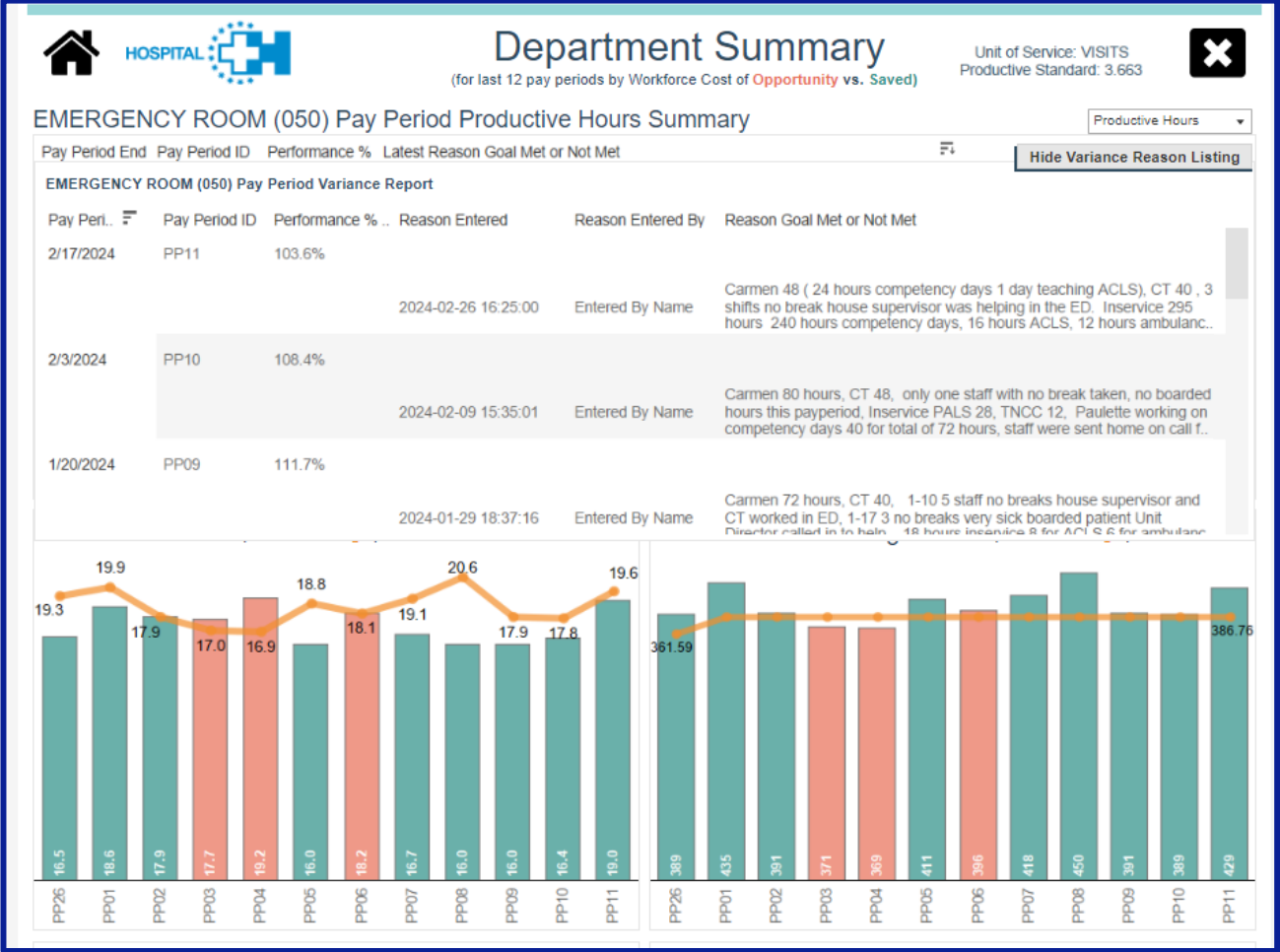- Published data – easy to read & accessible
- Drillable details – labor & volume
- Trended performance
- Export functionality
- Consistency to promote visibility & accountability
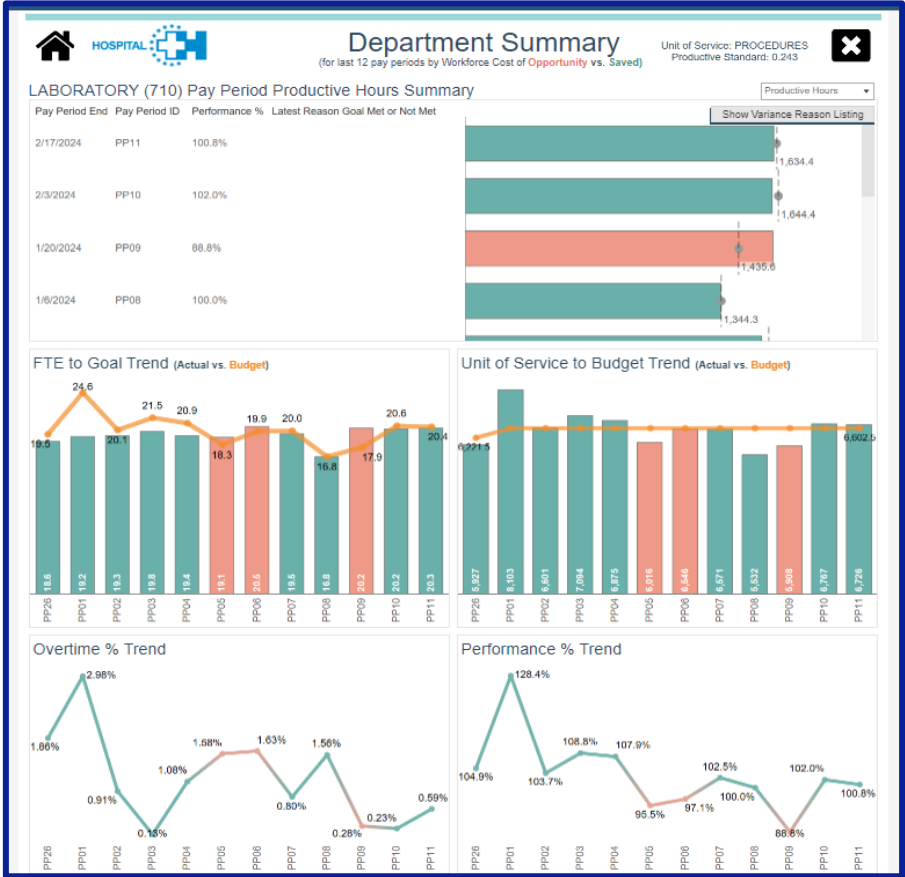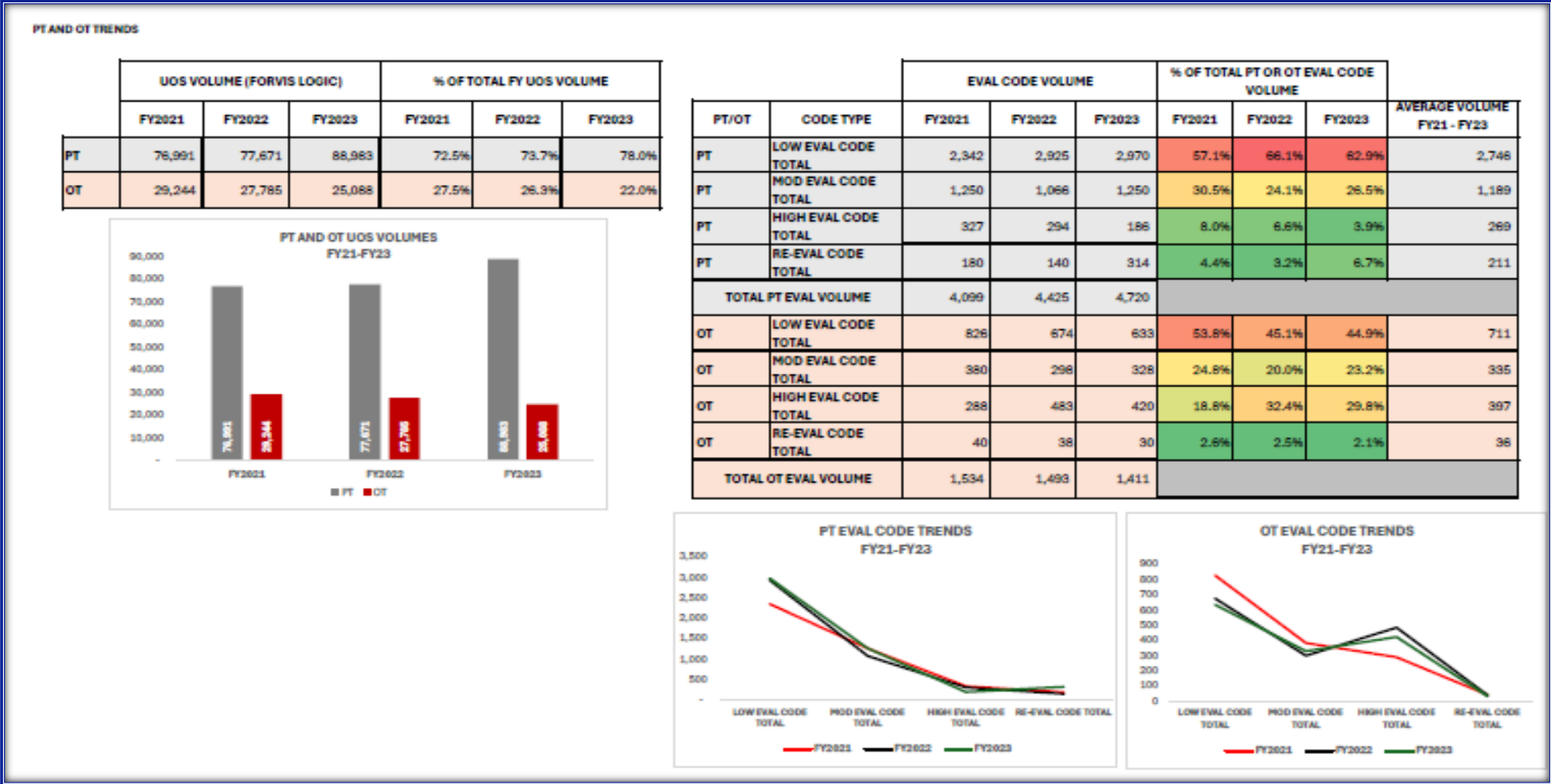
Building Productivity Culture
Monitoring Tools for Sustainability

- Departmental Review

- Variance Reporting feature
  - Repository for leader explanation
  - Incorporates & highlights financial acumen

- Visibility to Trended Data

Building Productivity Culture
Leveraging Data in Decision Making

PT AND OT TRENDS

	UOS VOLUME (FORVIS LOGIC)			% OF TOTAL FY UOS VOLUME		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
PT	76,991	77,671	88,983	72.5%	73.7%	78.0%
OT	29,244	27,785	25,088	27.5%	26.3%	22.0%

PT/OT	CODE TYPE	EVAL CODE VOLUME			% OF TOTAL PT OR OT EVAL CODE VOLUME			AVERAGE VOLUME FY21 - FY23
		FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	
PT	LOW EVAL CODE TOTAL	2,342	2,925	2,970	57.1%	66.1%	62.9%	2,746
PT	MOD EVAL CODE TOTAL	1,250	1,066	1,250	30.5%	24.1%	26.5%	1,189
PT	HIGH EVAL CODE TOTAL	327	294	186	8.0%	6.6%	3.9%	269
PT	RE-EVAL CODE TOTAL	180	140	314	4.4%	3.2%	6.7%	211
TOTAL PT EVAL VOLUME		4,099	4,425	4,720				
OT	LOW EVAL CODE TOTAL	826	674	633	53.8%	45.1%	44.9%	711
OT	MOD EVAL CODE TOTAL	380	298	328	24.8%	20.0%	23.2%	335
OT	HIGH EVAL CODE TOTAL	288	483	420	18.8%	32.4%	29.8%	397
OT	RE-EVAL CODE TOTAL	40	38	30	2.6%	2.5%	2.1%	36
TOTAL OT EVAL VOLUME		1,534	1,493	1,411				

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Wrap - Up

Q & A