By Maggie Van Dyke

Less Is More When It Comes to Productivity Reporting

Many hospital administrations have foisted unnecessarily complex, excessively detailed, over-engineered productivity monitoring systems upon managers, says consultant Paul Fogel. He advocates a simpler, less expensive approach to reining in out-of-whack labor costs.

Where do many hospitals go wrong when implementing a labor productivity management system?

Fogel: They make it unnecessarily complicated. Nurse and other clinical managers weren't hired to be in the business of mathematics; they're there to care for patients and to corral teams of people to work in a similar direction. These managers have clinical expertise, but we also insist that they have skills of an ace financial analyst, and that's when it all starts bogging down.

How exactly have hospitals complicated productivity management?

Fogel: All managers need is a very simple and intuitive method that asks, "How many patients do you have?" and "How many are on your staff?" Most people are familiar with the concept of hours and costs per unit of service. But productivity systems often attempt to break these concepts down into more finite detail. We think that if we can manage every subaccount line item, then we will be able to achieve even greater savings. What we end up doing is complicating the whole method, confounding understanding and acceptance.

A lot of hospitals are using complex and more detailed information systems to monitor labor hours and costs. One of my hospital clients uses the typical cost center reports that break labor data into line item detail. This organization also has a daily time and attendance system and a detailed productivity monitoring system that produces daily reports. Plus, they have a benchmarking vendor that produces labor reports.

None of these monitoring systems has helped control labor costs. Nothing has worked because nobody knows what to do with the information. Managers are given reports that are excessively detailed. The reports are not prescriptive; they're descriptive. To decipher the data, especially the benchmarking reports and more complicated findings, you really need to be a very good financial analyst. And that analyst would need to work closely with the clinical team to make sense of the data.

We don't do this in health care; we just hand out the reports and say, "Here you go. Do something." And the clinical managers say, "I don't get this," or "I'm different; this doesn't apply to me." The administrators scratch their heads and say, "After spending many hundreds of thousands of dollars on reports and various cost accounting mechanisms and budgeting systems, we're right back where we started." They still have cost overruns, they still have productivity losses every year, they're still facing a financial crisis, and they're still looking at labor as their largest single category of expense and saying, "How come, after all we've done, we're still out of control?"

How has this gotten so out of control?

Fogel: I think their productivity management systems are actually encouraging the loss of control. You know your productivity system is a problem if you need to invite a budget analyst to meetings with clinical managers whose budgets are out of whack. If you need a budget analyst there to explain the numbers, then the monitoring system you have in place is not very useful. It's a big, red, warning flag: "We don't understand; let's bring in the expert who can understand it." That means it is not useful to the people charged with using such a system for ongoing guidance and making decisions.

What can hospitals do instead?

Fogel: Everybody has a general ledger system, and each system has a report feature. So, anybody who knows his way around a report ledger feature can put together a simple labor management report in a matter of hours. (See the exhibit on page 9 for an example of a simple report.) You don't need to buy any software. There's no need to spend $50,000 to $100,000 in implementation testing and cycles and all that time. You wouldn't need to hold brown bag lunches and seminars to educate people how to use it. It's all exceedingly simple.

How frequently do managers need to review labor and productivity data?

Fogel: We used to have monthly reports, and then we moved to biweekly reports because people complained they couldn't manage through a rear-view mirror. When I first got into the business, I

thought the biweekly cycle must have been developed through an intensive management study to figure out the exact timeline for which numbers could be drawn and accountability could be derived. And I was shocked to discover it just happened to be when people were paid.

I don't think there's anything magical about how often reports are provided. The industry is now moving to daily and even shift-by-shift reports.

These frequent reports are billed as a "tool" that somehow helps managers. Yet the more detailed and more frequent the monitoring, the less useful to administration it will be. It's a paradox, but more frequency and detail introduces complexity and highlights random variation that confounds understanding.

If the reports don't make managers accountable for meeting productivity standards, what does?

Fogel: Give clinical managers a say in determining the productivity standards for their units or departments. You also need to put rewards and consequences in place for managers who meet standards—or fail to meet standards. And, finally, keep the reports simple so managers can understand them. The challenge of good productivity management isn't about the right hardware and software, it's all about management.

Paul Fogel is president, Executive Information Systems, Inc., Lake Oswego, Ore. (fogel@easystreet.net).

Productivity Monthly Report

	Current Month			Better/(Worse) Than		Year to Date			Better/(Worse) Than	
	Actual	Budget	Standard	Budget	Standard	Actual	Budget	Standard	Budget	Standard
Total										
ICU Patient Days	270	283	270	(13)	0	2,768	3,146	2,768	(378)	0
Productive (Worked) Hours	5,805	6,860	5,972	1,055	167	66,442	72,590	61,237	6,148	(5,205)
Nonproductive Hours	960	1,019	887	59	(73)	10,813	11,326	9,095	512	(1,719)
Total Paid Hours	**6,765**	**7,879**	**6,859**	**1,114**	**94**	**77,255**	**83,915**	**70,332**	**6,660**	**(6,923)**
Productive Salaries	198,450	204,029	191,795	5,579	(6,656)	2,146,064	2,221,841	1,911,165	75,777	(234,899)
Nonproductive Salaries	32,819	31,280	29,843	(1,539)	(2,976)	349,269	347,727	305,991	(1,542)	(43,278)
Total Paid Salaries	**231,269**	**235,309**	**221,638**	**4,040**	**(9,631)**	**2,495,333**	**2,569,568**	**2,217,156**	**74,236**	**(278,176)**
Average Hourly Wage	34.19	29.87	32.31	(4.32)	(1.87)	32.30	30.62	31.52	(1.68)	(0.78)
Benefits	21,722	25,453	23,974	3,732	2,253	243,951	282,951	244,145	39,000	194
Supplies	18,374	15,214	14,515	(3,159)	(3,858)	145,618	169,129	148,829	23,511	3,211
Other (Fixed) Expenses	7,914	7,981	7,981	67	67	92,741	93,908	93,908	1,167	1,167
Total Expenses	**279,277**	**283,957**	**268,108**	**4,679**	**(11,170)**	**2,977,643**	**3,115,557**	**2,704,038**	**137,913**	**(273,605)**
Per Unit										
Productive (Worked) Hours	21.50	24.24	22.12	2.74	0.62	24.00	23.07	22.12	(0.93)	(1.88)
Nonproductive Hours	3.56	3.60	3.29	0.04	(0.27)	3.01	3.60	3.29	(0.31)	(0.62)
Total Paid Hours	**25.06**	**27.84**	**27.84**	**2.78**	**0.35**	**27.91**	**26.67**	**26.67**	**(1.23)**	**(2.50)**
Productive Salaries	735.00	720.95	710.35	(14.05)	(24.65)	775.20	706.24	690.35	(68.96)	(84.85)
Nonproductive Salaries	121.55	110.53	108.90	(11.02)	(12.65)	126.16	110.53	108.04	(15.63)	(18.12)
Total Paid Salaries	**856.55**	**831.48**	**831.48**	**(25.07)**	**(37.30)**	**901.36**	**816.77**	**816.77**	**(84.59)**	**(102.97)**
Benefits	80.45	89.94	88.79	9.49	8.34	88.12	89.94	88.19	1.82	0.07
Supplies	68.05	53.76	53.76	(14.29)	(14.29)	52.60	53.76	53.76	1.16	1.16
Other (Fixed) Expenses	29.31	28.20	28.20	(1.11)	(1.11)	33.50	29.85	29.85	(3.65)	(3.65)
Total Expenses	**1,034.36**	**1,003.38**	**1,002.23**	**(30.98)**	**(44.35)**	**1,075.58**	**990.32**	**988.57**	**(85.26)**	**(105.39)**

Source: Executive Information Systems, Inc. Reprinted with permission.

This monthly productivity report is short (just one side of one page), and it shows ICU managers where they are in terms of hours and cost per unit compared with where they should be.