



Premium Pay
Are you paying too much for your labor?

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Agenda

- Background
- Understanding premium pay
- Analyzing overtime
- Evaluating on-call vs. call-back utilization
- Managing contract labor
- Lessons learned

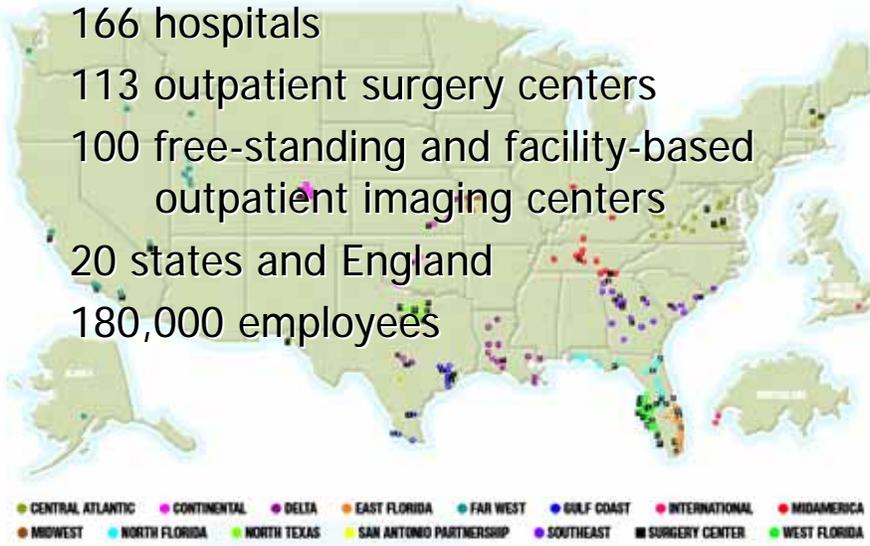
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Over the next 40 minutes, I'd like to share with you some of the premium pay practices HCA has adopted. Discuss the agenda as well as the learning objectives:

- To develop strategies to manage premium pay by involving department directors and senior leadership
- To understand the different types of overtime and how to optimize overtime usage
- To analyze on-call vs. call-back utilization for different departments
- To understand the different types of contract labor and strategies to minimize usage

HCA

166 hospitals
113 outpatient surgery centers
100 free-standing and facility-based
outpatient imaging centers
20 states and England
180,000 employees



Other statistics:

- 3 groups, 16 divisions, 6 markets
- There is 1 Management Engineer per division with responsibilities for hospitals ranging between 8-15. Key responsibilities include: productivity management working hand-in-hand with the chief staffing officers at each of the hospitals. Several divisions have associate MEs whose role is to focus on process improvement in the ER & OR
- Strategy:
 - Putting patients first: HCA works to constantly improve the care we give our patients, implementing measures that support our caregivers, help ensure patients' safety and provide the highest possible quality
 - Investing in our communities: HCA presently plans to invest more than \$1 billion per year to keep our hospitals modern and up-to-date technologically
 - Focusing on leading hospitals in core communities: HCA focuses on communities where the company is a leading healthcare provider
 - Improving local operations through efficient use of resources: HCA employs industry leading measures that enhance the performance of the company's local facilities, including organized group purchasing, efficient supply acquisition and distribution, shared admin & business services,
 - Building strong physician relationships: HCA values strong relationships with local physicians, working to provide them a wide array of services and modern facilities in order to help them deliver the best possible care.

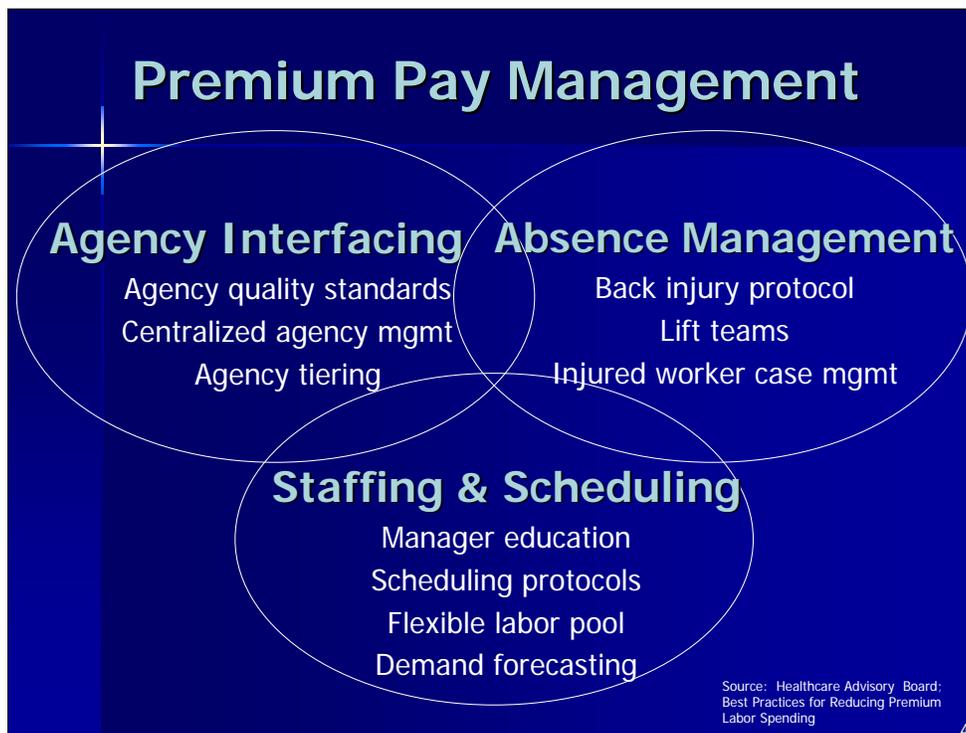
Why Do We Monitor Premium Pay?

- Salary and benefit dollars are about 50% of operating cost
- Meet average hourly rate goals and targets
- Meet budget
- Make sure that the dollars are allocated properly

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Before I start discussing premium pay strategies, I like to use this slide when presenting to directors and managers, since it begins to set the context about controlling resources/pay.

In times of decreasing revenues there is a renewed focus and interest in managing labor expenses since salaries and wages make up the largest controllable expense. There are different expense reduction strategies based on the type of premium pay.



The three keys to premium pay management are (mention of the graphic of the intersecting circles): agency interfacing, absence management, and staffing & scheduling. We will spend most of the time discussing the third category---staffing & scheduling

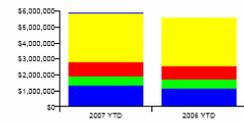
- We are paid to improve on where we were last year.

Developing a Premium Pay Dashboard

Analysis Dashboard: Premiums

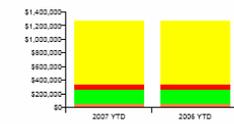
Reporting Period: Payroll Registers Between December and December of Current & Prior
00060: Hospital

Discretionary Spend, CYTD v. PYTD



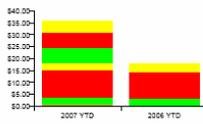
Pay Class	CYTD Wages	PYTD Wages	\$ Var
Assignment	49,892	31,181	18,711
Call	1,315,297	1,116,243	199,054
Call Back	884,824	624,029	260,795
Overtime	878,724	835,094	43,630
Shift/Weekend/Holiday	3,072,832	2,871,163	201,669
Sum	5,861,449	5,672,723	188,726

Discretionary Hours, CYTD v. PYTD



Pay Class	CYTD Hours	PYTD Hours	H Var
Assignment	67,372	62,323	5,049
Call	297,874	293,989	3,885
Overtime	77,092	76,648	444
Shift/Weekend/Holiday	920,138	909,528	10,610
Sum	1,262,576	1,242,488	20,088

Discretionary Rate, CYTD v. PYTD



Pay Class	CYTD Avg Rl	PYTD Avg Rl	Rl Varth
Assignment	\$0.871	\$0.505	\$0.367
Call	\$2.051	\$2.971	-\$0.920
Overtime	\$11.402	\$10.999	\$0.403
Shift/Weekend/Holiday	\$3.344	\$3.227	\$0.117
Avg	\$3.651	\$3.651	\$0.000

Variance by Salary Group, Year-Over-Year

	YTD	PYTD	VAR	VAR %
Productive				
Wages	41,747,351	42,808,904	-1,061,553	-2.5%
Hours	2,328,443	2,134,300	194,143	9.1%
Rate	22.61	19.89	2.68	13.2%
Premiums				
Wages	4,698,348	4,498,302	199,998	4.4%
Hours	1,362,277	1,366,689	-4,412	-0.3%
Rate	3.63	3.65	-0.02	-0.5%
Non-Productive				
Wages	4,486,182	5,899,119	-1,412,937	-24.0%
Hours	268,861	279,248	-10,387	-3.7%
Rate	21.08	20.41	0.67	3.2%
Total				
Wages	1,318,297	1,116,343	201,954	17.8%
Hours	0	0	0	0.0%
Rate	0	0	0	0.0%

Premium Rate Variance by Pay Summary Group

Pay Class	YTD Avg Rl	PYTD Avg Rl	Rl Varth	% Var
430 Prod Diff	\$3.00	\$3.00	\$0.00	0.0%
427 Weekend Shift %	\$11.00	\$10.41	\$0.59	6.7%
429 Prod Diff	\$0.88	\$0.88	\$0.00	0.0%
442 Holiday Call %	\$8.84	\$8.85	-\$0.01	-0.1%
440 Charge Amt	\$0.87	\$0.80	\$0.07	7.6%
120 Overtime	\$11.28	\$10.98	\$0.28	2.6%
448 Work Weekend Diff	\$0.99	\$0.99	\$0.00	0.0%
401 OnCall Amt	\$2.22	\$1.71	\$0.50	2.1%
487 Pool Premium	\$0.40	\$0.37	\$0.03	7.1%
423 Shift 2 Amt	\$2.88	\$2.87	\$0.01	0.4%
425 Shift 3 Amt	\$4.03	\$4.00	\$0.03	0.3%
474 OR Differential	\$1.80	\$1.80	\$0.00	0.0%
416 Weekend Program C	\$6.00	\$6.00	\$0.00	0.0%
463 Incentive %	\$4.34	\$4.47	-\$0.14	-3.1%
410 Call Back %	\$10.80	\$14.41	-\$3.61	-24.9%
463 Incentive	\$9.78	\$8.78	\$1.00	11.3%
Avg	\$3.62	\$3.64	-\$0.02	-0.5%

OT Rate Variance, Top 10 Depts by OT Spend

Dept	Dept Desc	YTD Rate	PYTD Rate	Rl Varth	% Var
83104	ICU/CVICU	\$13.76	\$13.80	-\$0.04	-0.3%
7604	Emergency Room	\$12.40	\$11.70	\$0.70	6.0%
83004	North	\$12.34	\$12.44	-\$0.10	-0.8%
83104	North	\$12.37	\$11.77	\$0.60	5.1%
70104	Operating Room	\$11.90	\$11.87	-\$0.01	-0.1%
80704	North	\$10.97	\$10.62	\$0.35	3.3%
81004	Environmental Svcs	\$4.81	\$4.68	\$0.13	2.8%
66604	Food Unit	\$10.97	\$9.81	\$1.17	11.9%
83104	South	\$12.89	\$12.01	\$0.88	7.3%
7604	Respiratory Therapy	\$11.44	\$11.30	\$0.14	1.2%
Avg	\$11.21	\$11.34	-\$0.12	-1.0%	

Premium Rate Variance, Top 10 Depts by All Premium Spend

Dept	Dept Desc	YTD Rate	PYTD Rate	Rl Varth	% Var
83004	ICU/CVICU	\$8.28	\$8.10	\$0.18	2.2%
70104	Operating Room	\$2.31	\$2.73	-\$0.42	-15.4%
7604	Emergency Room	\$4.47	\$4.33	\$0.14	3.1%

The Premium Pay Dashboard is the front line of information when determining whether your facility has an issue with premium pay or not. It reports for each facility how much each of the departments are spending on premium pay and how much of each category of premium pay during the current year and the prior year. The front page shows how much the facility and departments are spending by year in the following general premium pay categories:

- On-Call and Call Back,
- Overtime,
- Assignment, and
- Holiday/Shift/Weekend Differentials

and where each of the total labor dollars are being spent in later sections of the report, such as:

- Productive (hours actually worked in the facility)
- Non-productive (hours paid, but not worked such as vacation and holiday)
- Premium Pay, such as mentioned above, and
- Bonus (dollars spent on employees in recruiting or enticing to fill "hard-to-fill" shifts).

This reports to the level of department and detailed pay category. It is up to the manager or administrator to pull the appropriate report in order to receive more detailed information from business objects or HR Analytics.

Understanding Overtime

- Overtime is generally any hours exceeding 40 hours in a week
- But there are instances (e.g. in CA) where overtime is incurred for any hours exceeding 8, 10, or 12 hours in a day depending on the employee's scheduled worked hours
- Overtime can make up between 1.5% and 6.0% of total man hours and should be targeted for 2-3%

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Overall goal of all overtime is between 2-3%

Overtime Definitions

<u>Category</u>	<u>Definition</u>
Incidental OT	Contains any amount of OT that is due to rounding on clock punches or an employee that does not organize their work to leave on time
Scheduled OT	Contains any amount of OT hours that are routinely scheduled for an employee to work during the week
Census OT	Contains any amount of OT generated by an increase in volume in the unit. This OT is usually scheduled with the knowledge that the employee is approaching OT status, but seems to have no other choice

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Categorize your overtime (OT) in order to strategize how to reduce or efficiently utilize overtime in the place of contract labor or hiring FT/PT labor.

Understanding and Optimizing Overtime

- Three keys:
 - Understand and assess overtime usage
 - Provide management education and coordination
 - Have staff participate in scheduling

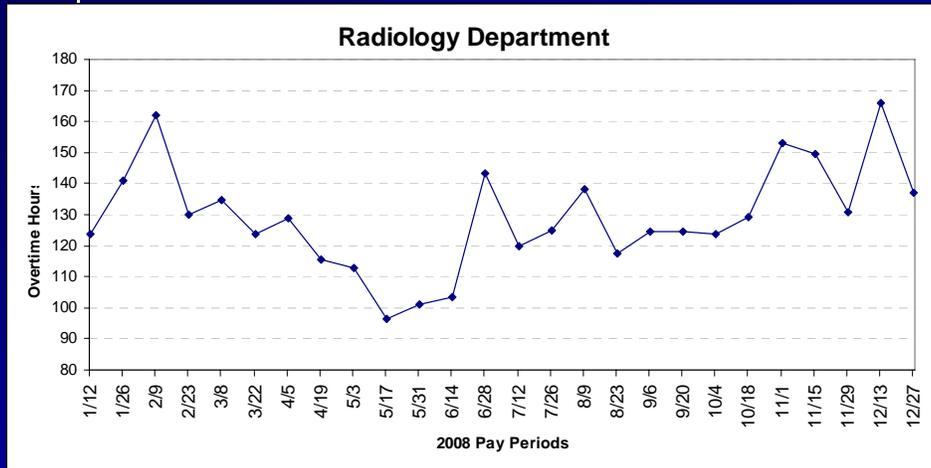
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Analyzing data is the necessary first step in any hospital's overtime management plan

Overtime utilization can be linked to both staff satisfaction and unit-level scheduling practices

One observation is that overtime pay routinely goes to only a handful of individuals in a department...

Assessing Overtime Usage: Trends By Pay Period



Overtime is 5.2%

Here is an example of a radiology department's overtime trends.

Assessing Overtime Usage: Trends By Employee By Pay Period

Empl	9/6	9/20	10/4	10/18	11/1	11/15	11/29	12/13	12/27	Total
1		0.2		0.8	1.4	0.5	0.1	0.1		24.6
2	7.9	0.5	0.1	4.3	0.1	0.1	4.4	0.7	0.2	18.6
3										0.9
4	13.8	16.1	12.0	12.0	17.6	15.5	16.0	8.0	16.0	329.1
5					0.8				0.1	2.0
6	0.1	0.9					0.4	0.5	0.2	6.9
7	12.1	4.0	16.0	4.1	8.8	13.7	4.2	26.7	12.0	272.5
8										8.4
9				0.5						2.2
10			1.4	0.4		0.1		0.1		7.0
11			1.4							5.7
12										0.2
13	0.1									0.5
14			0.4		0.5		0.1		0.1	2.2
15										11.5
16	0.2	0.9	1.9	0.3	0.1	0.2		0.1		6.5
17							0.2			3.1
18	0.1									22.0
19	0.1									3.6
20			4.1	20.3	26.9	31.7	17.8	31.7	8.5	141.0

Employee level detail.

Assessing Overtime Usage: Trends By Employee By Day

Empl	12/28 Sun	12/29 Mon	12/30 Tue	12/31 Wed	1/1 Thu	1/2 Fri	1/3 Sat	1/4 Sun	1/5 Mon	1/6 Tue	Total
1			0.10	2.00							2.10
2			4.00								4.00
3										0.10	0.10
4					4.00	4.00					8.00
5			0.10								0.10
6					0.10						0.10
7	2.50	4.70	0.80	1.70	0.10		3.30	4.70	1.20	3.10	26.10
8		0.10									0.10
9				0.20							0.20
10			0.10							0.20	0.30
11			0.10			0.10				0.10	0.30
12		0.20			0.20			0.10			0.50
13		0.50								0.40	0.90
14				0.10	2.90						3.00
15					0.10		0.10	0.10			0.30
16					0.40					0.30	0.70
17						0.10				0.10	0.20
18					0.10				0.10		0.20
19								3.20	0.80		4.00
20	0.30			0.30						0.30	0.90
21									0.20		0.20
Totals	2.80	5.50	5.20	4.30	7.90	4.20	3.40	8.10	2.30	4.60	52.30

Employee level detail.

Strategies to Minimize Overtime

- Provide education to managers on written guidelines on hospital scheduling policies helping them to minimize reliance on overtime
- Coordinate whole hospital staffing and collaborating among units to balance staffing needs
- Require management pre-approval for all overtime
- Follow-up with staff on a daily basis
- Post reminders and trends
- Celebrate when an overtime reduction is sustained

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Hospital scheduling policy may include weekend and holiday guidelines and knowing the process of distributing voluntary overtime

Strategies to Minimize Overtime (continued)

- Incidental overtime:
 - Ensure staff are clocking in and out appropriately
 - Monitor/trend “frequent” fliers and notify/counsel staff when appropriate
 - Have educator work with staff with chronic incidental overtime

Strategies to Minimize Overtime (continued)

- Scheduled overtime:
 - Monitor the number of scheduled overtime shifts and how the manager is scheduling employees
 - Evaluate the mix of full-time, part-time and per diem staff and make adjustments accordingly
 - Encourage part-time and per diem staff to take additional shifts

Strategies to Minimize Overtime (continued)

- Census overtime:
 - Establish a float pool
 - Encourage part-time and per diem staff to take additional shifts
 - Contact staffing coordinator or other units to inquire whether other floors can float to the unit
 - Evaluate targeted overtime bonus incentives

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Note that although useful, bonus incentives have several potential problems. First, overtime bonuses may lose their impact if they are always available. Staff may come to expect the bonuses as part of their pay. Bonuses are also susceptible to manipulation. In some extreme examples, nurses have called in sick so that a colleague can earn the bonus money. Finally, excessive use of overtime bonuses can be quite costly. To avoid these problems, hospital must target bonuses to those times or situations when overtime hours are most difficult to fill.

Outcomes: Overtime

■ Hospital A:

- Developed a daily trending of overtime by employee
- Identified trends and developed corrective action by employee
- Shared report with employees
- Monitored overtime on daily basis
- Reduced overtime from 7% to 5%

On-Call vs. Call Back Definitions

- On-call time is the time staff are scheduled and paid to be available to work, if needed. Usually paid at a flat average hourly rate
- Call-back time is the time the employee is called back to the hospital to work. Usually a minimum number of hours is guaranteed for each call back

Evaluating On-Call vs. Call Back

- Calculate an on-call utilization percentage for each department by taking the total call-back hours divided by the on-call hours
 - For low utilization departments (<10%):
 - Determine the need for call
 - Consider cross-training and combining on-call for multiple departments
 - For high utilization department (>75%):
 - Determine whether to hire an additional FTE to fill the service void
 - Determine whether to extend department regular coverage hours; or offer weekend coverage

Strategies for On-Call vs. Call Back Management

- Determine the need and coverage hours for on-call hours for each department
 - Often upon detailed review, on-call hours are found in departments that should not require on-call
 - Review the number of call teams in the cath lab and the OR
 - Review the call-back criteria for all departments

Evaluating On-Call vs. Call Back (continued)

Pay Period End (PPE) Range: 01/01/08 to 10/04/08		#PPE in the Specified Range: 20		
Dept Num and Desc	PPE Range On Call Hours	PPE Range Call Back Hours	PPE Range On Call Utilization	PPE Range Call Back FTEs
61030- Medical	0.0	2,559.5	0.0 %	1.60
65530- Medical Surgical ICU	825.5	5,696.5	690.1 %	3.56
70130- Surgery	27,362.8	5,673.8	20.7 %	3.55
70430- Post Anesthesia Care	7,248.5	2,511.8	34.7 %	1.57
70730- Labor and Delivery	2,113.8	2,709.8	128.2 %	1.69
72630- CT Scan	3,781.8	2,502.8	66.2 %	1.56
72830- Diagnostic Imaging	4,248.5	743.3	17.5 %	0.46
73330- Endoscopy	5,092.8	969.8	19.0 %	0.61
78030- Emergency	6,147.3	3,715.5	60.4 %	2.32
93530- Case Management	304.0	42.8	14.1 %	0.03

Outcomes: Call Pay

■ Hospital B:

- Reviewed all on-call and call-back hours for each department
- Determined day of week and hour of day call back was occurring
- Changed department coverage hours to reduce call back
- Reduced call from \$500,000 to \$300,000

Managing Contract Labor

- While eliminating all contract labor is unrealistic (not all contract labor is "bad"), categorizing contract labor is necessary to develop strategies to control contract labor spend

Contract Labor Definitions

<u>Category</u>	<u>Definition</u>
Outsourced Departments	Functions or departments where all staff is included as contract labor
Missing Targets	Contract labor used by departments that are missing their productivity target
Core contract labor	Meeting productivity targets and using contract labor to fill vacant "core" positions. This category is especially important to recruiters in trying to fill these vacancies with high priority
Flex contract labor	This contract labor is strictly used when volumes are such that the managers are extended past OT and PRN usage, e.g. peak season

Managing Contract Labor (continued)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
#1 - Outsourced	9	9	9	9	9	9	9	9	9	9	9	9
#2 - Missing Targets	41	55	53	52	36	24	2	4	1	4	2	14
#3 - Core	35	29	40	24	28	21	26	13	16	15	17	9
#4 - Flex	20	25	25	22	10	0	0	0	0	10	11	20
TOTAL	105	118	127	107	83	54	37	26	26	37	39	52

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
#1 - Outsourced	9%	8%	7%	8%	11%	17%	24%	34%	35%	24%	23%	17%
#2 - Missing Targets	39%	46%	42%	49%	44%	44%	7%	15%	3%	11%	6%	27%
#3 - Core	34%	25%	32%	22%	33%	39%	69%	51%	62%	39%	43%	17%
#4 - Flex	19%	21%	20%	21%	12%	0%	0%	0%	0%	27%	28%	39%
TOTAL	100%											

Strategies to Minimize Contract Labor

Track

- Track contract usage usage by category
- Maintain a list of every traveler with associated exit strategy and date
- Maintain an “orientation complete” schedule and synch up with traveler end dates

Re-educate

- Complete or refine your core staffing plan for every department
- Re-educate department directors and hospital leadership regarding the use of contract labor
- Publish a list of premium labor order of use from most desirable to least desirable

Strategies to Minimize Contract Labor (cont)

Recruit

- Retain a contract recruiter
- Work with a recruiting company that specializes in hiring Canadian nurses
- Work with nursing schools and hire more new grads than planned
- Institute student internships
- Develop a Recruitment Task Force (example goal: 30 nurses in 90 days)
- Create or enhance employee bonuses for referrals
- Decrease time to hire (e.g. one facility provides on the spot tours, meetings with CNO, CEO, and has the ability to make an offer that day)

Strategies to Minimize Contract Labor (cont)

Retain

- Enhance or develop a per diem or PRN pool
- Discuss at hire, full-time status may fluctuate from 0.8 to 1.0 depending on departmental needs
- Recruit and retain only "A" level managers. Evaluate current team, identify those managers that should be replaced, maximize strengths of the team
- Develop clinical rotation programs
- Develop clinical ladders
- Develop mentoring/ proctoring program (e.g. "rent a friend")
- Have all new employees meet with administration after 30 and 60 days

Strategies to Minimize Contract Labor (cont)

Policies

- Develop policies. Example: all contract labor will be for a defined length of time and will never be subject to automatic renewal
- Centralize the approval process for all contract labor
- Incorporate contract labor tracking, action planning, and status into current hospital leadership meetings
- Other: Evaluate opportunities for work redesign to leverage skill mix, improve workflow processes, reduce resource demand, and redistribute work responsibilities

Strategies to Minimize Contract Labor (cont)

Outsourced

- Conduct cost benefit analysis of outsourced departments
- Evaluate contract length
- Included operational metrics; patient satisfaction goals, quality standards, etc. in the contract

Missing Targets

- If a department is missing targets due to minimum staffing requirements, reflect minimum hours
- If a department is one of several within a managers responsibility, but staff are not clocking to the correct department, then work with manager to move targets or find a way to correct

Outcomes: Contract Labor

■ Hospital C:

- Centralized approval for all travelers
- Established a float pool
- Synched up orientation end dates with traveler termination dates
- Developed recruitment and retention plans
- Reduced traveler usage from 55 FTEs to 30 FTEs

Outcomes: Premium Pay

■ Hospital D:

- Established a premium pay committee and reviewed overtime, call/call back, contract labor on a bi-weekly basis
- Pay period and daily goals for each premium pay category were established by department
- Overtime reduced from 4% to 3%
- Call back reduced \$750,000

Keys to Success and Lessons Learned

- Having constant attention and constant focus from senior leadership is a must
- Setting stretch goals and monitoring progress is key
- Understanding that not all premium pay is “bad” and there are multiple strategies that should be used to address different types of premium pay

Questions



Resources



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