Controlling labor costs can provide hospitals financial stability during pandemic

By shifting personnel to different departments, Nebraska Medical Center has shored up labor costs and avoided furloughing workers.

Jeff Lagasse, *Associate Editor* | June 2, 2020

In the history of America's healthcare system, there has perhaps been no bigger disruptor to hospital finances than COVID-19, which has strained resources and shut down service lines. Telehealth reimbursement waivers have provided a fiscal lifeline for struggling organizations, but for some, more is needed. That's where examining and re-thinking labor costs come into play.

In a way, looking at labor costs is an obvious consideration for hospitals, as such costs typically represent the largest category of health system expense. But with labor cost information generally siloed from an organization's other data, a modern solution requires some form of automation technology to truly

give hospitals and health systems a sense of how they can shift resources in an effective and efficient manner. If the goal is to avoid furloughing or laying off workers, these capabilities are essential.

Nebraska Medical Center realized this. Leadership knew it wanted budget, cost accounting and patient data all in one place, and got the ball rolling in January with new data capabilities and some training and education to get physicians, nurses and hospital leadership on board. As the worst of the coronavirus' first wave has played out, the hospital has yet to furlough an employee, and hopes to keep it that way.

"When we were in pandemic mode here, we thought, 'Let's not panic and furlough people, because we're going to need them back,'" said Kristi Atkinson, budget and cost accounting manager at Nebraska Medical. "Let's use the data so we're not playing favorites, and we can look at the data and say, 'Whose productivity is down because they don't see patients anymore? Whose productivity is too high?' We used it as a way to determine where we have resources, who's up and who's down."

In that way, Nebraska medical was able to shift around some staff to maximize their available resources. Clinicians who are otherwise unoccupied are helping in the access department, assisting overwhelmed staff in performing check-in processes. Surgical nurses who find themselves in limbo after the cancellation of elective surgeries are plugging in those gaps and escorting patients to various spots in the facility during check-in, taking some of the pressure off regular access department employees.

At the same time, management created a flex pool so managers could see where there's a need for more bodies and who's available to help. The hospital pays these employees based on flex codes.

Some hospital employees had trepidation about shifting their roles, but a thorough training program convinced them that shifting resources, and stepping out of their comfort zones, was the best move for the stability of the business.

Liz Kirk, senior vice president of strategic services at Strata Decision Technology, Nebraska Medical's tech partner, said the move is a preferred alternative to paying out overtime to overworked employees. It's all about challenging conventional wisdom, she said.

"Challenging conventional wisdom is sometimes hard to do," said Kirk. "But in this time, when there's such a need for financial recovery after COVID, as well as the level of attention organizations have from senior leaders, and the mountains people have moved over the last couple of months, this is the time to challenge that conventional wisdom."

DATA, ALL IN ONE PLACE

Typically, the data Nebraska Medical needs would exist in two different systems: The billing and cost accounting systems. Now, all of the data is in one place and staff can easily blend together payroll data, volume data, and statistics on cost, revenue and margin. With all of this information in one central repository, various teams across the hospital can get a full picture and understand the financial impact of each move they make.

"If we didn't have productivity set up on a daily basis, and hadn't validated the data and gotten statistics in there, we would be pulling from multiple systems on the fly," said Atkinson. Now, the team can drill down by cost center and be more nimble when deciding which staff members can fill a need in another department. It's quicker and more user-friendly than using the payroll system.

In addition to allowing for a better handle on its financials, the hospital noticed that the move has mitigated feelings of stress and burnout among clinicians -- which has been a growing problem in healthcare for years, only made worse by the pandemic.

With the reduction in surgeries, Nebraska Medical was able to shift some of its pulmonary and sleep study staff to more active departments, for example. And with respiratory capabilities set up in the anesthesiology department, anesthesiologists can now be tapped to help out with respiratory aid for COVID patients.

"With elective surgeries resumed, we're in the crunch and bringing on some contracted labor," said Atkinson. "But our COVID patients are higher now than they've ever been. Nursing leaders are trying to make sure we get the right people on the right units, and adjusting the ratios a little bit. Same with the emergency department -- we can't be as efficient as we used to be, but we have nursing leaders looking into that."

The results have been dramatic: By the second week of May, Nebraska Medical saw an 80% drop in overtime pay. That's ticking back up slightly at the moment due to a challenging market, but the hospital still hasn't furloughed any staff, which is a top consideration given that a main goal is to prevent people from losing their jobs.

"The difference between organizations that can predictably improve costs and margins and those that can't is having strong governance and accountability processes in place," said Atkinson. "To do that well you have to be able to keep track of all these different initiatives. For recovery, health systems will be doing hundreds of initiatives, but to keep track of them and keep track of the financial benefits of that, the only way you can do that is through automation. Organizations will drive themselves crazy trying to do it in Excel."