

# Healthcare Cost Containment

## Best Practices for Controlling Labor Costs

By Amy Every

### Three workforce management tools can help hospitals more effectively schedule nursing hours—and dramatically reduce labor costs.

The healthcare industry's ongoing labor shortage forces many hospitals, long-term care facilities, and clinics to rely on costly contract nurses and employee overtime to ensure adequate patient care. Temporary nurses are often compensated at rates 25 percent to 40 percent above the average employee's wage, according to a recent report from PricewaterhouseCoopers' Health Research Institute (*What Works: Healing the Healthcare Staffing Shortage*, PricewaterhouseCoopers Health Research Institute, 2007). This translates into a hospital paying \$250,000 to \$400,000 just for an agency's service for every \$1 million it spends on supplemental staffing, according to the report.

Modern workforce management software can help healthcare providers gain greater control over labor costs with more efficient clinician staffing and scheduling. By adopting three software-based workforce management tools—self-scheduling, online shift bidding, and proactive central

staffing—hospitals can optimize scarce resources and dramatically reduce labor costs organizationwide.

#### Self Scheduling

Automated self scheduling is critical to improving nurse retention and reducing replacement costs, which can equate to as much as two times a nurse's annual salary, according to the PricewaterhouseCoopers report. Self scheduling empowers nurses to create their own schedules from shifts required for the hospital to operate specific departments. This autonomy enhances employee satisfaction by supporting nurses' work/life balance within a 24/7 work environment.

Historically, hospitals have managed clinician scheduling with paper-based processes. Nurses would sign up for open shifts and a manager would manually balance those requests across the daily shifts needed for a four- to eight-week



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schedule. This often led to unwanted changes to nurses' schedules and created a perception of inequity among staff.

Today, self-scheduling software helps hospitals streamline scheduling. For example, nurse managers can enter a set of future 4-, 8-, and 12-hour shifts into the system along with specific credentials required to work each shift. Nurses access the self-scheduling system online from work or home and select their preferred shifts. The system displays only shifts that meet an individual nurse's qualifications and work parameters, such as a requirement to work two weekends per month. And once a nurse selects a shift, other staff can no longer view it.

As a result, self scheduling helps improve nurse satisfaction by offering clinicians more variety and flexibility in shift length and department as well as a more equitable way to assign shifts. Self scheduling also delivers, on average, an 80 percent reduction in the time nurse managers spend creating staff schedules.

#### Online Shift Bidding

Online shift bidding helps hospitals cut costs by minimizing overtime and use of

contract nurses in order to comply with state mandates for the minimum number of nurses per unit. Specifically, electronic bidding software enables nurse managers to post open shifts to thousands of qualified clinicians instead of spending hours calling nurses to fill shifts at the last minute. Similar to a reverse auction, this process enables hospitals to fill shifts with qualified nurses at the least cost.

First, hospitals post open shifts to a secure web site accessible to a large pool of prequalified clinicians several weeks in advance. Hospitals can start the bidding for a specific shift at a standard hourly rate, time-and-a-half, double-time, or a premium rate. They also can customize shift parameters to reduce the cost of filling that shift even further. For example, hospitals could start the bidding for a shift at an hourly rate \$10 less than it would have to pay a contract nurse. Or the hospital could stagger when a shift posts online. An open pediatric shift, for instance, might post to the hospital's pediatric nurses first, then to a pool of supplemental nurses 24 hours later, and finally to a larger group of clinicians after 48 hours. Hospitals also can attach bonus points or dollars to hard-to-fill shifts as an additional incentive for nurses to select open shifts.

Next, nurses bid on the open shifts they want from any computer with an Internet connection. The software allows nurses to only view and bid on shifts that fit their qualifications and existing work

schedule by housing employee profiles and schedules in one central system. And because the lowest bid wins, online shift bidding helps hospitals cost effectively fill open shifts.

### **Central Staffing**

Demand-based central staffing also plays a key role in helping hospitals control costs. Without a clear understanding of which departments or facilities need staff and which may send nurses home, hospitals miss opportunities to address fluctuating demand with internal resources.

Using workforce management software, hospitals gain a real-time, organization-wide view of current patient census and acuity. Armed with a visual representation of required staffing levels for the next shift and shifts up to 14 days out, central staffing personnel can proactively balance staff across departments and facilities. For example, if one medical/surgical unit is understaffed while another is overstaffed, qualified staff can be moved from one unit to the other instead of using an expensive contract nurse.

Effective demand-based central staffing also requires an internal, supplemental staffing pool of hundreds of highly skilled employees. Often managed by internal agencies called "supplemental staffing offices" or "resource centers," these clinicians typically have a marginally higher hourly rate than unit-based staff. When central staffing personnel

see scheduling gaps or a departmental spike in demand, they can quickly reallocate nurses from this supplemental pool to fill gaps before shifts start. For instance, hospitals can preschedule nurses from a supplemental pool to a virtual unit assigned to cover employee sick days and changes in demand. This increased scheduling flexibility enables hospitals to quickly fill gaps and minimize use of contract nurses.

### **Establishing Clinician Buy-In**

Together, these workforce management best practices can help hospitals gain greater control over labor costs while ensuring clinicians with the right skills are at the right place at the right time. And by proactively addressing several common change management challenges, hospitals can reap those savings faster. For example, involving clinical staff in the software selection process is critical to ensuring end user buy-in. Workforce management functionality differs greatly by vendor, and a hospital's CNO, vice president of patient care, and operations managers can help the CIO understand key differences and choose the system that best meets the organization's needs. They also can help CIOs determine which option will support an optimal workflow—from vacation requests to scheduling to payroll—based on existing hospital policies and procedures.

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