

Assessing Operational Staff Reductions: Short-Term Gains without the Long-Term Pain

By Sean McDonagh

What do they do in that department anyway?

I am spending how much for registration? Do we really need this many people?

True or false? Short-term gains are quickly realized with salary and benefit reductions, equating to immediate gratification to the bottom line. But by downsizing the staffing model what have you actually sacrificed in the long term? Organizations need to take the time to assess the processes and people performing them before making reduction decisions.

Shrinking reimbursements have heightened the need for efficiency and accuracy in data, at times equating to “throwing bodies” at issues via additional staffing. However, could the “excess” staffing be a true need, based, for instance, upon unfunded governmental mandates?

Assessment of tasks and responsibilities, however brief and conceivably at a higher than truly optimal level, will protect an organization from closing one wound only to open a new internal injury that may go undetected, untreated and, in the end, become even more debilitating. You may be fat in areas where you may be able to save. But what if you are not?

Begin by reviewing your staffing levels by department to understand where the bulk of your salary dollars are being spent. Objectively categorize your departments, avoiding the objectivity-limiting traps of “because this is Dr. Important’s office” or “wait until patients start complaining about the lines.” Next, assess their primary responsibilities and rate their importance. Keep in mind parameters such as quality of care, customer satisfaction, and/or the organization’s financial health.

Once a list has been compiled and you have a better understanding of where your greatest human resource expense is being distributed, you should

be able to determine where to assess first. Base your decisions primarily upon expense, but weight it on the departmental function and the impact its disruption will have to your bottom line. Assess each department in its entirety, including departmental functionality and efficiencies and how they relate to your current financial situation. For example, why would anyone recommend across the board staff reduction that would adversely impact high volume, highly profitable outpatient services?

Based on your findings, compile a summary assessment of departmental purpose and productivity.

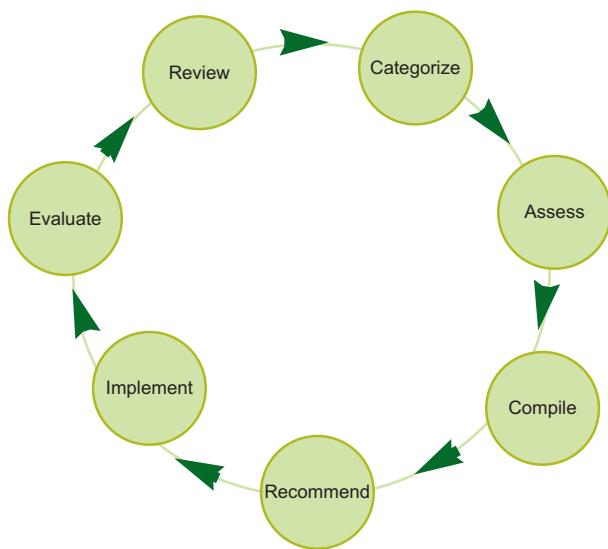
- Why are tasks being performed?
- How are tasks being performed?
- What is their impact on the primary focuses: quality of care, customer satisfaction, and/or the financial health of your organization?

This assessment can now be employed as a decision-facilitation tool.

- What tasks are unnecessary?
- What is the management quality?
- Do you have standards for measurement?
- Can you leverage existing technology to eliminate rework or time consuming necessary manual tasks?

You may be surprised at how much of your implemented and paid-for technology may be under-utilized or completely unutilized. Make your decisions based upon what you need to keep in place in order to protect against creating those “internal injuries” that you should now be able to forecast. What can your organization do better, do without and what, no matter the inefficiencies of it, can the organization not do without?

When determining what people to relieve of their current responsibilities, limit the impact of intangibles (such as longevity of employees) in your decision-making process. Staffing models find the greatest level of efficiency through hiring and retaining the employees with the best work ethics, productivity and potential. Additionally, long-term employees have realized larger salaries and benefits (particularly paid time off). Loyalty is a wonderful and invaluable asset, but it can be expensive. Loyalty should be coupled with performance to equate to retention. However, at the staff level loyalty will often equate to favoritism even if the employee is not a true performer, making the challenge of employee satisfaction and retention of valuable resources even more difficult.



Once your organization has completed the assessments, understands, measured and decided upon what the sacrifices and risks are, act.

Remember, however, that the decision to reduce staff was probably made for financial reasons. Therefore, departing compensation needs to remain within this same vein. Assessing the packages, organizational appearance and retained employee response is highly recommended. A balance must be struck to ensure that the downsizing meets your organization's vision, satisfies outsiders looking in (public relations) and works best to assist in retaining true performers.

Moving forward, assess your position approval and hiring process and develop the corresponding policies and procedures. Formalize the position request process; assign financial values to these requests; understand the need for new positions. Approve positions based upon findings, not feelings. Hire within the market, and ensure the interview and hiring process is geared toward quality hires. Centralize hiring approval post-reductions and stay vigilant after your performance improves to avoid "FTE creep".

Rushing to judgment for immediate gratification often leads to decisions made without necessary information. Take the time, even if at a higher than optimal level, to assess departments and functions before making Friday appointments. Understanding the downstream implications will enable you to save costs without sacrificing future financial performance.

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