



case study

BEST YEAR YET

Despite respectable financial performance, leadership at a large health system believed their organization had potential for greater operational efficiency, particularly within labor. Impact Advisors was engaged to help them achieve an aggressive labor cost improvement target.

Impact Advisors' human-centered approach involved emphasizing realistic goal-setting, clear communication, open feedback, and celebration of successes. The team also recognized the expertise of the health system's staff, adapting their methods to different levels of financial literacy and business acumen. As a result, the organization had their best year ever and is on track to maintain and grow their gains.

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Florida Health System Achieves 13.4% Cost of Labor Improvement

The executive leadership team at AdventHealth (AH) West Florida believed their organization, which was maintaining relatively strong financial performance, could do even better.

Some of the team had worked previously with Impact Advisors at another large hospital system and with marked results, so they engaged the firm to look more closely at their cost of labor.

AH West Florida offers a range of healthcare services at locations throughout Tampa Bay, Ocala, Polk County, and the Heartland. They have more than 15,000 staff members supporting about 2,300 licensed beds, across 13 hospitals and a long-term acute care (LTAC) hospital. They average about 93,000 inpatients, 675,000 outpatients, and over 400,000 ER patients each year.

Based on a high-level productivity assessment of the organization's past and current performance related to labor and volume, executive leadership and Impact Advisors set a goal of \$32M of annual recurring improvement based on Labor Cost per Adjusted Discharge over a 12-month period across the enterprise.

Program Approach

The Impact Advisors team included experts in Nursing, Periop, Ancillary, and Support Services. The operational expertise of the consultants established some goodwill among the leaders, some of whom had disappointing experiences with other consultancies. The

"This has been the best partnership ever."

Robin McGuinness, DNP, RN, CENP
AdventHealth Senior Executive Officer
Chief Nurse Executive, West Florida Division

team recognized this “scar tissue” and proactively worked to address the challenge from the beginning. First, they introduced the senior leadership team to the overall labor improvement program, the target-setting process, and the proprietary OPTIX labor reporting system, structures, and tools that would empower their teams to succeed.

To establish performance targets, AH executive leadership chose the most cost-effective staffing figures from among its current fiscal year targets, previous year’s run-rate, and previous year’s targets. Doing so would ensure the most efficient use of resources, and internal targets (vs. external benchmarks) are perceived as more achievable, helping gain buy-in from senior leaders and teams. Typically, healthcare organizations determine staffing levels based on Worked Hours per Unit of Service (WHPUOS), but Impact Advisors in addition uses a more robust approach, looking at Paid Hours per Unit of Service (PHPUOS). For variable departments, the chosen PHPUOS target was applied to patient volume to determine FTE targets. Fixed departments (such as administration) defaulted to 2024 budgeted FTE targets.

The performance targets are the driving force of the labor improvement program. Before communicating these expectations and targets to the next level, senior leadership had to be bought in. If leaders expressed concerns about their performance targets, the team consistently reiterated that the work had not changed since the last fiscal year and therefore the targets were achievable. Adjustments could be made but only if there was a compelling reason to do so. Key to success was helping ensure leaders understand they were holding their teams accountable to their own performance standards, not arbitrary benchmarks. These targets would provide the glide path to the organization’s desired labor savings goal.

Once aligned on targets, the real work began. Senior

leaders communicated the overall vision and purpose of the operational improvement program and gave each department head and/or manager their specific productivity targets. Impact Advisors collaborated with department leaders to establish staffing grids and staffing calculators that would enable them to reach their productivity targets. The team provided training (“Bootcamp for Managers”) and worked side-by-side with frontline managers to educate them on the underlying drivers behind their staffing variances and strategies to remedy those variances.

The team also implemented bi-weekly “productivity huddles,” in which frontline managers can talk candidly with their colleagues about challenges and solutions related to staffing variances occurring in the prior pay period. These huddles also provide leaders with an opportunity to look ahead to implement staffing changes before the close of the next pay period. The team also established bi-weekly senior leadership team huddles at each facility, and once-a-month system executive meetings (with participants from both AH and Impact Advisors) to review progress, address barriers to success, and provide ongoing guidance.

Results

Impact Advisors’ process helped create a common language for labor management across the healthcare system. The OPTIX tools and reports have become the “source of truth” that enable senior leaders across all facilities to review productivity in a uniform manner.

As a result of the operational improvement program, AdventHealth West Florida Division **achieved \$36.9M savings (13.4% improvement)** over the previous year on a Labor Cost per Adjusted Discharge basis, the organization’s best year ever. ■

Keys to Success

AdventHealth had the right leadership, great (and timely) communication, and the optimal internal structure to effectively partner with Impact Advisors. AH’s Operational Performance Advisor and Operational Excellence Finance Manager, in particular, championed the effort to its successful conclusion. In collaboration with AH leadership, Impact Advisors employed 5 key principles throughout the labor improvement program, which helped AH achieve their outstanding results and contribute to the organization’s culture of continuous improvement.

- **We met teams where they were.** It is essential to set goals and targets that are realistic. We reviewed each department’s performance to find its “best practice”—a performance threshold the team had previously achieved and could conceivably achieve again. And we celebrated successes—large and small, early and often—along the way.
- **We expected and planned for the Five Stages of Grief.** It is rare for an organization not to experience the Kübler-Ross model stages of grief (Denial, Anger, Bargaining, Depression, and Acceptance) during an engagement. AH was no different, and we planned around it.
- **We tapped into and harnessed AH’s internal expertise.** We created a fleet of “small business owners” adept at running their own businesses within their own departments.
- **We adapted to different levels of financial literacy and business acumen.** We mirrored and matched our speed to each individual with whom we worked. Teams became excited about reporting when they fully understood the factors that led to their productive (or even unproductive) time, and they were able to articulate their success and challenges to leadership.
- **We were humans first, consultants second.** We took the time to understand how they preferred to learn and what we could do to help them excel. Developing good human relationships is critical for good partnerships, and good partners get great results.