HR Practices That …

… Dramatically Improve Quality and Profits

Solving Employment Practices and Risk Management Issues for Healthcare

MedHQ℠

Prepared for 19th Annual Ambulatory Surgery Centers Conference, October 25-27, 2012

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Three legs of a stool? Or, Four legs of a chair?

To Make a Successful ASC:

1. Great doctors bringing plenty of cases
2. Good reimbursement environment, contracts and revenue cycle operations
3. Well organized clinical processes and leadership
4. Great people and HR strategies

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What is the opportunity?

- Human capital is the largest annual investment for ambulatory surgery centers (ASCs) and physician practices.
- It also represents the most significant opportunity for increasing an ASC's performance and patient satisfaction.
- An effective employment practices strategy yields significant improvement in both quality and financial performance.

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What is the opportunity?

- 39.5%
- $5,000,000
  - 3% = $100,000
- 27, 25%, $5,000, $33,750, $84,375
- 27, 10%, $5,000, $13,500, $33,750
- 100, $863,750
- $225,000

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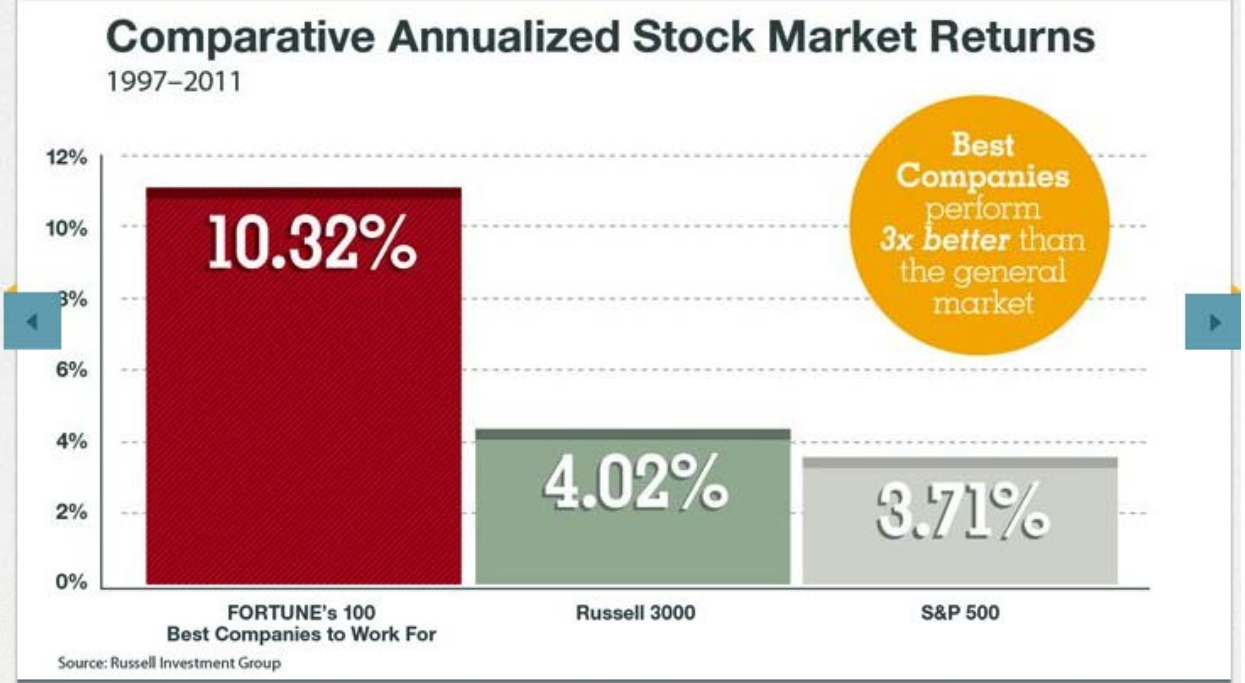
Does a Good Culture Really Matter to the Bottom Line?

What Are the Benefits?



Independent financial analysts regularly study the financial performance of "100 Best" companies. Analysis shows publicly traded 100 Best Companies consistently outperform major stock indices by a factor of 3.

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Does a Good Culture Really Matter to the Bottom Line?

- Visitors to your practice, after they return home, will tell 7 other people their impressions of their visit
  - If you have 3,000 patients, that's up to 21,000 people who will have an impression of your practice based on how they are treated by your staff.

Does a Good Culture Really Matter to the Bottom Line?

- Nearly $1 billion in government payments to hospitals over the next year will be based in part on patient satisfaction**

***The Wall Street Journal* online, "U.S. Ties Hospital Payments to Making Patients Happy", Sunday, October 14, 2012 As of 10:32 PM ED, Updated October 14, 2012, 10:24 p.m. ET.

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Does Improved Patient Satisfaction Really Matter to Improved Quality?[5]

Patient Satisfaction With Inpatient Care and Hospital Readmission

Table 5. Pairwise Correlations of HCAHPS-Reported Dimensions of Quality and Overall Patient Satisfaction

Variable	Correlation Coefficient
How often did nurses communicate well with patients?	0.845
How often was patient's pain well controlled?	0.805
How often did patients receive help quickly from hospital staff?	0.776
How often did staff explain about medicines before giving them to patients?	0.740
How often did doctors communicate well with patients?	0.695
How often were the patients' rooms and bathrooms kept clean?	0.675
Patient satisfaction with discharge planning	0.638
How often was the area around patients' rooms kept quiet at night?	0.611

HCAHPS indicates Hospital Care Quality Information from the Consumer Perspective.

(5) William Boulding, PhD; Seth W. Glickman, MD, MBA; Matthew P. Manary, MSE; Kevin A. Schulman, MD; and Richard Staelin, PhD, "Relationship Between Patient Satisfaction With Inpatient Care and Hospital Readmission Within 30 Days", *THE AMERICAN JOURNAL OF MANAGED CARE*, (2011;17(1):41–48)

What is the problem?

- All organizations change
- We can either drive change or react to it, but we can't avoid it
- Most people don't like change

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Do your employees behave like this?

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How do our management choices affect things?

Continuous Process (improvement)

For example, How about QA/QI Programs?

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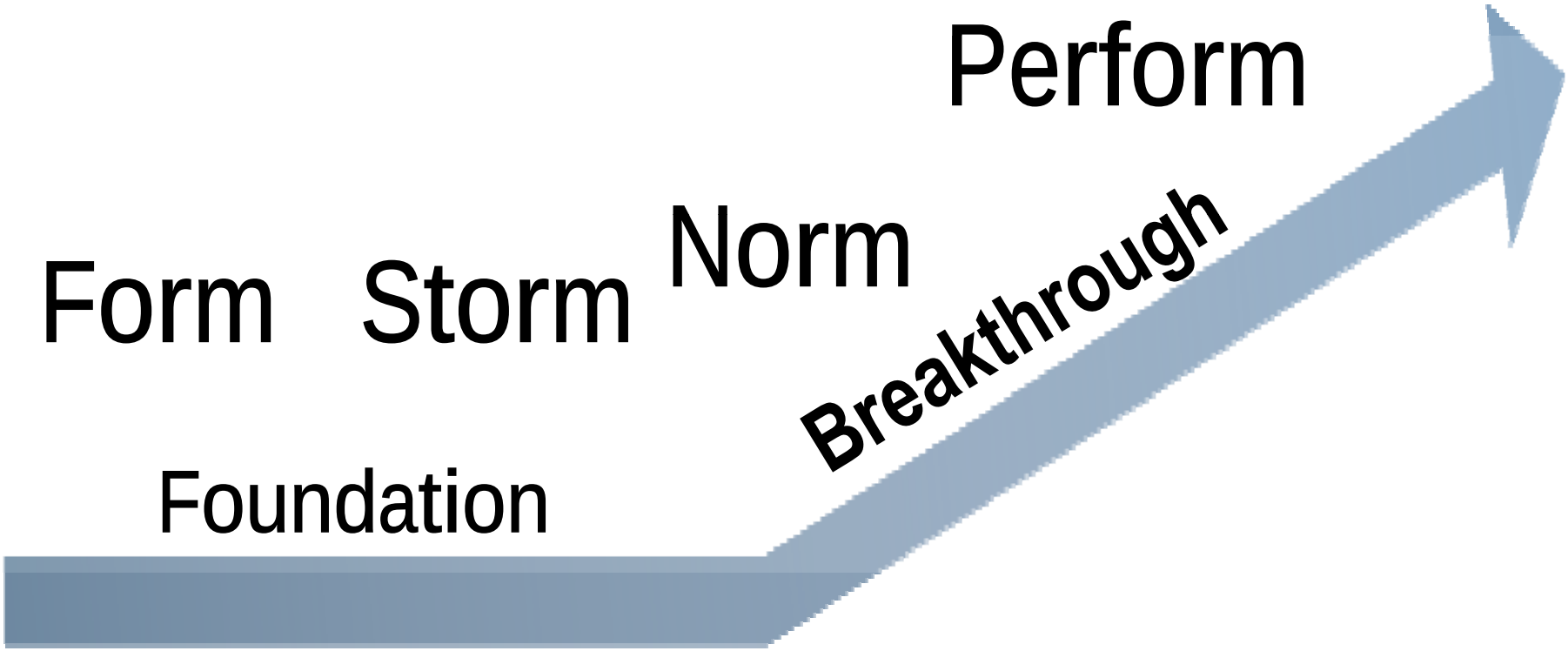
Are you starting something new?



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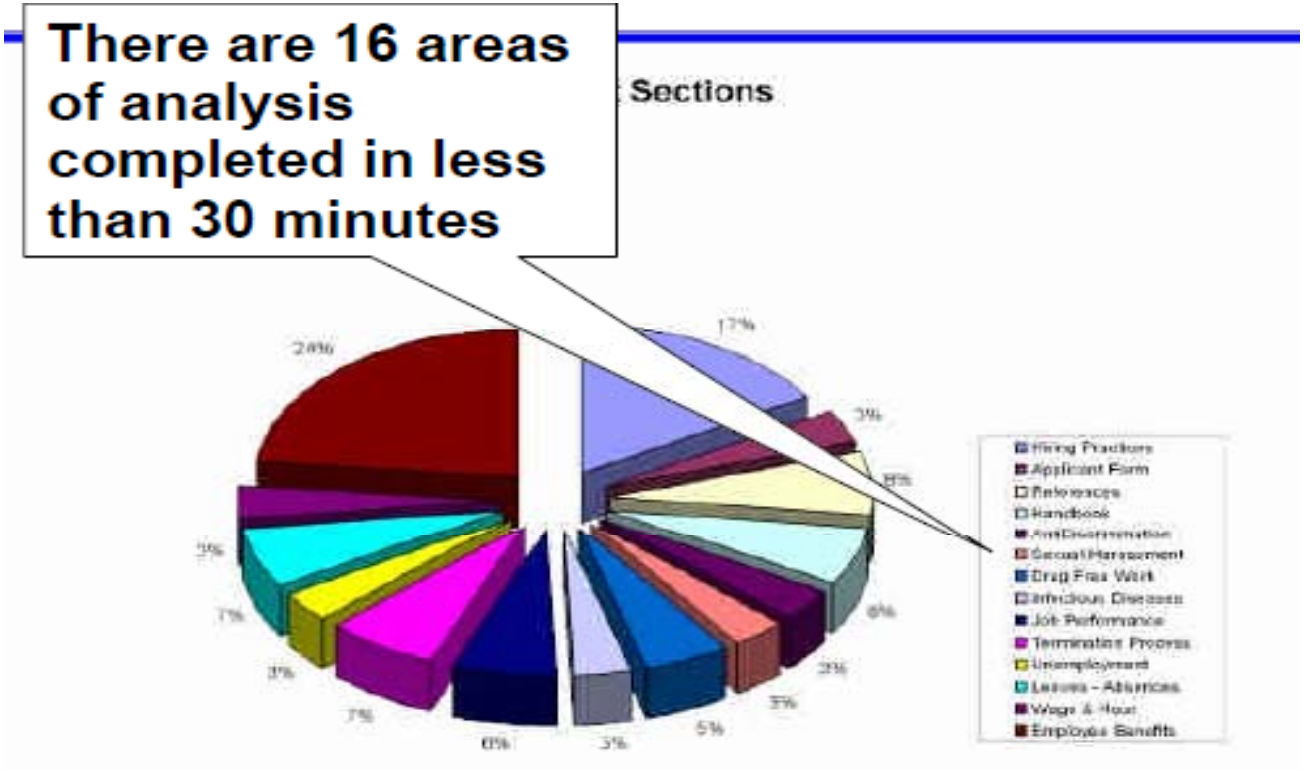
Of the 16 Areas of HR Practices

Which are most critical?



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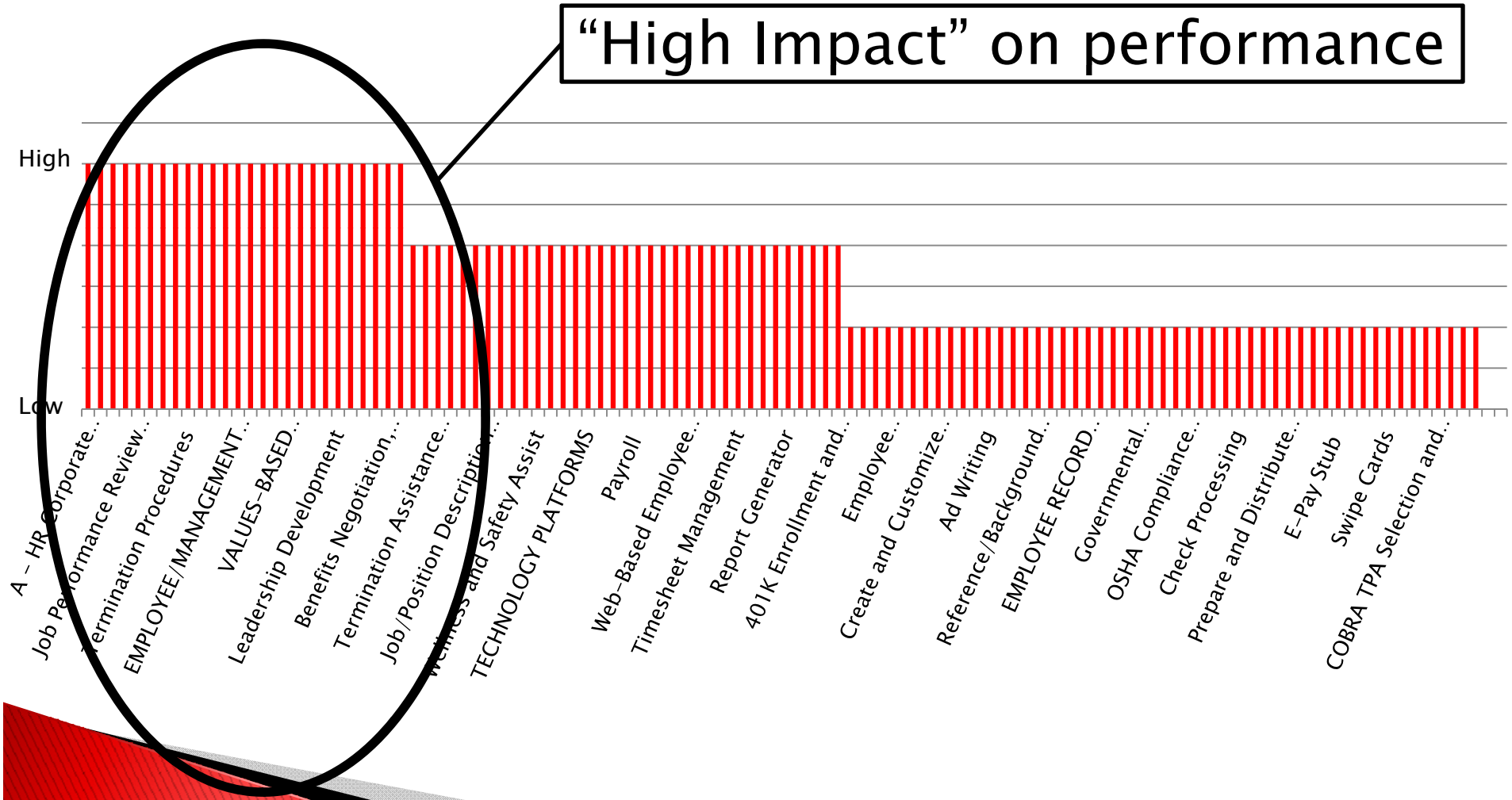
112 "Employer Practices"



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Six Essential HR Practices

- Strategy for achieving a "great place to work"

1. Hire "A Players"
2. Coaching and mentoring for front line supervisors, including discipline process
3. Employee Benefits
4. Compensation strategy
5. Employer Risk Management
6. Automation for everything else

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HR Practice #1: Hire "A" Players

- Improve Productivity
  - Drive that 39.5% of all expenses down to 36% or lower!
  - <u>$100,000 total savings</u>
- Reduce Unwanted Employee Turnover
  - Improving from 25% to 10% turnover directly saves $20,000
  - Additional "soft cost" savings of $50,000
    - 12-weeks of wages per $50,000 employee
  - <u>$70,000 total savings</u>

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Hire "A" Players

- Creating environment to drive a positive culture
  - *Built on VALUES*, by Ann Rhoades

  - Values defined by ownership/top management
  - Match candidates to the position
    - Share the core values of the organization
    - Possess the critical attributes required of the position
  - Effective interview techniques

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Values and Behaviors – Examples

- Value
- Respect
- Caring

- Behavior
- Listen to and act on feedback in a constructive and honest manner
- Acknowledge/build rapport, introduce, discuss duration, explain the procedure, thank the patient (AIDET)

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Example: Critical Attributes for a Receptionist-Scheduler

Courteous/Mannerly
Gracious consideration towards others. A socially acceptable and kind way of acting and treating others.

Anticipates Needs
To see or realize beforehand. To foresee and fulfill in advance. To understand necessary processes before they begin, and cause them to happen.

Detail Oriented
Position is characterized by an abundant use of detail and thoroughness. Has an organization within their approach to their job that allows them to anticipate the needs of the organization (practice or center) and patient.

Multi Tasking
Ability to handle multiple assignments or pieces of work at one time. The capability of working within a stressful environment under consistent deadlines, pressures and interruptions.

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Written Interview Guides

KEY ATTRIBUTE: COMMUNICATION/INTERPERSONAL SKILLS Clearly and candidly expresses self; actively listens and seeks input to ensure understanding; adapts communication to be appropriate to other's level of understanding; objectively considers other's ideas, even when they conflict with candidate's own.

Behavioral Questions

1. Tell me about a time when you had to adjust your personal communication style to help someone understand what you were trying to communicate. What was the situation? What did you do? How did the situation turn out?
2. Tell me about a time when you needed to address a situation in which there had been a great deal of misunderstanding and miscommunication. What was the situation? What did you do? How did it turn out?
3. Describe a time when you had to communicate a sensitive subject to a co-worker, patient or family member. What was the situation? How did you do it? What was the outcome?
4. Sometimes the manner in which we communicate can be misinterpreted in a negative way. Tell me a time this happened to you. What was the situation? How did you turn it around? What was the ultimate outcome?

Tell me about a time you had to present technical/clinical information to a person or group without a technical or clinical background. What was your approach? How did it turn out?

BEGINNING	BEGINNING
MIDDLE	MIDDLE
END	END

Observations _____ **Communication/Interpersonal Rating** ☐

-- Our Values --
Respect – Innovation – Trust – Energy

- Key Attributes
- Behavioral Questions
- Candidate tells stories:
  - Situation
  - what they did
  - end result
- Keep Candidates "out of the woulds"
- Did answer match
  - Key Attribute?
  - Values?

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Peer Interview Process

- All interviewers trained on behavioral interviewing (a.k.a. targeted selection)
- Administrator Screens Resumes
- Top 3 qualified candidates interviewed
- Peers are A Players
  - Especially those that support the core values of the organization
- The “interview team” decides

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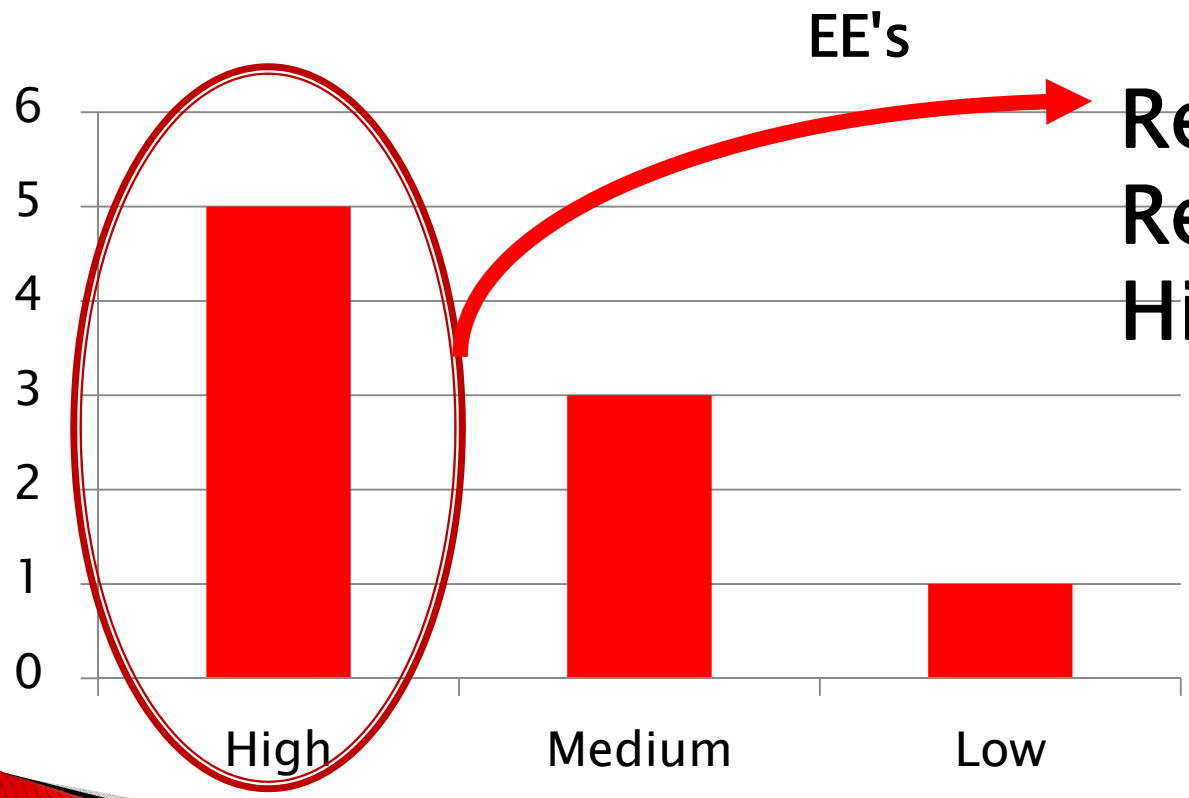
Be excessive about your A Players



Recognize and Reward your High Performers

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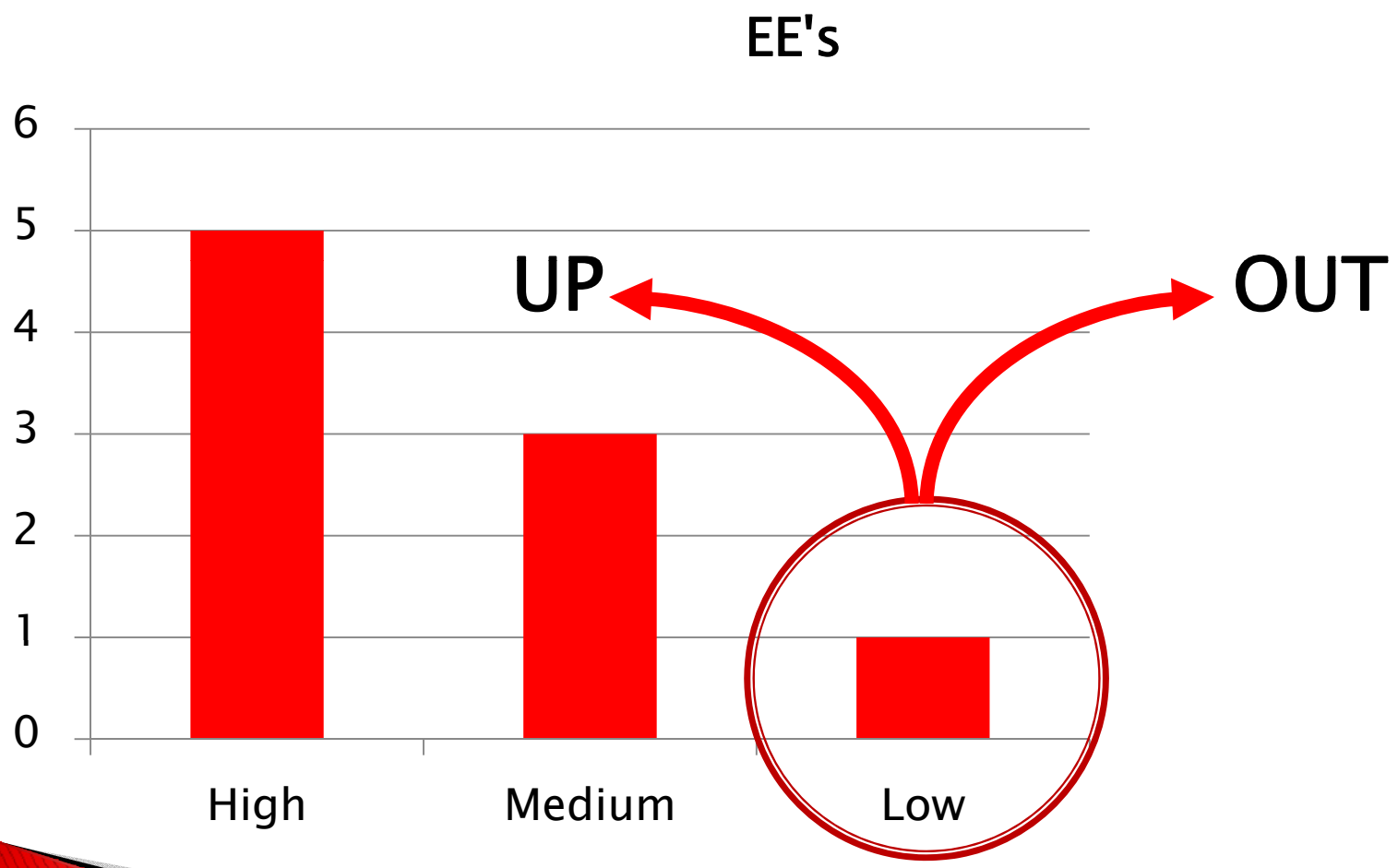
Move Low Performers – up or out!



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HR Practice #2: Mentor Supervisors

- Reduce Unwanted Employee Turnover
  - Improving from 25% to 10% turnover directly saves $20,000
  - Additional "soft cost" savings of $50,000
    - 12-weeks of wages per $50,000 employee
  - <u>$70,000 total savings</u>
- Reduce Employment Practices Risk
  - As much as $8,635 per employee of Exposure
  - 30% realization for 27 EE's is $70,000 per year
  - Reduce to 10-15% realization
  - <u>$40,000 total savings</u>

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Mentor/Coaching for Supervisors, including Discipline Process

- Improve effectiveness of frontline managers:
  - Huge factor in employment practices risk management
  - Mentoring and coaching
    - Integration with online learning for "level 100 and 200" problems
    - Interventional assistance for "level 300 and above" problems
- Take care of Supervisors, and they will take care of the staff
- Help managing the "low performers"

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Survey Says…

- Supervisors: What is Your Most Challenging Employee Issue?
  - Employee Discipline (58%)
  - Employee Benefit Issues (26%)
  - Policy Advice/Consultation (7%)
  - Workers' Compensation (6%)
  - Payroll (3%)

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Survey Says…

- Supervisors: What Management Issue Are You Concerned About?
  - At work attitude (61%)
  - Employee Interactions/Disputes (56%)
  - Worker productivity (52%)
  - Policy Compliance (31%)
  - Attendance/Tardiness (23%)

Example: employee with recurring illness; and past absentee and tardiness issues

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Survey Says…

- Most frequent communication with HR:
  - Payroll (90%)
  - Benefits (78%)

- 26% said employee benefit issues were their most challenging issue

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HR Practice #3: Benefits

- Reduce Unwanted Employee Turnover
  - Improving from 25% to 10% turnover directly saves $20,000
  - Additional "soft cost" savings of $50,000
    - 12-weeks of wages per $50,000 employee
  - <u>$70,000 total savings</u>
- Reduce Costs
  - 22 Eligible, 75% participation, costs $100,000 / yr
  - Achieve flat annual renewal, instead of 7.5% avg
  - <u>$7,500 total savings</u>

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Benefits Strategy

- What do these organizations have in common?
  - PriceWaterhouse Coopers
  - Towers Watson
  - Kaiser Family Foundation
  - Mercer

Answer: They all study employer-sponsored health insurance plans

and here is what they have to say……..

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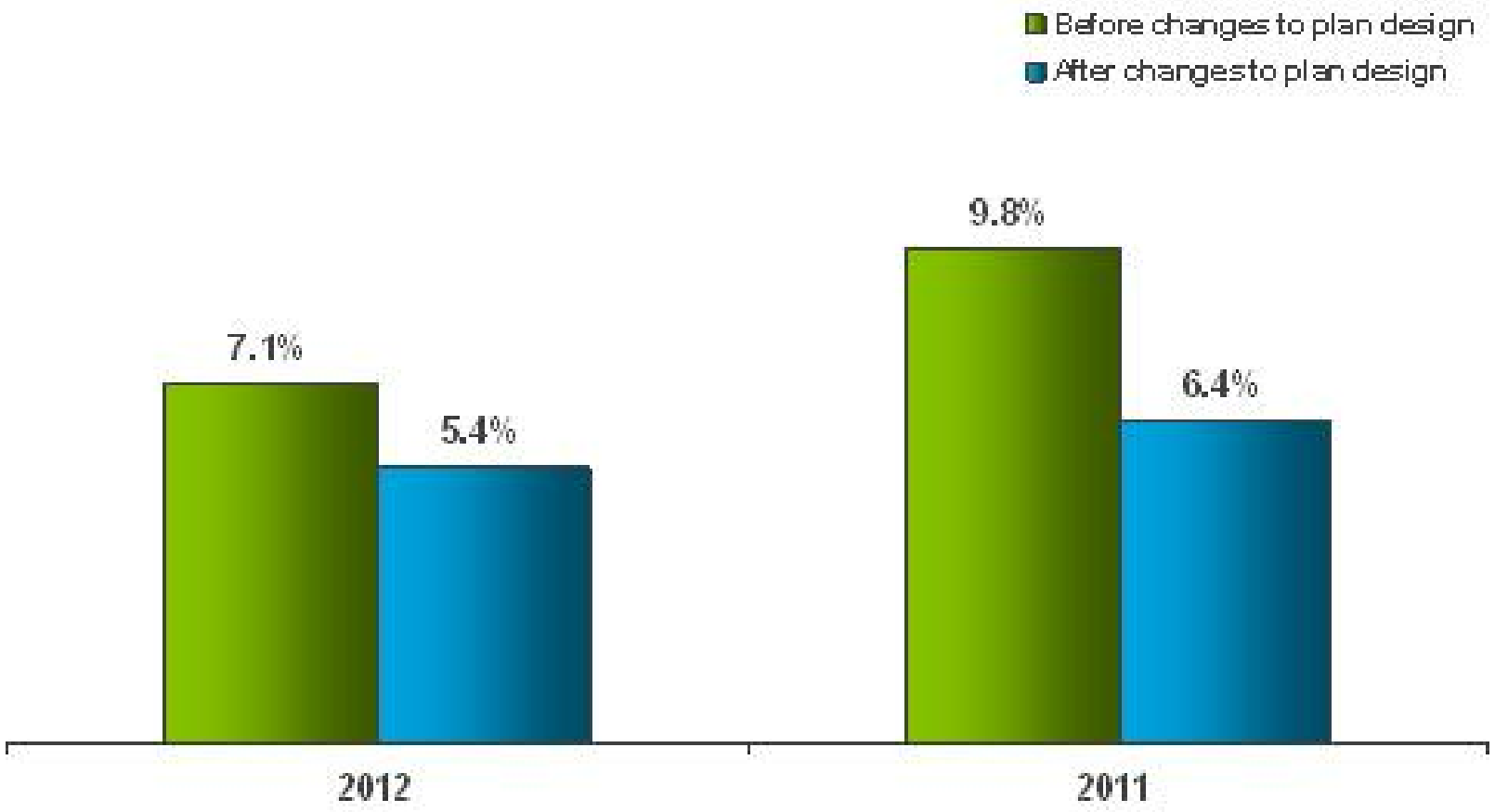
Expected increase in average health benefit cost per employee



Preliminary results from Mercer's National Survey of Employer-Sponsored Health Plans

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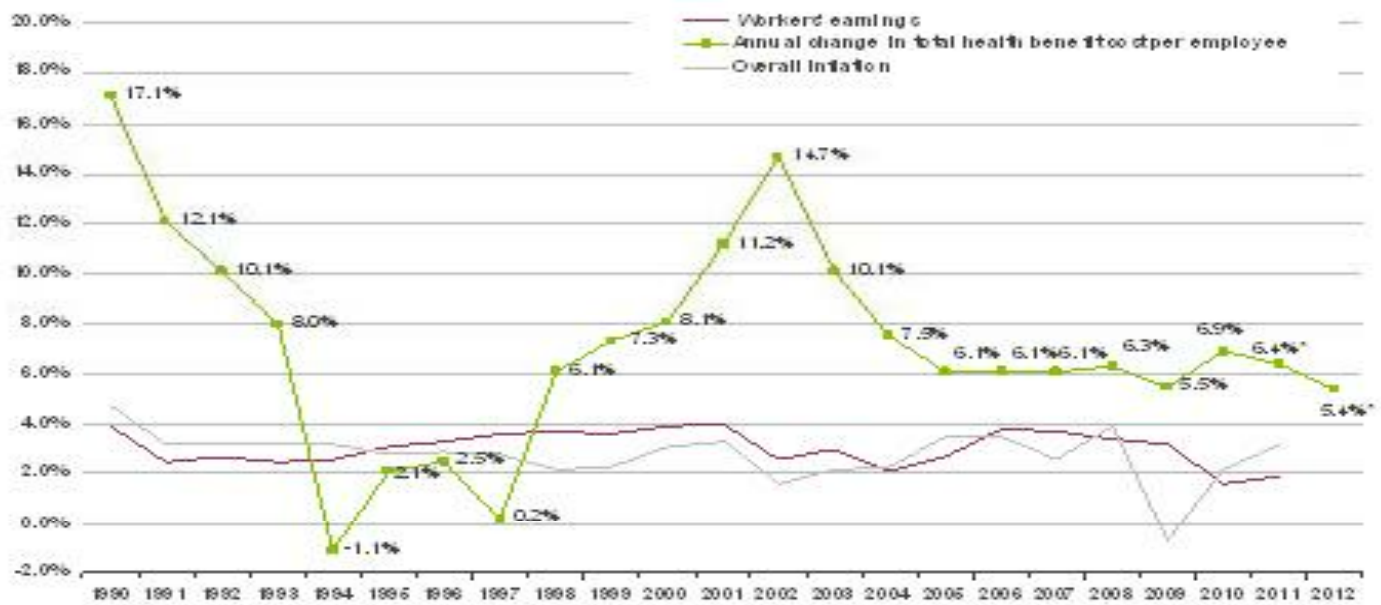
Health Ins Premium >3X rate of overall inflation for 15 years

FIGURE 1

Total health benefit cost per employee predicted to rise 5.4% in 2012, the lowest increase since 1997



*Projected

Sources: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey.

Preliminary results from Mercer's National Survey of Employer-Sponsored Health Plans

1

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And where does that leave us?

- The employer-sponsored health insurance market is in a lot of trouble
- Everyone is frustrated
  - Employees frustrated they are spending more and more out of pocket
  - Employers frustrated their portion of the cost also continues to raise, even while their employees become more and more frustrated
  - Administration of plans seems to be getting worse and worse – and the rapid pace of structural change in the healthcare/health insurance market has not helped!
  - And the state-run small group health plan market is in even more disarray, due to the mandates of the PPACA, and the impact on the rate approval process.

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What should we do?

- There is no silver bullet answer
- Be cautious with "creative" ideas
- The best solutions/ideas:
  - Wellness programs
  - Consumer Directed Health Plans (CDHPs)
    - High Deductible Health Plans (HDHP)
    - Coupled with an H.S.A. or and H.R.A.
    - Make this at least one of the plan options you offer your employees
  - (Warning: the PPACA may reduce the availability of HDHP's, due to the medical loss ratio and minimum actuarial value regulations.)

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Most Importantly

- Inform your employees about the value of the benefits your ASC pays for on their behalf
- At least annually, each employee should receive a personalized benefits statement
- Include all insurance benefits, pension/401(k), FSA/HSA
- Don't forget PTO, Holiday Pay, other paid leave (bereavement/sick)
- Other: Free parking? Access to nearby amenities? Holiday events?

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HR Practice #4: Comp Plan

- Reduce Unwanted Employee Turnover
  - Improving from 25% to 10% turnover directly saves $20,000
  - Additional "soft cost" savings of $50,000
    - 12-weeks of wages per $50,000 employee
  - <u>$70,000 total savings</u>
- Reduce Costs
  - 5,000,000 net rev, with 1,500,000 labor expense (incl. benefits, taxes, etc.)
  - Shave 0.25% of average annual wage increase
  - <u>$5,000 total savings</u>

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General Compensation Strategy

- How to interpret ASCA Salary Survey?
- Includes some guidance to adjust for
  - Geographical differences
  - Size of ASC by number of OR's or S.F.
  - Number of employees supervised
  - Case volume

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ASCA Salary Survey is an excellent starting point

- For example, how do we account for
  - Combined DON and Administrator
  - BOM who handles revenue cycle, vs BOM in an ASC that outsources billing and collecting
  - OR Tech that is also materials manager

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Job analysis… “point factors”

1. Educational requirements
2. Job-related experience, in years
3. Supervision required for the job
4. Complexity of the job
5. Physical effort required
6. Physical work environment
7. Potential impact of the employee's actions on the company
8. Internal contacts
9. External contacts
10. Supervision over others

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Point Factor Analysis

Items 8 & 9: Internal and External Contacts

FACTOR 7: PURPOSE OF CONTACTS **SCORE:**

- ☐ Level 7-2 (50): The purpose is to plan, coordinate, or advise on work efforts or to resolve operating problems by influencing or motivating individuals or groups who are working toward mutual goals and who have basically cooperative attitudes.
- ☐ Level 7-3 (120): The purpose is to influence, motivate, interrogate, or control persons or groups. At this level the persons contacted may be fearful, skeptical, uncooperative, or dangerous. Therefore, the employee must be skillful in approaching the individual or group in order to obtain the desired effect, such as gaining compliance with established policies and rules by persuasion or negotiation, or gaining information by establishing rapport with a suspicious informant.
- ☐ Level 7-4 (220): The purpose is to justify, defend, negotiate, or settle matters involving significant or controversial issues. Work at this level usually involves active participation in conferences, meetings, hearings, or presentations involving problems or issues of considerable consequence or importance. The persons contacted typically have diverse viewpoints, goals, or objectives requiring the employee to achieve a common understanding of the problem and a satisfactory solution by convincing them, arriving at a compromise, or developing suitable alternatives.

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Job grading

Conversion Table

Score	Grade	Score	Grade
1050-1150	31	2320-2565	39
1150-1265	32	2565-2830	40
1265-1395	33	2830-3120	41
1395-1540	34	3120-3435	42
1540-1705	35	3435-3775	43
1705-1890	36	3775-4140	44
1890-2095	37	4140-4530	45
2095-2320	38		

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Bottom line

- A good compensation plan is essential for walking the fine line between compensation/retention and expense management
  - Reduces unplanned/unwanted employee turnover
  - Addresses critical HR Risk Management issue

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HR Practice #5: Risk Management

- Reduce Employment Practices Risk
  - $40,000 total savings
- Reduce Unwanted Employee Turnover
  - $70,000 total savings
- Improve Productivity
  - $100,000 total savings

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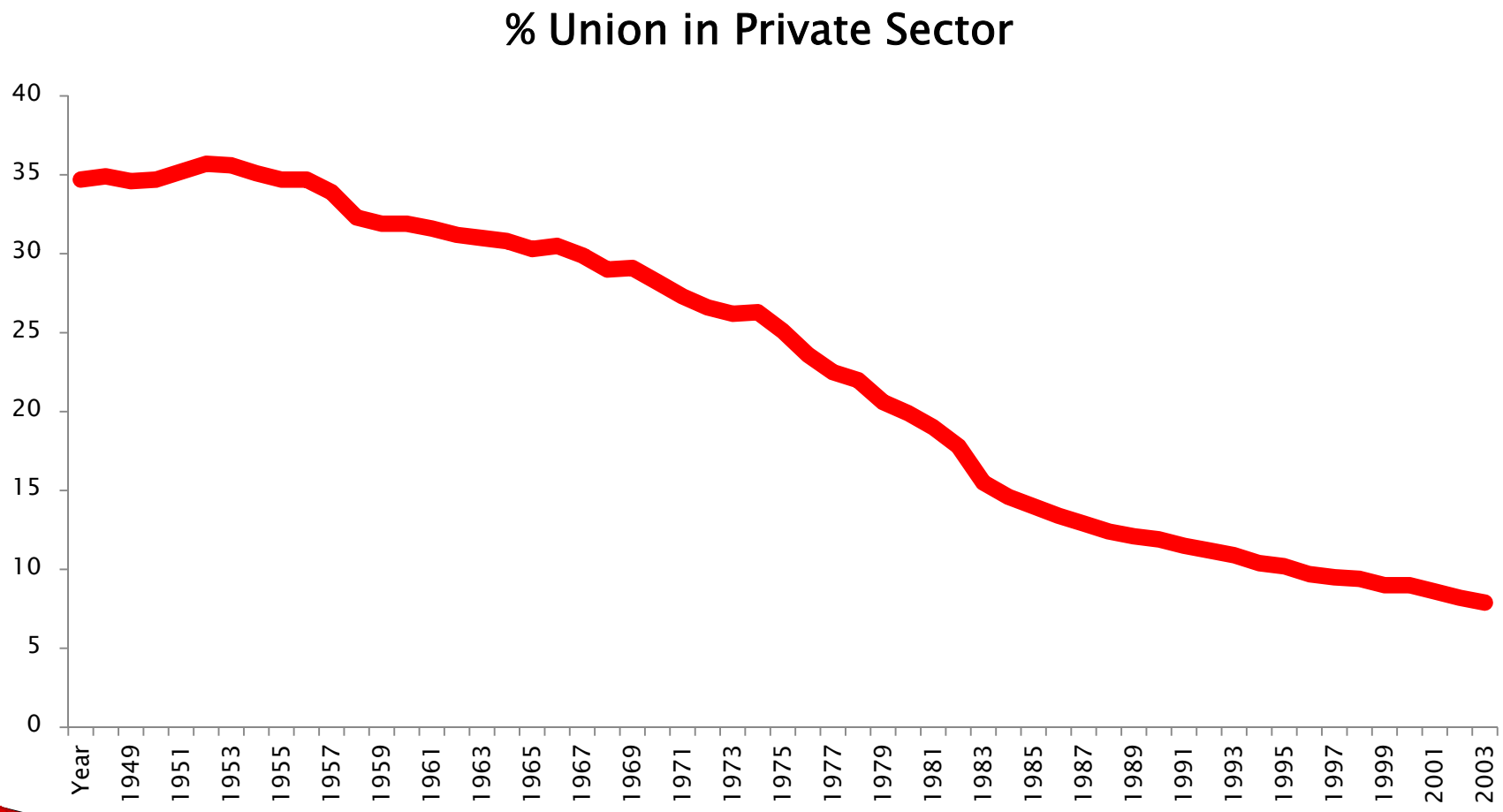
Decline in Union Membership



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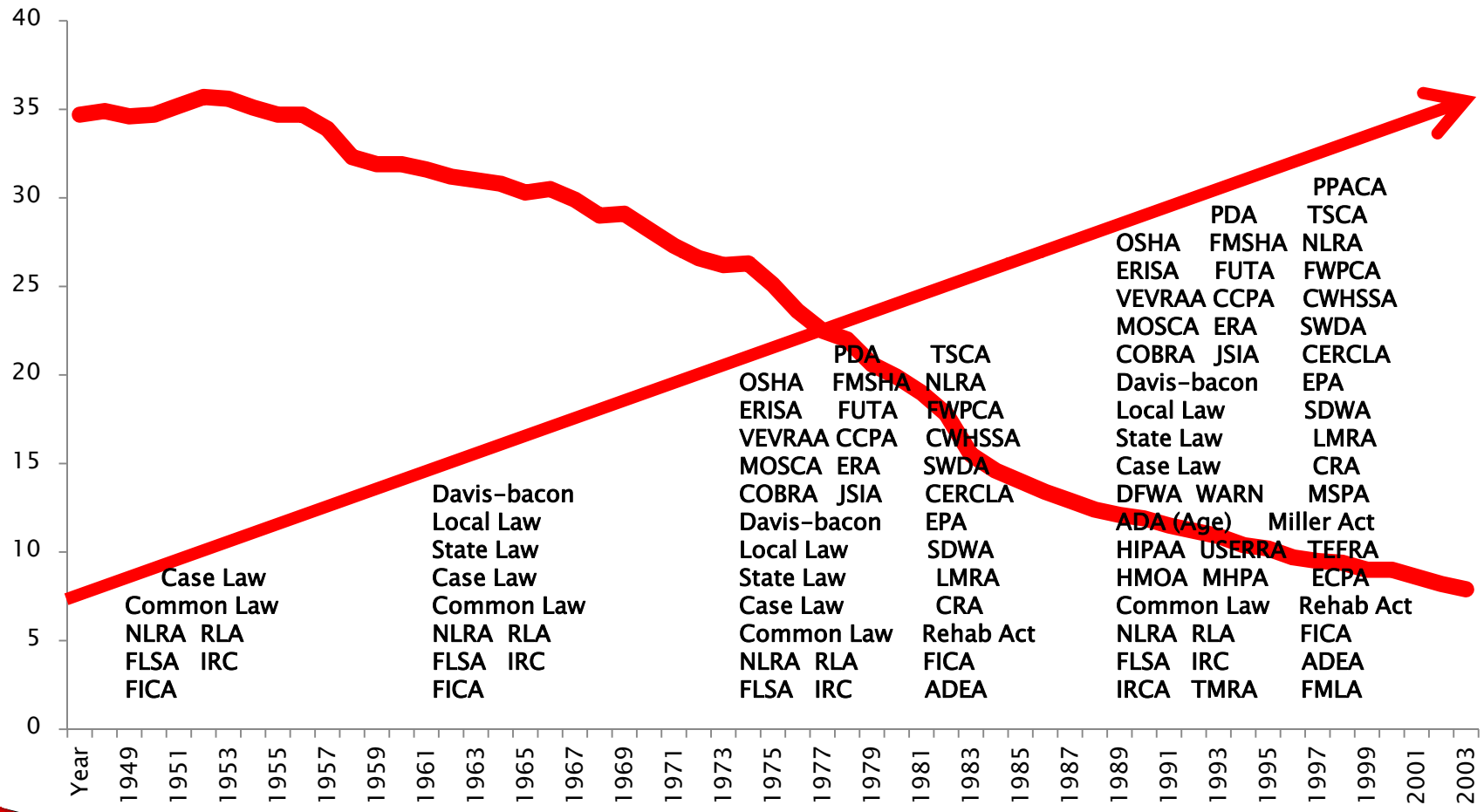
Increase in Employment Reg's



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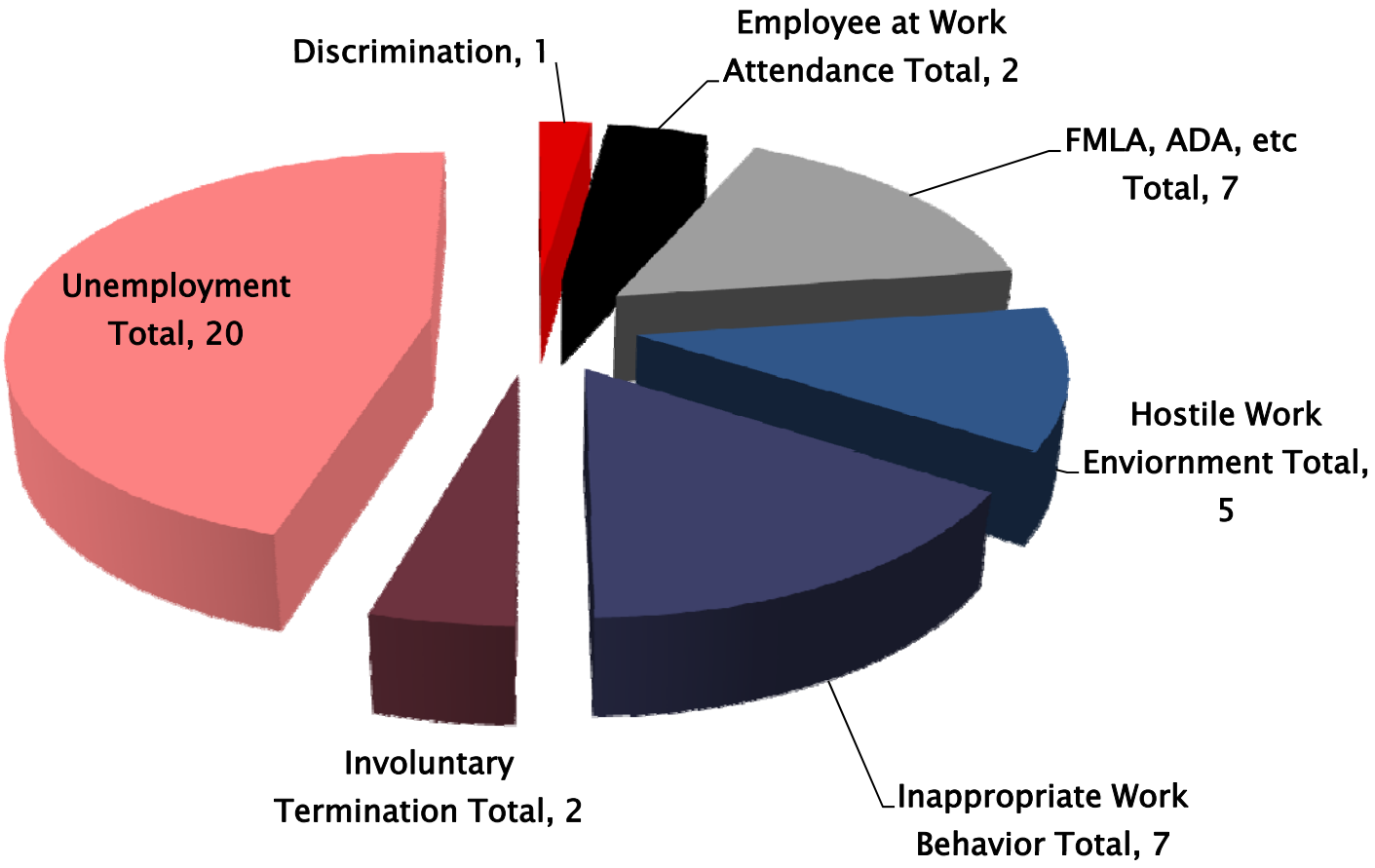
Typical Healthcare Employer Risk Profile:



Top 10 Risks of being an employer

Risk Areas	Level			Related Risk Cost			Weighing factor	Factored Risk		
								Low	Medium	High
Discrimination	low	medium	high	$25,000	$50,000	$100,000	1.00	$25,000	$50,000	$100,000
Employee Attendance	low	medium	high	$25,000	$50,000	$100,000	0.10	$2,500	$5,000	$10,000
Employee Work Productivity	low	medium	high	$25,000	$50,000	$100,000	0.25	$6,250	$12,500	$25,000
FMLA, ADA, etc	low	medium	high	$25,000	$50,000	$100,000	0.50	$12,500	$25,000	$50,000
Hostile Work Enviornment	low	medium	high	$25,000	$50,000	$100,000	1.00	$25,000	$50,000	$100,000
Inappropriate Work Behavior	low	medium	high	$25,000	$50,000	$100,000	0.15	$3,750	$7,500	$15,000
Involuntary Termination	low	medium	high	$25,000	$50,000	$100,000	0.25	$6,250	$12,500	$25,000
Sexual Harassment	low	medium	high	$25,000	$50,000	$100,000	1.00	$25,000	$50,000	$100,000
Unemployment	low	medium	high	$25,000	$50,000	$100,000	0.10	$2,500	$5,000	$10,000
Work Comp	low	medium	high	$25,000	$50,000	$100,000	0.20	$5,000	$10,000	$20,000

HR Practice #6: Everything Else

- Automation, Automation, Automation
- Integrated HRIS, Payroll and Timekeeping
  - Cloud computing / SaaS
  - Employee Self Service
  - HR Process Automation
  - Eliminates Distractions

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HRIS- Employee Self Service

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Thomas Jacobs | Change Password | Sign Out

My Self | My Team | My Company

Welcome Thomas Jacobs!

Messages and Reminders

MedHQ Customer Service Contact Information

My Self

Go to My Self to view and update your personal information such as your address, phone numbers, and emergency contacts.

- Personal Information
- Emergency Contacts
- Training

My Paycheck

Use the My Paycheck section to manage the pay records, tax and direct deposit information for your employees.

- Last Paystub
- Paystub History

More...

My Family

Use the My Family section to enter information about your dependents. This is required for benefits enrollment.

- Family Members

My Time Off

Use the My Time Off section to check your balances for sick and vacation time.

- Time Off

My Benefits

Go to My Benefits to get information on our benefit plans, do plan comparisons, and to view your current benefits.

- Benefits Summary
- Plan Information & Comparison
- Providers
- Beneficiaries
- My Benefits Links

MedHQ Customer Service Contact Information

- General Inquiry - MedHQ Customer Services Department
- Employee Benefits Question
- Human Resources Question
- Payroll/Paycheck Inquiry
- MedHQ Company Website - General Office Number 708 492-0519

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HRIS- Manager Self Service

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Thomas Jacobs | Settings | Change Password | Sign Out |

My Self | My Team | My Company

Finder

Calendar

Metrics

Task List

0 tasks

Process Name	Employee	Date Initiated

Approval History

Process Name	Employee	Date Initiated
Leave Request	Villanueva, Juan	6/4/2012
Leave Request	Villanueva, Juan	5/13/2012
Leave Request	Lubbers, Debra T.	4/26/2012
Leave Request	Lubbers, Debra T.	3/28/2012
Leave Request	Gifford, Laura A.	3/8/2012

View More...

My Direct Reports

10 employees

Employee Name	Job Title	Hire Date
Becker, David M.	CFO	12/1/2003
Gifford, Laura A.	Medical Staff Services Consultant	8/30/2010
Lau, Matthew		6/18/2007
Medina, Joel A.		5/15/2010
Merski Jr., John	Executive Director for Human Resources	10/1/2009
Orseno, Michael A.		1/11/2010
Person, John	HR Services Manager	1/1/2012
Suba, Andrew J.		2/15/2010
Taparia, Vivek	Dir. Business Dev.	6/29/2009
Villanueva, Juan	IT Network Admin.	5/5/2008

View More...

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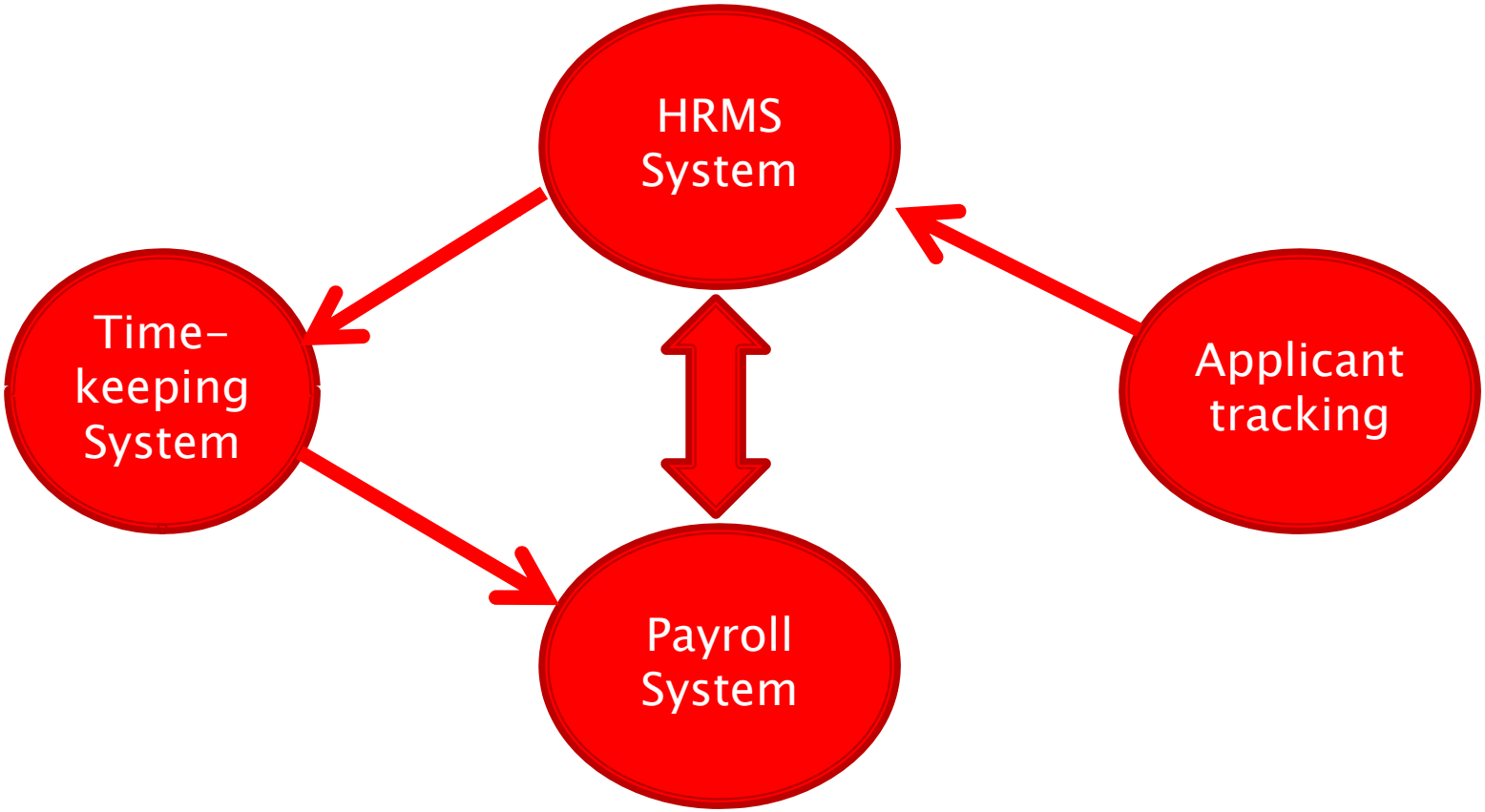
HRIS – System Integration



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Summary

Recommendations	Impact
1. Hire and Retain A Players	▸ Reduce EE Turnover ▸ Improve Productivity
2. Mentoring	▸ Reduce EE Turnover ▸ Reduce $$ Risks
3. Compensation	▸ Reduce EE Turnover
4. & Benefits Strategy	▸ Reduce Cost
5. Employer Practices Risk Management	▸ Reduce $$ Risks ▸ Improve Productivity ▸ Reduce EE Turnover
6. Automation	▸ Reduce Costs

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Summary

	Impact
Improve Satisfaction, Reduce Turnover	25% reduction = $70,000 savings
Improve Productivity	3% improvement = $100,000 savings
Reduce Employment Practices Risks	50% realized reduction = $40,000
Reduce Costs	= $15,000

$225,000 increase in operating income

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Close and Thank You

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