HR Practices That ... 

... Dramatically Improve Quality and Profits

Solving Employment Practices and Risk Management Issues for Healthcare

“piece by piece”

MedHQSM


© 2012 MedHQSM, LLC
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
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.
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
Does a Good Culture Really Matter to the Bottom Line?

What Are the Benefits?

Comparative Annualized Stock Market Returns
1997–2011

- **10.32%**
- **4.02%**
- **3.71%**

**FORTUNE's 100 Best Companies to Work For**
**Russell 3000**
**S&P 500**

Source: Russell Investment Group

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 3x.
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.
Does Improved Patient Satisfaction Really Matter to Improved Quality?[^5]

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

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

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
Do your employees behave like this?
How do our management choices affect things?

Continuous Process (improvement)

For example, How about QA/QI Programs?
Are you starting something new?
Of the 16 Areas of HR Practices

Which are most critical?
“High Impact” on performance
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
HR Practice #1: Hire “A” Players

- **Improve Productivity**
  - Drive that 39.5% of all expenses down to 36% or lower!
  - $100,000 total savings

- **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
  - $70,000 total savings
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
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)
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.
Written Interview Guides

- **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?

---

**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?

**Candidate tells stories:**

- Situation
- what they did
- end result

**Keep Candidates “out of the woulds”**

**Did answer match**

- Key Attribute?
- Values?

---

© 2012 MedHQ, LLC
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
Be excessive about your A Players

Recognize and Reward your High Performers

© 2012 MedHQ, LLC
Move Low Performers – up or out!

EE's

High | Medium | Low

UP | OUT

© 2012 MedHQ, LLC
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
  - $70,000 total savings

- 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
  - $40,000 total savings
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”
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%)
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
Survey Says…

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

- 26% said employee benefit issues were their most challenging issue
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
  - $70,000 total savings

- **Reduce Costs**
  - 22 Eligible, 75% participation, costs $100,000 / yr
  - Achieve flat annual renewal, instead of 7.5% avg
  - $7,500 total savings

© 2012 MedHQ, LLC
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........
Expected increase in average health benefit cost per employee

- Before changes to plan design:
  - 2012: 7.1%
  - 2011: 6.4%

- After changes to plan design:
  - 2012: 5.4%
  - 2011: 9.8%

Preliminary results from Mercer’s National Survey of Employer-Sponsored Health Plans
Health Ins Premium >3X rate of overall inflation for 15 years
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.
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.)

© 2012 MedHQ, LLC
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?
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
  - $70,000 total savings

- 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
  - $5,000 total savings
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
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
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
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.
# Job grading

## Conversion Table

<table>
<thead>
<tr>
<th>Score</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1050-1150</td>
<td>31</td>
</tr>
<tr>
<td>1150-1265</td>
<td>32</td>
</tr>
<tr>
<td>1265-1395</td>
<td>33</td>
</tr>
<tr>
<td>1395-1540</td>
<td>34</td>
</tr>
<tr>
<td>1540-1705</td>
<td>35</td>
</tr>
<tr>
<td>1705-1890</td>
<td>36</td>
</tr>
<tr>
<td>1890-2095</td>
<td>37</td>
</tr>
<tr>
<td>2095-2320</td>
<td>38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2320-2565</td>
<td>39</td>
</tr>
<tr>
<td>2565-2830</td>
<td>40</td>
</tr>
<tr>
<td>2830-3120</td>
<td>41</td>
</tr>
<tr>
<td>3120-3435</td>
<td>42</td>
</tr>
<tr>
<td>3435-3775</td>
<td>43</td>
</tr>
<tr>
<td>3775-4140</td>
<td>44</td>
</tr>
<tr>
<td>4140-4530</td>
<td>45</td>
</tr>
</tbody>
</table>
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
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
Decline in Union Membership

% Union in Private Sector

© 2012 MedHQ, LLC
Typical Healthcare Employer Risk Profile:

- Unemployment Total, 20
- Discrimination, 1
- Involuntary Termination Total, 2
- Employee at Work Attendance Total, 2
- FMLA, ADA, etc Total, 7
- Hostile Work Environment Total, 5
- Inappropriate Work Behavior Total, 7
## Top 10 Risks of being an employer

<table>
<thead>
<tr>
<th>Risk Areas</th>
<th>Level</th>
<th>Related Risk Cost</th>
<th>Weighing factor</th>
<th>Factored Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Discrimination</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Attendance</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Work Productivity</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FMLA, ADA, etc</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hostile Work Environment</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inappropriate Work Behavior</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary Termination</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sexual Harassment</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Comp</td>
<td>low</td>
<td>$25,000</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HR Practice #6: Everything Else

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

- HRMS System
- Applicant tracking
- Payroll System
- Time-keeping System
Summary

Recommendations

1. Hire and Retain A Players
2. Mentoring
3. Compensation
4. & Benefits Strategy
5. Employer Practices Risk Management
6. Automation

Impact

- Reduce EE Turnover
- Improve Productivity
- Reduce EE Turnover
- Reduce $$ Risks
- Reduce EE Turnover
- Reduce Cost
- Reduce $$ Risks
- Improve Productivity
- Reduce EE Turnover
- Reduce Costs

© 2012 MedHQ, LLC
Summary

Impact
- Improve Satisfaction, Reduce Turnover
- Improve Productivity
- Reduce Employment Practices Risks
- Reduce Costs

Impact
- 25% reduction = $70,000 savings
- 3% improvement = $100,000 savings
- 50% realized reduction = $40,000
- = $15,000

$225,000 increase in operating income

© 2012 MedHQ, LLC
Close and Thank You

Tom Jacobs – President/CEO
tjJacobs@medhq.net
John Merski, Jr. – Executive Director of HR
jmerski@medhq.net

Office: 708–492–0519