



HEALTHCARE FINANCIAL MANAGEMENT

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Throughout my years in healthcare administration, I used to think, "Life will be good if we can just re-engineer to cut expenses."

Later, I was sure it was just a question of finding ways to reduce length of stay. But then came managing vertical integration, managed care, patient safety, malpractice insurance, and the uninsured. All are very important issues. Eventually, I realized that after so much crisis and so many flavor-of-the-month initiatives, health care had lost the hearts and souls of its nurses-not to mention physicians, administrators, and financial managers. Many good people have left health care because they feel the barriers to delivering high-quality care are too many, they are confused about the direction of their organizations, and they no longer feel that their work is worthwhile.

As a result, agency and registry expenses are driving our labor expenses up. Staff turnover is higher than we would like. Predictions are for even greater staff shortages ahead.

High employee retention is key to service excellence and operational excellence. By retaining more staff, organizations will reduce overtime and use of temporary staff. With lower employee turnover, transition costs for new employees (e.g., physicals, drug tests, and orientation costs) decrease. Length of stay will go down because seasoned employees will move a patient through the system more efficiently. Because a retained staff understands the organization's processes and procedures, fewer medical errors and better clinical outcomes will occur. Even patient volume rises as physicians appreciate the opportunity to work with the same well-trained individuals, and thus refer more patients to the hospital. With more efficient operations and better throughput, a retained staff also ensures fewer patients leave without treatment in the emergency department. And finally, greater employee satisfaction correlates to higher patient satisfaction resulting in fewer claims and lower malpractice insurance.

But how do we win back our workforce?

Five-Pillar Leadership

The best way to ensure a retained workforce is what we call "five-pillar leadership." Five-pillar leadership is a sustained focus on people, service, quality, finance, and growth. These five pillars support an organization's journey to enduring service and operational excellence, and a key part of that excellence is a loyal, productive staff. By setting metrics under goals for each of the pillars, and by measuring progress toward the goals, healthcare leaders get results. Results in the first three pillars-people, service, and quality-drive results in the last two pillars-finance and growth.

Following are key prescriptive practices that five-pillar leaders can use to drive employee retention, examples of the kinds of results these practices can achieve, and tools that leaders use to "hardwire" strategic direction, communication, and accountability across all five pillars. The result: a culture of service and operational excellence, and a great place for employees to work, physicians to practice, and patients to receive care.

Perhaps more importantly, the tools that follow will help leaders "re-recruit" their best employees every day. By using these tools, leaders can engage in authentic dialogue with workers to remove barriers to performance; in turn, employees will feel valued and know they are making a difference.

A Domino Effect

Finance professionals quickly grasp the relationship between the five pillars of leadership and employee retention because they know what the cost of turnover means to bottom-line results. However, when I was moving up the ranks of hospital leadership, it took me some time to understand the cause-and-effect relationship between cost cutting and employee retention. When a nurse manager quit, my first thought was not "How can we fill that position?" but rather "How can we consolidate that position to save \$84,000 in salary and benefits?" So when Jane Smith left, we put nurse manager Tina Jones in charge of two units. But since Tina was managing 70 employees on two floors, the nurses she supervised didn't have the same personal relationship with her that they had enjoyed with Jane. They didn't even know when she was on the unit.

Employees typically cite an unsatisfying relationship with their boss as one of the top reasons they leave their job. It's no surprise then that turnover went up. Agency costs soon soared, and quality clinical outcomes began to decrease with greater reliance on temporary caregivers, who had a "renter" versus "owner" mentality. The result was more frequent readmissions of patients and unhappy physicians who began to refer their patients elsewhere. So my effort to reduce expenses actually cost our organization quite a bit of money.

Fortunately, this domino effect also works in reverse. As a focus on people encourages employees to become more engaged and satisfaction rises, retention then increases and drives substantial gains in each of the other pillars. As an example, consider St. Alexius Medical Center, a 321-bed community hospital in Hoffman Estates, Ill. By creating a culture of service and operational excellence, Christine Budzinsky, the hospital's CNO, reduced nurse turnover from 20 percent in 2000 to just 8.5 percent in September 2003 and nearly eliminated agency costs. The average savings that has resulted is nearly \$200,000 per month. It's no coincidence that Gallup ranks St. Alexius in the 90th percentile for employee satisfaction among hospitals nationwide.

How exactly does an organization demonstrate commitment to its people and begin this positive domino effect? Although there are many ways to encourage staff satisfaction, the following three approaches typically lead to the greatest success. In order of their impact on employee retention, the tools are:

- Effective leader rounding
- 30- and 90-day new employee retention meetings
- Peer-recommended employee selection

Effective Leader Rounding

If you can only implement one tool to engage your employees, this is the one to implement. Effective leader rounding involves creating an ongoing dialogue with employees in your own department and in other areas of the organization. The goals and desired outcomes of these conversations are very specific: to fix systems, remove barriers, model "ownership" behaviors, ensure goals are getting accomplished, and identify staff to be rewarded and recognized.

Leaders should approach rounding with key questions such as "What's going well?" "Do you have the tools and equipment to do your job today?" "Who has been helpful to you?" "Which systems can be improved?" When employees have these conversations with their supervisors, they know their boss cares about them as individuals, will listen to their concerns, and appreciates them. These are the key drivers of employee satisfaction.

30- and 90-Day Retention Meetings

It's particularly important to focus retention efforts on those newly hired. Our experience indicates that more than a quarter of employees who leave health care do so in the first 90 days of employment. To demonstrate a people-first commitment to employees, supervisors should meet with each new employee at the 30- and 90-day mark and ask the following questions:

How do we compare with what we said in your interviewing process? Employees frequently have concerns during the first month of employment that should be addressed. As an example, I remember someone newly hired in our business office who took the position because she would start at 8 a.m. and could get her children off to school. During our 30-day meeting, I learned that her start time had been moved to 7:30 a.m., and so she was already seeking a new position elsewhere. By addressing her frustration and changing her hours, the hospital was able to prevent her departure.

What's working well? In health care, we have a tendency to focus on what's wrong. This approach is good because it is how we save lives and diagnose illnesses. However, in a service-driven culture, we also must strive to promote satisfaction. By asking this question, healthcare leaders can encourage a positive mind set early in a new employee. Which individuals have been helpful to you? When a new employee offers names of other employees who have been helpful to him or her, you should recognize these individuals directly. Doing so can improve how the new employee will be accepted within the established culture. For example, a leader might want to say, "Steve, Sue tells me how helpful you've been these first days in helping her prioritize collections. Thanks so much." Instead of feeling resentful about all of the attention Sue is receiving as a new employee, Steve now perceives her as an asset—a way to receive compliments. She will immediately be perceived as more likeable by Steve.

Based on your past experience, what systems or ideas do you feel could improve our operations? This question demonstrates that the leader is approachable and has an interest in employee input. It also provides an opportunity for the hospital to harvest intellectual capital from other organizations where the individual has been employed. In health care, when employees tell us how they did it at their last organization, we often tell them, "That's not how we do it here." Instead say, "There must be many things you did at Hospital A that we could learn from here. What are those things?"

Is there anything you are experiencing that would cause you to think about leaving? The questions discussed previously have demonstrated concern for the new employee's satisfaction, leadership's approachability, a desire to make systems work, and willingness to look for and recognize positives. This question seals your commitment to the employee.

Using Peer Review for Employee Selection

Because ensuring a good initial fit is so critical to employee retention, organizations should use a disciplined approach to employee selection. One way to encourage good hiring is to have staff members in the department interview pre-screened candidates. Not only does peer-interviewing ensure the best cultural fit between the candidate and the organization, but it also fosters a sense of investment among current staff when they make the recommendation to hire.

Here are several suggestions for successful peer interviewing:

- Pilot the peer-interviewing process in a strong department before rolling it out to the rest of the organization.
- Include the department manager and those who will be working most closely with the hire in the peer interview.
- Ensure that interviewers select behavioral-based questions to ask that address not only job-related skills and accomplishments, but also communication, problem solving, and leadership skills. Good questions will also assess personality/temperament, teamwork, and integrity, as well as customer service, creativity, initiative, diligence, and ability to prioritize.
- Interviewers should rate each candidate privately using a 1-to-5 rating scale where "1" is "not a good hire," and "5" is "what a find!"
- The hiring manager should act as facilitator.

Hardwiring Five-Pillar Leadership

Strategic direction, communication, and accountability along the five pillars must be aligned throughout the organization and "hardwired" into leaders' activities to create a true culture of service and operational excellence, and to attract and retain employees. Here are some tools to help ensure consistency.

Meeting agendas by pillar. One reason employees tend to leave is that they don't understand where the organization is headed and there appears to be a new direction every few years. By aligning strategic direction with goals under the people, service, quality, finance, and growth pillars at every level of the organization, employees understand that although tactics may change, the organization's strategies remain the same.

One notable way to demonstrate the organization's commitment to five-pillar leadership is to structure all meeting agendas by pillar. Doing so provides a consistent message on strategic direction and lays an important foundation for aligning performance communications and evaluations with the organization's goals.

At Sierra-Providence Health Network, a three-hospital healthcare system in El Paso, Tex., CEO Tom Cassidy uses the five-pillar agenda as part of the communication plan he implements at all levels of the organization. At leader meetings, he requires directors to take notes and share them with department staff. Cassidy then reviews the minutes of department meetings to ensure key points are being communicated to all staff.

Communication boards. Since agendas and evaluations are across all five pillars, communications should be aligned in the same way. One useful technique is to post communication boards in each department that measure and track the department's progress. Doing so ensures all employees have access to the same current data, and it provides a means for documenting progress toward meeting the goals.

At Provena Mercy Center, each hospital department communication board includes current department-specific results by pillar, as well as a separate window with staff photos and thank-you notes from patients. Examples of results that could be posted under each pillar include:

- People: Statistics on hospital or unit vacancy rates, turnover, and featured staff
- Service: Unit-specific monthly or weekly patient-satisfaction scores
- Quality: For an emergency department, a door-to-catheterization time of 60 minutes or less
- Growth: For an operating room, the number of surgical cases
- Finance: For a nursing unit, agency costs

Valley Hospital in Ridgewood, N.J., also has found this means of communication helpful. When "better communication and enhanced reward and recognition" were listed as top opportunities for improvement on a 2000 employee-satisfaction survey, President and CEO Audrey Meyers used communication boards in combination with other tools like hand-written thank-you notes and employee forums to respond. Not only did the number of employees who responded to the survey double to 66 percent after these tools were used, but also Valley Hospital moved from the 60th to 85th percentile in employee satisfaction (AHA region two) over three years.

The leader evaluation tool. Once an organization has set clear expectations, it must hold individuals accountable for the results they achieve. An evaluation tool based on the five pillars is useful for this process.

All goals should flow from organizational objectives that reflect the organization's commitment to people, service, quality, finance, and growth. Note: Some leaders may not have goals under all these pillars. Also, goals may be weighted differently. For example, service goals may be a greater percentage of a hospital CNO's evaluation than that of a system CFO. Organizations should then use a five-point scale to rate results within each pillar (poor to very good). As a result, leaders and staff will know ahead of time how their performance will affect scores. There will be no surprises.

Organizations that structure evaluations in this way earn employee trust because it is clear that everyone is being held accountable to the same standards. As Jack Barto, CEO of Provena Mercy Center, Aurora, Illinois, explains, "The number one change we need in health care is more accountability. This value fundamentally changes the relationship between senior leadership and the rest of the leadership team. The relationship becomes more adult because expectations are clear and evaluation is objective."

The Power of Worthwhile Work

I recently met a CFO while speaking to a large group of employees at a healthcare system. He was introduced to me as "the guy focused on money" and was teased good naturedly about his aggressive approach to accounts receivable. I was impressed to learn his A/R was just 44 days. When we chatted during a break, I asked him why he got into health care. He told me that when he was in high school, his best friend had been in a car accident. He explained how he had waited in the emergency department while his friend was in surgery and what it was like when the physician told him his friend had died. He said the experience had such a profound impact on him that he decided he wanted to work in health care. But since his strength was with numbers, he became an accountant first and then sought out a finance position in health care.

He told me that the reason he works so hard on A/R is because he knows that the faster he collects money, the more quickly it can be reinvested back into the bedside. When I shared this story with my audience of hospital employees after the break, I could tell by the look in the eyes of the many clinicians who were there that they would never look at that CFO the same way again. I believe that financial managers work in healthcare for the same reasons clinicians do: purpose, worthwhile work, and the opportunity to make a difference. If we can help people reconnect to their sense of purpose and doing worthwhile work, our workforce will be engaged like never before. Five- pillar leadership is not for the meek, but the rewards are many.

WINNING BACK OUR WORKFORCE

A retained workforce is directly related to bottom-line results. But in health care, many of our best workers have left because the barriers to doing their jobs seem insurmountable and eventually take away their sense of doing purposeful, worthwhile work.

We can win back our workforce by creating and sustaining a culture of service and operational excellence.

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