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How UW Health Saved Millions with a Labor Management System

To better support its mission of conducting ground-breaking research and delivering complex care to an ever-expanding service area, Madison, Wis.-based UW Health System sought to improve its financial health by rebooting its labor management infrastructure.

During an Aug. 8 [webinar](#) hosted by *Becker's Hospital Review* and sponsored by Prism Healthcare Partners, leaders from UW Health and Prism Healthcare Partners discussed how implementing a sustainable labor management program saved the health system millions of dollars and positioned it for continued success. Panelists included:

- Wayne Frangesch, chief human resources officer of UW Health
- Philip Musgrave, manager of pricing and financial modeling at UW Health
- Stephen Lothrop, managing director at Prism Healthcare Partners
- Sachin Sharma, director at Prism Healthcare Partners

UW Health leaders understood their labor expense growth was outpacing net revenue growth and in 2017 decided they needed to develop a better understanding of labor needs and productivity. Without a more nuanced labor management approach, growing labor costs would continue to shrink the health system's margins. A common tactic to reduce workforce expenses is staffing reductions, but they often taint relationships with employees and the community. Instead, with a focus on improving staffing and position replacement practices and driving sustainable improvement UW Health, implemented a new labor infrastructure program with the help of Prism Healthcare Partners.

6 steps to improve labor management

UW Health's new program did not involve job cuts, but instead allowed for natural staff attrition to drive labor reductions. Additionally, the program prioritized flex staffing through a greater understanding of productivity. Initiating the program began with six key steps:

- 1. Establish a position review committee.** These committees use both a quantitative and qualitative approach to review new and replacement position requests "This is really the foundation of the labor infrastructure program," Mr. Sharma said.
- 2. Create a productivity monitoring system.** This tool enables departments to track workers' performance over time. It should allow managers to run reports daily or every pay period and compare actual productivity to productivity targets.

- 3. Establish productivity targets.** Establishing worked hours per unit of service (WHPUOS) as a standard measure of productivity allows every cost center to set their own targets based on both data and qualitative factors. "This process of creating department-level targets leverages frontline input and helps secure buy-in," Mr. Musgrave said.

- 4. Educate leaders.** It is vital to cultivate a system where existing and new leaders are educated in productivity management and the tools used to monitor it.

- 5. Utilize shift management tools.** These tools allow departments to make real-time staffing decisions based on current data and help determine if staff should be flexed up or down.

- 6. Draft budgets based on targets.** Incorporating productivity targets into UW Health's financials was vital to ensure everyone manages to one target budget, and also helps drive accountability for department leaders.

A long-term commitment to cultural change

UW Health looked to not only improve staffing processes but to change the culture around labor management. This long-term commitment to change takes time and patience. While it may not bring immediate results, it will ultimately yield sustainable changes that can drive savings for years to come.

"Sustainable, positive cultural change is a critical aspect of process improvement and achieving substantial savings. The opportunity to improve labor productivity begins with creating a disciplined approach to implementing goals and targets for each of the frontline managers and helping the organization's leadership support that process in a positive way," Mr. Lothrop said.

Labor management initiatives can only thrive if the tone is set from the top, and senior leadership must lead by example. Early on in UW Health's journey, there was turnover in senior positions. Leaders did not hire replacements for those roles to show employees they were committed to the new labor management strategies at every level of the organization.

"This will not be a perfect process on day one. Each incremental improvement along the way accumulates into others, you don't need to wait for perfection," Mr. Frangesch said. "Our labor cost curve slope was generated through a focus on daily results while keeping the long-term goals in mind."

To learn more about Prism Healthcare Partners, click [here](#). To watch a recording of the webinar, click [here](#). ■