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Long-Term Healthcare Trends
Managing Labor Costs

Summary

It's estimated that labor costs made up 60 percent of healthcare facility budgets in 2013. With 32 million people newly insured under the Affordable Care Act, healthcare facilities continue to face escalating labor expenses—and a larger aging population suggests long-term healthcare organizations could be hit hardest. This paper examines four key healthcare labor trends facing long-term healthcare, cost-effective technology solutions for controlling labor costs, and key features to help effectively manage labor budgets.

Labor Costs Lead in Healthcare Budgets

What chronic workforce challenge faces the healthcare industry today—and tomorrow? Improving patient care while reducing labor costs.

In 2013, labor costs accounted for approximately 60 percent of healthcare operating budgets. Consequently, managing labor costs has become a top priority for healthcare organizations around the nation.[1]

As the Patient Protection and Affordable Care Act (PPACA) goes into full effect in 2015, healthcare organizations without workforce management strategies have even more cause for concern. Under the Act, as many as 32 million newly insured people—many who are aging—enter the nation's healthcare system, putting a strain on current staff and increasing labor costs.[2]

"These factors are flourishing into significant variables that touch every aspect of the healthcare business," said J.P. Fingado, CEO of API Healthcare. "[Our research] results […] confirm what we have known for some time. The strategic development and deployment of the workforce is the key to achieving long-term sustainability in a continually evolving marketplace, and implementation of technology provides an immediate positive return on the investment."[3]

The strain may be hardest on long-term healthcare organizations. Many aging patients may require long-term care, putting these organizations at increased risk of escalating labor costs in the coming years.

4 Labor Trends in Long-Term Healthcare

Four key workforce trends challenge the labor budgets of long-term healthcare organizations. They include:

- Legal compliance obligations
- Scheduling inefficiencies
- Organizational structure
- Lack of time for effective oversight

Legal Compliance Obligations

Every healthcare organization struggles to balance federal- or state-mandated staffing requirements and caregiver-to-patient ratios without blowing the budget. But they also have to comply with federal wage-and-hour obligations such as overtime pay (under the Fair Labor Standards Act) and medical leave (covered by the Family Medical Leave Act).

The ability to work creatively and effectively within these compliance boundaries to reduce labor costs can feel like climbing a ladder in handcuffs. Even if an organization has time to find new ways to work within these constraints, chances are it lacks the ability to gather and assess information necessary for quick decision-making.

Scheduling Inefficiencies

Effectively scheduling, rescheduling and managing employees is the most prevalent workforce challenge faced by long-term healthcare organizations today.

Specifically, scheduling inefficiencies include managing overtime, ensuring part-time employees stay within their hours, and identifying employees for available shifts. An inability to manage these issues leads to labor overages, excess overtime pay, part-time employees working (and qualifying) as full-time, and more.

Organizational Structure

Organizational considerations such as multiple locations and 24/7 operation can also complicate labor budget management.

If an organization shares employees across multiple locations, it can be difficult to gauge if an employee is nearing overtime or available to pick up a shift. Additionally, employees who work more than one type of job (at different pay rates and benefit accrual rules) add even more complexity to labor budgeting.

24/7 operations bring their own challenges when it comes to overtime, holiday pay and pay periods. When does a shift end? How is overtime pay calculated if a shift overlaps the end of one pay period and the beginning of another? How is holiday pay calculated if a shift begins on a holiday and ends on a non-holiday? Without a straightforward way to handle these issues, managers lose out on important labor budgeting opportunities.

Lack of Time for Effective Oversight

Many of these challenges boil down to one key issue: a lack of time for effective oversight. Reducing labor costs through efficient workforce management requires the ability to gather relevant information quickly, assess the data and make decisions in real time.

If an employee is nearing overtime, managers need to know before the employee hits the threshold. If an employee calls in sick, supervisors need to be able to identify available workers now to take the shift.

Although a shortage of time cannot be fixed for most organizations, adding the technology to bring this data together quickly and easily can make labor cost-saving opportunities a surprising reality.

Managing Labor Costs with Time and Attendance

When it comes to cost-efficient technology, a time and attendance system offers a unique advantage for effective labor cost management. With the right features and functionalities, the system can help managers take control of their labor costs in real time and gather the data needed for responsive decision-making.

To be effective in labor cost management, a time and attendance system must offer:

- *Compliance-specific features.* Automated compliance features save administrators time and worry. A system with built-in compliance reporting and alerts for issues—such as employees approaching overtime—makes managing compliance and costs more straightforward.

- *Streamlined scheduling.* Staffing coordinators need the ability to effectively schedule employees. The right time and attendance system offers easy scheduling with built-in caregiver-to-patient ratios as well as at-a-glance views of employees currently on the job and employees who are scheduled to work. Additionally, it must offer a simple way to identify potential replacement staff with similar skills and certifications. A 28-day scheduling report also makes it easy for staffing coordinators to print and post finalized schedules.

- *The ability to handle unique organizational structures.* If an organization operates in multiple locations or 24 hours a day, a "standard" time and attendance system cannot offer the right structure to be an asset. Organizations with multiple locations need a system that both integrates and differentiates between the locations for staffing, scheduling and reporting. 24/7 operations need a system built to handle their unique shift boundaries, pay rules and holiday pay needs.

- *HR and payroll system integration.* The ability to pull data together from HR, payroll and time and attendance is a distinct benefit in labor cost management. Often, the time and attendance system serves to integrate disparate payroll and HR data in pre-designed or customizable reports. This increases the speed of data gathering and decision-making.

- *Tools for time tracking.* Managers responsible for tracking time and attendance for a group of employees need easy-to-use dashboards that present only the information that requires immediate attention. Actions should include editing time cards, authorizing time cards, viewing the group schedule and running related reports for a specific date range.

- *Tools for administrative oversight.* Facility administrators require tools to minimize unnecessary labor costs. These include the ability to monitor performance across shifts, floors and facilities; analyze ratio and census data; and run financial reports. The time and attendance system can also alert administrators to opportunities to reduce overtime while ensuring proper staffing levels, control the budget using census and labor data, analyze overtime trends and measure labor cost efficiencies.

Conclusion

Ensuring the right people are scheduled at the right time is crucial for patient care and well-being. But reducing labor costs also demands optimizing schedules, managing overtime, automating compliance and improving oversight. So, for long-term healthcare facilities looking to better manage labor costs, the right time and attendance system offers an immediate return.

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About Attendance on Demand, Inc.

Attendance on Demand supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating recordkeeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision-making.

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References

1   Brimmer, Kelsey. "Cut Labor Costs with Smarter Scheduling." Healthcare Finance News. com. 13 Sep 2013. Web. Accessed 23 Sep 2014. http://www.healthcarefinancenews.com/news/ research-ties-staffing-sustainablity

2   Ibid.

3   Ibid.

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