MERCER HPA
HEALTH PROVIDER ADVISORY

HEALTHCARE

Paving the Road to Patient Satisfaction with Workforce Analytics

EXECUTIVE SUMMARY

In April 2016, the Centers for Medicare & Medicaid Services (CMS) incorporated HCAHPS data into a five-star rating system for hospitals. The healthcare industry is now under intense pressure to boost the transparency of quality data and provide information consumers can use to make more informed decisions about their care.

We've found that most healthcare organizations are tracking metrics that measure the financials as well as patient outcomes, including overall perceived satisfaction with the quality of care. Often, however, there is little hard evidence linking specific managerial interventions to these outcomes — especially when it comes to workforce interventions.

Mercer has worked for over 20 years on projects to statistically link workforce practices to business outcomes, including patient satisfaction and financial results in healthcare organizations. Such work requires a deep expertise in advanced workforce analytics and a broader understanding of the healthcare context. Through analytics we are able to help our clients manage their workforce based on facts that show how staffing practices, employee development, rewards, and retention do (or do not) affect patient outcomes.

INTRODUCTION

Our appreciation for workforce data has evolved. An increasing number of employers across all industries are becoming more adept at calculating simple workforce metrics ranging from headcounts and turnover rates to compensation ratios and spans of control.

For 20 years now, Mercer has taken workforce analytics a step further and positioned itself as a leader in linking human capital decisions to organizational results. Business Impact Modeling (BIM) is a proprietary Mercer approach using a quantitative "big data" method to identify the workforce characteristics and people management practices that are the strongest drivers of positive business and customer outcomes. BIM shows the impact of managing employees on productivity, profitability, growth, quality and customer retention. It provides facts about the human capital drivers of organization success to address questions such as:

- What is the impact of training on sales and employee retention? Is the investment paying off?
- Is the incentive pay program producing the desired effects?
- What's the impact of part-time employment on the business?
- What is the return on investment from specific workforce interventions?

The premise is that statistically proven facts — not anecdotes — inform an organization's business and human capital decisions. While this methodology finds its application across industries, over the years we have used it extensively in healthcare to help providers improve employee, patient and business outcomes.

Meanwhile, seismic shifts in how healthcare providers are reimbursed have forced the healthcare industry to take a closer look at customer (that is, patient) perceptions. CMS

reimbursements that are now tied to HCAHPS surveys and workforce practices that drive or impede patient satisfaction are now a very real business concern.

This not only makes workforce decisions more important — it makes them more complicated. To be effective, hospitals are required to employ workers with varying skillsets, with accompanying pay structures, to impress a population of customers who typically visit against their will and are increasingly skeptical about costs.

This healthcare shift has made predictive workforce analytics not only relevant but critical for thriving in an ever-changing industry.

BACKGROUND

Medicare started requiring hospitals to gather survey data on patient satisfaction in 2007. The government is using the data to set pay levels for hospitals, with some private insurers also following their lead.

The survey asks patients about factors such as the responsiveness of hospital staff to their needs, the quality of care transitions and how well information about medications is communicated. It also asks about cleanliness and quietness of the facility and whether or not the patient would recommend it to others.

The surveys are provided to a random sample of patients within two days after they have been discharged from a hospital and must be completed within 42 days.

The healthcare industry is under intense pressure to boost the transparency of quality data and provide information consumers can use to make more informed decision about their care.

It's not Mercer's position or place to debate the merits of patient satisfaction scores. Our goal is to put clients in the best possible position for success, within the constraints of whatever law is in place at the moment.

SOLUTION

It is our view that there must be a shift in mindset for the healthcare executive; there has to be a basic understanding that the workforce does affect patient outcomes and that this impact can be measured and managed.

So our journey begins by identifying — on an organization-wide scale — which outcomes should drive the deployment and management of labor. Collectively, these outcomes are determined by the business strategy. It essentially contains all the things a healthcare organization needs to accomplish to benefit the patient under consideration of cost constraints. In the end, this strategy is determined by the market for healthcare services in the context of population health, technology, treatments, compliance and reimbursement.

Effective workforce management is then built around a people strategy that supports the business strategy. Mercer defines people strategy as a unique set of prioritized choices about people investments that enables the organization to achieve its goals. Prioritized choices in this context are workforce practices related to employee selection, rewards, performance management, training, organizational structure and so on.

Keep in mind, the people strategy is never an end to itself. Although culture and leadership preferences greatly affect how people are managed in healthcare, the key driver of people strategy is (or should be) the business strategy under consideration of a mission to serve patients.

To effectively manage the link between people strategy and business strategy, organizations require data — to us, the platitude that one cannot manage what can't be measured holds true. Making the connection between workforce data and patient outcomes is not easy, however.

Data-driven intelligence is all about obtaining the right facts to support decision-making. This area of workforce analytics — perhaps more than other business disciplines — still struggles to find the right level or rigor to obtain these facts. Consumers of data often look at the label of what is presented — such as "predictive analytics," for example — without paying much attention to the details. As a result, anecdotes or simple benchmarks/correlations are often falsely labeled or understood as "predictive analytics" or even "conclusive causal proof."

At Mercer, we believe that only rigor drives true results in this area. Rigor starts with accurate data but also includes advanced statistical methods that model data over time and control for extraneous factors when drawing conclusions. What's more, successful analytics projects require skills that go beyond data analysis and include interpretation, storytelling and change management.

We have found that widespread mislabeling of simplistic analytics has led to cynicism among HR practitioners. Yet we also experienced that with access to a hospital's data from the HRIS, employee survey, and HCAHPS or other patient satisfaction surveys, it is possible to identify compelling and significant links between employee perceptions, employee behaviors and the key business outcome of patient satisfaction.

WHAT WE'VE LEARNED

The key takeaway from our work in this area is that every organization is different and that workforce practices that drive success in one context do not necessarily work elsewhere.

Still, we'd like to share some broader insights, including:

- The clinical workforce can and often does impact patient satisfaction and other patient outcomes. In one hospital group, we found that improvements in a few staff metrics — such as retention and experience — can lift a unit from the lowest decile in terms of patient satisfaction all the way up to the median.

- Money does not always matter. In one client organization, we found that pay does not drive patient satisfaction or even employee retention. In another hospital, we found that bonuses rather than base pay reduce nurse turnover.

- Relationships matter. Nurses tend to value relationships with other nurses, as exemplified by lower turnover rates for those who felt a sense of belonging among their peers in one hospital. Furthermore, in a US hospital network, we found that units with higher employee perceptions of empowerment or enablement/connectedness to help their patients experienced higher patient satisfaction scores.

- Longevity matters. We found in two studies that increases in employee experience drive patient outcomes. Please note again that we are not just looking at correlations here — these are results from statistical analyses that isolate the effect of extraneous variables and track relationships over time.

- The staffing mix is important. A statistical analysis of data from one client showed, for example, that increases in the proportion of nurses and decreases in the proportion of administrative staff positively affected both patient outcomes and financial outcomes.

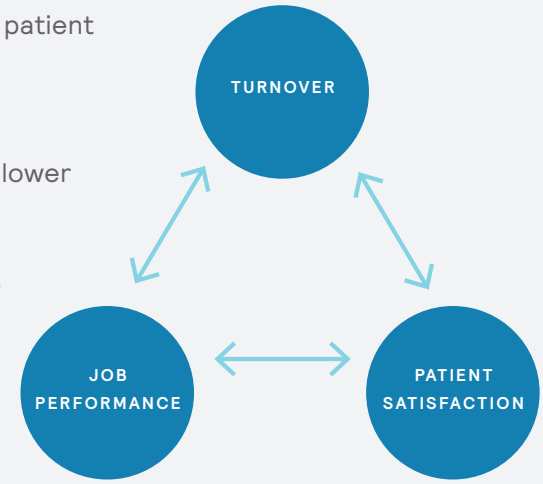
CASE STUDY 1: A FEW OF THE RELATIONSHIPS

Employee perceptions of **empowerment** to provide patient care increases retention.

Absenteeism is a leading indicator of turnover and lower performance.

Longer **commutes** lead to increased turnover.

Positive employee perceptions of **rewards and recognition** drive performance ratings but not retention.



Increased employment of experienced staff positively impacts patient satisfaction.

Pay does not seem to matter: There is no impact on retention or patient satisfaction.

Experienced employees are more likely to stay.

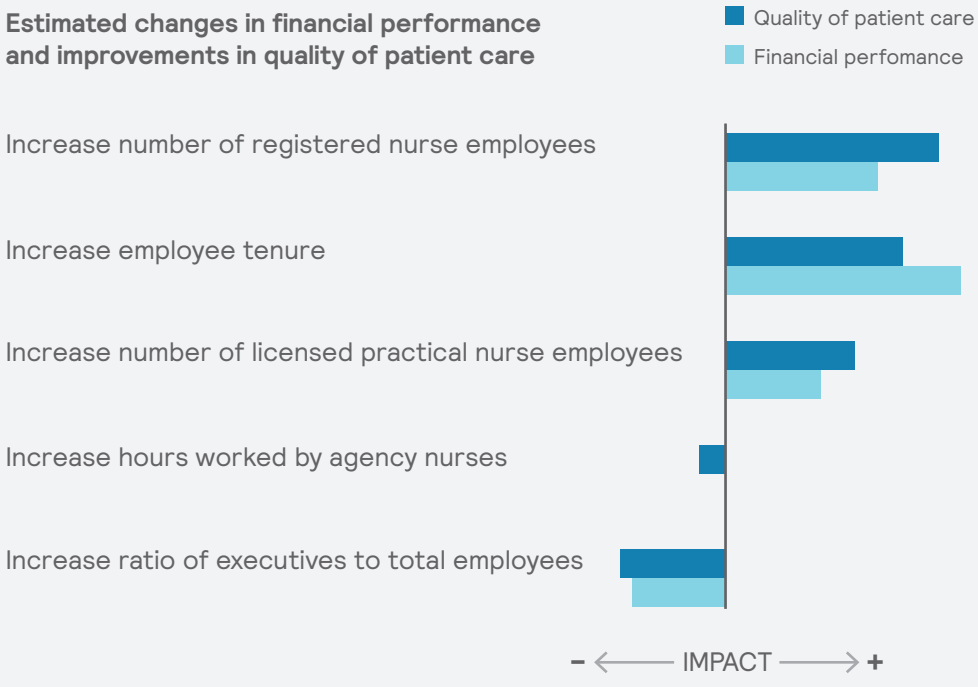
Retention of experienced workers drives patient satisfaction.

Increases in **full-time employment** improve patient satisfaction.

Interestingly, more **supervision** reduces both retention and patient satisfaction.

CASE STUDY 2: BEYOND PATIENT SATISFACTION — IMPACT ON FINANCIALS AND HEALTH OUTCOMES

Estimated changes in financial performance and improvements in quality of patient care



RECENT DEVELOPMENT: FLEX STAFFING

Flexible staffing solutions (that is, just-in-time deployment of employees depending on current customer traffic) have long been used in retail. Now, some suggest to also introduce these practices in healthcare to save costs.

The idea here is that flexible deployment can reduce overall staffing levels while still providing the same "volume" of care. To make this work, however, clinical employees have to become more flexible so that they can be deployed in different departments and locations depending on patient needs.

Based on two recent cases, we believe that such practices are a bad idea in healthcare. In one case, we found by linking employee surveys to employee retention that clinical employees who felt a direct relationship to their patients and how they make a difference were more likely to stay. Elevated employee perceptions of such "connectedness" was also related to improved patient satisfaction scores. In another case, we found in a hospital in Southern California that relationships with peers and a "sense of belonging" helped nurses cope with stress and resulted in lower turnover rates.

Additional evidence supporting our skepticism here is the widespread finding that per-diem nurses and part-time nurses have higher employee turnover rates than other nurses. Finally, in one hospital group in the US northeast we found that a larger proportion of agency/contract nurses was related to lower quality of care as measured by a battery of metrics that included hospital readmissions and cases of pneumonia.

CLIENT CASE STUDY

A chief HR officer of a regional healthcare system wanted to create a new set of people priorities based on links between employee characteristics/behaviors and patient outcomes. Over the years, her organization had collected a lot of data — which had not previously been integrated or analyzed —on employees and patients.

First, we drew on our 20-plus years of experience in advanced/predictive workforce analytics to integrate and model data from an existing database of employee surveys, HRIS, applicant tracking and existing HCAHPS surveys. Then we leveraged our broader expertise in healthcare talent management to understand, interpret and communicate the results in the context of broader business and people strategies.

Like most executives in healthcare, internal stakeholders at this healthcare system were familiar with evidence-based management approaches. They quickly embraced our approach and the results. We found for this client that factors such as retention and staffing ratios (for example, full-time employment, experience) had a significant impact on patient satisfaction. By making moderate changes in people management, the organization could markedly improve the patient satisfaction scores of a poorly performing unit. Interestingly, we found that pay did not impact retention of clinical employees or patient satisfaction. Also, employees valued autonomy, and supervision (tight spans of control) actually drove down retention and patient satisfaction scores of a poorly performing unit. Our results helped the CHRO to formulate new retention and recruiting strategies, to ultimately increase overall patient satisfaction.

CONCLUSION

In more than 20 years of doing this kind of analytical work for clients in different industries, we have learned that every analysis reveals surprises and that every set of findings is unique. With the low numbers of five-star-rated hospitals, it's clear that the road to higher patient satisfaction scores is more challenging than many initially realized. Our expertise in mining and analyzing workforce data can effectively pave the road to more satisfied patients, better survey scores and, ultimately, the financial rewards hospitals expect.

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