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## MANAGEMENT OF LABOR COSTS IN 2019

If 2018 was known as the year of FOMO (fear of missing out) and experiencing disruptive technology, what will 2019 bring? At AMS, we think there will be a focus in managing labor expense, and the reasons such as societal expectations, federal cost drivers, and automation are listed below:

- ***Healthcare is going to be expensive because we all want to live forever.*** Earlier this month Lessie Brown, dies at 114 years old. She was thought to be the oldest person in the US. People who live until 110 years old are newsworthy; that milestone used to be 100.
- ***The life expectancy in 1966 when Medicare went into effect was 74 for women and 67 for men.*** In 2018, the average life expectancy is 81 for women and 76 for men. In 1966, you received Medicare coverage at age 65. (AMS began in 1967 to help hospitals in this new era.) At 2018, you still get Medicare at age 65.
- ***Life expectancy will continue to rise with breakthroughs in disease diagnoses and treatment.*** For example, according to a November 19, 2018 article in *MIT News*, efficient motors at the microscale, thinner than one-third the width of human hair, are here. These will power bots that can crawl through the human digestive tract. Innovations like this will further increase life expectancy-soon!
- ***Is the use of robots the next big Labor/Management issue?*** Biweekly readers know that in 2018 the Massachusetts Ballot Initiative on mandatory RN staffing ratios was soundly defeated by a 70%-30% vote. As we move forward in 2019, is the next labor issue going to be automation or robotics vs. nurses? Is this going to be a union negotiating issue? Loss of jobs due to fear of automation is an issue over 100 years old.
- ***Telehealth, automation, and efficiency is an expectation, is robotics perceived as a threat?*** Artificial Intelligence has been the gateway to faster, more efficient service. Think mobile ordering for your morning coffee or tea, and kiosks for your lunch orders at fast food restaurants. With broad use in everyday life, this technology is becoming more embedded in health care and benefits the patient experience. However, robots looking and acting like people, even including holograms, will be perceived as a threat to labor and jobs. This is a different issue than automation.
- ***Managing labor in 2019.*** There are increased expectations that health system managers and directors of cost centers, work functions and departments can achieve performance and FTE targets. The implemented labor benchmarks and standards need to stand up to the scrutiny of technical questions. After benchmarks are put in place, there should be a limited time period for questions, and the resolution of data issues. Then, all management should be held accountable to achieve developed benchmarks.

For more information please email an AMS Principal, Paul Camara at [pcamara@aboutams.com](mailto:pcamara@aboutams.com), Donna Dillon at [dwdillon@aboutams.com](mailto:dwdillon@aboutams.com), Michael Foley at [mfoley@aboutams.com](mailto:mfoley@aboutams.com), Alan Goldberg at [agoldberg@aboutams.com](mailto:agoldberg@aboutams.com), or Jennifer Schuster at [jschuster@aboutams.com](mailto:jschuster@aboutams.com).

## PROJECT MANAGEMENT FOR HEALTHCARE SEMINAR MARCH 08, 2019

The Massachusetts Health & Hospital Association, Burlington MA, is a leader in state of the art education. Their staff, led by Kirsten Singleton, Executive Director, Center for Education and Professional Development, proactively researches the needs of their members for topics and programming and puts together a robust schedule of educational events year round. This is how MHA came to develop the project management seminar.

Shari Robbins, Vice President at Applied Management Systems and Lecturer in the Colleges of Bouve Health Sciences and Computer and Information Science at Northeastern University, will present the seminar entitled, Project Management for Health Care. MHA must have struck the right chord on their education topics research because on Friday, March 8, Shari will present the project management seminar for the 8<sup>th</sup> time.

This seminar is being held at the MHA Conference Center and runs from 8:30 a.m. – 3:00 p.m. To register, please go to [mhalink.org/MHA/Education/Events/2019/2918W.aspx?EventKey=2918W](http://mhalink.org/MHA/Education/Events/2019/2918W.aspx?EventKey=2918W). If you have questions, call 781-262-6059 or email Shari at [srobbins@aboutams.com](mailto:srobbins@aboutams.com).

## IMPORTANT AMS LABORATORY AND HIM ANNOUNCEMENTS

- ***January 1, 2019, greater CMS Lab payment cuts were implemented.*** Of the 1,528 codes on the 2019 CLFS, reimbursement rates will be cut for a total of 873 codes (57%) and 807 codes (53%) will be reduced by a full 10%. Many codes reached their reduction cap in 2018 and were not further reduced. In 2019, rates will be cut by 10% for many common, high volume lab tests such as basic and comprehensive metabolic panels, lipid panels, urinalysis, cortisol and B-12, CBC and platelet counts, blood and urine cultures and many others. The CY 2019 Medicare Clinical Lab Fee Schedule (CLFS) can be found on the CMS website (<https://go.cms.gov/2CmZQxe>).
- ***“Hospital outreach laboratories” must also begin collecting data to report to CMS in 2019.*** A major change to CMS reporting rules which will become effective on January 1, 2019 is that hospital labs that perform outreach testing and also receive at least \$12,500 per year of Medicare revenues from the CLFS for claims submitted using the CMS 1450 14X bill type (non-patient specimens) are now “applicable labs” for reporting purposes and must submit claims data to CMS. Other reporting restrictions also apply.

Please contact Paul Camara, Principal, at [pcamara@aboutams.com](mailto:pcamara@aboutams.com) if you have questions about this information or would like to discuss how these changes will impact your laboratory and organization, and how to prepare your lab to respond.

- ***Just Released-The Top Ten “Hot Button” Issues in Quality, HIPAA, HIM, and Compliance*** are available from AMS in a new publication. Previously, 1-4 of the Top Ten were distributed as Biweekly attachments. Now all ten are in one new publication, which is being mailed to CFOs, CIOs and HIM directors.

For more information, please contact Lynn Mancini, Vice President, Health Information Management and Compliance, at [lmancini@aboutams.com](mailto:lmancini@aboutams.com).

## How does your hospital measure up? Benchmarking provides the answers

AMS's hallmark service is labor benchmarking. Only by identifying a hospital's actual staffing levels and comparing it to our proprietary industry labor benchmark database can an institution confidently begin the process of optimizing productivity. We perform both hospital-wide and department-level benchmarks.

*Typical initial savings identified is up to 10% of total labor expense*

### Immediate Benefits

- Identify, by department and cost center, staffing based on AMS work-function level benchmarks
- Identify departments with potential for productivity and operating system improvement
- Provide a focal point for senior management to discuss labor resource issues
- Establish a starting point for improvement efforts
- Assist with development of long-term labor strategies

### Recent Results

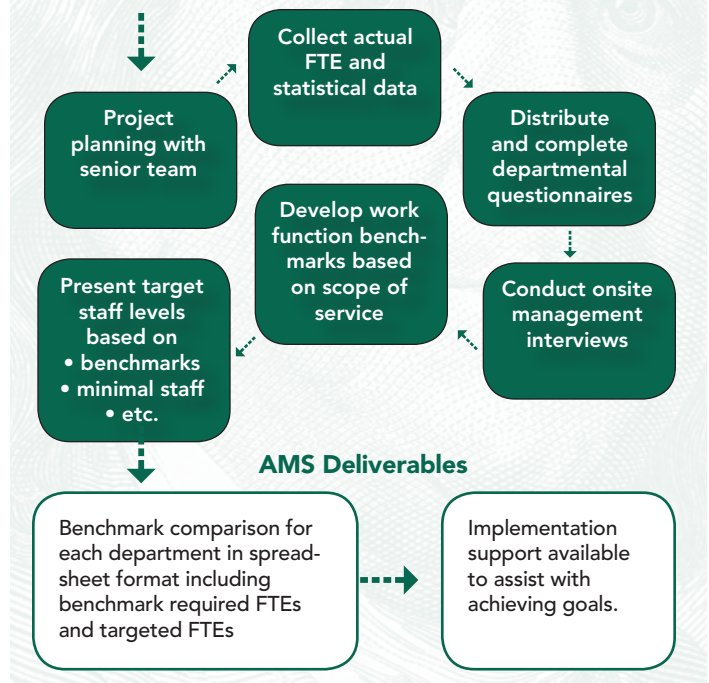
**200-bed community hospital:** AMS identified a labor improvement opportunity of 108 FTEs of the hospital's 1,250 FTEs. Eight outlier departments accounted for 50% of the opportunity.

**3-hospital, 600-bed regional system:** AMS identified areas with staffing opportunity equal to 3% (136 FTEs) of the system's 4,500 FTEs.

**Critical access hospital:** AMS identified an 8% staffing opportunity (48 FTEs) in a system of 600 FTEs comprised of a 25-bed acute care, 25-bed nursing home, 10-bed rehab unit, and support staff for physician practices.

**Average ROI = more than 30 times**

### How we do it



### The AMS Benchmarking Advantage

- Hospital-wide benchmarks compare your hospital/health system to similar institutions (size, type, and case mix) on a global basis.
- Department benchmarks are based upon a key volume indicator and paid hours per indicator for each department or area of the hospital.
- AMS's proprietary benchmarking database is based primarily on:
  - Actual studies AMS performs for its clients
  - Best practice targets developed by AMS content experts who specialize in all facets of health care.

#### Contact AMS: (800) 462-1685

Paul Camara, Principal - [pcamara@aboutams.com](mailto:pcamara@aboutams.com)  
 Donna Dillon, RN, Principal - [dwdillon@aboutams.com](mailto:dwdillon@aboutams.com)  
 Michael Foley, Principal - [mfoley@aboutams.com](mailto:mfoley@aboutams.com)  
 Alan Goldberg, Principal - [agoldberg@aboutams.com](mailto:agoldberg@aboutams.com)  
 Jennifer Schuster, RN, Principal - [jschuster@aboutams.com](mailto:jschuster@aboutams.com)