

Attracting and retaining talent in the healthcare industry

Background

Oakwood Healthcare System, a billion dollar health-care provider in Southeast Michigan has approximately 9,500 employees spread out over four hospitals, multiple ambulatory facilities and post acute services. Oakwood has ranked among the Top 100 Healthcare Networks in the Nation and won the Top 100 Cardiovascular Hospital award three years in a row.

Corporate strategy

In an effort to control costs in the late 1990's, Oakwood centralized its business processes and functions. After exceeding the goals of this centralization, Oakwood realized in mid 2003 that it no longer was able to grow at the rate it wanted in order to achieve its future business plans. With a newly decentralized corporate structure, Oakwood wanted to empower Division Presidents to make the best decisions based on the respective needs of the market.

The overall goals that Oakwood provided to each of its sites were:

- Market growth
- Profitability
- Operational excellence
- Clinical quality

Additionally, in the healthcare industry, a major issue is staffing shortages and Oakwood has not been immune from this issue. Staffing shortages would impact the sustainability of Oakwood's goals. The plan for executing the corporate strategy was left to the respective Division Presidents.

HR strategy

Oakwood's Executive Vice President of HR came to Oakwood with a passion for measurement and a desire for HR to be seen as a partner within the organization.



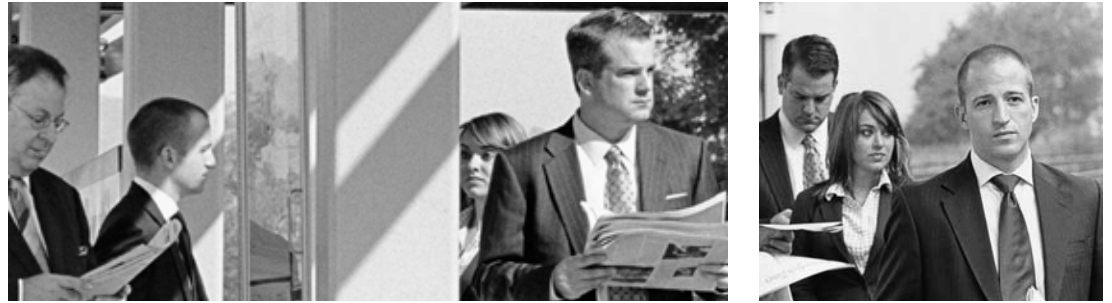
The Executive Vice President and Oakwood's leadership agreed to include human capital measurement and a set of routine metrics for measuring operating effectiveness. Based on the goals of Oakwood, HR initially decided to focus its efforts on three areas:

- Staffing
- Employee satisfaction
- Workforce effectiveness

HR believed that partnering with Finance would be key to gaining acceptance of their efforts. It would provide HR with much needed financial inputs for some of their metrics and would add credibility to their reported results.

HR action

In an effort to become a business partner, Oakwood's HR group established an HR strategic scorecard. This high level scorecard is shared monthly with the Division Presidents. The scorecard consists of Separation



Rate, Accession Rate, Vacancy Rate, Agency Costs as a Percentage of Payroll, and Overtime Costs as a Percentage of Payroll, along with several related metrics.

Monthly Oakwood metrics are compared to “target” and to “best-in-class” as depicted by Saratoga and other data sources.

A separate scorecard was created for each division. The goal of these high level scorecards is to show the divisions the interrelationship between each of the metrics and encourage Divisional Presidents to realize that taking action on results outside of the desired range could help reduce operating costs. As leaders ask to learn more about a given area in their scorecard, greater detail is provided.

Based on these results, HR put together a business case to show projected impacts of slowing down

the hiring process to get better quality hires and build a framework for understanding when to hire staff versus using agencies (a real issue in the healthcare industry).

Additionally, HR partnered with the business units from each site to look at trended data and helped them understand when voluntary turnover is most likely to occur. This enables interested business units to be proactive rather than reactive with their hiring.

Using Saratoga metrics

The HR group at Oakwood saw the importance of starting out sharing a small number of results with the organization. Oakwood uses three of Saratoga’s metrics as part of their scorecard: Separation Rate, Accession Rate, and Vacancy Rate. Understanding how well operations compare to others provides Oakwood with opportunity for improvement.

Results

HR was able to significantly streamline its hiring process while simultaneously increasing their quality of hire (as measured by Voluntary Separation Rate). HR has also been able to help business units reduce expenses by building a model showing when it is more cost effective to hire an employee rather than use sporadic agency labor. By measuring the impact of their workforce, sharing these results, and partnering with their business units, Oakwood’s HR group has been able to greatly increase their credibility and value to the organization.

Over the last year, Oakwood reduced its separations in the first 90 days-of-hire by 34% and separations in the first year of hire by 17%. These results correlated to a reduction of approximately 70 vacancies that didn’t need to be filled and improved the bottom line by approximately \$700,000. This not only helped to control expenses but also helped to improve employee morale, physicians morale and patient satisfaction.

Oakwood’s President and CEO, believes the HR Scorecard should receive the same level of attention from senior management as the monthly financial reports. These metrics are viewed as excellent decision support tools on which management should take advantage.

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