



**Human Capital Management for the Healthcare  
Industry -- 3 Ways to Cut Costs**

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Today's healthcare organizations are extremely complex. Three facets of every organization work together to fill the most important needs in a community: the delivery of healthcare services, the accounting and administration, and human capital management.

Human capital management is a set of activities related to people resource management. These activities are focused on the organizational need to provide specific capabilities and are implemented in three categories:

- workforce acquisition
- workforce management
- workforce optimization

The human capital management, provided by an HR and payroll department, are responsible for recruiting, training, employee retention, salary administration, compensation, compliance with governing agencies, and employee adherence of the organization policies and procedures.

Human resources departments in the healthcare industry are working under tight budgets. In an uncertain economy, they are looking to trim expenses, and it is common for leaders to ask their HR teams to do more with less when managing human capital. Keeping costs down can be difficult, especially in a changing business climate where everyone is demanding more with less to achieve their goals. However, savvy HR leaders have begun to discover several realms where they can remain effective without spending exorbitant amounts of money. Here are three areas where HR departments can keep their budgets lean.

## Workforce Acquisition

Recruiting and retaining talent for healthcare is one of the costliest tasks in the HR department. Cutting costs here starts with getting the right person in the right position, which keeps you from filling that position again within a short period of time. Additionally, retaining your workforce is essential to avoiding added talent acquisition costs, so keep that in mind when determining where to make budget cuts.

High turnover rates can result in considerable costs in lost productivity and training. In fact, for every \$10,000 in salary of a departed key employee, the employer loses about six days of productivity. To avoid high turnover without increasing costs significantly, conduct ongoing evaluations of employee satisfaction and provide non-monetary benefits to make employees happy.

Organizational hierarchies may need to be modified as Gen Xers and Millennials grow into leadership roles. As Gen Xers and Millennials become leaders, healthcare organizations may need to consider flattening their structure and removing departmental and management hierarchies. Gen Xers and Millennials — future leaders and the bulk of the workforce — consider organizational hierarchies as walls to creativity and innovation.

Healthcare organizations may need to adapt job requirements to accommodate emerging roles. This includes adjusting competencies so that the workforce aligns with new population health needs. For example, some jobs will need to be redesigned as technology advances.

Appropriate training and mentoring is key to employee retention and therefore eliminating future recruiting costs. Professional development can't fall by the wayside. In fact, this is one area that you may actually want to kick into high gear, as it'll be more important than ever to retain top talent.

## Workforce Management

One crucial component of workforce management in healthcare is compliance. Broadly, compliance for an organization means adhering and reporting into the law or complying to a signed contract. Compliance has two distinctive initiatives. One has to do with statutory reporting and the other with behavioral requirements:

- Compliance with governing agencies like OSHA, state and federal guidelines, Department of Labor, taxing authorities
- Educational and licensing requirements

Studies have shown that:

- The cost on non-compliance is three times the cost of compliance. The results are not only limited to fines or penalties, but also loss of certain contracts, license to practice, and lower profits.
- The biggest cost of compliance is the management overhead implying that outsourcing or automating will lower costs.
- The cost of non-compliance is usually business opportunity loss. There is potentially a dip in revenue per employee given that employees may be ignoring their core tasks in order to skirt around a compliance requirement.

Compliance tools can streamline collection and validation of information, provide automatic notification for non-compliance situations, and automatically produce required reporting.

## Workforce Optimization

Workforce optimization focuses on efficiencies and effectiveness in:

- delivery of patient services
- streamlining all administrative tasks including:
  - accounting
  - patient information management
  - human resources

Most organizations know that employee compensation is usually one of, if not the, largest operating expenses. But they may not be aware that tracking and scheduling employee's time with a time and attendance system can save their operation a substantial amount of money.

Optimizing the single largest expense, salaries, requires attention to three primary areas:

- Scheduling and Authorization of Overtime
- Actual Time Collection
- Authorization of hours worked and PTO

Weaknesses in any of these areas may result in excess costs. By showing where money is going and how time is spent, time and attendance reporting can yield quantifiable metrics that can be used to improve the way you do business. These metrics can also help management track and assess the performance of individual employees. A time and attendance system can also help business owners comply with Fair Labor Standards Act regulations since they may be more aware of when employees are approaching overtime and when they will need to be compensated for this time.\*

## Final Thoughts - Upgrading Technology

Time is money, and by improving productivity, companies can save funds in turn. Upgrading your HR technology may require an upfront investment, but will pay off down the road. For instance, consider adopting cloud solutions as a way of managing and sharing data among your HR employees. Recent Gartner survey data indicated that the market for cloud services is rapidly expanding. The firm projected that the total value of all cloud solutions reached \$17.5 billion at the end of 2015, and that figure is still rising. If you can make your employees more productive by providing them with the latest technology, you'll keep your current team in place now and save more money later.

\*In 2015, the IRS issued \$5.5 billion in penalties related to errors in employment taxes. According to the Department of Labor, an estimated 7 out of 10 companies fail to comply with wage-and-hour regulations, mainly due to inaccurate timekeeping, misclassification, and a lack of historical, well-organized payroll data. Workers have either taken notice of this fact, or the DOL's

increased wage and hour investigations and enforcement actions in recent years are turning up more infractions than before. From 2004 to 2014, Fair Labor Standards Act (FLSA) collective actions filed in federal court increased by almost 500%. By switching to an automated timekeeping system, small businesses decrease the risk of crossing Uncle Sam or getting into disputes with workers — which can lead to FLSA lawsuits.