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Systematic Performance Improvement (MIT 502)
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Subject: *Analysis and recommended strategies for achieving management goals for reduction of nurse turnover rates at Maxim Healthcare*

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I Executive Summary / Background

Maxim Healthcare (http://www.maximhealthcare.com/services/facility_staffing.asp) is a leading provider of a diverse range of home health care, medical staffing and wellness services nationwide. Their largest division Maxim Healthcare Services is a leading source of quality clinical personnel for thousands of medical facilities. Employing an ever-increasing number of clinicians, they provide aid of many hospitals, nursing homes, school systems, correctional facilities and other medical environments across the nation. Clients rely on their expertise, dependability and quality personnel.

The company strategy is to provide profitable, high quality care thru recruiting, retaining, and training of clinical healthcare providers in a highly competitive industry environment dominated by cost pressures and high field employee turnover.

They offer the following services on 24/7 or as needed basis to variety of settings:

- Registered Nurses
- Licensed Practical/Vocational Nurses
- Physical, Occupational and Speech Therapists
- Medical Social Workers
- Certified Nursing Assistants
- Sitters/Companions

Clients vary significantly in illness type, age, level and amount of care required, and socioeconomic status. Payment is primarily government based (Medicare, Medicaid) along with some (20%) private payers.

The Corporate office oversees 200+ offices in the eastern US. Along with providing legal and other professional services, it establishes policies and periodically audits performance for satellite offices. Included are on financial, medical services documentation, and employee hiring standards.

The Wilmington office serving primarily New Hanover County, operating under the corporate umbrella of controls and policies, is a stand-alone profit center responsible for marketing/sales, operations, and client billing. The organization is lead by the accounts manager (*appendix 1*), who is responsible for the complete profitability along with compliance with all internal controls and external regulatory rules. Operations involving 3 salaried and 3 hourly administrative staffers include recruiting nurses, establishing pay rates, hiring and training, scheduling, competence & quality assurance, and billing. All office employees (excluding administrative) are compensated with salary plus an annual bonus based on office profitability targets established at the corporate level. Currently they serve approximately 50 clients whose care requirements demand a staffing of approximately 200 nurses and certified nursing assistants (CNA). The staffing levels vary according to changing client base and workload availability of individual nurses/assistants. This office does not provide sitters or therapists so all hourly workers are nurse or assistants who have appropriate degrees and or training.

II Performance Problem Analysis:

The management of the company is concerned that their annual hourly nurse turn over rate is 35% which negatively impacts care quality as well as creates significant costs related to recruiting, and training of 70 new nurses per year. A nurse not working for maxim during last 180 days is considered a new employee.

The task is to analyze this problem and recommend strategies to reduce turnover by at least 50%, which is management established goal

If these levels can be achieved, the value to the company can be measured in terms of:

- Reduced recruiting, training, and administrative hiring expenses: \$35k /yr. (35 nurses x \$1000 per nurse)
- Profitability on retention of previously lost client business to quality issues: \$50-\$100k/yr.

Organizational Environment:

The company operates in a very competitive environment with several local competitors vying for the same client base. Overall demand for these services is growing 5-7% per year. A majority of these services are government paid thru either Medicare (elderly) or Medicaid (income based). In order to qualify for government reimbursement, strict controls on client documentation as well as nurse qualifications and competency are audited. Also, drug and criminal background checks are required on all new hires. Payment rates for many services are fixed according to government reimbursement schedules, therefore pricing of services is relatively fixed. Profitability comes from minimizing variable labor costs (Nurses and CNA's) while providing competitive service and care quality.

The company seeks to compete in hiring the most qualified nurses from a pool of local nurses and CNA's growing 5-10% year. The client has a generally good reputation amongst clients and nursing pool.

Work Environment:

Operating in a relatively small rented office in a central location convenient to public transportation, the company has 6 permanent employees. The accounts manager and clinical director have private offices while others have grouped workstations. An intranet is used by all for tracking client nursing needs; current and past nurse personal information, financials, and communications. Nurse/Client schedules are maintained on a large wall smart board. The environment is generally positive and the company makes an effort to provide nurses with small tokens of appreciation such as free pizza on payday and gifts on nurse's week.

In addition to marketing the company services the account manager negotiates all client billing and nursing pay rates, and supervisors all office activities and personnel.

The two recruiters play a key role by working in tandem to recruit and schedule nurses to meet client needs. They are both experienced and relatively proficient in their tasks.

One administrative person handles personal information for current and new hires as well as maintaining training records. The clinical directors prime responsibility is the assurance of quality care thru client/nurse audits and training management. The nature of the business creates an environment of continual crisis management and the permanent employees are under a fair amount of stress on a continuous basis. The Corporate office monitors revenues and profits regularly and applies pressure to reach monthly and annual targets. The work environment for nurses varies significantly and can be difficult especially with the in home settings and or late night shifts. Interviews indicated this environment along with shift times is a major factor in nurse turnover.

Work:

Nurses and CNA's provide a variety of services from simple care giving to major medical treatments such as administering drugs and running ventilator equipment. The level of nurse (RN, LPN, CNA) needed for individual clients is based on the level of treatment needed. Nurses typically work either 40 or 20 hrs a week, which can vary from week to week in terms of specific days and shifts. They also must be flexible in terms of working with different patients as nurse turnover quite often creates a domino affect on scheduling which can impact several nurses. Nurses are notified of their weeks schedule 2 days ahead (i.e. Notified Friday of next week) They are paid at or above the prevailing hourly rate for their specific nursing level within this area, with special bonus's offered to entice filling difficult client cases. A competitive benefits package including health insurance is available after 90 days of continuous employment. Training time is not compensated.

Workers:

This group varies widely in terms of age, experience and availability. About 50% are part time workers who typically exhibit a low level of employer loyalty instead migrating amongst companies that can offer a specific pay and convenient schedule. Maxim's current nursing mix includes: RN 40%, LPN 30%, CNA 30%.

III Performance Gap Analysis

In analyzing the issue of employee (nurses) turnover, many significant related factors at different levels within and external to the organization must be evaluated from a standpoint of what's happening now and what should be happening to positively impact this performance issue.

As I previously stated, management has established a performance benchmark of reducing turnover by 50% within 6 months, which offers a significant financial opportunity.

Gap analysis sources included interviews with local office manager, all internal staff and 10 nurses (7 active, 3 inactive).

(A summary chart of all relative performance gaps is included as appendix 3)

Organization Environment:

At the organizational environment level, which includes the external environment of clients and corporate management, several related factors exist, *as indicated on appendix 2*). Those within maxims ability to change include:

Clients: In a very competitive market, the company is focused on client satisfaction/retention to the point that it allows clients to dictate the specific nurses that it provides for client care. A small percentage of clients are difficult to please in that personality clashes develop which create situations where clients will reject or terminate qualified nurses thus disrupting overall nurse scheduling. One nursing assignment change causes a domino affect, which creates difficulty for schedulers, and more importantly disrupts schedules of many nurses. What should be happening is maxim should provide training to nurses in how to better handle these situations and/or taking a look at the disruption and cost of servicing this small percentage of clients with an attitude of is it worth serving them when total costs to the organization are considered.

Corporate management: Located in NJ a small group of executives along with local office account managers, develops and implements the long term strategic plan and annual operating plans of the company which has established long term targets for higher than industry growth of revenue and profits. All corporate and office staff are incentivized with a potential year-end bonus based on local office profitability. However the business is managed on a very short-term basis with constant pressure on local offices to reach monthly targets. This causes staffing and other decisions to be based primarily on maximizing the current months profits often to the detriment of long-range profitability and growth. What should be happening is local management should be given leeway to make decisions that will positively affect the longer term success of their business without the constant pressure from corporate for weekly /monthly financial performance.

Work Environment:

At the work environment level, many factors come in to play which affect nurses turnover rates.

Culture: Nurses are viewed as a commodity, with little concern given for their needs and desires. Their client assignments and schedules are predicated solely on meeting needs for client services. Policies should developed to allow more consideration of nurses individual situations, skills, and personal needs when assignments are scheduled by the recruiters/schedulers.

Physical environment:

The office setting for staff is crowded and somewhat chaotic. Staffers, especially the two recruiters/schedulers have little privacy and nurses hiring and scheduling is done for all to hear. These people should have private offices in which to conduct tasks, which can be personal and private in nature.

The work environment for nurses varies greatly according to the client setting. Some are clinical or school settings, however approximately 80% of nurse services are provided in the clients home. Nurses must be able to deal with a multitude of work environment issues including location, other family members, cleanliness, availability of supplies (provided by client) on a constantly changing basis. What should happen is Nurses are committed to single clients where possible in order to reduce changes and allow for development of familiarity with settings and client relationships.

Compensation:

Maxim strategically pays salaries at or slightly above competitive rates. Pay is negotiable depending on level of care needed and nurse qualifications. A healthcare benefit is available after 90 days of employment. No annual compensation review/adjustment is provided. A compensation system based on performance and longevity of employment should be in place aimed at reducing turnover. Recruiters/schedulers are salaried employees making \$25-430 k/yr with an annual bonus based solely on overall profitability.

Performance Objectives;

No measurable performance goals exist for any of the sub-systems or processes including those affecting nurse retention. In order to start to deal with this problem, the factors affecting turnover should be identified and performance measures established and measured and monitored at all levels of the organization.

Work:

The actual work performed by both nurses and scheduler's affects nurse turnover, especially as it applies to the recruiters/schedulers.

Recruiting/scheduling:

The two recruiter's schedulers share simultaneous responsibilities for recruiting, hiring, and scheduling of nurses. This leads to confusion and overlap of efforts. Neither of them has received any formal training although one has a bachelor's degree in business. Most of their efforts are dedicated to short-term fire-fighting to serve immediate client needs. What should be happening is a distinct separation of the recruiting, hiring, and scheduling functions between them with appropriate training and performance measures provided. Also some effort to non short-term issues such as building a "stable" of qualified nurses available for hire would allow for improvements in the ability to hire qualified nurses who would bring some stability.

Staffing:

One employee processes all new hire paperwork, background checks, drug tests as well as personnel and payroll. This is done manually which is very in effective and causes the creation of tremendous paperwork, potential for errors and lacks ability to quickly analyze historical information. This should be computerized.

Nurses:

They provide a wide range of services based on qualifications and client needs. They must move from assignment to assignment without the benefit of training for a specific condition or equipment use. No support systems exist in order to help them deal with various "non- nursing" issues which emerge in client home settings and there is no team concept whereby they can share suggestions or discussions with other nurses in similar

situations. What should be happening is the establishment of a system of communication and empowerment amongst nurses, whereby issues such as work schedules, and work environment can be resolved through working together on client teams.

Workers

Competency;

Nurses are hired on a who's available now basis as opposed to the most qualified. This contributes to the turnover issue as quite often nurses are put in situations where they are not completely qualified or suited. A system identifying and documenting the qualifications, preferences and interpersonal skills of all current and potential nurses should be established. As previously mentioned performance measures based on client satisfaction should be established.

Training:

Some basic training is provided at new hire orientation as well as specific competencies related to a specific clients' needs once they are assigned that client. No "non-nursing" interpersonal type skills are trained or measured. In addition a lack of training management and competency tracking exists as well as the ability to deliver effective, user-friendly convenient training. Most training is paper based manuals or group presentations, which lack effective assessment.

Motivation;

Nurses lack motivation for longevity at the company. By nature most are motivated by client care, however they are not compensated for succeeding in difficult situations or for inconvenient work schedules. Many of these nurses have family responsibilities which create the need for consistent work schedules which, given relatively similar pay, becomes their primary criteria for which company they work. Also no system of feedback such as exit interviews exists. What should be happening is a more concerted effort to understand nurse's needs and motivation based on surveys/interviews with current and x-employees. Compensation and other benefits should be based on these needs.

IV Recommended Strategies and Implementation Plan.

In order to create an effective and long-term action plan aimed at company goals of reducing nurse turnover by 50% within 1 year several key performance gaps need to be addressed.

At **the organizational environment level**, the critical gaps relate to:

1. The corporate management focus on strict control of short-term labor costs.
2. A lack of mission statement and policies aimed at retention and satisfaction of all employees.

Goal: Corporate value of committed employees and local authority to manage as needed.

The strategy needed is for corporate management to develop and communicate new policies to create an environment whereby all employees are motivated to become stable long-term employees.

Strategic Tactics:

- A corporate mission statement should be created, communicated, and sold which commits the company to the satisfaction of its clients and placing high value on all employees.
- The local manager should be given authority to negotiate compensation and benefits for nurses on an individual basis.
- Corporate focus on short-term labor should be replaced with annual focus on labor plus recruiting plus training expenses.
- A policy of increases in compensation/benefits based on longevity is made available.
- Establish a program of formal recognition for longevity milestones, including corporate newsletter articles and bonuses.

At the **work environment level**, the key performance gaps relate to:

1. Crowded chaotic office environment for recruiters and schedulers.
2. Disproportionate amount of turnover related to a few difficult cases.
3. Lack of advance planning needed to meet nurse's desire for stable, consistent schedules.

Goal: Scheduling process, which meets needs of clients and nurses.

The strategy needed is to create an office environment conducive to allowing scheduling process to be developed and committed to weeks in advance, which meets needs of nurses and clients. Place nurses in difficult cases who have (or will get) appropriate skills training needed and keep them there.

Strategic Tactics:

- Redesign office to provide private work areas with dedicated PC's for schedulers
- Purchase and Implement scheduling software, which includes profile of individual nurses strengths, skills, and schedule desires along with unique client needs.
- Establish system of monitoring and intervention by local manager with clients who consistently present difficult environments for nurses. If necessary discontinue services.
- Create a team-based attitude with periodic rewards for all based on certain company wide performance measures.

At the **work level** many issues need addressing.

1. Effectiveness of both scheduling and hiring/personnel functions.
2. Lack of training for both staff and nurses related to their specific functions or clients needs.
3. Lack of performance measures and reward/consequences program for staff and nurses

Goal: all employees have skills and motivation to meet well understood and monitored performance measures.

Strategy: Assess needs of each job and insure adequate skills through proper placement, training and periodic performance reviews with improvement plans.

Strategic tactics:

- Separate current shared scheduling/recruiting function into a full time scheduler and a full time personnel manager. Provide training as needed. Both have performance measures, which include nurse turnover rates.
- New personnel manager creates job descriptions.
- Drive down decision making to empower workers without fear of punishment.
- Reward and recognize success frequently amongst staff and nurses.
- Establish an open system of communications between individual nurses and staff to identify their issues early and develop support systems and solutions such as interpersonal skills training.
- Implement performance measures and reviews for all nurses overseen by full time personnel manager. Communicate their importance and support to meeting company goals.
- Require exit interviews between local manager and exiting nurses.

The **workers** provide a current and potential strength to the organization in that they are generally well motivated and willing to accept change. The primary issues to date related to turnover are the management obstacles in place.

Goal: All workers understand their responsibilities, and have skills and tools to succeed in their specific roles (staff and nurses).

Strategy: Establish clear measurable performance expectations at all levels, which support overall company goals, and create an environment, which motivates and empowers them to succeed.

Strategic Tactics:

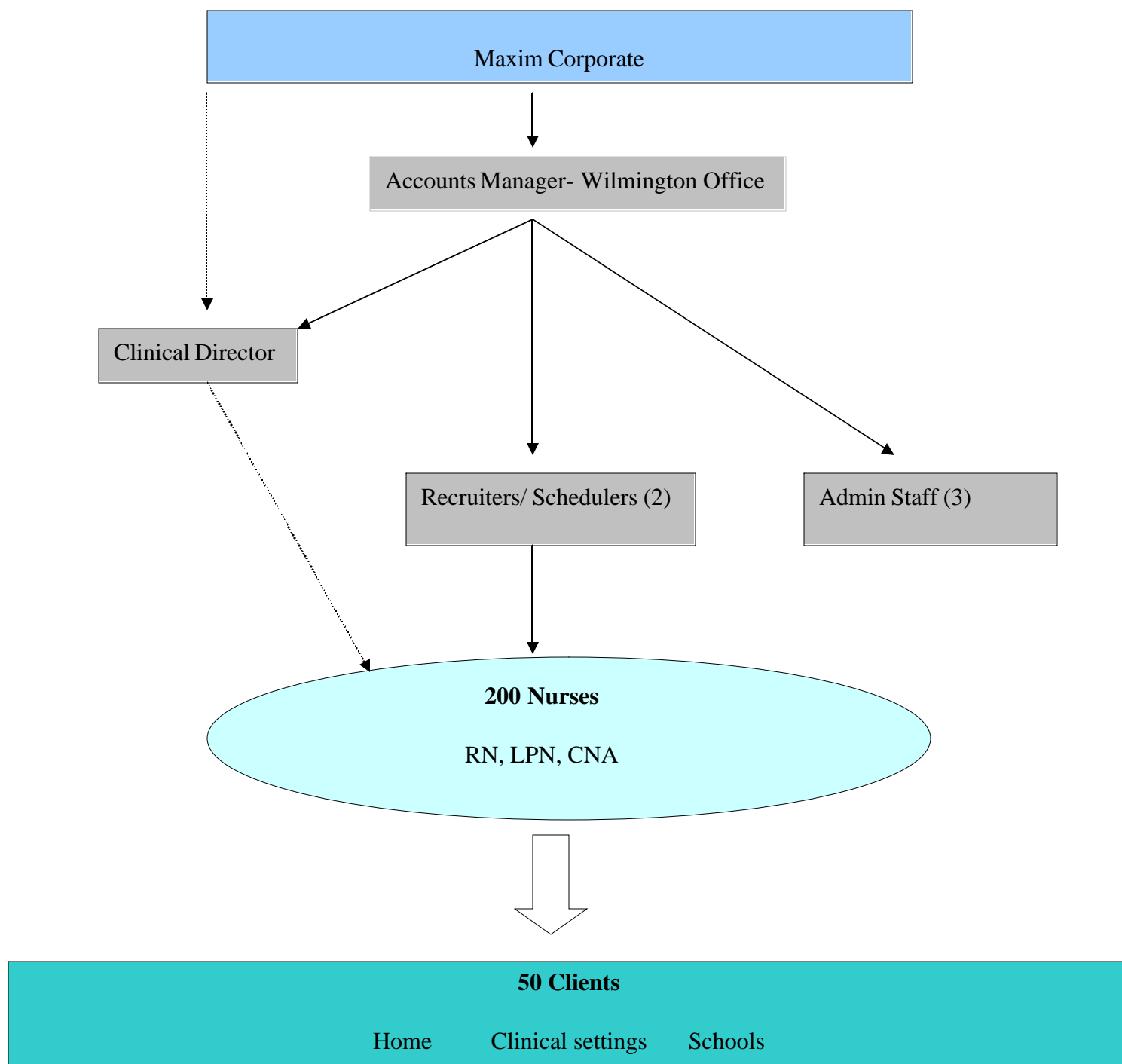
- Insure/improve quality of nurses by more effective hiring process- with special focus on applicants work history and ability to handle difficult cases.
- Require and reward continued education and training at all levels.
- Participate in recruiting at nursing schools and job fairs.

Summary

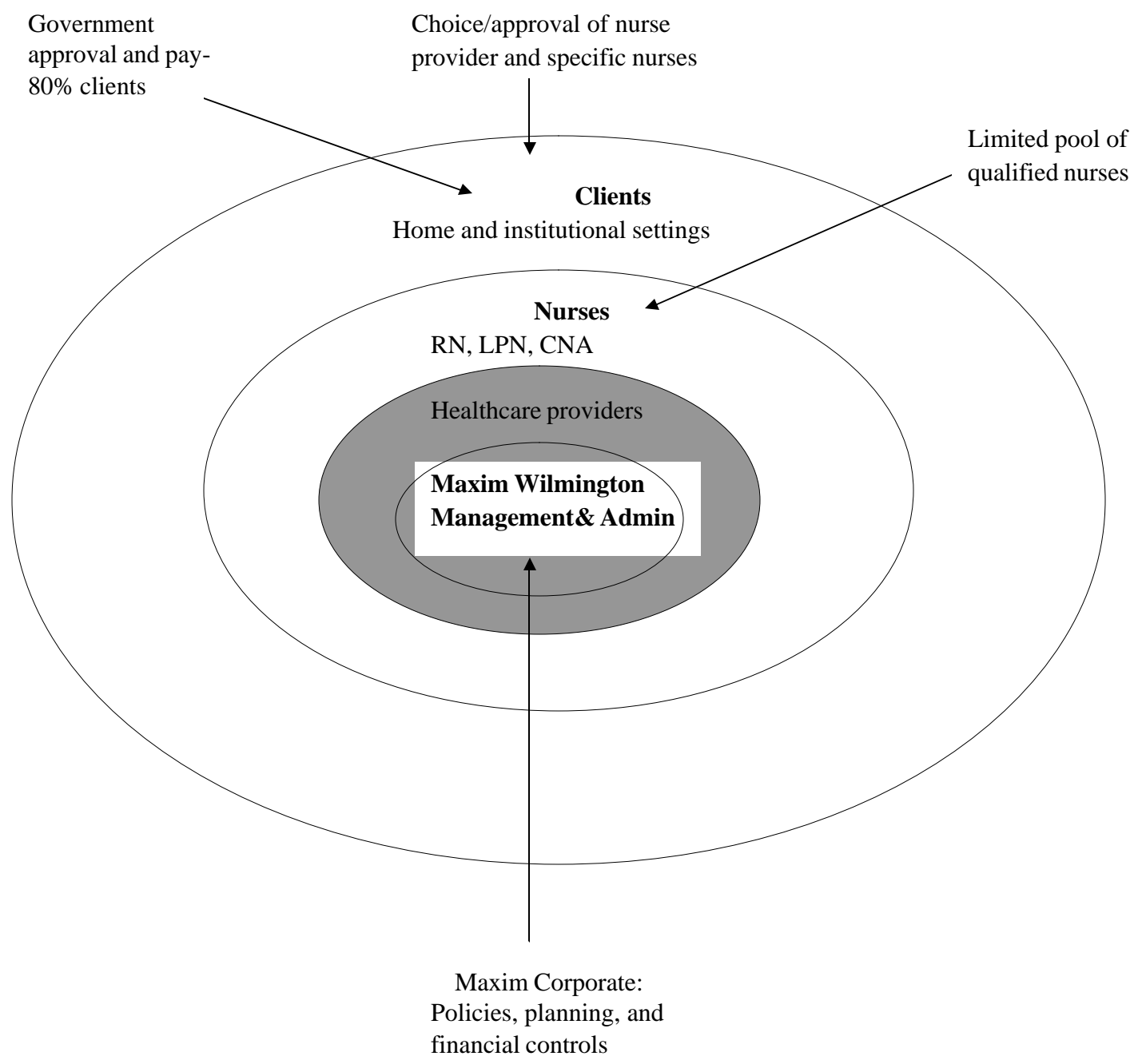
Implementation of these strategies and specific tactics will cost approximately \$25k in year one with minimal cost after. No new resources are required. By implementing a program from the top down which is aimed at maximizing the performance of staff and nurses, approximately \$84k can be added in the first full year with further savings carryover into the following year. In addition the company will be much more efficient, the workers stability and satisfaction will be increased, and the company will be in a much better competitive position.

Implementation of these strategic tactics is low risk as costs are minimal and positive results will occur. The main obstacles will be convincing the corporate management to rethink its attitudes and policies along with local managers ability to lead and manage change.

Appendix 1: Organization Structure: Maxim Healthcare, Wilmington office



Appendix 2: Maxim Healthcare-Organization Environment and Impacting factors



Appendix 3: Performance Gap Analysis

IS NOW	SHOULD BE	GAP	TYPE	IMPACT/COST	PROBABLE CAUSE
Organization Environment					
Profitable growth	More	Incremental profits	Current positive	Have financial resources	Aggressive smart management at local and corporate level-good strategy, growth business.
Local management recognizes problem	Ability to implement solutions	Need solutions	Current & future positive	Have Willingness to take action	Healthcare professionals in demand- limited training schools.
Severely Limited pool of qualified nurses	Adequate supply	Supply vs. needed	Current negative	Not controllable	Short term mgmt focus
Corporate mgmt controls on monthly labor expenses	Focus on annual profits	Local management ability to manage annual profitability	Current neutral		Client dissatisfaction-competitors
Estimated clients lost (market share) due to nursing turnover	None	10-20 clients/yr	Current negative	\$50-100 k/yr increased profits	
Work Environment					
Most turnovers involve small percentage of clients-difficult conditions.	Turnover same for all clients	Nurses lost at small percentage of difficult clients	Current negative Future positive- If resolved	Difficult clients become unprofitable due to high turnover related expenses.	Nurse's professional and/or interpersonal skills lacking for difficult cases. Unsatisfiable clients?
Crowded chaotic workplace for recruiters/schedulers	Privacy	Adequate workplace	Current negative	Staff efficiency and morale	Rent Expensed controls Constant crisis environment
Nurses dissatisfied with assignments and schedules.	Nurses satisfied	35% nurses	Current negative	Nurse morale and effectiveness.	Recruiting errors Assignment errors Disregard for nurse needs

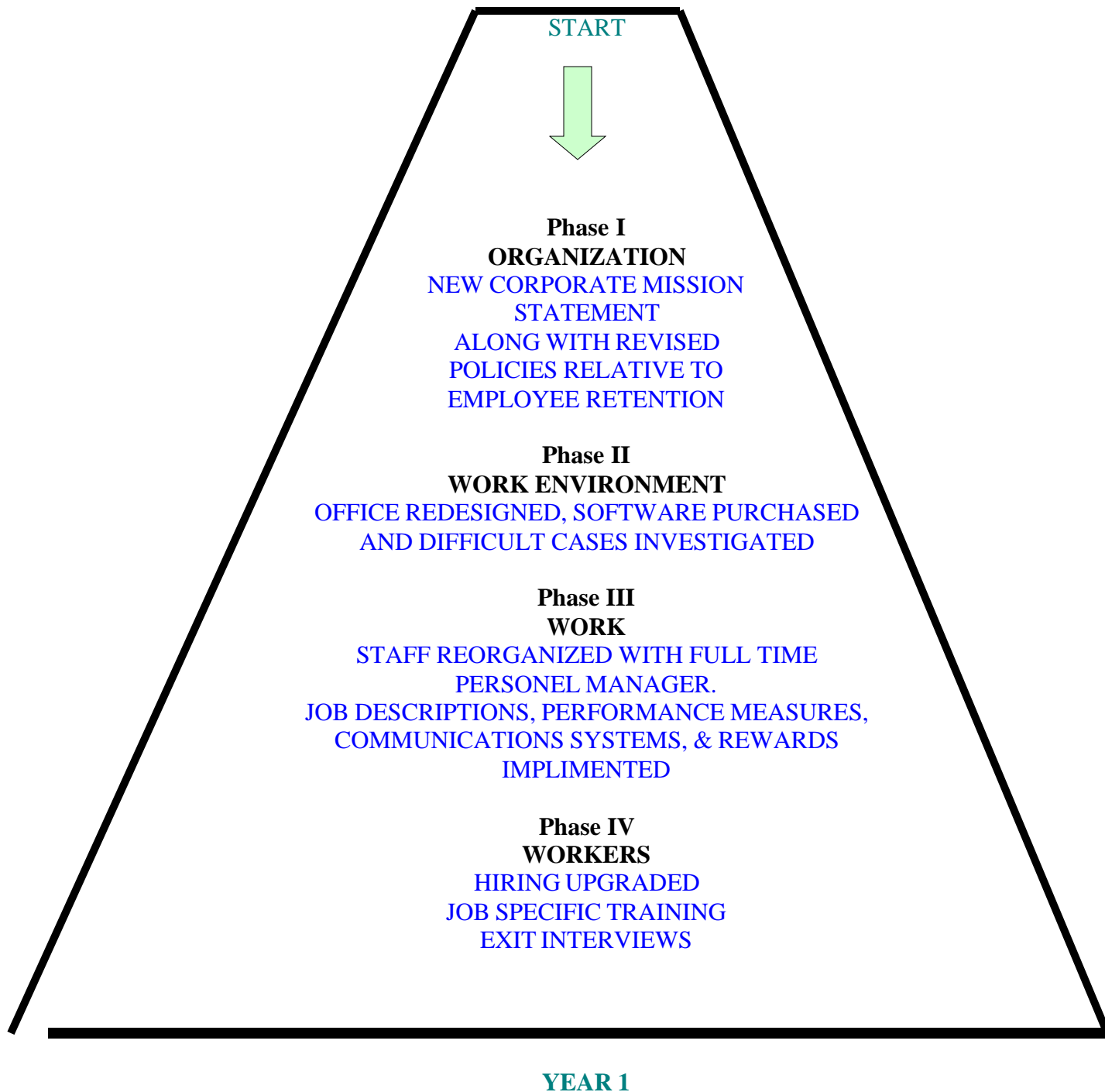
IS NOW	SHOULD BE	GAP	TYPE	IMPACT/COST	PROBABLE CAUSE
Work					
2 full time recruiters/schedulers share all resp. 1 full time personnel admin staff	1 full time scheduler 1 full time recruiter/personnel person	1 less staff	Current negative	\$50k/yr increased profits	Ineffective sharing of resp. Lack of training Lack of schedule planning
No training for admin & staff	Trained in specific function	Training needed	Current negative	One time \$5-10k cost	Short term Expense management culture
No support system or non-nursing training for nurses	Formal support function as well as interpersonal training	Training needed-focused on nurses at difficult clients	Current negative	Ongoing cost \$10-20k/yr	Management has Commodity Attitude towards nurses
No motivation for nurse longevity	Compensation /recognition plan to motivate and impact longevity	Compensation plan	Current negative	Value of longevity and continued employment	Management has Commodity Attitude towards nurses
No performance measures for staff	Quantifiable job performance measures	Annual objectives and periodic performance reviews	Current negative	Worker understanding of responsibilities and satisfaction	Lack system of job objectives and positive negative performance consequences of specific functions.
Nurses used on as needed basis	Retention of all qualified nurses	System to retain nurses	Current negative	Nurse morale and effectiveness	Management has Commodity Attitude towards nurses
No exit interviews	System to prevent/understand why nurses leaving	Added duty of recruiters	Current negative - future positive	\$25-40k/ in preventative replacement costs	Up to now management didn't value impact of this problem

IS NOW	SHOULD BE	GAP	TYPE	IMPACT/COST	PROBABLE CAUSE
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Workers

Obstacles to success	Staff /nurses have no barriers to success	Desire removal of obstacles	Current positive	Desire for change	Young, enthusiastic staff
Nurses easily motivated					Nurses typically intrinsically motivated to do a good job.
Current Nurses have varying skills and work desires	Lack system to match skills and desires with job assignment	A computerized profile of nurses – current and past	Current negative	Improved satisfaction and reduced turnover	Lack of management attention and administrative staff time and capabilities.
Local management relatively new and well qualified	Needs solution plan to sell corporate	Solution plan	Current and future positive	Implementation of solution plan probable	Has corporate credibility and good change manager.

Appendix 4: Strategy Implementation Sequence



Appendix 5: STRATEGY IMPLEMENTATION - COST BENEFIT SCHEDULE

	Cost/Resources to do	Soft Benefits	Hard Cost Savings
Phase I	No direct cost- corporate expense	Change the org environment. Employees buy into changes.	
Phase II	\$10k- office redesign and software	Efficient scheduling and personnel mgmt. Difficult cases investigated.	
Phase III	Full time personnel and scheduling function	Increased staff performance and reduced nurse turnover. Improved motivation.	Turnover decreased 25%. 17 less nurses to hire/train x \$1000/each = \$17k
Phase IV	Staff Training- \$15k	Improved hiring. Increased client satisfaction.	Turnover decreased another 25% = \$17k Reduction of lost business Due to staffing \$50k profits
Total Year 1	\$25k cost	Improved operational efficiency. Stable, motivated workers. Stronger competitive position	\$84k Gross profit increase
Year 2 plus	Minimal	Improved operational efficiency. Stable, motivated workers. Stronger competitive position	\$34k-50k in carryover reduced turnover expenses. Plus clients gained or not lost