HR Departments and Healthcare Organizational Charts

Consistent with the wide variety of titles and levels of responsibilities corresponding to the differences in the sizes and types of healthcare organizations, the actual organizational placement of healthcare HR departments varies widely. A trend is emerging in healthcare wherein the HR leader reports directly to the CEO due to the importance of the HR issues facing healthcare organizations. A reporting relationship of this nature is designed to provide more access and better flow of communications between the two. In addition, if HR leaders report directly to the CEO, they will typically be considered a part of the senior leadership team and participate in broader organizational decision making, as well as have more access to their counterparts in other senior leadership positions with the so-called seat at the table of decision making.

Figure 2-4 depicts the organizational chart of a 60-doctor specialty practice with freestanding clinics and more than 200 employees, located in Minneapolis, Minnesota. It shows how the HR function might report in a healthcare organization. As depicted on the chart, the human resources director reports directly to the CEO and is at the same organizational level as other key leadership positions.

Measuring Healthcare HR Management

Another way to evaluate the strategic importance of HR in healthcare organizations is to statistically evaluate their organizational influence. Statistical analysis and comparisons are useful to understanding the broader context of the overall healthcare industry's commitment to HR.

Staffing Ratios and Budgets HR activities, budgets, and staffing are regularly surveyed by the Bureau of National Affairs (BNA) Bloomberg. BNA has surveyed and reported on HR staffing levels over the past several years. Figure 2-5 depicts the BNA comparisons of the healthcare HR staffing ratios with other industries. Notice that for all industries, the median ratio of HR department staff to total employee headcount is 1.3 HR staff members for every 100 employees in an organization. For healthcare employers surveyed, the median is 0.7 HR staff members per 100 employees.[7]

Taken at face value, these statistics might suggest a lesser HR commitment across the board by healthcare organizations compared to nonhealthcare organizations. However, as noted earlier in the chapter, the healthcare industry varies both in size of organizations and in how healthcare is provided. This variety makes it difficult to capture who in a healthcare organization is performing HR duties. As an example, in a large medical center there is typically a full complement of HR leaders and specialists to handle the total continuum of HR activities. These individuals would be easily accounted for in the BNA survey data. In contrast, in a small rural nursing home the HR function might be the

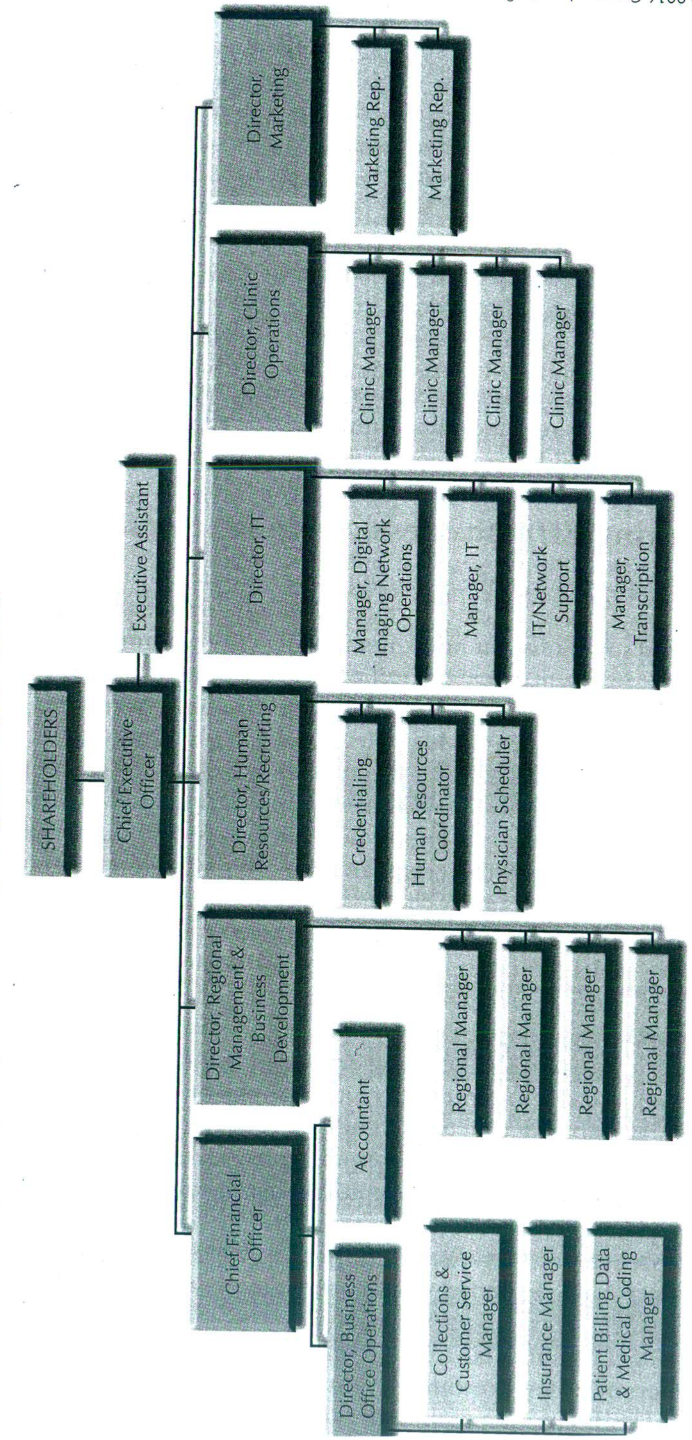

FIGURE 2-4 Specialty Physician Practice Organizational Chart

FIGURE 2-5 HR Staff Rations By Industry (HR staff for 100 employees)

	MEDIAN
ALL EMPLOYERS	1.3
Information Services, Telecommunications and Data Processing	2.2
Finance, Insurance, Banking and Real Estate	1.5
Government	1.4
Education	1.0
Healthcare	0.7

responsibility of an assistant administrator who "wears many hats," including HR. That individual would most likely not be recorded in a BNA survey as an HR staff member, nor would that person's salary be accounted for as an HR expenditure.

Measuring Effectiveness of Human Resources

There are many ways of measuring the qualitative and quantitative impact of the HR practices in a healthcare organization, and many challenges associated with doing so. Return on investment (ROI) is a common measure used by financial professionals to assess the value of an investment. For example, if a hospital invests $20,000 for a supervisory training program, what does it gain in better patient satisfaction scores, lower legal costs, higher employee productivity, and lower employee turnover? The benefits of HR practices are not always immediately visible, which is what makes measuring HR's impact such a challenge. However, successful efforts can usually be made to assess HR practices.

A long-standing myth perpetuates the notion that one cannot really measure the value of HR practices. That myth has hurt HR's credibility because it suggests that either HR efforts do not add value or they are too far removed from business results to matter. That notion is, of course, untrue. HR, like all other functions, must be evaluated by considering the results of its actions and the value it adds to the organization. Unfortunately, the perceptions of managers and employees in many organizations are mixed because HR has not historically measured and documented its contributions or communicated those results. Further, accounting practices treat expenditures on human capital and talent development as expenses rather than capital investments. This practice encourages top management to view employees as consumers of capital rather than as a long-term investment.

People-related costs are typically not only the largest expense but also the most controllable expense in healthcare organizations. Effective management of these costs can make a positive difference in the survival of a healthcare organization. Collecting and analyzing HR information can pinpoint waste and improper allocation of human resources. It is important that HR managers understand financial and operational measures that drive the business and relate decisions to key performance indicators (KPIs). Metrics, benchmarking, and balanced scorecards can help the organization track HR performance and measure the value of HR practices.[8]

HR Metrics

HR metrics are specific measures of HR practices. They are performance indicators of some element of HR, for example, turnover rate. Metrics are typically used to assess the HR practices and results within the organization over time. A metric can be developed using costs, quantity, quality, timeliness, and other designated goals. Metrics can be developed to track both HR efficiency and effectiveness. A pioneer in developing HR measurements, Jac Fitz-Enz, has identified a wide range of HR metrics. A number of key HR metrics are shown in Figure 2-6.[9]

HR and line managers collect and share the data needed to track performance. Data to track these measures come from several sources within the organization. Financial data are required to determine costs for various HR activities and performance, and turnover data can be found in HR and operations records. The real value in using metrics is not in the collection and reporting of the results—it is the analysis and the interpretation of the data that can lead to improvements in human capital utilization.[10] Information and historical data are reviewed and studied to determine the reasons for current performance levels and to learn how to improve these levels in the future.

Metrics and software have been combined to make analysis easier, but it is still an evolving area. *Analytics* can simply be a way to report certain metrics or a sophisticated predictive modeling designed to answer "what if" questions about

FIGURE 2-6 Key HR Metrics

HR Staff and Expenses
- HR-to-employee ratio
- Total HR staff
- HR expenses per FTE

Staffing
- Number of positions filled
- Time to fill
- Cost per hire
- Annual turnover rate

Compensation
- Annual wage and salary increases
- Payroll as a percentage of operating expenses
- Benefit costs as a percentage of payroll

Training
- Hours of training per employee
- Total costs for training
- Percentage of employees participating in tuition reimbursement program

Retention and Quality
- Average tenure of employees
- Percentage of new hires retained for 90 days
- Performance quality of employees in first year

Development
- Positions filled internally
- Percentage of employees with career plan