



## WUTCHIETT TUMBLIN AND ASSOCIATES

3200 Riverside Drive, Columbus, OH 43221-1725  
Phone: 614/486-9700 Fax: 614/486-9779 Email: wta@wellmp.com

Better Management is Better Medicine<sup>SM</sup>

### Staff Compensation – What’s Fair *and* Viable? – 2009

According to Benchmarks 2009, non-doctor staff compensation represents 25% of revenue. Since you’re investing such a hefty portion of your resources in employees, it’s important to make sure you’re getting the most for your money. But given the current economic volatility, how do you maintain the morale in your practice? It’s time for an attitude shift – from “doom and gloom” to “groom and bloom”.

Before you start thinking of ways to cut staff expenses, remember that your team enhances doctor productivity. Efficient and productive employees that are cut during dry spells must be replaced later when business picks up. Yes, doctors are the primary revenue generators, but the more staff members you have, the better the doctors can focus on the patient. This results in better medicine and higher revenue. In fact, practices that employed 3 credentialed technicians or veterinary assistants per doctor generated an average of \$168,000 more than practices with 2 credentialed technicians or veterinary assistants per doctor.

Training and continuing education send the message that you value employees’ talents and want to invest in them for the long-term. Honest discussions regarding staffing, compensation, and benefit changes tell your team that you respect them enough to keep them informed, and you value their input, even if you can’t make all the changes they’d like.

Perhaps your practice is in good shape when it comes to staff costs, but your team is worried. Who isn’t after reading or listening to the news for 10 minutes? Use these strategies to alleviate their fears and return an optimistic atmosphere to your work place.

1. **Keep the team informed.** It’s important to keep your team informed when it comes to their employment situation in an economic downturn. Don’t let this responsibility daunt you. Consider the ideas below before broaching the subject of job security.
  - Be honest. You’re not doing anyone a favor by giving only the best-case scenario, or for that matter, only the worst-case scenario. Tell your staff as much as you are comfortable telling them about the practice’s financial situation and how their jobs will be affected. But do so tactfully. Know how much of your financial information you’re willing to divulge, and keep the conversation focused on the level of care you provide for your patients. Your staff will understand that you can’t provide care if your resources are devoted to an inflated workforce.
  - Be real. It’s poor management to say that everything is fine if everything isn’t. So let your staff know the reality of the practice’s staffing situation and your suggestions for moving forward. While this conversation is certainly not a great prospect, your team will respect that you “told



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them how it is.” And it’s far better for morale than springing a decision on your team with no warning. That will leave them wondering what else you haven’t told them.

- Be positive. Yes positive, and even confident, but also realistic. Everyone contributes to the practice culture and attitude, but you as the owner or manager *set* the tone. Your team is not clueless – they know times are tight and that you’re the one calling the shots. So assure them that you value their contributions and that you’re confident you can all move ahead with a positive realistic attitude.
2. **Staff effectively.** Be sure you’re staffing the appropriate number of team members and the most productive employees at all times during the week. Overstaffing and understaffing can cost you. Consider the following ideas to effectively utilize your staff. A word of caution: Your team may not be thrilled by some of the following suggestions, but changes may be a necessary reality.
- Schedule for optimum efficiency. Make sure you are scheduling appropriately for the busy, and slow, times. This will necessarily reduce overtime (and compensation expenses) and it will keep the team together (great for morale). But more importantly, it will show you’re concerned for employees’ well-being, and you’re willing to look into unconventional methods to keep them working.
  - Have a vision and staff for it. If there are some staff members that don’t seem to fit in with your vision for the practice’s future, and for that matter the practice’s culture, it’s best they leave and find a better fit for their talents. Even if it’s the great technician (with a poor attitude) who’s been with the practice since it opened. Attitude is a huge factor when it comes to staff morale. Terminating a hard-working positive employee while retaining the gossiping know-it-all could cause your staff to wonder if their contributions to the practice, both technical and social, are appreciated. You might be surprised at the increased productivity, not to mention the improved morale, after making the difficult decision to let someone go.
  - Offer early retirement or severance. Perhaps several of your staff members are nearing retirement and would be open to the idea of an early retirement or several months of severance compensation. You might also consider implementing a leave of absence for interested staff members.
3. **Improve staff retention.** Whether you let an employee go or an employee chooses to leave, turnover costs your practice. There’s the obvious cost of advertising for a replacement and the time spent interviewing the various candidates. But there’s also the cost of lost productivity during the interim when you’re short-staffed. Remaining staff members pick up the slack and morale may suffer. And if they simply can’t get the work done, practice appearance and service suffer. Then there’s the cost of inefficiencies when training the new hire, since even the most qualified



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individual has a learning curve. So how can your practice improve employee retention while avoiding turnover?

- Hire right. Even if you're short-staffed, the worst thing you can do is hire the first person you interview. Make sure to hire individuals who fit with your practice's culture. Even the most qualified person may not succeed if their expectations of work differ from the reality at your practice. Be sure you give enough information, and ask enough questions, during the interview to ascertain how the potential team member would function in your hospital.
- Train. Spending to keep from spending may seem counterintuitive, but the cost to train staff members is truly an investment in your future, as well as theirs. You'll keep your team up-to-date on advances in their fields and they'll feel vital to the operations of the practice. And happy staff members want to stay at your practice.

4. **Offer alternative benefits.** There's no doubt that health insurance is unavoidably costly. According to this year's Benchmarks Study it accounts for 2.1% of total practice revenue, with 88% of practices offering some form of health insurance (see Figure 2 for benefits in WellMP). There's a barrier when it comes to offering or reducing health insurance – your staff need it, but how much can the practice afford to cover? Take the following into consideration as you make insurance and benefit decisions.

- Evaluate the “must have” benefits. If you currently provide health insurance coverage, premiums have likely increased. This benefit is a priority, and thus it's a risky move to eliminate it. So show employees that the increased premiums are truly part of their compensation package, and if rates increased 30% last year, in reality they got a nice raise!
- Share the cost of “must have” benefits. If the practice can no longer continue to cover 100 percent of employee health insurance premiums, don't eliminate the benefit. Instead, consider asking employees to share a portion of the cost. Let your team know you don't want to eliminate their insurance coverage, and sharing the costs is the best option for both them and the practice.
- Offer flex time. Just having the option to work around family or personal obligations can make all the difference for staff members. At times it can mean the difference between an employee staying at your practice or leaving for more flexible employment. And it doesn't cost you anything!
- Offer additional vacation days. In lieu of that cost of living increase, offer additional vacation days to your staff. Your cost of employment will remain constant, but your staff will feel like they got a raise! Just be sure not to short-staff the practice and hurt productivity.



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### Figure 1 - Compensation ranges in Well-Managed Practices

Source: Benchmarks 2009 by Wutchielt Tumblin and Associates and *Veterinary Economics*

	<u>Median</u>		<u>75<sup>th</sup> Percentile</u>	
Hospital Administrator	\$24.00		\$28.75	
Practice Manager	\$20.20		\$24.00	

  

	<u>Median</u>		<u>75<sup>th</sup> Percentile</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Receptionist	\$10.50	\$15.00	\$11.90	\$17.20
Credentialed Technician	\$14.00	\$18.00	\$16.00	\$21.15
Veterinary Assistant	\$10.40	\$14.10	\$11.90	\$16.25
Ward Attendant	\$8.00	\$10.20	\$9.00	\$12.05

### Figure 2 – Benefits in Well-Managed Practices

	<u>Percent Who Provide</u>
Continuing education	96%
Staff single coverage health insurance	87%
Staff family coverage health insurance	23%
Dues & licenses	87%
Retirement plan	85%
Bonus commission	39%
Disability insurance	27%
Child care	2%

#### To obtain additional information:

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