Changes in nurses’ pay structure solve staffing and scheduling problems

Many OR directors struggle with designing effective nurse compensation systems. The ideal system would achieve department goals while maintaining nurse satisfaction. Unfortunately, a compensation plan that links these 2 objectives is often elusive.

In 2012, OR leadership at a small Pennsylvania hospital developed a compensation system that effectively aligns nursing incentives with the operational needs of surgical services. Although the new system may increase labor costs, it has a strong positive effect on nursing satisfaction, OR schedule management, and overall perioperative performance.

Common challenges
Hospital ORs require a flexible staffing structure to accommodate schedule fluctuations. Flexibility is particularly important for ORs with changing case volumes.

DuBois Regional Medical Center (DRMC) is a 200-bed community hospital in DuBois, Pennsylvania. Between fiscal years 2012 and 2013, surgical case volume at the hospital increased approximately 5%. According to Mary Beth Reese, RN, CNOR, director of perioperative services, this expansion in volume has come with growing pains.

“We are a small hospital, but the OR has been getting busier,” Reese says. “The hospital has been recruiting more surgeons, and we are doing more operations. As a result, we have seen our hours extending later into the afternoon.”

DRMC staffs 7 general surgery ORs and 1 urological specialty suite. Cases begin at 7 am, but a late crew works from 8:30 am to 5 pm. The late crew provides break and lunch coverage for the main shift and staffs 2 ORs during the draw-down between 3 and 5 pm.

“Our goal is to get all the scheduled cases done by 5 pm, but add-ons, case over-runs, and other issues frequently force the schedule to run late,” Reese says. “We were asking staff to stay late in 2 to 3 rooms every day.”

Like many surgical services directors, Reese found that overtime (OT) pay is not a magic bullet. Some nurses have trouble working late, regardless of incentives. But according to Reese, another factor came into play.

“OR staff on call may end up working until 8 or 9 at night,” Reese says. “After 12 or 13 hours in the OR, that nurse would be called off for patient safety reasons. But after missing the next day, the nurse may or may not have covered the full 40 hours for the week.”

The net effect is lower compensation with more personal disruption. “The nurse would end up short by 4 or 5 hours,” Reese says. “It was like being penalized for being on call.”

In addition, OT pay at DRMC did not always reflect the difficulty or inconvenience of working additional hours. Because of idiosyncrasies in the schedule and compensation system, nurses sometimes received only regular pay for challenging call shifts.

Overall, finding nurses to work late was difficult, and call shift pay was seen as unfair. Although pay incentives were in place, they were not well aligned with the needs of the surgery department.
The DRMC solution

In 2012, Reese addressed these scheduling problems by introducing a pair of key changes to the OR compensation system.

Guaranteed full-week pay. First, Reese established guaranteed pay for 40 hours per week for all OR nurses. Nurses receive full pay, regardless of actual worked hours.

Here is an example of how it works: Say several add-on cases require an OR to stay open past the schedule. Reese asks 2 nurses to stay late to accommodate the additional procedures. Those nurses work an additional 4 hours and receive premium pay for this overtime. For safety reasons, the nurses are asked to stay home the next day, missing out on 8 hours. The pay period total for each nurse is 36 hours, so under the salary guarantee each nurse receives 4 hours of “non-productive pay time.” Bottom line: The nurses are rewarded for their OT hours and not penalized for the resulting schedule fluctuations.

“The salary guarantee ends up being an effective incentive for nurses to stay late and finish up the schedule,” Reese says. “If a room runs over, nurses are now very willing to stay.”

New OT structure. Currently, many hospital ORs use an “8 and 80” OT system—nurses earn premium pay after 8 hours on any shift and after 80 hours during any 2-week period. DRMC uses a 40-hour system, with OT pay after 40 worked hours in any week (sidebar). This arrangement provides staff with greater opportunity for premium pay, but recognizing that the system is not perfect, DRMC sought to make some changes. Previously, pay weeks began and ended at 7 am on Saturday. Because any call hours staffed over the weekend fell at the beginning of the pay period, weekend call work was compensated at the regular pay rate.

In 2012, Reese changed the new pay period start from Saturday morning to Monday morning. “Now, nurses typically hit 40 hours at 3:30 pm on Friday, so if you are on call that weekend, premium pay kicks in right away,” she says. “Most nurses can earn time-and-a-half for any time they come in Friday evening, Saturday, or Sunday.”

According to Reese, the new OT system was a “huge hit” with staff nurses. “In our hospital, nurses on call typically work 11 to 16 hours per weekend, often covering difficult orthopedic and GI cases,” she says. “The new pay system is seen as more fair by nurses. It offers better recognition and reward for how hard they are working during these shifts.”

Several benefits

The compensation changes at DRMC have helped spread late hours more evenly among the staff. “Previously, it ended up being the same people who would stay
late,” Reese says. With more staff members willing to cover extra hours, there is less risk of burning out individual nurses.

The new pay system has also given Reese the latitude to reward the department as a whole on appropriate occasions. “If we are having a slow day, I can let people go home earlier. On Christmas Eve, for example, the schedule was done at 1 pm. Previously, closing up early would have forced some staff to take time off with no pay, maybe supplementing it with paid time off. Now, staff can leave a little early on these light days and not worry about being shorted on hours.”

The new system also makes it easier for Reese to manage the schedule, particularly in the “gray area” between 2 pm and 3 pm. Previously, cases added on at this time might have been held for a late room or even pushed back until 5 pm. “Now, we have a lot of people who are able to stay and get the case done right away,” she says. “Surgeons are happy because they don’t have to wait to start the case, and it’s also better for patient satisfaction.”

Managing the downside
An obstacle to implementing guaranteed pay in an OR is the potential for perceived inequity with the rest of the hospital’s nursing staff. OR directors should emphasize the unique scheduling challenges of surgical services and show how a pay guarantee can support department efficiency, physician relations, and patient satisfaction. In addition, directors should make sure non-OR staff also have appropriate opportunities for OT and bonus pay.

Higher labor costs are another obstacle. According to Reese, OR salary costs at DRMC have increased approximately 5% to 7%. But she says it is important to weigh these increases against other gains—a better ability to accommodate cases earlier in the day, higher staff satisfaction, and better service to surgeons and patients.

This calculation is particularly important for small but growing ORs. “A lot of bigger hospitals have a 3 to 11 pm shift, but we don’t have enough volume to put on an extra shift full time,” Reese says. The new incentive structure allows smaller ORs to manage end-of-day schedule pressures effectively with only an incremental investment in labor costs. “The amount of money we are paying out under these new incentives is less than the cost of hiring 2 or 3 more staff, so for us it represents a very economical approach to solving our schedule issues.”

For some ORs, this incentive approach could help reduce agency costs. DRMC does not use agency nurses, but Reese’s compensation system could help many ORs cut agency utilization. Using the system to improve pay fairness could also help reduce staff turnover. For many organizations, lowering turnover by just a few percentage points would more than pay for the additional salary costs.

Art of management
Balancing the trade-off between salary costs and performance outcomes is part of the art of management. Different surgical services leaders will come to different conclusions. But for many organizations, the compensation system adopted at DRMC represents a viable strategy for aligning nurses with the clinical and business goals of the OR.

This column is written by the perioperative services experts at Surgical Directions (www.surgicaldirections.com) to offer advice on how to grow revenue, control costs, and increase department profitability.