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Weathering a Reduction in Force — Lessons Learned and Strategies to Mitigate Risk

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This spring's ASHHRA23 Annual Conference and Exposition focused heavily on recruitment of critical resources and how to engage staff; but despite our industry-wide recruitment and retention challenge, reductions in

force still occur. These reductions in force are primarily driven by service elimination or development of shared services functions that centralize departments supporting an enterprise. Recently, departments most impacted by

elimination and consolidation have included obstetrics and women's care, as well as human resources, finance, information technology, marketing and communications, and other corporate services.



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I had the opportunity to moderate a panel at ASHHRA23 with Sarah Skubas, Employment Attorney and Healthcare Co-Lead at Jackson Lewis; Gary Pastore, Associate Vice President of Human Resources at HonorHealth; and Nicole Russ, Vice President of Human Resources at Aultman Health Foundation to discuss these types of reductions in force. Our panelists shared firsthand experiences supporting an evolving workforce across healthcare organizations during times of turbulence, change and innovation.

Although most organizations begin discussion around a reduction in force after consistent financial underperformance, the current financial climate may push an organization to make decisions to centralize or shed programs more rapidly. The loss of even one high volume provider can lead to broader discussions around service viability and ability to maintain a full complement of staff for a business unit. Most organizations need to move quickly, but a reduction in force should be considered one of the last options an organization pursues. There are many alternatives to a reduction in force, like hiring freezes, productivity improvements, or reductions in hours of operation to reduce cost.

Once the decision to move to a reduction in force is made, the next steps are crucial. The panelists shared that it is imperative to execute the reduction thoughtfully, with compassion, and strategic messaging to minimize the impact on the remaining workforce and mitigate the risk of post-reduction legal issues. The priority should be to ensure leadership alignment on messaging.

The leadership team should be entirely clear on the objectives of and the reason for the reduction in force. In advance of notifying employees, the management team should have clear documentation to validate the need for the reduction and the process used to determine impacted employees. Our panel suggested that organizations proceed with extreme caution in initial emails or conversations about the reduction in force, as these words can be used at a later time in post-reduction litigation.

A common misconception by leaders is that a reduction in force will allow for the opportunity to eliminate low or under performers. This is not true. The initial objective for a reduction in force should be consistent with the articulated purpose of the reduction and should follow any articulated policy on how employees are selected.

Nicole Russ from Aultman Health suggested using a matrix that evaluates all employees in selected job categories. This matrix can include documented historical performance, recent disciplinary action, and tenure. Gary Pastore from HonorHealth noted that it was important to trust feedback from managers, but to verify that disciplinary action and performance is documented accordingly.

Even the most cautious management teams can encounter issues; there are often areas of risk and exposure throughout the reduction in force process. The experienced panelists shared their most important lessons learned and advice for how to mitigate these risks including:

- Educate and prepare leaders with talking points and instruct them not to go “off script” when engaging

in conversation internally and externally about the reduction.

- Ensure that all changes align with the ultimate objective and overall rationale for the reduction.
- Be mindful of disparate impact to selected employees. It is important to conduct an analysis to ensure that one group is not being targeted for the reduction. As an example, employees closest to retirement cannot be prioritized for reduction.
- Carefully formulate approach and messaging for staff on leave.
- Avoid formalizing a severance plan, as changes to this type of policy can be very difficult to make.

As the healthcare industry continues to be challenged with growing cost pressures and rapid growth in certain business lines, many organizations will be faced with difficult decisions that may result in a reduction in force. Any reduction in force should be supported by a thoughtful plan and the advice of legal counsel to minimize risk.

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