

## **Case Study: Controlling Medical Training Costs While Maintaining Employee Qualifications and Readiness**

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### **Organizational Information**

a. Size of organization

The organization referred to in this case report employs 240 military, 185 civilians and 75 contractor personnel. The compound consists of seven buildings located on sixteen acres of land. The compound is considered an historical landmark and fairly equipped and maintained facility.

b. Type of organization

The organization is a military headquarters organization that is responsible for providing quality healthcare to its beneficiaries throughout the world.

c. Type of ownership and control

The organization is federally owned and operated. It was established as a central administrative healthcare organization.

d. Number of years in operation

The command was established August 31, 1842.

e. Type and size of community or region served

The organization described is located in Washington, DC on sixteen acres. There are roughly 500 combined military and civilian personnel assigned to the base.

### **Brief Summary of the Problem**

Over the years, training costs have increased by three percent a year while only 37% of the staff participate in a normalized training program. The goal of any training program is to educate personnel for both professional and personal improvement. As the Deputy Director for Administration along with the Comptroller, and Training Officer advised management to undertake a review of the entire training program in form of an internal audit to investigate increase in training cost, the quality of the training, the return on investment (ROI), and reasons why only 37% of the staff participates.

## **Description of the Problem**

The Training Officer located in the Administration Directorate has the responsibility of maintaining and retaining human resources, which involves changing behavior and expanding employee knowledge and skills through an organized training program by which employees learn skills, abilities, and attitudes that are needed for successful job performance. The military has a requirement to attend and receive general military training, and to keep their professional skills up. Civilians are highly encouraged to maintain their job skills and to grow professionally too. 70 percent of the training funds are not used for mission essential training. This pattern of cost and spend has led to delayed equipment replacement, facility projects and repairs, and an outdated unqualified workforce. (MOORE 2003)

### a. Background

In 1991, many organizations started down the road of process improvement by utilizing Total Quality Leadership, Coveys 7 Habits, and Cost Analysis. By 2002, the Six Sigma Balanced Scorecard, Kirkpatrick's Level IV and the Return on Investment are used to measure the training effectiveness of the Top 100 Companies in America. The use of the audit tools allows organizations to realize cost savings via the Personnel Department. Training is traditionally a division of the Personnel/Administration Directorate. Headquarters has a staff of only one Training Officer and a part time clerical employee, and it relies on the First Line Supervisors to develop individualize training plans, training budget submissions and to ensure that return on investment benefits the needs of the command. Due to limited personnel assets, focus or review of training request and the failure of the system to hold management and employees accountable has led to the current budget and return situation. The only way to achieve improvement is for management to develop a set of review standards and benchmarks. (Training 2004)

### b. Persons involved

The personnel involved in the audit process included the Director for Administration who approved the internal audit on the advice of the Deputy Director for Administration (DDFA) and Comptroller. The audit team included the Comptroller DDFA, and the Assistant Comptroller. The Training Officer was very cooperative and actually identified many of the problems through interviews. The DDFA the audit team leader with the help of the Comptroller guided the audit team toward identifying cost drivers and finding alternatives to control cost and improve return on investment.

c. Local, historical, or environmental factors

While many healthcare organizations slash training budgets to improve the bottom line, The Top 100 Companies invest nearly \$7 million, about 4.1 percent of their budget in bettering the professional and personal lives of their employees. By doing so, the 2004 Top 100 have gained a advantage over their competition by boosting likely business metrics, revenue, productivity and quality. This was all due to a highly focused and tightly managed training program. Last year the organization spent \$600,000 on training about 2.2 percent of the budget. The organization had 500 employees on the payroll and invested an average of eleven hours of training per employee during the year. However, only 37 percent of the 500 employees received or took part in any form of the training beyond basic orientation type training. (Training 2004, Moore 2004)

d. Other data inherent in the problem

The organization has a solid Kirkpatrick Level IV Business Model in place via the Request, Authorization, Agreement, and Certification of Training and Reimbursement DD Form 1556 after course evaluation. Based on the data Level I (Reaction) was 96 percent positive. This was due to the fact that the employee selected the course. Level II (Learning) was 90 percent positive. The majority of the employees took the course to build skills for a second career or promotion. Level III (Transfer) was 50 percent. Since most students selected a course that prepared them for second careers away and the skill set did not apply to the present job. Level IV (Impact) is the most difficult level to measure. Employees are allowed to select or decline the training received, the command could receive cost savings benefits from grouping. The employee always selects a higher priced option. Data shows that the return on investment was better for officers than for civilian personnel. (MOORE 2004)

The Six-Sigma Scorecard represented in enclosure 1, indicates that Headquarters has the following strong areas: customer service, leadership development, and product output. Data was plugged into the Six-Sigma calculator and the process sigma is written in the block. If the calculation result is Infinity 2, then a minus is placed in the block. The standards are based on the Top 100 Companies in America evaluation reported in the March 2004 issue of "Training Magazine". This unit finished in the lower 20 percent of the non-profit companies represented based on the industry standard presented. The Return on Investment Analysis is based on gaining or retaining one full time equivalent employee, which equals 168 hours of work in a five day workweek. Since the average employee cost \$50,000 a year based on the current training budget and percentage of the payroll spent an average of \$13,000 a year is spent on employee development and support. Per the calculations the ROI is 28 percent per employee on average. (BLANDO 2004)

**Administrative Decisions:**

Based on the results of the data gathered a decision was reached to develop a more structured centralized training program. The program would be directed at identifying standard skills required for each position prescription and developing cost effective means to deliver the training. The organization needs to implement a quality degree completion program that motivates individuals to complete, and build in a six-year payback to the organization and a promotion plan for civilian employees.

Need to hire an additional staff member to help the Training Officer and transfer direct control of the training budget to the Training Officer. The Training Officer could save thousands by utilizing on site courses and automated courses.

**Obstacles:**

The decisions reached by management have been difficult to implement, but not impossible. Due to budget limitations, organizational culture change that occurs at a slow pace and the spending policy of how training money is spent the needs of the command are not always preserved. The last obstacle to improvement is the blending of military and civilian training together. The military leadership objects to giving control over to a civilian Training Officer. Centralize control is the best method of combining requirements and controlling cost.

**Results:**

As results of the audit and the decisions reached by management, the command has already started experiencing improvements and cost savings. The Director for Administration, Comptroller, Training Officer and the Chief of Staff are working together to implement the new policies. The decisions reached by management are slowly improving the management of the Training Program and enhancing the overall quality and ROI of the training provided.

**Works Cited**

Blando, Joanne. Personal interview. June 2004.

Galvin, Tammy. "2004 Training Top 100."

Training (March 2004): 22-42.

Moore, Danita. Personal interview. July 2004.

### **Finding I**

The organization does not have a standardized training program that is geared toward changing behavior and expanding employee knowledge and skills for successful job performance. The program falls below the industry standard. The Six Sigma Balanced Scorecard and Kirkpatrick's Level IV support this finding.

### **Finding II**

Lower and middle management do not provide oversight on the types, quality and amount of training obtained. Lower managers do not ensure that everyone receive their fair share of available training funds. Senior Officers and Enlisted consume the majority of the funds. Civilians tend to use training as a travel benefit. The Six Sigma Balanced Scorecard and Kirkpatrick's Level IV support this finding.

### **Finding III**

The Comptroller monitors training expenditures, however the Training Officer does not have power to reject improper training request. No one ensures that the organization receives a good ROI.

### **Recommendation I**

The organization should develop a set core body of knowledge and skills that every employee needs to have. The Training Officer can set up the courses via online or have the classes conducted on site.

### **Recommendation II**

All supervisors need to complete a training plan on all their employees during the yearly performance evaluation. The plan is forwarded to the Comptroller and Training Officer for budget planning purposes. The employee will turn in the normal training request for review and approval. This double “door keeper” function will provide the necessary oversight the program requires. The entire Audit Team feels that this step will eliminate or improve the quality, participation and cost problems.

### **Recommendation III**

Upper management needs to support the Training Officer’s recommendations for action when an issue occurs. ROI will improve when training is awarded based on the amount of time an employee has remaining with the organization or time they are willing to extend.

### **Conclusion**

When an organization develops new programs and initiatives to meet the needs of its employees, boost in product knowledge customer service and productivity occur. In today’s healthcare market the Executive Board and Management require the most current tools available to maintain productivity. In the day of doing more with less, proper management of the training program is necessary for success for both profit and nonprofit organizations.

BUMED TRAINING PROGRAM SIX-SIGMA BALANCED SCORECARD Training Magazine Top 100

2004 RANK	2003 RANK		ANNUAL TRAINING BUDGET	TRAINING BUDGET AS A PERCENTAGE OF PAYROLL	RETENTION	NEW EMP.REFS.	TURNOVER	QUALITY	PROD./ OUTPUT	CUST. SERVICE	CUST. LOYALTY	INNOV./PRO. DEV.
*	*	Bureau of Medicine and Surgery, Wash DC: 500 employees	600,000	2.20%				1	1.9	2.5	n/a	

REVENUE	MARKET SHARE	ANNUAL TRAINING HOURS PER EMPLOYEE	SUCCESSION PLANING	LEADERSHIP DEV.	EXECUTIVE COACHING	First Line Supervisor	MENTORING	JOB ROTATION	CAREER COUNSELING	JOB SHADOWING	NFP=INFORMATION PROVIDED , BUT NOT PUBLICATION N/D= INFORMATION NOT DISCLOSED *=HONERED FOR BEST PRACTICE
n/a	n/a	11	n/a	1.9	1.5	n/a	1.5		1.5		

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