SURGICAL DIRECTIONS

Strong New Tactics to Support COVID-19 Financial Recovery

Consulting • Assessment • Interim Management

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OR leaders should employ new tactics to manage the post-COVID recovery year

The end of the COVID-19 pandemic is in sight, but hospital surgery departments will not likely see a rapid return to normal. The vaccine rollout has had a slow start, and the risk of new COVID variants could complicate the path to herd immunity. For key OR stakeholders like surgeons, anesthesia providers and nurses, the pandemic has had complex ramifications that are still unfolding.

Since the start of the pandemic, perioperative leaders have had to stay flexible and act quickly. The next 12 months will call for the same vigilance. OR leaders will need to reassess the environment frequently and make course corrections as needed.

The focus this year should be on surviving financially. Because of the surge in COVID cases, many hospitals and hospital-owned ambulatory surgery centers (ASCs) are again being forced to cancel or restrict elective surgery—the profit engine of the OR. The most effective response will include a mix of short-term tactics and long-term strategy. OR leaders can address this issue proactively by collaborating with their surgeon and anesthesia partners on a handful of key issues.

Reduce OR waste

Managing the margin continues to be a major challenge for hospital ORs and ASCs. Elective surgery cancellations in spring 2020 severely stressed hospital financials. In addition, 28% of hospitals reported losing money during the recent COVID resurgence. In 2021, OR leaders must continue to seek opportunities to cut waste and manage expenses.

Reduce excess capacity.

In a recent issue of OR Manager, my colleagues described how to use predictive analytics to optimize the schedule (November 2020, "Using advanced analytics to maximize OR utilization"). Going into 2021, OR leaders have many opportunities to use this data-driven approach to streamline operations.

For example, recent volume declines have not hit all specialties equally. OR leaders can use predictive modeling to identify the specialties and surgeons experiencing the greatest fluctuations in case volume. Consolidating these providers' baseline volume to fewer blocks can reduce OR costs. This approach can also increase surgeon satisfaction by reducing the number of days they have to go into the hospital.

OR leaders can also consider tightening block utilization requirements. Surgery departments that now require 75% utilization to maintain a block could increase that threshold to 80%. This would represent a small gain per day, but the cumulative effect could be several million dollars of additional case revenue per year.

Build flexibility into nursing compensation.

Many OR nurses were furloughed during the pandemic, leading to a loss of income for these valued staff members. While demand is starting to even out, 2021 will continue to be a year of flux for OR labor. Staffing needs will likely remain depressed during the early part of the year before experiencing a strong rebound in summer and fall.

To smooth the labor cost curve and support nurses, OR leaders should consider instituting a new compensation arrangement that is partially untied to work hours. Now is an ideal time to experiment with the controversial strategy of reclassifying OR nurses to salaried positions. Under this system, nurses would maintain their current compensation even if work hours are reduced during the early months of the year. In exchange, nurses would agree to work more hours in the second half of the year as demand rebounds. This arrangement would allow nurses to maintain an even income stream while accommodating the uncertain staffing needs of the OR.

Rebuild the OR's "safety brand"

Even though OR schedules have opened in some geographic regions, many patients are still afraid to come to the hospital for surgery. To build a strong recovery in 2021, OR leaders need to win back patients by establishing a strong safety brand.

Audit surgical safety measures.

OR leaders should confirm that staff are following all COVID-specific infection control measures consistently. Some practices are now well established, such as terminal cleanings between all cases. Other risk-reduction measures may need more attention. For example, some procedures (such as certain otolaryngology surgeries) carry additional risk for airborne contamination. For these cases, add a 15-minute "room empty" step to turnover processes.

Make sure OR staff are vaccinated.

A healthcare system in Texas recently offered employees a $500 incentive to receive a COVID vaccine. This may not be possible in many settings, but it underscores the importance of thinking creatively to promote staff vaccination. Having 100% of the OR staff vaccinated protects both the surgical team and their patients.

Build safety into presurgical processes.

The preadmission process should adhere to American College of Surgeons guidelines for presurgical COVID testing. In addition, hospitals should consider adding COVID vaccination to the presurgical workup for surgeries scheduled at least a month in advance. This adds another layer of protection to all patients being cared for in your OR.

Communicate safety efforts to patients.

Everyone in healthcare can learn a lesson from the airline industry on how to win back customers during COVID. Major airlines have reengineered every step of the travel process to enhance safety—from pre-flight processes, through lobby and gate procedures, to the onboard experience and baggage pickup. Just as important, they have spared no expense in communicating these efforts to their customers.

OR leaders should work with their colleagues in hospital marketing to create a communication plan around surgical safety. Show surgery patients what is being done in every step of the perioperative process to create a safe environment. In addition to the steps outlined above, publicize changes like daily staff screenings, restrictions on who can enter the facility, and the construction of solid walls (if applicable) between beds in the recovery area.

Extend these efforts to surgeon partners.

Most surgeons have seen a significant drop-off in the number of patients willing to come to the office to be evaluated for surgery. This is not the only leading indicator of softening OR volume. Because many surgeons are now employed by hospitals and health systems, lower surgeon productivity is further undercutting surgical service line profitability.

OR leaders can help surgeons address these shared challenges by providing workshops on how to communicate with patients about the extra safety precautions in place to reduce their risk of exposure. Surgeon offices should also be encouraged to call all scheduled patients to reconfirm their appointments and provide personal reassurance of their safety.

Support anesthesia providers

Just like hospitals, ASCs, and surgeons, anesthesia providers are under significant financial pressure. The 2021 Medicare Physician Fee Schedule has reduced the conversion factor for anesthesia reimbursement by nearly 10%. This pay cut comes on top of 2020 income losses driven by declines in elective surgery, the most profitable case volume for anesthesia providers.

In response to these losses, many anesthesia groups are expected to request an increase in their hospital stipend. This will represent a significant increase in OR costs. Most organizations cannot afford to increase anesthesia stipends, but they can provide non-financial support to anesthesia providers.

Work with anesthesia to reduce expenses.

Most anesthesia groups can improve their profit margin by better conforming their staffing schedule to the OR case schedule. OR leaders can support this goal by helping anesthesia use predictive modeling to improve staff scheduling and deployment. Some of the biggest opportunities are in managing OR and non-operating room anesthesia (NORA) locations in a more coordinated manner.

OR leaders can also work with anesthesia to evaluate coverage ratios. For example, many ambulatory cases do not require full medical direction but can be performed safely with anesthesia medical supervision alone. The surgical services director can work with anesthesia leaders to create ambulatory blocks that maximize the use of lower-intensity anesthesia coverage.

In addition, many hospitals may want to consider migrating to a "ZONE Model" of anesthesia coverage. Under this model, physician anesthesiologists are present in key areas (such as pre-anesthesia holding, the OR itself, and the postoperative recovery area), CRNAs provide most direct care while practicing at or near the top of their license, and extensive care protocols help ensure quality and safety.

Help anesthesia optimize practice revenue.

Revenue cycle improvements can generate quick wins for many anesthesia groups. For example, many practices can increase billing 10% or more by simply ensuring that all charges are submitted daily, not just for OR cases but for all NORA sites such as endoscopy suites and catheterization labs. In addition, OR leaders can help anesthesia groups verify insurance coverage prior to surgery and work out payment plans for the patient responsibility portion of the anesthesia bill—two basic practices that will improve collections for anesthesia services.

Consider renegotiating the anesthesia contract.

In the current economic climate, employing anesthesia providers may be more cost-effective than supporting them with a stipend. An 11-OR in the South recently terminated its coverage contract with a national anesthesia company and began employing providers directly. This move resulted in a total cost reduction of approximately $4 million.

Maintain forward momentum

Much of 2021 will be devoted to managing fluctuations in demand, staffing, and resources. Surgical services directors who keep their eye on the environment and flex accordingly will be able to lead their organization out of the pandemic.

However, OR leaders should also realize that COVID is a wake-up call that the traditional inpatient surgery business is in decline. The pandemic has demonstrated the value of a large, distributed network of outpatient surgery sites. Even after the COVID crisis subsides, ambulatory surgery will continue to be the future of surgical services.

Perceptive OR leaders will use 2021 to plan a decisive pivot toward an ambulatory strategy. This approach will help hospitals secure new surgical volume while increasing efficiency and improving the patient experience. It will also help protect the entire organization against future disruptions in the inpatient surgery market.

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