Tackling Anesthesia & Locum Expenses: How to Balance Coverage & Costs

Problem

Fewer anesthesia professionals are working today, and more clinicians have opted for locum roles. To ensure surgeon access was unaffected and surgical volume maintained, hospitals and health systems embraced higher locum use without understanding its role in the longer term financially viability of surgical services. The revenue from surgery can no longer sustain the cost of anesthesia, including routine misuse (over or inappropriate) of locum resources.

Solutions

To remedy this unbalance, hospitals and health systems should better understand their OR space and staffing usage and make data-driven decisions. Best practices include:

- Leveraging technology
- Using governance
- Improving caseload management
- Educating decision-makers
- Proactive procedural planning
- Functional daily operational leadership.
- Understanding Non OR anesthesia requirements

Results

By understanding quantitative historical data within a facility, hospitals can remove the emotions from difficult discussions surrounding access. Respected leadership within governance boards can set and maintain access guidelines, and use analytical tools to uncover and track the value of every surgical minute. Once schedulers recognize how and when OR space should be used — and fully understand how anesthesia costs tie to surgical time — true cost savings can be realized in surgical services. Saving up to $17,000 or more a day.

Ref: Understanding Costs of Care in the Operating Room

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SURGICAL DIRECTIONS™

Introduction

Anesthesia providers employed as locums is a growing trend, which is exacerbating anesthesia staffing costs in an already talent-challenged and economically burdened environment. Anesthesia is critical for surgical services, but at some point, its costs become unsustainable for profitability. In other words, the cost of anesthesiology, in increasing settings, is becoming more important than the historical views on procedural sites and physician access. As hospitals and health systems look for answers, Surgical Directions is employing strategies and tools to bend the curve and bring balance back to the anesthesia space.

Problem

Anesthesia is vital to surgical volume, but over the last few years has become a more prevalent cost center. Since the pandemic, the pool of anesthesia providers has reduced, and more anesthesia clinicians are opting for locum roles. The flexibility and higher income this employment type affords is understandable, but it comes at a cost for health systems — namely, hundreds of dollars more in hourly rates, plus the added fee for locum agencies. This expenditure is passed on to the hospital and is contributing to the already growing anesthesia subsidies that hospitals are being asked to pay.

With higher surgical demand at both in-patient and ambulatory locations, this extra financial burden for hospitals and health systems is snowballing toward unsustainable rates. The desire for locum anesthesia positions is strong; the availability of these opportunities must be more thoughtfully employed. Otherwise, the cost of anesthesia will eventually negate the profits from surgeon access.

In our work with clients, Surgical Directions consultants delve deeper into the overall management of surgical services, and regularly discover an acute rise in pass-through locum costs. Anesthesia groups are not actively calling upon locums to cover cases but are often forced in this model because of poor scheduling practices. When hospitals do not properly manage their surgeons, procedures, or schedules, anesthesia groups must mitigate the situation with temporary staff and expect reimbursement for the premium.

Solutions

Proactive management of staffing and scheduling to reduced locum use is a lever hospitals and anesthesia groups can pull quickly to mitigate costs. This approach does not eliminate the essential role of locums to ensure coverage support as needed. Instead, it encourages better operating room (OR) management through governance-backed scheduling, streamlining weekly anesthesia needs, and better organized anesthetizing locations. This can be achieved through specific steps:

1 | Leverage technology to determine scheduling:

In working with clients, Surgical Directions uses it has a predictive analytics tool Merlin™ to quickly understand the ecosystem of surgical and procedural services. Merlin helps hospital leaders optimize their patient throughput, maximize surgeon access, and reduce wasteful OR spending. In addition Merlin, also has an anesthesia module that Surgical Directions employs to understand heat map results from a historical standpoint and align them with clients' current anesthesia resources

For locums, this helps hospital administration use predictive analytics to gain a clear view of where, when, and how each anesthetizing location is being used. Hospitals must always account for add-on cases, urgent emergent cases, and service line growth opportunities, but historically, which resources do they actually need? Data helps clients understand this and supports effective discussions with surgical leaders to build and maintain forward-thinking schedules that align with surgeon needs. It also enables anesthesia groups and their clinicians to better plan their own schedules with

confidence and prevent calling on extra locum staff to fill unexpected gaps in coverage. Together, hospitals and anesthesia groups can realize higher and often immediate cost savings.

2 | Use governance to manage surgeon access:

The nation faces a decades-long struggle for enough anesthesia professionals. Better use of anesthesia resources has and will have a growing effect on surgeon access. But when the cost of anesthesia no longer aligns with the profitably of case volume, hospitals must make difficult decisions, including regular use of surgical space and flip room access. That is the value of governance. In our experience, a strong leadership board with key members from surgical services and administration can work collaboratively to set and maintain the standards all departments and individuals must follow. This includes balancing surgeon access decisions with schedule closing or release days for surgeons' blocks.

3 | Improve caseload management

Through active daily reviews of each week, hospitals and surgical services can more effectively staff their anesthetizing locations. This prevents locums or PRN staff from being wastefully on-site during days short in case volume or calling them in last minute on days with high volume. It is respectful of everyone's time, expertise, and employee experience, while also being conscious of the consequences of misused staffing resources. Monitoring these rooms also enables OR directors or proceduralists and surgeons to be flexible with case days and times to improve overall utilization balance.

4 | Educate decision-makers on the true cost of locums:

In our experience, individuals making staffing decisions on room coverage and time blocks must understand the full meaning of locum costs. Especially for cases that may or will extend into the afternoon or evening, these scheduling decision-makers are usually not directly tied to financial consequences of temporary staff use. There is no incentive or penalty to knowingly releasing W2 clinicians in place of locums who stay in an overtime premium capacity. Educating all individuals, including surgeons, on the long-term financial burden of heavy locum use can help influence how schedules are created and maintained. Visual tools, like Merlin's anesthesia module, can also benefit those assigning staff to highlight case volume, anesthetizing location use, and staffing resources, making them more acutely aware of the financial significance of their scheduling decisions.

Large Mid-West Health System

Anesthesia Transformation

A top-ranked health system with more than 485 patient beds and 33 ORs

Situation:

- Shortages of anesthesiologists and CRNAs resulting in locums expenses
- Increasing numbers of procedures
- Problematic billing and collection practices
- Poor productivity (utilization) of procedural services, including the operating room and non-OR anesthesia cases
- Surgical Directions Solutions:
- Optimal staffing for anesthesia locations and NORA sites
- Model a set number of providers to cover the locations and develop a "care team" model utilizing CRNAs and physicians
- Recruit the necessary number of providers required for current and future growth
- Amend or renegotiate a new agreement to include a detailed staffing model, revenue, practice expenses and net profit detail
- Establish a net-new anesthesia governance structure
- Implement a financial penalty for failure to perform at contracted levels of coverage does not exist
- Establish a new anesthesia governance structure OR establish an operations governance structure with Anesthesiology as co-chair

Results:

- Identified risk and stabilized OR volume with new providers
- Revitalized term sheet that illustrated anesthesia contractual efficiencies and savings over $100K per anesthetizing site
- Created a formula-based stipend arrangement that adjusted for changes in coverage

Results

The anesthesia staffing crisis has highlighted a serious disconnect in healthcare. Hospitals used to prioritize surgeon access, but the high cost of anesthesia providers is starting to reduce the revenue gained from surgical cases. Higher locum use is a large contributor to anesthesia's financial increase. This crisis in anesthesia may be the forced reset many hospitals require to seriously rethink their OR management and inspire them to create more defined rules for surgeon access and surgical minute usage. Best practices including release days for elective cases, having rooms on-hand for add-on and urgent cases, leveraging data tools to better predict anesthesia staffing needs, and embracing governance to collaborate with the surgeons and move cases to level load scheduling.

One Surgical Directions client who embraced these strategies recognized its facility was wastefully running 10 ORs. All space was used in the mornings, but usage dropped off for two rooms by the afternoon, resulting in six hours of unused space. However, anesthesia providers — including locums — were staffed during the entire period with guaranteed hours. By understanding their true utilization, the hospital right-sized its schedule to staff eight highly used anesthetizing locations throughout the day. This saved the hospital approximately $20,000 a day based (based on 10 hours) in personnel and other OR related costs. **Ref:** Here's a Better Way to Schedule Surgeries

Conclusion

For hospitals to continue providing lifesaving and life changing care, they must also maintain their own financial health. Locums as an employment type came about as a way for surgical services to stay on track when employed anesthesia staff was unavailable. However, hospital decision-makers have allowed excessive locum use to burden their bottom line through cavalier scheduling and a higher focus on surgeon preference. In trying to please everyone, hospitals have reached a tipping point and can no longer afford business as usual. Hospitals and their surgical leaders must work together to restore fiscal responsibility to the perioperative space without losing sight of the needs of anesthesia groups, surgeons, individual clinicians, and most importantly patients.