



MISSION CRITICAL

Cost Containment and Productivity Initiatives in the OR

**Jennifer Butterfield
Administrator
Surgery Partners – Lakes Surgery Center**

LEARNING OBJECTIVES

- To identify cost containment initiatives easily implemented in your ASC
- To identify productivity initiatives easily implemented in your ASC



COST DEFINED

Cost Containment:

A detailed plan or process of maintaining organizational cost where purchased items are set within a specific target

- Example: Using a GPO



COST DEFINED

Cost Avoidance: An effort to prevent or reduce supplier price through negotiation, value analysis or other techniques

- Example: Have shipping waived



COST DEFINED

Cost Reduction: Reducing the cost in a tangible way

- Example: Buy the less expensive implant



COST CONTAINMENT INITIATIVES

#1 Build a Culture of Cost Containment

- People are the foundation of your ASC
 - Hire cost conscious people
 - Let them know controlling cost is an expectation
 - Hold employees accountable
- Cost Containment must be a PRIORITY



COST CONTAINMENT INITIATIVES

#2 Establish Foundation for Cost Accountability

- ALL employees must have cost containment as a goal
 - Personal Goals
 - Departmental Goals
 - Organizational Goals
- ALL Job descriptions, Performance Appraisals and Bonus Plans must have cost containment goals identified, be measurable and achievable



COST CONTAINMENT INITIATIVES

#3 Cost Accountability in Job Descriptions

- Under job duties and responsibilities specific to finance:
 - Conserves resources and minimizes costs when possible
 - Participates and assists with implementation of cost saving initiatives for the department
 - Communicates ideas for cost containment and reducing expenses



COST CONTAINMENT INITIATIVES

#4A Cost Accountability in Performance Appraisals

- At least one (1) departmental goal
 - Increase outsourced reprocessing of disposable devices by 5% over prior year
- At least one (1) personal goal
 - Find one (1) supply cost saving idea to be implemented (i.e. last year you initiated removal of hand towels from custom packs)



COST CONTAINMENT INITIATIVES

#4B Cost Accountability in Performance Appraisals

- At least one (1) departmental goal
 - Maintain office supply expense within 2% of budget
- At least one (1) personal goal
 - Find one (1) supply cost saving idea to be implemented (i.e. last year you discovered yellow highlighters were less expensive than color highlighters and the facility stopped purchasing other colors)



COST CONTAINMENT INITIATIVES

#4C Performance Appraisal - Corrective Action

- Not meeting personal goals or not contributing to departmental goals is reason to reduce scoring of performance and reduction of merit
- Gross misconduct such as a tech that drops absolutely everything all the time could result in an employee performance improvement plan



COST CONTAINMENT INITIATIVES

#5 Cost Accountability in Bonus Plan

- Exceed budgeted EBITDA plan
- Supplies and implants are below 22% Net Revenue
- Departmental Cost Containment Goal was achieved

“Cost Containment is EVERYONE’s job”



COST CONTAINMENT INITIATIVES

#6 Have Specific People Targeting Cost Savings

- Employ a FT Materials Manager!
 - Operating Room knowledge
 - Supply Chain experience
 - Good with negotiating
 - Good with Excel software
 - Can deal well with stress
 - Has ability to establish good relationships with vendors
- Have MM keep a Savings Log



COST CONTAINMENT INITIATIVES

#6 Example Savings Log:

DATE	PRODUCTS/SERVICE	SAVINGS PER UNIT	PRO-RATED YEAR SAVINGS	Annual Savings	Notes
4/18/2017	Super freight	\$158.53	\$158.53	\$158.53	
4/25/2017	Super freight	\$97.52	\$97.52	\$97.52	
4/1/2017	Eyeball Rebate	\$47,735.18	\$47,735.18	\$47,735.18	Rebate
4/27/2017	Convert Sheehy single tubes from ABC to XYZ Medical	\$32.20	\$225.40	\$225.40	annual usage 7 boxes
4/27/2017	Convert Sheehy double tubes from ABC to XYZ Medical	\$5.60	\$134.40	\$134.40	annual usage 24 boxes
5/26/2017	Renegotiated QRS Hysteroscope Quote	\$4,298.77	\$4,298.77	\$4,298.77	Hysteroscopes- TUV
5/2/2017	Super freight	\$48.28	\$48.28	\$48.28	5/2/2017
5/9/2017	Super freight	\$30.34	\$30.34	\$30.34	5/9/2017
5/16/2017	Super reight	\$103.76	\$103.76	\$103.76	5/16/2017

“Share WINS with physicians and staff”



COST CONTAINMENT INITIATIVES

#7 Monitor the Surgery Schedule

- Materials Manger/CST/RN/OR Manager review the schedule at least one week ahead
- Order supplies as needed
- Do not order to fill empty space or because you have room



COST CONTAINMENT INITIATIVES

#8 Consolidate Storage Areas/Places to Find Supplies

- Watch for hoarding
- Watch for duplication of storage area types
 - Once had pulled all the boxes of exam gloves from every place they could be found in the facility. We had around 75 boxes on hand, much of it expired!
- Establish PAR levels for routine, low cost items such as needles, syringes, 4 X 4s, etc.



COST CONTAINMENT INITIATIVES

#9 Create Team for High Cost Disposables & Implant Management

- Scheduler, Biller/Coder, Materials Manager, OR Manager, Implant Manager (RN) and Administrator
- Establish a process for approving cases with high disposable costs and/or high implant costs



COST CONTAINMENT INITIATIVES

#9 Example A:

Procedure Authorization Form

Name: Jennifer Butterfield

DOS: October 31, 2017

Insurance: ABC Health

Procedure: 28296, 28110, 28285 (Austin Bunion/Tailor Bunion & Hammertoe)

Reimbursement: \$3,000

Supply/Implant Costs: \$1,200

Authorization 1: Biller/Coder Initials

Authorization 2: Materials Manager Initials

Authorization 3: Administrator (Determines if case is a go)



COST CONTAINMENT INITIATIVES

#9 Example B:

Procedure Authorization Form

Name: Jennifer Butterfield

DOS: October 31, 2017

Insurance: ABC Health

Procedure: 58558, 58563* (Hysteroscopy D & C w/ Ablation and Myomectomy)

Reimbursement: \$2,200 *Bundled only one CPT usable

Supply/Implant Costs: \$2,200

Authorization 1: Biller/Coder Initials

Authorization 2: Materials Manager Initials

Authorization 3: Administrator (Determines if case is a go)



COST CONTAINMENT INITIATIVES

#10 Educate Staff/Physicians on Supply Cost

- Talk about cost at new product in-services
- Play “Price is Right” game or other guess a price game
 - Skin Adhesive vs. 4-0 Monocryl Suture
 - Generic K-wire vs. K-wire from a fracture set
 - Full set of scrubs vs. Bunny suit
- Give away simple prizes for winners



COST CONTAINMENT INITIATIVES

#11 Publish Costs in an area Staff/Physicians will see

- Just knowing an items individual cost is incentive to be more careful about opening, stocking and necessity of use
- Publishing case cost across service lines helps others not in those service lines to be more aware
- Creates competition among physicians
 - Surgeon A case cost is \$405
 - Surgeon B case cost is \$375
 - Surgeon C case cost is \$425



COST CONTAINMENT INITIATIVES

#12 Have Strong Relationship with Distributor

- Ensures priority for deliveries
- Works with you for shortages
- Can help if you've accidentally not ordered an item in time
- Keeps you informed on supplier changes



COST CONTAINMENT INITIATIVES

#13 Have Periodic Reviews with Primary Distributor

- Look for new program roll outs with their private label products which are typically made in the same factories as an OEM
- Look for delivery schedules that allow for just in time
- Use the distributor as your warehouse not your facility



COST CONTAINMENT INITIATIVES

#14 Ensure Highest Usage of GPO Items

- Consolidating usage to one vendor
 - Best Pricing & Highest Tier
- Ensure you have signed letters of participation (LOP) to access contracts
- Look for expanded services for contracts – dosimetry, construction, medical gases, equipment purchases, renovations, lab, office supply, etc.



COST CONTAINMENT INITIATIVES

#15 Understand Facility Spend

- Have MM pull top vendor spend data
- Have details on usage prior to negotiations
- Look for discounts on items used most often
 - Vendor tactic is to give you a great price on one item but mark up another. Most likely the discount is on something you do not use frequently and the mark up is on items you do use frequently!



COST CONTAINMENT INITIATIVES

#16 Plan for Physician Preference Items Off GPO

- Negotiate local pricing agreements
- Never allow vendors to reference or quote \$ off list price
- Avoid % off list price as it appears like a good discount but not if the original price is inflated
 - List price is HIGHLY inflated!



COST CONTAINMENT INITIATIVES

#17 Negotiating Tactics

- Always have more than one vendor competing for your business during negotiations
- Never share pricing – most reps ask and will beat that price, however, it's unethical to provide pricing and it may not get you the best price. It's possible, even probable they will come in much lower to win the business
- Let vendors know they get “one shot” which forces them to get to their lowest possible cost verses going back and forth over pennies



COST CONTAINMENT INITIATIVES

#18 Get Physicians Involved

- Physician involvement is a must
- Include them in negotiating tactics and strategies
- Threaten to move business to another vendor
- Actually move a few cases to another vendor
- Have physicians “trial” new vendors
- Watch price go down due to “fear of loss”



COST CONTAINMENT INITIATIVES

#19 Play “Good Cop Bad Cop” or “Car Salesman”

- It works!
- Good Cop can be the physician, OR Manager or the Materials Manager
- Bad Cop needs to be an Administrator, VP Operations, or the Governing Board
- Take your time responding back to vendors
 - My MM and I once had a 15 minute conversation about his dog before he went back and told the vendor I wouldn't agree to the pricing. He then told him he'd have to come back with his best pricing and he only had one shot otherwise we were going with another vendor. He came back significantly lower to win the business.



COST CONTAINMENT INITIATIVES

#20 Make Physicians Sign Off on Vendor Invoices

- After each case a vendor puts together an invoice
- Make your surgeons sign off on the invoice
- Don't allow your Materials Manager to accept/create P.O. for unsigned invoices
- Train physicians to repeat words such as “WOW! The cost is \$\$\$\$??? My Administrator is going to flip out! Can you take anything off this??” as they sign the invoice



COST CONTAINMENT INITIATIVES

#21 Monitor Vendors in the OR

- The OR is where a vendor will “up sell”
- Vendors are trained to jump in the moment a physician appears indecisive

Example: Physician is hesitant about an additional suture anchor. In jumps the vendor with “Doc, you the know purpose of surgery is to restore anatomy, let me open this other anchor...and with it comes a cannula, scorpion needle, swivelock, fibertape, fiberlink, etc.

Was the additional suture anchor needed for best patient outcome or was up selling tactic used?



COST CONTAINMENT INITIATIVES

#22 Circulating RNs Open Supplies in Cases

- Mandate only Circulating RNs may open supplies in cases
- Train RNs to ask how much an item costs before they open it
- Have RNs say “Wow, did that get pre-approved by our Materials Manger?” if price sounds high
- Have staff know more than the vendors
 - Staff with less experience are more vulnerable to letting vendors take over in rooms, make sure they are asking lots of questions during the cases to get up to speed faster



COST CONTAINMENT INITIATIVES

#23 Have Periodic Custom Pack Reviews

- Semi-annual basis or at a minimum annually
- Include Scrub Techs, RNs, Physicians
- Look for waste from change in process
- Look to see if items can be added into the packs at a lower price
- Look for like product lines that are less expensive and exchange them
- Pack companies will have new vendors too and will allow conversions for additional savings/promotions
- Every three years have another company bid on the business and your current company re-bid the business



COST CONTAINMENT INITIATIVES

#24 Hold Vendors Accountable

- A device doesn't work, have vendor give a credit
- Tell the vendor they have a pre-approved budget and to stay under - anything over will not be paid
- Kick vendors out of rooms if they are not cooperating with the RNs, policies, or up selling



COST CONTAINMENT INITIATIVES

#25 Understand What You're Paying For and How You Compare

- Data collection is key
- A kit/construct vs. individual components
- Use third party data such as ECRI or Corporate Partner information for comparison data on supplies as well as equipment
 - Use mergers, new physicians, new employees as a catalyst to call current vendors out and ask them for better discounts



COST CONTAINMENT INITIATIVES

#25 Case Cost /Preference Card Exercise

- Take a sheet of paper to every department labeled as such: Front Desk, Pre-Op Holding, Operating Room, Anesthesia, Recovery
- Pick one patient per service line to follow
- Have staff working with that patient write down EVERYTHING they use during the case
- Compare what was written to the Preference Card
- Tabulate the cost of what was written down vs. what you thought was the case cost
- Analyze what you find, fix the preference cards and report costs to leadership



COST CONTAINMENT INITIATIVES

#25 Case Cost Exercise

- We found in once case we'd spent \$16 in patient labels/stickers
 - There were two 25 page dictated H & Ps plus the regular chart stickers, lab stickers, etc.
 - Imagine if that cost was every case
 - $\$16 \times 6,000 \text{ cases} = \$96,000$



COST CONTAINMENT INITIATIVES

#26 Consider Innovative Vendors

- Best pricing on in bound and out bound shipping
- Overstock/Idle stock trade in/auction
- High cost/High volume supplies sourced through an alternative vendor
- Liquidation centers
- Device reprocessing centers
- Re-sterilization companies
- Refurbished equipment instead of New



COST CONTAINMENT INITIATIVES

#27 Consider Other Categories to Find Savings

- Utilities – many states have deregulated and you can find savings
- Credit Card processing – many companies want your business and will compete
- Know your Reimbursement contracts and how they may affect cost strategies
 - % of billed charges
 - Fixed
 - Cost plus
- Watch for Third Party Administrator (TPA) contracts that may affect your legal/lien business, implants, and sneaky re-credentialing tactics that change your prior contracted pricing



PRODUCTIVITY INITIATIVES

#1 Flex the OR Schedule

- Move cases to reduce number of rooms whenever possible
- Bounce rooms if staff available to expedite ability to have staff leave early (especially if it gets PACU out earlier)
- DO NOT Bounce physicians who are slow or volume/staffing does not support it easily
- Medical Director to monitor Block time utilization



PRODUCTIVITY INITIATIVES

#2 Cross Train Staff

- RNs/Techs trained in ALL specialties (Endo, Ortho)
- Pre-Op and Recovery can flex departments or float back and forth as needed
- ALL RNs trained to make post-op phone calls, PAT phone calls
- Surgical Technologists who can work CPD, go to Recovery as medical assistants
- Endoscopy Technologists that can turn over/open ORs
- Schedulers that can do Insurance Verification
- Medical Records that can help Front Desk



PRODUCTIVITY INITIATIVES

#3 Time Punch Analysis

- Analyze time punch data to see if staff are punching in early and out late for extra pay
 - Problem for time clocks with rounding
- Change Policy for Attendance/Tardiness to have it become an occurrence for punching in and out before after 6 minute window
- Have leadership monitor and administer corrective action if necessary



PRODUCTIVITY INITIATIVES

#4 Stagger Staff Start/End Times

- Staffing matches OR schedule
 - If cases start at 8 am, then staff arrive at 7 am
 - If some cases start early some late, flex the staffing
 - If cases end at 2 pm, then staff leave 30 minutes after case ends



PRODUCTIVITY INITIATIVES

#5 Overtime Must be Approved

- Make the expectation that staff are responsible for monitoring their hours and that any overtime can only occur if approved by manager
- “Pumpkin List” have payroll make a list of those approaching overtime by early Thursday so you can plan the afternoon leave early list and Friday staff start/stop hours



PRODUCTIVITY INITIATIVES

#6 Have Staff Leave ASAP after cases are finished

- Set expectation they have about 30 minutes from end of the case to head home
- Set expectation that everyone is to help others to get them out early as well
- Hold managers accountable for sending staff home in a timely manner



PRODUCTIVITY INITIATIVES

#7 Off with Benefits

- Allow use of PTO to cover low census
- Allow use of NO PAY to cover low census
- Allow PTO to accrue when staff is on low census
- Mandate low census and keep a list for who's next



PRODUCTIVITY INITIATIVES

#8 Good Hiring Habits

- Hire 32/36 hours (0.8/0.9) instead of 40 hours (1.0)
- Set expectation during interview hours are flexible, 40 hours may not be achieved and OT is rare
- Set expectation of cross-training needs



PRODUCTIVITY INITIATIVES

#9 Manage Gaps in schedules

- Downtime occurs, make sure staff are productive with other projects
 - Work on service lines
 - Depletion of inventory
 - Healthstream or Required Competency Modules
 - Apply their services to other departments, OR RNs to make post-op phone calls
 - Work on Performance Improvement or other Quality Initiatives



PRODUCTIVITY INITIATIVES

#10 Manage Recovery Times

- Monitor anesthetics used by CRNAs, is there one CRNA that “snows” all their patients?
- Limit use of narcotics to reduce nausea/vomiting
- Monitor averages of Recovery Times by RN, is there one RN that takes much longer to recovery his/her patients?
- Is acuity a problem? Work with Anesthesia on best practice for patients with co-morbidities, high BMI



PRODUCTIVITY INITIATIVES

#11 Rounding on Staff

- Managers and Administrator need to be visible to staff
- Train leaders on how to incorporate productivity monitoring at the same time as rounding
- Step in when staff need a hand
- Make sure they have the tools to be efficient



PRODUCTIVITY INITIATIVES

#12 Reduce Variation in Process

- Apply Lean/Six Sigma techniques to reduce variations
- Reduce time from check in to pre-op holding
- Reduce time from pre-op holding to OR
- Board all RIGHT side cases then all LEFT side cases
- On time starts



PRODUCTIVITY INITIATIVES

#13 Reduce Turnover Time

- Assign specific team to turn over, breaks and lunches
- Team is assigned specific areas in turn over to avoid duplication of cleaning areas or skipping other areas
- Have proper instrumentation to avoid Immediate Use Steam Sterilization and instrument wait times
- Time staff breaks/lunch relief to coincide with Turn Over
- Be prepared for all cases in room at beginning of day



PRODUCTIVITY INITIATIVES

#14 Efficiency Conversations

- Reward efficient staff members and have staff copy their best practices
- Have conversations with individuals that do not appear to be pulling their weight
- Find out what motivates your staff and what can be done to improve employee engagement
- Happy employees are efficient and productive



PRODUCTIVITY INITIATIVES

#15 Full/Part Time/Contingent Staffing Mix

- Avoid use of Agency/Travel nursing as much as possible
- Analyze full time and part time ratios. May be opportunity to have two part time positions instead of one full time so there is ability to staff busier days and not staff slow days
- Staff according to acuity and skill mix



QUESTIONS?

Thank you!

