Partnering with your CEO will put you on the path to success

Maintaining a strong relationship with the hospital CEO has always been important for an OR leader. In the coming year, good relations with the executive suite will be critical.

Hospital executives are under greater pressure now than at any time in the last 30 years. Changes in the healthcare market are creating unprecedented challenges for hospitals. Most CEOs, faced with difficult choices, will expect a lot from the surgery department this year. Surgical services directors will have to weather increasing scrutiny.

To do well, OR directors need to work effectively with the executive team. Start by taking a forward-looking approach to your hospital’s needs. Focus on becoming a “solutions provider” who can help the CEO meet the challenges of 2014.

**CEO worldview**

Changes in the economy and healthcare laws have led to difficult tests on every front.

Payment is declining. Sequestration cuts have slashed Medicare reimbursement by 2%. At the same time, aging demographics are shifting more patients to Medicare, eroding profitability. Between 2011 and 2012 alone, the percentage of the US population covered by Medicare increased from 15.2% to 15.7%, while the private coverage rate held flat at 63.9%.

The demand for hospital care is dropping. Nationwide, inpatient admissions declined 3% between 2008 and 2011. It is uncertain whether healthcare coverage expansion will reverse this trend any time soon.

The demand for quality care is growing. By 2015, the total portion of hospital payment subject to Medicare quality initiatives (Value-Based Purchasing, readmissions reductions, and penalties related to healthcare-acquired conditions) will rise to 5.5%.

Hospitals are under pressure to build or strengthen their physician networks. Many CEOs now devote significant energy to managing physician expectations and performance.

All this is creating real danger for ORs. Staff cuts represent a likely scenario. As of last fall, healthcare job cuts in 2012 outpaced the prior-year rate by 68%. This trend will likely continue. Paradoxically, the new emphasis on physician networks could make executives more susceptible to surgeon pressure regarding expensive supply preferences and technology purchases.

It’s more important than ever for OR directors to take a strategic view of their role. The key is to position your department as an essential element of a forward strategy for the hospital.

**Growth strategy**

Many hospital executives see staff reductions as the only way to manage reimbursement cuts. To counter this threat, create a vision for maintaining the bottom line by growing revenue.

We have outlined several techniques for growing surgical volume (OR Manager, June 2013, p 23). Critical steps include analyzing service line profitability and estab-
lishing a needs-based selling initiative. If you already have a strategic growth plan in place, now is the time to update it to reflect recent payment changes and adjustments in your payer mix.

One of the biggest strategic opportunities today is to help surgeons respond to their own set of priorities. The lingering recession continues to depress elective surgery. Most surgeons are spending more time in the office to generate the same number of cases. In addition, surgeons are subject to increasing demands for higher quality and better outcomes. Hospital OR directors can forge strategic links with surgeons by ensuring excellent preoperative preparation, high-quality nursing support, and highly efficient and productive days in the OR.

Cost control
A surgery department represents the bulk of hospital spending. That makes an OR the main target for any cost reduction impulse. Be prepared to offer a plan for reducing costs while maintaining your department’s ability to grow.

The starting point is to stratify department expenses. Some costs are dead weight on performance, but others drive financial and strategic progress. Understanding which is which will allow you to create a sensible and effective cost reduction strategy.

One useful exercise is to scrutinize all costs from the point of view of projected Medicare reimbursement. Operating within government payment is now the “gold standard” of effective OR management. Renew efforts to reduce supply waste, control preference items, and negotiate the best prices on high-cost materials. Strengthen processes for scrutinizing technology purchases in cooperation with physician partners.

In the area of labor costs, many ORs can realize considerable savings by cutting agency and overtime expenses. Improvements in block system design (see OR Manager, May 2013, p 21) and scheduling (OR Manager, September 2013, p 25) will allow you to optimize utilization of full-time staff, thereby reducing high-cost nursing hours. Developing a stronger nurse retention plan will trim turnover costs (OR Manager, September 2013, p 30).

OR leaders often overlook the chance to reduce the cost of anesthesia coverage. About two-thirds of hospitals support their anesthesiologists with a financial stipend. Few, however, understand the root cause of the stipend phenomenon: Low OR efficiency makes it impossible for anesthesiologists to earn an adequate income from case volume alone.

A proactive cost control plan will focus on reducing anesthesia financial support by increasing OR efficiency. Efficiency gains enable a surgery department to accommodate existing case volume in fewer rooms. Anesthesia groups are able to earn the same income with fewer coverage resources. In our experience, each closed room reduces anesthesia costs by $250,000 to $600,000.

Quality vision
Calls to improve quality are getting louder. Surgical services directors can make themselves invaluable to the executive team by providing solutions to quality problems.

Many OR safety initiatives can serve as a template for hospital-wide programs. OR directors can leverage their expertise in these initiatives to help reduce medical errors throughout the organization. For example, checklists are a critical component of OR safety. OR leaders can use their experience with these tools to help implement safety checklists in other areas of the hospital. A statewide ICU initiative in Michi-
gan, for instance, used checklists and other interventions to avoid 30 catheter-related bloodstream infections and 18 cases of ventilator-associated pneumonia per hospital per year. Cost reductions could amount to well over $1 million per institution.

While “never events” get a lot of attention (and may be the focus of the CEO’s concerns), most of the quality gap in American healthcare is not driven by medical error. The biggest opportunity to boost quality is to improve care coordination. OR leaders can pursue this strategy by working with the medical staff to establish a surgical home model of care.

Healthcare organizations are developing the surgical home concept in different ways, but a handful of characteristics are common. Most initiatives emphasize multidisciplinary planning, preoperative protocols, and coordination across the spectrum of perioperative care.

So far, pioneering surgical homes have achieved some impressive results. At the University of Southern California’s Keck Medical Center in Los Angeles, a surgical home project cut 30-day mortality by 47%. An initiative at the University of California’s Irvine Medical Center in Irvine reduced the length of stay for joint replacement patients to 2.1 days. Gains like these can help hospitals optimize postoperative outcomes (reducing the risk of readmission penalties) and control episode costs (improving performance under bundled payment contracts). Surgical home programs that emphasize preoperative protocols have the added benefit of keeping patients who are not fit for surgery out of the OR.

A well-developed surgical home program can support hospital-wide efforts at value-based contracting. The ability to demonstrate improved patient outcomes can help hospitals secure preferred provider status and higher payment rates.

Communication tips
Most OR directors do not get much face time with the CEO—except when things are bad. The following tips can help you make a positive connection with the executive team.

1. Learn your CEO’s goals. What is the CEO’s overall strategic plan for the hos-
hospital? What do hospital trustees expect from him or her? Understanding the big picture will help you create an OR plan aligned with the CEO’s objectives.

2. Leave out the nuts and bolts. Many executives have conditioned themselves to filter out information below a certain level of detail. Frame your main message in terms of high-level issues—costs, revenue, profitability, etc. However, be ready to drill down upon request. Once you have the CEO’s interest, he or she will want to probe the specifics.

3. Be ready to talk numbers. At some point, the executive team will want to quantify the discussion, so be sure to do your research. For specific proposals, provide hard figures for the required upfront investment, the expected return on investment, and the anticipated time frame.

4. Boil it down to 3 minutes. You have a lot to say about OR operations, management, and strategy. Unfortunately, your moment to say it may be a short slot in an executive staff meeting or a few minutes at lunch. To make the best use of the time allotted to you, hone your message to a brief set of talking points (chart). Boiling down your message will ensure you hit all the major points you need to communicate.

5. Provide a way to monitor. Hospital CEOs need an easy way to track progress. Accommodate this need by creating an executive dashboard for the OR. Deliver the dashboard monthly along with a short narrative explanation. Giving executives a way to follow the OR’s progress will ensure continued support and may eventually open up new opportunities for your department.

Proactive approach
OR leaders who take a proactive approach to current hospital challenges will have a better chance of winning executive support. Positioning the OR as a source for solutions will pay off in 2014 and strengthen your department for years to come.

This column is written by the perioperative services experts at Surgical Directions (www.surgicaldirections.com) to offer advice on how to grow revenue, control costs, and increase department profitability.

References


