The economy is hitting hospitals hard. For elective surgery, the picture is only starting to emerge. Hospitals’ median total margins shrank to near zero in the third quarter of 2008—an unprecedented low, according to a Thomson Reuters analysis of data from 439 hospitals. This was primarily because of a drop in investment income.

Though there were plenty of anecdotes that elective surgery was off, the data available in March hadn’t yet shown a trend.

Thomson Reuters data for key elective procedures hadn’t broken from historic trends through December 2008. That was true both for hospitals and physician activity (sidebar).

Some high-volume outpatient procedures like knee arthroscopy and cataract surgery seemed to be off for hospitals, but physician volume for those procedures had not let up, suggesting the decline was because more procedures were shifting to surgery centers and physician offices, the company said.

An online survey

In a survey by Novation, 44% of hospitals said they are seeing a reduction in surgical procedures. The results are based on a 12% response to an online survey of 546 CFOs and materials management executives.

It’s hard to know what to make of the data yet. Year-over-year variations of 5% to 10% in elective procedures are not that unusual, says Gary Pickens, PhD, chief research officer for Thomson Reuters.

“If you are looking at one time period and comparing it with the previous year, you may not be getting an accurate picture,” he says. “On the other hand, if the pattern continues for 3, 6, or 9 months, it probably is an issue.”

There are anecdotal reports from around the country that elective surgery is off.

State hospital association surveys found elective procedures down for some members. Elective surgery is one of the few areas that provides revenue growth.

In California, 30% of hospitals reported volume had decreased for elective procedures, the California Hospital Association said in January. In Pennsylvania, 44% of hospitals reported a moderate to significant decrease in elective procedures in the first month of the year. Elective procedures were said to be down by 2% to 20% for 60% of New Jersey hospitals in a poll.

In one large nonprofit health system that has hospitals in 20 states, elective surgery is said to be down considerably for most of the facilities. Some hospitals have reduced the number of staffed ORs, and most have frozen open perioperative positions except those deemed critical. Managers have been instructed to stop use of agency staff.
In California, there were reports from OR directors of hiring freezes, new grads and other RNs not being able to find work, reduced hours for clinical staff, and some layoffs.

**Some surgery up**

For other organizations, surgery is stable or even up. At Massachusetts General Hospital in Boston, surgical volume has increased a bit.

Surgery at Yale-New Haven Hospital in New Haven, Connecticut, in February was up about 3% from last year, mostly in outpatient care.

“We have not had to furlough staff in the OR as yet, but we are managing how we use overtime and staff when we may not be as busy in the afternoons,” says Ena Williams, RN, MBA, MSM, nursing director of perioperative services.

Consultants say they are hearing from some surgeons that their workload is down.

“We don’t have data, but it’s more than anecdotal,” says Jerry Ippolito, MBA, MHSA, of OR Efficiencies, Charlotte, North Carolina.

Jeff Peters, president of Surgical Directions, LLC, Chicago, says he’s hearing about lower volumes in some areas from client hospitals and surgeons, which is driving changes in some markets.

Some surgeon investors in ambulatory surgery centers that aren’t doing well are approaching hospitals.

“We have a number of client hospitals that are negotiating with surgery
centers to buy them, and when they buy them, they expect to close them,” he says. In addition, hospitals with lower volumes will need to reduce OR capacity.

“In the long run, this will reduce the number of ORs in the country for a while, and the ones that survive will see higher volume,” Peters says.

The result is “a fundamental change” in what has driven OR volume and overall reimbursement, he says, “and it’s not going to get better in the next 18 months.”

Organizations that weather the recession best, says Peters, will be able to balance the need to reduce capacity while providing access to surgeons in the community who may be looking for time on the schedule (sidebar).

Reports of hiring freezes, reduced hours
As the economy sours, there have been scattered reports of hospital layoffs, some involving direct care staff.

Mass layoffs, defined as those involving 50 or more people at a single employer, in health care surpassed the 10-year average, according to the Bureau of Labor Statistics (BLS). Twenty percent of the mass layoffs were at hospitals.

In the Novation survey, 47% of respondents said they foresee staff cuts, and 68% expect cuts for clinical staff.

On the other hand, BLS figures showed employment at the nation’s hospitals rose by 0.14% in February and was up by 131,800 over a year ago.

Two large job losses were reported by the University of Pittsburgh and University of Chicago Medical Centers. The latter announced restructuring in February that would eliminate 450 jobs, about 5% of its workforce.

In hard-hit Michigan, at least 1,320 employees were laid off at 15 hospitals, including Beaumont Hospital in Royal Oak, which shed 500 jobs, and St John Health in Detroit, which eliminated 400, according to press reports. The Michigan Nurses Association said there had been a few RN layoffs, though most nursing job cuts were through attrition.

In Minnesota’s Twin Cities, local hospitals have shed more than 1,000 workers since last year, the Star Tribune reported Feb 2. Health care is a key part of the state’s economy. But last year, health care employment grew more slowly at 2.9%, down from 4.1% in 2007. Rural hospitals were doing better because many are designated as “critical access” and receive higher Medicare reimbursement.

Massachusetts has seen some nurse layoffs. “It’s not a large number, but there have been reductions in hours and a shifting of resources. ORs have been protected because that’s where the money is,” says David Schildmeier of the Massachusetts Nurses Association.

A spokesperson for the Florida Hospital Association said, “Most facilities are doing cost cutting, but they are doing everything possible not to lay off nurses.”

Fewer jobs for new nurses
Some new nurses, previously in demand, reportedly are having a hard time finding jobs.

Two hospitals in central California that routinely hire nursing grads from the local colleges said they will hire few of the 72 students scheduled to graduate in May.

“We are aware there has been a decline in nursing positions in the com-
munity. More of the part-time nurses at the hospitals are working more hours," Peggy Hodge of California State University, Stanislaus, told the Modesto Bee.

The Stanislaus Surgical Hospital in Modesto said it had no open positions.

“Our forecast for the year was that trends are going to stay pretty flat,” said the hospital’s CEO. “We are not having any turnover now. In this kind of economy, not as many people are changing jobs.”

**OR nursing impact**

There are signs the economic slowdown could have long-term effects on OR staffing. A class to prepare perioperative nurses in Southern California was canceled because not enough nurses enrolled. Hospitals said their surgical volume was down, and they were holding off on replacing or educating new OR staff, says Marie Paulson, RN, BSN, MS, CNOR, clinical perioperative practice manager for Kaiser Permanente Southern California in Pasadena.

“It takes about a year to train a perioperative nurse, so you tend to plan in advance,” Paulson says. “But with this economy and hospital finances, hospitals are not able to do that.”

On the other hand, veteran nurses may choose to work longer in the future because their retirement funds have taken a beating. That could create its own challenges. As nurses get older, they may find it harder to meet the physical demands of the OR. They may not want to work 12-hour shifts or be eager to take call.

“What will that do to patient flow and efficiency?” Paulson asks. “Will a 70-year-old nurse be able to or want to meet the same expectations and challenges as a younger nurse?”

Her organization is putting programs in place to save wear and tear on the staff.

“We have conducted education for the whole hospital on ergonomics,” she says. Assistive devices are available for moving patients in the OR. But there’s no such solution for nurses’ aging backs and knees.

—Pat Patterson

**How are hospitals faring?**

Hospitals’ median total margin fell to 0% in the third quarter of 2008—an unprecedented low. But data for January 2007 through December 2008 had not shown a trend in patients deferring elective procedures, either in or out of the hospital, according to a Thomson Reuters report released in February. The data is from a cohort of 150 hospitals.

**Findings on surgery:**

- Cardiovascular surgery was within historical ranges for the period.
- Orthopedic surgery inpatient admissions showed no sign of a decrease in this set of hospitals.
- Hospital-based outpatient surgery showed no evidence of breaks in volume trends following the start of the recession in late 2007.
- Major outpatient surgery varied within the historic range. There is some evidence of downward trends in cataract surgery and knee arthroscopies.
But the trends are consistent with the movement of key procedures out of the hospital.

• For physicians, activity was within the historic range for three procedures: colonoscopy, arthroscopy, and cataract surgery.

### Surviving the downturn

Providers who weather the recession the best will be those who adjust to the new conditions, says Jeff Peters of Surgical Directions, LLC, Chicago.

“If you develop an effective mechanism to use your capacity, manage your costs, and capture the business other people are losing, you can adjust and do OK,” he says.

ORs may find surgeons are more receptive than in the past.

“What I’m saying to surgeons is, the entire economy is in a transformation,” he says. “Hospitals can’t afford to run their ORs as they have in the past where a surgeon had 6 hours of block time, used only 4, and no one could follow him.”

Approaches his clients are taking:

• Manage OR capacity effectively. “They want to be sure while they’re reducing OR capacity, they’re not hurting access for surgeons,” he says. This calls for a strong governance model with an organized program for managing the block schedule.

• Seek ways to reduce labor and nonlabor costs.

• Develop a business development strategy. They are prepared to capture volume as other facilities close or reduce OR hours. “They have dedicated people going around talking to surgeons,” he says. “They are saying, ‘What are your problems? What are your needs? How can we address them?’”