Economic conditions improve; directors strive to reduce costs

Directors and managers are seeing some clearing in cloudy economic conditions, according to results of the 20th annual OR Manager Salary/Career Survey.

Fewer than last year are reconsidering or postponing capital spending and spending for OR technology and equipment. These positive indicators are congruent with two July reports from Standard & Poor’s that found hospitals’ operating margins had increased in 2009 compared to the previous year, and mass layoffs had declined.

Some respondents report growth in volume, implementation of new surgical systems, successful launching of robotics programs, and increased patient and physician satisfaction scores. “Patient satisfaction [is] 96.2%,” noted one person. “Increased revenue, volume increased 2%. Saved $500K+ reprocessing.”

Economic clouds still cast a shadow on nurses’ retirement plans. In all, 41% said the economic downturn had caused them to postpone retirement, about the same as last year’s 44%. Yet half plan to be retired in 10 years, so there isn’t much time to replace current expertise.

This year’s survey also highlights a decade of change for OR directors. In the past 10 years of the survey, the average age has risen to 53 years, up from 48 in 1999, and half of respondents now have a master’s degree, compared with 35% in 2000. The term “perioperative services” has steadily gained popularity, with 36% claiming that as their work area, a big increase from 14% in 2000.

The OR Manager Salary/Career Survey was mailed in March to 800 OR Manager subscribers who are directors or managers of hospital OR departments; 294 usable surveys were returned for a response rate of 37%. The margin of error is ± 4.6 at the 95% confidence level. A separate survey was sent to nurse managers of ambulatory surgery centers (see page 19). This is the tenth year the staffing questions have been asked and the second year for the economic questions. Results from the staffing portion of the survey appeared in the September OR Manager.

OR economics

The good news on the economic scene is that fewer (62%) respondents reported reconsidering or postponing capital expenditures, down from 79% in 2009. Like last year, OR technology and equipment were the capital projects receiving the most second looks (77% vs 84% in 2009). The number of hospitals reconsidering or postponing OR construction or renovation stayed about the same (41% vs 40%).

“[We survived] a renovation/ construction of 3 new ORs without shutting down services and [while] maintaining customer service scores,” noted
one respondent. Other capital projects that respondents mentioned were opening a second campus, creating a new central sterile processing area, and installing an electronic medical record system. Another respondent said, “increased profitability: 13 PI [performance improvement] projects to match TJC [The Joint Commission] requirements.”

But other news isn’t so positive. An OR derives its economic health from surgical case volume, and more than a third (36%) of directors and managers reported their volume dropped over in the past 6 months, compared with 30% in 2009 and 24% in 2008.

The percentage of those reporting an increase in volume was 32%, nearly the same as last year but slightly lower than the 39% in 2008. Increases were most common in urban hospitals and in the West. Several directors and managers commented about their higher volumes, such as “OR volume increased 6% over previous year,” “17% volume growth,” and “a 5% increase in business despite the economic climate.”

Most respondents (44%) reported their operating budget had stayed the same in the past 6 months, 30% experienced an increase, and 25% saw their budgets decrease.

Directors and managers continue to work on the bottom line. “Supply management enhancements have reduced expenses considerably, and charge capture revisions have increased revenue,” noted one respondent. Another cited cost control as an additional benefit of quality improvement programs, saying, “Cutting down costs and improving patient care through the help of SCIP [Surgical Care Improvement Project].” Other strategies included implementing perpetual inventory, third-party reprocessing, improving efficiencies, and applying the Lean management process.

**Compensation**

Patterns for annual salary and total compensation, which includes bonuses, insurance, pension, and other benefits, were similar.
Hospital-based OR directors now earn an average salary of $104,000 and OR managers earn an average of $89,000.

Respondents in the West earn the most ($127,000 salary/$155,000 total compensation), and respondents in the Midwest earn the least ($98,000/$121,000).

Not surprisingly, hospitals with more ORs compensate more: The average salary for those who manage or direct 10 or more ORs is $124,000, and average total compensation is $150,000. Respondents in teaching hospitals earn more than their community counterparts ($125,000 vs $105,000) and receive greater compensation ($154,000 vs $127,000).

**Raises and bonuses.** The average raise was 3.5%, down from 3.8% in 2005 and 4.4% in 2000.

Only a third of respondents received bonuses or profit sharing in the past 12 months, comparable with 39% last year and 40% in 2008. Those in the South and West were more likely to receive this benefit compared to other regions.
Perioperative management then and now
The typical participant in the OR Manager Salary/Career Survey . . .

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2005</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned an annual salary of</td>
<td>$109,000</td>
<td>$89,653</td>
<td>$74,127</td>
</tr>
<tr>
<td>Received an average raise of</td>
<td>3.5%</td>
<td>3.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Held the title of director</td>
<td>74%</td>
<td>57%</td>
<td>89%</td>
</tr>
<tr>
<td>Described the work area as surgical services</td>
<td>44%</td>
<td>57%</td>
<td>68%</td>
</tr>
<tr>
<td>Reported to nursing admin</td>
<td>65%</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Clinical FTEs overseen</td>
<td>90.9</td>
<td>81.0</td>
<td>79.0</td>
</tr>
<tr>
<td>Had an average age of</td>
<td>53</td>
<td>51</td>
<td>48</td>
</tr>
<tr>
<td>Had a master’s as the highest degree</td>
<td>50%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>Managed OR and other departments at multiple sites</td>
<td>11%</td>
<td>8%</td>
<td>NA</td>
</tr>
</tbody>
</table>

Average bonuses for past 3 years

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$8,060</td>
<td>$6,440</td>
<td>$6,030</td>
</tr>
</tbody>
</table>

Benefits. All respondents receive paid time off, including vacation, sick time, and holidays, totaling an average of 29.6 days. Other common benefits include:

- Health insurance 97%
- Dental insurance 91%
- Life insurance 89%
- 401(k) retirement plan 86%
- Tuition reimbursement 78%
- Disability insurance 78%
- Dependent health insurance 69%
- Eye care 68%
- Educational benefits 55%
- Pensions 48%
- Bonus/profit sharing 46%

Like last year, 19% reported losing benefits in the past 6 months. Only 27% of hospitals have a plan to reward staff financially for helping to improve performance or reduce supply costs.
About your role

Here is a closer look at directors’ and managers’ roles and responsibilities.

Where you work. Consistent with last year, more respondents work in a community hospital instead of a teaching hospital (76% vs 20%) and in a rural (41%) rather than a suburban (35%) or urban (22%) setting. The average number of licensed beds was 252, and 90% of respondents work for nonprofit hospitals. The average annual case volume is 8,110.

Title and work area. Most respondents report their title as director (41%), followed by administrator or administrative director (34%), and nurse manager (23%), consistent with last year’s findings. The use of the term “perioperative services” to describe the work area is slowly replacing surgical services:

<table>
<thead>
<tr>
<th>Work area</th>
<th>2010</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgical services</td>
<td>44%</td>
<td>68%</td>
</tr>
<tr>
<td>Periop services</td>
<td>35%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Organizational structure. About two-thirds of respondents report to nursing administration, a pattern that has been strikingly consistent throughout the past decade:

<table>
<thead>
<tr>
<th>Report to nursing administration</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2005</td>
</tr>
<tr>
<td>2000</td>
</tr>
</tbody>
</table>

Those who manage 10 or more ORs are significantly more likely to report to hospital administration instead of nursing administration.

Scope of responsibility. As last year, 77% of respondents have responsibility for the OR and other departments within one hospital. Just 9% oversee only the OR in...
one hospital, and 11% manage the OR and other departments at multiple facilities.

OR directors and managers are responsible for an average of 12.1 ORs and 6.5 departments or services.

The most common departments and services that report to these OR leaders have been consistent over recent years: postanesthesia care, central processing, outpatient/same-day surgery, GI/endoscopy, and preadmission services.

Budget numbers. OR leaders’ fiscal responsibilities are impressive.

### Average annual OR budget managed

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$17.8 million</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>$1.2 million</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$4.9 million</td>
<td></td>
</tr>
</tbody>
</table>

Many respondents said they did not know their budget or chose not to answer this question. Budgets are getting a high level of scrutiny: “zero budget variances,” said one respondent.

Funding for conferences and education events remains a target for budget cuts, but fewer respondents reported funding restrictions this year compared with 2009 (79% vs 83%). Of these, about a quarter (24%) of hospitals have eliminated funding for conferences or other educational events, significantly fewer than last year’s 35%, and 29% have banned travel.

Purchasing power. Respondents wield significant purchasing power in their
hospitals. Most participation is through membership on the decision committee/team (57%) or value-analysis team (52%). More than one-third (39%) reported being the primary decision maker, and 30% serve in an advisory role.

One respondent reported developing a value-analysis team (VAT), and explains the team is “made up of nurse managers and materials experts on the management level. Our director of surgical services reports to and sits on the administrative VAT that includes upper level [administrators] and physicians.”

Most (92%) participated in selecting and purchasing OR supplies and equipment, with 89% doing so for capital equipment.

**Staff supervision.** OR directors and managers directly or indirectly oversee an average of 111 clinical and nonclinical FTEs. As expected, administrators and administrative directors supervise significantly more employees than their counterparts at an average of 161 FTEs compared with 95 FTEs for directors and 63 FTEs for nurse managers.

The average number of clinical FTEs that respondents oversee has increased over the past decade, from 79 in 2000 to 81 in 2005 and 90.9 this year.

Directors and managers are involving staff in operations. “Shared gover-
nance has matured and is very active,” said one respondent. “Letting staff become more involved in decision making,” reported another.

**Long hours.** Given the increase in scope of responsibility and number of FTEs, it’s not surprising that respondents are working hard, putting in an average of 53 hours a week. Only 6% work 40 to 44 hours, and 6% work 65 hours or more.

In spite of the long hours, directors and managers are squeezing in outreach programs. “We are holding our second OR open house for 5th and 6th graders—very rewarding,” said one respondent.

**Satisfaction.** OR directors and managers are satisfied with their positions despite the challenges, with an average of 3.9 on a 5-point scale (5 equals being very satisfied, and 1 equals not satisfied at all). More than a quarter (27%) reported being “very satisfied,” and 48% reported a satisfaction level of 4. Those in the Northeast are significantly less likely to report they are very satisfied compared to other areas of the country.

**Vacancies and job hunts.** Only 6% of respondents report vacant OR manager or director positions, unchanged from 2009. The average length of a management vacancy is 7.3 months.

Only 5% are actively seeking a new job, and 21% are considering a new job search, compared with 4% and 15% in 2009. Given the lower satisfaction rates in the Northeast, it’s not unexpected that 15% are actively looking for a job compared to much lower rates in other geographic areas.

**About you**

Directors and managers remain an experienced group whose expertise will be missed when they retire.

**Age, experience, and retirement.** The average age of OR directors and managers has steadily risen through the decade, from 50 years in 2002 to 53 in 2010; in 1997, the average age was 47. According to the US Health Resources and Services Administration, the average age of a nurse in 2008 was 47.

OR directors have a wealth of experience. More than half (56%) have 30 or more years’ experience in nursing, and only 1% have fewer than 10 years.

Respondents are a loyal group: The average tenure in their current positions is 8.5 years, with 38% in their positions for fewer than 5 years.

Even those new to their jobs act fast. “Only in...
Use of safety checklists is up

Nearly all—93%—of respondents to the OR Manager Salary/Career survey say they have adopted surgical safety checklists, up from 86% in 2009. (The question was not specific to the WHO Surgical Safety Checklist.) But there hasn’t been much change in those who are using preoperative briefings—52% this year vs 51% last year—and postoperative debriefings—28% this year and 30% last year.

Has your OR implemented safety checklists?

<table>
<thead>
<tr>
<th>By facility type</th>
<th>Yes</th>
<th>93%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Community</td>
<td>93%</td>
</tr>
<tr>
<td></td>
<td>Teaching</td>
<td>93%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By number of ORs</th>
<th>Yes</th>
<th>93%</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1-4</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td>5-9</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td>10+</td>
<td>92%</td>
</tr>
</tbody>
</table>

Has your OR implemented preoperative briefings/postoperative debriefings to improve patient safety?

<table>
<thead>
<tr>
<th>By facility type</th>
<th>By number of ORs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1-4</td>
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<tr>
<td></td>
<td>Preop briefings</td>
</tr>
<tr>
<td></td>
<td>Postop debriefings</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>

position for 6 months,” said one respondent. “Many improvements in stages of progress, [including] WHO [World Health Organization] checklist, SCIP, employee engagement improvement, and healthy work environment.”

The median year planned for retirement is 2020, about the same as last year’s 2021. One in five plans to retire between 2011 and 2014.

Education. The education level for OR directors and managers has risen over the years. In 1995, only 26% of respondents reported a master’s as their highest degree. Now that’s up to half of respondents.

Most (76%) directors and managers say a specific degree is required for their position. The most common degree required is a bachelor’s (57%), followed by a master’s (42%).

Respondents with the title of administrator or administrative director and respondents who manage 10 or more ORs are significantly more likely to be required to have a specific degree. Rural hospitals are significantly less likely to require a degree.

Storm clouds or clear skies?

Although the economic forecast is slightly better than last year, clear skies aren’t likely to be around the corner. OR leaders, who carry with them years of wisdom, plan to exit the workforce by the end of the next decade. Leaders will

OR managers’ purchasing clout

Do you influence the selection and purchase of . . .

<table>
<thead>
<tr>
<th>OR supplies/equipment</th>
<th>92%</th>
</tr>
</thead>
<tbody>
<tr>
<td>OR capital equipment</td>
<td>89%</td>
</tr>
</tbody>
</table>
need to act quickly to disperse the human resources storm clouds, a task that might prove difficult in a still struggling economy. 

—Cynthia Saver, RN, MS

Cynthia Saver is a freelance writer and president of CLS Development, Inc, in Columbia, Maryland.

References


Thank you

OR Manager thanks the respondents who took time to complete this year’s survey. We appreciate your part in gathering this information, which will be useful to your colleagues around the country.
What’s your OR’s greatest achievement?

OR managers and directors had an opportunity to savor their successes over the past year. Here is a sampling of comments from the OR Manager Salary/Career Survey in response to the question: “In the past year, what is the greatest improvement that your OR has accomplished?” The categories are in order of frequency.

**Hospital OR managers and directors**

**1. Improved patient safety**
- Improved Surgical Care Improvement Project (SCIP) scores (cited by about one-third of respondents).
- Implemented World Health Organization (WHO) Surgical Safety Checklist.
- Online scheduling in physician offices: decreased issues/errors with posting cases, legibility enormously improved.
- Briefing and debriefing on every case.
- Nurse-to-nurse handoff from preop to OR.
- Increased patient safety by staff/surgeon communication improvement and creating a culture of awareness.
- Going back to the basics of patient safety first.

**2. Revving up efficiency/cutting costs**
- OP unit staff were combined with PACU staff and cross trained. This added staff for getting first cases ready in a more expedient manner and added to the labor pool for PACU and call.
- Increased utilization between surgery and gastroenterology volume by 40%.
- Decreased supply inventory by 25%.
- Patient-centered online health history for preadmission testing has helped improve screening.
- 3.5% reduction in FTEs, implementation of EMR [electronic medical record], and setting benchmarks for hours worked per patient volume or surgical minutes.
- Converted entire hospital to computer documentation.
- Decreased turnover time.
- Formed surgical executive committee with physician buy-in & participation to improve throughput, decrease inefficiencies, and decrease cost.

**3. Construction, renovation, and equipment**
- Constructed new 6-room OR suite.
- Added a new surgery suite with some new equipment; new central service area, new outpatient rooms, new recovery room.
- Renovation of urology suite, purchase of PACS [picture archival and communications system] units; purchase of new anesthesia machines.
- Construction of new 4 room operating suite that includes full video integration in all suites.
- Integration of rooms, hybrid design.
- Video endoscopy upgraded to HD [high definition].
- Renovations that put all OR patients on one floor.
- Moved 2 hospitals into a new one.

**4. Power to the people**
- Raised patient satisfaction scores by 50%.
- Maintaining patient satisfaction in the top 10% of Press Ganey survey while keeping morale high in a downturned economy.
- Doing a higher volume of cases with the same amount of staff.
- Zero vacancy and 100% oriented staff.
- Graduated 6 nurses from Periop 101 [referring to AORN’s core curriculum].
- Created second shift to reduce overtime.
- Joint biannual meeting with physicians and nurses.
- Maintaining permanent staff—we have completely eliminated all agency staff in 2.5 years!
- All of our surgical teams are certified.