

The CFO's Checklist for OR Financial Improvement



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**SURGICAL
DIRECTIONS**

Summary:

Many areas have a significant impact on a hospital's bottom line. If any one of the interconnected components of surgical and procedural services is not functioning optimally, a ripple effect will occur, affecting overall efficiency, productivity, and especially the quality of patient care. As CFOs increase their focus on expenses and productivity in operating surgical and procedural services effectively, there are several areas where cost savings and revenue associated with improvements are beneficial. These areas include:



1 | Leadership and Management

Accurate operational analytics, encompassing productivity, efficiency, and quality metrics, guide the committee's decisions and hold both the organization and individuals accountable in change efforts.



2 | Surgeon Access & Block Management

Based on current and ongoing surgeon usage, optimizations are made to improve productivity and capacity to achieve a 70% overall adjusted utilization rate.



3 | Pre-Surgery Patient Optimization

Utilizing the "Three Day Rule." All elective patients will have a complete chart and financial authorization at least three business days prior to surgery to prevent delays.



4 | Proactive Schedule Management

Institute a Collaborative Daily Review (CDR) group that reviews, identifies, and addresses issues from a clinical, financial, and operating room perspective.



5 | Anesthesiology Optimization

A careful review of the hospital's current anesthesia staffing model, the productivity of individual anesthesia clinicians both within and outside the OR, the local anesthesia market, and especially the overall efficiency and productivity of procedural services will go a long way in improving your financial stability and overall margin.



6 | Supply Chain Management

A comprehensive evaluation of a hospital's supply network and processes, followed by implementation of a detailed and well-structured work plan, often results in saving millions in supply chain gaps.



7 | Preference Card Management

Efficient management of surgeon preference cards streamlines operations, reduces costs, and ensures optimal patient care.



8 | Data Collection and Analytics

Leaders need a thorough understanding of perioperative services' operational and financial performance to prevent cognitive biases from hindering progress and preventing long-term financial improvement.



9 | Revenue Cycle Management

Revenue capture for surgical procedures requires a robust process for authorization, coding, billing, and claims review. A daily dashboard, regular audits, and quality checks identify areas for improvement, compliance, and mitigation of revenue leakage risk.

According to a report in the Journal Record, 68% of hospitals are expected to lose money this year ([McNutt, 2023¹](#)). The reasons are numerous but include the increasing cost of expensive technology, dropping reimbursement, uncompensated care, increasing labor costs, and the continued outmigration of care to ambulatory facilities, among others.

During this crisis, it has become apparent to hospital administrations, especially the Chief Financial Officer (CFO), that the operating room, which traditionally generated most of the hospital's revenue and profit, should be an area of intense scrutiny.

With decades of experience, we have found that nearly all hospitals have numerous opportunities to improve the value of their procedural services. Moreover, Surgical Directions has repeatedly demonstrated that a carefully choreographed organizational transformation can dramatically improve the bottom line in your hospital, while improving both patient experience and staff and clinician satisfaction.

The following is a CFO's checklist that can assist you in defining procedural and financial opportunities in your hospital's surgical services:



1 | Leadership and Management

Bringing about significant and sustained organizational transformation requires a departure from the traditional nurse-director leadership model. In its place, a multidisciplinary group that includes the nurse-director as well as senior administration, surgeons, anesthesiologists, and nurse managers. In essence, this group becomes the "board of directors" of surgical services, providing operational oversight that guides and sponsors improvement efforts.

In Surgical Directions' approach, the Surgical Services Executive Committee (SSEC) is typically co-chaired by a surgeon and anesthesiologist, with at least half of the committee's members as surgeons (see figure). The committee's decisions are guided by accurate operational analytics that include productivity, efficiency, and quality metrics. This data is essential in holding both the organization and individuals accountable in change efforts.



2 | Surgeon Access & Block Management

Managing surgeon access to your operating room can have a dramatic impact on your hospital's bottom line. First, having accurate analytics is a must and should include at least four data points: wheels-in time, surgery start (cut) time, surgery end (dressing on) time, and wheels-out time. With this data, a calculation of "adjusted utilization" can be used to understand your OR's productivity. Surgical Directions uses a benchmark threshold of 70%-75% for optimum operating usage. In our experience, most hospital ORs have relatively low overall adjusted utilization (40%-60%) and have lots of opportunity to improve productivity.

Managing block and "adjusting" a surgeon's access can be a challenging endeavor. However, a clinician/administration leadership group like the SSEC, armed with accurate utilization analytics, can effectively guide this redesign with minimal pushback. It is essential that the new system is primarily based on current and ongoing surgeon usage and is continually tweaked, as appropriate, to maintain productivity and capacity that reaches at least 70% overall adjusted utilization. [Click here to learn about more strategies that improve surgeon access and revenue.](#)



3 | Pre-Surgery Patient Optimization

Although often overlooked, one of the most important areas of potential improvement in the quality and cost of patient care, timely elective patient optimization can have a dramatic impact on patient throughput. Having a centralized and standardized patient optimization unit managed by the anesthesia department can significantly reduce day of surgery cancellations and delays, as well as reducing length of stay and readmission rates. Additionally, this unit can generate significant lab and CPT clinician-based revenue if staffed with midlevel and/or physician.

A simple guideline that Surgical Directions has implemented with its clients is a "Three Day Rule." All elective patients will have a complete chart and financial authorization at least three business days prior to surgery. When implemented, this guideline significantly improves productivity, efficiency, and patient and clinician satisfaction. [Click here for more information about how to implement the "Three Day Rule."](#)



4 | Proactive Schedule Management

One of the most effective methods of improving the value of surgical services is initiating a “Collaborative Daily Review” (CDR) group.

The CDR’s core membership includes representatives from the patient optimization unit, scheduling, financial services, anesthesia, pre-op unit, nursing leadership, etc.

This group meets daily and reviews the upcoming elective schedule 3-5 days in advance of the day of surgery. It reviews, identifies, and addresses issues from a clinical, financial, and operating room perspective, ensuring that patient arrival and subsequent surgery are of optimum quality and efficiency.



5 | Anesthesiology Optimization

It is not an exaggeration that anesthesiology in the US, especially at hospitals, is in an advanced crisis stage. The cause of this crisis includes shortages of anesthesia providers (anesthesiologists, CRNAs, and AAs), the aging baby boomer population leading to increases in procedural demand, expansion of anesthesia service outside the OR (cath lab, GI, interventional radiology, etc.), and the near collapse of the anesthesia management industry, including the sale of American Anesthesiology and the Envision bankruptcy.

Most hospital administrations are now facing a worsening anesthesia staffing crisis that includes near-annual demands for increases in stipends. Indeed, in a major proportion of hospitals, these stipends can easily exceed \$100,000 per provider.

“Fixing” this issue requires a careful review of the hospital’s current anesthesia staffing model, the productivity of individual anesthesia clinicians both within and outside the OR, your local anesthesia market, and especially the overall efficiency and productivity of procedural services. [Click here to learn more about how to optimize anesthesiology with Surgical Directions’ proven solutions.](#)



6 | Supply Chain Management

Another important aspect of improving surgical services is to optimize materials management. This can help reduce costs, increase efficiency, and ensure quality and safety in the OR.

Ideal supply management in the OR is critical to ensure the appropriate supplies are available for each procedure. Having the optimal and cost-effective supplies and equipment for each procedure can reduce inventory costs, waste, and losses. It can also increase revenue, profitability, and competitiveness.

The process for evaluating supply management effectiveness begins by measuring the organization’s ability to monitor the costs of common surgical procedures (Labor/Materials), identify if there is a mechanism in place to monitor the effectiveness of charge capture, and review the item master file for accuracy and evaluate the cadence of updates and linkage to the charge master file.

After evaluating the current state of the OR supply management process, it is essential to establish goals and develop a comprehensive work plan to address identified opportunities for improvement.

Improving the operating room supply management process requires a comprehensive evaluation of opportunities followed by implementation of a detailed and well-structured work plan that often results in saving millions in supply chain gaps. [Click here to learn more about how to improve supply chain management.](#)



7 | Preference Card Management

Efficient management of surgeon preference cards is crucial to streamline operations, reduce costs, and ensure optimal patient care. One effective approach to reducing costs is eliminating rarely used products from surgeon preference cards. Measures must be established to ensure that a product is available for that occasional need.

Establish parameters based on the frequency of use to differentiate between open and hold products. Open items are essential for the procedure, while held products should be readily available and opened as needed.

Including the cost of each product on the preference card provides surgeons and operating room staff with valuable cost awareness. This information encourages cost-conscious decision-making.

Accurate and up-to-date item information is vital for efficient preference card management. It is crucial to maintain the accuracy of supply item numbers, vendor details, and product descriptions or nurse-friendly descriptions on preference cards. The facility master item file should be continuously maintained as product changes occur, triggering a daily update to the EMR supply dictionary.

To validate that all opened supplies have been captured appropriately, operating rooms should implement robust validation processes. These processes involve cross-referencing all opened supplies and implants against the preference card. By consistently validating the utilization of supplies, operating rooms can ensure eligible products are charged and drive accurate inventory management.

Leveraging preference cards to determine procedure costs further aids in strategic decision-making.



8 | Data Collection and Analytics

Organizations will struggle to implement sustained, effective change without information to guide them. It's essential that organizations invest in technology and processes that provide operational leaders with relevant, transparent, and consistent data so that committees feel empowered to act. Some key areas that require this information relate to proactive block and schedule management, daily concurrent resource usage for staffing, and procedure-specific details like surgical case time and urgent/emergent add-on rates.

SSEC leaders should have a comprehensive understanding of how perioperative services are performing from both an operational and financial perspective. Without the availability of sufficiently large samples of information, cognitive biases such as recency bias and selection bias can dominate discussions and forestall any hope of progress.

Transparent, highly available information helps the organization focus on important trends and areas of opportunity, not just personal anecdotes and whoever is complaining the loudest at the time. In turn, organizations stand to benefit massively by prioritizing a data-driven approach to transformation. [Click here to see how actionable, visual data-analytics can transform your OR.](#)

CONCLUSION

In the face of the ongoing financial challenges in healthcare, hospitals must prioritize the optimization of surgical and procedural services. By implementing the strategies outlined in this CFO's checklist, hospitals can achieve significant improvements in their financial



9 | Revenue Cycle Management

Insurance companies wield their power in ways that can significantly impact a hospital's financial viability. Insurance companies, while presenting as a monolithic behemoth, consist of many unique entities with different payer mixes, regulations, and reimbursement methodologies.

In today's surgical services environment, payers increasingly demand more complex administrative processes for approval, documentation, coding, billing, and claims review. This complexity is especially true for complex and minimally invasive procedures, which frequently do not fit neatly into a payer's predetermined buckets for approval and reimbursement. Thus, it is crucial for hospitals to have an efficient and comprehensive revenue cycle management process in place to capture appropriate revenue for surgical procedures.

Key components of effective revenue cycle management include:

1 | Authorization: Establishing a robust process to ensure that all procedures are authorized by the payer before surgery takes place. This process includes obtaining all necessary documentation and communicating effectively with both the payer and the clinical team to ensure accurate and timely authorization.

2 | Coding: Accurate and appropriate coding is crucial for proper reimbursement. Hospitals should invest in trained coding professionals and provide ongoing education to ensure compliance with coding guidelines and capture of all billable services.

3 | Billing: Timely and accurate billing is essential for revenue capture. Hospitals should implement efficient billing processes, including electronic claim submission, automated coding and charge entry, and regular audits to identify and correct any billing errors.

4 | Claims Review: Regular review of claims is necessary to identify denials, underpayments, and other issues that may impact reimbursement. Hospitals should have processes in place to review and appeal denied claims, monitor payment trends, and identify areas for improvement.

By focusing on these key areas of revenue cycle management, hospitals can optimize their financial performance and minimize revenue leakage risk.

1. Reference: [McNutt, Kathryn. \(2023, May 11\). Despite healthcare demand many hospitals losing money. Journal Record.](#)