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SEPT. 30 - OCT. 2, 2020



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Financial Management

Beth Bozzelli, MBA, RN, CNOR, CSSM



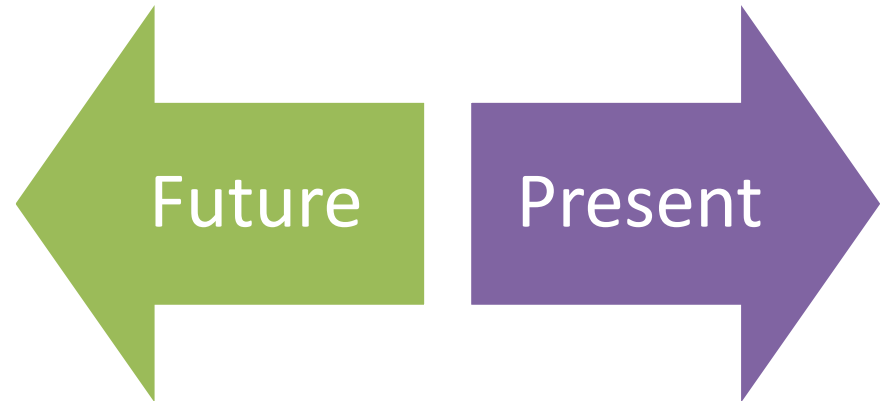
Objectives

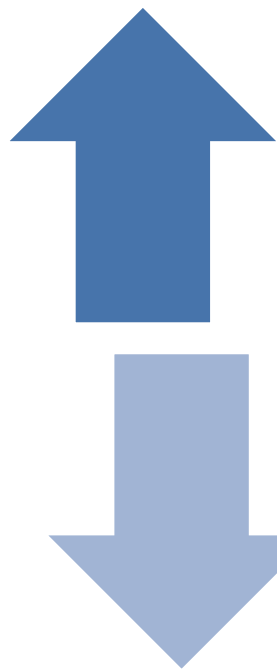
- Discuss The Push For More Cost-Effective Healthcare
- Describe the Surgical Services Leader's Responsibilities Toward Meeting the Financial Component of Regulatory Requirements
- Identify Sound Financial Management Skills
- Translate Effective Financial Management Practices into the Delivery of Quality Patient Care
- Define Financial Terms Commonly Used within Surgical Services



Historical Healthcare

- Changes in Practice
 - PreAdmission Testing
- Operational Efficiencies
 - Supply Management
- Staffing
 - Scheduling
 - Overtime
 - Supply & Demand





Increase
Volume

Decrease
Cost

- Clinical
 - Regulatory Compliance
 - Operational Excellence
- Fiscal
 - Supply Chain Management
 - Budget Process
 - Strategic Planning

Meeting Financial Goals



Clinical Components

- Regulatory Compliance
- Managing Operations
 - Throughput
 - Staffing
 - Utilization
 - Contracts / Vendors



Fiscal Factors

- Managing Budgets
 - Operational
 - Capital
 - Staffing



Budgets

An estimate of costs and revenue over period of time.

- Monitor
- Control
- Strategize





Budget Basics

- Budget Cycle
 - Jan-Dec
 - July-June
- Budget Methods
 - Historical Trend
 - Zero-Based Budgeting

Patient Safety
Comes First



Historical Budget

- Current year sets tone for next year
- Easier to develop
- Often controlled at administrative level



Zero Based Budget

- Complex
- Every year is a new year
- Rational for every line item



Operating Budget

Direct Cost	Indirect Cost	Fixed Expense	Variable Expense
<ul style="list-style-type: none">• Supplies• Salaries	<ul style="list-style-type: none">• IT• Utilities	<ul style="list-style-type: none">• Admin Salary	<ul style="list-style-type: none">• Inventory• Salary

Estimation of expenses and revenue over a defined period of time



Expense / Account Codes

- Breakdown of all expenses into defined buckets
 - Assists with identifying and reconciling variances
- Direct Cost
 - Indirect Cost
 - Fixed Expense
 - Variable Expense



Account Code Exercise

Example of Expense Account Codes

Expense Code	Classification	Direct/Indirect Cost	Fixed / Variable Cost
131	RN Salaries		
141	Agency Staffing		
202	Staff Benefits		
203	Administration Salaries		
337	Disposable Surgical Packs		
351	Dressing / Bandages		
353	Suture		



Account Code Exercise

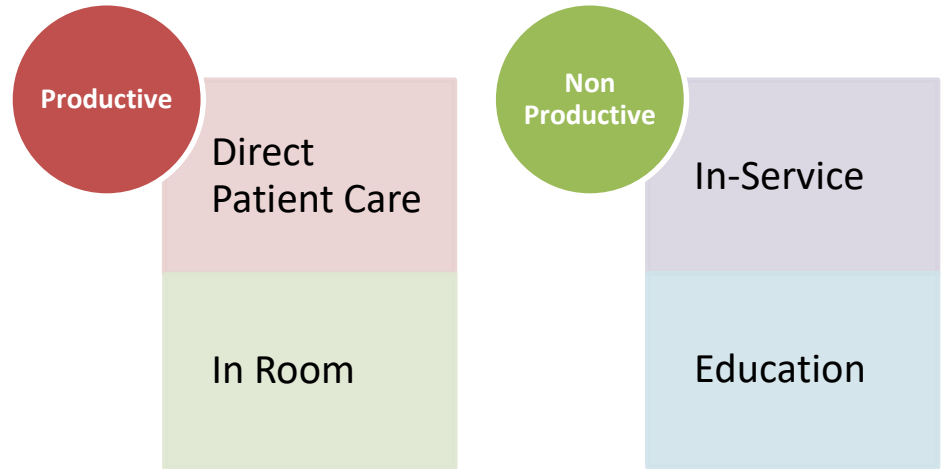
Example of Expense Account Codes

Expense Code	Classification	Direct/Indirect Cost	Fixed / Variable Cost
131	RN Salaries	Direct	Variable
141	Agency Staffing	Direct	Variable
202	Staff Benefits	Direct	Variable
203	Administration Salaries	Indirect	Fixed
337	Disposable Surgical Packs	Direct	Variable
351	Dressing / Bandages	Direct	Variable
353	Suture	Direct	Variable



Staffing Budget

- Salaries and Benefits Bases
 - Full Time Employee (FTE) = 2080 hours
- Productive & Non Productive Hours





Staffing Budget Considerations

- Rooms
 - Staffed vs Available
- Prime Time Hours
- Providers
- Skill Mix
- Acuity



Core Staffing

- Direct Staff
 - Patient Care
 - In the OR



Staffing Exercise

OR Suite	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300	2400	
OR 1	7-3				3-5			5-8											
OR 2																			
OR 3																			
OR 4																			
OR 5																			
OR 6																			
OR 7																			
OR 8																			
OR 9																			
OR 10																			

2.5



Staffing Exercise

OR Suite	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300	2400									
OR 1	7-3			3-5				5-8		3.75																	
OR 2												$13 \times 3 \times 1.25 = 48.75$ RN $13 \times 3 \times 1.25 = 48.75$ ST															
OR 3																											
OR 4									10																		
OR 5																											
OR 6	12.5			$10 \times 8 \times 1.25 = 100$ RN $10 \times 8 \times 1.25 = 100$ ST				Hours x Rooms x Staff Hours																			
OR 7																											
OR 8	$8 \times 10 \times 1.25 = 100$ RN $8 \times 10 \times 1.25 = 100$ ST																										
OR 9																											
OR 10																											



Considerations

- Staffed 24/7
- Replacement hours
 - Vacation hours
 - Sick hours



Room Utilization

OR Suite	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300	2400		
OR 1	Utilized								Utilized											
OR 2	Utilized																			
OR 3		Utilized																		
OR 4	Utilized				Utilized						Utilized									
OR 5									Utilized											
OR 6																				
OR 7	Utilized							Utilized												
OR 8			Utilized						Utilized											
OR 9	Utilized						Utilized													
OR 10		Utilized																		



Room Utilization

OR Suite	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300	2400
OR 1	Yellow	Yellow	Yellow	Orange	Orange	Yellow	Yellow	Yellow	Orange									
OR 2	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange									
OR 3	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow					
OR 4	Yellow	Yellow	Orange	Orange	Yellow	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow						
OR 5	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow						
OR 6	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Orange									
OR 7	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow	Yellow	Orange									
OR 8	Orange	Orange	Yellow	Orange	Orange	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow						
OR 9	Yellow	Yellow	Yellow	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow						
OR 10	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Orange									



Capital Budget

- Long Term Planning
- Set Amount For Approval
- Strategic



Capital Budget Key Components

- New or Replacement
- Capital Justification
- Collaborative Effort



Supply Chain Management

- Processes
 - Case Picking
 - Ordering / Management
- Contracts
- Value Analysis
- Volume Changes





Process: Case Picking

- Case Pick Order
- Hold Items
- Missing Items
- Add – On Cases
- Cancellations



Process: Ordering _Inventory Levels

- Make Data Driven Decisions
- Right People in Right Roles
- Update Levels Periodically
- Include the Right People
- Communicate



Contracts

- Who Manages Contracts
- What Are Contract Terms
- Communicate
- Update Impacted People & Processes
- Value Analysis



Value Analysis

- Cost – Benefit Analysis
- Gather Data
- Return on Investment (ROI)
- Pay Back Period

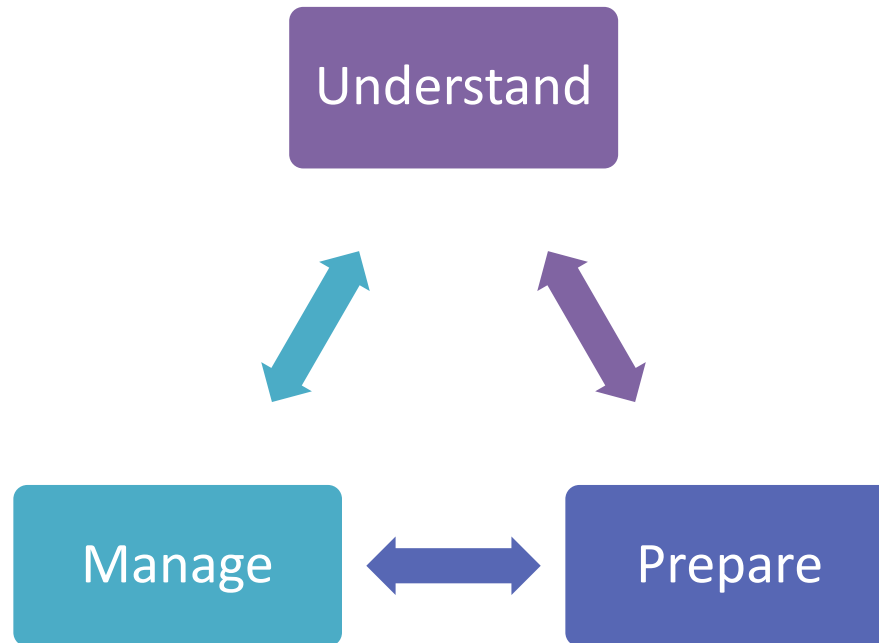


Volume Changes - Considerations

- New Surgeons
- New Service Lines
- Seasonal Changes



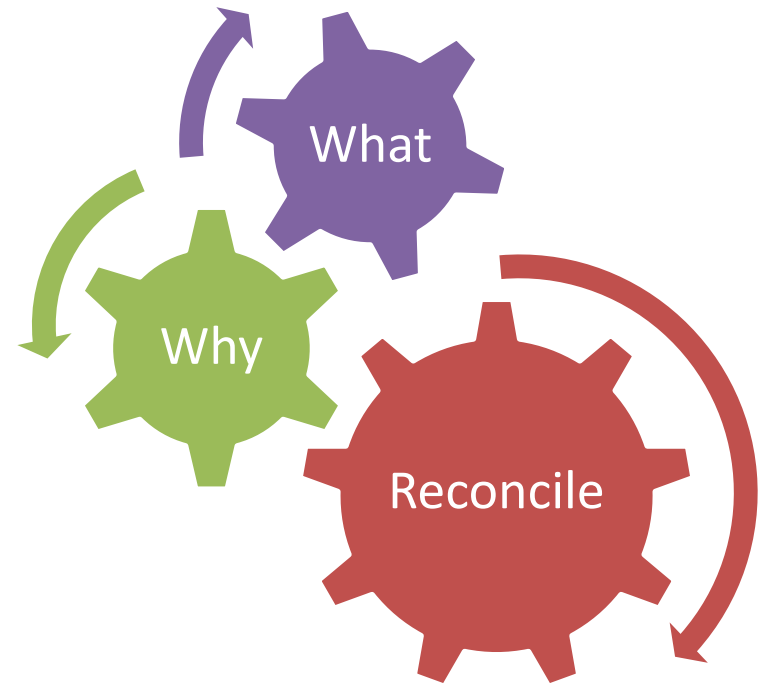
Measuring Performance





Budget Variances

- What
- Where
- Why
- Reconcile





Question

What Key Performance Indicators Impact Financial Health?





What Impacts Financial Health

- Case Cancellations
- Utilization
- Cost per Case
- Turn Around Times
- Engagement Scores



Take Away

- Know Budget Cycle
- Engage Stakeholder
- Review KPIs
- Understand Variances
- Connect with CFO
- Proactively Plan for Capital

**Know Your
Business**



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