

## **Hospitals Demand Anesthesia Subsidy Reductions**

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**May 5, 2017**

Over the past 15 plus years, across the United States Healthcare Industry, Anesthesia Groups requested and received financial support from Hospitals. Simply put, the salary and benefit costs of anesthesia providers, including both nurse anesthetists and anesthesiologists, often greatly exceeded their professional revenue capabilities. Hospital operating rooms are major revenue centers for the majority of facilities. Therefore, it was essential to keep their OR's running. The anesthesia subsidies were put into place to make sure Hospital OR's continued to run.

However, as healthcare dollars have continued to tighten over the years, Hospitals are now demanding that Anesthesia Groups either significantly reduce the dollars associated with their respective Hospital subsidy, or in some cases completely eliminate the Hospital's financial assistance all together. Hospitals routinely include subsidy reduction as a part of their contract negotiations. Hospitals have numerous financial needs and simply can't afford to put a disproportionate amount of funding into one department. Most often, the Hospital bottom line is that they want subsidy reductions with minimal or no impact on OR operations.

Parish Management Consultants, LLC (PMC) of Metairie, Louisiana manages and staffs Anesthesia Departments at numerous facilities across Louisiana and has worked with facilities across the country including facilities located on both the East and West Coasts. Parish's facility managers are asked every contract year to balance surgeon/hospital needs, anesthetic sites, and quality outcomes with ever decreasing Hospital financial support.

Over the past several years, Parish has been challenged to reduce hospital subsidies at a majority of locations. Generally, through collaborative efforts, Parish has been able to reduce subsidies at various acute care facilities by approximately 15-20%. As a case in point, over the past several years one Parish Hospital has been under serious financial stress from an overall profit/loss perspective, and was losing significant dollars monthly. Parish was asked to reduce the anesthesia subsidy as a part of the overall plan to help keep the hospital afloat. Parish was able to pull all stakeholders together including hospital administration, surgeons, and anesthesia leadership, and through a detailed analysis of the OR volumes and trends, were able to reduce the anesthesia subsidy collectively, over the past three (3) years close to one million dollars. Although dollar amounts are relative to the particular situation, in this case the hospital considered the amount substantive.

According to Parish's experience, there is usually no "silver bullet." All business aspects must be looked at, including but not limited to, points of care, hospital market competition, pay, benefits, shared risk, OR/Surgical operations and efficiencies. Then all cost saving tactics must be carefully monitored to assure quality outcomes have not been diminished. Times are changing and to continually ask for increased financial assistance is not the solution Hospitals want to hear from their anesthesia groups.

## Conclusion

According to PMC's president, a former hospital administrator and clinician, the request to reduce hospital subsidies plays a significant role in our business. Parish takes pride in the ability to deliver savings to hospitals, support clinical groups, and still deliver quality and premium service to our client hospitals. With that being said, Parish does have a competitive marketplace with companies that will oversell to win contracts and then under deliver. These companies quote large subsidy reductions, and then end up with dissatisfied surgeons, patients, and hospitals when the changes used to achieve these savings cause disruption in the OR. Under this scenario, disruption often adds to cost. Careful analysis of all aspects of the Surgery and Anesthesia departments are required to accurately assess the needs of all stakeholders. The answer simply cannot be to approach the financial challenges from one dimension or there is apt to be failure, and in most cases the subsidy pay is even more. It has been critical to Parish's success to listen carefully to the partner facilities and consider all aspects of their situation when designing a cost savings plan. Buy in from all stakeholders including surgeons, administrators, and the anesthesia staff is absolutely essential in order to craft true win-win strategies.

Parish Management Consultants was created to blend excellent management with quality care. PMC has been in business over 15 years. Parish's team includes anesthesiologists, nurse anesthetists, former hospital administrators and OR directors. Parish strives to bring all perspectives to the table.