

## Calculate Your ASC's OR Cost Per Minute

*ASCs that do can reduce expenses and improve contracts*

BY ROBERT KURTZ

Do you know what it costs when patients are in your ASC's operating room (OR), asks Ann Geier, RN, CASC, chief nursing officer for SourceMed, a Birmingham, Alabama-based provider of software and ASC advisory services for ASCs and other organizations. Since the OR is where an ASC generates revenue, she says, understanding the costs incurred there is an essential management tool for an ASC.

An ASC that knows its OR costs can make informed decisions that support the overall success of the facility, suggests Caryl Serbin, RN, owner and chief executive officer of Serbin Medical Billing, a Florida-based provider of revenue management services for ASCs and anesthesiology providers. Understanding the cost of OR time and other expenses is also fundamental in educating third-party payers and negotiating equitable managed care contracts, she adds.

To calculate your ASC's OR cost per minute, a figure also known as overhead cost per OR minute, Geier advises the following:

1. Choose an accounting period, such as the prior month, to analyze.
2. Identify the costs incurred during that period of time from your ASC's profit and loss (P&L) statement. (Do not include medical supply costs. All other costs, such as staffing, utilities, rent and janitorial services, comprise overhead costs.) Divide the overhead cost by the number of OR minutes for the same period to determine your overhead cost per OR minute.

### The OR cost formula

By accounting period, e.g., one month: Overhead costs identified in your P&L (do not include the cost of medical



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supplies) ÷ OR minutes = overhead cost per OR minute

Once you determine your ASC's overhead cost per OR minute, you can use this figure to determine case costs. Choose a primary Current Procedural Terminology (CPT) code for one (or more) of your surgeons and identify the OR time and cost of the supplies associated with that CPT code. Take the figure you determined earlier—overhead cost per OR minute—and multiply it by the patient time in the OR. Add this figure to the supply costs to determine your case cost.

### The case cost formula

By primary CPT/surgeon:

(OR minutes x overhead per OR minute) + medical supplies = case cost

Geier also suggests using your ASC's OR cost per minute as an opportunity to initiate discussions with physicians concerning their supply use. “If you have multiple physicians performing the same procedure but one physician has a much higher OR cost per minute, see if the supplies he or she uses are a cause of that increased expense. If they are, you can share the preference cards of physicians with lower costs per OR minute and explore whether changing supplies is an opportunity to reduce costs without sacrificing quality.”

Serbin advises meeting with physicians to offer cost-saving solutions, such as standardization of supplies and implants, purchasing instead of renting equipment and adjusting the fee structure if it is not appropriate for the cost of each procedure.

While the OR-cost-per-minute statistic places an emphasis on time, Geier advises against trying to influence the time physicians spend on a case. “If you try to push them to go faster than they are accustomed to, mistakes are more likely to be made.”

An ASC can maximize the value of calculating OR cost per minute by running the numbers on a regular basis, Serbin says. “This will allow you to benchmark changes you make to see if they brought about an improvement. Practicing routine case costing can be instrumental in achieving your revenue goals and even surpassing them. However, remember that the primary goal must always be to provide quality care.” <<