

ANESTHESIA WORKFORCE SHORTAGE : PART II

*Navigating finances during the
current provider shortage*



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As described in [EHC's Anesthesia Workforce Shortage: Part I](#), the COVID pandemic exacerbated simmering anesthesia staffing challenges. This situation led to turmoil for many anesthesia departments and an estimated 5-10% shortage of anesthesia professionals. As expected, it had a meaningful impact on both anesthesiologist and CRNA compensation and has led to an exponential increase in hospital anesthesia subsidy support.

Healthcare economics have always been defined by the supply of providers, on the one hand, and the demand for services, on the other. Over the past 22 years, the consolidation of healthcare facilities and competition among systems and networks has dramatically increased the demand for anesthesia services. Anesthesia has become a pawn on the chessboard of American healthcare as facilities have sought to provide more availability to surgeons and proceduralists. EHC has identified the following key drivers of increased demand for anesthesia services:

- 1) Increased requests for staffed "7:30 starts" in hospitals and ASCs
- 2) Surgeons demanding "flip-rooms" regardless of the number of scheduled cases
- 3) Increased use of anesthesia providers in NORA locations such as Endoscopy, Cath Lab, and Interventional Radiology
- 4) Increase in the number of ambulatory surgery and free-standing endoscopy centers
- 5) Increase in office ORs (Dental, Urology, Plastic Surgery) utilizing anesthesia providers
- 6) Additional 24/7 anesthesia call coverage requirements for specialties such as Neuro-interventional Radiology, and subspecialty coverage, increasing the required number of FTEs
- 7) Added requests for Level I & II Trauma in-house call

This steady increase in demand and several COVID-related changes in the market have decreased the number of anesthesia providers available for coverage.

Real World Impact

The result has been a paradigm shift in the relationship between anesthesia practices and the facilities where they work. By 2020, over 85% of hospitals were paying subsidies to support anesthesia coverage. Since then, exacerbated by worsening supply and demand imbalance and a significant increase in provider compensation, anesthesia practices have required dramatic financial support increases to maintain coverage. Table 1 below from our 2022 EHC database shows recently renegotiated systemwide subsidy increases from various parts of the country.

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Table 1. EHC Nationwide Subsidy Increases

SYSTEM NUMBER	NUMBER OF HOSPITALS	PREVIOUS SUBSIDY	2022 SUBSIDY PROJECTED
Northeast	4	\$14,000,000	\$26,000,000
Northwest	5	\$3,100,000	\$12,000,000
Southwest	5	\$1,500,000	\$11,000,000
South	6	\$19,500,000	\$30,000,000
Southwest	2	\$3,750,000	\$14,750,000
Midwest	5	\$4,800,000	\$19,000,000

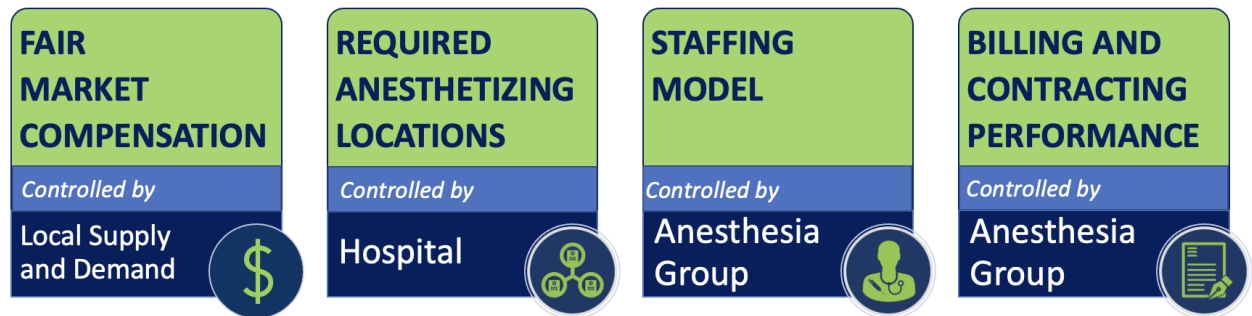
As you can imagine, given the percentage growth and dollars involved in these subsidy increases, the most disagreeable aspect of most anesthesia service negotiations these days revolve around finances. When money is involved, buyers want to know precisely what they are getting and how much it will cost. Group structure, governance, and compensation system used to be a matter of proprietary discretion, but today's negotiations involve full disclosure of all aspects of the practice and high-pressure negotiations. Often, the stress and unpredictability of contract renegotiations and the challenge of establishing an appropriate subsidy level strain physician and CRNA commitment to the practice. Many providers express concern during such contentious negotiations and suggest that unless there is a favorable outcome, they will leave. While it is not uncommon for practices to lose some providers during the negotiation process, anesthesia providers have more options in the current environment than ever before.

Decision Making Framework

So, what should participants use as a framework for financial decision-making in high-stakes negotiations to secure anesthesia services? EHC's methodology revolves around the key drivers of anesthesia finances shown in Figure 1. Each of these levers may be adjusted with a meaningful impact on the net anesthesia spend. However, changing the levers requires a specific and detailed understanding of national, regional, and local compensation, compliance rules, regulations, and provider availability.

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Figure 1. Key Drivers of Anesthesia Finances



Agreements should be negotiated with key anesthesia groups and facility leadership sitting together at the same table. All the above drivers must be analyzed, explored, and agreed upon. While compensation in any local market is governed by supply and demand, the nuances of many items, including subspecialty care requirements, call frequency, and level of anesthetist responsibility, must be factored into the agreed-upon value. Determining the required anesthetizing locations is a complex decision considering OR utilization, NORA requirements, OR nursing capacity, local market competition, and market share opportunities. A myriad of anesthesia staffing options are available for any given coverage needs and often require experienced anesthesia and perioperative experts to identify what is reasonable and practical for any facility. Finally, anesthesia revenue cycle performance will directly impact the financial model. Since anesthesia has unique revenue cycle attributes, the facility being asked to provide financial support should be sure to assess and understand the adequacy of this function before finalizing a subsidy arrangement.

The bottom line is that many facilities and systems are experiencing anesthesia costs increasing exponentially in the current complex environment. By working with experienced Anesthesia and Perioperative subject matter experts who can help you understand and analyze each of the key drivers of anesthesia subsidies, leadership teams can be sure that the spending is justifiable and strive to best align the services purchased with the actual local needs.

ABOUT THE AUTHORS



Robert Stiefel, MD is a board-certified anesthesiologist and co-founder of Enhance Healthcare Consulting. Dr. Stiefel was a co-founder of a large anesthesia practice management company operating 27 separate facilities, a management service organization, and an internal billing and collections operation. He has over 20 years of experience as a clinical, consultant, and strategist, which allowed him to lead numerous initiatives addressing a wide variety of issues including assisting anesthesia groups re-design of governance, subsidy negotiations, policy/procedures, compensation methodology, and implementation.



Howard Greenfield, MD is a board-certified anesthesiologist and co-founder of Enhance Healthcare Consulting. Dr. Greenfield was one of the original founding partners of Sheridan Healthcare and spent his clinical career at Memorial Regional Hospital in Hollywood, Florida. As Chief of Anesthesia he provided clinical and operational oversight to an Anesthesia Care Team providing tertiary level care to 24 anesthetizing sites. He spent much of his management career starting up new anesthesia practices in many states and is an expert in all aspects of anesthesia practice management.