

Economics of Anesthetic Agents

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Economics of Anesthetic Agents



Franklin Dexter, M.D., Ph.D.
Director, Operations Research
Professor, Departments of Anesthesia
and Health Management & Policy
University of Iowa
Franklin-Dexter@UIowa.edu

Economics of Anesthetic Agents

- Reducing drug wastage is simple
- Most benefits involve reductions in time
- Translation of time into \$ is sensitive to the percentage of costs that are fixed
- Predictions require simulation analysis
 - Examples from ICU, PACU, and OR
 - Exceptions are changes in type of anesthesia
- Changing practice relies on individual feedback and appropriate case adjustment

Financial Disclosure

- Employment
 - I am employed by the University of Iowa, in part, to consult and analyze data for hospitals, anesthesia groups, and companies
 - Department of Anesthesia bills for my time
 - I receive no funds other than from the University of Iowa, including no travel reimbursement or honoraria
 - I own no healthcare stocks (other than indirectly through mutual funds)
 - I have tenure with no incentive program

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Reducing Opened and Unused Drugs Is Simple Conceptually

- FY96, \$9.60 per case (acquisition costs)
 - 28% of total anesthesia drug costs
- FY98, \$13.27 per case
 - 26% of total anesthesia drug costs
- FY00, \$10.86 per case

Dexter F et al. Anesthesiology 1998

Gillerman RG, Browning RA. Anesth Analg 2000

Weinger MB. J Clin Anesth 2001



Reducing Opened and Unused Drugs Is Simple Conceptually

- I recommend starting with this change
 - Easy to quantify
 - Easy to understand that wasting drugs is counter-productive
 - No adverse consequence for patients
 - Reducing fresh gas flows not only reduces wastage of volatile anesthetics, but may also help the environment



Example 1 of Reducing Wastage

- Which of the following provides the cheapest total cost for maintenance?
 - Desflurane with 4.0 liter fresh gas flow
 - Desflurane with 3.0 liter fresh gas flow
 - Desflurane with 2.0 liter fresh gas flow
 - Desflurane with 1.0 liter fresh gas flow



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➤ It really is that simple



Example 1 of Reducing Wastage

- Providing feedback to anesthesiologists of their overall mean fresh gas flows reduced consumption by 15% and 26%

Lubarsky DA et al. Anesthesiology 1997

Body SC et al. Anesthesiology 1999



Putting Intravenous Drugs into Smaller Syringes

- Costs and benefits of programs to reduce wastage truly are simple to measure
 - Cost of pharmacy technician
 - Cost of extra syringes
 - Reduced wastage



Example 2 of Reducing Wastage

- Which of the following provides the cheapest total cost?
 - Vecuronium 3 mg syringes
 - Vecuronium 5 mg syringes
 - Vecuronium 10 mg syringes
 - No way to know without doing inventory-control mathematics



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- Let the pharmacy decision-analyst with software figure it out



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Many of the Benefits of Newer Anesthetic Drugs Relate to Time

**Get your anesthesia
performance on the
fast track.**

Suprane
desflurane, USP
THE FAST TRACK ANESTHETIC™



Why Does It Matter That Most Benefits Relate to Time?

1. Drugs with a higher acquisition costs can truly be cheaper by reducing time
2. Anesthesia providers perceive strong production pressure to be “efficient”
 - To change drug usage, important to focus on increasing their ability to be fast

Tyler DC, Orr RJ. Am J Anesthesiol 1999

Gaba DM et al. Anesthesiology 1994

Dexter F et al. Anesth Analg 2007



Straight-Forward to Measure Reductions in Time

- Results well summarized by meta-analyses
- Example of mean time to extubation
 - Desflurane 25% quicker than sevoflurane
 - 95% confidence interval 17% to 32%
 - Typical corresponding value is 2.5 min

Dexter F et al. Anesth Analg 2010



Do Small Benefits For Each Patient Add Up to Significant \$?

- A hospital estimates its variable costs of OR time to be \$10 per minute
 - TSI (Eclipsys) cost accounting system
- Desflurane reduces time to following commands by an average of 2.5 minutes
- Savings = \$25 per case
 - $\$25 = \$10 \text{ per min} \times 2.5 \text{ min per case}$

Dexter F et al. Anesthesiology 2002



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 - Did desflurane really save \$25 per patient?



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- TSI (Eclipsys) cost accounting models the variable cost of:
OR time \cong (cost of the patient care labor) \div
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OR time \cong (cost of the patient care labor) \div
(direct patient care time during one quarter)
- Assumption is reasonable for an OR allocation analysis that may result in closing an OR
- Assumption is not reasonable when considering impact of an anesthetic agent



Before Examples, Review of Fixed and Variable Costs

- Fixed costs
 - Do not change relative to volume of activity
 - Capital equipment and snow removal
- Variable costs
 - Change relative to volume of activity
 - Ampules of propofol
- Step costs
 - Staffing is fixed over narrow ranges of volume of activity, but beyond that must increase



Issue is Whether Staff Time is a Fixed or Variable Cost

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- If close an OR, then will have fewer full-time staff, and so the assumption is reasonable over a time course of several months
- If one anesthesiologist decides today to do something different and reduces OR time, then assumption may not be appropriate



Example – Change in Practice Today by One Anesthesiologist

- 20 anesthesiologist MD group practices at a hospital's main OR & ambulatory surgery center
- Every Monday, ORs start 1-hr late for nursing training and the anesthesia group's meeting
- This Monday, hospital manager provides the anesthesiologists with data showing need to reduce drug costs, PACU costs, and OR costs
- Anesthesia group agrees to set up a committee to collaborate with hospital on future changes



Example – Change in Practice Today by One Anesthesiologist

- One of the anesthesiologists, though, wants to affect change immediately
- She is doing five short cases today
- To reduce drug costs, she draws up drugs into small syringes, and reduces wastage
- To reduce PACU costs, she uses BIS and runs a patient light, bypassing phase I PACU
- To reduce OR costs, she administers a spinal instead of an epidural anesthetic, cutting OR time by around 12 minutes



Example – Change in Practice Today by One Anesthesiologist

- For which interventions did she really cut costs?
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Long-Term Change in Practice by Many Anesthesiologists

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Example 1 of Cardiac Surgery Scenario

- Dr. Jones is a cardiac anesthesiologist
- After off-pump CPB, extubation right away
 - Unusually fast achieved with remifentanil
- Patient leaves ICU early that evening
- Have ICU nursing costs been reduced?



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- Have ICU nursing costs been reduced?
 - Generally **not**, because ICU nurses are scheduled a month or so ahead of time



Example 2 of Cardiac Surgery Scenario

- All cardiac anesthesiologists at the hospital
- After off-pump CPB, 90% of patients are extubated in the OR after surgery
- All patients leave ICU in 6 hours
- Have ICU nursing costs been reduced?

Straka Z Ann Thorac Surg 2002



Example 2 of Cardiac Surgery Scenario

- All cardiac anesthesiologists at the hospital
- After off-pump CPB, 90% of patients are extubated in the OR after surgery
- All patients leave ICU in 6 hours
- Have ICU nursing costs been reduced?
 - It depends on characteristics of the ICU



This is Why Computer Simulation is Needed

- Purpose of the computer simulations
 - Determine whether or not a reduction in staffing costs can likely be achieved
 - There is no one answer to this question, because depends on ...
 - Whether costs are fixed, varying among sites
 - Cost of drug, which varies among sites



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Early Tracheal Extubation of Cardiac Surgery Patients

- Early tracheal extubation, achieved with propofol, reduced mean time to extubation from 19 hours to 4 hours, resulting in a reduction in mean ICU LOS of 5.1 hour
- Mean reduction in costs of part-time ICU nurses was \$1,012 per patient

Cheng DCH et al. Anesthesiology 1996



Early Tracheal Extubation of Cardiac Surgery Patients

- Early tracheal extubation, achieved with propofol, reduced mean time to extubation from 19 hours to 4 hours, resulting in a reduction in mean ICU LOS of 5.1 hour
 - Mean reduction in costs of part-time ICU nurses was \$1,012 per patient
- What data are needed for a formulary committee to decide whether this result would apply to its hospital?



Sensitivity of Early Extubation Results to ICU Characteristics

- Computer simulation of patient flow from scheduling to OR to ICU to hospital ward to long-term care and/or home
- Reduction in ICU nursing costs is sensitive to the number of elective CABG cases performed each year at the hospital and the method of compensating ICU nurses

Dexter F et al. J Clin Anesth 1998



Sensitivity of Early Extubation Results to ICU Characteristics

- 830 per year \cong 3-4 elective CABG per day
 - 5 hr reduction in ICU time reliably represents 1 less ICU nurse each day
 - Savings are particularly reasonable, because many part-time nurses
- Median elective CABG per day at US hospitals?



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- Median elective CABG per day at US hospitals?
 - 1 per day with few part-time ICU nurses
 - Reducing ICU time for 0-1 patients per day for 5 hours unlikely to reduce costs



Two Broad Messages From That ICU Example

- Reductions in time from changing anesthetic drugs *can*, not do, reduce costs
- There needs to be, on that day of the week, a consistently large number of patients who receive the intervention
 - When staff provide care to many patients, only some of whom receive an intervention, the intervention is less likely to reduce costs



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Methodologies to Simulate Effect of Drugs on PACU Costs

- Dexter F, Tinker JH. Analysis of strategies to decrease post anesthesia care unit costs. *Anesthesiology* 1995
- Dexter F et al. Computer simulation to determine how rapid anesthetic recovery protocols to decrease the time for emergence or increase the phase I post anesthesia care unit bypass rate affect staffing of an ambulatory surgery center. *Anesth Analg* 1999
- Dexter F et al. Statistical analysis by Monte-Carlo simulation of the impact of administrative and medical delays in discharge from the post-anesthesia care unit on total patient care hours. *Anesth Analg* 2001



Important Point is Simply that the Methodologies Exist

- Result, of this type of science, is ...
 - Not an answer to the question: “Does X drug reduce costs”
 - Development and validation of methods to be used with each facility’s own data
- Second of the papers includes Tables that are sufficient for a facility to screen an intervention to decide whether an analysis of its own data is worthwhile



Methodologies to Simulate Effect of Drugs on PACU Costs

- Future slides will focus on some broad, bottom-line, principles from the simulations



Impact of Nausea and Vomiting

- Observations from the University of Iowa's Ambulatory Surgery Center in 1993
 - 69% of patients received general anesthesia
 - 8% of patients having general anesthesia suffered nausea and vomiting in the PACU
 - Among patients undergoing general anesthesia, nausea or vomiting increased the mean length of stay by 63%

Dexter F, Tinker JH. Anesthesiology 1995



Impact of Nausea and Vomiting

- How can you use these numbers to estimate the decrease in total length of stay that is achievable by reducing nausea and vomiting?
 - 69% general
 - 8% of general patients with N & V
 - If N & V, 63% increase in PACU LOS
- Large potential cost reduction?



Impact of Nausea and Vomiting

- Implications

- Staffing impact = (Incidence) × (Impact)
- Eliminating nausea and vomiting would decrease total length of stay by 3.4%

$$3.4\% = (69\% \text{ receiving general} \times 8\% \text{ of those receiving general having nausea and/or vomiting}) \times (63\% \text{ prolongation of length of stay})$$



Impact of Nausea and Vomiting

- An argument in favor of the aggressive prophylactic treatment of nausea and vomiting is that patients with nausea and vomiting have long PACU stays
- However, ...



Impact of Nausea and Vomiting

- An argument in favor of the aggressive prophylactic treatment of nausea and vomiting is that patients with nausea and vomiting have long PACU stays
- PACU patients tend to be in one big room



Impact of Nausea and Vomiting

- An argument in favor of the aggressive prophylactic treatment of nausea and vomiting is that patients with nausea and vomiting have long PACU stays
- PACU patients tend to be in one big room
 - Even if there is a subgroup of patients with a high incidence of nausea and vomiting, staffing impact is based on incidence and impact of all patients



Impact of Eliminating Adverse Events Observed in PACU

- Eliminate all adverse events in the PACU including all nausea and vomiting
 - Reducing incidence in half would result in 4.8% reduction in mean nursing workload
 - Elimination of all adverse events would reduce overall mean length of stay by 6.7%

Cohen MM et al. Anesthesiology 1999

Chung F, Mezei G. Anesth Analg 1999



Examples So Far Have Shown Four Broad Principles

- Reductions in time from changing anesthetic drugs *can*, not do, reduce costs
- Cost reductions achieved from time reductions are sensitive to the following characteristics of the site studied:
 - Average numbers of patients receiving care at the site on that day of the week
 - Method of staff compensation
 - Percentage of patients that will receive the benefit of time reduction



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How Many Sites Are There in 6 OR Surgical Suite?

- A 6 OR ambulatory surgery center is staffed fully from 7 AM to 5 PM
- Average number of ORs in use, being cleaned, or being setup are as follows:

1 PM	6.0	4 PM	2.8
2 PM	5.7	5 PM	0.3
3 PM	4.9		
- Would reducing OR time reduce costs?



How Many Sites Are There in 6 OR Surgical Suite?

- Ambulatory surgery center has more staffed hours than needed to complete the cases
 - Maybe to encourage increased volume
 - Maybe provides lowest possible costs
 - Maybe a collective bargaining agreement
- Regardless of why the staffing is as it is, reducing OR time will not reduce costs



How Many Sites Are There in 6 OR Surgical Suite?

- Ambulatory surgery center has more staffed hours than needed to complete the cases
 - Maybe to encourage increased volume
 - Maybe provides lowest possible costs
 - Maybe a collective bargaining agreement
- Regardless of why the staffing is as it is, reducing OR time will not reduce costs
- In this example, OR staffing costs are a fixed cost of the number of ORs that are being run



How Many Sites Are There in 6 OR Surgical Suite?

- As a rule of thumb, to predict the impact of reducing OR time on OR staffing costs, consider a 6 OR surgical suite to be 6 hospital wards, not 6 beds in one ward
- However, ...



How Many Sites Are There in 6 OR Surgical Suite?

- As a rule of thumb, to predict the impact of reducing OR time on OR staffing costs, consider a 6 OR surgical suite to be 6 hospital wards, not 6 beds in one ward
- This is very rough, because depends on:
 - Each surgical suite's staffing
 - Method of OR allocation
 - Surgical case scheduling



Dependency is Very Well Understood – Science is Mature

- Question showing little knowledge: “Does reducing OR time by 7 min save money?”
- Not because science is not well developed, but since conditions differ among facilities
 - Relationship can be predicted with each facility's own data

McIntosh C et al. Anesth Analg 2006

More examples www.franklindexter.net/Lectures/TurnoverTime.pdf

Dependency is Very Well Understood – Science is Mature

- Principle that can be used for purposes of screening to decide whether to apply methods
 - For ORs with < 8 hr of cases, assume OR time is a fixed cost
 - For ORs with > 8 hr of cases, treat each reduction of 1 min OR time as resulting in savings of 1.1 min to 1.2 min of labor time

Dexter F et al. Anesth Analg 1999

Dexter F et al. Anesth Analg 2009 & 2010



Dependency is Very Well Understood – Science is Mature



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Some Interventions' Benefits So Big That No Need for Simulation

- Change the type of anesthesia performed
- Example
 - Phase I PACU bypass rate for monitored anesthesia care patients was 90% at multiple ambulatory surgery centers
 - Monitored anesthesia care also reduced drug administration versus general anesthesia

Apfelbaum JL et al. Anesthesiology 2002



More Regional Anesthesia

- At facilities where regional nerve block for one patient can be performed outside of OR while preceding case is being done

More Regional Anesthesia

- At facilities where regional nerve block for one patient can be performed outside of OR while preceding case is being done
 - Regional for outpatient knee surgery
 - ?
 - ?
 - ?
- Ways potentially to reduce costs



More Regional Anesthesia

- At facilities where regional nerve block for one patient can be performed outside of OR while preceding case is being done
- Regional for outpatient knee surgery
 - Drug costs are less [definitely no more]
 - Averaged 9 minutes less anesthesia controlled time than general anesthesia
 - 87% of patients bypassed phase I PACU

Impact of the Reduced Anesthesia-Controlled Time

- 9 min ↓ anesthesia controlled time vs. GA
- No difference in surgical time versus GA
- Overall reduction unlikely large enough to reduce OR costs
- Definitely no increase in OR costs

Dexter F et al. Anesth Analg 1995, 2003

Dexter F et al. Reg Anesth Pain Med 1998

Williams BA et al. Anesthesiology 2000



Impact of 87% of Patients Bypassing Phase I PACU

- Reduced costs not just by reducing time to discharge by 34 min, but by switching from 1:2 to 1:3 staffing
- Such reductions more than enough to result in financially important reductions in PACU staffing costs when done on a long-term basis

Williams BA et al. Anesthesiology 2002

Dexter F et al. Anesth Analg 1999



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Education Alone Does Not Influence Anesthesia Providers

- Low cost consciousness of anesthesia providers, particularly for expensive drugs

Schlunzen L et al. Acta Anaesthesiol Scand 1999

Wax DB et al. J Clin Anesth 2009



Education Alone Does Not Influence Anesthesia Providers

- Low cost consciousness of anesthesia providers, particularly for expensive drugs
- Price stickers and education significantly enhance cost-consciousness

Schlunzen L et al. Acta Anaesthesiol Scand 1999

Wax DB et al. J Clin Anesth 2009

Snyder-Ramos SA et al. Der Anaesthesist 2003



Education Alone Does Not Influence Anesthesia Providers

- Low cost consciousness of anesthesia providers, particularly for expensive drugs
- Price stickers and education significantly enhance cost-consciousness
- However, that does not change drug usage

Schlunzen L et al. Acta Anaesthesiol Scand 1999

Wax DB et al. J Clin Anesth 2009

Snyder-Ramos SA et al. Der Anaesthesist 2003

Horror JC, Rosenberg H. Can J Anaesth 1994



Give Provider-Specific Feedback on Anti-Emetics Monthly

- Risk-adjusted outcome feedback increases percentage of patients receiving protocol-driven nausea/vomiting therapy
 - Every 1 month: absolute increase 29%
 - Every 3 months: absolute increase 12%

Overdyk FJ et al. J Clin Anesth 1999

Cohen MM et al. Anesthesiology 1996



Provider-Specific Feedback Needs to be Patient Specific

- Determining appropriate patients for anti-emetics relies on logistic regression
 - Female gender
 - Prior history of PONV or motion sickness
 - Nonsmoking
 - Postoperative opioids

Junger A et al. Anesth Analg 2001

Apfel CC et al. Anesthesiology 1999



Give Provider-Specific Feedback on phase I PACU Bypass Weekly

- Risk-adjusted outcome feedback increases percentage of outpatients bypassing phase I
 - Every week: absolute increase 43%
 - Every day: absolute increase 83%

Apfelbaum JL et al. Anesthesiology 2002

Duncan PG et al. Can J Anaesth 2001



IV Anesthetics and NM Blockers

– Provide Immediate Feedback

- Provide immediate feedback when using drug that is not part of protocol for the patient
 - Reduced total anesthetic drug costs 51%
 - Reduced NMB costs 47%

Lubarsky DA et al. Anesthesiology 1997

Freund PR et al. Anesthesiology 1997



IV Anesthetics and NM Blockers

– Provide Immediate Feedback

- Provide immediate feedback when using drug that is not part of protocol for the patient
 - Reduced total anesthetic drug costs 51%
 - Reduced NMB costs 47%
- Can do using either drug dispensing systems or using anesthesia information management system (AIMS)



If Provide Feedback on Total Costs, then Adjust Costs

- American Society of Anesthesiologists' Relative Value Guide (ASA RVG) is known for every case that is billed (i.e., for every case)
 - Case duration: use ASA RVG time units
 - Type of procedure: use ASA RVG basic units
- Explains 54% of variation in costs
 - Corrects for variation in anesthetic drug costs among sub-specialties

Dexter F et al. Anesthesiology 1998



If Monitor Changes in Time, Monitor Prolonged Events

- Monitor the 15% of AIMS cases with extubation times longer than 15 min
 - Intangible cost of these cases shown by mean 4.9 min longer times from out of OR to start of surgery of surgeon's next case (95% CI 2.7 min to 7.1 min, $P < 0.0001$)

Epstein RH et al. Anesth Analg 2009

Dexter F et al. Anesth Analg 2010



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Dexter F et al. Anesth Analg 2010



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Additional Information on Operating Room Management

- www.FranklinDexter.net
 - Comprehensive bibliography of peer reviewed articles in operating room and anesthesia group management
 - Lectures on day of surgery decision making, PACU staffing, OR allocation and staffing, anesthesia staffing, financial analysis, comparing surgical services among hospitals, and strategic decision making
 - Contact information

