

1

Critical Issues for the Future of Health Care in the United States

Bernard J. Healey

LEARNING OBJECTIVES

- Understand the major problems found in the U.S. health care system
- Recognize the need for efficiency in the delivery of health services
- Understand the value of better management in the health care industry
- Become aware of the need to reform the present health care system
- Be able to explain how the problems of cost, access, and health levels in our health care system are interrelated

This is a book about the skills necessary to become a successful health care manager. It is a very special time in the history of health care—one in which we are faced with enormous change in the way health services are delivered to over three hundred million Americans. To deal with this never-ending environmental change, it is time for everyone responsible for those who deliver these very special services to better understand what these individuals need to consistently deliver quality health care to their patients. A

health care manager must be able to improve the system of health care delivery while simultaneously helping his or her staff achieve personal growth in their chosen field of employment.

There are many problems found in our current health care system. Spending on health care has become one of the greatest predicaments to ever face our nation, and there is no definitive solution to this growing problem. This one category of spending has grown from an insignificant amount fifty years ago to almost 18 percent of GDP on an annual basis. In 1960 this spending represented a total cost of \$26.9 billion, representing a per capita cost of \$141. Today this cost has risen to \$2.7 trillion, with \$8,160 per capita expenditures. The Kaiser Family Foundation (Kaiser Family Foundation & Health Research & Educational Trust, 2010) reports that spending in health care will reach \$4.3 trillion in 2018. In that year this expense will represent 20.3 percent of GDP, or \$13,100 for each resident. This type of cost escalation for one category of spending is clearly not sustainable. There are many reasons for the cost escalation, but I believe that most Americans are far more interested in solving the problem for the future rather than blaming poor decisions that were made in the past. This book is about one very important potential solution to the problem: better management of scarce health care resources. We must consider the best way to improve the skills of the individuals chosen to manage these human and material resources.

Reform and improvement of the current health care system will require a greater emphasis on cost control. Costs continue to rise much more quickly than inflation, indicating that something is very wrong with productivity in the health care sector of our economy. These rates of increase cannot continue over the long term without doing very serious damage to our overall economic growth. Many years ago Victor Fuchs (1998) of Stanford University pointed out these major problems in our health care system: cost, access, and health levels. The rising cost of health care delivery—and the related problems of access for millions of Americans—are now leading factors in the recently passed **health care reform** legislation. As we analyzed the health care sector and compared it to other countries, it became very evident that our entire health care system was not performing very well: not only do we spend more on health care than any other country but also we are not very

healthy as a nation. According to Fuchs (2009), coordinated care is necessary to get health care costs under control. Such coordination will require the three “I’s”: information, infrastructure, and incentives. To improve these components in health care delivery there is a need for better management of the entire health care system.

There is overwhelming evidence that improved information technology can enhance efficiency in businesses. The investment in information technology in the private sector is intended to improve bottom-line performance by reducing costs and increasing profits. However, the vast majority of health care facilities in our country have generally resisted making such an investment. There are many reasons for this resistance by special interest groups in health care, but this is no longer an acceptable strategy for health care organizations to follow as we implement health care reform efforts. In fact, a sizeable chunk of the new federal and state dollars going to health care is dedicated to the development of information technology to reduce costs, eliminate medical errors, and improve outcomes.

The infrastructure designed to deliver health services to consumers is in need of modernization. The world of work—including in the realm of health care delivery—is changing at a faster pace than anyone ever imagined. These changes are affecting workers and managers as they try to come together to deliver quality outcomes at a reasonable price. The majority of health care facilities are trying to deal with the rapid change in health care through better control by managers. They are also realizing that health care managers supervise the activities of employees, who serve guests of the health care facility. This puts the onus on managers to foster greater **empowerment** of the health care worker.

The rapidly changing health care system has made change very difficult, but I would argue that the changing health care industry is quite capable of exploiting this upheaval in ways that lead to a healthier population at a lower cost. This should allow wasted health care resources to be better used in satisfying unmet needs in other areas, such as education or environmental initiatives.

We need incentives to push managers to become catalysts in the process of bringing together new forms of technology used in the production of

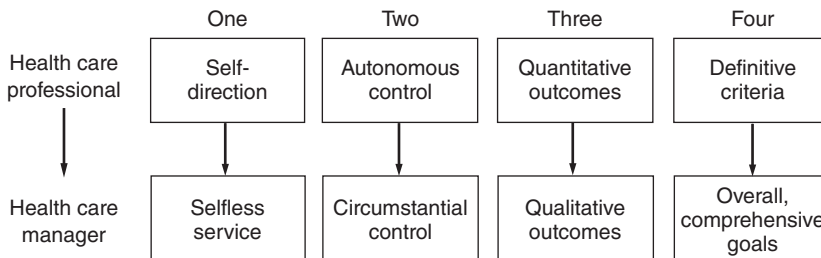
health services, resulting in lower-priced, better-quality health services being delivered to the buyer or consumer. According to Drucker (2010), management is the least understood of our basic tools required to improve outcomes. It is ironic that many large organizations are unaware of what management does or even what it is supposed to be doing. Of all the resources used in production, the only resource that is capable of growing on its own is human resources. Each human being determines what he or she will contribute to the production process.

New managers in health care are being recruited from pools of already-practicing health care professionals or new college graduates who have majored in health care administration or business administration. There are advantages and disadvantages to being from either of these two groups. Lombardi (2001) argues that a health care professional moves through numerous transition factors to become a health care manager. These factors, found in Figure 1.1, are very useful to show the new manager the transitions that need to take place as he or she moves into a managerial position in health care.

There are four basic transition factors: selfless service; circumstantial control; qualitative outcomes; and overall, comprehensive goals (Lombardi, 2011). These transitions involve moving from responsibility for only your own performance to responsibility for others, as circumstances rather than your own work flow determine your routine. Your output is now very difficult to measure, and your goals are now comprehensive rather than definite outcomes associated with your individual input.

Figure 1.1 Transition Factors

Source: Lombardi, 2001, p. 11. Reprinted with permission of John Wiley & Sons, Inc.



Although the future of cost-effective health care delivery is uncertain, there are tremendous opportunities presented daily for reducing costs and improving the quality of the health care experience. These opportunities are being found in both the private and public sectors as everyone is finally realizing that health care delivery has become the greatest problem facing all Americans. According to Oberlander and White (2009), the Obama administration continues to push for the cost savings from prevention, comparative effectiveness research, disease management, and improved information technology. These are all potential reforms that should reduce health care costs over the long term because they are investments in better health for the population. What is needed in the short term is better management of scarce resources. This book is designed to help both new and experienced managers in their crucial task of improving efficiency and quality in health care delivery, which will go a long way toward improving the health of all Americans.

As I have already stated, there is no question that the health care industry is in trouble. According to Shi and Singh (2010), the United States spends more than any other country on health care delivery, and costs continue to rise at an alarming rate. They note that despite our spending well over \$2 trillion on health services, the outcomes resulting from this enormous expense do not do very well when subjected to cost-benefit analysis, and our outcomes have been worse than those found in every other industrialized nation. Serious infrastructure problems in health care delivery have increased costs while allowing the quality of health care to diminish. Buchbinder and Shanks (2007) argue that leaders as well as managers must reform this system: the leaders will provide the vision for a new health care system, and the managers will improve efficiency and patient satisfaction by making the best use of health care resources. Although numerous books published in recent years have addressed the importance of leadership in health care, there is still an overriding need for better management techniques. It is truly an exciting time as we explore new ways to improve the management of the largest sector of the U.S. economy.

Health care costs are going to continue to rise, despite our best attempts to control them. Managed care programs have sought to reduce costs in past

years, and they were actually successful in decreasing the rate of cost escalation in health care delivery—for a short period of time. Most health economists are not very optimistic about controlling these escalating costs in the future. Their pessimism stems from two major triggers of cost increases: rising labor costs and new technology development. Callahan (2009) argues that 50 percent of the increase in health care costs each year can be attributed to the development and use of advanced technology. The cost of technology is projected to increase at least 6 percent per year into the distant future, leaving us with a perpetual cycle of cost escalation. Better health care management is our only hope of success in the battle to reduce the cost of health care delivery over the long term.

Management has been discussed, practiced, and written about since the beginning of time. Health care management as a separate discipline is of more recent origin. Management has become a popular topic in the delivery of health care because health care organizations are under tremendous pressure to produce better results. The entire health care system is being reformed, and the overriding concern is maximizing output while minimizing the use of limited resources. There is also a desire to improve the quality of health services. Improving the **efficiency** and **effectiveness** of health care delivery will require well-developed skills among managers—particularly those of unique importance to health services, such as communication and conflict management skills.

The changing health care system requires better management of people and things to accomplish assigned goals. This statement is true whether you are working in a hospital, providing health insurance, or managing an ambulatory care center. In fact, better management will be required everywhere in health care. According to Berry and Seltman (2008), health care is very different from other sectors of our economy. Health services are usually delivered to individuals who are not well, and therefore they become a need rather than a want.

Health care management involves certain functions and activities that must be performed to achieve the goals of a health care organization effectively and efficiently. These goals include effectiveness (or the ability to achieve goals) and efficiency (doing so with the minimum use of scarce

resources). Griffith and White (2007) point out that the major demands of the health care market are better quality and reasonable costs, both of which fall under the heading of management and follower responsibilities. This is why better management of limited health care resources is so critical to the reform of health care delivery in this country.

Poor communication to staff and patients has become a very noticeable problem in the delivery of health services. In general, health care practitioners are held to a very low standard when it comes to communicating adequately with the consumer of health services—the patient (Halvorson, 2007). The health care system is a dysfunctional, disconnected network that does not provide linkage among caregivers. This system also provides very little feedback on the performance of service providers. It becomes the work of health care managers to improve the communication flow among managers, workers, and patients.

Gittell (2009) argues that despite having the best clinicians in the world, the United States is unable to provide cost-effective, high-quality health care. The U.S. health care system has consistently failed to improve the health of many Americans, having become consumed with a desire to cure rather than prevent illness. Unfortunately, the major causes of morbidity and mortality found in our country are a direct result of chronic diseases, which cannot be cured. These diseases can only be prevented, and a system that focuses on curing them is therefore doomed to fail. The failure to deal with the chronic disease epidemic has caused many people to question whether or not there is an appropriate system of delivering health care to Americans.

According to Black and Miller (2008), patients are demanding quality improvement. These researchers point out that there are three major reasons to improve health care delivery: patients deserve better, employees in health care deserve better, and our country deserves better. This improvement can only occur with better managers who appreciate their workers, treat them with respect, and empower them to make the system work. Such improvement is dependent on employees' delivering the care, which in turn is a reflection of those who manage these workers.

Hwang and Christensen (2008) argue that the major question posed in the health care cost escalation debate is, How can we make health care more

affordable in this country? They point out that other industries have used cost-saving technology with innovative business models to offer more affordable products and services to consumers. Successful organizations throughout the world are very good at using the energy, creativity, and talent of their people to solve complex problems involving the cost and quality of their products and services. By unleashing their people, these companies have been consistently successful at reaching their predetermined goals at a reasonable cost. They are both effective and efficient because of the collaboration among managers and followers. Efficiency in the health care system entails the ability to produce what people want and need at the lowest cost possible. If a for-profit organization cannot give consumers the products and services they desire at a reasonable price, it is forced out of business, but this has not happened in the health care sector of our economy. The health care system is too important to go out of business, but it must be reformed—and that starts with better health care managers.

Berry and Seltman (2008) argue that bureaucratic, labor-intensive organizations—like those in the health care system—become less effective at goal achievement over time. These organizations begin using rules rather than common sense in dealing with the most important part of delivering health services: their employees. This usually results in a significant loss of commitment on the part of employees, causing the quality of care to diminish for patients. According to Collins (2009), many great enterprises follow a path of decline that usually involves distinct stages. It is interesting to note that the first stage of decline for these organizations involves arrogance and an entitlement mentality among leaders that are the result of previous success. This first stage of decline looks very much like where the health care industry is today. Collins points out that the solution to this decline can be found in **disruptive innovation**, a method by which companies learn ways to convert expensive, complicated products and services into simpler, less-expensive substitute products and services.

Managers of health care organizations, despite the unique services they produce, can learn to improve by looking at management from the for-profit business world (Langabeer, 2008). Health care organizations are very different from other business organizations, but there are also many similarities

found among health care and the other business segments. For example, the management functions in all industries include planning, organizing, leading, and controlling. Any organization that is attempting to improve effectiveness and efficiency in delivering products or services must practice these functions.

HEALTH CARE REFORM LEGISLATION

The Accountable Care Act was signed into law by President Obama on March 30, 2010. This legislation is going to cause massive changes in the U.S. health care system. To respond to this new legislation, health care organizations need to change the way they do business.

This new law will force the secretary of health and human services to develop standards and rules designed to improve the efficiency of health plans, along with increasing the efficiency of the multitude of providers of health care. The law will call for improvement in the management of resources. A new Center for Medicare and Medicaid Innovation will be created to encourage new payment methods designed to support innovations in the organization of health care delivery.

A very promising part of the new law is the funding for **comparative effectiveness research (CER)**. Nussbaum, Tirrell, Wechsler, and Randall (2010) point out that the new health care reform legislation includes an appropriation of an additional \$500 million per year for the evaluation of medical procedures as part of CER. This should reduce the costs associated with wasteful medical tests and procedures, producing \$700 billion in annual savings. This process represents an attempt to get runaway health care costs under control without reducing the quality of health care.

CER represents an intense evaluation of the varying treatment options for a given medical condition (Jacobson, 2007). The vast majority of countries that have reformed their health care system have included some form of CER in their final product (Mushlin & Ghomrawi, 2010). This was done in an effort to protect patients from harm while simultaneously improving quality and taming health care costs. This new legislation, and the resulting

focus on CER, will produce an even greater demand for a new type of health care management.

ERRORS IN HEALTH CARE

We have to prioritize the elimination of errors in the health care system. Health care facilities must become obsessed with preventing these errors, or at the very least rapidly correcting them so that they never happen again. In the past a health care facility could mistreat a customer and not lose his or her business. Mistakes or medical errors could be made, and the facility would still be reimbursed for the defective service. In fact, the health care facility had a very good chance of being reimbursed twice for the same service. It could be reimbursed for the error, and then reimbursed again to correct the error.

An error is usually defined as an event that does not achieve its intended purpose. Every organization experiences occasional errors in what it is trying to accomplish. If the errors continue to occur, the consumer will usually respond by taking his or her business to the competition. In health care delivery there are two major types of errors: clinical errors and service errors. Clinical or medical errors have become epidemic in the American health care industry. Service errors will also need to be dealt with as the competition for patients' business becomes more intense in the future.

Excellent organizations are capable of both solving and preventing clinical and service errors (Fottler, Ford, & Heaton, 2010). These organizations understand that errors are the result of either human or system error. They are well prepared to diagnose the many possible causes of an error and, more important, to develop strategies to remedy the error or prevent it from occurring in the first place. Errors have become the norm in many institutions that deliver health care, but this is about to change because of health care reform and the resultant demand for efficiency and effectiveness in health care delivery.

The manager is responsible not only for counting things and improving efficiency but also for developing his or her staff. Because the management of health care requires the production of services, the development of the

employees who deliver these services seems to be of the utmost importance. Too often the health care manager gets too involved in managing *things* and forgets about the importance of developing direct reports who deal with the customer on a daily basis.

Although in the past the health care facility had to pay attention to the demands of physicians and insurance companies, customers are now starting to fill the role of the demander of health services—and many health care organizations have not prepared their staff to respond appropriately. This can be a serious mistake because many of these new consumers will simply change health care providers if they feel that they are being ignored. Health care managers must be prepared to provide excellent services to every consumer, without fail.

CHANGING THE HEALTH CARE SYSTEM

The way business is done in health care facilities is in the process of change, which has been brought on by external forces. It seems that no one, except the providers of care, is happy with the current health care system. Even physicians are dissatisfied with what has happened to health care in America. What is more disturbing is the tremendous disagreement among most of the players in the health care system as to how the system should be changed to respond to its problems. Among the few areas of agreement are the need for improved efficiency, the need to reduce medical errors, and the need to control costs.

The U.S. health care system is simply not working very well. In fact, many health researchers and health policy experts are questioning if there is even a “system” present in the delivery of many health services. According to Swayne, Duncan, and Ginter (2008), a system is a set of elements that are related in some way to achieve the desired output. A simplistic way to look at a given system of delivering care within the broader U.S. health care system is found in Figure 1.2.

In this system, people and sophisticated technology become the input for the process of delivering health services. The throughput becomes the management of the process, which is designed to achieve the ultimate output

Figure 1.2 Simple System in Health Care



or goal of the system—good health. Because our current health care system as a whole focuses on curing rather than preventing disease, its health outcomes are not good. The epidemic of chronic diseases suggests the U.S. health care system’s failure to produce good health.

The simple model in Figure 1.2 works quite well when we are dealing with one provider, one disease, and one health care facility. The treatment of a communicable disease serves as an excellent example of how a given system of delivering care would function. In this case, the patient enters a health care facility or physician office with one disease, which is communicable and has an acute onset of symptoms. A method of treatment is prescribed, and after a few days the patient is usually cured, with no long-term complications. Here the system has worked well, and the patient, provider, and insurance company are all satisfied with the outcome. This is not the case with chronic diseases, because once acquired they have no cure—and they produce long-term complications that necessitate expensive treatment by many physician specialists. Although the diseases affecting Americans have changed, however, our system of health care delivery remains the same. The old health care system cannot deal with the epidemic of chronic diseases affecting most Americans as they grow older.

Because of multiple failures in the current health care system, the government and the various insurance companies paying for health services are demanding health care reform, which may result from the new legislation already discussed (Orszag & Emanuel, 2010). As part of this reform, enhanced horizontal coordination among providers, with a focus on much better monitoring of the patient, will lead to a change in infrastructure. Such new concepts as medical homes and greater accountability for resource use are definitely going to require drastic changes in our health care system’s infrastructure. These changes will require further shifts in how health care

managers and their staff deliver these services. They will also demand creativity and innovation from everyone responsible for health care delivery.

Health care institutions were originally designed as bureaucratic organizations because of the nature of the services delivered. The physician was in charge of the medical care for his or her patient and relied on medical expertise to control the system of health care delivery. Unfortunately for the physician, bureaucratic organizations do not fare well in times of constant change. A bureaucracy that is built on rigid rules and power is not capable of responding to change in a timely fashion. The health care environment is changing daily because of new technology, better-educated consumers, and shifting reimbursement patterns—in turn requiring a change in bureaucratic management. The physician no longer controls the delivery of health care and has been replaced by individuals possessing advanced managerial and leadership skills.

The new form of health care management requires a different set of managerial skills—skills that have worked well in many fast-paced organizations found in other economic sectors. Spear (2009) argues that high-velocity organizations use functional integration on a daily basis. These organizations are managed in such a way that all members of teams that are assigned work responsibilities collaborate to achieve proactive change in health care, and then attempt to turn that change into opportunities for company success and consumer satisfaction in terms of what services are delivered and how they are delivered.

Health care organizations must change radically in response to the various challenges the health care system faces. The mission statement of every health care organization in this country should address these challenges, which revolve around the quality of care and the improvement of health outcomes. The new mission statement of successful health care organizations will emphasize quality health services at a reasonable price. According to Griffith and White (2007), managers have the responsibility of properly implementing the mission, as developed by the board of directors and the leader of the health care organization. Therefore, meeting the challenges of providing quality services and achieving desired outcomes rests on the shoulders of health care managers, whereas the development of an

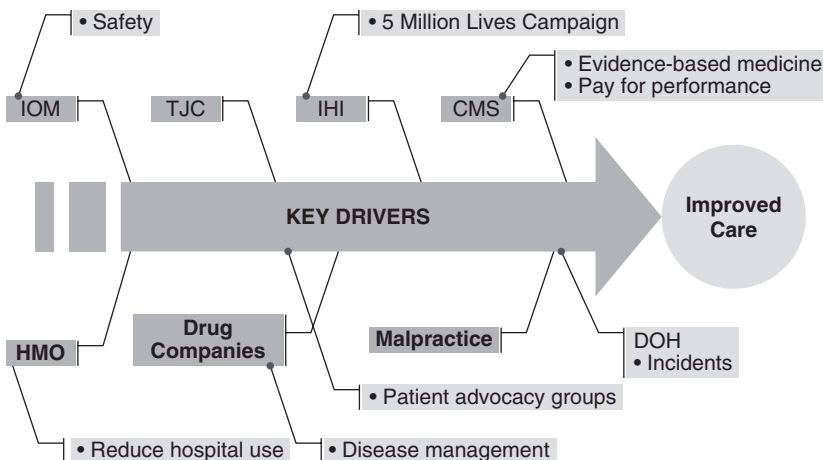
appropriate mission statement to deal with those challenges is the responsibility of the CEO and the board of directors. The mission becomes the driving force of everything that the health care organization does and does not do.

There are many drivers of quality in regard to the health services an organization provides. Drivers of quality in health care delivery are both external and internal. Figure 1.3 offers a good overview of the various drivers, but the changing health care environment is continuously producing more of them. The manager must be aware of all of the drivers and be empowered to plan for them; he or she must also be proactive in responding to the demands they place on the organization. These drivers are so powerful that there is no going back to a bureaucratic management style, which would render rapid decision making impossible. The proactive and well-positioned health care facility can turn quality initiatives, spurred on by the drivers of quality, into opportunities through the use of better management techniques.

It has been almost impossible to convince health care organizations that they need to respond to consumer demands by developing different ways of delivering care. Moon (2010) argues that many organizations become so

Figure 1.3 Drivers of Quality

Source: Dlugacz, 2010, p. 4. Reprinted with permission of John Wiley & Sons, Inc.



pleased with how they deliver services that they tend to forget what the consumer actually wants, instead delivering what they *think* the consumer desires. Physicians and health care facilities often have made the decisions about how and where care will be delivered, failing to realize that the consumer is the one who ultimately determines what will be produced, and where.

Senge (2006) points out that many of the problems we face today are a result of yesterday's solutions, a phenomenon that is a result of entrenched mental models concerning the best way to do business—deeply held images of how things work—that have formed over time. Many managers are afraid to change the business practices that worked well in the past, even when they realize change is necessary, and they fail to take new ideas into account because they are in conflict with the normal way business is done. This condemns the manager to failure in an environment of constant change: the old way of delivering health care simply will not work with the new diseases we face, and quite often the health care manager is the only one who does not understand this reality.

However, Senge (2006) also discusses the concept of personal mastery, which offers a potential solution to the restraints of a mental model developed in the past. This concept involves a learning process that brings employees together to form a different mental model that is better suited to the current situation. The new mental model requires the manager to work with people who are organized into effective teams devoted to improving the quality of care and obtaining better outcomes in health care delivery. Many health care organizations have as many as a hundred teams with a clinical and support focus in health care delivery designed to improve outcomes (Griffith & White, 2007). In numerous cases these teams have not worked well at the task of improving outcomes, and a given health care organization often does not do enough work to inspire winning teams. To be successful, all team members must openly question and evaluate their underlying assumptions about how health services should be delivered. The team needs to prioritize delivering what the patient wants and needs. The next step would involve consistency in the delivery of quality health services.

Collaboration among team members can go a long way toward improving both the quality and effectiveness of health care delivery (Buchbinder & Shanks, 2007). Better coordination of care should afford greater satisfaction for the team members while also improving patient outcomes and patient satisfaction. This team approach can work very well when treating chronic diseases, a process that involves multiple providers and therapies. The source of the cost and quality problems in our health care system is embedded deep within the work process of delivering health services (Gittell, 2009). It is management's responsibility to facilitate the development and progress of the team approach to delivering health care.

Love and Cugnion (2009) argue that all successful businesses have the unique ability to ignite the purpose and passion of their employees, especially when they work in teams. Such drive and enthusiasm are evident in successful and long-lasting health care organizations like Mayo Clinic. The management style of Mayo Clinic, which uses an empowered team approach to delivering health services, needs to be duplicated in other health care organizations to improve patient outcomes—particularly when dealing with chronic diseases.

Rae-Dupree (2009) argues that our country needs to use innovation to develop a very different business model that reduces costs while improving quality. This disruptive innovation includes a new method of management for an entirely different way of delivering health care. This new health care system will need to provide an incentive for prevention rather than obsessing over curing disease. A very good example of this concept is found in the medical home. Medical homes are facilities in which primary care physicians use evidence-based management practices that focus on the care of a patient over the long term (Shortell, 2010). This new concept incorporates both disruptive innovation and the development of a new mental model to give consumers of health services what they want.

Health care organizations needed to invest more in performance measurement, and they should place greater emphasis on evidence-based management. This entails prioritizing what is important in health care delivery. The first question to be answered is, Who determines what is important in health care delivery? Is it the patient, the provider, the government, the U.S.

health care system, or all of the above? The next question is, What will truly add value to the patient's health care experience? Once this question is answered, managers can prioritize what is to be accomplished, and then go about managing the organization to success.

EMPHASIS ON EFFICIENCY IN HEALTH CARE DELIVERY

Efficiency has become a critical concern of those who manage health services in this country. Managers are now being called on to improve services and reduce the costs associated with health care delivery, and they are going to require new skills and tools to accomplish this enormous task. The old rules of bureaucratic health care management need to be replaced with a management style that builds a thick culture, allows for effective communication between managers and employees, and nurtures employee personal growth. The health care manager must begin to realize how important his or her staff members are to improving the efficiency of the delivery of health services. Once this fact becomes part of the manager's style, it then moves into the culture of the organization.

According to Griffith and White (2007), leading health care organizations are spending an enormous amount of time building excellent services into their culture. In fact, fostering a thick culture among the various work teams in health care facilities has become the top priority of health care managers. The payoff will be increased efficiency, the elimination of waste, and the satisfaction of the patient as he or she consumes excellent health services. Shortell (2010) argues that the payment for health services will be moving away from a fee-for-service system to a system of payment that rewards cost-effective health care delivery. This change in payment will lead to the implementation of electronic medical records, the provision of better information for patients concerning treatment alternatives, and coordinated care by teams of primary care clinicians. This paradigm shift will require managers and employees to do things differently.

Such changes will foster the development of a learning health care organization in which employees are continually challenged to become masters

of their profession. Senge (2006) offers the concept of personal mastery, mentioned earlier, as a major goal of the learning organization. This concept is based on the premise that organizations learn and grow through their employees' learning, growing, and being creative in their approach to how they do business. Exploring personal mastery goes way beyond competence and instead revolves around approaching life as a creative experience. This is exactly how we need to approach our problems in health care delivery. Health care organizations are not going to solve these problems; rather it is the health care workers actually delivering the health services who become problem solvers through their own personal mastery. It becomes the work of health care managers to create this environment for learning and growth.

The health care system has not been successful in keeping us healthy at a cost we can afford. Medical errors in delivery have become one of the leading causes of death, and costly technology is being used all too often with limited benefits. Most health care experts agree that this is clearly a systems problem that involves the use of wasteful and dangerous medical procedures. Senge (2006) argues that many organizations attempt to shift the burden when they encounter difficulty in achieving their goals, an effort that usually produces two stabilizing processes: symptomatic intervention and the development of a fundamental solution. The symptomatic response is a quick fix that usually offers a short-term solution, whereas the fundamental solution may take longer but results in a permanent solution. It is important for the health care organization and its managers to realize that goal achievement is totally dependent on the development and motivation of all employees in the organization. Solving problems requires a team effort to improve health care delivery for every patient, every day.

There are three indicators that the poorly defined problem of care under discussion is facing a shifting burden structure: the problem continues to worsen, the health of the system decreases, and a growing feeling of helplessness develops within the system (Senge, 2006). These indicators are evident in our current health care system. We have consistently attempted to solve the cost and quality problems in health care using systematic solutions (involving a change in inputs) or short-term solutions, which have not worked and have actually made the problems much worse. These solutions

have almost always involved changing the way we pay for health services, but the problems we face go way beyond finances. The reduction in the quality of our health services is totally dependent on the individuals who deliver these services. The health care manager will therefore play a critical role in developing these employees and turning them loose to release their creativity and innovation in the interest of improving health care quality.

Hsieh (2010) may have given us a way to make a positive change in how an organization does business. In his new book *Delivering Happiness: A Path to Profits, Passion, and Purpose*, he talks about the qualities of excellent managers. These are individuals who believe that the best ideas and decisions are made from the bottom up, allowing them to devote time to removing obstacles that had heretofore prevented employees on the front line from delivering high-quality services. This very simple concept worked at Zappos, a company that has been achieving excellence in the delivery of services for years, and there is no reason to think that it will fail in the improvement of health care delivery. It requires a change in how health services are financed, managed, and consumed. The key to success begins with the manager and ends with the employees.

BUILDING A NEW PROCESS FOR HEALTH CARE DELIVERY

The per capita cost for health care is over \$8,000 each year, and most other countries fare better than we do in both quality of care and life expectancy. The infant mortality rate in the United States is higher than that in most other industrialized countries in the world. We are wasting the scarce resources allocated to the delivery of health services and receiving very little if anything in return for the enormous cost (Shi & Singh, 2010).

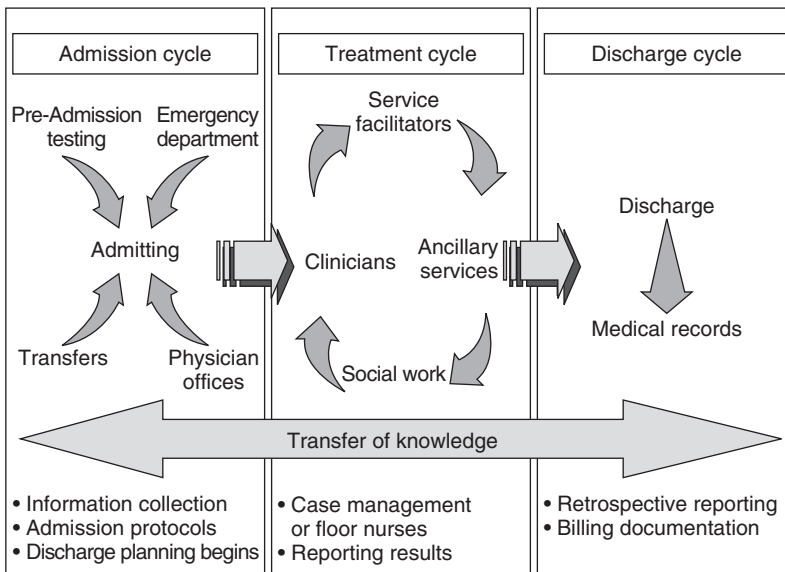
This waste can only be eliminated through better management of the entire process of health care delivery. Black and Miller (2008) argue that waste is found in every organization, and that careful observation can provide a very real opportunity to improve organizational efficiency. The areas of waste and inefficiency will be found at the lowest level of the health care organization by empowered staff members who work together as a team.

These workers know where the waste and inefficiency can be found and, more important, what to do about it. The secret to success in managing health care facilities involves listening to your people and requesting their help in improving the organization's use of scarce resources. This requires the health care manager to spend a great deal of time communicating with staff and listening to what solutions to problems they have to offer.

The quality of service in the delivery of health care is primarily determined by the people working in teams toward positive patient outcomes. Achievement of these outcomes depends heavily on the successful management of the entire process. Figure 1.4 shows how information travels across facilities and cycles in a typical patient hospitalization. In this figure, the risk points at which mistakes in communication can be made include the admission cycle, the treatment cycle, and the discharge cycle. Communication errors occurring at any of these cycles can result in medical errors or a diminished patient quality experience, representing failure to that individual.

Figure 1.4 Risk Points in Communication

Source: Dlugacz, 2010, p. 45. Reprinted with permission of John Wiley & Sons, Inc.



The manager must be aware of these risk points and be committed to reducing communication errors. He or she can accomplish this by better training all employees in protocols for transferring information concerning every patient. The payoff for implementing this training and securing employees' commitment to patient quality is an enormous competitive advantage for the health care organization.

According to Maxwell (2004), the change process takes time for acceptance by those who are experiencing it. In health care, the change process must be sustained over time to improve efficiency. The first step entails embracing information technology and the development and implementation of appropriate financial incentives for improved health outcomes and efficiency in their delivery. For these two things to occur, the payment system for health care delivery must change, shifting toward a focus on outcomes rather than activities. Halvorson (2009) points out that there are currently no billing codes for better outcomes or for care linkages. This seems to indicate that these goals are not that important—but they should be treated as paramount.

We need to develop an integrated health care system that produces coordinated care over time. This is very important for those individuals who develop one or more chronic diseases and want to avoid the complications that quite often result from them. The prevention of such long-term complications is a major challenge facing our health care system. These complications usually result in diminished quality of life for individuals as they age and enormous cost escalation that could have been prevented.

Chronic diseases are responsible for 80 percent of the \$2.7 trillion currently spent on health care delivery (Remington, Brownson, & Wegner, 2010). These costs are only going to rise as the number of elderly individuals continues to grow and the expensive complications from these diseases continue to escalate. This alone would suggest the necessity of shifting resources from efforts to cure diseases to attempts to prevent chronic diseases and their complications.

Shortell (2010) wrote about restructuring health care organizations to encourage the integration and coordination of care, with a goal of cost reduction and improved quality. He believes that this goal can best be

accomplished through the development and expansion of high-performing, patient-centered teams. These teams will need to be empowered to use information technology when seeking to gain an overall understanding of a patient's health condition.

Connectors that allow patients to move from one specialist to another are the key to real success in dealing with patients with multiple health conditions, better known as comorbidities (Halvorson, 2009). Comorbidities require the use of information technology to connect the multiple physicians caring for the patient experiencing them. The use of electronic medical records for a patient with comorbidities allows the many doctors to effectively practice as a team to improve the patient's health outcomes. The goal is the development of evidence-based medicine.

According to Chassin, Loeb, Schmaltz, and Wachter (2010), quality measures for use in improving the delivery of health services involve four criteria:

1. Research demonstrating that the measure, or process, does in fact lead to improved clinical outcomes.
2. There is proof that the evidence-based care has actually been given.
3. The process under observation leads to the desired outcome with few if any intervening processes.
4. The process has very few adverse consequences for the patient.

Following these criteria should improve health outcomes. This suggests that we need to carefully evaluate those who are advocating best practices in health care delivery when the proposed practices have not been completely evaluated. We have to look at what other successful organizations have done and try to follow their lead in giving patients what they desire. It becomes a very simple process to ask the patients what they want, and then consistently meet their demands. For this to happen, however, the health care manager and his or her team of professionals need to understand how valuable it is to have two-way conversations with patients about what they want from the health care encounter.

Goldsmith (2010) argues that the real key to quality improvement in health care delivery resides in better communication among health care

professionals, a point discussed earlier in this chapter. He believes that information sharing will improve health outcomes while also increasing productivity for the clinical or administrative workforce by between 60 and 200 percent. This communication must become a dialogue between manager and staff and between staff and patient. At the risk of oversimplifying health care management, it quite often becomes a basic matter of spending time listening to direct reports and the consumers they represent. Satisfied customers lead to a wide variety of very positive results (Fottler, Ford, & Heaton, 2010). Satisfied customers are those who received exactly what they thought they were purchasing, combined with excellent services from the organization.

There is no question that a radical change in how we finance and deliver health services in this country has become mandatory if we are to save our health care organizations. On a macro level there are special interest groups that profit from the current poor management found in many health care organizations, and they will do everything in their power to block the required change. On a micro level, the individual health care organization needs to begin the change process by developing better managers, who will need training in new management techniques, including conflict management.

Health care managers using the old, bureaucratic management style would prevent conflict by establishing and enforcing targeted rules and regulations. Bureaucracies do not like conflict because it produces unrest and arguments that slow production. Today many organizations realize that conflict can be the result of creativity by workers, innovation, and rapid change in the process of producing goods and services. These organizations recognize that creativity, innovation, and change are desirable even if they produce conflict. This is especially true as our health care system responds to the demand for reform. Health care organizations need to train their managers to accept and manage the conflict that is inevitable in times of change.

However, health care managers will only be able to better manage the conflict produced by change if all employees are involved in the change process. Far too many health care facilities are looking for new leadership

before they have restructured their management and prepared their employees for the radical change the future certainly holds. Strong leadership is always desirable, but better management is an absolute necessity for every organization as it responds to the changing environment.

Hammer (2007) points out that to redesign business processes and jobs, those in redesigned positions need additional training, and decentralized decision making at the lowest level of the organization should be encouraged. Redesigned organizations must also reward the process by providing incentives for excellence as well as its outcomes.

The **process audit** Hammer (2007) proposes is started by managers and supported by leaders. Implementing this audit will not be easy because health care organizations for the most part are bureaucratic, littered with rules and regulations that block change and resist innovation. It is going to require an evaluation of the process of delivering health care from the time the patient enters the facility until he or she leaves. It will require a team approach that fosters immediate communication among all team members, with the ultimate goal of successful patient outcomes and a satisfied health care customer. Health care organizations produce services, not products, and these are delivered by a team. The problems in health care delivery related to poor quality, accidents, and low customer satisfaction are all related to poor team performance. Health care managers need to spend a great deal of their time on developing a team approach to the delivery of health services.

It is important for health care managers to determine what consumers of health services want from a health care organization. They certainly do not want to be in a hospital, they do not want to be injured by the health care system, and they do not want to waste money on useless tests that produce very little if any value. They want the providers of these services to treat them with respect and help them with their health-related problems. They want high-quality services delivered by a dedicated team—services that they as consumers can evaluate.

This level of quality is not found in our current health care system. Caregivers in health care organizations do not link well to deliver care to the majority of patients (Halvorson, 2009), and this results in far too many

patients experiencing poor outcomes. The health care manager is therefore faced with the daunting task of developing a team approach.

There are very few tasks that can be completed by one person in today's organizations (Zenger, Folkman, and Edinger, 2009). This is especially true in health care organizations, which require the expertise of numerous providers working together to produce successful outcomes for the patient. The more complex the health care procedure, the more critical the linkages among team members.

Health services are not prepared ahead of demand, so they must be evaluated as they are produced. If mistakes are made in the delivery of these services, therefore, it is too late to correct the faulty delivery, making it very important that systems be designed to prevent such errors before services are delivered. It is a fact in management that systems usually get precisely the outcomes they are designed to deliver, which is why our health care system must be designed to produce zero defects.

As already discussed, miscommunication among health care professionals is a major cause of medical errors, and addressing this is one of the greatest challenges health care managers face. How can the manager connect all of the individuals providing health services for the patient to achieve the best outcomes for each individual patient? Fostering team communication is the ultimate managerial responsibility in the delivery of cost-effective, efficient, quality care.

Solving this problem will require the development of a culture of safety in health care delivery. There is currently no real incentive to improve safety and thus the quality of care. Halvorson (2009) argues that the "non-system" of care in American medicine does a terrible job of connecting the required forms of care for patients with multiple diseases. These individuals make up a very large number of patients, and their comorbidities are responsible for 75 percent of the cost of health care. The issue of connectors of medical care for patients with multiple chronic illnesses has become a management nightmare for health care organizations in the United States. To see any improvement, according to Halvorson, the American health care system needs to develop a culture of continuous learning for all providers of health services.

PRODUCTIVITY AND PRIORITIZATION IN HEALTH CARE

The vast majority of the output of the health care industry consists of services delivered to consumers by health care providers. These services are produced when needed, so it is impossible to have an inventory of health services available for future consumption by patients. This creates problems for providers, who are faced with low demand for services at some points and very high demand at others. This also makes adequate staffing a major problem for health care managers. Fortunately, there are several other industries that deal with just-in-time production and have been able to produce excellent results. Health care managers need to look at how these industries deal with this type of unpredictable demand and attempt to duplicate their successful organizational design.

Shenkar (2010) argues that imitation needs to be viewed as a driver of innovation, not as a force that impedes it. He believes that productivity gains in business are not realized by innovation itself but by the improvements that result from it in the future. This is because the imitators do not have the enormous costs associated with an innovation, allowing them to view the innovation using multiple models. Imitators are less likely to become complacent because they realize how easy it is to duplicate the innovation, and they are therefore constantly trying to improve on it. Shenkar goes on to talk about the fusion of imitation and innovation to create a competitive advantage for a business. He calls this fusion “imovation,” which may, if used properly, very well be required to solve many of our health care problems.

One of the possible side effects of just-in-time production in health care is medical errors. Champy and Greenspun (2010) argue that there are way too many steps in health care procedures that add little if any value to the patient’s medical experience. Such procedures are not arranged in the best sequence, and they need to be redesigned to improve quality, safety, and cost. Let us look at a company—Alcoa—that should suffer from safety issues because of the nature of the products it produces. This producer of aluminum products has become the safest large manufacturing company in the United States.

The approach followed by Alcoa in reducing workplace injuries could be applied to address the epidemic of medical errors in the delivery of health services (Spear, 2009). Alcoa had problems with occupational safety until a new CEO prioritized safety as the company's most important goal. In 1987 Paul O'Neill, CEO of Alcoa, announced that his first goal for the company would be zero injuries in the workplace. O'Neill made safety problems reportable directly to him within twenty-four hours of their occurrence. He then designed a system with the ability to detect problems when and where they occur. These safety problems are then swarmed, which requires all involved to confront the safety issue using their specific skills at the time and place of occurrence. This makes it possible to gather information that would otherwise probably be lost over time. After a solution to the problem is discovered, the new knowledge is then shared with everyone who needs to know. This approach, used by high-velocity organizations, usually involves capturing existing knowledge and building in tests to reveal problems, swarming and solving problems to accrue new knowledge, and sharing the new knowledge gained throughout the organization.

In management circles it is well known that certain types of practices in the workplace result in higher levels of performance in an organization. There are many things that managers of scarce resources can do with their limited time on a daily basis. The health care manager needs to learn how to prioritize those activities that will produce the highest returns for the organization. According to Maxwell (2004), to become more effective a manager must prioritize his or her life and work and continue to manage priorities on a daily basis.

One of the most important skills required of the new health care manager is learning what to prioritize. It seems like a simple task, but when you are responsible for managing the delivery of health services daily prioritization can become complicated and demanding. It has been my experience that health care managers spend far too much time going to meetings and too little time being with the patients. Managers also spend too little time with the staff helping them understand what is and what is not important. Managers need to make communicating with patients and employees a high priority. Dye (2010) offers two excellent suggestions concerning the

management of health care organizations. The first involves minimizing meetings, which are often unnecessary and keep the manager from doing more important work for the organization. The second relates to prioritization. The manager needs to write two separate lists on a daily basis: one list for personal affairs and one for work. The manager then should label the day's items as "urgent," "important," or "can wait." In health care, in the manager's work list, the patient needs to be labeled as "urgent."

Consumers demand excellent medical care and excellent customer service every time they visit a medical facility (Fottler et al., 2010). Meeting these demands is difficult, however, because every consumer of health services is different and therefore asks for varying degrees of clinical and customer service. It is very clear that consumers of health care do not want to be hospitalized, they do not want to be injured in the process of receiving health care, and they want to remain well as long as possible. Health care organizations and their managers need to learn how to respond to these consumer demands.

SUMMARY

The health care sector of our economy is undergoing tremendous change due to health care reform efforts introduced through government legislation. Health care facilities are not producing good outcomes for patients, even though the cost of these health services continues to increase every year. These problems require a drastic change in how health services are delivered and how they are reimbursed. There needs to be a tremendous reengineering effort, which in turn requires better managers and empowered followers to improve health outcomes while controlling costs.

The vast majority of health care facilities are still using bureaucratic management techniques that do not work very well in the face of enormous change. These organizations are still relying on rules and regulations that virtually eliminate any real attempts at creativity and innovation, which are so necessary in today's turbulent health care delivery environment. Organizations in the new health care system are in need of skilled health care managers who foster growth and development among their employees. A team of

empowered employees should be delivering these vital services to consumers; and there needs to be a greater focus on the quality of health services, which requires a thick culture of excellence fostered by constant communication to all employees. This can only be accomplished through the development of health care managers who are capable of building new processes in health care delivery.

This health care reform effort is also creating opportunities for the health care system. The key to success is better management of scarce resources, which requires current health care managers to develop a multitude of necessary skills, including leadership and communication skills as well as the ability to empower lower-level employees to offer quality services to the consumer of health services. This book has been written for those who want the skills needed to be a successful manager of a health care organization during a time of great change.

KEY TERMS

comparative effectiveness research (CER)

disruptive innovation

effectiveness

efficiency

empowerment

health care management

health care reform

process audit

REVIEW QUESTIONS

1. Please name and explain the major problems in the health care industry, as outlined by Fuchs (1998). Do they represent isolated issues, or are they symptoms of much larger problems? Explain.

2. How might system redesign help address the efficiency issues found in the U.S. health care system?
3. Explain the reasons why the bureaucratic management structure will no longer work in the delivery of health services.
4. How will the new health care reform legislation affect the management of the health care industry in the United States?