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WORKSHOP IN HEALTH ADMINISTRATION STUDIES

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# "Characteristics of 'Successful' Inner-city Community Hospitals"

for

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Rosenwald 405

3:30 - 5:00 p.m.

# INNER-CITY COMMUNITY HOSPITALS: WHO ARE THEY?

- Inner-city location
- Nonprofit ("voluntary") organization
- Short-term, general acute care
- Limited role or no role in graduate medical education
- High proportion of Medicaid patients

# INNER-CITY COMMUNITY HOSPITALS: HOW MANY?

- The 35 largest MSAs have 38% of the nation's population
- Core cities of these MSAs have approximately 1,375 community hospitals (nonfederal, short-term, acute)
- Approximately 270 of these are also nonprofit organizations without major commitment to graduate medical education
- A relatively small proportion of these serve a high percentage of Medicaid patients (20% or more)

# PROFILE OF A TYPICAL INNER-CITY COMMUNITY HOSPITAL

- Size
- Utilization
- Payor mix
- Medicare case mix index
- Charity care
- Philanthropy
- Financial viability
- Medical staff
- Role in ambulatory care
- Nursing and allied health professionals
- Facilities
- Market orientation
- Self-image
- Urban environment

# INNER-CITY COMMUNITY HOSPITALS VISITED

- Mercy Hospitals and Health Services of Detroit, Detroit, MI
- Mt. Sinai Hospital Medical Center, Chicago, IL
- Greater Southeast Community Hospital, Washington, D.C.
- Santa Rosa Health Care Corporation, San Antonio, TX
- St. Mary's Hospital, East St. Louis, IL
- Lutheran Medical Center, New York, NY
- Liberty Medical Center, Baltimore, MD
- St. Francis Medical Center, Lynwood, CA
- St. James Hospital of Newark, Newark, NJ
- St. Joseph's Hospital, Philadelphia, PA

# KEYS TO SUCCESS, STAGES OF DECLINE AND FUTURE CHALLENGES

- Key requirements for success in the 1990s among all hospitals
- Particular requirements or key issues for success among inner-city community hospitals (Prototype)
- Stages of organizational decline
- Important future challenges for inner-city community hospitals
- Sources
  - Health Care in the 1990s: Trends and Strategies
    American College of Healthcare Executives and Arthur Anderson and Co.
  - 1989 Environmental Assessment
    Mercy Health Services
  - Decline in Organizations: A Literature Integration and Extension
    William Weitzel and Ellen Jonsson
  - Mission Matters
    United Hospital Fund
  - Site visits to inner-city community hospitals

# DETERMINANTS OF SUCCESS FOR HEALTH CARE PROVID
# AMERICAN COLLEGE OF HEALTH CARE EXECUTIVES AN
# ARTHUR ANDERSEN AND CO.

- ✔ Strategic and financial planning
- ✔ Refined management skills
- Risk identification and analysis
- Prudent application of new technology
- ✔ Predictive market analysis
- Integrated clinical and financial cost accounting
- Computerized decision support systems

# FACTORS RELATED TO THE SUCCESS OF COMMUNITY HOSP MERCY HEALTH SERVICES

- Governing board commitment to community health care needs (1.79*)
- Diversification into non-acute service lines (i.e. home health care, wellness/preve programs, etc.) (1.98)
- Conscious integration of social mission with service delivery and financial strate
- Targeting services toward specialty care markets based on population segments, categories and/or therapeutic modalities (2.12)
- Joint ventures with physicians and other health care providers (2.12)
- Ability to offer all levels and intensities of service to patients through "vertically ir health care networks (2.14)
- Participation in regional planning efforts (2.23)
- Formal affiliation with a regional multihospital system (2.24)

* Average score; 1= very important and 5= less important

# FACTORS RELATED TO THE SUCCESS OF COMMUNITY HOSPITALS MERCY HEALTH SERVICES

- Sponsorship of health insurance products (i.e. HMOs) through ownership or joint ventures with other providers and insurance companies (2.53)

- Religious community affiliation (3.28)

- Formal affiliation with a national multihospital system (3.32)

- Diversification into non-health related areas (i.e. hotels, office equipment, etc.) (4.02)

# POTENTIAL DETERMINANTS OF SUCCESS
# INNER-CITY COMMUNITY HOSPITAL SITE VISITS

- A clear social/health care mission and a commitment to a defined community
- The ability to have an impact on anything that affects that community
- Good management, including a very strong CEO
- One or more competitive advantages
- Adequate reimbursement from the Medicaid program
- The ability to adjust expenses to match changes in volume
- The ability to attract and retain quality physicians

# STAGES OF ORGANIZATIONAL DECLINE
# MODEL DEVELOPED BY WEITZEL AND JONSSON

- Describes decline through stages on a continuum, each with particular characteristics and appropriate turnaround actions by management.
- Model not specific to health care organizations; based on review of pertinent organizational behavior literature, not an empirical study.

| Stages | Key Characteristics |
|---|---|
| 1. Blinded | Failure to detect internal or external changes threatening long-term survival (e.g. qualitative changes such as tolerance of incompetence, cumbersome administrative procedures, outdated organizational structure). |
| 2. Inaction | Failure to decide on corrective action. Decline becomes noticeable. Indicators of organizational performance deteriorate. Reasons for inaction vary. |

# STAGES OF ORGANIZATIONAL DECLINE
# MODEL DEVELOPED BY WEITZEL AND JONSSON

| Stages | Key Characteristics |
|---|---|
| 3. Faulty Action | Faulty decisions and poor implementation of them. "Business as usual" clearly inappropriate, but decisions unrealistic and utilize inappropriate process, personnel and structure for implementation. |
| 4. Crisis | The last stage when turnaround possible. Top management not credible. Radical changes in structure, strategy and personnel necessary. Customers, suppliers and external constituents limit or stop support. |
| 5. Dissolution | The organization has lost capital, markets, key personnel and reputation. Survival no longer possible. Can an orderly closing or liquidation be arranged? |

# FUTURE CHALLENGES: INNER-CITY ISSUES AND "VOLUNTARY" TRADITIONS

## INNER-CITY ISSUES

- Urban environment
- Building community relationships
- Attracting the "best" human resources
  - Physicians (supply, reimbursement)
  - Nurses
  - Managers
  - Hospital staff
- Medicaid and other public sector reimbursement
- Facilities
- Managing financial viability

# FUTURE CHALLENGES: INNER-CITY ISSUES AND "VOLUNTARY" TRADITIONS

## "VOLUNTARY" TRADITIONS (FROM MISSION MATTERS, UNITED HOSPITAL FUND)

- **Mission**

  The commitment of voluntary hospitals to values that differentiate them from investor-owned and public hospitals

- **Operations**

  Self-image in terms of the character of the organization: business vs. business-like behavior in a social organization

- **Collaboration**

  Greater commitment to community need than to competitive positioning

- **Community need**

  The active identification of needed programs and services as well as the definition of the hospital's role vs. such needs

- **Public policy development**

  Participation in addressing important issues broader than the specific needs of the local community