Introduction to Health Care Management

Edited by

Sharon B. Buchbinder, RN, PhD
Professor and Chair
Department of Health Science
Towson University
Towson, MD

Nancy H. Shanks, PhD
Chair, Department of Health Professions
Professor and Coordinator, Health Care Management Program
Metropolitan State College of Denver
Denver, CO
We dedicate this book to our loving husbands,
Dale Buchbinder and Rick Shanks—
Who coached, collaborated, and coerced us to:
“FINISH THE BOOK!”
Contents

FOREWORD .............................................. xv
PREFACE ............................................... xix
ACKNOWLEDGMENTS ................................... xxi

CHAPTER 1 Leadership .................................. 1
Louis Rubino
Leadership vs. Management ......................... 1
Followership ........................................... 3
History of Leadership in the United States .......... 4
Contemporary Models ................................ 6
Leadership Styles ..................................... 10
Leadership Competencies ............................. 11
Leadership Protocols ................................ 12
Governance ............................................ 14
Barriers and Challenges ............................... 15
Ethical Responsibility ................................ 17
Leaders Looking to the Future ....................... 18

CHAPTER 2 Management and Motivation .......... 23
Nancy H. Shanks
Introduction .......................................... 23
Motivation—The Concept ............................ 24
Theories of Motivation ............................... 25
A Bit More about Incentives and Rewards .......... 30
Misconceptions about Motivation and Employee Satisfaction ................................. 31
Motivational Strategies ............................. 33
Conclusion ............................................ 34
CHAPTER 5 Performance Improvement in Health Care:
The Quest to Achieve Quality
Grant T. Savage, Eric S. Williams

Introduction ........................................ 81
Defining Quality in Health Care ............... 82
Why Is Quality Important? ..................... 84
A Brief History of Quality and Performance Improvement ................................ 86
Quality Assurance ................................ 86
The End Result System and the Flexner Report .... 87
The Joint Commission ......................... 88
QA Essentials ................................ 89
QA Assumptions and Actions ............... 90
From Peer Review to Quality Improvement Organizations ................................ 91
Professional Standards Review Organizations (PSROs) Programs ....................... 91
Peer Review Organization (PRO) Program .... 92
Quality Improvement Organization (QIO) Program ................................................. 93
Continuous Quality Improvement ........... 94
The Concept of CQI in Health Care ........ 96
Applying CQI ................................ 99
Other Leading Quality Improvement Models . 101
Key Quality Improvement Concepts .......... 103
Quality Improvement Tools .................. 106
System Thinking and Healthcare Quality Improvement ................................................. 108
Health Care as High Hazard Industry ........ 111
Approaches to System Improvement ........ 111
Assessing Healthcare System Improvement .... 115
CONTENTS

Healthcare System Improvement Challenges ....... 116
Developing a National Information Technology Infrastructure ................. 121
Conclusion .......................................................... 127

CHAPTER 6 Information Technology ......................... 137
Carla Wiggins
Introduction .......................................................... 137
Historical Overview ............................................... 138
Health Information and Its Users ......................... 140
Health Information Technology and Applications ................. 142
The Role of the Health Manager ......................... 147
Challenges .......................................................... 150
Conclusion .......................................................... 152

CHAPTER 7 Financing Health Care and Health Insurance .... 155
Nancy H. Shanks, Suzanne Discenza, Ralph Charlip
Introduction .......................................................... 155
National Health Spending ....................................... 156
Paying for Health Care ........................................ 157
Introduction to Health Insurance ......................... 158
Brief History of Health Insurance ......................... 159
Characteristics of Health Insurance ......................... 160
Private Health Insurance Coverage ......................... 163
Consumer-Driven Health Plans ......................... 166
The Evolution of Social Insurance ......................... 169
The Convergence of Political Opportunity and Leadership ......................... 169
Major Legislation ............................................. 170
Major “Players” in the Social Insurance Arena ................. 173
Statistics on Health Insurance Coverage and Costs ................. 187
CONTENTS

Those Not Covered—The Uninsured  . . . . . . . . . .189
Conclusion . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .193

CHAPTER 8 Managing Costs and Revenues . . . . . . . . . . . . . .197
Suzanne Discenza
Introduction . . . . . . . . . . . . . . . . . . . . . . . . . . . . .198
What Is Financial Management and Why
Is it Important? . . . . . . . . . . . . . . . . . . . . . . . .198
Ten Major Objectives of Financial
Management . . . . . . . . . . . . . . . . . . . . . . . . . . . . .199
Tax Status of Healthcare Organizations . . . . . . . .200
Financial Governance and Responsibility
Structure . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .202
Managing Reimbursements from Third-Party
Payers . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .204
What Are the Primary Methods of Payment
Used by Private Health Plans for Reimbursing
Providers? . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .204
What Are the Primary Methods of Payment
Used for Reimbursing Providers by Medicare
and Medicaid? . . . . . . . . . . . . . . . . . . . . . . . . . . . .207
How Are Providers Reimbursed by Individuals
with No Health Insurance? . . . . . . . . . . . . . . . . . . .209
Controlling Costs and Cost Accounting . . . . . . . .211
Classifying Costs . . . . . . . . . . . . . . . . . . . . . . . . . .211
Allocating Costs . . . . . . . . . . . . . . . . . . . . . . . . . . .212
Determining Product Costs . . . . . . . . . . . . . . . . . .213
Break-Even Analysis . . . . . . . . . . . . . . . . . . . . . . .213
Setting Charges . . . . . . . . . . . . . . . . . . . . . . . . . . .214
Other Determinants of Setting Charges
and Prices . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .215
Managing Working Capital . . . . . . . . . . . . . . . . . .217
Managing Accounts Receivable . . . . . . . . . . . . . . .219
## CONTENTS

Major Steps in Accounts Receivable Management ................................................. 220
Managing Materials and Inventory ................................................................. 221
Managing Budgets ....................................................................................... 224
Conclusion ................................................................................................. 228

### CHAPTER 9 Managing Healthcare Professionals ........................................... 231

*Sharon B. Buchbinder, Dale Buchbinder*

Introduction ............................................................................................... 231
Physicians ................................................................................................. 232
Registered Nurses ...................................................................................... 243
Licensed Practical Nurses/Licensed Vocational Nurses ......................... 250
Nursing, Psychiatric, and Home Health Aides ........................................... 251
Midlevel Practitioners ............................................................................... 253
Allied Health Professionals ....................................................................... 255
Conclusion ................................................................................................. 257

### CHAPTER 10 The Strategic Management of Human Resources ................. 265

*Jon M. Thompson*

Introduction ............................................................................................... 266
Environmental Forces Affecting HR Management ..................................... 268
Understanding Employees as Drivers of Organizational Performance .... 271
Key Functions of Human Resources Management ..................................... 272
Workforce Planning/Recruitment ................................................................. 275
Employee Retention .................................................................................. 282
Conclusion ................................................................................................. 297
Types of Torts ................................................. 347
Malpractice ................................................. 349
Patient and Provider Rights and
Responsibilities ........................................... 349
Legal/Ethical Concerns in Managed Care .............. 351
Biomedical Concerns ....................................... 353
Beginning- and End-of-life Care ......................... 353
Research in Healthcare Settings ........................ 354
Conclusion .................................................... 355

CHAPTER 14 Fraud and Abuse .............................. 357
Maron J. Boohaker

Introduction ................................................... 358
What Is Fraud and Abuse? ................................. 358
History ........................................................ 359
Operation Restore Trust .................................... 359
The Social Security Act and the
Criminal-Disclosure Provision ......................... 360
The Emergency Medical Treatment and
Active Labor Act ............................................ 362
Hospital Compliance with EMTALA ................. 363
The Balanced Budget Act of 1997 ...................... 363
Antitrust Issues .............................................. 364
Federal Enforcement Actions ........................... 364
Safe Harbor/Anti-Kickback Regulations ............... 365
Anti-Kickback Statutes ..................................... 365
Safe Harbor Laws ........................................... 367
Stacked Penalties ............................................ 369
Management Responsibility for Compliance
and Internal Controls ....................................... 369
CHAPTER 15 Healthcare Management Guidelines and Case Studies

Sharon B. Buchbinder, Donna M. Cox

Introduction .............................................375
Guidelines .............................................375
Team Structure and Process for Completion ..........377
Guidelines for Effective Participation .................377

CASE STUDIES .............................................383
Oops Is Not an Option ..................................383
Building a Better MIS-Trap ..............................384
The Case of the Complacent Employee ...............386
Managing Healthcare Professionals:
Mini-Case Studies ......................................389
Negotiation in Action ..................................391
The Merger of Two Competing Hospitals:
A Case Study ...........................................397
The Orchestra: A Narrative in a Minor Key ..........404
Labor and Delivery Dilemma .........................415
Sexual Harassment at the Diabetics Clinic ..........416
Seaside Convalescent Care Center ....................421
Staffing at River Oaks Community Hospital:
Measure Twice, Cut Once ............................423
Heritage Valley Medical Center: Are Your Managers Culturally Competent? .................429
Humor Strategies in Healthcare Management
Education .................................................433
CONTENTS

Electronic Medical Records in a Rural Family Practice Residency Program .......... 438
Medication Errors Reporting at Community Memorial Hospital ................. 442

INDEX .................................................. 449
Foreword

The discipline of healthcare management, while not particularly young, is a relative newcomer at the undergraduate level. Historically, persons wishing to be prepared for careers in hospital administration in the years immediately following World War II had to obtain a master’s degree at one of just a small handful of universities that offered this type of curriculum. As the number of hospitals grew (thanks in part to the Hill-Burton Act), the need for professionally trained managers accelerated in response to this demand. In addition to hospitals, other forms of healthcare delivery and payment discovered that having managers who possessed the specialized knowledge of the field meant that new hires could immediately work with and understand the unique nuances that make health care fundamentally different from any other business enterprise. Whether the locus of practice was in physician practices, pharmaceuticals, insurance, or long-term care, graduates with healthcare management preparation were well positioned to quickly assume leadership roles in their organizations.

By the early 1970s, a new form appeared on the healthcare management education landscape. While the large and well established graduate degree granting programs continued to focus on hospital management, a small number of undergraduate degree programs began to emerge across the country. These degrees were much more diverse than the traditional residential programs that expected students to study at their respective schools full time. While some of the undergraduate programs fit this mold (and continue to do so), others were designed to meet the needs of a different type of learner with very different expectations. In many cases, the “typical” student was a full-time working adult who was attending school part-time. In others, the student was already working in the healthcare field in some sort of clinical capacity and needed to complete their degrees in order to advance within their organization. Other programs evolved to fill specific niches in physician practice and long-term care. However, regardless of where the program was located and who the students were, they all...
had one thing in common and that was preparing students for entry-level management jobs in their respective organizations. The Association of University Programs in Health Administration (AUPHA) brought undergraduate degree programs on board and in the 1980s began to offer what ultimately became certification, with the goal of creating a desired standard for curriculum, student support, and program infrastructure including adequate numbers of specifically trained faculty.

In 2006, undergraduate healthcare management education became a widely accepted method for preparing entry-level healthcare leaders. While many of the graduates from our programs ultimately seek their master’s degrees, the vast majority either begin work or continue their careers in the field. Given this trend, undergraduate programs must be eminently practical. For too long the only textbooks on the market were either written for graduate programs, which while good, had a very strong theoretical focus, or alternatively for current managers who needed a “how-to” book that ended up being theory free. Undergraduate students needed something midway between these two extremes—the combination of both theory and application that would neither overwhelm nor create a collective yawn.

The book that you hold contains the work of a number of well known and important educators and scholars whose careers have recognized the vital importance of undergraduate healthcare management education. Drs. Buchbinder and Shanks have done a masterful job in selecting topics and authors and putting them together in a meaningful and coherent manner. Each chapter of the book is designed to give the student the core content that must become part of the repertoire of each and every healthcare manager, whether entry level or senior executive. Each of the chapters and accompanying cases serve to bring to life what it means to be a truly competent healthcare manager.

As you read this book, keep in mind two themes that are woven throughout and will be used in each and every professional setting you might find yourself in. First, healthcare management is at its core, a relationship business. Your ability to build, grow, and maintain relationships will be the key determinant to your future success. These relationships are all around you and will include management colleagues, clinicians, payers, patients, regulators, legislators, and uncounted other stakeholders. At the heart of effective relationships will be your willingness to listen carefully to
others and to yourself. The second theme is that of organizational excellence. To quote my friend Quint Studer, people in the healthcare business are driven by “purpose, worthwhile work, and making a difference.” In this time of continuous environmental change (some might even call it turbulence), what role do you have in creating and sustaining organizations that are truly excellent? For that matter, what does excellence mean to you and to those around you?—Excellence represents the “north star” that guides the actions of the organization and those within.

This textbook will be an invaluable guide as you seek to create the map that will guide you in your healthcare management career. Our job is to create and sustain the systems that allow dedicated and skilled clinicians to deliver the safest and highest quality patient care possible. I congratulate you on your decision to become a leader in the field and a hero to your community.

Leonard H. Friedman, PhD, MPH
Associate Professor and Coordinator
Health Management and Policy Program
Department of Public Health
Oregon State University
Corvallis, OR
Preface

Never underestimate the power of a good cup of coffee. The idea for this book came about in October, 2003, when Nancy Shanks and I sat down for java and breakfast and began to talk about the field of healthcare management, the role of educators, and the courses we were teaching. When the conversation turned to our introductory courses, we both said—almost in unison: “I’m not happy with the text I’m using.” We were unhappy because the books that were available were either too advanced (or too simple) and had too few learning tools for students and professors. In addition, there was a dearth of case studies related to healthcare management in a wide variety of settings. As we emptied a pot of coffee, becoming giddy with caffeine, we took turns telling each other: “You should write a textbook!” At last, we agreed that we should write a textbook together.

We turned to our colleagues for their collective expertise and conducted an online survey of 37 healthcare management educators. Much like Goldilocks, our colleagues, too, had yet to find a textbook that was “Just right!” Like us, they found that many of the healthcare management textbooks were: too dense and over the head of the student; contained no appropriate case studies; too expensive; and didn’t contain enough graphs, tables, charts, or figures. The same survey enabled us to identify which topic areas were critical for an introductory textbook in healthcare management.

After we shared the results of the survey with our colleagues, we sent out a call for chapter authors and case studies. Master teachers and researchers with expertise in each topic stepped forward and offered to assist us with this exciting project. Each contributor knew exactly what did or did not work in the classroom and was eager for a student-friendly, professor-friendly textbook. We are grateful to all our authors for their insightful, well-written chapters and realistic case studies. Without them, this dream textbook would not have become a reality.

xix
This textbook will be useful to a wide variety of students and programs. Undergraduate students in healthcare management, nursing, public health, and allied health programs will find the writing to be engaging. In addition, students in graduate programs in discipline-specific areas, such as business administration, nursing, pharmacy, occupational therapy, public administration, and public health will find the materials theory-based and readily applicable to real-world settings. Along with lively writing and contents critical for a foundation in healthcare management, this book has the following features:

- Learning objectives and discussion questions for each chapter;
- Instructors’ resources online for each chapter, including PowerPoint slides, sample syllabus, and test items;
- Fifteen case studies in a wide variety of settings, in an assortment of healthcare management topics; and,
- A case study guide, with rubrics for evaluation of student performance, enabling professors at every level of experience to hit the ground running on that first day of classes.

We hope you enjoy this book as much as we enjoyed bringing it together. May your classrooms be bursting with excited discussions, and may your coffee cup always be full.

Sharon B. Buchbinder, RN, PhD
Towson University

Nancy H. Shanks, PhD
Metropolitan State College of Denver
Acknowledgments

This book is the result of a 3-year process that involved the majority of the United States’ leaders in excellence in undergraduate healthcare management education. We are deeply grateful to the Association of University Programs in Health Administration (AUPHA) faculty, members, and staff for all the support, both in time and expertise, in developing the proposal for this textbook and for providing us with excellent feedback at every step of the way.

In the beginning, Nancy and I met over coffee at a meeting: the AUPHA Undergraduate Workshop in Nashville in October of 2003. After consultation with our colleagues and friends, we decided to launch a survey to delineate the key topics to be covered and the deficiencies in the marketplace this book needed to address.

Lydia Reed, CEO of AUPHA, was instrumental in assisting us with getting this survey out to AUPHA Undergraduate Program Directors (PDs). The PDs, in turn, were generous and giving with their time and suggestions. Their guidance enabled us to avoid the beginner authors’ dilemma of writing the right book—for the wrong audience. Thanks, thanks, and thanks again to our Undergraduate colleagues!

Louis Rubino, Chair of the AUPHA Undergraduate Program Committee, gave us a bully pulpit by providing us with time on the Undergraduate Program agenda to present the findings of our survey, to refine our proposal, and to get the word out that this book was coming. When we asked for contributors for both chapters and case studies, we were overwhelmed with the level of responsiveness from our colleagues.

Over 30 authors have made this contributed text a one-of-a-kind book. Not only are our authors experts in their disciplines and research niches, they are also practiced teachers and mentors. As we read each chapter and case study, we could hear the voices of each author. It has been a privilege and honor to work with each and everyone of them: Patricia Alt, Joanna

And, finally, and never too often, we thank our husbands, Dale Buchbinder and Rick Shanks, who listened to long telephone conversations about the book’s progress, trailed us to meetings and dinners, and served us wine with our whines. We love you and could not have done this without you.
Contributors

EDITORS

Sharon B. Buchbinder, RN, PhD
Professor and Chair
Department of Health Science
Coordinator, Health Care Management Program
Towson University
Towson, MD

Nancy H. Shanks, PhD
Professor and Chair
Department of Health Professions
Coordinator, Health Care Management Program
Metropolitan State College of Denver
Denver, CO

CONTRIBUTORS

Patricia M. Alt, PhD
Professor
Department of Health Science
Towson University
Towson, MD

Joanna Basuray, RN, PhD
Professor
Department of Nursing
Towson University
Towson, MD
Contributors

Maron Joseph Boohaker, MPH
Compliance Audit Manager
HealthSouth Corporation
Birmingham, AL

Dale Buchbinder, MD, FACS
Chairman, Department of Surgery and
Clinical Professor of Surgery
The University of Maryland Medical School
The Greater Baltimore Medical Center
Baltimore, MD

Susan Judd Casciani, MSHA, MBA
Director, Corporate Strategy
The Greater Baltimore Medical Center
Baltimore, MD

Leigh W. Cellucci, MBA, PhD
Director
Idaho Center for Disabilities Evaluation and
Assistant Professor, Health Care Administration
Idaho State University
Pocatello, ID

Ralph Charlip, FACHE, FAAMA
Director
Veterans’ Administration Health Administration Center
Denver, CO

Suzanne Discenza, PhD
Associate Professor
Health Care Management
Director of Gerontology Programs
Department of Health Professions
Metropolitan State College of Denver
Denver, CO
CONTRIBUTORS

Donna M. Cox, PhD
Associate Professor and Assistant Chair
Department of Health Science
Towson University
Director
Alcohol Tobacco and Other Drugs Prevention Center
Towson, MD

Daniel Fahey, PhD
Associate Professor
Health Science Department
California State University, San Bernardino
San Bernardino, CA

Mary Anne Franklin, EdD, MSA, LNFA
Division Head of Nursing and Allied Health
Louisiana State University at Eunice
Eunice, LA

Brenda Freshman, PhD
President and Senior Consultant
Social Logistics
Santa Monica, CA

Leonard H. Friedman, PhD, MPH
Associate Professor and Coordinator
Health Management and Policy Programs
Department of Public Health
Oregon State University
Corvallis, OR

Barry Gomberg, JD
Attorney-At-Law
Weber State University
Ogden, UT
CONTRIBUTORS

Ken Johnson, PhD, CHES
Associate Professor and Associate Dean
Dumke College of Health Professions
Weber State University
Ogden, UT

Jennifer L. Krapfl, MHA, RN
Director
Physician Practice Management
Advocate HealthCare
Oak Brook, IL

Dale Mapes, MSA
Vice President of Human Resources and Support Services
Portneuf Regional Medical Center
Pocatello, ID

Audrey McDow, Senior
Department of Health Care Administration
Idaho State University
Pocatello, ID

Sheila K. McGinnis, PhD
Director, Health Administration Program
College of Allied Health Professions
Montana State University-Billings
Billings, MT

Karin Mithamo, Graduate Student
Department of Business
Idaho State University
Pocatello, ID

H. Wayne Nelson, PhD
Associate Professor
Department of Health Science
Towson University
Towson, MD
Dawn M. Oetjen, PhD
Associate Professor and Director of Graduate Studies
Health Services Administration Program
Department of Health Professions
University of Central Florida
Orlando, FL

Woody D. Richardson, PhD
Department of Marketing and Management
Miller College of Business
Ball State University
Muncie, IN

Velma Roberts, PhD
Assistant Professor
School of Allied Health Sciences
Healthcare Management Division
Florida A & M University
Tallahassee, FL

Louis Rubino, PhD, FACHE
Associate Professor
California State University, Northridge
Northridge, CA

Grant T. Savage, PhD
Coordinator
Health Care Management Program
HealthSouth Chair and Professor in Health Care Management
The University of Alabama
Culverhouse College of Commerce and Business Administration
Management and Marketing Department
Tuscaloosa, AL

Donna J. Slovensky, PhD, RHIA, FAHIMA
Professor and Director
School of Health Related Professions
University of Alabama at Birmingham
Birmingham, AL
Contributors

Jon M. Thompson, PhD
Professor and Director
Health Services Administration Program
Department of Health Sciences
James Madison University
Harrisonburg, VA

Rosalind Tieber, MS, CHES
Tieber Associates, Inc.
Owings Mills, MD

Carla Wiggins, PhD
Professor and Chair
Health Care Administration
Acting Director
The Center for Executive Studies in Health Idaho State University
Idaho State University
Pocatello, ID

Eric S. Williams, PhD
Associate Professor
Minnie Miles Research Professor
University of Alabama
Tuscaloosa, AL