


# Cases in Health Services Management

*Second  
Edition*

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Kurt Darr

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# Cases in Health Services Management

*Second  
Edition*

**MILTON CHARLES DEVOLITES**

1915 - 1986

Friend and colleague

Pioneer of the case method

# Foreword

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As changes in health care continue to occur at a bewildering pace, there is great need for up-to-date and forward-thinking case material to challenge students. Of particular importance is the need to move thought and analysis from a focus on operations to a focus on strategy. In brief, good operational management no longer suffices; the winning organizations of the future will be those that think and behave strategically.

This casebook rises to the challenge. A unique strength is the diversity of material presented, both in terms of managerial content and the settings covered. From a content perspective, there are cases which deal with macro as well as micro issues. The macro issues considered include corporate reorganization, the expanding role of hospitals, and conflict of interest. Among the micro issues are implementing strategic decisions, applying financial analysis to service expansion projects, and dealing with impaired physicians. The settings covered include investor-owned and not-for-profit community hospitals, teaching hospitals, health maintenance organizations, multispecialty clinics, nursing homes, home health agencies, and paramedic programs. A welcome contribution is the inclusion of cases involving Canadian hospitals.

The cases deal with the entire range of strategically-oriented management issues from strategy formation and content to implementation and accountability. Particular emphasis is given to governance, management, and medical staff relationships; resource utilization and control; and the management of conflict and change. Several cases explicitly address the complex ethical issues facing executives in today's health care environment.

The value of the casebook is further enhanced by its flexibility. It can be used either as a text for an entire course, or selective cases can be used in different courses. In the latter regard, there is relevant material for courses in organization and management theory, strategic planning and strategic management, marketing, finance, and ethics. It is particularly well suited for integrative managerial policy courses.

Faculty and students alike will be challenged by these cases. The book deserves a wide readership.

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of Hospital and Health Services Management  
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# Preface

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## Purpose and Use

In this second edition, as in the first, our purpose in compiling and editing these health services management cases is to provide factual situations that raise management issues and problems in a wide variety of delivery settings. They were selected and grouped so a comprehensive set of health services management cases is available in one volume. The primary criterion was that each be rich in applied lessons. Our judgment was tempered by over 40 years of total teaching experience using the case method.

Of the 34 cases, 15 are totally new in the second edition. One case included in the first edition has been revised to reflect changes caused by diagnosis-related groups (DRGs). One of the new cases is actually comprised of seven incidents that describe problems in administrative and clinical ethics affecting managers of health services organizations. As in the first edition, the largest single group is set in hospitals that are a variety of types and ownerships, including not-for-profit, investor-owned, governmental, and multi-institutional. New in the second edition are nursing home cases that have several problem-solving dimensions. The second edition includes several alternative delivery organizations: a health maintenance organization (HMO), primary care clinics, an emergency services system, and a group practice.

Two new cases are set in Canadian hospitals but have issues that transcend international boundaries. Two cases have sequels (identified by letters) and permit analysis of various problems in consecutive sessions. Assuming time has been allowed for out-of-class preparation and depending on the depth of analysis, virtually all of the cases can be covered in one to two hours. Although a few cases are short and focus on a single issue, most are lengthy, integrative, complex, and usually involve multiple issues. Analysis requires application of several discrete disciplines or knowledge areas. Users must synthesize and apply previously acquired knowledge, skills, and experiences relevant to health services organizations from the following areas:

- social-behavioral sciences;
- individual, social, and environmental determinants of health;

- management and administrative skills (e.g., strategic planning and policy formulation, marketing, organizational and administrative relationships, problem solving, resource allocation and utilization, control, financial management, and human resource management).

The primary audience for this book will be students in programs educating managers for health services organizations. It is particularly applicable in a capstone course. The cases assist by integrating the various segments of a curriculum. Furthermore, case analysis bridges the gap between theory and practice; in this regard we expect experienced managers, too, will find the cases informative as they hone problem-solving skills. The cases can also be used in advanced professional development programs and seminars offered to practicing managers. Here, our definition of managers is broad since those in department head and other middle management positions, as well as senior managers, all perform similar, generic management activities.

By their nature, cases present events, situations, problems, and issues for individuals or groups of users. It is the dynamics of the analysis, especially group discussion, that make case instruction such a powerful technique for learning. Therefore, we urge users to review our introductory material describing the case method and case analysis procedure. We also recommend that teachers obtain a copy of the instructor's manual, which accompanies the casebook.

The cases were prepared to serve as a basis for discussion and are not meant to illustrate either effective or ineffective management. This book may be utilized as a freestanding book of cases, with management knowledge and techniques drawn from other courses or books. In this regard it can be used in conjunction with our text, *Managing Health Services Organizations*, second edition, (1985) published by the W. B. Saunders Company, Philadelphia. Instructors should obtain a copy of the *Instructor's Manual* which accompanies the textbook.

## Casebook Structure

The 34 cases (including one composed of 7 ethics incidents) are grouped in four parts:

- Part I — Strategic Planning and Marketing
- Part II — Governance, Senior Management, and Medical Staff Relations
- Part III — Resource Utilization and Control
- Part IV — Organizational and Human Resource Dynamics



The Table of Contents includes a synopsis of each case. Each identifies the organizational setting and predominant themes and issues.

The experiential component, most notably the clinical or administrative residency, of health services administration education continues to give way to more discipline-based classroom education. Thus, exposure to cases in which didactic work can be applied becomes increasingly important. No case study can completely replace experience, but this collection, combined with solid academic grounding in health services disciplines, will prepare students for the situations they will encounter as health services managers.

The central task in teaching how to effectively manage in a health service setting, or for that matter any setting, is to provide the insights needed to identify and define problems and to learn to apply the skills and methods needed. With guidance from an instructor or seminar leader, cases such as those in this volume are an important means to achieve that end.

# Acknowledgments

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Jonathon S. Rakich  
Beaufort B. Longest, Jr.  
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# Introduction

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## The Case Method

As an instructional technique, the case method has been successfully applied for a number of years in the study of law, medicine, and business. More recently, it has been used in graduate preparation of health services managers. This volume is a compilation of cases with a single focus: descriptions of situations and problems faced in the past by health services managers, but with applicability to the future.

Case study has a number of objectives. Among them:

- to facilitate development of the assessment, analytical, and conceptual skills necessary for effective problem solving and decision making, as well as managerial skills associated with planning and implementing solutions;
- to facilitate synthesis and integration of subject matter and application of theory to actual situations;
- to encourage among students dynamic and interactive discussion that challenges their experience and values; and
- to provide, in a short period of time, knowledge and insights that would otherwise be gained much more slowly.

The role of traditional didactic education is to provide background and foundation in disciplines and methodologies pertinent to a particular field. In health services management education, field study, clerkships, and residencies seek to supplement didactic learning with experience. As a third approach, case study blends both didactic and experienced-based learning, draws upon advantages of each, and creates the action-oriented outcomes just mentioned.

For many individuals, this book may be the first exposure to the case method. Therefore, a few words are in order about (1) types of cases, (2) advantages of the case method, (3) role of the instructor, (4) role and responsibilities of students, and (5) a suggested case analysis procedure.

## **Types of Cases**

Cases are organization-based descriptions providing information and data about situations. They present explicit or sometimes implicit issues and problems that students can identify and evaluate from a managerial perspective. Because they relate an event that has already occurred, cases are descriptions of the past. Though set in the past, cases describe contemporary situations, and the issues and problems that faced managers then will continue to confront them in the future. Thus, cases have the capacity to impart valuable lessons and insights relatively unfettered by temporal change. Techniques learned in the study of cases can be applied throughout professional careers. Some modification may be necessary since organizations or their structure, the specific information and data, and the internal and external variables influencing situations may be different. However, evaluative and analytical processes will be the same and can be applied in any setting, at any time.

All cases in this book present a variety of issues and problems at the senior and middle management levels. They are two types: (1) comprehensive and integrative cases, involving a variety of knowledge areas and a multitude of issues and problems affecting the entire organization or major segments of it; and (2) single-issue cases that focus on a specific issue or problem, e.g., employee discipline, charge determination, and scheduling; or single-subject areas, e.g., governing authority, unionization, and marketing. All require readers to:

- operationally define the issue(s) or problem(s) involved. Some are explicit, others implicit;
- separate important from unimportant considerations;
- winnow through quantities of information to determine which facts are pertinent and to make reasonable assumptions when information is absent;
- apply appropriate disciplines and methodologies; and
- identify with management in the case (or in some instances adopt the role of external consultants) when considering alternatives, offering recommendations, and designing implementation plans for problem resolution.

Finally, some cases have sequels that provide an opportunity to longitudinally follow problems over time. This enables students to compare their analyses and recommendations with what actually happened.

## Advantages of the Case Method

A number of advantages are associated with the case study method.

*Development of Analytical and Thought Processes* The essence of case analysis is assessment and problem solving. Thus, cases enable students to sharpen their skills in situation assessment, problem diagnosis and definition, alternative solution evaluation and selection, and development of workable plans to implement solutions. Other supportive skills and insights are developed. Since students must articulate and define their recommendations, thought processes, logic, and communication skills are enhanced.

*Integration and Synthesis of Subject Matter.* By design, comprehensive cases force the integration and synthesis of knowledge. Compartmentalized subject areas and underlying disciplines (e.g., health services delivery and organization, determinants of health, public health policy, resource allocation and utilization, and managerial processes) and methodologies (e.g., statistics, systems engineering, and quantitative methods) must be linked, blended, and applied in a holistic sense. Single issue and focused cases have the advantage of permitting in-depth analysis of a more circumscribed problem.

*Application of Theory to Practice and a Sense of Reality.* Case study provides an opportunity to practice being a manager. It puts the student at the scene of the events depicted in the case and provides the opportunity to apply theory. The risks are small compared with those associated with on-the-job environments. The benefits are great because the student observes colleagues and the instructor apply theory to the specific situation described in the case. A sense of reality results.

*Development of Perspective and Breadth.* Cases generally lend themselves to problem solving from one of two perspectives: that of senior or mid-level management within the organization or that of consultants advising senior management. Both require a generalist as opposed to a specialist orientation and this results in breadth of perspective, analysis, and application.

*Group Involvement and Dynamic Results.* Learning by the case method occurs best in group forums. In either a structured or unstructured fashion, all participants discuss the case, offer their views, and critique those of others. The free flow of facts, opinions, perceptions, and values results in productive student involvement and, most importantly, learning.

*Exposure to Multiple Organization Settings and Managerial Problems.* Case study exposes students to many different organizational settings and managerial problems that they might not otherwise experience. In a short period of time, their knowledge base is expanded, and the commonality of similar problems within varied organizational settings is shown. In addition, case study is interesting.

*Introduction of Corollary Subject Material.* At the behest of either the student or instructor, cases provide a vehicle of introduction and discussion of corollary subject matter pertinent to the case but not included in it. For example, the Community Health Plan case concerns design of an HMO marketing plan. Although marketing is the specific subject in point, introduction and discussion of the following subject matter would be appropriate: federal policy toward alternate forms of delivery, different organizational forms HMOs take, and success of HMOs.

## Role of the Instructor

Most students are accustomed to instructors who impart information, i.e., facts, concepts, relationships. This is usually done through lectures and assigned readings. The role of the instructor is different in a case method course. Here the instructor is a discussion leader and facilitator, who encourages students to think independently and formulate and define their decisions with logic and assumptions. The burden is on the students; learning will take place in a course built on the case method only if they use the opportunity provided by analysis and discussion of the cases to sharpen their skills.

This does not mean the instructor is unimportant in the case method. The instructor contributes in substantive ways: selecting cases and the order in which they are assigned; providing a classroom atmosphere that permits the students to gain maximum benefit from the case analysis and interactive discussions; and giving direction to class discussion—expanding or contracting it, or changing direction and focus when appropriate. To do this effectively, a thorough familiarity with the case is essential. The instructor must also define collateral issues that transcend the case. A list of key questions prepared by the instructor is useful in focusing the discussion and eliciting key points and information. Following the discussion the instructor provides comments about the class discussion, the analytical process, elements ignored or underemphasized, and the quality of recommendations.

Since case study is dynamic and fluid, the criteria most instructors use in evaluating performance of students in case method courses are necessarily general. Among them are:

- mastery of background information provided in the case (and in some instances, not provided but acquired by the student from other sources) and the use of that information;
- application of appropriate disciplines and analytical methodologies in assessment;
- soundness of assumptions and logic;
- thoroughness of identification of problems and issues, and how clearly and precisely they are articulated orally or in writing;
- consistency and compatibility of analysis, and recommendations;
- quality of alternative solutions to the problems identified and the comprehensiveness of decision criteria by which alternative solutions are judged;
- plans for implementation, and the evaluation of results with an effective feedback loop; and
- degree to which recommendations and implementation plans are reasonable and relevant to the issue(s) involved; whether they consider pertinent forces, internal and external to the organization; and whether they are feasible.

Pedagogically, the instructor may choose a structured or unstructured approach to case study. In the latter the instructor assigns a case. After students read and are prepared, the instructor begins discussion by asking open-end questions of the class generally, or of specific students: What issues are involved? What variables should be considered? What information is important, or unimportant? If you were the manager, what would you do? Why? How would you implement your recommendation(s)?

More structured approaches to case study take different forms. Among them: requiring each student to prepare a written report using a specific format or outline and choosing one person to begin discussion by presenting his analysis, or having students work together in groups of three or four with each group preparing a written analysis, and/or having a preassigned group make a short formal presentation of its analysis to the class. In either approach general discussion follows.

The pedagogical technique chosen by the instructor will be influenced by a number of factors. Among them are instructor preference; class size and length of the class period; and academic mix and previous experience

of students, their familiarity with the case method, and their grounding in underlying disciplines. Over time, the approach may vary from structured to unstructured depending on learning objectives, the degree to which the instructor seeks to introduce corollary subject matter by lecturing or through controlled and directed discussion, and the progress students make in adapting to the case method.

Whichever approach is used, there are two attributes of the case study method students should expect to encounter. First, if casewriters cannot describe all the relevant information and important circumstances of a particular situation in the space available, cases may be incomplete. Thus, students must expect to make reasonable and justifiable assumptions and reach decisions based on available information. However, this is no different from the usual situation that confronts managers, who seldom have complete information. Second, by design, cases generally do not have right or wrong answers—it is this attribute that makes case study so dynamic, interesting, integrating, and powerful. Students may feel, at least initially, some degree of frustration because of the absence of one correct answer. With increased exposure to and experience with case study, they will find that shades of differences in situation assessment, assumptions, or problem definition (or all three) can lead to quite different conclusions and recommendations; all of them may be defensible and based on sound logic.

## **Role and Responsibilities of the Student**

In case study, students play a demanding role. The major burden and responsibility for learning is theirs. For many, the most challenging and sometimes anxiety-laden aspect of the case method is the opportunity to present their views in the classroom where peers and instructor question their analyses and recommendations. In order for class discussion of cases to be more productive, the student should bear in mind the following points <sup>1</sup>:

- The case method maximizes individual participation in class discussion. No student can be present as a silent observer; therefore, serious and extensive preparation by each is critical.
- Although students should do independent work and independent thinking, they should not hesitate to discuss the case with other students. Managers often discuss their problems with key people.
- During case discussions, students should expect and tolerate challenges to the views expressed. All should be willing to submit



their reasoning and recommendations to scrutiny and rebuttal. A major purpose is to learn from others.

- In orally presenting and defending ideas, keep in mind the importance of good communications. It is up to each discussant to be convincing and persuasive in expressing ideas. Speak concisely and to the point.
- Although discussion of a case is a group process, this does not imply conformity to group opinion. Learning respect for the views and approaches of others is an integral part of case analysis exercises; however, some approaches may be poorly reasoned and recommendations may be unworkable, and this should be brought to the attention of the proponent.
- When participating in discussion, make a conscious effort to contribute rather than just talk. There is a difference. Think through what you want to say. Build on the specific matter being discussed.
- Effective case discussions can occur only if participants have the facts of the case well in hand. Reiterating information in the case should be held to a minimum except as it provides documentation, comparisons, or support for your position.
- During discussion, new insights provided by the group's efforts are likely to emerge, thereby opening up the facts to reinterpretation and perhaps causing one's analysis to change. Be prepared to reevaluate your conclusions and recommendations. Implementation of solutions should also be considered while they are being formulated.

## **Case Analysis Procedure**

Case analysis procedures vary for many of the same reasons approaches to case study vary. Some instructors may have a detailed, structured procedure they prefer students to use. Others may wish to accomplish certain learning objectives by using an unstructured approach, thus permitting students to develop their own case analysis procedure.

Whether the case analysis procedure is structured or unstructured, students will identify with the organization described, assume the perspective of management involved, and apply a problem-solving methodology. James A. Hamilton, in his classic casebook on health services administration, refers to the effective manager as one who