

M O D E R N  
**HEALTHCARE**

ADMINISTRATION



**SECOND EDITION**

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**M O D E R N**  
**HEALTHCARE**  
**ADMINISTRATION**

**SECOND EDITION**

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To Steven and Jennifer,  
*who introduced me to the field of health care.*

To those I love,  
*who have broadened my horizons and  
brightened my perspective. Thanks for  
encouraging me in tough times.*

Health care administration is in a state of turmoil. At a time when medical knowledge and technology are at an all-time high, dissatisfaction and frustration with hospital care are also at an all-time high. This dissatisfaction and frustration exists among both health care consumers and providers. Consumers complain of uncaring, impersonal treatment and skyrocketing costs. Nurses, the largest group of providers, complain of long hours, overwork, underpay, and a lack of appreciation by both management and the consumers; and as a result, many are leaving the profession, creating an ever increasing personnel shortage.

Problems like these make it clear that today's health care managers will face tremendous challenges during the decade of the 1990s. Managers need to learn to work under the increasing constraints imposed by government and third-party payers. Additionally, they will need to address ways of simultaneously satisfying both the consumer and the health care worker. This will not be an easy task, but it can be done with effective health care management practices.

The purpose of this book is to introduce the reader to the field of modern health care management by systematically analyzing all of the important areas with which the manager should be concerned. In writing this book, we have assumed that the reader is either a newcomer to the field or a practitioner who wants to keep up with the current state of health care management.

This edition has undergone a number of major revisions. We have rewritten the first and last chapters, in particular, to reflect the dramatic changes that have occurred in health care over the last five years. Throughout the text we gave particular attention to external environmental changes such as skyrocketing health care costs, the emergence of new types of health providers, the growing concern with medical/legal issues such as informed consent and the right to die, and quality assurance as measured both objectively and subjectively. At the same time we have maintained the basic organization of the book with its emphasis on the functions of the health care manager: planning, organizing, directing, and controlling. Thus we have worked to address the changing nature of the field within the context of the health care manager's job.

## ***Distinguishing Features***

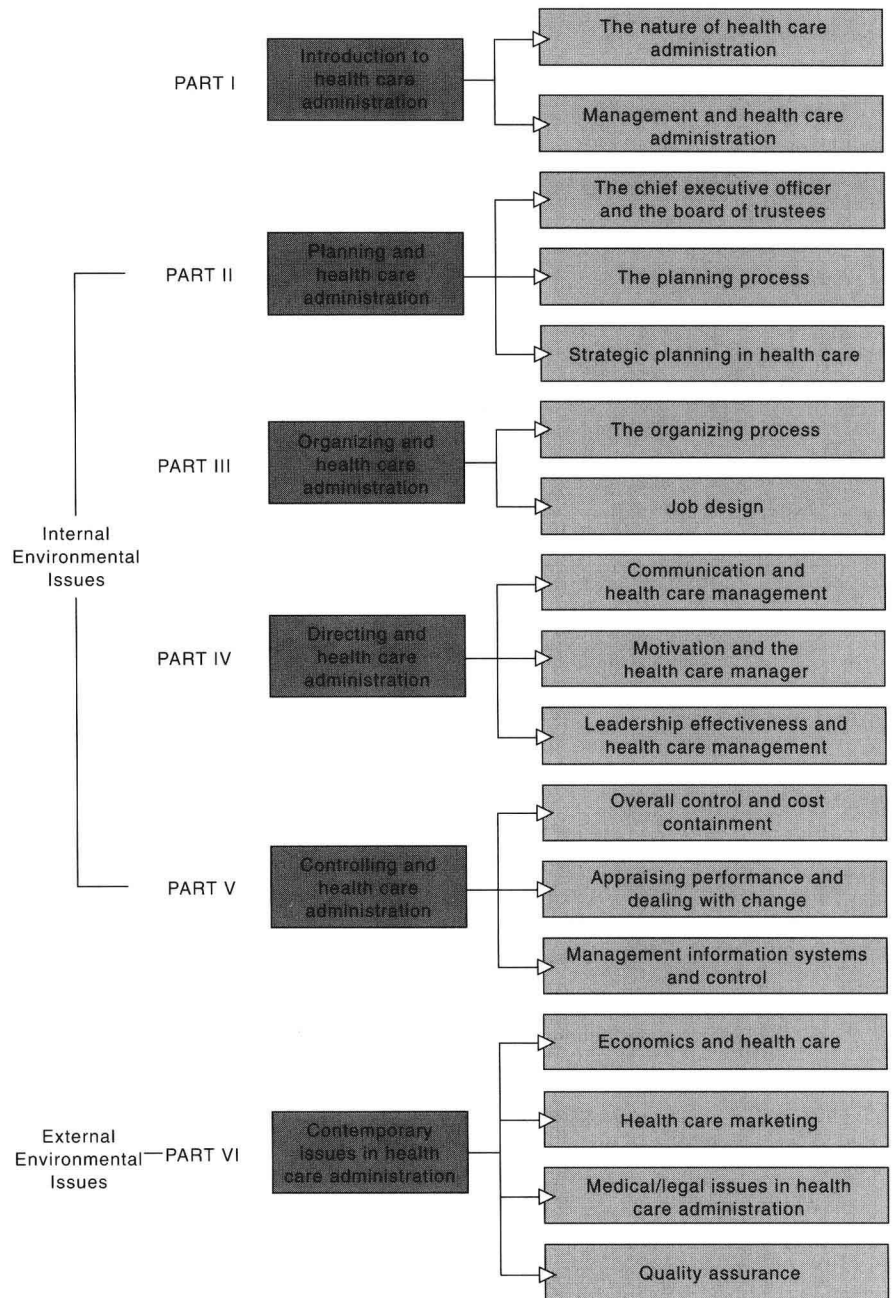
In presenting our ideas, we have attempted to employ an interesting, easy-to-read style. In particular, we have incorporated the following special features into the book:

*Organization.* This book is divided into six major parts. Part I introduces the field of health care administration. Part II examines the planning process and how planning is used in health care administration. Part III addresses the organizing process and job design and the ways in which they are used in health care administration. Part IV discusses the directing process, including the roles of communication, motivation, and leadership. Part V reviews the controlling process including cost containment, performance appraisal, and the role of management information systems. Part VI covers contemporary issues in health care administration.

*Exhibits.* The book includes numerous tables, charts, and illustrations. Their purpose is both to highlight important concepts and to present them in a comprehensive manner.

*Case Studies.* Too often, people learn theories but aren't able to practice using them. For this reason, we have included two short cases at the end of each chapter, providing the reader the opportunity to apply the basic ideas presented in the chapter and thus reinforce these major concepts.

*Self-Feedback Exercises.* At the end of most chapters are self-feedback exercises that provide additional information and insights regarding the reader's knowledge, understanding, and use of the concepts discussed in the chapter. These exercises are designed to reinforce the ideas presented in the chapter.



Many individuals have played a decisive role in helping us write this book, although we accept full responsibility for all errors of omission and commission. In particular we would like to thank those who read and commented on portions of both editions, including: Dr. W. Jack Duncan, University of Birmingham; Dr. Beaufort Longest, University of Pittsburgh; Dr. A. T. Hollingsworth, Florida Technological Institute; Dr. James Studnicki, Johns Hopkins University; Larry Jean, University of Florida; Joel B. Cowen, Northern Illinois University; Eugene Meyers, Western Kentucky University; Ray Goldsteen, University of Illinois; John Romani, University of Michigan; and Jim Irwin, University of Missouri—Columbia.

Additionally, we would like to thank those who have provided us with input for specific sections of the book and shared with us their health care experiences. Without these contributions, the text would not reflect the current state of health care administration. Particular thanks is due to: Nancy Dion, health care management consultant; Dana Farrow and Enzo Valenzi, Management Department, Florida International University; Fred Luthans, Management Department, University of Nebraska; Jane Gibson, College of Business, Nova University; Ronald Greenwood, Management Department, GMI Engineering & Management Institute; and Wayne Cascio, University of Colorado, Denver. Thanks also goes to Mary Mitzner, Michael DeLuz, and Marty Escoffier for their research assistance.

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# *p a r t I*

## *Introduction to Health Care Administration*

*The purpose of Part I is to introduce you to the field of health care administration. We will be doing so by examining two important topics: the nature of health care and management in health care administration. We will look at what health care is all about and examine the role of management in this environment.*

*In Chapter 1 we will define some of the terms that every student of health care administration should know. We will answer the question: Who should study health care administration? We will also review the functions of health care administrators and present a brief overview of today's health care system and its changing nature.*

*In Chapter 2 we will focus our attention on management. First we will review the nature of management. Then we will direct our attention to the functions of a health care manager and the skills required to carry out these functions. In the last part of the chapter we will address modern health care management concerns.*

*These two chapters provide the basic foundation needed for studying modern health care administration. When you have finished reading the material in these two chapters, you will have a fundamental understanding of health care in the United States. You will also have a working knowledge of the health care administrator's job.*

## *The Nature of Health Care Administration*

### **Objectives**

In recent years much attention has been focused on the health care delivery system in this country and much dissatisfaction has been expressed about it, both from outside and within the health care professions. (The term health care professions is used broadly here to include physicians, nurses, administrative personnel, and allied health persons working in the health care environment in hospitals, nursing homes, rehabilitation centers, and so on.) Paradoxically, this discontent is coming at a time when medical knowledge and technology are at an all-time high.

Outside the professions, consumers complain of sky-rocketing costs that are wiping out their life savings and threatening to put health care out of the reach of all but the very wealthy. They are also inveighing against the system's depersonalization and insensitivity to their needs. As a result, the public and the government are now banding together to force the system to recognize the consumers' objectives and initiate some changes.

Within the health care field, professionals are grumbling about the increasing size and complexity of the system and the severe staff shortages it faces in areas such as nursing and other allied health professions. These combined problems are placing increased pressure on the U.S. health care system and its administrators.

At the outset it is clear that these administrators need a sound understanding of basic management skills, as well as an ability to excel in the administration of health care delivery systems. For this reason, the initial chapter of this book will focus on the general nature of health care management in setting the stage for the study of the *basic principles of management as applied to health care administration*.

The first objective of this chapter is to define some key terms commonly used in health care. The second objective is to examine the need to study health care administration and to identify those who need health care administration skills.