

# Healthcare Management: Moving from the 19<sup>th</sup> Century to the 21<sup>st</sup>

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# Management & Medicine

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*Science* in mgmt & med

Taylor 1911

Alfred P. Sloane 1923

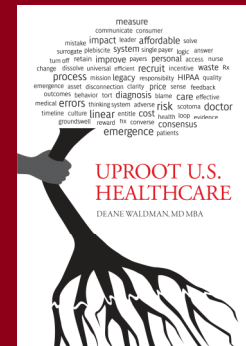
Deming 1950

Cochrane (EBM) 1992!

‘Proven’ mgmt often fails in healthcare:  
Cultural change initiatives, process & efficiency improvements

WHY?

$$HC = TS * TS$$





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# Healthcare Management

- Healthcare vs Health Care
- Management vs Leadership
- ◆ Management:
  - ✓ Corporate Culture
  - ✓ Operations/Process
  - ✓ Metrics (including \$\$)
  - ✓ I.T.
  - ✓ **HR (the Workforce)**

Strategy belongs here

A white arrow points from the text 'Strategy belongs here' towards the 'Management vs Leadership' bullet point.

## “We get what we *measure*.”

- Workers pay attention
- Process improvement
- Signals importance to workers (Note: converse)
- Perf eval based on what is measured

? *What* is measured in healthcare & in health care?



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# WHAT is measured in healthcare?



## What Do We WANT?

- ∪ Deaths ----- Longevity
- ∪ Errors & adv outcomes ----- Improved quality
- ∪ Lawsuits ----- Compensation & Learning
- ∪ Short term costs ----- Long term cost/benefit
- ∪ Compliance ----- Predictable (+) results



# Re Faculty:

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“We get what we *measure*.”

If “we get what we measure,” let’s measure what we **want**. For Faculty, that is:

- Fit or match: person—position—institution
- Retain Faculty
- Growth for each Faculty member
- Position & Faculty member change in concert
- Least resources necessary to achieve all the above



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# WHY?

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Effective selection  
facilitates all the rest.

WHY do you want these?

▫ Person—position—Institution *fit*

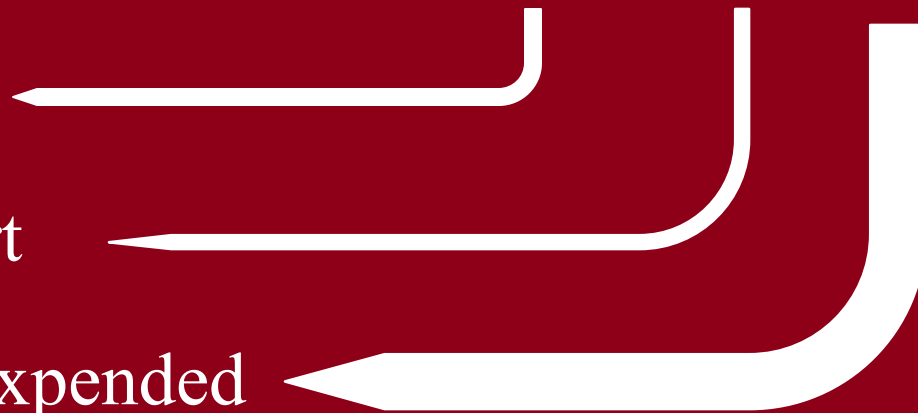
▫ Faculty retention

▫ Personal growth

▫ Change in concert

▫ Least resources expended

Learning Curves





# Learning Curve Theorems

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- ◆  $\uparrow$  Volume  $\Rightarrow$   $\downarrow$  Cost
- ◆ Improvement slows
- ◆ Patterns exist

In  
Health  
care

Learning Requires *RISK*.

Better outcomes

$\downarrow$  Errors

$\uparrow$  Efficiency





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# Key = Retention

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- Must retain faculty to acquire/pass on/create learning curves
- Retention  $\neq$  1 / Turnover
- Calculation differences
- Cost of turnover *requires* calc of retention

“Shocking Cost of Turnover,” *Hlth Care Mgt Rev* 2004; 29(1): 2-7, or



# Calculating Cost of Turnover

= sum of three factors

1. Hire (selection, recruitment, prep)
2. Train \*\*
3. CoRP (cost of reduced productivity)



# Cost of Turnover (Cost of Replacement)

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	Hires N=	Cost in millions (\$)				Cost / Rplcmr
		Hire	Train	CoRPT	TOTAL	
Doctors	66	2.1	0	2.4	4.4	\$66k
Nurses	261	0.4	4.1	2.6	7.1	\$27k

This considers the *process* costs only.

These costs do not appear on any budget statement.

UNM: annual CoT = 4.8% total operating budget

## *Net Retention is Declining*

	<u>1995-2000</u>		<u>2000-2005</u>
Turnover	10% (6-18)	— NS —	11% (6-22)
<i>Net 5yr RR:</i>			
MD	75%	— $p < 0.025$ —	55%
Nurses	53%	— $p < 0.001$ —	17%

# How to Improve Faculty Retention

Why do they leave?



1. Mgmt style (including “honesty”)
2. Inequity in workplace
3. Content vs environment [Hassle factor]
4. Authority–responsibility imbalance
5. Organizational commitment (lack of)
6. *\$ did not reach statistical significance*

Improve  
Retention?

$R_x$  these.

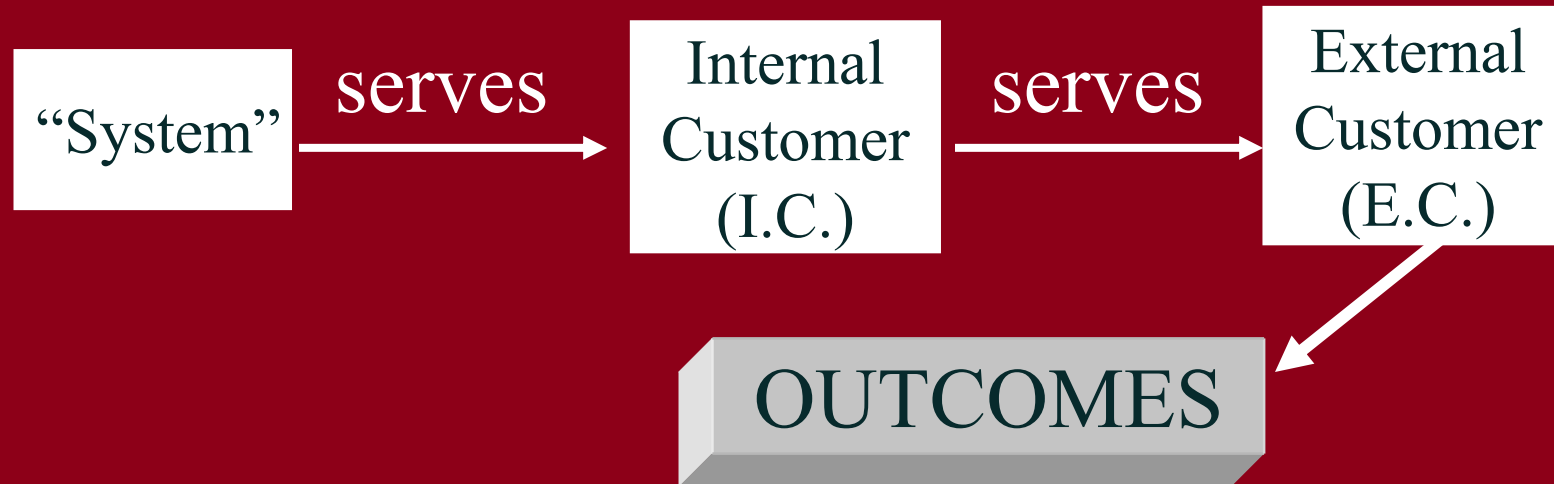


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# Internal Customer Concept

## Organizational value chain (flow chart)



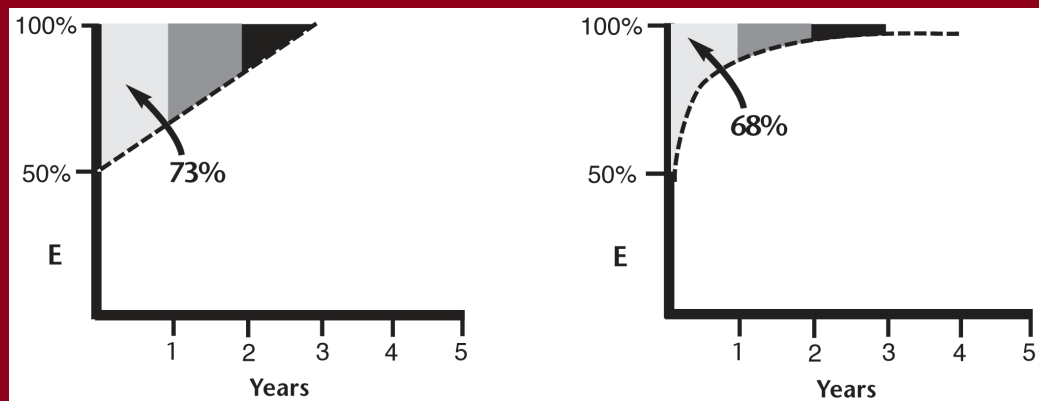
Sears proved a direct quantitative relationship:

5 U ↑ I.C. sat. → □.3 U ↑ E.C. sat. → 0.5% ↑ \*Revenue\*

## Example:

### \$ Effect of ↑ Net Retention (20%)

Aver 66 MDs leave. Assume 13 don't (they stay).



Hiring  
~~Train~~  
(CoRP)

First year net savings: \$880,000 – \$1.3 million



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## What to do?

1. Ackoff on “managers”
2. Optimize Faculty fit and expectations
3. Ask – Don’t project or predict.
4. Don’t survey and then stay the same.
5. Internal Customer Approach





# Conclusion

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‘IF you can keep your Faculty when  
All about you are losing theirs and  
Blaming it on you (or the economy),

...

Yours will be a healthy Medical Center  
And all those who come to it.’

(Apologies to Rudyard Kipling)



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