Healthcare Management: Moving from the 19th Century to the 21st

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

WHY?

$HC = TS \times TS$
Healthcare Management

- Healthcare vs Health Care
- Management vs Leadership

**Management:**
- Corporate Culture
- Operations/Process
- Metrics (including $$)
- I.T.
- HR (the Workforce)

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Strategy belongs here
“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?
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: “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
WHY?

WHY do you want these?

- Person—position—Institution fit
- Faculty retention
- Personal growth
- Change in concert
- Least resources expended

Effective selection facilitates all the rest.

Learning Curves

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Learning Curve Theorems

- ↑ Volume ⇒ ↓ Cost
- Improvement slows
- Patterns exist

Better outcomes
- ↓ Errors
- ↑ Efficiency

Learning Requires **RISK**.
Key = Retention

- Must retain faculty to acquire/pass on/create learning curves
- Retention ≠ 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)

<table>
<thead>
<tr>
<th></th>
<th>Hires</th>
<th>Cost in millions ($)</th>
<th>Cost / N=</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Hire</td>
<td>Train</td>
<td>CoR</td>
<td>PT</td>
</tr>
<tr>
<td>Doctors</td>
<td>66</td>
<td>2.1</td>
<td>0</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses</td>
<td>261</td>
<td>0.4</td>
<td>4.1</td>
<td>2.6</td>
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This considers the *process* costs only. These costs do not appear on any budget statement.

**UNM:** annual CoT = 4.8% total operating budget

*From 19th → 21st Century*

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**Net Retention is Declining**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Turnover</td>
<td>10% (6-18)</td>
<td>— NS —</td>
</tr>
<tr>
<td>Net 5yr RR:</td>
<td></td>
<td>11% (6-22)</td>
</tr>
<tr>
<td>MD</td>
<td>75% — p &lt; 0.025 — 55%</td>
<td></td>
</tr>
<tr>
<td>Nurses</td>
<td>53% — p &lt; 0.001 — 17%</td>
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</tbody>
</table>
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

Rx these.
Internal Customer Concept

Organizational value chain (flow chart)

“System” serves Internal Customer (I.C.) serves External Customer (E.C.)

OUTCOMES

Sears proved a direct quantitative relationship:
5 U ↑ I.C. sat. → 0.3 U ↑ E.C. sat. → 0.5% ↑ *Revenue*
Example:

$ Effect of ↑ Net Retention (20%)$

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

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

‘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)

can be your guide.

Available at: uproothehealthcare.com