
Principles of Health Care Management

Foundations for a Changing Health Care System

Second Edition

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Dedicated to
Wendy,
My Ayshes Chayil,
and to
Olivia Alexandra,
the newest generation.

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New to This Edition

The Second Edition maintains the overall organization of the previous edition, with updated and expanded material throughout. New material, including case studies (with discussion questions and assignments) and one new chapter, are outlined here:

- Chapter 1—Updated data plus additional information on newly developing organizations and programs. Also added two new case studies: “Chamber of Commerce Presentation” and “The Florida Center for Geriatric Assessment.”
- Chapter 2—Updated analyses plus new section on fraud and abuse in Florida. Also, two new case studies: “Smoking!” and “Hospital-Acquired Infection.”
- Chapter 5—New section on “Ten Ways To Lose Your Job.”
- Chapter 6—New chapter! “Management and the Educated Consumer” includes material on how to utilize the Internet for best results. One new case: “Sibling Rivalry.”
- Chapter 7—Updated and additional sections on managing in tough economic times (firing without hostility) and the business judgment rule as well as two new case studies: “Firing the CEO” and “Clowning Around.” (*Formerly Chapter 6.*)
- Chapter 8—Added new case study: “Kosher for Passover.” (*Formerly Chapter 7.*)
- Chapter 10—Added new case study: “Strategic Dismissal.” (*Formerly Chapter 8.*)
- Chapter 11—Updated information on financial issues with more emphasis on capital financing problems as well as tough financial choices in hard times. Added two new case studies: “The Pressure Ulcer” and “The Successor.” (*Formerly Chapter 10.*)
- Chapter 12—Updated and added new case study: “Credit Crunch Case.” (*Formerly Chapter 11.*)

- Chapter 13—Added new case study: “EMTALA Case.” (*Formerly Chapter 12.*)
- Chapter 14—Updated case material.
- Chapter 15—Updated case material.
- Chapter 16—Updated Office of Inspector General Advisory Opinions.
- Chapter 17—Added two new case studies: “Outpatient Imaging: The Perfect Storm” and “International Marketing Case.” (*Formerly Chapter 16.*)

Instructors: Contact your publisher’s representative for the Instructor Resources for the new edition!

About the Author

Seth B. Goldsmith, ScD, JD, is Professor Emeritus of Health Policy and Management at the University of Massachusetts at Amherst. Since 1995, he has been a director of Extendicare, a Toronto, Canada–based publicly owned company that is one of the leading providers of long-term care in the United States and Canada. Dr. Goldsmith has also served on the faculties of Columbia University and Tulane University and from 1996 through December 1998, he was the Chief Executive Officer of the Miami Jewish Home and Hospital for the Aged. For 15 years, Dr. Goldsmith was the editor of the *Journal of Ambulatory Care Management* (Aspen), and for more than a decade he was Of Counsel with the law firm of Bowditch and Dewey in Worcester, Massachusetts. Dr. Goldsmith has served on numerous local and national boards, and his work has been nationally recognized. He is the author and editor of 16 books.

Introduction

The past several decades have been, to say the least, challenging for health-care administrators, whether they are managing health systems, hospitals, nursing homes, assisted living centers, group practices, HMOs, or other healthcare organizations. Indeed, post the economic calamity of 2008 and beyond, as well as the uncertainty in the health system ushered in by the election of President Barack Obama and his administration's commitment to reform the health system, it is certainly easy to understand why a medical center CEO summarized his recent experiences by simply saying, "It isn't fun anymore." While this book will not make management "fun," it will explain the critical changes and challenges that administrators must deal with as they go about practicing their profession and what students must learn as they begin their study of this vital field.

The source material for this book comes from several places. First, like all books, it comes from the experiences of its author. In my case, 4 decades in the field, over 30 years of writing and research, and years on the board of one of America's largest and most important for-profit healthcare businesses—a billion-dollar corporation that owns and manages nursing homes; home care services; and, in the recent past, pharmacies, and related providers. Additionally, in 1998, I completed a 27-month stint as CEO of a multicomponent nonprofit health system with a budget of \$70 million and a staff of almost 1100 people. Over the years in my various roles, I have had to deal with deficits, lawsuits, FBI investigations, labor strife, payrolls, ethical issues, good boards, and bad ones—just for openers.

A second source is the literature of the field, including the extensive collection of government and legal material. I draw heavily on government and legal documents, the former because it represents some of the best-realized and least-known analyses of problems in the system, and the latter because of my own background as a healthcare lawyer and my belief that the legal system is one of the main avenues for administrators to be held accountable.

The third source of material for this book is the experience of my many friends, former students, and colleagues in the field who have generously

contributed their wisdom to this project. These people, who are living with the issues on a day-to-day basis, have been my sounding board for this book, and I trust their contributions will ensure its value to the “real world” of management.

This book’s central theme is accountability, but the focus is effective management. I have organized the book into five sections with the goal of providing a useful text to both practitioners and students. The first section is essential foundation material on the US health system. It is designed to give all readers a common understanding of the system within which management must occur.

The second section is a review of the essentials of healthcare management. In this review, I offer professionals an opportunity to reexamine how their own positions and performance stack up against what might be considered a theoretical model. For students, this section represents the healthcare spin on management, that is, how the principles of management apply in the field of health administration, where we operate with organizational structures that are not found in industrial organizations.

The third section examines the crucial area of corporate compliance. In the past decade, corporate compliance issues have changed the landscape of healthcare management. Not only have organizations been required to develop and implement compliance programs, but the federal and state governments also have actively pursued individuals and organizations that have failed to meet compliance requirements. Indeed, there is no other time in history when compliance violations have resulted in fines of more dollars for healthcare organizations and sentences of more jail time for health professionals. Perhaps no subject is more important to understand than corporate compliance for a health administrator’s personal freedom!

In the fourth section, we look at how consumerism affects the healthcare organization. The consumer movement has not only had a major impact on American society but has, through a variety of legal and legislative mechanisms, also changed the way healthcare organizations must do business. And finally, we conclude with a model of accountable management that begins with a reconceptualization of strategic planning and ends with an analysis of the accountable organization.

Throughout this text, case studies are presented to illustrate the points that I am developing in that particular section or chapter. While some of the names and places in these cases are fictionalized, each one of them is based on an actual situation. If this book stimulates thinking, provokes discussion, or, better yet, results in some positive changes, then its goal will be attained.

Acknowledgments

As I noted in the first edition, I could not have written a book of this scope without the direct and indirect assistance and support of countless people. Nothing has changed except I realize now that I failed to acknowledge some friends and colleagues in the first edition who shall be recognized in this edition. Additionally, this book contains many more cases and additional material that represents both the contributions of others and the advice of friends. First, allow me to acknowledge the contributors to Chapter 12 of this book. While I take responsibility for the chapter, I did have considerable help originally from Sol Goldner and, more recently, from Joel Dalva. Without their input, this chapter would not be as valuable as I believe it is. Additionally, the late Richard Bertram, former chief financial officer of Extendicare, made important contributions to the first draft of this chapter. Another contributor to this book is my good friend, Alex Szafran, who prepared the case on outpatient imaging at the end of Chapter 17. I also want to thank my friend and long-time colleague, Dr. Shlomo Barnoon, who has always provided me with a wonderful and supportive sounding board for my ideas and experiences. Also, Marvin Goldberg has been an invaluable friend throughout my journey. For more than 25 years I have had the privilege of working with Michael Brown of Jones and Bartlett. Mike—I thank you for trusting my writing and judgment!

Finally, I want to acknowledge the continual assistance of my wife, Wendy Benjamin Goldsmith, who has supported and encouraged me on a daily basis. Thank you—W-D-D.

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