LEARNING OBJECTIVES

By the end of this chapter, the student will be able to:

- Define healthcare management and the role of the healthcare manager;
- Differentiate between the functions, roles, and responsibilities of healthcare managers; and
- Compare and contrast the key competencies of healthcare managers.

INTRODUCTION

Any introductory text in healthcare management must clearly define the profession of healthcare management and discuss the major functions, roles, responsibilities, and competencies for healthcare managers. These topics are the focus of this chapter. Healthcare management is a growing profession with increasing opportunities in both direct care and non-direct care settings. As defined by Buchbinder and Thompson (2010, pp. 33–34), direct care settings are “those organizations that provide care directly to a patient, resident or client who seeks services from the organization.” Non-direct care settings are not directly involved in providing care to persons needing health services, but rather support the care of individuals through products and services made available to direct care settings.
The Bureau of Labor Statistics (BLS) indicates that healthcare management is one of the fastest growing occupations, due to the expansion and diversification of the healthcare industry (Bureau of Labor Statistics, 2010). The BLS projects that employment of medical and health services managers is expected to grow 16% from 2008 to 2018, faster than the average for all occupations.

These managers are expected to be needed in inpatient and outpatient care facilities, with the greatest growth in managerial positions occurring in outpatient centers, clinics, and physician practices. Hospitals, too, will experience a large number of managerial jobs because of the hospital sector’s large size. Moreover, these estimates do not reflect the significant growth in managerial positions in non–direct care settings, such as consulting firms, pharmaceutical companies, associations, and medical equipment companies. These non–direct care settings provide significant assistance to direct care organizations, and since the number of direct care managerial positions is expected to increase significantly, it is expected that growth will also occur in managerial positions in non–direct care settings.

Healthcare management is the profession that provides leadership and direction to organizations that deliver personal health services, and to divisions, departments, units, or services within those organizations. Healthcare management provides significant rewards and personal satisfaction for those who want to make a difference in the lives of others. This chapter gives a comprehensive overview of healthcare management as a profession. Understanding the roles, responsibilities, and functions carried out by healthcare managers is important for those individuals considering the field to make informed decisions about the “fit.” This chapter provides a discussion of key management roles, responsibilities, and functions, as well as management positions at different levels within healthcare organizations. In addition, descriptions of supervisory level, mid-level, and senior management positions within different organizations are provided.

**THE NEED FOR MANAGERS AND THEIR PERSPECTIVES**

Healthcare organizations are complex and dynamic. The nature of organizations requires that managers provide leadership, as well as the supervision and coordination of employees. Organizations were created to achieve goals that were beyond the capacity of any single individual. In healthcare organizations, the scope and complexity of tasks carried out in provision of services are so great that individual staff operating on their own couldn’t get the job done. Moreover, the necessary tasks in producing services in healthcare organizations require the coordination of many highly specialized disciplines that must work together seamlessly. Managers are needed to make certain that organizational tasks are carried out
in the best way possible to achieve organizational goals and that appropriate resources, including financial and human resources, are adequate to support the organization.

Healthcare managers are appointed to positions of authority, where they shape the organization by making important decisions. Such decisions relate, for example, to recruitment and development of staff, acquisition of technology, service additions and reductions, and allocation and spending of financial resources. Decisions made by healthcare managers not only focus on ensuring that the patient receives the most appropriate, timely, and effective services possible, but also address achievement of performance targets that are desired by the manager. Ultimately, decisions made by an individual manager affect the organization’s overall performance.

Managers must consider two domains as they carry out various tasks and make decisions (Thompson, 2007). These domains are termed external and internal domains (see Table 1-1). The external domain refers to the influences, resources, and activities that exist outside the boundary of the organization but that significantly affect the organization. These factors include community needs, population characteristics, and reimbursement from commercial insurers, as well as government plans such as the Children’s Health Insurance Plans (CHIP), Medicare, and Medicaid. The internal domain refers to those areas of focus that managers need to address on a daily basis, such as ensuring the appropriate number and types of staff, financial performance, and quality of care. These internal areas reflect the operation of the organization where the manager has the most control. Keeping the dual perspective requires significant balance on the part of management and significant effort in order to make good decisions.

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
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<tr>
<td>Community demographics/need</td>
<td>Staffing</td>
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<td>Licensure</td>
<td>Budgeting</td>
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<td>Accreditation</td>
<td>Quality services</td>
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<td>Regulations</td>
<td>Patient satisfaction</td>
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<td>Stakeholder demands</td>
<td>Physician relations</td>
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<td>Competitors</td>
<td>Financial performance</td>
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<td>Medicare and Medicaid</td>
<td>Technology acquisition</td>
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<tr>
<td>Managed care organizations/insurers</td>
<td>New service development</td>
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MANAGEMENT: DEFINITION, FUNCTIONS, AND COMPETENCIES

As discussed earlier, management is needed to support and coordinate the services that are provided within healthcare organizations. Management has been defined as the process, comprised of social and technical functions and activities, occurring within organizations for the purpose of accomplishing predetermined objectives through humans and other resources (Longest, Rakich, & Darr, 2000). Implicit in the definition is that managers work through and with other people, carrying out technical and interpersonal activities, in order to achieve desired objectives of the organization. Others have stated that a manager is anyone in the organization who supports and is responsible for the work performance of one or more other persons (Lombardi & Schermerhorn, 2007).

While most beginning students of healthcare management tend to focus on the role of the senior manager or lead administrator of an organization, it should be realized that management occurs through many others who may not have “manager” in their position title. Examples of some of these managerial positions in healthcare organizations include supervisor, coordinator, and director, among others (see Table 1-2). These levels of managerial control are discussed in more detail in the next section.

<table>
<thead>
<tr>
<th>Organizational Setting</th>
<th>Examples of Managerial Positions</th>
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<tbody>
<tr>
<td>Physician practice</td>
<td>Practice Manager</td>
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<td></td>
<td>Director of Medical Records</td>
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<td></td>
<td>Supervisor, Billing Office</td>
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<td>Nursing home</td>
<td>Administrator</td>
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<td>Manager, Business Office</td>
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<td></td>
<td>Director, Food Services</td>
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<td>Admissions Coordinator</td>
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<td>Supervisor, Environmental Services</td>
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<tr>
<td>Hospital</td>
<td>Chief Executive Officer</td>
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<td>Vice President, Marketing</td>
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<td>Clinical Nurse Manager</td>
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<td></td>
<td>Director, Revenue Management</td>
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<td></td>
<td>Supervisor, Maintenance</td>
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TABLE 1-2 Managerial Positions, by Organizational Setting
Managers implement six management functions as they carry out the process of management (Longest et al., 2000):

**Planning:** This function requires the manager to set a direction and determine what needs to be accomplished. It means setting priorities and determining performance targets.

**Organizing:** This management function refers to the overall design of the organization or the specific division, unit, or service for which the manager is responsible. Furthermore, it means designating reporting relationships and intentional patterns of interaction. Determining positions, teamwork assignments, and distribution of authority and responsibility are critical components of this function.

**Staffing:** This function refers to acquiring and retaining human resources. It also refers to developing and maintaining the workforce through various strategies and tactics.

**Controlling:** This function refers to monitoring staff activities and performance and taking the appropriate actions for corrective action to increase performance.

**Directing:** The focus in this function is on initiating action in the organization through effective leadership and motivation of, and communication with, subordinates.

**Decision making:** This function is critical to all of the aforementioned management functions and means making effective decisions based on consideration of benefits and the drawbacks of alternatives.

In order to effectively carry out these functions, the manager needs to possess several key competencies. Katz (1974) identified several key competencies of the effective manager, including conceptual, technical, and interpersonal skills. The term competency refers to a state in which an individual has the requisite or adequate ability or qualities to perform certain functions (Ross, Wenzel, & Mitlyng, 2002). These are defined as follows:

**Conceptual skills** are those skills that involve the ability to critically analyze and solve complex problems. Examples: a manager conducts an analysis of the best way to provide a service or determines a strategy to reduce patient complaints regarding food service.

**Technical skills** are those skills that reflect expertise or ability to perform a specific work task. Examples: a manager develops and implements a new incentive compensation program for staff or designs and implements modifications to a computer-based staffing model.

**Interpersonal skills** are those skills that enable a manager to communicate with and work well with other individuals, regardless of whether they are peers, supervisors, or subordinates. Examples: a manager counsels an employee whose performance is below expectation or communicates to subordinates the desired performance level for a service for the next fiscal year.
Management positions within healthcare organizations are not confined to the top level; because of the size and complexity of many healthcare organizations, management positions are found throughout the organization. Management positions exist at the lower, middle, and upper levels; the upper level is referred to as senior management. The hierarchy of management means that authority, or power, is delegated downward in the organization and that lower-level managers have less authority than higher-level managers, whose scope of responsibility is much greater. For example, a vice president of Patient Care Services in a hospital may be in charge of several different functional areas, such as nursing, diagnostic imaging services, and laboratory services; in contrast, a director of Medical Records—a lower-level position—has responsibility only for the function of patient medical records. Furthermore, a supervisor within the Environmental Services department may have responsibility for only a small housekeeping staff, whose work is critical but confined to a defined area of the organization. Some managerial positions, such as those discussed previously, are line managerial positions because the manager supervises other employees; other managerial positions are staff managerial positions because they carry out work and advise their bosses, but they do not routinely supervise others. Managerial positions also vary in terms of required expertise or experience; some positions require extensive knowledge of many substantive areas and significant working experience, and other positions are more appropriate for entry-level managers who have limited or no experience.

The most common organizational structure for healthcare organizations is a functional organizational structure whose key characteristic is a pyramid-shaped hierarchy, which defines the functions carried out and the key management positions assigned to those functions (see Figure 1-1). The size and complexity of the specific health services organization will dictate the particular structure. For example, larger organizations—such as large community hospitals, hospital systems, and academic medical centers—will likely have deep vertical structures reflecting varying levels of administrative control for the organization. This structure is necessary due to the large scope of services provided and the corresponding vast array of administrative and support services that are needed to enable the delivery of clinical services. Other characteristics associated with this functional structure include a strict chain of command and line of reporting, which ensure that communication and assignment and evaluation of tasks are carried out in a linear command and control environment. This structure offers key advantages, such as specific divisions of labor and clear lines of reporting and accountability.

Other administrative structures have been adopted by healthcare organizations, usually in combination with a functional structure. These include matrix, or team-based, models.
Figure 1-1 Functional Organizational Structure
and service line management models. The matrix model recognizes that a strict functional structure may limit the organization’s flexibility to carry out the work, and that the expertise of other disciplines is needed on a continuous basis. An example of the matrix method is when functional staff, such as nursing and rehabilitation personnel, are assigned to a specific program such as geriatrics, and they report for programmatic purposes to the program director of the geriatrics department. Another example is when clinical staff and administrative staff are assigned to a team investigating new services that is headed by a marketing or business development manager. In both of these examples, management would lead staff who traditionally are not under their direct administrative control. Advantages of this structure include improved lateral communication and coordination of services, as well as pooled knowledge.

In service line management, a manager is appointed to head a specific clinical service line and has responsibility and accountability for staffing, resource acquisition, budget, and financial control associated with the array of services provided under that service line. Typical examples of service lines include cardiology, oncology (cancer), women’s services, physical rehabilitation, and behavioral health (mental health). Service lines can be established within a single organization or may cut across affiliated organizations, such as within a hospital system where services are provided at several different affiliated facilities (Boblitz & Thompson, 2005). Some facilities have found that the service line management model for selected clinical services has resulted in many benefits, such as lower costs, higher quality of care, and greater patient satisfaction compared to other management models (Duffy & Lemieux, 1995). The service line management model is usually implemented within an organization in conjunction with a functional structure, as the organization may choose to give special emphasis and additional resources to one or a few service lines.

**FOCUS OF MANAGEMENT: SELF, UNIT/TEAM, AND ORGANIZATION**

Effective healthcare management involves exercising professional judgment and skills and carrying out the aforementioned managerial functions at three levels: **self, unit/team, and organization wide.** First and foremost, the individual manager must be able to effectively manage himself or herself. This means managing time, information, space, and materials; being responsive and following through with peers, supervisors, and clients; maintaining a positive attitude and high motivation; and keeping a current understanding of management techniques and substantive issues of healthcare management. Managing yourself also means developing and applying appropriate technical, interpersonal, and conceptual skills and competencies and being comfortable with them, in order to be able to effectively move to the next level—that of supervising others.
Role of the Manager in Talent Management

The second focus of management is the **unit/team work level**. The expertise of the manager at this level involves managing others in terms of effectively completing the work. Regardless of whether you are a senior manager, mid-level manager, or supervisor, you will be “supervising” others as expected in your assigned role. This responsibility includes assigning work tasks, review and modification of assignments, monitoring and review of individual performance, and carrying out the management functions described earlier to ensure excellent delivery of services. This focal area is where the actual work gets done. Performance reflects the interaction of the manager and the employee, and it is incumbent on the manager to do what is needed to shape the performance of individual employees. The focus of management at this echelon recognizes the task interdependencies among staff and the close coordination that is needed to ensure that work gets completed efficiently and effectively.

The third management focus is at the **organizational level**. This focal area reflects the fact that managers must work together as part of the larger organization to ensure organization-wide performance and organizational viability. In other words, the success of the organization depends upon the success of its individual parts, and effective collaboration is needed to ensure that this occurs. The range of clinical and nonclinical activities that occur within a healthcare organization requires that managers who head individual units work closely with other unit managers to provide services. Sharing of information, collaboration, and communication are essential for success. The hierarchy looks to the contribution of each supervised unit as it pertains to the whole. Individual managers’ contributions to the overall performance of the organization—in terms of various performance measures such as cost, quality, satisfaction, and access—are important and measured.

**ROLE OF THE MANAGER IN TALENT MANAGEMENT**

In order to effectively master the focal areas of management and carry out the required management functions, management must have the requisite number and types of highly motivated employees. From a strategic perspective, healthcare organizations compete for labor, and it is commonly accepted today that high-performing healthcare organizations are dependent upon individual human performance, as discussed further in Chapter 12. Many observers have advocated for healthcare organizations to view their employees as strategic assets who can create a competitive advantage (Becker, Huselid, & Ulrich, 2001). Therefore, human resources management has been replaced in many healthcare organizations with “talent management.” The focus has shifted to securing and retaining the talent needed to do the job in the best way, rather than simply fill a role (Huselid, Beatty, & Becker, 2005). As a result, managers are now focusing on effectively managing talent and workforce issues because of the link to organizational performance (Griffith, 2009).
Beyond recruitment, managers are concerned about developing and retaining those staff who are excellent performers. Many healthcare organizations are creating high-involvement organizations that identify and meet employee needs through their jobs and the larger organizational work setting (Becker et al., 2001). There are several strategies used by managers to develop and maintain excellent performers. These include formal methods such as offering training programs; providing leadership development programs; identifying employee needs and measuring employee satisfaction through engagement surveys; providing continuing education, especially for clinical and technical fields; and enabling job enrichment. In addition, managers use informal methods such as conducting periodic employee reviews, soliciting employee feedback, conducting rounds and employee huddles, offering employee suggestion programs, and other methods of managing employee relations and engagement. These topics are explored in more detail in a later chapter in this book.

**ROLE OF THE MANAGER IN ENSURING HIGH PERFORMANCE**

At the end of the day, the role of the manager is to ensure that the unit, service, division, or organization he or she leads achieves high performance. What exactly is meant by high performance? To understand performance, one has to appreciate the value of setting and meeting goals and objectives for the unit/service and organization as a whole, in terms of the work that is being carried out. Goals and objectives are desired end points for activity and reflect strategic and operational directions for the organization. They are specific, measurable, meaningful, and time oriented. Goals and objectives for individual units should reflect the overarching needs and expectations of the organization as a whole because, as the reader will recall, all entities are working together to achieve high levels of overall organizational performance. Studer (2003) views the organization as needing to be results oriented, with identified pillars of excellence as a framework for the specific goals of the organization. These pillars are: people (employees, patients, and physicians), service, quality, finance, and growth. Griffith (2000) refers to high performing organizations as being championship organizations—that is, they expect to perform well on different yet meaningful measures of performance. Griffith further defines the “championship processes” and the need to develop performance measures in each: governance and strategic management; clinical quality, including customer satisfaction; clinical organization (caregivers); financial planning; planning and marketing; information services; human resources; and plant and supplies. For each championship process, the organization should establish measures of desired performance that will guide the organization. Examples of measures
include medication errors, surgical complications, patient satisfaction, staff turnover rates, employee satisfaction, market share, profit margin, and revenue growth, among others. In turn, respective divisions, units, and services will set targets and carry out activities to address key performance processes. The manager’s job, ultimately, is to ensure that these targets are met by carrying out the previously discussed management functions. A control process for managers has been advanced by Ginter, Swayne, and Duncan (2002) that describes five key steps in the performance management process: set objectives, measure performance, compare performance with objectives, determine reasons for deviation, and take corrective action. Management’s job is to ensure that performance is maintained or, if below expectations, is improved.

Stakeholders, including insurers, state and federal governments, and consumer advocacy groups, are expecting, and in many cases demanding, acceptable levels of performance in healthcare organizations. These groups want to make sure that services are provided in a safe, convenient, low-cost, and high-quality environment. For example, The Joint Commission (formerly JCAHO) has set minimum standards for healthcare facilities operations that ensure quality, the National Committee for Quality Assurance (NCQA) has set standards for measuring performance of health plans, and the Centers for Medicare and Medicaid Services (CMS) has established a website that compares hospital performance along a number of critical dimensions. In addition, CMS has provided incentives to healthcare organizations by paying for performance on measures of clinical care and not paying for care resulting from “never events,” i.e., shocking health outcomes that should never occur in a healthcare setting such as wrong site surgery (e.g., the wrong leg) or hospital-acquired infections (Agency for Healthcare Research and Quality, n.d.). Health insurers also have implemented pay-for-performance programs for healthcare organizations based on various quality and customer service measures.

In addition to meeting the reporting requirements of the aforementioned organizations, many healthcare organizations today use varying methods of measuring and reporting the performance measurement process. Common methods include developing and using dashboards or balanced scorecards that allow for a quick interpretation on the performance across a number of key measures (Curtright, Stolp-Smith, & Edell, 2000; Pieper, 2005). Senior administration uses these methods to measure and communicate performance on the total organization to the governing board and other critical constituents. Other managers use these methods at the division, unit, or service level to profile its performance. In turn, these measures are also used to evaluate managers’ performance and are considered in decisions by the manager’s boss regarding compensation adjustments, promotions, increased or reduced responsibility, training and development, and, if necessary, termination or reassignment.
ROLE OF THE MANAGER IN SUCCESSION PLANNING

Due to the competitive nature of healthcare organizations and the need for highly motivated and skilled employees, managers are faced with the challenge of succession planning for their organizations. Succession planning refers to the concept of taking actions to ensure that staff can move up in management roles within the organization, in order to replace those managers who retire or move to other opportunities in other organizations. Succession planning has most recently been emphasized at the senior level of organizations, in part due to the large number of retirements that are anticipated from baby boomer chief executive officers (CEOs) (Burt, 2005). In order to continue the emphasis on high performance within healthcare organizations, CEOs and other senior managers are interested in finding and nurturing leadership talent within their organizations who can assume the responsibility and carry forward the important work of these organizations.

Healthcare organizations are currently engaged in several practices to address leadership succession needs. First, mentoring programs for junior management that senior management participate in have been advocated as a good way to prepare future healthcare leaders (Rollins, 2003). Mentoring studies show that mentors view their efforts as helpful to the organization (Finley, Ivanitskaya, & Kennedy, 2007). Some observers suggest that having many mentors is essential to capturing the necessary scope of expertise, experience, interest, and contacts to maximize professional growth (Broscio & Sherer, 2003). Mentoring middle-level managers for success as they transition to their current positions is also helpful in preparing those managers for future executive leadership roles (Kubica, 2008).

A second method of succession planning is through formal leadership development programs. These programs are intended to identify management potential throughout an organization by targeting specific skill sets of individuals and assessing their match to specific jobs, such as vice president or chief operating officer (COO). One way to implement this is through talent reviews, which, when done annually, help create a pool of existing staff who may be excellent candidates for further leadership development and skill strengthening through the establishment of development plans. Formal programs that are being established by many healthcare organizations focus on high potential people (Burt, 2005). McAlearney (2010) reports that about 50% of hospital systems nationwide have an executive-level leadership development program. However, many healthcare organizations have developed programs that address leadership development at all levels of the organization, not just the executive level, and require that all managers participate in these programs in order to strengthen their managerial and leadership skills to contribute to organizational performance.
ROLE OF THE MANAGER IN HEALTHCARE POLICY

As noted earlier in this chapter, managers must consider both their external and internal domains as they carry out management functions and tasks. One of the critical areas for managing the external world is to be knowledgeable about health policy matters under consideration at the state and federal levels that affect health services organizations and healthcare delivery. This is particularly true for senior-level managers. This is necessary in order to influence policy in positive ways that will help the organization and limit any adverse impacts. Staying current with healthcare policy discussions, participating in deliberations of health policy, and providing input where possible will allow healthcare management voices to be heard. Because health care is such a popular yet controversial topic in the United States today, continuing changes in healthcare delivery are likely to emanate from the legislative and policy processes at the state and federal levels. For example, the Patient Protection and Affordable Care Act, signed into law in 2010 as a major healthcare reform initiative, has significant implications for healthcare organizations in terms of patient volumes and reimbursement for previously uninsured patients. Other recent federal policy changes include cuts in Medicare reimbursement and increases in reporting requirements. State legislative changes across the country affect reimbursement under Medicaid and the Children’s Health Insurance Program, licensure of facilities and staff, certificate of need rules for capital expenditures and facility and service expansions, and state requirements on mandated health benefits and modified reimbursements for insured individuals that affect services offered by healthcare organizations.

In order to understand and influence health policy, managers must strive to keep their knowledge current. This can be accomplished through targeted personal learning, networking with colleagues within and outside of their organizations, and through participating in professional associations, such as the American College of Healthcare Executives and the Medical Group Management Association. These organizations, and many others, monitor health policy discussions and advocate for their associations’ interests at the state and federal levels. Knowledge gained through these efforts can be helpful in shaping health policy in accordance with the desires of healthcare managers.

CHAPTER SUMMARY

The profession of healthcare management is challenging yet rewarding, and it requires that persons in managerial positions at all levels of the organization possess sound conceptual, technical, and interpersonal skills in order to carry out the required managerial functions of planning, organizing, staffing, directing, controlling, and decision making. In addition, managers must maintain a dual perspective where they understand the external and
internal domains of their organization and the need for development at the self, unit/team, and organization levels. Opportunities exist for managerial talent at all levels of a healthcare organization, including supervisory, middle-management, and senior-management levels. The role of manager is critical to ensuring a high level of organizational performance, and managers are also instrumental in talent recruitment and retention, succession planning, and shaping health policy.

Note: This chapter was originally published as “Understanding Health Care Management” in Career Opportunities in Healthcare Management: Perspectives from the Field, by Sharon B. Buchbinder and Jon M. Thompson, and an adapted version of this chapter is reprinted here with permission of the publisher.

DISCUSSION QUESTIONS

1. Define healthcare management and healthcare managers.
2. Describe the functions carried out by healthcare managers, and give an example of a task in each function.
3. Explain why interpersonal skills are important in healthcare management.
4. Compare and contrast three models of organizational design.
5. Why is the healthcare manager’s role in ensuring high performance so critical? Explain.

Cases in Chapter 17 that are related to this chapter include:

- Choosing a Successor—see p. 442

Additional cases, role-play scenarios, video links, websites, and other information sources are also available in the online Instructor’s Materials.

REFERENCES


