**Healthcare Management**

## 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 com- potencies 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 direct care settings are “those organizations that provide care directly to a patient, rise- dent 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.

 Healthcare management is one of the fastest growing occupations, due to the expansion and diversification of the healthcare industry (Bureau of Labor Statistics, 2010). 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 manage- ment 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 Orga nization 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 . These domains are termed external and internal domains (see Table 1-1). The external domain refers to the influences, resources, and activities that exist out- side 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 daily, 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 1-1** Domains of Health Services Administration

**External Internal**

Community demographics/need Staffing

Licensure Budgeting

Accreditation Quality services

Regulations Patient satisfaction

Stakeholder demands Physician relations

Competitors Financial performance

Medicare and Medicaid Technology acquisition

**TABLE 1-2** Managerial Positions, by Organizational Setting

**Organizational Setting Examples of Managerial Positions**

Physician practice Practice Manager

Director of Medical Records Supervisor, Billing Office

Nursing home Administrator

Manager, Business Office Director, Food Services Admissions Coordinator Supervisor, Environmental Services

Hospital Chief Executive Officer

Vice President, Marketing Clinical Nurse Manager Director Revenue Management Supervisor, Maintenance

M A N A G E M E N t : D E F I NI T I O N , F U N C TIO N S , A N D C O M P E T E N C IE S **5**

Managers implement six management functions as they carry out the process of man- agement.

**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 organiza- tion 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. 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 compen- sation 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: THE CONTROL ING THE ORGANIZATIONAL HIERARCHY

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 respon sibility 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 manage- rial positions are staff managerial positions because they carry out work and advise their bosses, but they do not routinely supervise others.

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 organiza- tion 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 organiza- tion. This structure is necessary due to the large scope of services provided and the cor responding 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.

# FOCUS Of MANAGEMENT: SELF, UNIT/TEAM, AND ORGANIZATION

Effective healthcare management involves exercising professional judgment and skills and carrying out the a forementioned 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 managementv techniques and substantive issues of healthcare 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 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.

# 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. 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 organiza- tions 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. As a result, managers are now focusing on effectively managing talent and workforce issues because of the link to organizational performance (Griffith, 2009).

There are several strategies used by man- agers 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; pro- viding continuing education, especially for clinical and technical fields; and enabling job enrichment.

# 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. Griffith further defines the “championship processes” and the need to develop performance measures in each: governance and strategic man- agement; clinical quality, including customer satisfaction; clinical organization (caregiv- ers); 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.

# 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.

Healthcare organizations are currently engaged in several practices to address lead- ership succession needs. First, mentoring programs for junior management that senior management participate in have been advocated as a good way to prepare future health- care leaders (Rollins, 2003).

# 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 addi- tion, 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.

## DIS CUSSION 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.

Why is the healthcare manager’s role in ensuring high performance so critical