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WORKSHOP IN HEALTH ADMINISTRATION STUDIES

WINTER, 1990

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"Characteristics of 'Successful' Inner-city Community Hospitals"

for
Thursday, February 15, 1990
Rosenwald 405
3:30 - 5:00 p.m.
• High proportion of MediCial patients

• Limited role or no role in graduate medical education

• Short-term, general acute care

• Nonprofit ("voluntary") organization

• Inner-city location
A relatively small proportion of these serve a high percentage of Medicaid patients (20% or more).

Approximately 270 of these are also nonprofit organizations without major commitment to graduate medical education.

Short-term, acute care: Core cities of these MSA's have approximately 1,375 community hospitals (nonfederal), while the 35 largest MSA's have 38% of the nation's population.
• Urban environment
• Self-image
• Market orientation
• Facilities
• Nursing and allied health professionals
• Role in ambulatory care
• Medical staff
• Financial viability
• Philanthropy
• Charity care
• Medicare case mix index
• Payer mix
• Utilization
• Size

Profile of a Typical Inner-City Community Hospital
INNER-CITY COMMUNITY HOSPITALS VISITED

- Mercy Hospitals and Health Services of Detroit, Detroit, MI
- Mt. Sinai Hospital Medical Center, Chicago, IL
- Greater Southeast Community Hospital, Washington, D.C.
- Santa Rosa Health Care Corporation, San Antonio, TX
- St. Mary's Hospital, East St. Louis, IL
- Lutheran Medical Center, New York, NY
- Liberty Medical Center, Baltimore, MD
- St. Francis Medical Center, Lynwood, CA
- St. James Hospital of Newark, Newark, NJ
- St. Joseph's Hospital, Philadelphia, PA
Site visits to inner-city community hospitals

United Hospital Fund

Mission Matters

William Wirtz and Ellen Jonsson

Decline in Organizations: A Literature Integration and Extension

Mercy Health Services

1989 Environmental Assessment

American College of Healthcare Executives and Arthur Anderson and Co.

Health Care in the 1990s: Trends and Strategies

Sources

Important future challenges for inner-city community hospitals

Stages of organizational decline

Particular requirements or key issues for success among inner-city community hospitals

Key requirements for success in the 1990s among all hospitals

Keys to Success, Stages of Decline and Future Challenges
Computerized decision support systems
Integrated clinical and financial cost accounting
Predictive market analysis
Prudent application of new technology
Risk identification and analysis
Refined management skills
Strategic and financial planning
FACTORS RELATED TO THE SUCCESS OF COMMUNITY HOSPITALS

- Mercy Health Services

* Average score: 1 = Very Important and 5 = Less Important

- Formal affiliation with a regional multihospital system (2.24)
- Participation in regional planning efforts (2.23)
- Health care networks (2.14)
- Ability to offer all levels and intensities of service to patients through vertically integrated joint ventures with physicians and other health care providers (2.12)
- Categories and/or therapeutic modalities (2.12)
- Targeting services toward specialty care markets based on population segments, conscious integration of social mission with service delivery and financial strategies (1.34)
- Program delivery (1.98)
- Diversification into non-acute service lines (i.e., home health care, wellness/preventive services, etc.)
- Governing board commitment to community health care needs (1.79)
Mercy Health Services

Factors Related To The Success Of Community Hospitals

- Diversification into non-health-related areas (e.g., hotels, office equipment, etc.) (4.02)
- Formal affiliation with a national multihospital system (3.32)
- Religious community affiliation (3.28)
- Ventures with other providers and insurance companies (2.53)

Sponsorship of health insurance products (i.e., HMOs) through ownership or joint
The ability to attract and retain quality physicians

The ability to adjust expenses to match changes in volume

Adequate reimbursement from the Medicaid program

One or more competitive advantages

Good management, including a very strong CEO

The ability to have an impact on anything that affects the community

A clear social/health care mission and a commitment to a defined community

INNER-CITY COMMUNITY HOSPITAL SITE VISITS

POTENTIAL DETERMINANTS OF SUCCESS
### Reasons for Inaction Vary
- Indicators of organizational performance deteriorate
- Failure to decide on corrective action, decline becomes
  noticeable

### Stages of Organizational Decline
1. **Blinded**
   - Failure to detect internal or external changes threatening long-term survival (e.g., qualitative shifts such as tolerance of incompetence, cumbersome administrative procedures, outdated organizational structure)

2. **Inaction**
   - Failure to decide on corrective action

### Key Characteristics
- Organizational behavior literature, not an empirical study
- Model not specific to health care organizations; based on review of pertinent characteristics and appropriate turnaround actions by management
- Describes decline through stages on a continuum, each with particular

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**Model Developed by Weitzel and Jonsson**

**Stages of Organizational Decline**
5. Dissolution

The organization has lost capital, markets, key personnel and constituents. Limit or stop support. Participants, suppliers, and employees not credible. Radical changes in structure, strategy, and management. The last stage when turnaround impossible. Top management implementation to utilize appropriate processes, personnel, and structure. As usual, clear or inappropriate, but decisions unrealistic and faulty. Decisions and poor implementation of them. "Business as usual".

4. Crisis

The organization has lost reputation. Survival no longer possible. Can only order closing or liquidation be arranged?

3. Faulty Action

Stages of Organizational Decline

MODEL DEVELOPED BY WELTZEL AND JONSSON

Key Characteristics

Stages
Managing Financial Viability

Facilities

Medical and Other Public Sector Reimbursement

Hospital Staff
Managers
Nurses
Physicians (Supply, Reimbursement)

Attracting the "best" human resources

Building Community Relationships

Urban Environment

FUTURE CHALLENGES: INNER-CITY ISSUES

AND "VOLUNTARY" TRADITIONS
Participation in addressing important issues broader than the specific needs of the community.

Public policy development.

The hospital's role vs. such needs.

The active identification of needed programs and services as well as the definition of community need.

Greater commitment to community need than to competitive positioning.

Collaboration.

Behavior in a social organization.

Self-image in terms of the character of the organization: business vs. business-like.

Operations.

Investor-owned and public hospitals.

The commitment of voluntary hospitals to values that differentiate them from mission.

(From Mission Matters, United Hospital Fund)

"Voluntary" Traditions (And "Voluntary" Traditions... Future Challenges: Inner-City Issues..."