Estimate of the Situation

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Reinventing the Hospital!

The modern American hospital developed from medieval origins over the course of centuries. It evolved as medicine evolved, generating new specialized departments spun out from nursing to mirror developments in medical knowledge and technology. As time passed, hospitals became hierarchically-structured organizations staffed primarily with nurses dedicated to carrying out the orders of increasingly specialized physicians.

The Flexner report (1910) resulted in the standardization of medical education, the closure of many U.S. medical schools, and state licensure of physicians and hospitals. Third party insurance payment for health care begin to emerge nationally in the 1920s, grew exponentially in the 1940s as companies offered insurance as an employee benefit to bypass war-time wage and price controls, and exploded in 1965 with the introduction of the Medicare and Medicaid programs.

By the 1960s, registered nurses were asserting increased professional independence from physicians, reflecting the political impact of the "women's movement" and increasingly sophisticated skill sets. Nursing pay increased dramatically as nurses staked out both new areas of professional practice and increased policy influence through state nurses associations, some of which took on characteristics of labor unions.

By 2010, the aggregate cost of health care had become an increasingly unacceptable burden for employers and individuals. Large and growing amounts of dollars and staff time were expended to satisfy Third Party monitoring requirements. The costs of Medicare approached unsustainable levels and Medicaid's costs posed a threat to the financial solvency of states accounting for more than one-third of the U.S. population. It was into this environment that the "Affordable Care Act" was introduced, a national policy initiative that promised to cover millions of previously uninsured people while simultaneously reducing health care expense.

Implications for the Future

The management process involves planning, organizing, directing and controlling resources to attain a defined objective. Although responsibility for these steps can be assigned in different ways, they must be performed by someone. The classic hospital structure is multi-layered and wide. Even a small hospital will have 35 or more departments, each headed by a technical or professional specialist. Although a nursing unit manager, for example, can be responsible for more staff, more equipment, and more budget dollars than are found within a fair-size small business, responsibilities are typically limited to functions that are primarily custodial. Department heads' energies are primarily focused on compliance with rules and procedural requirements, generating documentation, and other organizational maintenance activities. Resources expended in organizational maintenance are not available to do the work of the organization. The practical result is that much of the management process (planning, organizing, directing and controlling resources), to the extent that it is done at all, is delegated upward to the executive level.

As a practical matter, it is rapidly becoming physically impossible for any executive management team to perform the management function for the ever-growing numbers of departments and embedded functions within the traditional hospital's bureaucratic structure. The hospital of the future will address this reality by streamlining its structure, fully developing and deploying the latent management skills of department heads, and ultimately replacing the classic bureaucratic culture with a culture of accountability.

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