

# Estimate of the Situation

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## Managing in the Era of the New Normal: Part I

The traditional management functions (planning, organizing, directing, and controlling) have never been more important than they are right now. Yet the hospital managers and executives responsible for carrying out these vital functions are finding it nearly impossible to get the job done. Their time is being voraciously consumed by mandated organizational maintenance and regulatory compliance tasks that get in the way of their primary responsibilities.

In hospitals, the focus at the governance and executive levels is *strategic* planning. Uncertainty about what the future holds for service demand, staffing needs, and revenue availability complicates the strategic planning process, shortens the distance between the present and the planning horizon, and increases the risk of strategic error.

A strategic planning horizon three to five years out could be employed with relative safety in the past. Back then it was a pretty safe assumption that existing utilization and payment patterns would continue with some minor tweaking. Even three years is now a very long time and many formerly reliable utilization patterns are changing and unstable. Payer mix and payment rates are also in flux, notably so in some service areas.

The essential first step is to monitor the direction, trajectory, and velocity of change in every critical outcome area from utilization through productivity to reimbursement. Trend lines and regression analysis can then be used to identify and adjust to “the new normal” in your hospital. The level of data detail needed will vary from hospital to hospital but remember that data and information are not the same things. Don’t fall into the trap of burying your team in so much data that they miss the information. Employ systems thinking in selecting the components of your data set. For example, there is a great deal of elasticity in demand for outpatient primary care. That is, it is greatly affected by the potential patient’s personal financial condition. Demand and need are also not the same things. Need is primarily determined by clinical criteria. Demand, particularly for primary care, is generally far more subjective (with notable exceptions) and is largely determined by potential patients themselves. Demand for service, however it originates, drives everything that follows in health care. Reductions in demand for outpatient service will flow into demand for primary inpatient care which, in turn, will eventually impact secondary and tertiary service demand.

Tactical day-to-day management also requires the ability to identify and adjust to emerging trends in near real time. Trend data must be routinely captured and analyzed at least monthly at department head and executive management levels. The process should be automated to the maximum possible extent to leverage the available time of executives and department managers.

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