
Health Care Administration

Managing Organized Delivery Systems

Fifth Edition

Lawrence F. Wolper



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Canada
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To Maxine, Emily, and Lisa

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About the Author/Editor

Lawrence F. Wolper, MBA, FACMPE, is president of L. Wolper, Inc., with offices in New York and New Jersey. The firm is a full-service consulting organization specializing in all aspects of physician group practice, faculty practice, and ambulatory care. In addition, L. Wolper, Inc. has experience in contract-managing physician group practices and ambulatory surgery centers, as well as in practice turnarounds. The firm also conducts civil and health industry mediation.

Mr. Wolper has more than 25 years of consulting and senior executive experience and has been the advisor to, or managed, major group practices, faculty practice plans, ambulatory surgery centers, and integrated networks. Prior to founding his firm in 1987, he was a partner in KPMG International, LLP, with New York–area and national responsibility for physician practice and ambulatory care consulting. At that time, he was involved in the development of large group practices, faculty practice plans, and provider networks. Prior to his partnership in KPMG, he was a consulting partner with Ingram, Weitzman, Mertens & Co, a large regional healthcare accounting and consulting firm.

He has published more than 35 professional journal articles and 8 texts on a variety of subjects germane to physician and faculty practice and to healthcare administration.

Mr. Wolper received an MBA in healthcare administration from Bernard M. Baruch College–Mount Sinai School of Medicine and a BA in advertising/marketing from Hofstra University. He was a Robert Wood Johnson Foundation Fellow in HMO Management at the Wharton School, University of Pennsylvania, and an Association of University Programs in Hospital Administration (AUPHA) Fellow studying the British National Health System at the King's Fund College of Hospital Management in London, England. He is a Fellow in the American College of Medical Practice Executives.

Preface and Acknowledgments

The idea for the first edition of this book occurred many years ago when I was completing my master's degree in business and healthcare administration. I came across a text titled *Hospital Organization and Management* by Dr. Malcolm Thomas MacEachern. A well-respected text found on every administrator's bookshelf, it was out of touch with the changes that had occurred in the industry since its first printing in 1935 and the editions that occurred thereafter. I decided at that time that I would like to produce a book that would encompass nearly all the topics relevant to the healthcare industry.

The first edition of this book was published in 1987, 23 years ago. Consistent with the times, the focus was on the hospital, and it was organized to include sections on departmental operations, as well as one encompassing the functional/technical areas pertaining to hospitals and the industry in general. It included sections on information systems, management engineering, and marketing, among others.

The second edition of the text was modified as a result of major regulatory, delivery system, and technological changes. In addition, trends toward managed care and the acquisition of physician practices necessitated the inclusion of several entirely new chapters on topics such as managed care, ambulatory care, physician practice, and international healthcare systems. In light of the fact that many graduate programs in healthcare administration use this book, the revisions in that edition added more technical detail to give students a complete understanding of information systems, inpatient and outpatient Medicare reimbursement, physician practice, ambulatory care, and other topics. The second edition recognized the emergence of organized delivery systems and the changing role of the hospital within those emerging systems. Ambulatory care, increased care in doctors' offices, decreasing hospital reimbursement, managed care and utilization review, and other factors were reducing the long-standing role of the hospital as the major locus of care.

Although the second edition recognized the emergence of organized delivery systems, the theme of the third edition *was* the organized delivery system. There no longer were three parts

in the book, but two. The first, and dominant part of the book, “Planning, Implementing, and Managing Organized Delivery Systems,” broadly began with international health care. Other chapters in Part I covered a range of detailed functional, technical, and organizational matters that pertained to organized delivery systems from the system and corporate (i.e., not hospital) perspective. Part II of the book, “The Hospital in an Organized Delivery System,” was devoted to matters that relate to the hospital or functions that occur at the hospital level, particularly those in an organized delivery system.

The fourth edition of this text remained consistent with the prior edition, and, as such, continued to focus on organized delivery systems and the role of the hospital within a system environment. Most of the long-standing chapters in the text were updated, and new chapters were added covering labor law, designing and implementing a hospital compliance program, implementing a physician practice compliance program, biomedical ethics, and, in response to changing times, a chapter on bioterrorism preparedness. In recognition of the continuing presence and changing character of managed care, the chapter on this subject was expanded.

Now, 23 years after the first edition, the fifth edition comes at a time when there may be broad healthcare reform at hand. Not merely a change in the type of insurance methodology (i.e., from indemnity to managed care, or from cost-plus based to DRGs), but change that is intended to insure millions of uninsured, promote integrated and electronic health records, trim costs that do not contribute more directly to the health status of Americans, and to make insurance more affordable. After decades of attempting broad healthcare reform by at least four US presidents, such reform may be achievable in some form. The fifth edition of the book is shorter, with the existing chapters largely all modified. The chapters retain their technical detail, particularly in those such as “Healthcare Information Technologies in an Era of Healthcare Reform: A Complex Adaptive System Perspective,” “The Management of Nursing Services,” “Facility Design and Planning for Ambulatory Care Centers,” “Organized Delivery Systems,” and “International Health Care,” which is now a comparison of 12 countries.

I would like to acknowledge all authors, and the many coauthors and researchers who assisted them. In particular, I acknowledge Myron Fottler and Donna Malvey for updating an already excellent chapter; Gabe Imperato and staff for keeping the legal issues as up-to-date as possible in a fast-paced industry; Leslie Eldenburg, Eldon Schafer, and Dwight Zulauf for keeping their chapter always contemporary; Wilhelmina Manzano and Gina Bufe who accepted the challenge of rewriting the nursing chapter and did an exemplary job; Roberta Clarke, who, in the area of marketing in the healthcare industry, always seems to introduce new ideas and challenges to those of us in the industry; Richard Sprow, Sonya Dufner, and Chris Bormann, who wrote an excellent chapter on facility design; Eliot Lazar and his coauthors for rewriting the chapter on quality and patient safety; and to Michael Kelley and his coauthors for keeping the chapter on physician practice on pace with the rapid changes in that sector of the industry.

I am grateful to my daughters Emily and Lisa, and my wife Maxine, because they have provided me with a great deal of the energy and enthusiasm required to conceive of, plan, and produce a comprehensive text. As young adults, my daughters and their generation will, I hope, benefit from the industry changes that will occur in the coming years without being the beneficiaries of an onerous tax burden. On the other hand, relating to my wife and I, as we approach

Medicare coverage in the years to come, our hope is that the program remains as comprehensive and vital as it has for prior generations.

In spite of the weaknesses in our healthcare system and the high costs associated with it, there are strengths to which other countries aspire. It is hoped that in our drive to reduce healthcare expenditures, extend insurance to millions of uninsured, and to restructure a vibrant industry, we do not move so far and fast that the high quality of care always associated with our system will be subordinated. If such conditions appear to be materializing, I expect that the public will intervene politically. Consumerism remains an expanding influence in the healthcare and other industries. It is hoped that we make better use of healthcare dollars, and that the United States begins to catch up with many countries in terms of improving healthcare outcomes in which we do not compare favorably to many other advanced countries. Those countries have continued to modify their systems for many decades. The impending healthcare legislation will not likely “get it right” the first time. Many legislative modifications will be required in the decades to come.

—Lawrence F. Wolper, MBA, FACMPE

Contributors

Kevin W. Barr, MBA

Chief Executive Officer

Bon Secours Virginia HealthSource, Inc.

Richmond, Virginia

Karl Bartscht, MSE, FAAHC

Former CEO

The Chi Group, Inc.

Ann Arbor, Michigan

John D. Blair, PhD

Trinity Company Professor of Management

Center for Health Care Leadership & Strategy

Rawls College of Business

Texas Tech University

Lubbock, Texas

Christian F. Bormann, AIA, NCARB, LEED® AP

Principal, Healthcare Market Sector Leader

Perkins+Will

New York, New York

Charles L. Breindel, PhD

Former Professor

Medical College of Virginia

Virginia Commonwealth University

Richmond, Virginia

Paul J. Brzozowski, MT (ASCP), MPA

Partner

Applied Management Systems, Inc.

Burlington, Massachusetts

Gina M. Bufe, PhD, RN

New York-Presbyterian Hospital

New York, New York

Paul D. Camara, MS

Manager

Applied Management Systems, Inc.

Burlington, Massachusetts

Roberta N. Clarke, MBA, DBA

Associate Professor

School of Management

Boston University

Boston, Massachusetts

Karen Scott Collins, MD, MPH

Vice President

New York-Presbyterian Hospital

New York, New York

Patrick M. Collins, JD

Counsel, Labor and Employment Practice Group

Greenberg Traurig, LLP

New York, New York

Anthony Dawson, RN, MSN

Vice President

Operations at the Milstein Pavilion

New York-Presbyterian/Columbia

New York, New York

Sonya Dufner, ASID, LEED AP

Perkins+Will

New York, New York

Leslie G. Eldenburg, PhD, CPA

Associate Professor of Accounting

Eller School of Management

University of Arizona

Tucson, Arizona

Steven Falcone, MD

Leonard M. Miller School of Medicine
University of Miami
Boca Raton, Florida

Harry Feirman, PhD

Rocheport, Missouri

Myron D. Fottler, MBA, PhD

Professor and Director
Health Services Administration Programs
University of Central Florida
Orlando, Florida

Barbara B. Friedman, MA, MPA, FAHRM

Consultant
Forest Hills, New York

Cynthia A. Holubik, RN, BSN, MSM

Director
Bioterrorism Preparedness Project
Center for Health Care Leadership and Strategy
College of Business Administration
Texas Tech University
Lubbock, Texas

Daniel Hyman, MD, MMB

The Children's Hospital
Aurora, Colorado

Gabriel L. Imperato, JD

Managing Partner
Broad and Cassel
Ft. Lauderdale, Florida

Robert K. Keel, BS, MA

Research Assistant
Texas Tech University
Lubbock, Texas

Michael J. Kelley, MBA

Vice Chair for Administration
Office of the Executive Clinical Dean at FAU
University of Miami
Miller School of Medicine at FAU
Miami, Florida

Eliot J. Lazar, MD, MBA

Senior Vice President, Chief Quality and Patient Safety Officer,
New York-Presbyterian Hospital
Chief Medical Officer
New York-Presbyterian Healthcare System
New York, New York

Donna Malvey, PhD, MHSA

Visiting Assistant Professor
University of Central Florida, Cocoa Campus
College of Health and Public Affairs
Cocoa, Florida

Wilhelmina M. Manzano, MA, RN, NEA-BC

New York-Presbyterian Hospital
New York, New York

David Moxley

University of Missouri School of Medicine
Health Management & Informatics Department
Columbia, Missouri

Amy Myers

University of Missouri School of Medicine
Health Management & Informatics Department
Columbia, Missouri

Jesus J. Peña, MPA, Esq.

Jesus J. Peña & Associates, Jackson Heights, New York
Attorney
Saint Michael's Medical Center
Newark, New Jersey
Jackson Heights, New York

Ephraim Perez

Lester J. Perling

Partner
Broad and Cassel
Ft. Lauderdale, Florida

Brian K. Regan, PhD

Director, Clinical Affairs
New York-Presbyterian Healthcare System
New York, New York

Angela M. Roberson, MBA

Administrative Fellow
MD Anderson Cancer Center
Houston, Texas

Keila Rooney

Administrative Resident
Health First, Inc.
Rockledge, Florida

Aimee Sato

Grant T. Savage, PhD

Professor
Department of Management and Marketing
University of Alabama
Tuscaloosa, Alabama

Eldon L. Schafer, PhD, CPA

Professor Emeritus
University of Arizona
Tucson, Arizona

William L. Scheyer

City Administrator
Erlanger, Kentucky

Stephen G. Schwartz, MD, MBA

Bascom Palmer Eye Institute
Naples, Florida

Mike Segal, BA, JD, LLM

Partner
Broad and Cassel
Miami, Florida

Richard Sprow, AIA

Architect
Perkins+Will
New York, New York

Peter D. Stergios, BA, JD

Greenberg Traurig
New York, New York

Joseph Tan, PhD

Professor

Business Department

School of Business Administration

Wayne State University

Detroit, Michigan

Joshia Tan

Student

Olin Business School

Washington University

St. Louis, Missouri

Steven R. Tomlinson

Department of Chemistry & Biochemistry

Texas Tech University

Lubbock, Texas

Leo van der Reis, MD

Adjunct Professor

Clinical Professor

Department of Management and Marketing

University of Alabama

Tuscaloosa, Alabama

Andrew L. Wilson, PharmD, FASHP

Director of Pharmacy Services

Department of Pharmacy

Virginia Commonwealth University Health System

Richmond, Virginia

Karol Wollenburg

Pharmacy Department

New York-Presbyterian Hospital

New York, New York

Dwight J. Zulauf, BS, MS, PhD, CPA

Professor and Dean Emeritus

School of Business

Pacific Lutheran University

Tacoma, Washington