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Hamburgers and Hospitals: The Case for Standardization

Healthcare in the United States needs the same kind of standardization found in fast-food restaurants, said V. Clayton Sherman, EdD, a speaker at the American College of Healthcare Executives (ACHE) 1996 Congress in March. "For too long, our medical system has been based on the idea of the 'healing arts,' an obsolete notion," said Sherman. "We need less art and more science. We need the management science that makes McDonald's restaurants so prosperous."

Sherman, president of Management House, Inc., an Inverness, IL, consulting firm, spoke on the topic of "best practices." "'Best practices' are successful practices developed in other businesses and then tried in healthcare," he said. "And standardization is certainly one of them."

Sherman said the idea of standardizing healthcare is controversial. "But the market governs healthcare now, and what the market wants is high-quality service at lower cost. Those goals are impossible without standardization."

AN ERA OF ACCOUNTABILITY

Control of quality and costs was a theme echoed by other speakers at the ACHE meeting. "Healthcare, until recently, was the only U.S. industry that didn't have to measure the quality of the work it did," said Stephen Strasser, PhD, director of HealthCare Research Systems, Columbus, OH. "But now employers have awakened to the fact that they're the ones who really pay for it, and they naturally want to know the quality of the stuff they're paying for."

It was Sherman, however, who took the quality-control theme to its logical conclusion. He described the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) as an "anachronism," which sets only "minimal standards" for healthcare facilities. But employers and patients will no longer tolerate organizations with minimal standards, said Sherman. "Accountability for quality now lies with the healthcare organization's own management, not

some external group like the JCAHO," he insisted.

INTEGRATION AND STANDARDIZATION

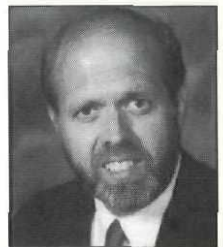
Unfortunately, said Sherman, few healthcare organizations are currently structured to behave as competitive businesses.

"Most of the new 'systems' are really collections of organizations—they're integrated in name only. System managers should be asking themselves how many different types of personal computers can be found in their facilities, for example. In genuine systems, standardized purchases of equipment are made across the board," he said.

Sherman blamed what he sees as the backwardness of healthcare on its traditional leadership. "The dead wood stacked in American hospitals is a disgrace," he argued. However, he said, healthcare boards of directors are now asking search firms to send them leadership candidates with big-business—not hospital—experience.

Sherman urged healthcare leaders to study successful corporations like McDonald's and Southwest Airlines. "McDonald's has one, and only one, system of production, which it uses in each of its restaurants," said Sherman. "Burger King, the nation's second-biggest fast-food chain, has eight different systems. They're not going to catch McDonald's, and their refusal or inability to standardize is why they won't."

The same principle applies to the airline business, where, he argued, standardization has enabled Southwest, formerly a regional company, to go national. "American Airlines has 12 kinds of aircraft, whereas Southwest has only one, the Boeing 737," said Sherman. An airline with a single type of plane is less vulnerable to maintenance problems, he argued. "Southwest is successful because it makes far fewer mistakes than its competitors. The moral of the Southwest story is: Keep it simple."



Sherman

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A CONCERN WITH HUMAN DIGNITY

Although other speakers at the ACHE meeting joined Sherman in urging healthcare leaders to emphasize business and industrial practices in their organizations, that opinion was not held by all. One speaker with a different view was Reed V. Tuckson, MD, president of Charles R. Drew University of Medicine and Science in Los Angeles. "This is a defining moment, not only in the history of U.S. healthcare, but in U.S. history itself," he said.

Tuckson did agree that the coming of managed care—and, with it, sharpened competition between organizations—was in general both inevitable and a good thing. Managed care will be good, he said, because it will probably require healthcare organizations to provide care for the entire community, including those among its poorer members who are currently ignored.



Tuckson

will again give us a public health policy. We haven't had such a policy since penicillin and the sulfa drugs wiped out the old infectious diseases years ago."

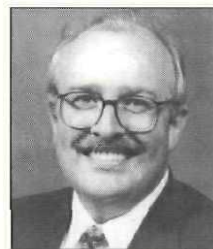
But Tuckson also issued a warning. "No matter how intense the competition becomes, no matter how sophisticated the technology becomes, healthcare must remain primarily concerned with human dignity and survival," he said.

"Many of us are disturbed by the growth of giant healthcare organizations," he continued. "Those of us in the healthcare professions must be stewards of our power. We must recall that our prime concern is not stockholder equity but whether people live or die."

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NO REAL REVOLUTION YET

Still another view was offered by J. Ian Morrison, PhD, of the Institute for the Future, Menlo Park, CA. Morrison said that although there have been significant changes in healthcare delivery in California, they have not occurred—and may well never occur—in other parts of the country. "We overestimate the degree to which the United States is going to resemble Los Angeles," he said.



Morrison

Despite the advice of many consultants, healthcare leaders are likely to have great difficulty making their organizations fit more business-like managed care models, Morrison said. "Take just one example—putting physicians in group practices," he said. "That's like herding squirrels. Physicians don't do organizations well."

Competition will bring new problems, Morrison predicted. "Academic medicine will suffer. No one will want to pay for *New England Journal of Medicine* articles," he said.

"The basic dilemma of contemporary healthcare is that no one really knows when fee-for-service care will move to capitated care," Morrison added. As a result, the much-heralded vertical integration of delivery is not occurring. "Vertical integration is the grand illusion of U.S. healthcare," he said. "Integration in reality is horizontal, virtual, and partial—not vertical, actual, and complete."

Morrison said employers were behind the current movement toward managed care. "Employers basically want to be off the hook for rising medical insurance costs. But managed care won't hold costs down in the long run," he said. "The true revolution in healthcare will come only when the United States insures the 50 million people who are now uninsured."

—Gordon Burnside