The Issue Is

Balancing Objectives of Efficient and Effective Occupational Therapy Practice

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Today's health care institutions are under increasing pressure to economize and monitor costs. Hospitals are being challenged to follow the business model to improve efficiency. However, when applying the business model to nonprofit health care institutions, the differences as well as the similarities must be taken into account. Nonprofit institutions can monitor costs, although hospitals did not really begin to do so until the 1970s. It is likely, therefore, that they can increase efficiency of services. Effectiveness is another component, however, that is equally important.

Anthony and Herzlinger (1) define management control in nonprofit organizations as the process by which managers ensure that financial and human resources are used effectively and efficiently in the accomplishment of the organization's objectives. Efficiency involves achieving objectives that meet a financial standard, that is, the costs of producing the results. Effectiveness involves using resources to achieve desired program results and is often expressed in non-quantitative terms. Effectiveness concerns the process by which health services are delivered and the satisfaction of the clients.

Drucker (2) states that "service institutions are not businesses; performance means something quite different to them." Performance means something different because health care institutions are obliged to supply a need that is for the good of society. The 1983 Report of the President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research (3) defined health care as a "right" that all U.S. citizens have. The institution objectives should reflect this obligation. Health care institutions, then, have as their objective the delivery of services that are efficient and that effectively meet the needs of their clients. Anthony and Herzlinger (1) argue that it is the manager's job to keep both objectives, efficiency and effectiveness, in mind. They also admit that the two objectives can clash at times.

How the Hospital Organizational Structure Affects Formulating Objectives

The potential for conflicting objectives is illustrated by the typical arrangement of three separate centers of authority within hospitals: trustees, physicians, and administrators. Starr (4) says this arrangement poses: . . . a great puzzle to students of formal organizations. Sociologists have wanted to know why the hospital departs from the standard model of bureaucracy in lacking a single, clear line of hierarchical authority. Economists have wanted to know what the hospital maximizes if it does not maximize profit. From the viewpoint of each discipline's paradigm, the hospital has been an anomaly. It seems much less so historically. (4, p 179)

Starr goes on to describe how, early in medicine's history, private practitioners' interests led to the multiplication of small hospitals and blocked their integration into larger systems. Later, the absence of integrated management led to greater emphasis on business functions. All of which left: . . . instead of a single governing power, three centers of authority held together in loose alliance. Hospitals remained incompletely integrated, both as organizations and as a system of organizations—a precapitalist institution radically changed in its function and moral identity but only partially transformed in its organizational structure. (4, p 179)

This organizational structure affects the managers of the departments within the institution, frequently putting them in the middle of the internecine disputes between the hospital's board of trustees, hospital administrator, and medical director. The Board of Trustees sees itself as a representative of the community (a microcosm of society); the hospital administrator represents the need for financially re-
sponsible behavior; and the director of medical services sees himself or herself as representing patient programs and medical staff.

The disputes that result can be seen as clashes between the objectives of efficient services and effective services that meet community and client needs. For example, it may be a questionable financial investment for a hospital to purchase a computerized axial tomography (CAT) scan. However, the community (as represented by the board) and the staff (as represented by the medical director) may desire the convenience of having the equipment within the facility. Is the organization's goal—to give efficient and effective service—best met by purchase of a CAT scan or by sharing one with a facility 30 miles away? There is no right answer. The issue must be worked out within each organization, usually by doing cost-effectiveness and cost-benefit analysis. It is difficult, however, to quantify patient satisfaction and access.

Conflict of Interest? An Attempt to Align Organizational Goals with Financial Resources

Massachusetts General Hospital (MGH), a celebrated Boston teaching hospital, has a reputation for providing quality patient treatment and excellent learning experiences for students. These activities are costly. In July 1983, the Trustees of MGH made a financial proposal that would enable MGH to upgrade facilities and services. The money was supposed to come from the proceeds of the sale of McLean Hospital, a psychiatric institute in Belmont renowned for its patient care and teaching. The proposal sponsored the sale of McLean to the Hospital Corporation of America. The question was whether MGH could ethically sell McLean, a nonprofit teaching hospital, to a for-profit corporation. This meant that MGH's financial status would be enhanced at McLean's expense.

In a letter to The Boston Globe (August 22, 1983), Dr. Moore of the Harvard Medical School argued that, because MGH was incorporated in 1811 under the auspices of the Commonwealth of Massachusetts, the hospital had an obligation to serve the public trust. Dr. Moore felt the Trustees' proposal represented a conflict in its obligation to serve the public even when it is unprofitable. Because for-profit corporations are not bound by this imperative, Hospital Corporation of America could conceivably sell McLean Hospital if it did not make a profit.

On November 3, 1983, MGH rejected the bid submitted by Hospital Corporation of America to purchase McLean Hospital. The rejection was, in part, a result of intense opposition to the purchase by Harvard Medical School. Harvard's report said that many faculty members thought a close relationship between Harvard and a for-profit health care provider would be wrong because it would tend to sustain penetration of the health care system by investor-owned companies. It went on to say that in considering medical ethics, the operation of hospitals, and particularly teaching hospitals, should not be influenced by the motivation for profit. One member of the Board of Trustees calculated that McLean spends $2 to $3 million on education each year.

On the other hand, the proposal to sell can be seen as one hospital's effort to maintain and enhance hospital facilities while complying with legislation enacted to cut health care costs. MGH is currently operating under Chapter 372, recent state legislation that sets hospital budgets at fixed levels for the next 3 years. The hospital is also bound by new health planning regulations that went into effect September 1, 1983 that will significantly restrict the amount of hospital improvement projects within the state.

Although only Massachusetts hospitals are working under these regulations, they are being viewed by many as possible models for other states. In October 1983, states not under such legislation as Mass. Chapter 372 were required to comply with the formula for prospective Medicare payment. This plan proscribes a fixed amount of reimbursement, in advance, for specified disease categories. Its intent, to cut health care costs through regulation, is similar to Chapter 372. This will put additional pressure on hospital operations to focus on costs.

Implications for Today's Occupational Therapy Director

Today's occupational therapy director is caught in a clash of objectives to provide efficient and effective care. Pressure for financial performance may, at times,
take precedence over a concern for effective programs. What position should occupational therapy managers take? Although at times it may be uncomfortable, they should balance between effective and efficient performance. They should demonstrate expertise in controlling their department's operations, and thus, gain credibility as competent financial managers. Only credible managers will be able to challenge goals of efficiency when they feel that effective care may be compromised.

Competent performance probably means more education for occupational therapy managers who need to learn financial control, organizational behavior, and health care policy. The American Occupational Therapy Association (AOTA) can help through workshops such as those on quality assurance. Universities can help by offering courses and programs in health administration. The profession can help by acknowledging the difficult role occupational therapy administrators are in, and will be in, for the years ahead.

Administrators will be largely responsible for defining how and what kind of occupational therapy services are delivered in the years to come because they are in the arena where legislative policy is translated into day-to-day operations. They must lead their therapists in defining a way to deliver services that will be financially responsible yet maintain the profession's commitment to its standards of practice. Occupational therapy services are difficult to quantify; how does one put a dollar value on quality of life? Yet, this is what occupational therapy is directed to: enhancing one's quality of life through skill development. Since occupational therapy administrators will play a key role in translating occupational therapy objectives into services, they need guidance from the profession as they try to reconcile effective and efficient health care. At times, they may have to choose one or the other. If their choice conflicts with financial objectives, they will need to justify that decision. Our profession needs to develop a position that does not allow effectiveness to be sacrificed for efficiency.

The situation the public schools faced in the early 1900s when city governing boards pressured the schools to follow the industrial model of efficiency parallels these events. Cubberley (5), the father of educational administration, spoke out against the superintendent whose "conception of educational administration is that of clockwork, machinery, inspections, and uniform output, and who runs the educational department much as he would run a factory. . . ." (5, p 286) Margaret Haley (6), one of the most influential women in education at the time, saw the events as a struggle between two ideals:

... The industrial ideal, which subordinates the workers to the product and the machine, and, the ideal of the educators, which places humanity above all machines, and demands that all activity shall be the expression of life. (6, p 148)

The challenge today is to align the ideals of health care with the organization's financial resources. However, in applying the business model to nonprofit health care organizations, effectiveness as well as efficiency must be considered. Sometimes they can be partners, but at other times patient service needs will conflict with financial goals. Occupational therapy administrators will be in the middle of this balancing act and will therefore play a substantial role in defining the way occupational therapy services will be delivered within health care organizations. They should have our assistance.

REFERENCES
6. Haley M: Why Teachers Should Organize, National Education Association Addresses and Proceedings, St. Louis, 1904