
Volume 9, Issue 2 /2007 - Governance

Creating Modern Management Structures in Hospitals through Centre Formation

The economic pressures facing hospitals are set to intensify in the years ahead. Studies carried out by a range of consultancy companies predict that the viability of as many as one in four hospitals will be jeopardised in the next 15 years. It is highly unlikely that the German university hospital sector will emerge unscathed at the end of this process. The privatisation of patient care in the Universities of Marburg and Giessen gives an early indication of how this process of change will proceed. In order to survive, university hospitals must consolidate and enhance their competitive position in national and international markets in the areas of patient care, research and teaching. With competitive pressures mounting and public funding declining, change has become imperative, particularly in the management structure of Germany's third-level medical institutions. A key tool in this process is the formation of decentralised departments or centres. The University Hospital of Hamburg-Eppendorf (UKE) decided at an early stage to pursue this course of action. The interim balance sheet is impressive.

1. The Evolution of Centre Formation at the UKE

The UKE was quick to recognise the need to shift to a decentralised organisational and management structure. A pilot project in the department of psychiatry carried out between 1999 and 2001 served as an information-gathering exercise. The lessons learned from this initial experience were incorporated in the hospital's structural law and statutes between 2001 and 2003. Paragraphs 6 and 7 of the UKE statutes defined the fundamental structure and roles of bodies operating under the aegis of the centres as well as the core areas of the hospital. The centres were subsequently established and the statutes for each of the respective centres approved in 2003. At the end of that year, with all the management teams for the centre appointed, the new organisational and management structure finally took shape. Now that the process has had four years to settle down, it is possible to draw some early conclusions in respect to the hospital's strategic development on the basis of the new centre structure.

3. Configuration of Centres in the UKE

In terms of basic structure, the UKE centres are organised around two bodies: the executive committee and board. The members of the executive committee are the director of medicine and science, his or her deputy and the commercial director. In the case of centres with in-patient beds, the nursing director is also a member of the committee. The role of the committee is to manage the centre internally and externally. In this context, co-operation with the board is vital, as is providing support to the department on issues related to research and teaching. The principal function of the centre's medical director is to monitor performance and quality targets and ensure optimal utilisation of resources in the delivery of medical services. The role of the commercial director is wideranging and extends from service, cost and budget planning to monitoring and managing the implementation of these plans on behalf of the clinics and institutes operating under the aegis of the centre. The nursing director is responsible for tasks such as personnel deployment and for the nursing and functional units, including quality assurance. In addition to the executive committee, each centre has a board which advises the committee on key issues. The board consists of the directors of the various clinics in each of the centres.

The different centres operate as units of the UKE and pursue teaching, research and patient care with a view to furthering the collective interests of the university hospital. They have full responsibility for outcomes in their respective disciplines. The hospital board is responsible for the oversight of the centres and may issue directives to a centre in the event of a conflict of interest arising between two or more centres.

4. The Impact of the New Management Structure on the Development of the UKE

The establishment of decentralised management structures in the UKE centres removed the burden of administrative and cost control tasks from the directors of clinics. At the same time, the change also created greater scope for influencing and enhancing the transparency of budget and performance figures in centres and, as such, the entire university hospital. Greater professionalization and the consolidation of the role of commercial director allowed senior clinicians to concentrate on their core medical and patient care functions.

As a result of the decentralised organisational form, coupled with increased decision-making autonomy, the hospital's central services were faced with a substantial increase in demands. On the one hand, they were forced to change how they perceived their own role, from one of centralised resource administrator to one of internal service provider. On the other, they experienced a significant increase in the demands imposed on them in the areas of IT and cost control. The requirements of the centres set in train a dynamic process which has created enormous challenges for the entire organisation. It has led to a state of permanent evolution in which the centres, as internal "customers", benchmark the central service providers and requisition the information they need for decentralised business management. Through this process the UKE has taken major strides towards transparent cost and revenue structures and, in so doing, significantly improved the quality of decisions on structures, processes and outcomes.

and the clinics and institutes operating on the frontline. This has laid bare the strengths and weaknesses on both sides. This pertains as much to deficits in the areas of research, teaching and patient care as it does to inefficient structures among the central services. As a result the hospital is experiencing a transparent shift in focus in the medical field. Moreover, the allocation of resources in research and teaching has become more focused on performance. Improvements have also been secured in the central services, for instance, through the involvement of external partners in areas such as logistics and facility management. It soon emerged that the hospital had to offer services which matched the quality and price levels available on the market.

The role and configuration of the centres' commercial management function is closely connected to the allocation of central administrative functions. Whereas activity, as laid down in the statutes, was predominately focused on financial control, strategic issues have since come to the fore in the management of the centres. This is evident in the goal and performance agreements concluded with the board. These force the centres to implement measures such as bonus and penalty arrangements to foster competition (e.g. performance development and maximised use of internal resources) and address specific internal strengths and weakness. It also manifests itself in the area of strategic management and initiatives aimed at "marketing" the centre both internally and externally. Internal marketing entails creating a distinctive profile for the centre vis-à-vis other centres, the central services and the board. The board must focus its attention on the most important strategic projects for the overall organisation and cannot offer equal support to all initiatives and projects. From the perspective of the centres this means they may be prevented from pursuing certain desirable goals because the board, having considered the hospital's overall requirements, decides it is unable to offer the necessary support.

In terms of strategic development, the individual centres can rely on the reputation of the hospital and the support of the central service units. This is conditional, however, on the centre's objectives conforming to those of the hospital. The internal "rivalry" fostered by centre-formation provides an opportunity to mobilise performance reserves through benchmarking. However, these competitive energies have the potential to trigger mechanisms, for instance in the context of the internal exchange of services, which do not advance the overall objectives of the organisation. In these circumstances, the board is compelled to carefully monitor developments in the centres and, where necessary, introduce timely, countervailing measures.

For the management of the centre, external marketing is a logical extension of the need to develop an internal profile. As the board's control has diminished, the centres have been encouraged to embark on new initiatives which have been steered in such a way as to benefit the hospital as a whole. This is evident in the manner in which the UKE has opened up to the outside world and set about conquering new markets. It has, for instance, entered into strategic co-operation agreements and partnerships with other hospitals and hospital groups, and built strategic networks with doctors in private practice. It has also moved into new markets by developing a medical care centre, entering into integrated care contracts and offering secondary and tertiary services in areas such as laboratories.

5. Summary and Outlook

Following a protracted period of often emotional debate throughout the hospital, but specifically within the Faculty Council and those organs of the hospital under the direct remit of the office of the dean, on the potential conflict between university medicine and the profit-centre approach, the various statutes, regulations and legislation emerged as the foundation on which the new centres would be built. After four years, it is possible to take a positive all-round view of the decentralised centre structure in the UKE. Resolving more fundamental structural and staff conflicts with the assistance of the centres has been only partially possible, but these types of conflict would require the intervention of the board irrespective of the type of organisational structure in place. The introduction of centres has had the following effects on the UKE:

- A pooling of interdisciplinary medical competence;
- Patient marketing;
- Decentralisation of management competences;
- Optimisation of resource deployment and enhanced process quality;
- Delegation of responsibility resulting in better management of all larger departments; and
- Professionalisation of the ongoing strategic deliberations in the UKE.

In addition, the centre structure has had a lasting impact on the development of the UKE in that it has changed its organisational culture. Instead of choosing isolation in the ivory towers of academia, the UKE chose, through the centres, to open up both internally and to the outside world and laid the foundations for the future strategic development of the organisation.

Authors:

Christoph Schmitz

Commercial Director of the

Centre for Head Care and Dermatology and the Centre for Otolaryngology, Rhinology and Laryngology and Susanne Quante,

Strategic Business Development Unit, University Hospital Hamburg-Eppendorf, Germany

E-mail: christophschmitz@t-online.de

Published on : Mon, 24 Sep 2007