CHAPTER 1

HEALTH, HEALTHCARE, AND HEALTHCARE ORGANIZATIONS

We think it is important not only to be a great performer in the medical model (that is, treating sickness, illness, and injury) but also to be an excellent . . . organization in the health model (that is, keeping people healthy, fit, and vibrant).

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**Learning Objectives**

- explain what health is;
- describe the major forces that determine the health of a population;
- identify healthcare services in the continuum of care;
- identify types of healthcare organizations;
- explain the external environment and how it affects healthcare organizations; and
- state trends that are shaping the future of healthcare.
HERE’S WHAT HAPPENED
St. Mary’s Health Care System has served Athens, Georgia, for more than 100 years. In 2008, it had 165 hospital beds for patients. It was a member of Catholic Health East, which has facilities in 11 states. St. Mary’s is a community hospital and thus strives to understand and meet the community’s health needs. At the beginning of the twenty-first century, the hospital faced good news and bad news. Athens was listed nationally as a top place to retire, and the over-55 population in Athens was expected to grow 42 percent in the next several years. However, the hospital’s market share had declined, too many staff members were leaving, and physicians felt dissatisfied. The Joint Commission, an organization that accredits healthcare facilities, and others were demanding better patient safety and quality. The board of directors appointed a new chief executive officer in 2000, and he found there was much work to do.

People are needed to manage healthcare organizations (HCOs), as the opening example shows. We will follow what happens at St. Mary’s Health Care System (SMHCS) and use it as a continuing case study throughout the book. (The entire case study is presented in an appendix.) You can study this book to learn how to manage HCOs to help people have healthier lives. By doing this, you can do work that has meaning and value (in addition to earning a good paycheck). This chapter explains health, healthcare, health services, and the main forces that determine health. It identifies health services in the continuum of care and then identifies the types of HCOs forming the healthcare sector. The chapter explains the external environment and trends that affect HCOs, the healthcare industry, and the health sector. The chapter ends with information about healthcare management jobs and careers, for which this book will help prepare you.

HEALTH AND WHAT DETERMINES IT
What is health? In a well-established definition still used today, the World Health Organization (WHO) (1946, 100) says that health is “a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity.” Note that the definition of health is based on being well, rather than just not having a disease or problem.

Health status is measured by how well someone functions physically, mentally, emotionally, and socially (Fos and Fine 2005). To further understand health, we can look at Henrik Blum’s (1983) classic model (Exhibit 1.1), which shows dimensions of health and four forces that determine it. Like WHO’s definition, this model also views health as physical (somatic), mental (psychic), and social well-being. Health is measured in many ways, such as life expectancy, physical disability, mental disability, social behaviors, self-reported feelings about one’s health, presence of disease, lab test values, and assessed emotions.
Chapter 1: Health, Healthcare, and Healthcare Organizations

The Force Field Model of Health

Four forces—heredity, medical services, environment, and lifestyle—simultaneously determine the health of a population. These are described in the following paragraphs and shown in Exhibit 1.1.

Heredity is the starting point of health. Genes and characteristics inherited from parents make a person more likely or less likely to develop certain health problems and to be or not be healthy and well. Perhaps your parents have mentioned some genetic traits and characteristics that have been passed along in your family. Historically, genes were considered fixed until genetic re-engineering emerged in the late twentieth century. A manager cannot really change genetics to try to improve the health of patients and the community.

Medical care (or more broadly, healthcare) refers to the many medical services (and health services) provided by the healthcare system to help people be well. Medical care is diagnosis and treatment in the care of patients, sometimes limited to care by physicians and sometimes more broadly including care by nurses, therapists, and others who care for patients (Slee, Slee, and Schmidt 2008, 340). Healthcare is services that promote health,
prevent health problems, diagnose and treat health problems to cure them, and improve
quality of life (Slee, Slee, and Schmidt 2008, 245). You have probably used some medical
and health services. Medical and health services are important, yet they have the weakest
effect of the four forces on health, as shown in Exhibit 1.1 by the reduced thickness of the
medical care services arrow.

**Lifestyles**—attitudes and behaviors such as smoking, seat belt use, diet, and exercise—greatly affect health. Currently, obesity is a prevalent health problem that has been
linked to unhealthy lifestyle choices, such as lack of exercise.

**Environment** includes the physical and sociocultural setting in which someone
lives. Many environmental elements affect health, such as sanitation, violence, sunlight,
employment opportunities, population density, and air pollution. Henrik Blum believed
environment has the most powerful effect on health, indicated by environment having the
thickest (strongest) arrow in the exhibit. The enormous 2005 flooding in New Orleans and
the 2010 earthquakes in Haiti help us understand how much a change in the environment
affects the health of a population.

Heredity, medical services, environment, and lifestyle interact and affect each other
while they also affect health. For example, the environment where someone lives affects
that person’s lifestyle and availability of medical care services—and all three forces affect
the person’s health.

Scholars have studied these forces and concluded that specific elements of them
(such as where one lives, diet, and income level) differently affect the health of specific
subpopulations (such as those based on race, ethnicity, and gender) (Acevedo-Garcia et
al. 2008; Gehlert et al. 2008; Kimbro et al. 2008). These **disparities** are common
among groups and are a big concern in communities and countries.

Managers should understand that disparities are linked to heredity, environment,
lifestyle, and use of medical care services. Knowing this, managers can plan solutions for
health problems experienced by groups of people.

How can healthcare managers use Blum’s force field model to improve people’s health?
First, realize that factors other than healthcare services are important. Managers have three
general ways to improve people’s health: (1) improve their environment, (2) improve their lifestyles,
and (3) improve their medical care. **Environment and lifestyle**—which can help prevent disease,
illness, and injury from occurring in the first place—have a bigger effect on health than
healthcare that is provided to treat people after they are ill or injured.

**Lifestyle**
Patterns of attitudes and behaviors that make up one’s way of living.

**Environment**
The world that exists beyond one’s own control and beyond the borders that separate oneself from everything else. Environments include people, organizations, societies, forces, and many other elements.

**Disparities**
Differences in health problems, health status, and use of health services among people who differ in ethnicity, gender, and other characteristics.
**HERE'S WHAT HAPPENED**

A 2009 NOVA Award was given to Duke Raleigh Hospital in North Carolina, which joined with staff from Alice Aycock Poe Center for Health Education and Rolesville Elementary School to help children form healthy habits. Together, they promoted healthy eating and physical activity and also helped overweight youngsters work toward normal weight. They set up fun activities for the kids, including friendly health education contests between school students and teachers. Parents also became interested, and soon the students and their parents and teachers were practicing healthier lifestyles and reducing obesity (Santamour 2009).

In light of the importance of lifestyles and environment to health, many HCOs and their managers in the past few decades have actively improved environment and lifestyles in their communities while also improving healthcare services. These HCOs have implemented innovative approaches to improve health, such as offering wellness programs to seniors, helping children adopt healthy lifestyles, building walking trails and playgrounds, and many other approaches. These programs have improved nutrition, reduced obesity, and reduced tobacco use in these communities. Think about your own community—how have HCOs improved health there?

**TRY IT, APPLY IT**

Suppose you were asked to serve on a college task force to recommend what the college could do to help students improve their health. Using what you have learned in this chapter about the determinants of health, suggest how to improve students’ environment, lifestyles, and use of health services to improve their health. Discuss your ideas with other students.

**Health Services**

There are many different health services . . . what are some that you have heard of? Some services prevent problems, some diagnose problems, some treat problems, and some support people at the end of life. The hundreds of different health services can be grouped into categories, such as preventive services, diagnostic services, treatment services, rehabilitative services, and so on. These categories can then be arranged in a **continuum of care** to provide womb-to-tomb care as shown in Exhibit 1.2: Continuum of Care. All of these services must be managed and coordinated to work together for people to be as healthy as possible.
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The Here’s What Happened at the beginning of the chapter describes a complex HCO that we will follow throughout the book. What are some HCOs you have heard of? Some HCOs, such as large general hospitals, provide a wide range of acute care and other services spanning many parts of the continuum of care. Other HCOs, such as hospices, are specialized and only provide a narrow range of services in one part of the continuum. Hospitals may also be specialized, such as for only psychiatric or only rehabilitation services. Medical group practices and physician offices are another type of HCO. These practices might provide many medical services, such as cardiology, pulmonology, and neurology, or instead focus on a single specialty. Many medical groups now offer diagnostic testing, on-site therapy services, outpatient surgery, and other care.

Ambulatory HCOs provide healthcare services to people who come for care and do not stay overnight. One example is an outpatient diagnostic center, which performs lab tests, medical imaging tests, and other services to help diagnose health problems. Other ambulatory options include ambulatory surgery centers, urgi-care facilities for minor problems, mental health clinics, and primary care clinics. Home care organizations provide an array of nursing and therapy services in people’s homes. Some organizations, such as nursing homes, provide services for people (not all of whom are elderly) needing care for an extended period of time.

In addition to HCOs that provide hands-on healthcare services to patients and directly affect health, other types of essential HCOs indirectly affect people’s health. Organizations such as the American Cancer Society and American Lung Association affect people’s health by funding research, developing educational programs, and assisting people who need treatment. Medical supply firms and pharmaceutical
companies such as Johnson & Johnson produce and distribute the thousands of supplies, drugs, and equipment that other HCOs use to provide healthcare. Companies such as General Electric make high-tech equipment such as MRI scanners and robotic surgical systems. Other companies make less sophisticated devices, catheters, IV solutions, wheelchairs, antibiotics, bandages, and many other items. Health insurance companies, such as Blue Cross, are another type of HCO. These businesses assist in the financing and payment for healthcare services. Trade organizations, such as the American Hospital Association, and professional associations, such as the American College of Healthcare Executives, are other types of HCOs. Colleges and universities prepare people to work in hundreds of distinct healthcare jobs. Other organizations accredit, license, and regulate HCOs. The list could go on and on . . . try to think of other kinds of HCOs. There is no absolute boundary between HCOs and the rest of the economy and society because some HCOs overlap with other economic sectors. Managers should be aware that their own organization must interact with many other HCOs that together produce a continuum of care and healthcare services for a population.

**The Environment of Healthcare Organizations**

A healthcare organization exists in an environment of people, organizations, industries, and sectors of society that are beyond its control. Part of this environment are the other HCOs that make up the larger healthcare sector. Part of the HCO’s environment beyond healthcare includes citizens, schools, colleges, banks, computer companies, labor unions, stock markets, governments, basic research laboratories, and more. For example, the environment of St. Mary’s Health Care System includes the growing population and the accreditation commission.

Let’s consider Summit Nursing Home and its environment. The many nursing homes in the nursing home field are part of Summit’s environment. They exist in the healthcare sector, which also includes hospitals, home care agencies, health insurers, and all the other HCOs and health industries. This health sector exists in the larger society, which includes telecommunications, housing, government, banking, transportation, education, and many other industries and sectors. In addition, potential customers, volunteers, employees, and donors are part of the external environment. This environment can also be thought of in terms of various forces and influences—cultural, social, financial, political, technological—that affect the HCOs.

These other organizations, forces, and people affect HCOs in many ways. For example, Summit Nursing Home depends on people to use its services, but those clients may demand more weekend activities and take their business elsewhere if their demands aren’t met. Summit depends on the state health department to license the nursing home and allow it to legally operate. The government could force the
nursing home to make improvements in order to be re-licensed and stay open. **An HCO exists in, and is influenced by, a larger world.** The HCO must be open to its environment and interact effectively with it. To paraphrase an old saying, no HCO is an island unto itself. An HCO depends on people and organizations in its environment just like a person does. The Summit Nursing Home must be open to its environment to obtain clients, staff, information, funds, equipment, supplies, licensure, and information.

Richard L. Daft (2010, 141) helps us understand the big, vague environment out there beyond a single HCO. He divides the environment into ten distinct sectors:

1. Industry sector: related businesses and competitors
2. Raw materials sector: suppliers, manufacturers, service providers
3. Human resources sector: employees, labor unions, schools, colleges, employment agencies, labor markets
4. Financial resources sector: banks, lenders, stock markets, investors
5. Market sector: actual and potential customers, clients, and users of products and services along with their characteristics and preferences
6. Technology sector: science, technological methods of producing products and services
7. Economic conditions sector: levels and rates of employment, inflation, growth, investment, and other economic circumstances
8. Government sector: laws, regulations, court rulings, political systems, and governmental services at the local, state, and federal levels
9. Sociocultural sector: characteristics of society and culture such as age, education, values, and attitudes
10. International sector: other countries and globalization

When you think about an HCO, think too about its environment, because that will strongly affect the HCO. Managers must develop good relationships between their HCO and its environment. This is explained more in chapters on planning and organizing.

**Healthcare Trends**

Healthcare is always changing, similar to other fields, other sectors, and the external environment. Some changes are predicted whereas others are unexpected. Managers must anticipate change so they can help their HCOs adjust smoothly. They must also be able to adjust to unexpected developments. In late 2008 and 2009, the US
banking system partially collapsed, which made it difficult for HCOs and other businesses to borrow money for new equipment or buildings. Many HCO managers (and bank managers themselves) did not foresee how severe the change would be and were unable to obtain funds to fulfill plans. Other managers did anticipate and adjusted their plans before funds became limited.

The following are some of the many trends occurring in US healthcare and its environment. Managers can use methods, tools, principles, and techniques taught in this book to help their HCOs monitor and adjust to these changes.

◆ People and organizations are becoming much more connected locally, regionally, nationally, and globally.

◆ The US population is becoming more culturally diverse.

◆ Communications technology and devices have made wireless electronic communication possible almost anywhere, anytime.

◆ Healthcare prices and spending have been increasing for decades and continue to increase faster than prices and spending in the US economy in general.

◆ Healthcare consumers are becoming more knowledgeable about their own health and more demanding of healthcare organizations.

◆ Science and technology continually lead to new methods of diagnosis and treatment.

◆ Payers and purchasers are holding HCOs more accountable for performance, and that performance is becoming more transparent (open and visible).

◆ New medical schools are opening to address physician shortages, especially shortages of primary care physicians.

◆ Survival rates for cancers have been improving, although cancer is still one of the top causes of death and disease.

◆ The number of uninsured Americans has been increasing; healthcare reform legislation enacted in 2010 is expected to change this trend.

◆ HCOs are becoming more green and eco-friendly.

◆ Average spending per person on health in the United States continues to exceed that of every other country, but American performance on global measures of health, such as infant mortality and life expectancy, are nowhere near the best.
Electronic health records are replacing paper medical records, although this trend has been slower than expected.

**HEALTHCARE MANAGEMENT JOBS AND CAREERS**

Many healthcare management jobs and careers exist. According to the American College of Healthcare Executives (2010), about 100,000 people work in these jobs in settings and specialties shown in Exhibit 1.3. New graduates begin their careers in entry-level jobs. From there, promotions can lead to middle management and then upper-management jobs. After getting some experience, you will be able to move between different types of HCOs, such as from a hospital into a health insurance company and then later to a large medical group practice. There are many opportunities for students to develop exciting, rewarding healthcare management careers. This book was written to help you prepare to enter this profession, yet its lessons, principles, tools, and methods will be useful throughout your career.

**Exhibit 1.3**

Types of Healthcare Management Organizations and Jobs

Managers work in these and other types of HCOs:
- Clinics
- Consulting firms
- Health insurance organizations
- Healthcare associations
- Hospitals
- Nursing homes
- Physician practices
- Mental health organizations
- Public health departments
- Rehabilitation centers
- Research institutions

Specialized areas for managers include these and others:
- Finance
- Government relations
- Human resources
- Information systems
- Marketing and public affairs
- Medical staff relations
- Nursing administration
- Patient care services
- Planning and development
- Supplies and equipment management

Chapter 1: Health, Healthcare, and Healthcare Organizations

Health is more than the absence of disease. It is complete well-being—physical, mental, and social. The health of people is determined by four broad forces: heredity, environment, lifestyle, and medical care (which is the least important of the four forces). Healthcare services provide medical care, and these services range from prenatal care to end-of-life palliative care to form a “womb-to-tomb” continuum of care. Many different kinds of healthcare organizations provide these services. The organizations interact with each other and with many other elements in their environment. All HCOs depend on many other organizations and their environment. The environment strongly affects an HCO, and when the environment changes, it might affect the HCO. Thus, HCOs must monitor and adapt to changes in their environment. These organizations offer a wide variety of management positions.

For Your Toolbox

• Force field model with four determinants of health
• Continuum of care

For Discussion

1. Explain the four forces that affect health and well-being in the community where your college is located. Give an example of each force. Which of these four forces do you think healthcare managers can control and change the most, in order to improve people’s health?
2. Why is the external environment so important to healthcare organizations?
3. Using this chapter, describe parts of the environment for St. Mary’s Health Care System.
4. Compare and contrast healthcare organizations with other types of organizations (e.g., universities, computer companies, museums, government agencies, airlines, movie theaters, and professional sports teams).
These questions refer to the Integrative Case Studies at the back of this book.

1. Case: Taking Care of Business at Graceland Memorial Hospital. Explain how the external environment has affected the hospital.
2. Case: Decisions, Decisions. What are some factors in the external environment that managers should consider when making their decision?
3. All cases. What kinds of HCOs are evident in these cases?
4. All cases. What kinds of healthcare management jobs are evident in these cases?

**TRY IT, APPLY IT**

Name seven to ten healthcare organizations in the community where you grew up, such as specific medical groups and nursing homes. (Do some quick online research if necessary.) List several big changes that are occurring in the community and external environment of those HCOs. Describe how those environmental changes might affect each of the HCOs in your community. Discuss ideas with a colleague from another community.