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HOSPITAL ADMINISTRATION

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SECOND EDITION

JAYPEE

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CHAPTER

2 Hospital Administration—Introduction

Often the students get confused about the terminology as what is management and what is administration. Sometimes, it is so confusing that even learned people find it difficult to categorize these two. Certain universities in the West also award a postgraduate degree in management, such as 'Master of Business Management' and equally true that other universities award the degree as 'Master of Business Administration.' In Indian universities also, the postgraduate degrees are awarded in hospital administration as, Master of Hospital Administration (MHA) and postgraduate diplomas like postgraduate diploma in hospital administration or hospital management. If we simplify the terms and state that management as a whole can be divided into two parts—administrative management or administration is the function of top management, it is concerned with policy formulation, planning, decision making and problem solving **(Fig. 2.1).** Operational management or management is the function of lower level management, which consists of supervision, implementation and operation. The administration is more pronounced at higher level of management, while management is more pronounced at lower level. Thus, administration and management may be distinct activities but both pertain to the dual aspect of the same device.

HOSPITAL ADMINISTRATION CAN HAVE DIFFERENT MEANINGS

a. **Administration as a process:** Often it is said that it is a professionally managed hospital, it is well managed hospital, meaning thereby the management is described as an activity, type of work. Administration applies certain principles, techniques and activities which are performed by certain management functions. What the hospital administration does is administration.
b. **Hospital administration is a subject:** A subject, a discipline taught in universities, colleges or institutes. It is an accumulated body of knowledge that can be learned. At some places, the broad specialty is health administration including hospital administration. Various degrees, diplomas, certificate courses are run by the institutions/universities.
c. **Hospital administration as people:** The administration of this hospital is very insensitive, the hospital administration of this hospital is not responsive to society are the terms often used. While using these terms we are referring to body of people responsible for administration, the board of directors, director, medical superintendent and his team.
d. **Hospital administration as a career:** News published in the national daily says that hospital administration will be among top ten careers in the next decade. Such statements imply that hospital administration is a career.

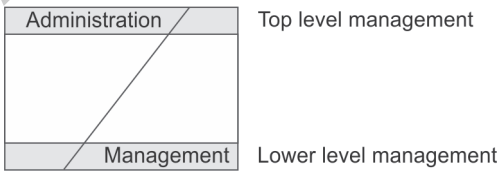

Fig. 2.1: Proportion of activities as per-level of management.

DEFINITION

1. Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.
2. Management is the process undertaken by one or more persons to coordinate the activities of other persons to achieve results not attainable by any one person acting alone.
3. Management is a distinct process consisting of activities of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources.
4. Management is the art of getting things done through and with the people in formally organized groups.

The definitions given by various authors can be explained as follows:

- As a hospital administrator, he has to carry out management functions of planning, organizing, staffing, directing, controlling and coordinating.
- Management applies to all kinds of organization, whether government or non-government, small or big hospitals, profit making hospitals or charitable hospitals.
- It applies to administrator at all organizational level, whether lower level or top level.
- The aim of all administrators is the same that is to maximize the output.
- It is concerned with productivity that implies effectiveness and efficiency.

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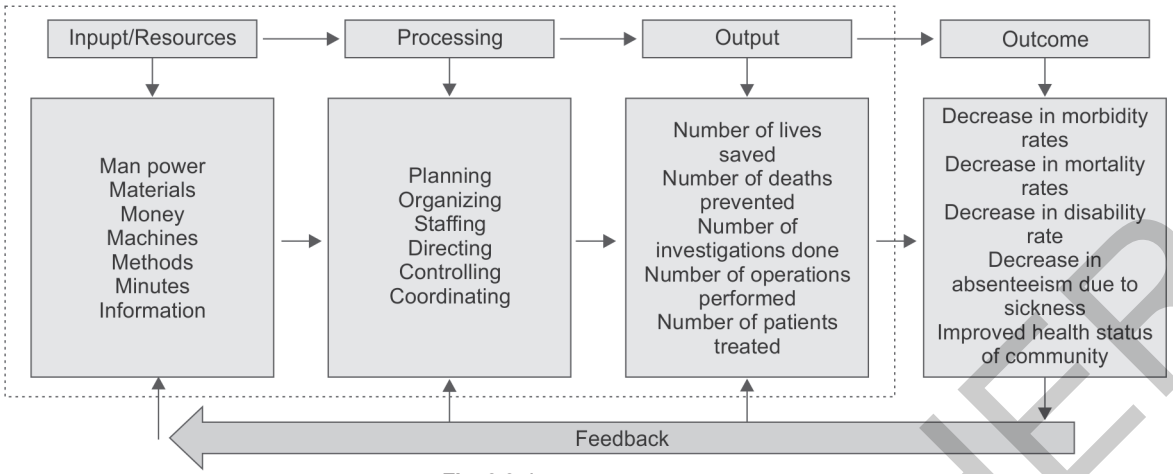

Fig. 2.2: Input process output.

Three terms need to be clarified here; this can be explained with input, process and output model **(Fig. 2.2)**.

1. **Productivity:** It is an output input ratio within a time period with due consideration for quality.

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}} \left\{ \begin{array}{c} \text{Wihin a time} \\ \text{period and due} \\ \text{consideration} \\ \text{for quality} \end{array} \right\}$$

   Productivity can be more by:
   - Increasing output and maintaining same input.
   - Increasing output and decreasing input.
   - By decreasing input but maintaining same output.
2. **Effectiveness:** When a manager is able to achieve his objectives, he is called an effective manager/ administrator. The focus is on the output. The end result is to be evaluated.
3. **Efficiency:** When a manager is able to achieve the objectives, with the least (optimum) amount of resources, he is called an efficient manager.

ROLES OF HOSPITAL ADMINISTRATORS

A. General Roles

The hospital administrator, such as any other manager performs various roles; the managerial roles as described by Mintzberg can be grouped as follows, which are equally relevant for hospital administrator also **(Fig. 2.3)**.

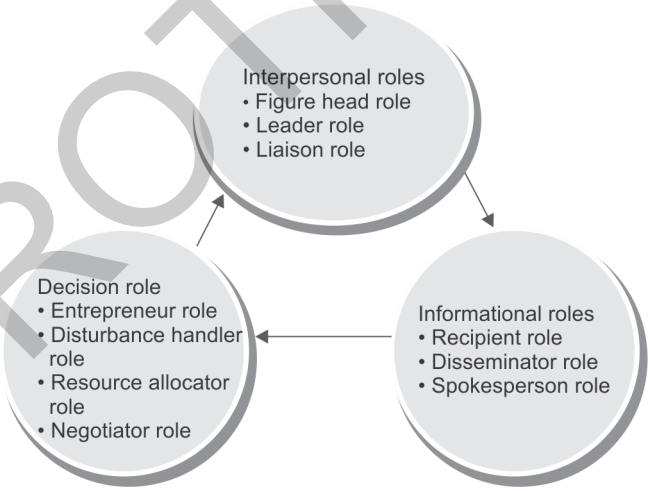

Fig. 2.3: Role of manager.

a. Interpersonal role	Figurehead role	As a symbolic head, obliged to perform certain duties, such as attending ceremonies, etc.
	Leader	Responsible for motivating employees.
	Liaison	Maintain contacts with outside organizations and develop rapport with other organizations.
b. Informational role	Recipient	Receives information from inside the hospital or outside organizations, government hospitals, private hospitals, national govternment, state government, etc.
	Disseminator	Transmits the information, after processing it to the people who need it, inside the organization or outside the organization.
	Spokesperson	He represents the hospital and calls press conferences conduct board meetings, etc.
c. Decision role	Entrepreneur	Searches for opportunities. He is visionary and can arrange for resources for improvement.
	Disturbance handler	Responsible for corrective action and crisis management during strikes, disaster, etc.
	Resource allocator	Responsible for allocation of resources to various areas of the hospital, budgeting and scheduling activities.

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Negotiator	Responsible for representing the hospital for negotiation, in respect of public private partnership, merger or joint ventures, etc.

B. Specific Roles

By virtue of serving a healthcare organization the hospital administrator performs some specific roles which are described below. The hospital administrator ensures that hospital runs effectively and efficiently. The role of hospital administrator varies, depending upon the nature and complexity of hospital. Various roles can be grouped as role towards patients, towards hospital organization, towards community.

1. Role Towards Patients

The hospital administrator has a great responsibility to understand and appreciate the emotional aspects of the patient care, his responsibility is to understand the specific needs of certain groups of patients, i.e., patients on wheelchairs, stretchers, geriatric group of patients, pediatric patients, neonates, serious cases, foreign nationals, etc. Some of the aspects of patients are given below:

- Creation of friendly environment
- Understanding patient's physical needs
- Patient's emotional needs
- Patient's clinical needs
- Patient's satisfaction
- Patient's education
- Patient's communication needs

2. Role Towards Hospital Organization

To handle the hospital resources for maximizing the output is one of the fundamental roles of the administrator. Hospital is a complex organization, it is a labor intensive organization working for day and night and without break; expectations of the workers are very high and unity of direction and unity of command are often violated. The role of administrator is more of coordination in nature instead of controlling, he is coordinating officer.

i. Strategic Planning

Deployment of resources for long-term goals of the hospital, the administrator will have to conduct SWOT analysis, i.e., to evaluate the strengths and weaknesses within the hospital, i.e., internal organization and opportunities and threats outside the organization. This is basically to study from where we are to where we want to go in the future. Say after 5 years to several decades. Accordingly, the resources are to be deployed to achieve the long-term objectives of the hospital. Following steps can be taken for strategic planning:

- Establishment of long-term goal/objectives
- Status of present objectives
- SWOT analysis, i.e., analysis of strength, weaknesses, opportunities and threats
- Redefining of strategy based upon current scenario
- Implementation of strategy
- Control.

ii. Environmental Influence on the Hospital

The hospital is a subsystem of large socio-technical system. The hospital gets inputs in the form of materials, manpower, machine, money (funds), minutes (time) and information from the environment. The environment, i.e., the society gets output of the hospitals in the form of health status of its people. These people in turn are responsible for other resources in addition to the human resources and re-energize the system again and again. The various elements can be enumerated as under:

- Manpower
- Materials
- Money
- Consumers
- Political organization
- Socioeconomic and cultural factors
- Press and Media
- Technology
- Tourism
- Transport

All these factors influence the operations of the hospital. The hospital administrator will have to keep a close watch on these factors as there is a dynamic equilibrium between these factors and the environment of the hospital as well as outside environment.

iii. Operational Management

Most of the functions of the hospital are repetitive in nature. The activities for day-to-day running of the hospitals are to be designed by the administrator in such a manner that these contribute for productivity and effectiveness and efficiency of the hospital.

iv. Management of Hospital Staff

The image of the hospital is not dependent on the beautiful towering buildings, landscapes and dazzling reception counter; it depends upon the doctors, nurses and staff of the hospital. Human resource management is the most vital aspect of management. It is the manpower, the human resource which manages other resources. Once Henry Ford said, "I will have the highest regards for the person, who manages men effectively'. It is true at present and for future also. This places high demand on the hospital administrators for personnel management. Following are the areas of interest in personnel management of the hospital:

- Manpower planning
- Recruitment
- Selection
- Training and development
- Maintenance
- Utilization
- Performance appraisal
- Grievance redressal system
- Discipline
- Compensation
- Fringe benefits
- Collective bargaining.

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v. Materials Management

In Indian hospitals materials cost about 50% of hospital budget. *There are two types of cost:* one is cost of material and second is cost on material. The basic role of the administrator is to reduce these costs. The materials management functions include:

- Material, planning and budgeting
- Purchasing
- Receiving, inspection and forwarding
- Inventory control
- Stocking and distribution
- Cost reduction
- Value analysis
- Disposal.

Four steps are involved in the material management system:

1. Demand estimation
2. Receiving and inspection
3. Storage
4. Distribution.

Pilferage control is one of the important activity of store managers in the hospital. Details will be discussed in chapter on materials management.

vi. Financial Management

Various tools and techniques are available for assistance of the hospital administrator. Some of the common tools/techniques available can be enumerated as under:

- Budget—Capital budget, cash budget, zero-based budgeting (ZBB), programming, planning and budgeting system (PPBS), etc.
- Cost benefit and cost effective analysis.
- Break even analysis.

The hospital administrator has to be well versed with cost accounting techniques, balance sheet, profit and loss account and various statistical techniques which will be discussed in the chapter on financial management.

vii. Hospital Information

Information has become very important resource for the hospital. The essential functions to be included in the hospital information system (HIS) are medical, administrative and financial functions. The most important source of hospital information is the medical record department of the hospital.

viii. Communication

Though communication is the component of directing function, but, it is the key function among the managerial functions. Effective communication with internal staff, vertically and horizontally and with the recipient of care as well as the outside environment is essential. The intersectoral coordination is the vital aspect of the hospital administration and coordination can be achieved with effective communication. An effective communication with the medical staff is very essential to establish cordial relationship with them, because they are the people directly responsible for delivery of medical care.

ix. Public Relation

Hospital administration has to find out the needs of the public what is their felt need?

- To know the public demands
- Making public aware
- Development of satisfactory contacts with public
- Disseminating information to public, as right to information has emerged as new concept.

x. Risk Management

Various types of risks encountered by hospital administration, such as death of a patient leading to violence, damage to hospital property or sometimes damage done by natural disaster or manmade disasters: such type of damages can be prevented to some extent and natural disasters can also be controlled but anyway, these are to be managed through development of disaster control programs and ensuring safely and security measures in the hospitals.

xi. Law, Ethics and Code of Conduct

The hospital administration has to keep abreast about the latest developments in the field of medical, laws or laws relating to medical practice. The hospital administration has to maintain an ethical environment in the hospital to protect the rights of the patients. The administration lays down hospital policy, procedures, rules and methods, Standard Operative Procedure (SOP) for everyone to follow to safeguard the interest of patients and providers of care. Various statutory laws and judgment laws have come into practice and the administration has to keep themselves aware and educated about these laws. These laws cover a wide range of topics including health, disease control, mental health, food safety, transplantation of organs, pollution control, etc. Some examples are given here:

- Indian Penal Code 1860.
- MCI Act 1956.
- Consumer Protection Act 1986.
- Transplantation of Human Organ Act 1994.
- Biomedical Waste (Management and Handling) Rules 1998.

xii. Marketing of Health Services

Marketing involves management of four factors for effective delivery of health care to the community.

a. Product: Like range, variety and level of services.
b. Place: Where the services are to be offered.
c. Price: Cost of services including profit.
d. Promotion: Making patient aware of the services offered by the hospital.

Marketing is not only selling of the hospital services alone, it should not be taken in negative manner. It is a scientific approach of reaching to the people, identifying customers, their needs and expectations. 'what the patient demands and expects from the hospital. The services can be designed as per patient's expectation and delight of customers.

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xiii. Quality Management

Quality is a dynamic phenomenon and it keeps on changing with time, place and person. It is the customer who decides quality. The level of knowledge, awareness and perception, which determine quality. The fundamental of quality is the service has to be right the first time, right every time right on time and above that superiority of performance and customer's delight. The hospital administrator has to be a quality man: more and more hospitals are now going for ISO 9000 Certification. The time has come for accreditation system, similar to Joint Commission on Accreditation of Health Care Organization (JCAHO), a concept will be discussed in detail on the chapter of Quality Management.

3. *Role Towards Community*

Hospital is a community organization; it receives inputs from the community in the form of manpower, material, money, machines, land, building, environment, information and gives output to the community. Community participation is must for the success of any health program. The utilization of health facility is also an important behavior of the community. Hospital may provide Sate-of-the-art care, but if community does not utilize it: it will go to waste. Hospital must fulfill the felt needs of the community. There should be social responsiveness and social responsibility of the hospital administrator. This can be achieved by:

a. Integrating with primary health care.
b. Integrating hospital with other health care organizations.
c. Community participation in planning of services and also for utilization of hospital services.
d. Outreach program: Outreach program, such as health camps, camp surgery, swasthya melas, immunization camps, etc.

SKILLS OF HOSPITAL ADMINISTRATOR

Regardless of type or size of the hospital, the administrator must possess the managerial skills for accomplishment of the hospital's objectives. These skills may vary in degree from one level of management to other, but is essential for all types of administrator **(Fig. 2.4)**.

a. **Technical skill:** Knowledge and proficiency in activities involving methods, process and procedures. It involves working with tools and techniques. The doctors, nurses and technicians work with instruments, machines and equipment and apply certain methods and procedures for accomplishment of the task. The nursing supervisors, if do not have the proficiency and technical skill of performing a job, she will find it difficult to control the activities of junior nurses. So this skill is more pronounced at lower level of hierarchy.
b. **Analytical skill:** This skill is used in scientific approach and techniques for problem solving. This skill is the ability of the administrator to diagnose and evaluate. It is required to understand the problem and develop an action plan.
c. **Decision making skill:** To choose from among the alternatives, and ability to choose the most appropriate alternative for effectiveness and efficiency. Decision making ability or skill of an administrator differentiates one administrator from other. Administrators are paid to make decisions.
d. **Computer skill:** Administrators who are computer literate have a conceptual understanding of computers and know how particular software performs various tasks. For a hospital administrator, this is very important for handling the information and management of Hospital Information System (HIS). Computer abilities are important because using computer significantly increase administrator's productivity.
e. **Human relation skill:** It is the ability to work with people. It is a cooperative effort. It is a team work as management is science as well as art of getting things done through and with the people.
f. **Communication skill:** Effective communication is a key to success: what you speak is important and how you speak is really what matters. The contents, the tone, the pitch, body language, the medium, etc. All these factors are responsible and above that it is the communication skill of the administrator, which makes the difference. It involves, ability to communicate in ways that other people understand and to seek and use feedback from the hospital staff to ensure that they understood.
g. **Conceptual skill:** The ability to see the big picture, i.e., vision of the administrator from where we are to where we want to go, to see the big picture to look into the future of the organization. To know how each subsystem of the hospital interrelated and contributes to the overall objectives of the hospital.

FUNCTIONS OF MANAGEMENT

Different authors have categorized the management functions differently, but the basic function remains the same. The important management functions are being enumerated with

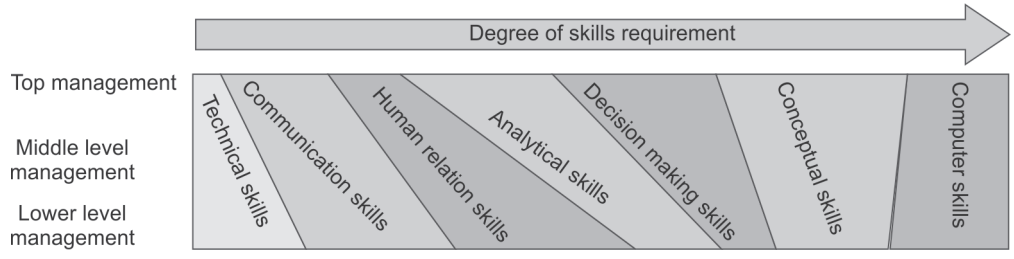

Fig. 2.4: Degree of skills requirement.

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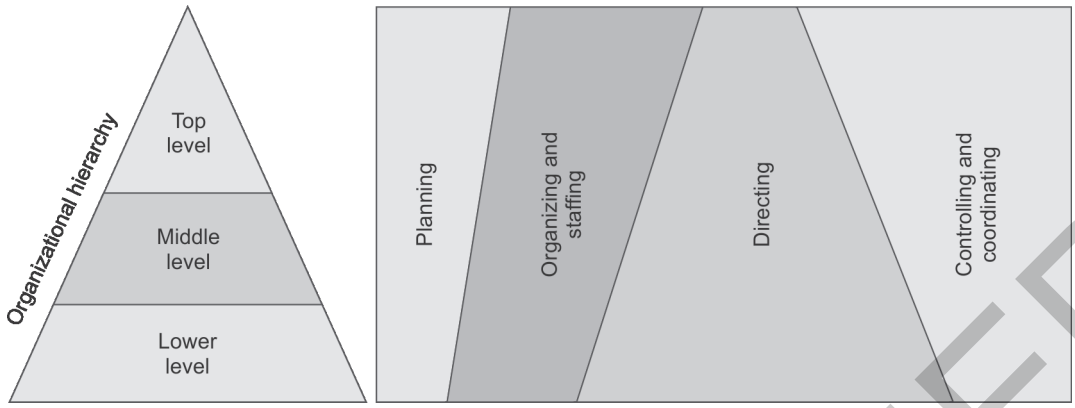

Fig. 2.5: Proportionate distribution of functions among various levels of management.

some classifications, the detailed discussion will be made on the relevant chapters **(Fig. 2.5)**.

a. **Planning:** To determine the future course of action in achieving an objective is called planning. It may be day-to-day planning, annual planning or long-term planning. There are various types of plans, in fact there is a hierarchy of plans. The planning process involves selecting missions and objectives and actions to achieve them. It requires decision making, i.e., choosing future course of action from among alternatives.
b. **Organizing:** This involves identification of various activities to be performed in an organization, grouping of these activities, delegation of authority to the respective position in the organization.
c. **Staffing:** Involves filling and keeping filled, the position in the organization structure. This is done by recruitment, development, maintenance and utilization of work force.
d. **Directing:** It has three important components of motivating the staff, leading them and communicating with them. Effective administrators also need to be effective leaders.
e. **Controlling:** This is measuring and correcting of activities of subordinates to ensure that activities conform to plans. Control can be budgetary or non-budgetary.
f. **Coordinating:** To harmonize individual goals to contribute to organizational goals. Hospital is a system, and it has various components as subsystem, such as clinical services, diagnostic and therapeutic services, support and utility services, administrative services. These sub-systems are independent to some extent but these are interdependent also. These subsystems will have their unit objectives and goals. The administrators job is to harmonize these subsystems for the achievement of bigger objectives, i.e., hospital organization objective.

Management Functions
• Planning • Organizing • Staffing • Directing • Controlling • Coordinating.

Principles of Scientific Management

FW Taylor gave basic principles of scientific management. The basic principles that Taylor saw underlying the scientific management are given here:

a. **Replacing rule of thumb with science:** Organized knowledge should be applied which will replace rule of thumb, measurement of work should be based on scientific management and not on mere estimates.
b **Harmony in group actions:** Taylor emphasized that attempts should be made to obtain harmony in group action. There should be a mutual give and take situation and proper understanding so that the group as a whole contributes to the maximum.
c. **Cooperation:** Scientific management is based upon mutual cooperation, confidence and good will. Taylor has suggested substitution of war for piece, hearty and brotherly cooperation for contentment and strife, becoming friends instead of enemies.
d. **Maximum output:** Scientific management involves continuous increase in production and productivity. He decried quarrel over production, but welcomed quarrel over distribution. He was in favor of maximizing the output, when the size of surplus becomes so large there is no harm in its distribution among the workers.
e. **Development of workers:** All workers should be developed to their fullest potential. Development requires, scientific selection, providing training at work place.

Despite of the scientific methods adopted, there were some shortcomings. The principles of scientific management were more concerned with problems at operating level and did not focus management from manager's point of view. Scientific management is more relevant to mechanization and automation rather than management of an organization.

Principles of Scientific Management
• Replacing rule of thumb with science • Harmony in group action • Cooperation • Maximum output • Development of workers.

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PRINCIPLES OF MANAGEMENT

Father of Modern Management Theory, Henry Fayol, looked management from the top point of view. He preferred term administration instead of management. Fayol has given fourteen principles of management.

1. **Division of labor:** The workers usually work on the same part, the managers concerned always with the same type of matters and by virtue of doing the job repeatedly, they acquire the ability, sureness and accuracy and which is helpful in maximizing the output. Change of work will reduce the output, as the workers need to be trained and adopt to a particular job, requires time also.
2. **Authority and responsibility:** Authority and responsibility related to one another. Authority is of two types, official authority, by virtue of official position and personal authority as a result of personal qualities, such as competence, intelligence, experience, moral worth and past service. Responsibility is assumed and arises out of assignment of activity. In order to make some body responsible, there should be parity of responsibility and authority.
3. **Discipline:** Discipline is obedience, and outward mark of respect shown by employees. Discipline is self imposed as well as command discipline.
4. **Unity of command:** A person should get orders and instructions from only one superior. The individual has a reporting relationship with one superior. It is not that an individual should not report to more than one superior but if this is practiced, there are less chances of conflict in instructions and greater feeling of personal responsibility for results.
5. **Unity of direction:** Each group of activities with same objectives must have one head and one plan. Unity of direction provides better coordination among various activities.
6. **Subordination:** Subordination of individual goals to organizational goal.
7. **Remuneration:** Remuneration should be fair and justified and provide maximum satisfaction to the employees as well as employer.
8. **Centralization:** Everything which increases the importance of subordinates role is decentralization or, if it goes to reduce the importance of subordinates is centralization. Centralization and decentralizations are the matter of proportion. The proportion will vary from organization to organization and will depend upon type of organization, size of organization and manager's ability to control.
9. **Scalar chain:** A scalar chain is chain of authority and communication varying from top level to lower level of management. The communication going up or coming down must flow through each position in the organization. But it can be short circuited in crisis situation or emergency. Fayol has suggested a gang plank which is used to prevent the scalar chain from bogging down action. The gang plank can be represented by the following diagram **(Fig. 2.6)**.

   Gang Plank

   A is the common superior of B and K and B and K have immediate subordinates C and L and so on down the line. Ideally a communication should flow vertically from A → B → C → D → E and F and F → E → D → C → B → A. Similarly, communication from E to N will flow as E → D → C → B → A → K → L → M → N. It take quite long time in emergencies it can be short circuited from E → N. In order to maintain authority, it is desirable that superior of E and N authorize them to take action, and inform their superiors about the action taken. This short circuiting is called gang plank.
10. **Order:** There should be a place for everything and everything should be in its place. There should be right man in the right place.
11. **Equity:** Equal treatment with all, there should be no prejudice due to any reasons, whether in matter of placement, promotions, benefits equity is very essential. It is a combination of justice and kindness.
12. **Stability of tenure:** There should be a fixity of tenure, so that the workers and managers also feel secure and maximize their output. Fast turnover is bad for effective management. Employee take some time to get accustomed and settled at a job and learn about the job, if they are transferred to new position again, they will have to go through the same process. Undue retention for a prolonged time is also equally bad for management.
13. **Initiative:** Managers should encourage the employees to take initiatives. Thinking is doing for the managers. If they come with new idea, it should be appreciated, no matter that it has come from lower positions.
14. **Esprit de corps:** This is the principle of cohesive force, the binding force of the people in the organization. Sometimes, the erring employee can be warned verbally instead of issuing written memo. The employees develop faith on the management.

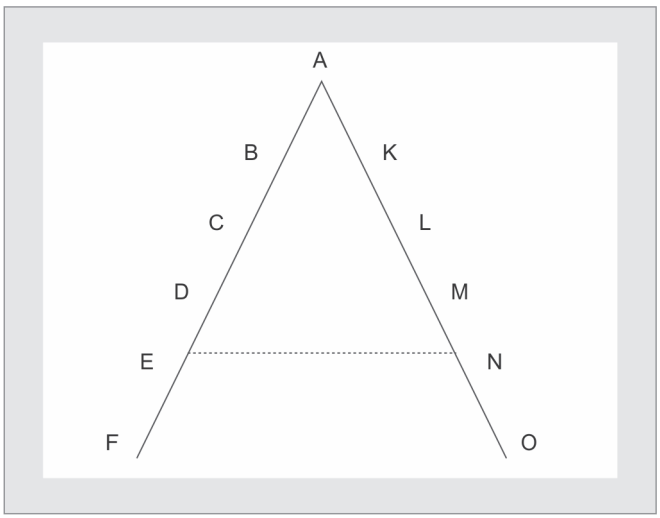

Fig. 2.6: Gang plank.

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Fayol's Principles of Management	
• Division of work	• Centralization
• Authority and responsibility	• Scalar chain
• Discipline	• Order
• Unity of command	• Equity
• Unity of direction	• Stability of tenure
• Subordination	• Initiative
• Remuneration	• Esprit de corps

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HOSPITAL ADMINISTRATION

The title *Hospital Administration* is being presented in the form of second revised edition. Efforts have been made to incorporate all the possible topics relevant to the field of hospital administration. The book has been classified into eight sections, namely—introduction to hospital administration, introduction to management, hospital planning, clinical services, diagnostic and therapeutic services, support and utility services, risk management, recent advances in hospital administration and last section of annexures. Recent pandemic of COVID-19 has compelled the planners to rethink over the development of infrastructure in the healthcare sector and planning for makeshift hospital set up on urgent basis, methods for use of personal protective equipment, etc., have become the area of interest in the field of hospital administration. The topics, such as transactional analysis, e-hospital, personal protective equipment and planning consideration for a medical college and its associated hospitals have been given due emphasis and included in this edition. The objective of the book is to provide relevant information to the students and hospital and healthcare administrators in a simple, easy-to-understand language.

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