

Good hospital management can save lives and increase much needed productivity at a time of budget constraints

<http://blogs.lse.ac.uk/politicsandpolicy/2011/04/08/hospital-management-cep/?pfstyle=w p>

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Budget savings imposed through the government's deficit reduction agenda have tended to focus on cutting out management costs and reducing layers of bureaucracy in public services. However, [Rebecca Homkes](#) presents evidence to show that in fact good management is key to increasing productivity and improving performance in hospitals, and that increasing the numbers of managers who can combine clinical and managerial skills should be a priority for the government.

Healthcare systems across the globe confront a daunting unholy trinity: how to balance growing demands on the system and raising patient expectations in times of budgetary shortfalls. Expectations are ramping up while budgets are tightening. In the UK, NHS spending is set to rise by 0.1 per cent a year in real terms through 2014/2015; this is the slowest in a generation.

How can health care promises to citizens be kept without busting the budget? The answer lies in increasing healthcare productivity. Improving productivity can ensure efficient and equitable care is provided without further straining spending, but this raises the question of what could drive these needed gains.

Recent research from the Centre for Economic Performance (CEP) at the LSE with colleagues from McKinsey shows that improving hospital management practices is key.

Management Matters

Our research points to a strong link between strong hospital management on the one hand and better quality of patient care and productivity on the other. The work, based on nearly 1,200 hospitals across the UK, the United States, Canada, France, Germany, Italy and Sweden, suggests that hospitals with better management had better clinical outcomes, such as significantly lower mortality rates, more satisfied patients and higher quality ratings— and all at a lower cost.

Over the past decade, the joint CEP and McKinsey [management project](#) has sought to explain the role of management practices in driving performance. Our earlier work in the private sector established a clear relationship between industrial management and other indicators of firm performance, such as sales growth, return on capital and company survival rates.

Credit: boliston (CC)



Recently, we applied a modified version of this methodology to assess management in healthcare. A team of analysts conducted interviews with departmental or unit managers across hospitals (184 in the UK) through a “double blind” methodology: managers were unaware of the scoring criterion and the analyst was unaware of the hospital's performance or other distinguishing factors. The interviews covered 20 points across three broad management areas: operational processes, performance management and talent (people) management. We assigned a score from one (“worst practice”) to five (“best practice”) across each of the 20 dimensions; the overall hospital management score is the average across all these



topics.

We found that in the UK, a one point improvement in the management score of a hospital (on our one to five scale) is associated with a 6 per cent rate fall in deaths from heart attacks as well as a 20 per cent increase in the probability that the hospital scores above average in terms of patient satisfaction. Although this is not a proven causal link, it does suggest that management really matters for patient wellbeing.

Describing hospital management practices

Across countries, there is a wide variation in management scores, with the US achieving the highest scores and Italy and France the lowest. The UK delivers particularly strong hospital management practices relative to money spent, outperforming its peers when considering management scores against healthcare expenditure.

Management varies much more so within rather than between countries – with over 80 percent of the management differences occurring across hospitals within the same country. Even in a publicly dominated healthcare sector like the NHS, there is a wide variation of management scores, though the very poorly managed hospitals at the distribution's tail dragged down the average.

This tail of bottom performing hospitals delivers particularly poor management and health outcomes, which suggests a clear opportunity for improving the UK's management scores by moving these weaker performing hospitals up to the level of the average.

What drives hospital management around the world?

Our work identifies three main factors that account for much of these differences: Competition, scale and skills. What is compelling is that these factors mirror similar results from our private sector work, highlighting a consistent set of factors that relate to better management.

- **Competition:** there is strong evidence that hospitals where managers perceive higher levels of competition from neighbouring rival hospitals are much better managed than those that consider fewer potential alternatives are available for patients to choose. One possible explanation is that managers are likely to exert more effort when faced with effective competition, as the rewards for doing better are greater and the costs of failing to improve more severe
- **Scale:** size makes a difference – larger hospitals exhibit much better management than smaller hospitals. To some extent this reflects economics of scale in management.
- **Skills:** hospitals with more clinically trained managers achieve higher management scores across all countries. This is probably because these managers are able to 'speak the same language' as clinical staff, which not only enhances communication but also allows them to enjoy credibility and authority that is difficult for non-clinical managers to attain.

Strikingly, fewer than 60 per cent of managers in UK hospitals interviewed had clinical degrees, the lowest proportion in the countries surveyed.

Closing the management gap: Implications for the UK

Good management is not just a hospital priority; it is a national priority. For the UK, the results of the global research are optimistic but highlight a real opportunity to improve hospital performance by focusing on enhancing hospital management.

For policymakers, the benefits of fostering competition between providers should be seen as a

powerful mechanism for improvement; across all countries we find that having more local rivals appears to have advantages for management and patient care. This can be achieved by increasing patient choice, encouraging new entrants and relaxing restrictions on hospital growth. The persisting gap between public and private sector management practices also suggests that allowing for greater diversity of care could potentially drive managerial improvements.

Skills should be a priority: hospital staff who combine clinical and managerial skills are the key to better performance. Boosting the proportion of UK managers with clinical skills via more attractive career paths for clinicians into management, for example, and granting them more autonomy, could be one way of addressing the UK's comparatively poor showing in this area.

Focusing on the talent within UK hospitals is also significant. Not only is the gap between private and publically owned hospitals especially wide in talent management, but people management scores are also the biggest drivers of the cross-country variation which causes the UK to lag behind the US. Relaxing some of the labour market regulations that depress talent management in the NHS – for example, the restrictions on greater regional pay flexibility that have been shown to depress nurses' real wages in high- cost areas such as London and the South East – could also help narrow this gap.

As the NHS prepares to face what is undoubtedly one of its most challenging periods ever, the pressure to improve efficiency and cut costs has never been greater. While some may argue, largely without evidence, that this could come from cutting management, our work suggests otherwise. Instilling better management provides a highly efficient way of increasing quality of care, even, and perhaps especially, in times of budget constraints.

Managers will be the key instruments of the performance transformations being called for in the NHS, but to do so, they need the management infrastructure, capabilities and support to drive these improvements. The evidence suggests that patients will see the benefit.

For the full report, please see

http://cep.lse.ac.uk/textonly/_new/research/productivity/management/PDF/Management_in_Healthcare_Report.pdf

Hospitals and managers can also benchmark their own organizations through a free online tool at
http://worldmanagementsurvey.org/?page_id=1848