



# Management Matters in Healthcare

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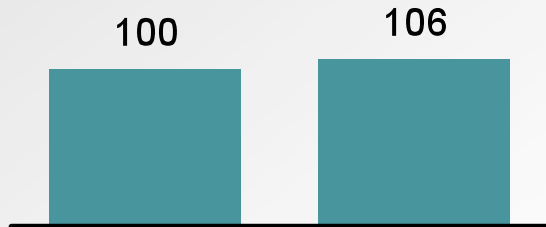
Stephen Dorgan (McKinsey & Co)

# Agenda

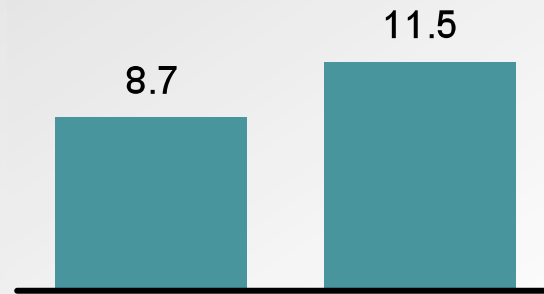
- 1 An overview**
- 2 Measuring management practices in healthcare
- 3 Describing management across hospitals
- 4 “Drivers” of management practices
- 5 Implications for policy makers and others

# Management and performance are tightly linked in our research on over 6,000 manufacturing firms globally

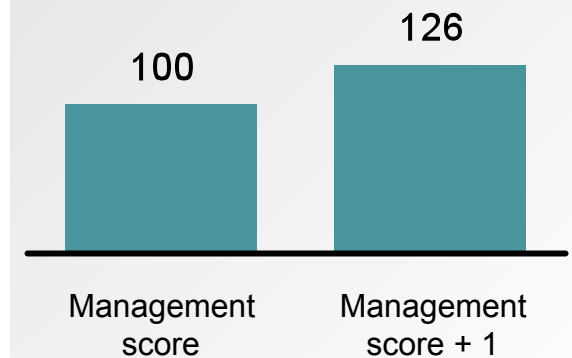
**Productivity<sup>1</sup>**  
Indexed



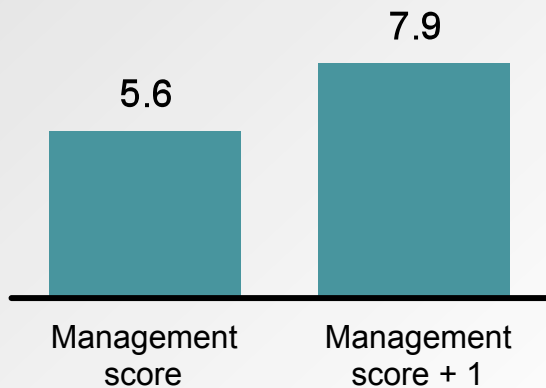
**ROCE<sup>2</sup>**  
%



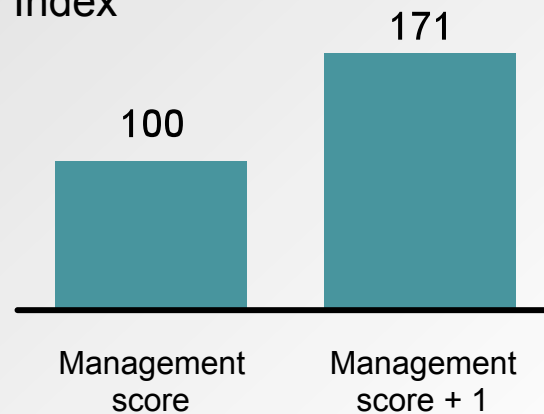
**Capital market valuation<sup>3</sup>**  
Index



**Sales growth**  
%



**Market share growth**  
Index



1 Sales per employee

2 Return on Capital Employed

3 Tobin's Q assuming constant book value

# Healthcare management practice findings

## Management really matters

- Management practice is strongly related to:
  - Clinical outcomes
  - Patient satisfaction
  - Hospital financial performance

## There is large variation

- US healthcare management practice:
  - Good US average score Vs others
  - Large intra-country variation creates a real opportunity for improvement

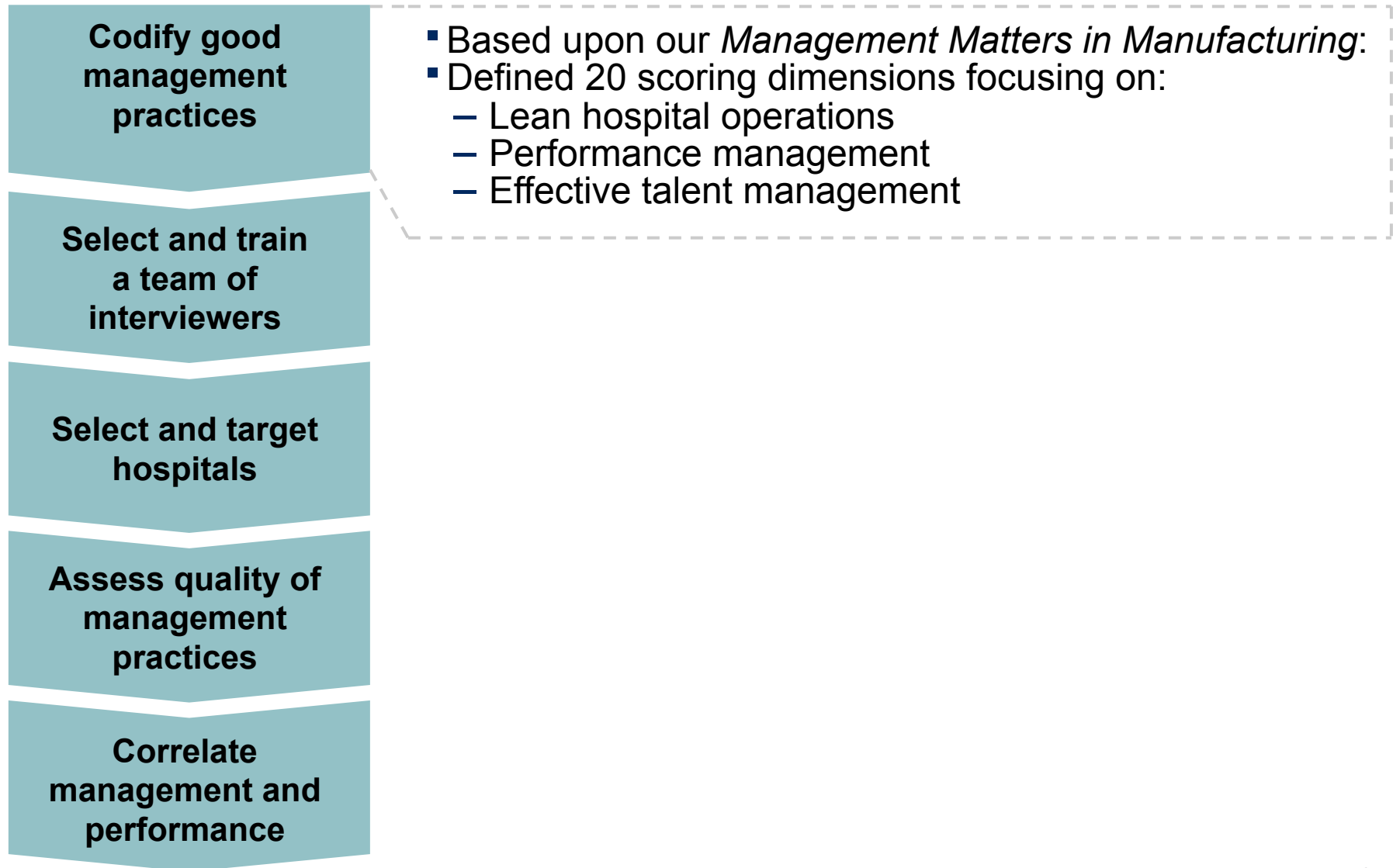
## Improvement is possible

- 4 factors are associated with better management practice:
  - Degree of competition
  - Hospital size
  - Hospital ownership
  - Share of clinically trained managers

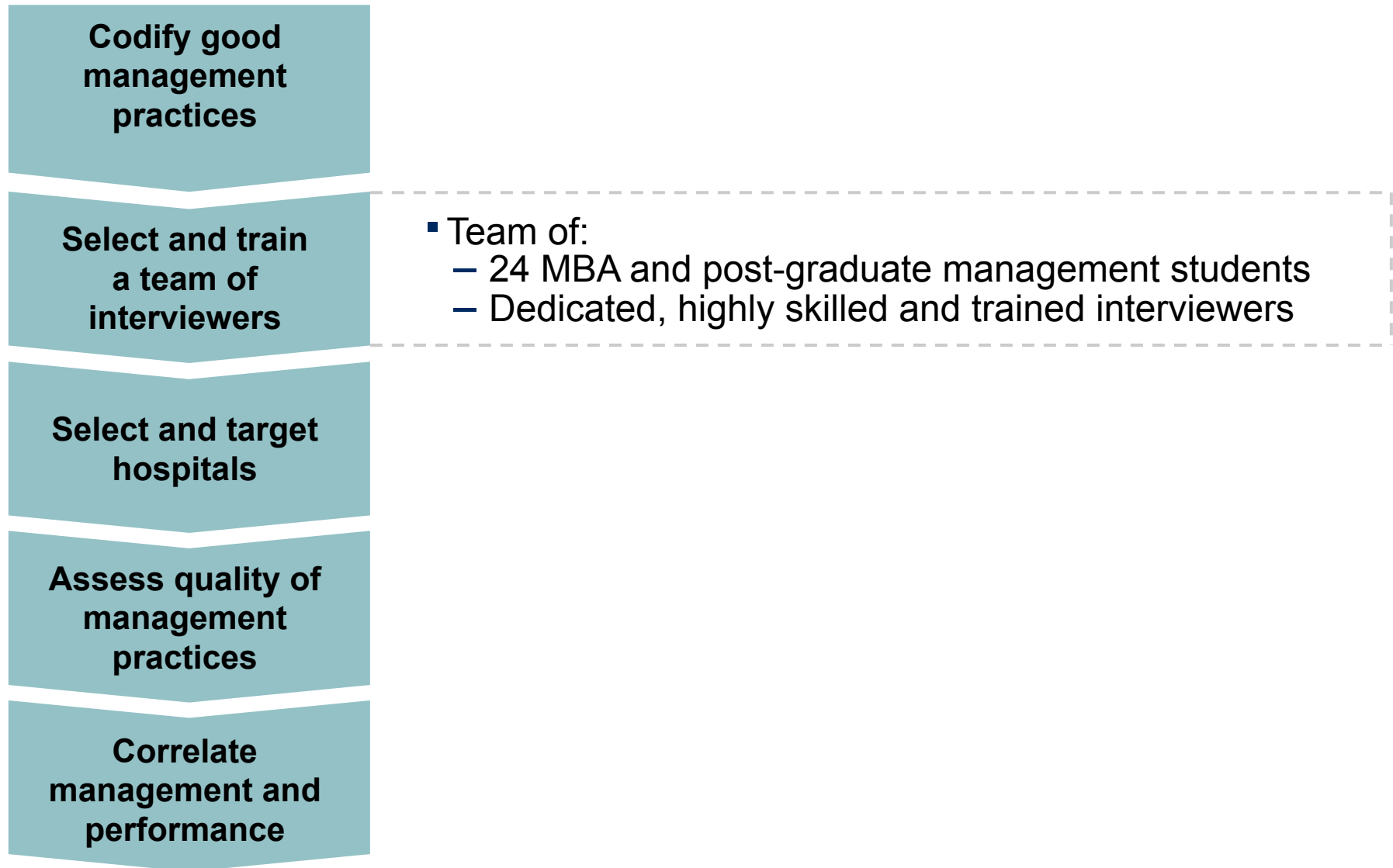
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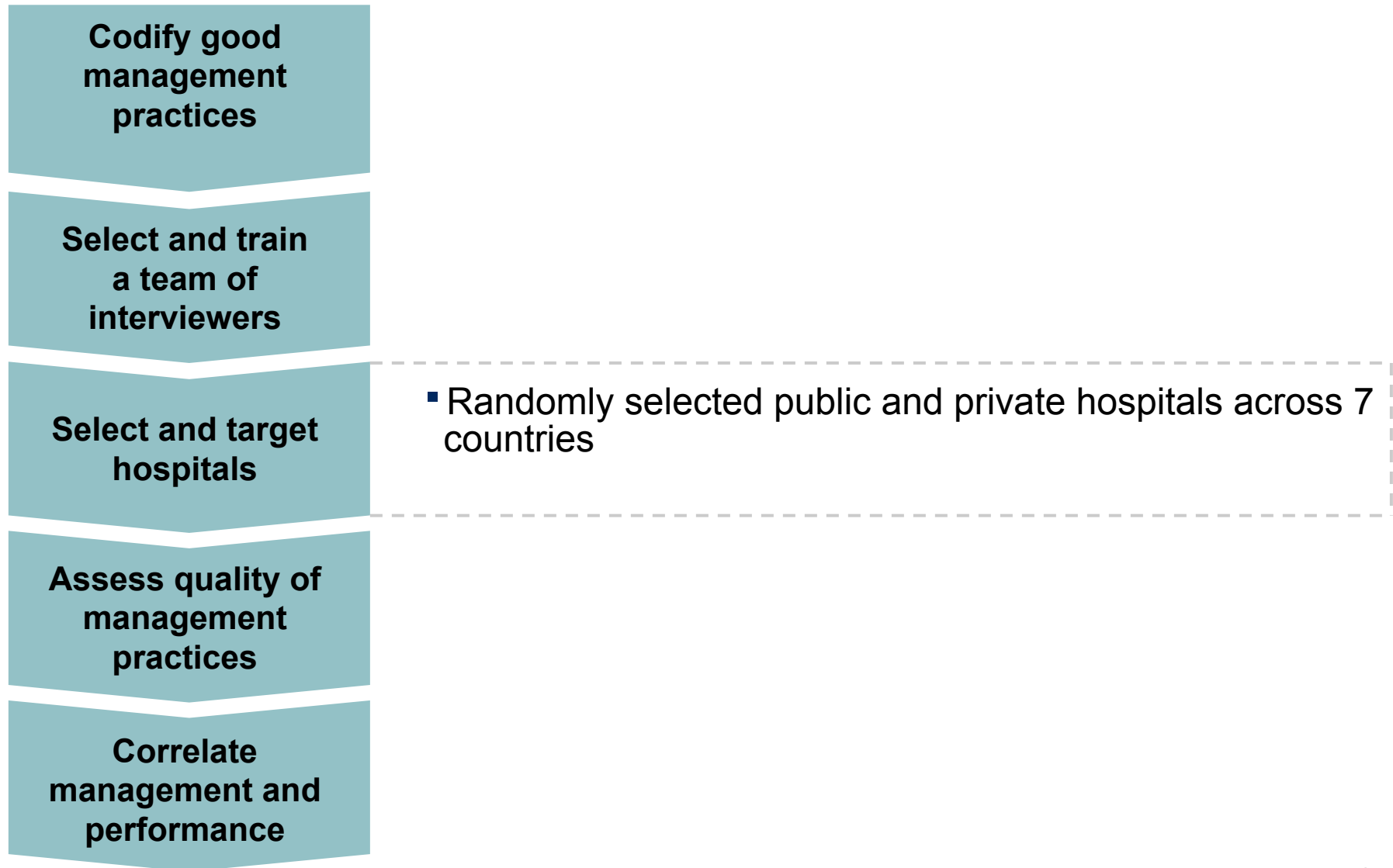
# Our hypothesis was that management practices were key drivers of hospital performance



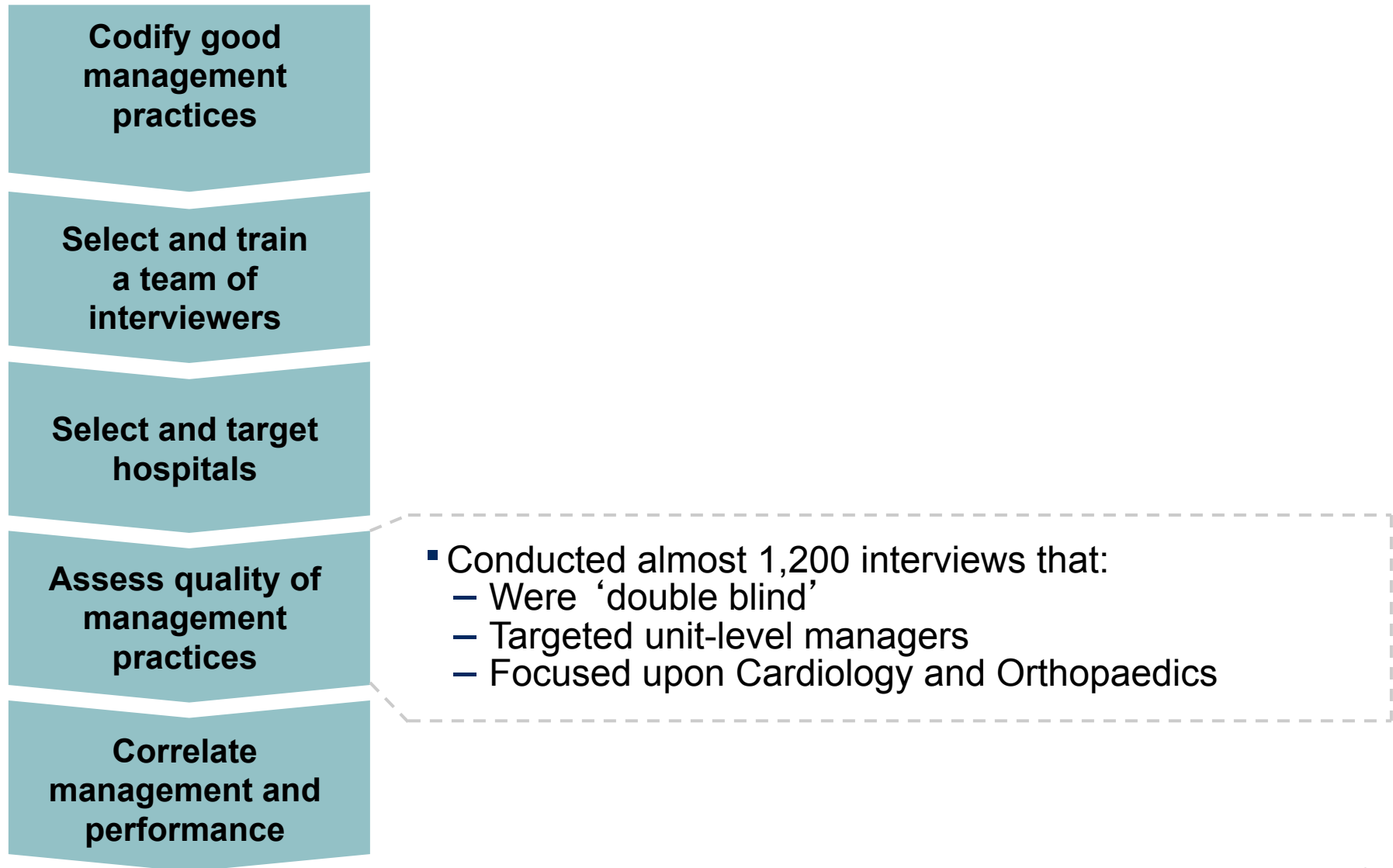
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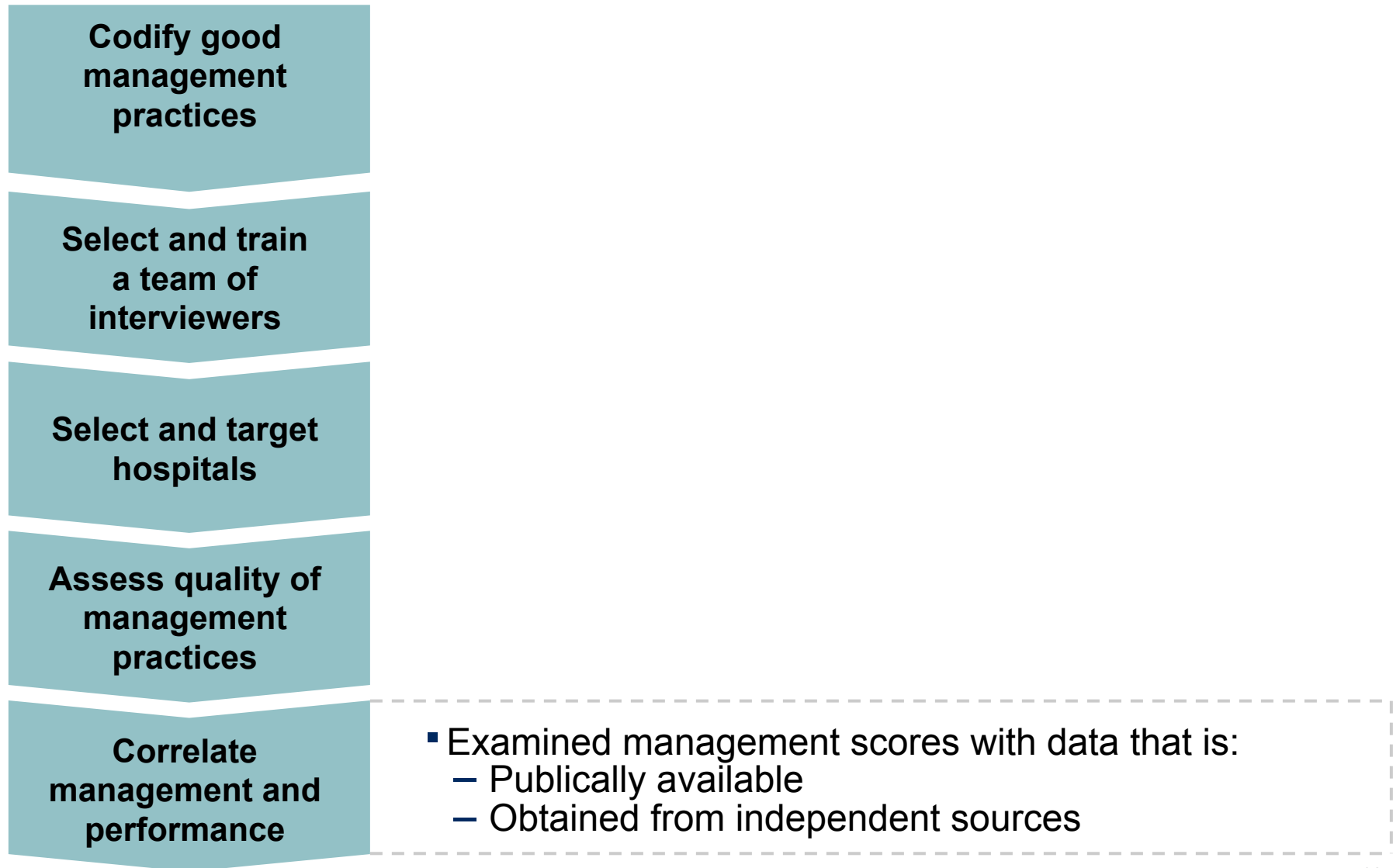
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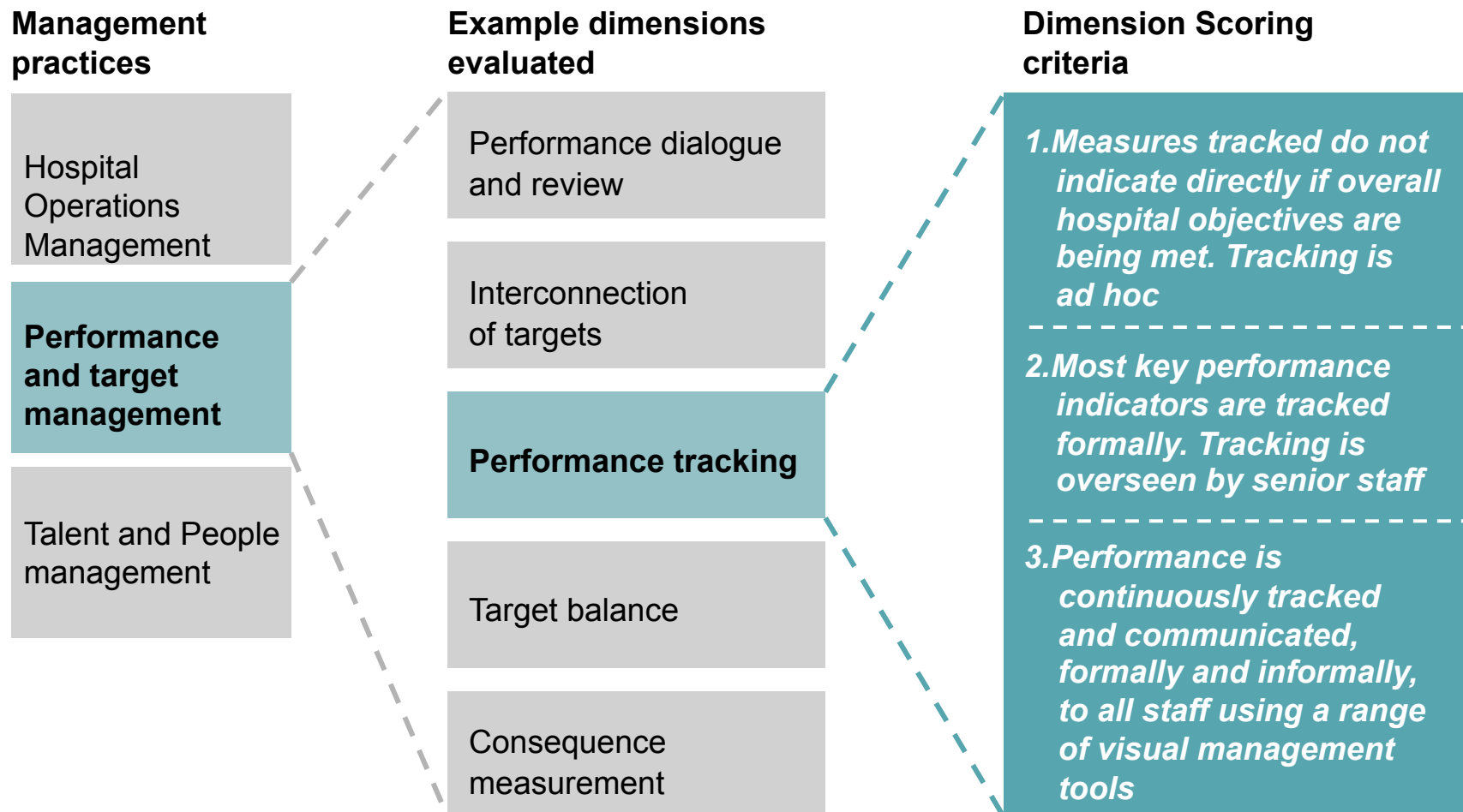
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# We use a hospital speciality–level assessment tool to evaluate management practices



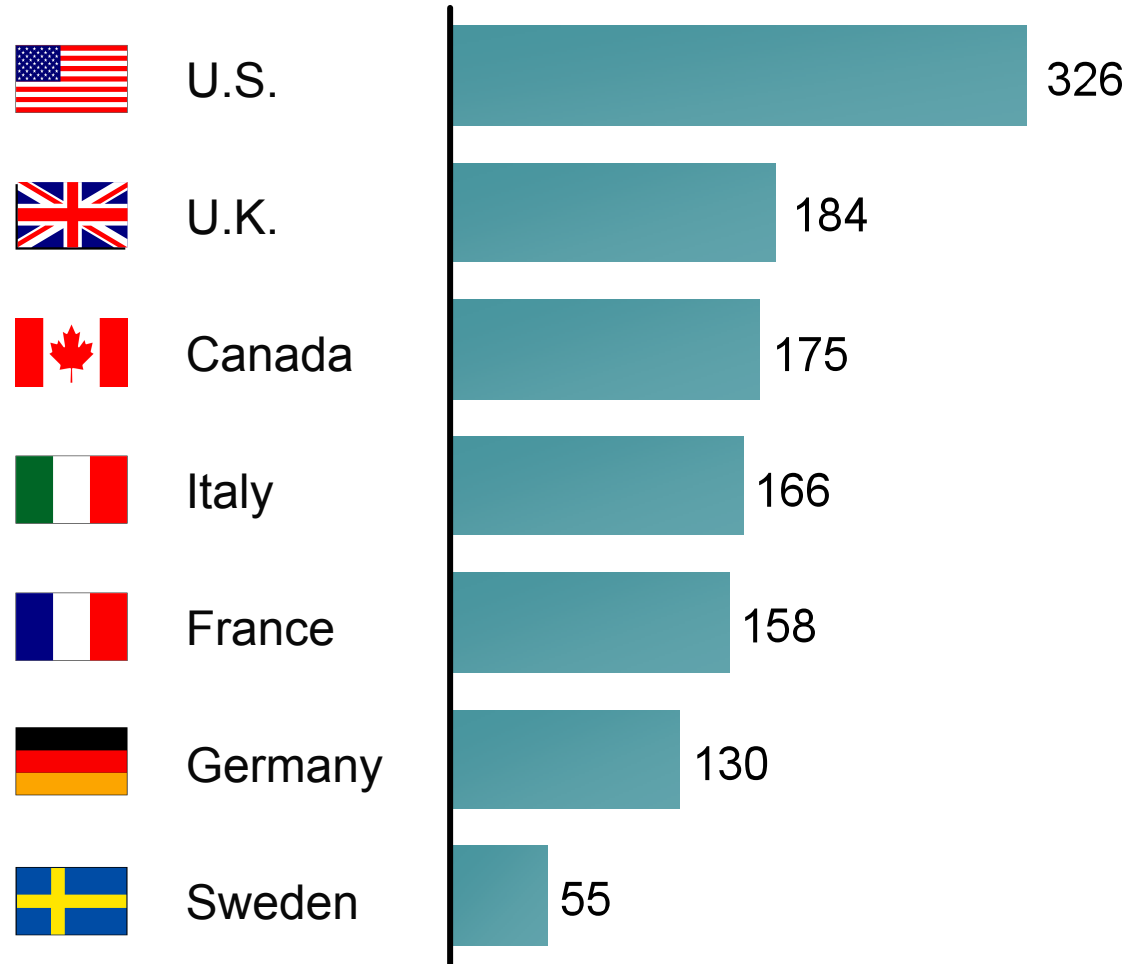
# The overall hospital management practice score is the average of assessments across 20 dimensions

	Dimensions	Score
<b>Hospital operations Management</b>	1. Lay out of patient flow	2
	2. Rationale for introducing standardisation and/or pathway management	3
	3. Standardisation and protocols	2
	4. Continuous Improvement ...	3
	5. Good use of human resources	4
<b>Performance management</b>	7. Consequence management	3
	8. Quality of targets	2
	9. Target stretch	3
	10. Clarity of goals and measurement	3
	11. ...	
<b>Talent management</b>	13. Rewarding high performers	3
	14. Promoting high performers	4
	15. Making room for talent	3
	16. ...	4

**Overall management practice score, on scale of 1–5, is calculated from average across all 20 dimensions**

# We interviewed almost 1,200 hospitals across 7 countries

Number of interviews

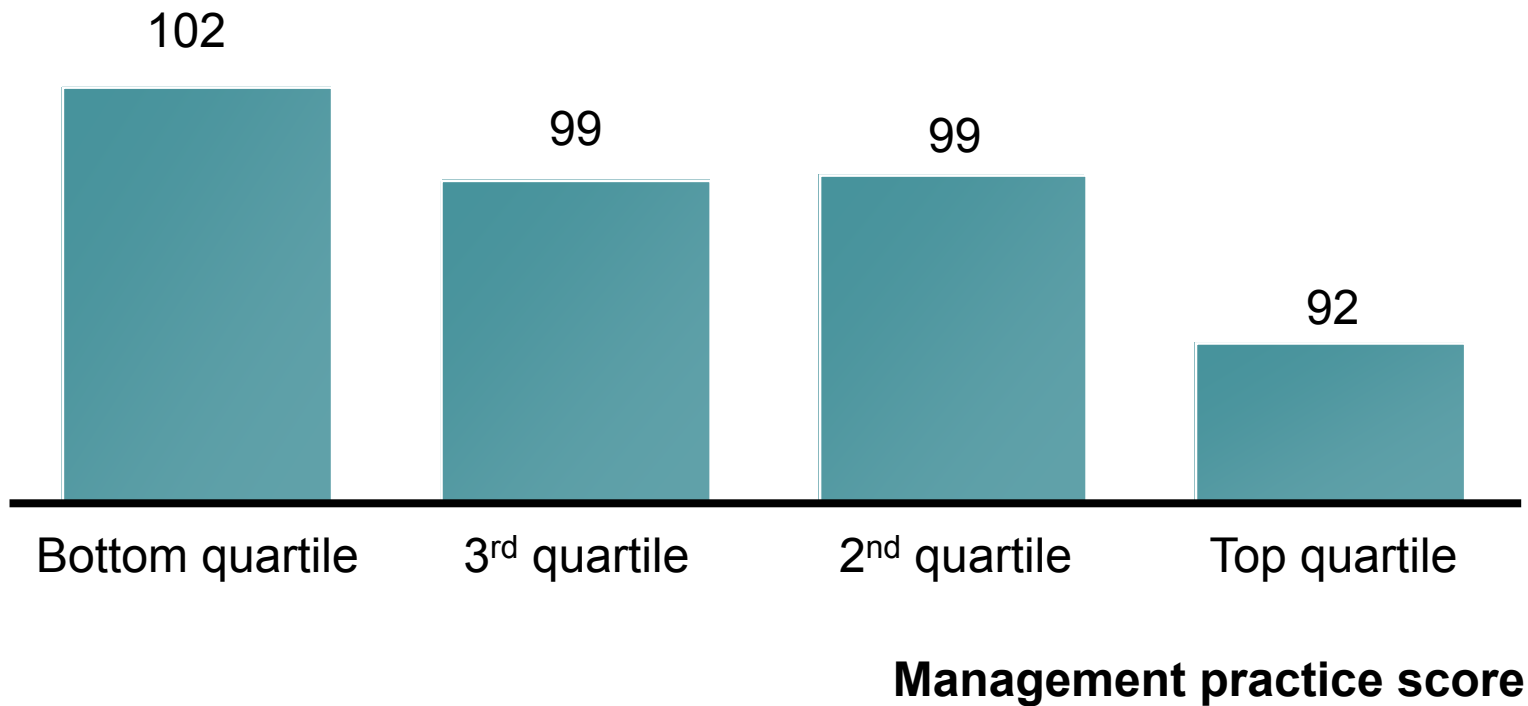


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# There is a strong relationship between management practice and health outcomes

Risk adjusted 30 days AMI mortality rates relative to national mean (US and UK)



# Good management is correlated with better clinical and financial performance

**A one point increase in management practice is associated with:**

## **US Hospitals**

- 7% reduction in risk adjusted 30 days AMI mortality rates
- 14% increase in EBITDA per bed
- 0.8 increase in the percentage of people that would recommend the hospital

## **UK Hospitals**

- 6.5% reduction in risk adjusted 30 days AMI mortality rates
- 33% increase in income per bed
- 20% increase in the probability that the hospital is above average in terms of patients satisfaction

# There is a wide variation in average hospital management practice score by country

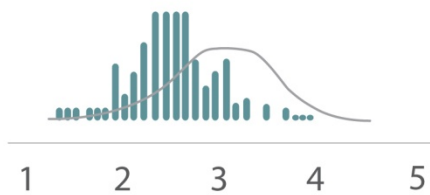
Management practice score – by country

■ Average

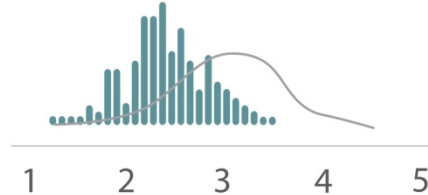


# There is an even bigger variation of management practice scores within countries

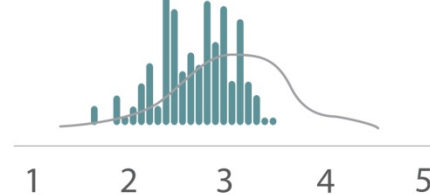
Canada (N=175)



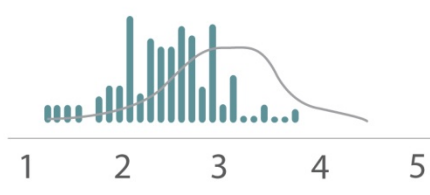
France (N=158)



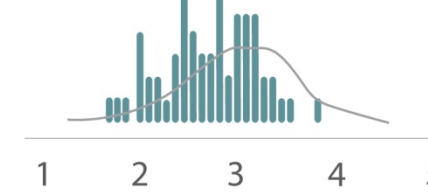
Germany (N=130)



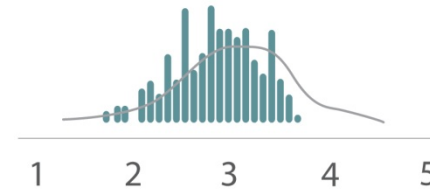
Italy (N=166)



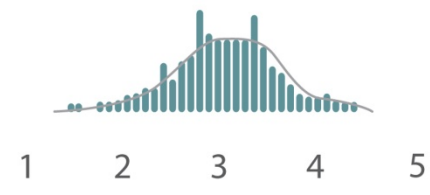
Sweden (N=55)



UK (N=184)



US (N=326)

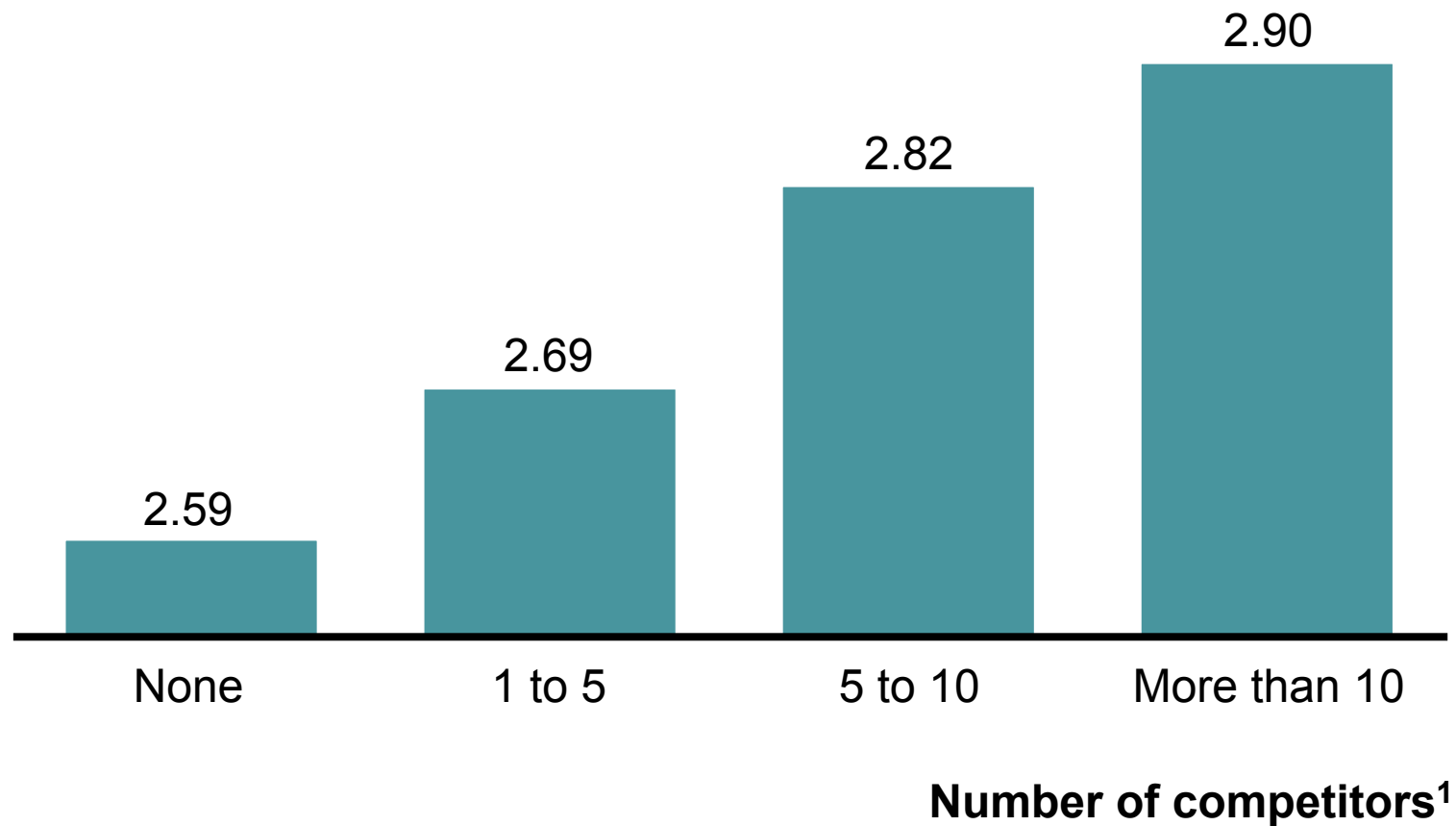


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# Tougher competition appears to be good for management

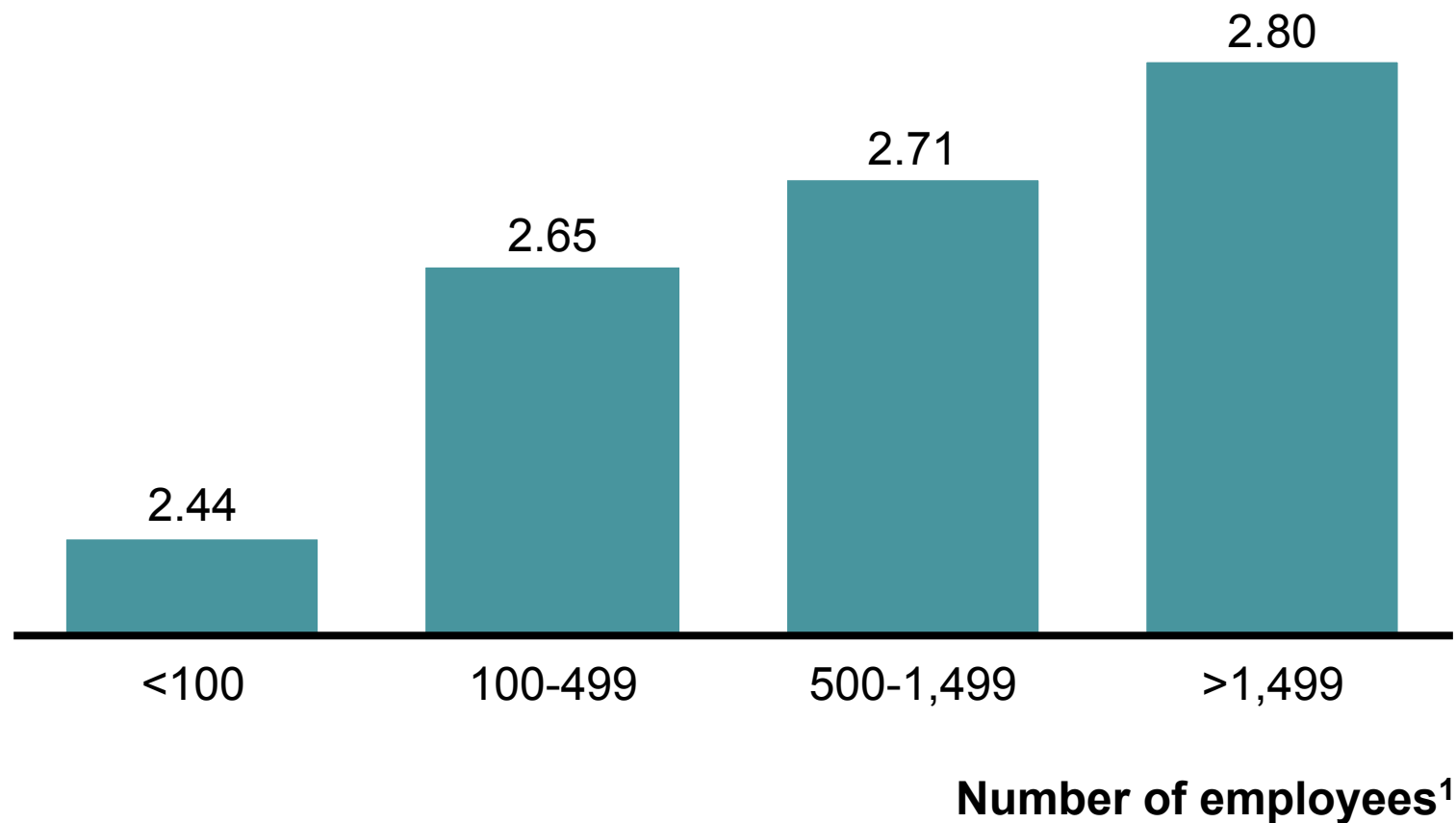
Management practice score



<sup>1</sup> As perceived by the manager.

# There is a strong relationship between hospital size and management practice

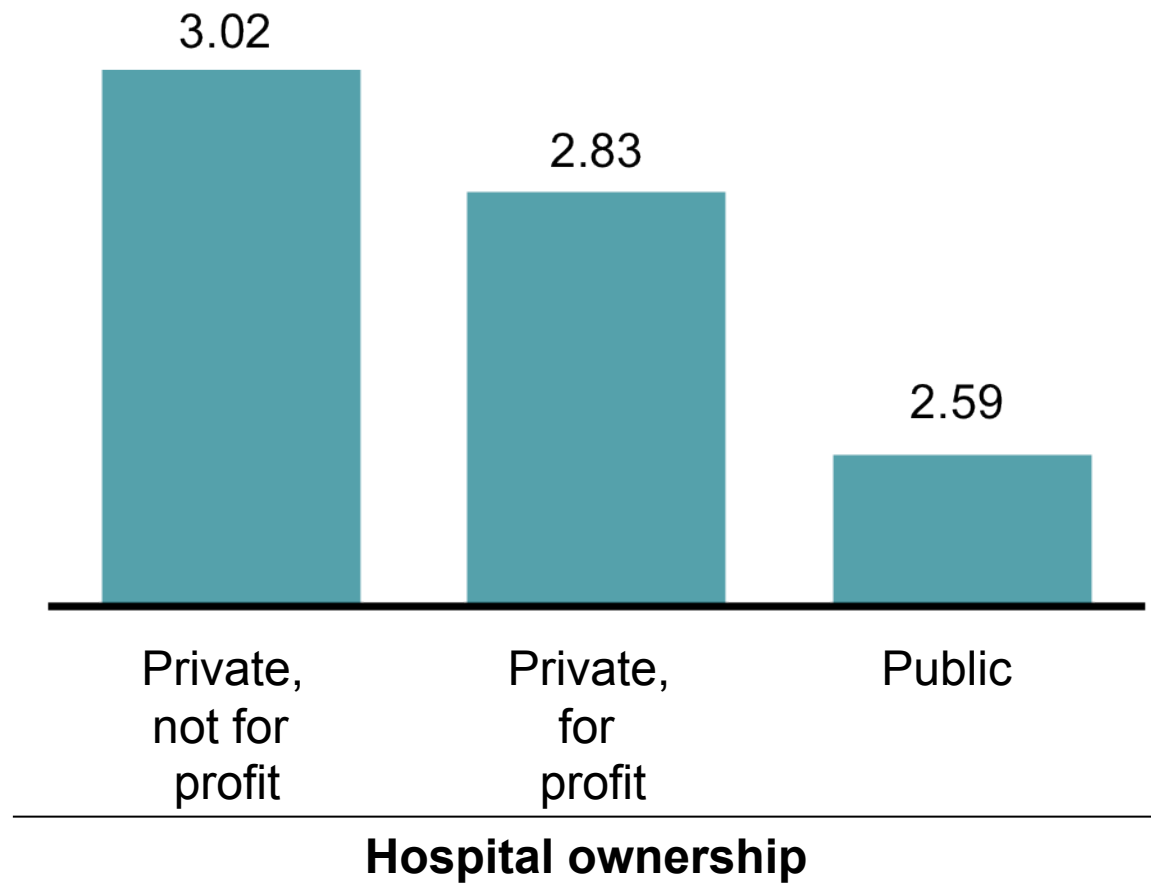
Management practice score



<sup>1</sup> Directly employed by the hospital

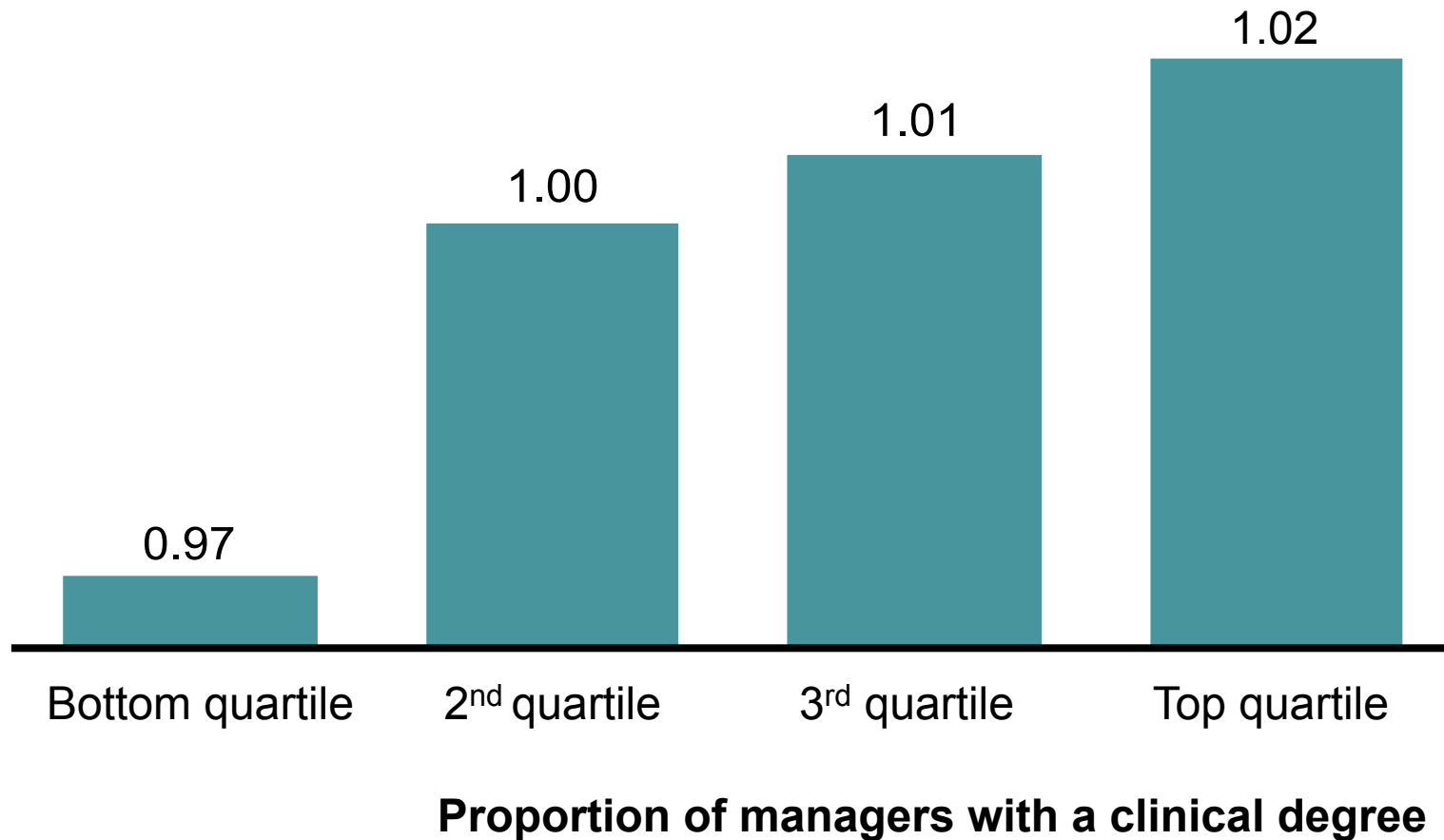
# Private hospitals tend to have higher management practice scores

Management practice score



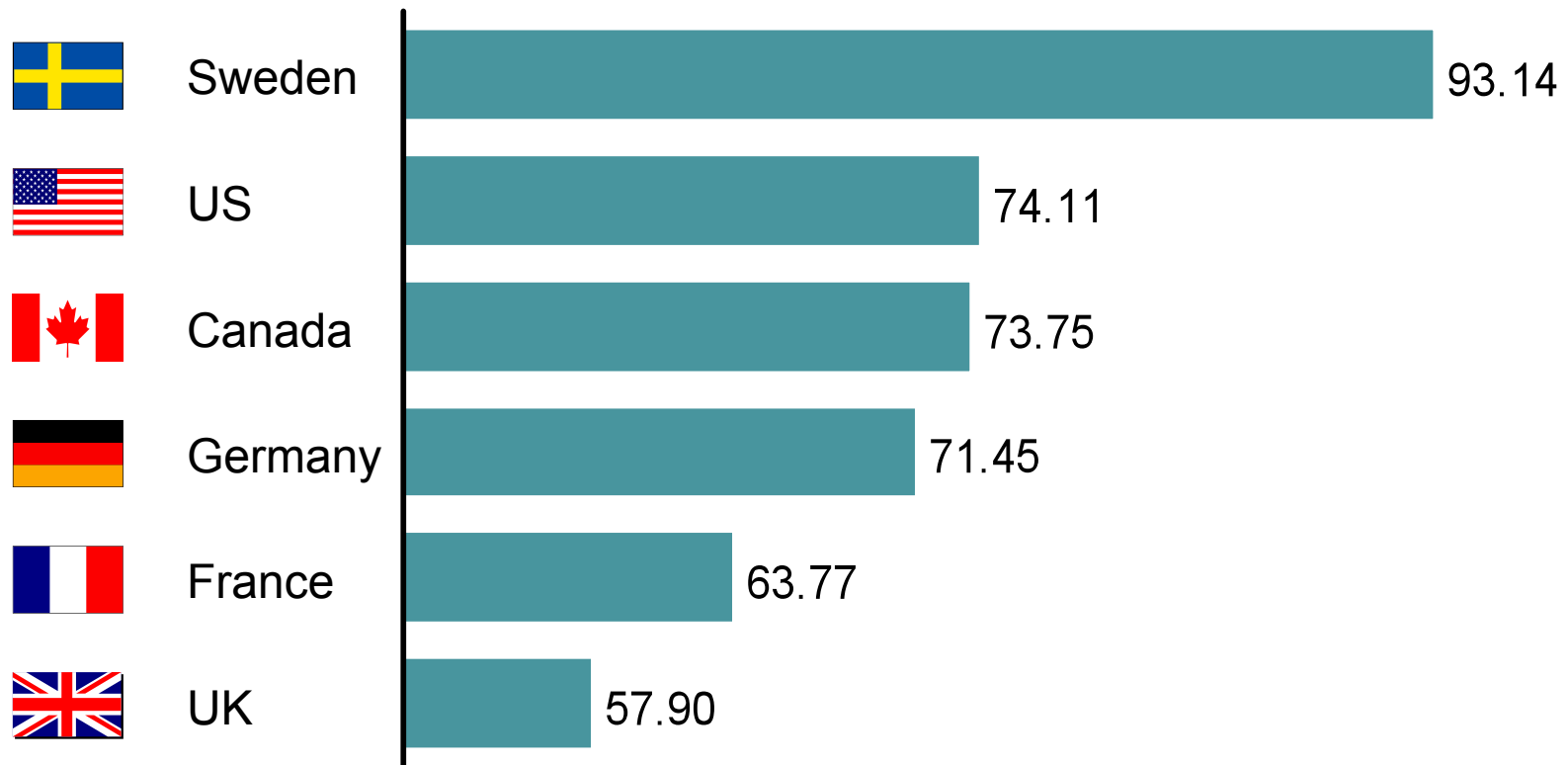
# Hospitals with more clinicians as managers have better management

Management score relative to national mean



# There is wide variation in the prevalence of clinically trained managers by country

Percentage of managers with a clinical degree<sup>1</sup>



<sup>1</sup> Italy excluded as it is a legal requirement that all general managers have clinical degrees

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## **These findings pose some questions for policy makers**

- How can greater competition be fostered without losing scale economies?
- How can the trend to more clinically qualified managers be accelerated?
- How important are management practices for driving health performance?

## Quotes

### *Don't get sick in Britain*

*Interviewer* : “Do staff sometimes end up doing the wrong sort of work for their skills?”

*NHS Manager*: “You mean like doctors doing nurses jobs, and nurses doing porter jobs? Yeah, all the time. Last week, we had to get the healthier patients to push around the beds for the sicker patients”

**FOR MORE INFORMATION**

**[www.worldmanagementsurvey.org](http://www.worldmanagementsurvey.org)**



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