Doing well by doing good:

Doing Well By Doing Good:

Ethics in the Small and Medium Healthcare Enterprise

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Abstract:

The goal of operating a medical practice is not simply to turn a profit, but to generate value – value to the patient, value to the community, and value to the practice. So long as we understand value in strictly monetary terms, we are not seeing the whole picture. We are operating with blinders on, missing larger opportunities. A medical practice can be performing reasonably well financially but poorly ethically. Conversely, a practice can be performing reasonably well ethically but poorly financially. To flourish, a practice needs to perform well on both counts. This article addresses the connection between finance and ethics, and in particular, the extent to which ambitious ethics and sound financial practices can mutually reinforce one another. Far from undermining a medical practice, a clear sense of professional mission actually enriches it, in both financial and human terms.

Doing Well By Doing Good

> What is the use of living, if it be not to strive for noble causes and to make this muddled work a better place for those who will live in it after we are gone?
>
> Winston Churchill[1]

Healthcare is a critically important component of the contemporary economies of industrialized nations, and nowhere more so than in the United States. In 2006, healthcare was the largest US industry, employing approximately 14 million workers. It was also one of the fastest growing, with seven of the top 20 fastest growing occupations. A total of approximately 580,000 establishments, of which 77 percent are offices of health professionals such as physicians and dentists, provide service.

The performance of these small and medium enterprises is a matter of great economic and social importance. In 2005, US healthcare spending surpassed the $2 trillion mark, and it is projected to reach $2.9 trillion in 2009 and $4 trillion by 2015. Currently, healthcare spending accounts for more than 16% of the US gross domestic product, and per capita healthcare spending exceeded $6,000 in 2006. It now consumes a larger proportion of US spending than food, transportation, education, and recreation, and is exceeded only by housing.

In years to come, small and medium healthcare enterprises will provide care for each of us, our family members, and our friends. In some cases, our very lives may hang in the balance. To thrive in the future, such enterprises need to perform well not only financially but ethically. This paper addresses the connection between ethics and finance in medical practice, and in particular, the extent to which ambitious ethics and sound financial practices can mutually reinforce

one another. Far from undermining small and medium healthcare enterprises, a clear sense of professional mission actually enriches them, in both financial and ethical terms.

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George Bernard Shaw once described professions as "conspiracies against the laity."[2] What Shaw formulated as an accusation can also be interpreted as a challenge: can the profession of medicine rise above the temptation to act as a cartel devoted to its members' financial self interest and instead put the needs of patients first? Professions are supposed to be distinguishable from trade associations by a number of features: a strong fiduciary commitment to the best interests of patients, a dedication to higher quality performance than market forces might require, and public accountability for their actions.[3]

Each of the professions rests on a social contract. Society grants professionals special privileges, social status, and monopolistic power to regulate entry into the field. In exchange, professionals are expected to be more attached to work's intrinsic rewards than the income it generates, to regard their knowledge and skills as a public trust rather than a private commodity, and to answer for decisions beyond profit and loss. Erosion of this ethic produces demoralization in two senses. First, professionals cease to hold themselves accountable to a higher moral code and become mere merchants. Second, professional fulfillment declines.

The goal of operating a medical practice is not simply to turn a profit, but to generate value – value to the patient, value to the community, and value to the practice. So long as we understand value in strictly monetary terms, we are not seeing the whole picture.[4] We are operating with blinders on, missing the larger opportunities before us. A practice can be performing reasonably well financially but poorly ethically. Conversely, a practice can be performing rea-

sonably well ethically but poorly financially. To flourish, a medical practice needs to perform well on both counts.

There are at least two types of ethics: formal ethics and informal ethics. Formal ethics consists of the sorts of issues discussed in courses on biomedical ethics and articles in bioethics journals. It includes such topics as euthanasia, genetic engineering, and the allocation of health resources. Generally speaking, formal ethics tends to focus on clear-cut dilemmas and the development of formal procedures for resolving them, such as informed consent procedures and ethics committees.

By contrast, informal ethics concerns the mundane decisions of everyday life. No dilemmas are involved, and some of us might not even recognize that ethical questions are at stake. Informal ethics is transacted not in journals or by committees, but in personal relationships between health professionals and patients. Informal ethics is the day-to-day, minute-by-minute manifestation of professional aspirations and a vision of what it means to be a health professional.[5]

We need to pay more attention to informal ethics. In particular, we need to reflect on the way professional aspirations manifest themselves in the way medical practices are organized. Our ethical perspectives shine through in everything we do, even when no particularly perplexing choices seem to be confronting us.[6]

Is the office organized in a way that coerces patients or empowers them? Do we keep patients separated from other sources of information, other healthcare providers, and one another, or do we encourage them to develop new connections? Do we deal with co-workers in a dictatorial or condescending way, or treat them as partners capable of making their own creative con-

tributions to our group's mission? Perhaps even more to the point, how clearly have we articulated our practice's mission, how did we formulate it, and who participated in the process?

Formal ethics tends to focus on the patient-physician relationship, and rightly so. Yet contemporary healthcare consists of many other relationships, in which physicians wear many hats. Some of us bear special leadership responsibility within our groups, creating leader-follower relationships. We also have relationships with colleagues who, formally speaking, are our equals within the organization. And then there are relationships between physicians and other health professionals, such as nurses and therapists, as well as relationships between members of these groups and non-professional staff.

Medical practices have relationships with larger organizations, such as the medical staff and administration of hospitals. Some groups also recognize their relationships with the community at large, the profession of medicine, and the local and national political systems. It is vital that we recognize this larger nexus of relationships if we are to contextualize strategic decision making appropriately.

One crucial realization concerns the physician's authority in the community. If physicians are willing, we can use the trust and respect the public accords us to benefit others in ways that go beyond the narrow requirements of good medical care. To be worthy of that trust and capitalize on it fully, however, we must understand the business side of medicine. In particular, we must recognize that a purely profit-focused medical practice is missing the boat. And it is missing the boat not only morally but economically, as well.

What other objectives, if any, should a medical practice pursue beyond maximizing its owners' return on investment? To answer this question, it is important to understand the human psyche.[7] Most human beings do not operate as profit maximizers, focusing strictly on the finan-

cial implications of their decisions. Money is not the only thing in our work, or even the most important thing. Pay us too little, and we will be unhappy. But you cannot necessarily make us happier in any enduring sense merely by paying us more.

What else do we want? We want to be challenged in the work we do. We want to learn and grow through our work. We want to be recognized for the quality of work we do. And above all, we want our work to contribute meaningfully to the lives of others. We don't want to be remembered merely for the amount of money we made.

What does this mean in practical terms? It means that we need to look for opportunities to invest in ways that are more than merely economic, to invest not only our money but ourselves. When we invest financially, we need to do it in ways that produce human, not just financial returns. Such investments should contribute to our wealth, but they should also contribute to the enhancement of our moral imagination, our compassion, and our sense of community with others.

How can we help to create good jobs? How can we enhance families and communities? How can we make the world a better place for our children, and our children's children? If we seek to be our best, we should be thinking not only of tomorrow, but of the legacy we are leaving future generations.

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How would this translate into the business model of a medical practice? Clearly, job creation would be a priority. But not just any jobs. We should aim to create jobs that provide good benefits, and that inspire people to want to keep them. A high turnover rate is a sign that something is amiss. We create jobs that inspire strong loyalty in large part by offering colleagues an opportunity to grow, develop, and make real contributions to others' lives.

We should see every job as embedded in the larger community, responding to and contributing to the community's needs and opportunities. In creating a business we are not creating a machine. We are creating an image of ourselves that reflects our highest aspirations for ourselves, our patients, and our community.

How can we ensure that our vision is truly reflective of the needs and opportunities that characterize our communities? Clearly, collaboration is crucial. Medical practices need to think of themselves not as groups of benign dictators telling community members what to do, but as active partners working with community leaders toward shared goals.

The only good decisions are well-informed decisions, and no one person or group of people sees the whole picture. By getting people together to discuss opportunities, we can make sure that key constituents are included, bring to light shared interests, clarify important data, define the range of possible responses, and work together to develop creative strategies.[8]

Good business and good ethics need not be regarded as divergent paths. Both require a common set of strategies. In both, it is dangerous to function in a merely reactive mode. It is far better to function proactively, continuously seeking out timely new opportunities. If a stampede is approaching, we need to become aware of it while it is still far in the distance, not just as we are about to be trampled.

In both business and ethics, mediocrity invites extinction, and the quest for excellence is crucial. Excellence provides a competitive advantage, in part because it provides greater rewards. Every human activity, from playing the piano to practicing medicine, proves more fulfilling when we perform it at a high level of excellence.

Integrity is also vital. Groups that are not true to deep and enduring principles risk defeating themselves by inconsistency and internal strife. They have no core aspirations, and when

the winds of change begin to blow, they have no guiding stars by which to steer. By clarifying the shared principles that are most important to us, we enhance trust and empowerment in our organization, enabling everyone to contribute more fully. We need to invest in others, and they need to be able to count on us to do what we say and say what we do.

Consider the typical problems facing most medical groups. These include work schedules, productivity goals, on-call duties, strategic planning, and financial issues. How would a truly excellent group handle such concerns? Communication and shared decision making are crucial. It is important to meet regularly for open discussion of pressing problems and new opportunities. It is equally important periodically to review and revise the strategic plan. In between meetings, regular administrative updates can be provided via email.

All members of the group should have access to complete financial reports, so everyone understands what is happening with the business. Every physician should be actively involved in auditing practice patterns, at least their own. Informal channels of communication, at the water cooler or over meals, are no less vital. The goal is to create an informed and empowered group that can exploit its members' diverse yet well-informed perspectives.[9]

One sometimes contentious problem faced by many medical practices concerns the issue of patient access and range of services. Should the group care only for paying patients, or offer only those services that return a profit? If the group is truly committed to serving the community and the professional flourishing of its members, these cannot be the top priorities.

Yet other questions come first. What policy would best serve the interests of patients? Would changing our policy improve patient care? Would accepting more patients or expanding our services be affordable? Would doing so make work more fulfilling professionally? Only once these questions have been answered should the issue of profitability arise.

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Consider the policies and culture of a particular pediatrics group practice. It is a twelve-physician group (seven partner/owners) in a medium-size city with a total of approximately 100 employees operating out of three locations. By many indicators, its probability of success might appear to be poor. It is located in a town with a median household income of $25,377, where 29.6% of the population lives below the poverty level. Forty-three percent of its patients are on Medicaid.

Despite the financial limitations of the community, the practice provides a high level of service. It is open 365 days per year, with evening hours every day. There is an evening/night nurse call triage service. It is committed to 15 minute availability for obstetrics, pediatrics, and emergency medicine. It also provides phototherapy blankets, pediatric subspecialty consultations in the office, and same-day appointments for sick visits.

Its interpersonal culture and sense of camaraderie are strong. Physicians who join the group are carefully selected for their commitment to the written framework of organizational values. Partners practice open communication with one another, grounded in a deep respect for one another's medical knowledge and skill. The practice treats its employees as absolutely vital to its success, empowering them to make front-line decisions wherever possible. Physician-approved telephone protocols are available to staff on over fifty topics.

The practice is pervaded by deep mutual trust, and there is an enterprise-wide commitment to excellence. Physicians lead less by exhortation than by example, and people have developed a habit of showing appreciation for the quality of others' work.

A strong commitment to employees manifests itself in many practical ways. Though the practice faces the usual challenges of any small employer, it offers affordable health insurance

and promotes employee participation in its retirement savings program. It hosts an annual conference with nationally known speakers on a variety of pediatric topics, as well as regular lunchtime continuing medical education opportunities.

Everyone who works in the practice eats lunch together. The group fields a softball team in the community, and throws an office Christmas party each year. Nurses' day is never forgotten, and physicians go out of their way to recognize special efforts, posting patient and parent compliments for all to see. These and other efforts foster a strong sense of loyalty and team spirit.

The members of the group involve themselves in a variety of ways. They serve as volunteer teachers in the community's classrooms and churches, covering such issues as injury prevention and sexuality. They serve as resources for teachers, nurses, and administrators. They serve as physicians for athletic teams, groups of developmentally disabled children, and day care programs. They maintain close contacts with local media, who regularly call on them for expert opinions on a variety of healthcare issues.

They volunteer for local health fairs and lecture through the local YMCA. They are active participants in the local chamber of commerce and on school committees. They serve actively on the hospital medical staff and foundation, as preceptors for medical and nursing students. They provide in-service programs for other health professionals, including classes in neonatal and pediatric advanced life support. The group and its members are active supporters of local, national, and international philanthropic programs.

Lack of philanthropic engagement is not the result of an absence of opportunity. Instead it represents a failure of moral imagination. To the complaint that it is difficult to find opportuni-

ties to serve, the president of the group responds by saying that an opportunity for such service presents itself every five minutes.

Given the extensive community involvement of this practice, much of it uncompensated, an observer might suppose that its physicians are suffering financially. In fact, however, the members have discovered that their policies provide them a competitive advantage in the marketplace. Consider, for example, the strong case the group can make when negotiating contracts with payers. It has a strong, state-wide reputation for providing excellent care. Equally important, it carefully monitors its performance and is able to document the value it provides to patients and healthcare payers.

What does this mean to the financial well-being of the group's members? Financially, they enjoy higher earnings than most pediatricians, ranking above the 80th percentile nationally for income. Humanly speaking, they are deeply engaged physicians who look forward to coming to work in the morning and feel they are making a real difference in the lives of those they serve.

The practice uses this power not to line the pockets of its members, but for the benefit of patients and to further its long-term mission. It presents a united front, exploiting a cohesiveness born not of cupidity but a deep commitment to the pursuit of excellence.

Conclusion

This particular pediatric group practice exemplifies the benefits of excelling at the informal sphere of ethics. Its members are not focused on the high-profile issues that occupy professional bioethicists, but they embody in everyday practice a transformative vision of medical excellence. They have taken to heart an adage frequently attributed to Winston Churchill: We make a living by what we get, but we make a life by what we give.

The people who work in this practice care more about the intrinsic rewards of caring well for patients than they do about income. They view their combined knowledge and skills not as a commodity to be sold on the open market but as a public trust. Profit and loss are important, but they are transcended by a deeper sense of professional accountability. They manifest a profound respect for their civic responsibility, and feel a sense of calling to their profession. People who interact with these physicians often come away with a broader and more elevated vision of what the practice of medicine could be.

The members of this practice realize that it is not necessary to lurch from crisis to crisis. They seek out new opportunities for to put professional capital to work to enrich the lives of patients, colleagues, and the community. And they realize that we ultimately accomplish most by cultivating a clear sense of professional mission, where doing well is a natural outgrowth of a deeper quest to do good. By disseminating models of such high-performance medical practices, we can promote a more effective integration of the financial and ethical missions of small and medium healthcare enterprises.

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