

# Transformational change in healthcare

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Transformational Changes in Healthcare: Two Case Studies Patrick Chapman  
MHA 601 Professor Sherrie Lu November 29, 2010 Transformational Changes  
in Healthcare: Two Case Studies The economic downturn has led healthcare  
organizations to think big changes. We understand that all organizations  
experience micro changes in their normal adjustments to operating;  
however, occasionally a unique climate comes together to force new ways of  
thinking. This new way of thinking is usually a whole novel vision and an  
entire new direction which “ transforms” the organization.

When successful, these organizations become a learning experience for  
other organizations that perhaps need to make similar changes. This paper  
discusses two hospitals/healthcare organizations, one large and one small,  
which made transformational changes and became examples to others. “  
Change begins with a common vision, inspired by a transformational leader,  
capable of championing and communicating their vision to all of the  
organization stakeholders” (Johnson, 2009, p. 301).

Sherri Welch, as reported by “ The Crain’s Detroit Business Journal” (2009)  
describes Gary Valade as a healthcare hero for turning around the Henry  
Ford Health System in the State of Michigan. His name was a big player  
associated with the Chrysler Companies as a Chief Financial Officer and  
executive vice president with more than 36 years experience. Similarly, on  
the west coast, the Sebastopol California Rotary Club (2008) presented a  
program commending Laurie Austin as the interim CEO for turning around  
the small Palm Drive Hospital in western California.

The once dying small hospital is now a vital player in the community offering an array of services. Understanding the transformational changes of these two hospitals will offer great insight to transformational leadership and learning. The problem at Henry Ford Health System was that they were drowning in debt and still not meeting the needs of the people. In 2003, the healthcare system faced a staggering loss of more than \$88 million dollars. Additionally, the healthcare organization revealed many warning signs of a distressed system.

During that year, Henry Ford's Board of Director had a new incoming chair, Valade, who immediately convinced the Board that major changes had to take place quickly (Welch, 2009). On a smaller scale, the problems were similar at Palm Drive Hospital. During the period of 2002 to 2007, the small hospital was losing around \$500, 000 per month for a combined loss of \$24, 000, 000. The hospital, licensed for 37 inpatients was averaging 7 per night and their costs were largely the same. The hospital was surviving by selling its assets and had no money to pay salaries.

They were losing patients to nearby larger hospitals who offered more services managed by the Kaiser Permanente Organization (Hixon, 2008). Transformational changes require major reorganizing efforts which include risk taking sometimes in a short amount of time called a transformational launch (Johnson, 2009). Henry Ford Health Systems reached the apex of its debt during the years 2002 and 2003. After Valade took the reigns as chairman of the Board, it took until approximately the year 2005 to turn the trend around where the organization was making sound investments and recovering from their large losses.

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According to their website, for the first time since the crises, the system reported a net gain of \$8.5 million dollars during 2008. This is tremendous accomplishment considering the amount of debt in 2003 and the huge economic problem in the United States in the last three years (“Henry Ford Health Systems,” 2010). Palm Drive Hospital reported \$24 million dollars in combined losses from 2002 until 2007. The Rotary Club Award came on January 4, 2008, when during the second quarter of that year, operating losses had been reduced to \$2,000 (Hixon, 2008).

The stakeholders in Michigan under the Henry Ford Health System were many. The large system is a non-profit organization founded by auto giant Henry Ford in 1915. It is governed by 24 community leaders. According to its website, Henry Ford Health System now manages six major hospitals with 102,000 inpatient admissions, over 80,000 surgeries, and 3.1 million patient contacts including outpatient (“Henry Ford Health Systems,” 2010). Palm Drive Hospital in Sebastopol, California near Santa Rosa opened in 1941 with 15 inpatient beds and later made expansions in 1974 and 1991 to reach the current licensure for 37 beds.

The small community governed non-profit hospital is supported by tax revenues and serves a community of about 8,000 people (“Palm Drive Hospital,” 2010). Both of these hospitals had community leaders who cared about their future and were willing to invest community resources for a transformational change. During Valade’s tenure as Chairman of the Board at Henry Ford Health Systems, the Board of Directors invested over \$1 billion dollars in new innovated projects and expansions of their hospitals. Despite the poor economy, it maintained its Standard and Poor’s A rating and <https://assignbuster.com/transformational-change-in-healthcare/>

Moody's A1 rating, increased its market share by 37 percent since 2005" (Welch, 2009). Dan Smith, a community leader, was the director of strategic planning in the community of Sebastopol, California. He noted that the hospital was on the brink of total collapse being unable to pay its bills. His bank stepped in and guaranteed a loan of \$600, 000 to the hospital (Hixon, 2008). The issues that surface during the transformation change at Henry Ford Health Systems were enormous.

The corporation recognized a multitude of opportunities to serve the people of Michigan in ways they had not previously dreamed of. The new leadership at Henry Ford saw the opportunity and planned the new Henry Ford West Bloomfield Hospital as a part of their \$1 billion dollar transformational investment. Another major problem recognized during the transformation was that patients were being harmed and the corporation found it in troubling lawsuits as a result. Palm Drive Hospital found out that their patients were no longer utilizing their facility but rather going to larger well managed hospitals nearby.

Patients were unhappy with services that were available to them The outcome results from these two different and yet similar transformational changes are very important studies in healthcare organizational leadership. Facing escalating costs community pressures, and a poor economy, Valade at Henry Ford formed a special committee to restructure the entire health system and insisted on transparency at every level. The results were that services and modernization at Henry Ford Systems were expanded exponentially and the strong new focus on quality of care earned the system a National Patient Safety Leadership Award.

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Henry Ford Health Systems is now recognized as one of the leading health systems in America (Welch, 2009). Palm Drive Hospital turned their situation around with specialized services like a new colonoscopy unit. Patients in Sebastopol no longer have to travel to larger nearby cities for even complex problems like anterior hip replacements. Five of their 37 rooms were converted to an intensive care unit. The census has increased from the average of seven each day to 20 patients each day with a goal of 35 in sight. Finally, the citizens voted the hospital “ Best Hospital, Sonoma County in 2010” (“ Palm Drive Hospital,” 2010).

There are a number of institutional lessons to be derived from studying any transformational changes with positive outcomes. These two studies are particularly riveting because of their variance in size and yet the enormity of debt that was turned around in a relative short period of time in each situation; not to mention, major programs came about as a result of these revolutions. When questioned about the transformational changes at Henry Ford, Valade related that he was not afraid to be tough and yet he did not try to micromanage.

Experts say that he provided strong leadership which built a coalition of followers who enjoyed the changes (Welch, 2009). The lessons from Palm Drive are equally important. The small community banded together to win the hearts of the citizens and bring back quality health services on the local level. These are important ingredients in transformational change. Effective Change Management according to Johnson (2009) must include motivating change, creating a vision, developing support, managing the transition, and

sustaining the momentum. All of these were accomplished at Palm Drive Hospital.

Collectively, it seems both leaders rallied their leaders and team, attacked their problems on multiple fronts and then focused on key opportunities. Bob Vento, the Senior Vice President of Quorum Health Resources in Brentwood, Tennessee deals exclusively with transformational changes in hospitals across America. He relates that health organizations must recognize early warning signs of becoming distressed and realize that “ contrary to conventional wisdom, hospitals are not – perhaps never were – recession proof” (“ Early Signs”, 2010). Conclusion

All organizations change; however, there are unique moments when force large transformation changes. This paper reviewed to health organizations: Henry Ford Health Systems and Palm Drive Hospital in order to gain insights from their changes. Both of these institutions, one large and the other small, had similar problems – short on cash and lacking in services. The changes occurred during very similar periods of time from approximately 2002 until 2008. The stakeholders involved large numbers of people in Michigan and a small community in western California respectively.

Both organizations received new leaders who instituted transformational changes. The issues that were identified saw opportunities to grow and expand services. The outcome revealed a major turn around in both cases with very positive financial results and major increases and expansions in patient care. The lessons learned were that leaders must be tough with a vision and not micromanage and yet also build coalition of community

members who rally around the effort of change. References Henry Ford Health Systems (2010). Retrieved November 26, 2010, from <http://www.henryfordhealth.org/body.cfm?id=37460> Hixon, M. (2008).

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