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John Deffenbaugh blog – Private lessons

General Healthcare Group has been in the news recently. They're in a pickle due to continuous refinancing via equity investors. The result is that their property loans are not serviceable from income. A sad position for an otherwise proud company; think Southern Cross.

I used to work for American Medical International (AMI), which morphed into what is now General Healthcare Group (GHC). When I joined in 1980 we had 2 hospitals – now there are 72. Back then we serviced the Middle East and profited from abysmal access to the NHS – years in many cases. Those were the days. In fiscal '81 we budgeted for 95% occupancy – a license to print money.

Things have changed. GHC, along with the rest of the private sector, has been severely squeezed. The economy is in the toilet so people don't buy private health care, and companies are cutting back on corporate schemes. Why buy it in anyway when you can get into the NHS in weeks instead of years? Or get treated privately in an NHSFT hospital by the same doctors who use the public sector to make money instead of going off-site to a GHC facility that might not have all the back-up. The Middle East market has also collapsed because they now have their own hospitals, or no longer have the oil money. The insurance companies are also flexing their muscles, resulting in loss-making fees. And when GHC does get NHS contracts they're screwed tight on prices, but stuck with high overheads from a swish service offering.

Not a pretty picture. GHC will survive, but probably in a new form, leaner and meaner. Though they are in a mess, the private sector can teach the NHS a thing or two. It certainly taught me a few stiff lessons in operational effectiveness.

First, **bed usage**. We had 25-bed suites (nothing as basic as wards). When we filled 25 beds, we opened and staffed a new suite. And so forth til we opened all 100. No demarcation across specialties, eg medicine, ortho, gen surg, etc. Our nursing staff, all NHS trained and experienced, were able to care for this variety of cases. And the consultants, all NHS, did not mind this more generalist approach and were not protective of 'their' bed. Ok, in an NHS facility five or ten times the size there will be issues with really specialist cases and staff racing around all over the place to find their patients, so the model is not directly applicable. However, it does highlight the perils of inflexibility of bed demarcation and staffing allocation. If nurses and doctors can work flexibly in the private sector, why not the public?

Second, **motivation**. Our culture was one of customer service. We had to attract the customers, both patients and doctors, and if our culture was not right, we'd not get the business. Hence, we adopted a different management style from the NHS, which at the time was, and in some pockets still is, along the lines of what Henry Ford observed: **Any colour as long as it's black**. The impact of this different management style showed on our nursing staff, who would have worked in the NHS on a Friday and joined us on a Monday. They did not change too much in themselves over the weekend, but in a different climate of management, they were able to exhibit different behaviours.

Third, **accountability**. We had a corporate office in Los Angeles with obvious overheads passed down the chain. Each department had what was called a departmental performance report (DPR), on which was a line for their proportion of corporate overhead. So the physio in our London hospital knew how much LA was costing her. And at times she wasn't too impressed. This is now called service line reporting, but as any accountant will tell you, it's bog standard overhead allocation. We also flexed the budgets of each department, so that if workload went down (or up), the costs would move in proportion. This level of information made for pretty transparent accountability. Managers and staff owned their DPR, and found it invaluable in being able to manage their resources effectively.

This was commercial management of a business. The NHS has lessons to learn from the private sector, and it will be interesting to see what lessons Circle provides on a much larger scale of acute care.

John Deffenbaugh 7 Feb 2013