Case 2

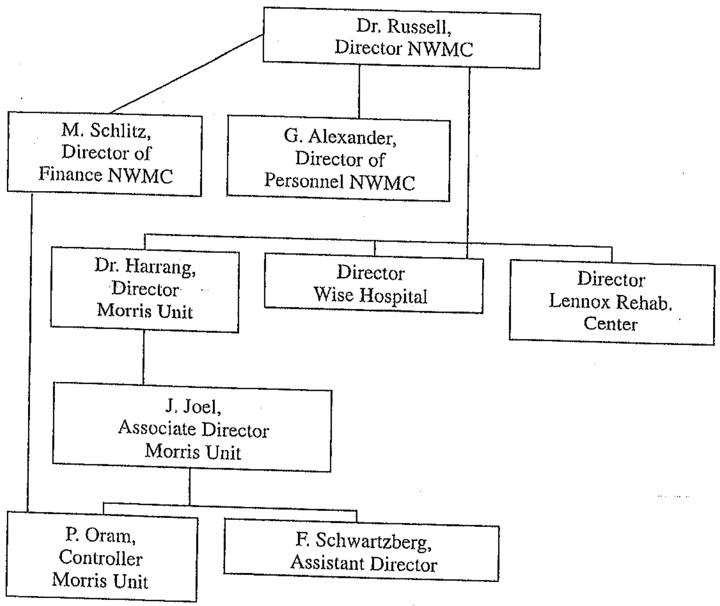
The Associate Director and the Controllers

Anthony R. Kovner

Fortunately for Jim Joel, he didn't lose his temper often. Otherwise, he might not have been able to function as associate director of the Morris Health Care Program of the Nathan D. Wise Medical Center (see Illustration 2.1, the Organization Chart). But now, he had become so enraged at the Morris program controller, Percy Oram, that he had to concentrate hard to keep from yelling. Joel had just been informed by Felix Schwartzberg, an assistant director, that the accounting department was not collecting cash from the billing assistants in the family health units as previously agreed. Oram did not usually keep in close enough touch with Joel concerning his actions. But in any case, Joel knew his own reaction was excessive. An aspiring health services executive did not throw a tantrum, which is what Joel now felt like doing.

Joel was 30 years old, ambitious, a recent graduate from Ivy University's Master in Health Care Administration program. Before returning to school, he had worked as a registered representative on Wall Street, where he had found the work remunerative but uninteresting. The director of the Ivy program, Dr. Leon Russell, assumed the post of director of the Nathan D. Wise Medical Center in 1966. Joel, one of his best students, asked to join Russell toward the end of that year, and he was hired shortly thereafter as an assistant hospital administrator. The Nathan D. Wise Medical Center is located in New York City and comprises three large programs: the Nathan D. Wise Hospital, the Lennox Rehabilitation Center, and the Morris Health Care Program. The hospital and the rehabilitation center are owned by the Wise Medical Center, but the Morris

Illustration 2.1 Organization Chart: Nathan D. Wise Medical Center



Health Care Program is operated by the Wise Medical Center under contract with the City of New York and is located in a city-owned facility.

Russell had been impressed with his former student's drive and promise, and had originally created a job for Joel. This included half-time as a staff assistant at Wise Hospital, and half-time as an evaluator at the Morris Unit, where new methods of delivering ambulatory medical care were being developed and demonstrated. However, the director of the Morris Unit, Dr. Lawrence White, had resigned to become commissioner of health of a midwestern city, and six months later his associate director, Mr. Philip Bright, had announced his intention to resign to join White. By March 1967, Russell had already hired a replacement for White, Dr. Miller Harrang, a 45-year-old physician, who had previously been medical director of the Ochs Ambulatory Care Unit in another part of New York State. Since Joel was not being fully utilized at Wise Hospital, although he had performed capably whatever he had been asked to do, Russell decided to offer him the position of associate director of the Morris Unit.

Joel felt ambivalent regarding Russell's offer. He knew he would take the position, even before requesting a night to think it over, but at the same time he had certain reservations. Joel was enjoying his work at the hospital.

He had submitted an in-depth plan for increasing efficiency of the operating room, which had been enthusiastically accepted by the medical staff executive committee, and he was just starting an evaluation of patient transport in the hospital. His key interest was implementation of his master's thesis on nurse staffing. Joel believed that by assigning rooms to patients on the basis of their nursing needs, one-third fewer registered nurses would be required. Joel wished to be director of a large general hospital within ten years. He wasn't sure how working at the Morris Unit would advance him toward that goal, nor how comfortable he would feel working in a facility serving the poor in a slum section of the city.

However, after taking the job, Joel found before long that he liked working at the Morris Unit immensely. Morris was rapidly expanding. In the last year, the number of physician visits had increased 25 percent to 215,000. Through a generous grant from the Office of Economic Opportunity (OEO), the budget had increased from \$1.5 million to \$2.5 million. Joel worked 65–70 hours a week. There was so much to do. He liked Harrang, his present boss, and he liked the people who worked at Morris. The atmosphere was busy and informal, a nice change of pace from the Wise Hospital where things happened more slowly. Dramatic change was the norm at Morris, whether this was conversion of the medical and pediatric clinics to family health units, or confrontations with a community health council resulting in increased participation in policymaking by the poor. There was no formal division of responsibility between Harrang and Joel. Harrang spent most of his time in community relations (time-consuming and frustrating), in individual conversations with members of the medical staff at Morris, and in working out problems with the Wise Hospital. Harrang also took responsibility for certain medical units such as the emergency room, obstetrics-gynecology (ob-gyn), and psychiatry. Joel's primary responsibility lay in the area of staff activities such as finance, personnel, and purchasing. He also supervised several departments or units, including laboratory, x-ray, pharmacy, dental, housekeeping, and maintenance. Responsibility for the family health units was shared by the two top administrators.

Under the former top administrators, White and Bright, the Morris Unit had been run as a unit independent from the Wise Hospital. The unit was decentralized, with departments such as laboratory and internal medicine handling their own personnel and often their own purchasing. It was Russell's wish to create a more integrated medical center, and Joel saw an important part of his job as creating staff departments (such as personnel and purchasing) and upgrading these functions through the help of medical center experts.

When Joel arrived, the controller's department consisted of four individuals: Bill Connor, the controller, who promptly resigned (Joel never met this individual whom he was told had personal problems of an unspecified nature); Peter Stavrogin, an industrious bookkeeper, who was a 55-year-old East European refugee with a limited knowledge of English; a payroll clerk; and a secretary. This was the staff for an organization of over 400 employees that was funded by five different agencies under five different contracts. The accounting department had heavy personnel responsibilities as well in spring 1967, at least so far as payroll was concerned, since no personnel department as such existed. One of the first things Joel did was to hire Connor's replacement. In doing so—and to conform with Russell's policy of an integrated medical center—Joel enlisted the help of the medical center staff: Milton Schlitz, the director of financial affairs, and Grover Alexander, the director of personnel. Alexander volunteered to place the ads and check the references of applicants for the controller position, and Schlitz suggested that he screen the applicants. The best three or four would then be reviewed by Joel and Harrang who, between them, would select the new controller. Joel was pleased with this arrangement, although he thought the recommended salary for the position was too low. He agreed to go along, however, based on the recommendations of Alexander and Schlitz, who had considerably more experience in these matters.

However, because of what Schlitz and Alexander believed to be a shortage of qualified accountants, and the undesirable location of Morris, they found only two prospective applicants. Albert Fodor, a 55-year-old certified public accountant (CPA), with no hospital experience but good references was the obvious first choice to be Morris's new controller. Fodor was pleasant and industrious. It took him six months to learn the job. Fodor then resigned, citing that the tremendous pressure and workload were too great for a man of his years. The payroll clerk also resigned at this time for a higher-paying job at another hospital.

During the next three months, Joel employed three new billing clerks as well as a personnel assistant and a purchasing agent. Most of the accounting department's work, which would have been done by the controller, was performed by Joel and Stavrogin. Joel handled the budgetary aspects and Stavrogin the accounting aspects. This system was unsatisfactory, however, from the standpoint of Schlitz and Joel, both of whom wished Joel to spend less time troubleshooting financial problems and more time on the programmatic aspects of the job. Also, Joel wanted to conduct and supervise a variety of special studies for contract purposes and cost comparisons, an undertaking hardly feasible under the present setup.

So Joel went back to Schlitz and Alexander, insisting that the salary for the controller job be raised $3,000 per year because of the complexity of the job and the distance from Schlitz's direct supervision. Schlitz agreed reluctantly; he knew he would have to raise salaries or face morale problems in the accounting department at Wise Hospital.

After an intensive advertising program, eight to ten candidates had been screened by Schlitz, and three candidates were sent to Joel and Harrang. Perry Oram seemed clearly the best. Oram was 40 years old, without a CPA but with solid accounting experience in a medium-sized business firm. Oram had no hospital or healthcare experience. Schlitz and Joel did not feel that such experience was necessary for the job, although, of course, they would have preferred it. Oram was physically attractive, well-dressed, married, with no children. He said he was interested in advancing himself in the expanding hospital field. Joel went over the Fodor experience with Oram, stressing the work pressures. Oram responded that he was looking for a job where he would have more autonomy, where he was in charge and responsible, and where he knew he would be rewarded (or blamed) based on his performance. Of course, he would like to spend a lot of time at first learning the ropes with Schlitz. Joel told Oram he would let him know later that week if the job was his. Afterward, Joel and Harrang agreed that Oram was the best of the three candidates. However, Harrang had a vague feeling of unease. Oram seemed too good, too qualified for the job. Independently, Schlitz also agreed that Oram was the best of the three candidates, and that Oram was a promising candidate indeed. Alexander checked Oram's reference which confirmed the high opinion of Schlitz and Joel. Oram was then offered the job as controller of the Morris Unit, and he accepted.

From Joel's point of view, things went fairly well at first, perhaps because Joel was busy with other matters and because Oram was spending a lot of time at Wise Hospital with Schlitz. The first sign of trouble was the lateness of the monthly statement that Joel had instituted and required. The statement included detailed categories of departmental costs, comparing costs (Joel hoped eventually to compare costs with performance as well) for this month, last month, and this month last year, as well as cumulative totals for this year. Joel had reviewed with Oram how he wanted the statement done (in what categories), with a cover sheet that would suggest the reasons for any large variances. Oram agreed to furnish such a report, but one month after the month in question, Joel still hadn't received it. When asked, Oram said that he was too busy, and that he was working on it. When the statement finally did arrive on Joel's desk, there was no cover letter about variances, and there were large variances caused by sloppy accounting (items in one category last year, for instance, that were in another this year, causing large discrepancies). Even some of the amounts in the categories were incorrect, salaries of certain individuals not having been counted in the proper categories. Joel, patiently but with irritation, explained that this was not what he wanted. He told Oram why he wanted what he wanted, and when he wanted the report—15 days after the end of the month. Timeliness, he emphasized, was especially important because, although the city contract remained at the same sum every year, changes in the OEO budget had to be individually approved by Washington, and OEO funds had to be spent by the year's end. This meant that a lot of shuffling had to be done (e.g., transfer of city positions because of increased salary costs to the OEO budget) based on correct information. Oram apologized and agreed to improve performance.

At the same time, Joel had begun to hear complaints about Oram from other staff members. Linda Lee, the personnel assistant, and Felix Schwartzberg, the assistant director, complained about his rudeness, arrogance, and insensitivity to the poor—like his repeated statements about "welfare chiselers." Such terminology was at odds with the philosophy of the unit. When changes in employee paychecks had to be made because of supervisory mistakes or because of inadequate notice concerning an employee's vacation, Oram reluctantly did the extra work. However, he warned those involved, without clearing this with Joel, that eventually checks would not be issued on this basis.

Joel had been approached by Oram two weeks previously about a personal matter. Oram explained that he had to come to work an hour and a half late twice a week because of an appointment with his psychiatrist. The psychiatrist couldn't see him before or after work, and he hoped Joel would be sympathetic. Oram was willing to stay late to make up the time. Joel said he wanted to think it over before responding. Joel then discussed Oram's situation with Schlitz and Harrang. They all agreed that they would have liked to have known this before Oram was hired, but that if the work was done and he made up the time, it would be permitted. It was agreed that Joel would check occasionally in the accounting office, which was located in a separate building a block away from the health services facility, to see if Oram was indeed putting in the extra time.

For about the next six months, Oram's performance remained essentially the same. The cover letter was superficial, and the statements were late and often contained mistakes. (The statements did, however, eventually arrive and were eventually corrected.) The special studies requested of Oram were done late and Joel often had to redo them. In checking up on Oram, Joel never found him in the office after 5:00 p.m., but he did not check every day. The routine work of the accounting department was being done effectively, but this had been the case before the current situation with Oram, when no controller had been present. Oram had added another clerk, and Joel suspected that Stavrogin was still performing much of the supervisory work as he had been previous to Oram's arrival. Joel was not happy. He discussed the situation with Harrang, who agreed that the statements were less than acceptable. Harrang told Joel to do as he liked, but to clear it first with Schlitz.

Soon after, Joel went to Wise Hospital to discuss Oram with Schlitz. Schlitz, a CPA, had been controller of Wise Hospital, now Wise Medical Center, for 27 years. Schlitz was talkative but often vague, hard-working, basically conservative, and oriented primarily to the needs of Wise Hospital (at least in Joel's opinion) rather than to the Medical Center at large. This was reflected in the allocation of overhead in the Morris contracts (e.g., administrative time allocated was greater than that actually provided) and in the high price of direct services, such as laboratory, performed for Morris by the hospital. More importantly, Schlitz saw his job almost exclusively as worrying about "the bottom line"—whether the hospital or the Morris Unit ran a deficit or broke even—rather than in terms of performance relative to costs. Nevertheless, Joel thought he had established a cordial relationship with Schlitz, and their discussion about Oram was indeed cordial for the most part. Schlitz agreed that Oram's performance left something to be desired. He was particularly unhappy about the time Oram put in. On the other hand, Schlitz felt that the Morris Unit was in good financial shape and that there was nothing to worry about. In view of the experience with the previous controller, Fodor, Schlitz wondered if indeed they could find a better man for the salary. Schlitz urged that they talk to Oram together, but said that he would go along with whatever Joel wanted to do.

Acting on Schlitz's recommendation, Joel set up a meeting with Schlitz, Oram, and Harrang to discuss his dissatisfactions. During the course of the meeting Joel did admit that the monthly statements were improving, but only after extensive prodding. Oram remarked that the reason for this meeting surprised him; that he had thought, on the basis of previous meetings with Joel and Schlitz, that they were pleased with his work. He then asked, in fact, to be included in more top-level policy meetings, as he felt that controllers should be part of the top management group. Oram said he felt isolated, which resulted in part from the location of the accounting department in a separate building. Joel responded that he would welcome Oram's participation in policy meetings after the work of the accounting department had been sufficiently upgraded, and that Oram would be kept informed and invited to all meetings that concerned his department.

Returning to the Morris facility, Joel discussed his perplexity with Harrang. Actually, he asserted, he did not understand what was going on here. Oram never gave him what he wanted. He had no way of knowing how busy Oram actually was. Lately, Oram had said that he couldn't produce certain studies by the stipulated dates because he was busy doing work for Schlitz or attending meetings at the hospital with Schlitz and the controllers of the other units of the medical center.

Harrang replied that he believed that Schlitz was indeed responsible in part for Oram's lack of responsiveness. Schlitz had probably told Oram not to listen to Joel but to do what he, Schlitz, recommended, since Oram's salary and benefits were largely determined by Schlitz rather than by Joel. Schlitz didn't want the accounting department at Morris to use more sophisticated techniques relating to the hospital because this would reflect badly on Schlitz. Moreover, Schlitz wanted his "own man" at the Morris Unit so that the hospital benefited in all transactions with Morris (e.g., there should be enough slack in the city budget to meet any contingency, with as many staff as possible switched to the OEO budget).

Joel had to agree with Harrang's observation. But on the other hand, Harrang had became increasingly bitter toward Russell over the last six months. This concerned a variety of matters, most specifically Harrang's salary. Harrang was working much harder than he had bargained for at Morris, and he didn't feel he was getting the money or the credit he deserved. Nevertheless, Joel did think that Schlitz might be part of the problem; he had never been particularly impressed with Schlitz.

Several weeks later, a new state regulation was passed stating that for city agencies to collect under Medicaid, all efforts must be made to collect from those who, by state edict, could afford to pay. This was in conflict with Morris's philosophy of providing free service to all who said they couldn't pay, and there was much opposition to implementation of the policy by the professionals at Morris. The professional staff felt that no special effort should be made to collect from those who had formerly received free services. Oram disagreed with this philosophy and said that Morris should make every effort to collect.

When it came to implementing collections, Oram requested that the registration staff who were to collect the money should be part of his department, or that a separate cashier's office should be set up on the first floor of the health facility. Otherwise his department didn't wish to be involved. Schwartzberg, the assistant director in charge of registration, argued that the registration staff should continue as part of the family health units because of other duties, that no space was available on the first floor for a cashier's office, and that it was not fair to patients to make them stand in two lines, as they would have to under Oram's arrangement, before seeing a health professional. Joel and Harrang sided with Schwartzberg and discussed with Oram a plan under which he would be responsible for the cash collection aspects of the registrar's work. It was agreed that Oram would devise, within a week, a plan for implementation. After two weeks, Schwartzberg reported to Joel that Oram had not devised a plan and was unwilling to cooperate with the plan Schwartzberg and the chief registrar had devised.

Joel pounded his desk. What concerned him was not so much this specific matter, which he knew he would resolve, but what to do in general with Oram.

Joel was working Saturday mornings with a militant community group over next year's OEO budget and was still working 60–65 hours per week. He knew that it was his job to decide. He didn't think Oram's performance would improve unless Schlitz agreed with Joel's priorities and, even in that event, sufficient improvement was unlikely. On the other hand, Joel did not look forward to hiring a fourth controller in the two years he had worked at Morris. Moreover, the routine work of the accounting department was being performed to the satisfaction of Schlitz. Joel decided to go for a walk by the river and make his decision.