

Assessment 2 Context

Competitive Markets, Market Power in Health Care, and Risk Mitigation

Effective leaders need to objectively evaluate data, consider more than a single perspective on an issue, and propose a reasonable recommendation based upon quantitative and qualitative data. Of significant note is the utility of maintaining a systems-based perspective, balancing near- and long-term organizational interests, and evaluating the economic alternative within the industry or operating environment.

Consider your current or desired future work setting. What are some of the problems, dilemmas, or issues for which economic decisions must be made? Examples of such decisions may be determining optimal staffing ratios, purchasing a new piece of medical capital equipment, hiring a consultant versus using inside talent, or embarking on a large-scale marketing campaign.

When you have been involved in economic decision making in the past, what types of decisions were involved? Did you review only cost data? Were you on a team that evaluated the short- and long-term impact of a decision involving a purchase or investment for a health care organization? If you were, try to recall the decision-making process. One of the most challenging aspects of effective decision making is identifying not only the ideal option, but one that is feasible and realistic given finite organizational resources.

Economic decision making involves consideration of possible alternatives, and weighing risks versus benefits. Examples of decisions that may involve risk assessment are financing the expansion of a new hospital wing, funding a new patient safety team, entering into a joint venture to share services with an industry partner, or launching an innovative clinical initiative using 3D printers to construct pediatric heart valves. Regardless of the economic decision selected, effective health care executives constantly engage in risk assessment. This can be a mixture of informal or formal processes, but it is wise to conduct a detailed risk assessment before embarking upon any major economic decision. The skill of assessing risk is one that is constantly utilized by health care leaders, so this exercise has immediate applicability to the workplace.

Comparative economic analysis (CEA) is quite useful in the health care workplace, especially given the uncertain nature of reimbursement and emerging regulations. Health care leaders must consider a variety of options and assure that the alternatives under consideration have been properly valued for the sake of comparison. Regardless of the comparative economic analysis method or problem—human capital, risk preference, contingent evaluation, or cost-benefit ratio analysis—that you select, you will be able to apply the comparative analysis tools in your workplace setting as well as in your daily life.