



The management team of Memorial Medical Center must make a decision regarding the continuation of one of its outpatient clinics. To provide better community service, MMC developed three outpatient clinics throughout a large metropolitan area. Over the past several years, one of the clinics has consistently been a financial loser. The losses have grown even as the costs of maintaining the clinic have increased. A primary reason for the negative financial performance is the high amount of nonreimbursed healthcare services—the clinic provides needed healthcare to a low-income part of the metropolitan area. Several members of the executive management team believe MMC has no alternative other than closing the clinic. One member of the management team, however, believes that the situation raises ethical concerns, and that executive seeks an ethics-grounded response to the problem.

An Organizational Ethics Decision-Making Process

by William A. Nelson, Ph.D.

For many healthcare executives, ethical conflicts like the one described above are regular occurrences. The nature of healthcare management is such that decisions with ethical implications are made every day—for issues as diverse as access to the organization's services, a particular employee's behavior, clinical practices, and the allocation of limited resources. The decisions made and actions taken in response to ethical questions are critical because of their direct impact on the quality of care. Does your organization have an effective ethics infrastructure in place that includes a structured process to address ethical conflicts?

The Concept of Procedural Justice

At the foundation of organizational ethical decision making is the application of the concept of procedural justice—organizations should rely on a deliberative process to foster fairness through a clear understanding of all competing values in response to a particular ethical conflict. The belief is that if the process is fair, the outcome will more likely be fair as well. To do this, decision makers must take into account the perceptions and values of those affected by the decision and explore various options and how the options are driven by underlying values. Once the options and their

An Organizational Ethics Decision-Making Process

underlying values are understood, decision makers choose from the value-driven options. The result of the decision-making process should be openly shared, including the reasoning driving the decision, and there should be a feedback loop for reviewing the outcome of the decision. Such a process is not an algorithm providing one clear answer to every ethical conflict but rather a method to understand different perspectives to the problem, organize and prioritize one's thinking, and appreciate the implications of various options.

The procedural justice approach, similar to the stakeholder theory in business ethics, takes into account the rights, values, and interests of the broad range of individuals and groups who are affected by the ethical conflict and will be harmed by or will benefit from the decision. The challenge in responding to an ethical conflict is choosing among potential options and their underlying values. This frequently involves prioritizing competing values. There are no simple answers to the issue of ranking priorities; however, the organization's mission and value statements may provide guidance when ranking the interests or values of one over another. It has been suggested that because the fundamental purpose of a healthcare organization is quality patient care, the ranking of competing priorities should be as follows: first, patients or the population served; second, clinicians and staff; and third, the organization itself, including its financial

stability (see P. H. Werhane, "Business Ethics, Stakeholder Theory, and the Ethics of Healthcare Organizations," *Cambridge Quarterly of Healthcare Ethics*, 2000, 9:169-181). The ranking of these potentially competing priorities and values in this or any order is controversial. Similar to a process of addressing competing moral principles, there is no absolute ranking. Instead, the discussion pushes our reasoning



by asking when, if ever, we are justified in not giving patient care first priority (see D. Ozar, J. Berg, P. H. Werhane, and L. Emanuel, "Organizational Ethics in Health Care: Toward a Model for Ethical Decision Making by Provider Organizations," *Institute for Ethics National Working Group Report*, American Medical Association, 2001).

A Multistep Ethical Decision-Making Process

The following process reflecting procedural justice can help healthcare executives respond to common, yet

challenging, organizational ethical conflicts in a planned, systematic manner. Whether used by an individual or a group, such as your organization's ethics committee, the process can enhance the quality of decisions by helping you clarify ethical conflicts, structure your reasoning, and promote ethical standards of practice.

Step One: Clarify the Ethical Conflict

What is the specific ethical question or conflict?

You should be able to clearly and succinctly articulate the ethical question that needs to be answered. The parties involved in the process should agree that it is an ethical question or that the question has ethical ramifications. This step is crucial, because if all the parties do not agree on the specific ethical question, reaching agreement on a response will be difficult and even unlikely. In the Memorial Medical Center case outlined above, the situation does raise an ethical conflict between addressing community healthcare needs and functioning as a financially responsible medical center. Does MMC have an ethical obligation to close the clinic to maintain the financial security of the entire medical center, or does it have an ethical obligation to keep the clinic open to provide needed care to the community?

What if the question or conflict is not an ethical question?

If the conflict is not an ethical question, it should be referred to another person or process. For example, if it

is a purely legal question, consult with legal counsel. However, many situations may have ramifications in several areas, such as compliance, law, and/or ethics, in which case using the organizational ethics decision-making process would be appropriate for fostering dialogue between the various perspectives.

Step Two:
Identify All of the Affected Stakeholders and Their Values

Who are the individuals or programs affected by the ethical question?

In the MMC example, the ethics issue raises many related concerns, including financial concerns. Therefore, it is appropriate to involve the organization's financial officer in the discussion. Several others ought to participate as well, including community representatives, patients, clinicians, the clinic administrator, representatives from the management team, legal counsel, members of the governing board, and an ethics expert.

What are the values and perspectives of all the affected stakeholders?

Each stakeholder should be given the opportunity to express his or her values-driven perspective. In most cases, the easiest way to do this is to simply ask. For example, MMC may want to have a discussion with some of the potentially affected patients about how they would obtain healthcare services if the clinic no longer operated in their community. Such a discussion can also be an opportunity to educate community members about

the issue: "We know that this clinic is important to you, but it's also a financial drain on our organization. What do you think we should do about this?" Patients and community members won't be able to articulate a financial plan for rescuing the clinic, but such questioning does involve them more in the nature of the problem and allows them to see the organization's perspective while at the same time giving them an opportunity to present theirs. This process should then be repeated with other stakeholders, such as financial officers and physicians.

Step Three:
Understand the Circumstances Surrounding the Ethical Conflict

This step requires extensive fact-finding, including why the ethical question has arisen and in what situation and how it is currently addressed in the organization or specific department. You will also need to identify the economic, patient care, legal, and/or community concerns. In the MMC case, the group will need to carefully review many facts related to the ethical conflict: Why is the clinic losing money? What strategies have been employed to balance patient care and financial stability? Why is this particular clinic losing money while others do not? What are the implications to the organization and to the community if the clinic closes? How severe are the financial losses, and what are the specific implications if the losses continue?

Step Four:
Identify the Ethical Perspectives Relevant to the Conflict

To effectively respond to an ethics question, you must identify relevant ethical concepts. Depending on the particular ethical question, explore the relationship of the ethical question to ethical thinking, including professional codes such as ACHE's *Code of Ethics*; organizational and business ethics literature and position papers; your organization's policies and procedures; and ACHE's *Ethical Policy Statements*. In the MMC example, the group will need to reflect on such concepts as fiduciary relationships as well as communitarian and individualistic ethical perspectives. This step pushes ethical reasoning, exploring the conflict through the lenses of ethical concepts.

Step Five:
Identify Different Options for Action

What are the possible options for responding to the ethical conflict or question?

In the MMC example, there are obvious options: Close the clinic and encourage patients to seek healthcare at another site, or keep the clinic open, realizing that financial losses may continue. But there are other less obvious approaches as well. MMC may develop and employ new strategies to reduce the financial drain to a more acceptable level while maintaining high-quality care. In discussing various courses of action, be open to many options without prematurely eliminating any option.

An Organizational Ethics Decision-Making Process

Healthcare executives might be quick to say that MMC must close the clinic because it has an obligation to maintain its overall financial security. But it is important to review carefully all of the options and the values driving each one before ruling anything out. MMC's management team may want to consider certain questions: Is MMC for-profit or not-for-profit, and should this affect the decision? Why is so much of the care at the clinic not being reimbursed? What are the Medicaid policies of the state that MMC is in? During this step, you should also consult with colleagues or ethicists to see how similar issues have been addressed at other organizations. Considering all of the issues surrounding the facts can raise additional approaches to resolving the conflict.

What is the ethical reasoning for each option?

Once the different options have been identified, articulate the ethical reasoning that supports each option. In the MMC case, there is an ethical argument for closing the clinic based on the value of preserving MMC's overall financial stability—allowing it to continue to provide quality care to other patients and communities. But there is also an ethical argument for keeping the clinic open based on the value of maintaining a fiduciary relationship to its patients and the community, regardless of the ability to pay.

Step Six:

Select among the Options

Have you systematically and quantitatively evaluated each option?

Each option should be carefully assessed regarding its benefits and costs in relationship to the overall mission and value statements of the organization. Costs are not limited to the financial; they can include public relations, employee morale, or consumer service. Also consider the likelihood of the consequences occurring and the degree of uncertainty surrounding each option.

Is the option practical? Does it have a clear ethical foundation?

If an option is impractical, it may need to be passed over. For example, an option may create a significant economic burden. The decision to eliminate a particular option for such reasons needs to occur only after thoughtful review. The option that is selected should not only be practical; it should also be based on clinical and organizational ethical principles and be synergistic with the organization's mission and value statements.

Does one ethical concept or stakeholder value appear to be stronger than the others?

This question relates to the ranking of the options, including various stakeholders' interests and values in response to the specific question. Consider whether one option appears stronger than another. Will infringing on one stakeholder perspective protect or promote another? Is this infringement necessary? In addition, consider how the different options will appear to others and whether you will be able to publicly justify your decision by articu-

lating your ethical reasoning for selecting a particular option. Considering the public ramification of each option at this point is important because once a final decision is made, you will need to openly share it with the stakeholders. As noted earlier, it is in the ranking of the competing values that the controversies occur. In the case of MMC, the preamble to ACHE's *Code of Ethics* can be a helpful resource in weighing the competing values: "The fundamental objectives of the healthcare management profession are to maintain or enhance the overall quality of life, dignity, and well-being of every individual needing healthcare service; and to create a more equitable, accessible, effective, and efficient healthcare system."

Step Seven:

Share and Implement the Decision

Organizational decisions should be publicly disclosed along with the ethical reasons behind them. In the case of MMC, if the organization elects to close the clinic, it is not acceptable to just tack a notice on the door of the clinic announcing that it will be closing. Instead, MMC leaders might consider holding a town hall meeting with the staff of the clinic, patients, and community members, to let them know what actions are planned over the coming months and why. This type of meeting brings the decision-making process out from behind closed doors and promotes better relations with the stakeholders. The different parties will not always agree with the final decision, but they will know that the organization thought through the decision and considered

Looking for More Ethics Resources?

As more instances of corporate misconduct surface in the media each day, healthcare executives and their organizations may feel the need for ethics resources outside of those available within their immediate organizational setting. To that end, ACHE has developed an Ethics Toolkit, a group of practical resources to help healthcare executives understand how to integrate ethics into their organizations. These tools can support healthcare leaders in the day-to-day practice of exemplary leadership. In addition to the ethical decision-making process outlined in this article, the toolkit provides guidance in understanding and applying ACHE's *Code of Ethics*, *Ethical Policy Statements*, and *Ethics Self-Assessment* and suggests additional readings and guidelines that can augment decision making. Contents include:

- **Strengthening Ethical Decision Making:** An article that offers strategies senior leaders can use to enhance their ethical awareness and make better ethical decisions
- **Using ACHE's *Code of Ethics*:** An explanation of the history and purpose of the *Code of Ethics* and how it can be used in practical, everyday situations
- **Using ACHE's *Ethical Policy Statements*:** Strategies for applying ACHE's specific policy statements, such as "Decisions Near the End of Life," to your decisions and your organization's policy development
- **Using ACHE's *Ethics Self-Assessment*:** Tips for getting the most out of an ethics self-audit, and how to address potential red flags that you may identify in the process
- **Additional Ethics Resources:** A list of books, magazine and journal articles, periodicals, and Web sites that can provide additional ethics guidance

To access the Ethics Toolkit, go to www.ache.org/sec/ethics.

all perspectives before making that decision. In this case, MMC may want to take an even more proactive approach by inviting local media to the town hall meeting or sending a press release to the local paper. Doing so can demonstrate to stakeholders that although it was a painful decision, it is what MMC believes to be the right decision.

Step Eight:

Review the Decision to Ensure It Achieved the Desired Goal

Assessing the outcome of the decision can be a formal or informal process. If MMC elects to close the clinic, a for-

mal assessment option would be to survey all of the patients who were being cared for by that clinic, asking questions such as "Do you have a new healthcare provider?" and "Has the clinic closure caused significant health-related problems for you or your family?" A more informal process would be to select a few representatives of the community and solicit their perception of the effect of the clinic closure. If MMC elects to keep the clinic open, assessment would involve looking at the financial situation periodically to see whether it has improved or at the very least has not gotten worse. If the situation becomes

worse, the *facts* of the ethical question have changed, and then the decision may need to be reevaluated.

If it becomes clear that the course of action did not achieve the anticipated outcome, then the organization should reconsider the decision and explore other options based on the current information. On the other hand, if the decision *did* lead to the desired outcome, the organization should evaluate whether the decision can be used to shape responses to other ethical dilemmas. Documenting the case can build an important organiza-

An Organizational Ethics Decision-Making Process

tional resource on which to draw in future ethical conflicts.

To foster the efficiency and effectiveness of the decision-making process, healthcare executives should be open

to comments from all stakeholders regarding the process.

A Call to Action

Healthcare executives must address many recurring organizational ethical

conflicts such as allocating resources or questions concerning clinical practices. How you respond to these problems will influence your organization's success and quality of care. As a healthcare executive, it is your responsibility to ensure that ethical questions are thoughtfully reviewed prior to any decision. In addition to having clearly established, shared values—including the organization's mission, code of ethics, values statement, and ethical standards of practice—every organization needs an effective ethics infrastructure and process to provide clarification when ethical conflicts arise. Using a deliberative, systematic decision-making process such as the one outlined above can help you promote ethical standards of practice and ensure that ethical conflicts are appropriately addressed.

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