

## **CHAPTER 5**

### **STRATEGY FORMULATION**

This chapter focuses on the formulation of strategy to make GSDH an effective and efficient hospital in providing quality health care.

In defining the strategy, the parameters that will serve as guidelines will be discussed so that the strategy is both acceptable and consistent with the institutional vision and mission.

Initially, the parameters are objective setting and strategy identification. The next parameter is packaging the strategy based on human resources, operations and financial requirements.

#### **5.1 GENERAL OBJECTIVE AND STRATEGY**

The researcher outlines the general objective for GSDH:

Seeking to become a more efficient and effective public institution in the delivery of hospital services in General Santos City. Specifically, GSDH needs:

A. To respond to strategic changes so that its resources will be maximally utilized, and

B. tactical steps will be implemented accordingly.

## **5.2 IDENTIFICATION OF FEASIBLE STRATEGY**

The researcher has identified three (3) essential broad strategic options.

### **OPTION 1 : DEVELOP REVENUE ENHANCEMENT PROGRAM**

GSDH must push for programs which focus on revenue enhancement. The earlier chapter says that a significant percentage of patients comes from outside of the city. This draws attention of management to devise ways and means to enhance its financial viability and at the same time, responsibly extend its services to the people. The advantages of this option are: a) Subsidized cost expense by the city government is restricted only for use by its constituents rather than “outsiders”; b) Financial viability ensures continued services to patients especially the indigents; and, c) Good financial position ensures acquisition of assets/facilities/improvement for basic institutional infrastructure and organizational development.

There are disadvantages of this option: a) the provincial governments of South Cotabato, Davao del Sur and Sarangani may not favor cost-sharing arrangement with the city government; b) DOH may not accept GSDH’ proposal on new pricing mix, billing and collection methods; and , c) Personal values and aspirations of the local government leadership may not be consistent with the new thrust and objectives of the hospital management.

For feasible financial mix for GSDH strategy (Table 5.1) to attain its purposes, the researcher uses the 80/20 Rule which means that 80 percent of GSDH present bed capacity shall be mandatorily allocated to paying patients either from General Santos City or other places, and 20 percent shall be devoted to charity.

Other tactical move is letting other local government units subsidize the cost of hospital services incurred by their constituents. Initially, a memorandum of agreement shall be entered among concerned LGUs and to further strengthen the agreement, legislation to this effect shall be pushed through.

Table 5.1 Financial Variability Mix

Total Number of Beds		
Paying Patients 80 % (80 beds)		Charity Patients 20 % (20 beds)
General Santos City and other LGUs		
Low	80 %	20 %
Medium	50 %	50%
High	25 %	75%

The practice of charging P 50 pesos for every confined patient will be increased to P 100 pesos. The remaining 20 beds will be charged with fifty pesos (P 50). The ideal set-up of a cost sharing will be scenario HIGH as this presents less financial burden for GSDH.

Parallel to the development of these programs, improvement in the hospital's management control and information system shall be formulated as it fundamentally

reflects on the overall result in the hospital's fiscal viability. Important hospital indicators can be utilized for planning purposes, and will be used in the budget preparation. The researcher suggests the following indicators such as: admission and discharges, operating revenue and expense, manpower, length of stay, accommodation and bed occupancy rate.

## **OPTION 2: INSTITUTIONALIZE HUMAN RESOURCES DEVELOPMENT PROGRAM**

GSDH management should push for the full implementation of the Magna Carta for Health Workers, increased staffing levels, increase in wages and benefits. Human resources also involves training and development.

This option shows fundamental advantage which is improved productivity among employees and thus, paves the way for efficient and effective delivery of hospital services. Later, a good explanation covering this strategic option is provided elsewhere.

Some disadvantages to this option include: a) Local health board/Sangguniang Panlungsod may not provide appropriation to the program; b) Contents of the development program may not address the felt needs of the possible recipient personnel; and, c) The continued collective bargaining of the employees' union and the full salary standardization may hamper additional staffing for hospital operations.

## **OPTION 3: INCREASED NETWORKING PROGRAM WITH OTHER INSTITUTIONS/AGENCIES**

GSDH management will strive to increase networking relationship with other agencies. Networking strategy should be viewed on "private-public or public-public

institutional partnership”. Economies of scale shall be the paramount concern for GSDH management. It should not regard a possible private partner as a competitor or an “outsider”.

The advantages of this strategic option are effective networks for medical referrals, equipment, maintenance, bulk purchasing, educational and training programs.

Medical referral system as GSDH is relatively good as other doctors usually refer their patients to private hospitals or clinics.

Training and continuing education will be tailored fit to the needs of the hospital staff members instead of having DOH dictates almost entirely their needs. Bulk purchasing maximizes the purchasing power on expenditures such as laboratory products, food, film and other services which typically constitute one-third of the hospital budget.

There are disadvantages though: a) Private hospitals may not compromise with the DOH sanctioned procurement/purchase of generic drugs; and b) laying down the mechanisms for the above concerns may go through cumbersome legislation and procedural requirements on the part of a private partner. As shown on table 5.2, the researcher presents possible scheme where GSDH networking relationship will result in a competitive advantage. This proposed networking scheme designed by the researcher will eventually leverage on the high cost of medicines at GSDH. Consequently, savings can be strategically stretched for use to other concerns and purposes.

Table 5.2 Proposed GSDH Networking Relationship

<p>A. Bulk Purchasing Group</p> <p>South Cotabato Provincial Hospital  Polomolok Municipal Hospital  Kiamba District Hospital  Malungon Municipal Hospital  Maasim Municipal Hospital  Glan Municipal and Medicare Hospitals</p>
<p>B. Training, Education and Research</p> <p>Notre Dame of Dadiangas College  Notre Dame Mother and Child Center  Nursing Development and Services Cooperative  Davao Medical Center</p>
<p>C. Referrals</p> <p>Barangay Health Units and Stations  Red Cross Units  Social Welfare Offices  All public and private hospitals</p>

### 5.1.2 CRITERIA FOR STRATEGY SELECTION AND RECOMMENDATIONS

The researcher chose two criteria in selecting the strategy as defined within the context of the combined DOH and the City Integrated Health Services mission and underlying key success factors.

- a) Partnership with People to Ensure Equity, Quality, and Access to Health Care
- b) Quality Patient Care

Based on the analysis, option two i.e. institutionalize human resources development program has the biggest and best impact in terms of enhancing quality

patient care and financial contributions, and seemingly matches with the criteria. Moreover, it fits with the DOH new hospital sector strategy.

Hence, the researcher recommends this strategic option for the immediate future plans of GSDH management.

## **5.2 HUMAN RESOURCES**

### **5.2.1 RECRUITMENT**

GSDH is positioning itself in the field of internal medicine. The filling up of resident physicians with expertise in internal medicine is an immediate concern in order to sustain its image in this field. A resident pediatrician is the next step needed to fill in the medical staff. Provision of permanent employment shall be considered for these specialists.

If possible, the hospital should apply for accreditation to the Association of Medical Societies (APMC) so that internship will be made available for new medical graduates. The compensation and fringe benefits should be attractive to post-graduate interns such as provisions of free boarding, meals and professional advancement.

Retainership and consultancy to radiologist and pathologist will be the most ideal choices as GSDH is yet to beef up with new equipment and facilities. Another reason is, the scarcity of these specialists are still difficult to entice for residency positions.

Nursing service personnel need to be augmented. The proposed thirty-four (34) positions should be filled up soon. In the meantime, GSDH must opt for contractual hiring as this is the most cost-saving measure rather than hiring for regular employment. The same applies to the ancillary positions such as the medical technologist, pharmacist, medical record clerks, etc. Table 5.3 reflects how rational manpower build-up is the best in terms of effectiveness and efficiency.

Table 5.3 Recommended Manpower Build-Up

<p style="text-align: center;">For Regular</p> <p>A. Medical Staff 2 Resident internists 2 Resident pediatricians</p>	<p style="text-align: center;">For Contractual</p> <p>A. Nursing Staff 21 Staff Nurses 2 Midwives 6 Nursing Attendants</p>
<p>B. Internship Program 3 Post-graduate Interns</p>	
<p>C. Retainership or Consultancy Program 1 Radiologist 1 Pathologist</p>	<p>B. Administrative and Ancillary Personnel 1 Medical Technologist/ 1 Pharmacist 2 Medical Record Clerks</p>
<p>D. Nursing Staff 5 Nurses (supervisor level)</p>	

### 5.2.2 POLICY DEVELOPMENT

GSDH management should develop an internal policy manual and should be approved by the Local Health Board. The policy will guide the hospital's pursuits with clear emphasis on human resources development. The purposes of this manual is to ensure consistency of practice, ensure compliance with

applicable legislation, serve as a practical orientation tool; and guide relationships among employees. All staff must maintain familiarity with and abide by policies and procedures in GSDH's policy and procedure manuals. The contents of the manual may include revised mission and vision statements that must reflect what the institution is, who its clients are, what services it provides and why it is in that service. Its mission must emphasize fast and effective delivery of hospital services. The significant reasons for having a good mission statements are: a) to ensure unanimity of purpose within the hospital organization; b) to provide a basic or standard guide for allocating hospital resources; c) to establish a general tone or hospital climate; d) to serve as focal point for workers to identify with the hospital's purpose and direction; e) to facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the hospital; and, f) to specify hospital purposes and the translation of these purposes into objectives in such a way that cost, time and performance parameters can be assessed and controlled.

The vision statement must focus upon what it would like to become at some distant point in the future, what type of hospital it would like to be and how it visualizes its capabilities at some future date. A possible statement is: *Enhancing Hospital Services For A Better Community Living.*

Much of policy development should have a clear focus on human resources, information, financial, and operational programs. And it must be evaluated regularly to ensure that objectives and goals are met with vision and mission as beacon lights.

### 5.3 OPERATIONS

Possible steps for GSDH in the course of strategic formulation and guidelines for implementation. The adoption of a DOH hospital operations policy handbook to suit the needs of GSDH should get priority attention. Other steps are outlined :

1. GSDH to hire personnel for a renewable period of one year.
2. GSDH to maintain the premises in good working condition.
3. GSDH to appoint a coordinator for the strategic implementation of the stated policies, preferably, by the present administrator.
4. GSDH to conduct satisfaction and needs survey every three months to determine the level of work, customer/patient satisfaction, etc.

Certainly, there are cost implications from these steps. It is highly recommended that existing contract with the manpower services firm must be reviewed and as such new provisions must be included such as enforcement of good housekeeping rules from the laborers. Another option is to offer invitation to bid among manpower services providers so that the government could rationalize its option and leverage from its privatization efforts of hospital operations. Still a possible option, the hospital management can also engage the help of City Personnel Office in the survey design rather than hiring a private consultant.

Funding requirement is a foreseeable but a little problem. But the scenario can be improved should the periodic targets are achieved. Submission of an annual

accomplishment report from the hospital management, detailing the services performance progress must be required by the local chief executive and the Sangguniang Panlungsod during the budget hearing.

### **5.3.1 ADVOCACY PROGRAMS**

GSDH should realize that the key to sustaining human resources productivity is to institute advocacy programs. The strategy is to lead GSDH management in informing its employees towards new thrust in hospital operations.

This program should advocate employees' awareness which must be carried out through in-house publications. One page quarterly newsletter and annual report are to be distributed to all employees. This must contain the following key issues: a) operations, b) plans and directions for GSDH management, c) personnel development, and d) miscellaneous news.

Regular media exposure may be encouraged so that the community will be aware of. And at the same time, generate feedback from various stakeholders particularly the general public. Effective tactical steps must be made: a) monthly report over radio and print, and b) television exposure.

The management should recognize and reward employees. If proposals results in significant cost-savings or revenue enhancement or service progress. GSDH management must help its employees in their development and recognize demonstration of initiative and ingenuity for its consideration and later, implementation.

## 5.4 FINANCE

GSDH management must focus its direction to its people. Salaries and wages constitute a great portion of the operating expense (Table 5.4). As it is, the choice of contractual employment as a way of cost containment must be chosen.

Table 5.4 Contractual Employment and Regular Employment

Personnel	Contractual		Regular ( full employment )		Up
	Monthly	Annual	Monthly	Annual	%
21 nurses	P 109,200	1,419,600	180,705	2,349,165	60 %
1 medical technologist	5,500	71,500	10,248	133,224	54 %
1 pharmacist	5,800	75,400	10,868	141,284	53 %
2 Medical Records Clerks	9,600	124,800	15,080	196,040	64 %
2 Midwives	9,400	122,200	13,170	171,210	71 %
6 Nursing Aides	27,000	351,000	36,588	475,644	74 %
<b>Total: 33</b>	<b>P 166,500</b>	<b>2,164,500</b>	<b>266,659</b>	<b>3,466,567</b>	<b>62 %</b>

Assumption of full implementation of 100 % salary standardization for regular employment . Monthly benefits such ACA and PERA not included in the computation.

The above computation shows how much money is to be expended based on two possible schemes. In a given year and considering the full effectivity of salary standardization by the late quarter of 1997, the 33 proposed hospital personnel who will be hired for regular employment may receive a total basic compensation worth over 3.5 million pesos vis-a-vis the contractual or “job order” classified personnel of 1.8 million pesos. Suppose that GSDH management may push for regular employment, the local government will be spending an impractical, sizable amount of money. The researcher cautions that this tactic must consider its effect on: a) loyalty (little loyalty to the organization and its vision and long-term goals); b) institutional culture (may not buy or

reinforce institutional culture); and, c)discrimination (lower wages create a feeling of discrimination thus may not perform well adequately in the long term).

Anticipating exorbitant costs, the researcher believes that it would be highly impractical for GSDH management to acquire equipment and materials such as CT scan, ultrasound and dialysis machines, etc. Other minor services can be outsourced i.e., training, continuing education, research, protective security, laundry, waste disposal, etc. The researcher suggests further comprehensive studies to be undertaken on outsourcing these services from private providers.

Overall, the researcher presents the fiscal position of GSDH (Table 5.5) in the next three years or so. The worst case scenario may be a threatening situation but this can be overturn by political motive. Politicians may still perceive the hospital as the last resort to gain the support of the people.

Table 5.5 Projected Revenue and Expenditures, 1995-2000

Years	Good Scenario		Bad Scenario		Budget (+ 15%)
	Revenues (+ 64%)	Expenditures (+ 44%)	Revenues (+ 44%)	Expenditures (+ 63%)	
1995	1,569,329	6,674,681	1,382,702	7,787,128	14,066,638
1996	2,558,007	4,538,783	1,883,195	6,073,960	16,176,634
1997	3,990,491	3,857,966	2,429,322	5,466,564	18,603,129
1998	5,945,831	3,472,169	2,915,186	5,029,238	21,393,598
1999	8,443,081	3,229,117	3,410,768	4,677,192	24,602,638
2000	11,398,159	2,260,382	5,798,305	3,274,034	28,293,033

In table 5.5, the author gave two fiscal scenarios using the modified revenue and expenditure model. The assumption was to determine the future implications of these

scenarios as the likely revenues and expenditures based on the budget given per year. In both scenarios, the prospects of positive revenues would be good but on the other hand, it would pose serious problem on the expenditures if the bad scenario would happen. Important considerations were made using the percent increase and decrease of the preceding year of the revenue (income) and expenditure. In contrast, the budget scenario would have a 15 percent increase average in the next six years or so. This is a typical assumption in any public entity according to Mr. John Quimosing.

Dr. Pagarigan believed that the challenge to increase the hospital revenue would be attainable but the increasing expenditures would be critical consideration of the management should future plans for expansion, training and continuing education, among others would be considered.

## **5.5 SUMMARY**

Setting the objectives and strategy was not an easy task. For the researcher to come out with three (3) strategic options, serious identification of crucial factors and matching them were made on the basis of the criteria and the data presented in the earlier chapters.

Those strategic options were broadly conceptualized to reflect and appreciate the interaction of factors in one program strategy. The researcher's choice for institutionalization of human resources development program was done because it

definitely matched with the conceived criteria and interestingly fitted the major data results in the preceding chapter.

This option encompassed a series of tactical steps aimed at ensuring and enabling factors that would ably support the said program.