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Is a For-Profit Structure a Viable Alternative for Catholic Health Care Ministry?

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Animating a Catholic Health Care System, 
Managerial Organizations, and Communion 
with the Church 

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Our final session focuses upon the issues of animating a Catholic health care system, managerial organizations, and communion with the Church. My colleague, Robert Kennedy, and I will offer a few reflections on the conversations of the past two days in light of these topics. We hope that our reflections will serve as a spur to further discussion.

I want to begin by combining the first two topics within a single question: From a managerial perspective, what does it mean to “animate” a Catholic health system? I want to suggest that every organization’s decisions and activities are shaped by a set of moral values or principles, whether those standards are adopted by default or design. These principles guide the organization’s operations, what it chooses to do or not do, as well as how it undertakes specific initiatives. For Catholic health care institutions, the challenge is to place certain essential principles rooted in the Catholic moral tradition—the essential principles that Michael Naughton and I outlined in the symposium’s opening session—in a position of authority so they can decisively influence how the organization performs its work, how it produces and delivers its distinctive suite of services, with an eye toward the ultimate goal of enfleshing Christ’s healing work.

Our colleague, Kenneth Goodpaster, has identified three tasks that leaders must undertake to give moral principles that kind of authority within a managerial organization, to enable moral principles to animate the firm’s operations.¹ First, leaders must orient their firms towards those moral standards. They must identify the principles that will serve as their organization’s moral touchstone and they must communicate them, explaining the principles’ general implications for the firm’s work and its stakeholders. Johnson

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Johnson’s Credo, which we explored yesterday, is an example of an attempt to orient a firm towards a particular set of moral principles. Mission standards, value statements, and codes of conduct also help with this task.

Second, leaders must institutionalize principles. They must ensure that moral principles are integrated within the policies, processes, and practices that guide how the organization operates. For example, the principles need to be embedded within selection processes for critical leadership roles, within the organization’s performance management system, within its compensation and recognition structures, as well as within the processes and procedures the organization follows to produce its goods or services. Vernon Byrd, Executive Director of Johnson & Johnson’s Center for Legal and Credo Awareness, provided us with examples of this yesterday—how Johnson & Johnson’s performance management and reward systems draw upon the Credo, and how other clinical and administrative processes do so as well. A few years ago, the vice president for finance at a Catholic health care system outlined for me her organization’s attempt to formally integrate its guiding principles within its capital allocation process. That is another example of institutionalizing a moral principle.

Third, leaders must sustain these principles. They must ensure their continuity over time. Most importantly, they must pass the principles along to the next generation of leaders. They must help their successors internalize these moral standards. Both Sr. Doris Gottemoeller and Sr. Sharon Holland have commented on the importance of formation programs here at this Symposium. Formation programs directly support this task: They support the transmission and inculcation of moral principles.

Much more could be said about each of these tasks. However, I want to emphasize two points about Goodpaster’s framework. First, from a managerial perspective, this threefold agenda—to orient, institutionalize, and sustain the principles which inform an institution—applies equally to for-profit and not-for-profit organizations. It is common to both. In other words, corporate structure does not affect the basic leadership tasks associated with animating a foundational set of moral principles within an organization. This certainly has been our experience at the Veritas Institute. Goodpaster’s model lies at the heart of the Institute’s ethics
assessment and improvement tools, and both for-profit and not-for-profit firms have employed these tools fruitfully.

So the journey towards animating a Catholic health system or hospital with the essential principles for Catholic health care will follow the same guideposts, whether that institution utilizes a for-profit or a not-for-profit structure. This leads to my second point: Of itself, a not-for-profit structure offers no guarantee that a leadership team will do a better job than their for-profit peers on the tasks of orienting, institutionalizing, and sustaining moral principles. As some presenters have noted, scandals have emerged within not-for-profit organizations—for example, charities and universities—as well as for-profit ones. Also, some for-profit organizations have done a good job of consistently making ethics part and parcel of how they do business, even if they have failed to do so perfectly, as all institutions inevitably must. Johnson & Johnson is one of these organizations. So too are Herman Miller, the furniture maker, and Cummins, the Indiana-based diesel engine manufacturer for which I worked for many years.

I want to turn to the more specific question before us: Is a for-profit structure conducive to animating a Catholic health care system or hospital with the seven principles we reviewed yesterday morning? What challenges might arise from combining a for-profit structure with principles such as holistic care, solidarity with the poor, respect for life, the dignity of work, subsidiarity, creating and justly distributing wealth, and acting in communion with the Church? In thinking about these challenges, we should attend to Michael Naughton’s counsel concerning practical wisdom. In particular, we need to exercise foresight, a vital dimension of practical wisdom, to identify unintended consequences that might accompany the adoption of a for-profit organizational form.

Animating a for-profit Catholic health system or hospital with the seven principles for Catholic health care is by definition a leadership task. So who occupies the leadership roles within these firms will influence how well the principles are woven into the organization’s fabric. And I believe challenges to Catholic identity could arise on this particular front.

For example, how will a for-profit structure influence the desired profile of talents, skills, and experiences for a hospital’s CEO and his or her executive team? That is, how will it affect the skills, the knowledge, the abilities, and experience that will be viewed as
necessary or preferable in candidates for these roles? Furthermore, since every leadership role spans a range of tasks, it requires a range of skills. Rarely are candidates equally strong across that spectrum, so tradeoffs inevitably are made during the selection process. What priority will be assigned to each of the desired qualifications?

Could leadership experience in the for-profit sector eventually be deemed an essential, or even necessary, qualification for a leadership role within a for-profit Catholic health care hospital, particularly in instances where the hospital may be in severe financial distress due to poor cash flow, thin operating margins, or severe competitive pressures? If that is the case, what priority would that experience be given relative to experience with issues of Catholic identity or formation in the Catholic moral tradition? Could a concern for for-profit experience and “hard” management skills lead to an effective, if unintentional, de-emphasis of the latter? If so, what might be the long-term impact of this de-emphasis upon an executive team’s commitment to the task of animating the hospital with the essential principles for Catholic health care, as well as its comfort addressing that particular task? Could this lead to a situation where issues surrounding Catholic identity are delegated in toto to the hospital’s mission leader, while the CEO and the rest of the leadership team attend solely to the hospital’s “real” business?

Implicit in this last scenario is a perspective that sees Catholic identity as extrinsic to the hospital. That is, Catholic identity is viewed as something that is “added” to a hospital’s operations, as opposed to being intrinsic, the organization’s anima, the soul that shapes both what is done and how it is done. Speaking from the Veritas Institute’s experience helping Catholic hospitals utilize the Catholic Identity Matrix,² such a perspective is inimical to the development of a robust Catholic health ministry.

Now the picture I am painting here suggests there is a bright line between the skill sets required in the for-profit and the not-for-

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² The Catholic Identity Matrix (CIM) helps a Catholic health system or hospital assess and enhance the degree to which it has integrated the six Catholic moral principles within its operating policies, processes and practices. The first use of the process took place within Ascension Health in 2006. The CIM was subsequently improved through a partnership between Ascension Health and the Veritas Institute of the University of St. Thomas Opus College of Business (formerly known as the SAIP Institute). More information about the CIM is available at http://www.stthomas.edu/business/centers/veritas/assessments/cim.html.
profit realms. Of course, things are not that clear cut. There are leaders who have come into Catholic health systems and hospitals from for-profit firms, and who are making important contributions to Catholic health care. At the same time, based on what I’ve experienced within Catholic health care organizations, the entry of executives from the for-profit realm has not been without its tensions. And many of these tensions have revolved around the role of mission, the central role played by the essential principles for Catholic health care.

So a shift to a for-profit structure raises a set of questions around leadership selection and formation. For example, if a for-profit structure is adopted, and experience in a for-profit environment is deemed preferable or essential, what might Catholic health systems and hospitals need to do differently in the selection process to ensure that successful candidates for executive roles are predisposed and prepared to fully address challenges around Catholic identity, as well as business or clinical challenges? How might the leader’s responsibility to help bring the principles for Catholic health care “to life” within the organization be stressed throughout the selection process, so candidates are clear about this expectation and have an opportunity to explore concretely what this responsibility entails? How should formation programs be modified or adapted to account for the backgrounds and experiences of these new leaders, to help prepare them to undertake their distinctive duties around the health ministry’s identity? Finally, what performance management structures should be put in place to reinforce the executive’s responsibility to address the leadership tasks of orienting, institutionalizing, and sustaining the essential principles for Catholic health care? What structures should be put in place to help prevent the wholesale delegation of responsibility for the organization’s Catholic identity to the mission department?

A second challenge concerns the institutionalization of the seven essential principles. My hunch is that the for-profit structure will influence how institutionalization takes place, how the principles are driven into a health system’s or hospital’s operating policies, processes, and practices. The full scope and precise nature of that impact remains unclear to me at this point. However, in considering the potential for unintended consequences, there is one question I would like to explore briefly: Could the contractual ar-
rangements that surround for-profit Catholic health care organisations inadvertently foster a kind of moral minimalism?

All of the legal structures and arrangements that we explored yesterday contain provisions that require the for-profit hospitals within their purview to observe the Ethical and Religious Directives for Catholic Health Care Services. But what exactly does it mean to observe these standards? The Ethical and Religious Directives can be viewed from different perspectives. For example, they can be seen as a set of moral thresholds for Catholic health ministries. Fulfilling these thresholds is essential, but they ultimately beckon Catholic health systems and hospitals toward a rich and prophetic witness to the dignity of a human person within the realm of health care and medicine. In other words, the Ethical and Religious Directives can be viewed as impelling Catholic health ministries towards moral excellence, towards the full embodiment of the principles for Catholic health care and ultimately towards Catholic health care’s telos, incarnating Christ’s healing work. Alternatively, they can be read as a compliance checklist: Don’t do abortions, don’t do sterilizations, perform some charity care, distribute benefits to the community in a variety of ways, etc. That is, the document can be read as establishing a set of moral minimums that every Catholic health system or hospital must meet—and nothing more.

One reason for concern on this point is the history of how corporate ethics programs within the United States have evolved. Since the advent of the Defense Industry Initiative during the 1980s, and the emergence of the Federal Sentencing Guidelines for Organizations during the 1990s, these programs have focused increasing...
ingly on legal compliance. They tend to emphasize legal minimums, not moral excellence. Now moral minimalism is always a danger within organizations, whether not-for-profit or for-profit. Unfortunately, legal contracts tend to foster a compliance mentality. Thus, I think the danger of a kind of moral minimalism emerging within Catholic hospitals under certain for-profit arrangements is particularly acute. This possibility certainly warrants our attention and vigilance. It is out of step with what the Ethical and Religious Directives call Catholic health care to become. Much more than moral minimalism is needed if Catholic health care is to incarnate the healing ministry of Jesus in the world today.