



**Does
Diversification
Make Health
Organizations
Healthier?**

*Proceedings of the
Twenty-Ninth Annual
George Bugbee
Symposium
on Hospital Affairs,
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**CONDUCTED BY THE GRADUATE
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**GRADUATE SCHOOL OF BUSINESS
DIVISION OF BIOLOGICAL SCIENCES
UNIVERSITY OF CHICAGO**

The Twenty-Ninth Annual George Bugbee Symposium on Hospital Affairs conducted by the Graduate Program in Health Administration and Center for Health Administration Studies of the Graduate School of Business, Division of Biological Sciences, University of Chicago, was held at the Ambassador West Hotel, Chicago, on May 8, 1987. These symposia are a reflection of strong concern of the Graduate Program in Health Administration with complex current issues in health care management.

The topic for this, the Twenty-Ninth Symposium, was chosen by a committee of the Alumni Association because of its relevance in this period of changing environment for health care institutions. These proceedings are published and distributed in the hope that they will prove useful to both practitioners and students of health care management.

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INTRODUCTION

RONALD ANDERSEN: Welcome to the twenty-ninth annual George Bugbee Symposium on Hospital Affairs. The symposium is sponsored by the Center for Health Administration Studies and the Graduate Program in Health Administration at the University of Chicago. Each year, alumni choose a subject for the symposium's topical input and generic relevance to effective health care management. The program is directed toward you: our alumni, students, and colleagues who are interested in health services management and research.

Our topic this year is diversification in the health services sector. Hospitals and other health care organizations are producing an increasing variety and range of products and services in areas such as ambulatory care, geriatric care, health promotion, home health care, and outpatient diagnostic services. They are also reorganizing the way in which services are provided, by forming various mergers, consolidations, affiliations, arrangements with health maintenance organizations (HMOs), primary care units sponsored by hospitals, and preferred provider organizations (PPOs).

In this symposium, we have asked a knowledgeable group of executives, researchers, and educators to consider with us a range of questions about this diversification. These include why it takes place, what makes it successful or unsuccessful, what should managers keep in mind when considering diversification, what role does competition play in diversification activity, and finally, what questions remain to be answered about the causes and effects of diversification.

We will begin with an overview of diversification efforts. Our presenter is Everett Johnson, Professor and Director of the Institute of Health Administration at Georgia State University. Ev is also the director of two health care consulting firms, the E&J Group and Physician Contract Services of Marietta, Georgia. He was formerly CEO of Gary Methodist Hospital. He is a long-time associate of the Graduate Program in Health Administration, where he began as a preceptor and lecturer in the early 1950s, and was its Associate Director from 1977 to 1979. He is active in many associations. He was a member of the House of Delegates in the American Hospital Association, and was Chairman of the American Congress of Health Care Executives. He also writes numerous books and articles. His most recent book, Hospitals Under Fire, was published by Aspen Systems, Inc. in 1986.

Our discussant is Mark Shanley, Assistant Professor of Policy and Organizational Behavior at the Graduate School of Business at the University of Chicago. He was previously an instructor in the School of Business at Fairfield University and also in the Wharton School of Business Administration at the University of Pennsylvania. He was also a program consultant for Macro Systems and a reference specialist for Aspen Systems Corporation. His research focuses on studies of firm acquisitions and

strategic decision making. He has also looked at the impact of hospital organization.