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FYA - *For Your Advantage*, is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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## Extrinsic Rewards Can Destroy Intrinsic Motivation

By Fred Lee

Several years ago I helped a hospital get a recognition program going. I had warned the steering committee about the dangers of trying to attach rewards to the system. I guess not all managers were warned, or some did not see what was wrong with a little incentive once in a while to get more of what you want from employees.

The director of the emergency department was disappointed in the lack of compliment cards put in the box in the emergency area. She tried to encourage her employee team to compliment each other more, but only a few more cards came in. Finally she decided to offer a tiny reward. Surely there could be nothing wrong with a small reward. So she told her employees if a person filled out a compliment card, she would give the receiver a free Pepsi.

What do you think happened? Did this director get more compliments in the box? Of course she did. The box was stuffed with compliments every day. Isn't this what she wanted? Yes. Well, if she got more of what she wanted, why did she pull the plug on the offer within a week? And when she did, why was the group up in arms? "What! No more Pepsi? Well, just see if we put any compliments in the box now!" The cynics won the day. But worse, the cynics destroyed everyone's impulse to show appreciation, even when it was genuine.

The steering committee chairperson called me to find out how to rescue the recognition system that had turned into a joke in the emergency department. I told her it could not be rescued. One of the unintended consequences of offering a reward is that you can never take it back, because rewards quickly become seen as entitlements. People's attitude is, "You told us if we did this we would get that. Now you're taking that away. Why should we continue

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## Extrinsic Rewards Can Destroy Intrinsic Motivation (Continued...)

to do this?" In an astonishing reversal of desired outcomes, rewards can actually extinguish intrinsic motivation and with it the values the reward was supposed to encourage in the first place!

The story is told of an old man who was an expert in human motivation and behavior. He liked to work in his garden in the afternoon when kids were heading home from school. One day a couple of boys came by and yelled some insults at the old man, laughed, and ran away. The next day they did it again. This kept up for several days, and the group was growing and getting bolder. The old man ignored them, knowing that one way to extinguish an undesirable behavior is to ignore it because attention is a potent intrinsic reward. But the boys were having too much fun and getting plenty of attention from the other kids. The insults didn't stop.

The old man also knew that extrinsic rewards can often extinguish intrinsic motivation, so he came up with another plan. The next day when

the boys came by, the old man spoke to them and said, "I have gotten to where I look forward to your insults everyday. And just to show that I am serious, tomorrow, whoever comes up with some really good insults will get a quarter. The next day the boys hurled their most outrageous epitaphs. Sure enough, they each got a quarter. The second day even more boys showed up and got quarters. Just think, they could get paid for having fun! On the third day there was a large crowd joining in, so the old man had to tell them, "Look, this crowd is getting too big. I can't afford to give you all quarters, so from now on I will just give you a penny per insult." The boys were indignant. "If you think we are going to do this for a penny, you're crazy," they said and refused to insult the old man again.

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*Fred Lee is a highly popular speaker; and the author of "If Disney Ran Your Hospital." His book was named the 2005 book of the year by the ACHE.*

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### About



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## Offshoring vs Onshoring

By: Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

**W**hen your hospital requests vendor proposals, do your requests limit or prohibit the use of offshore vendors?

Last week I was in a hospital board meeting at which we were being asked to approve a large transcription contract. The vendor quoted a price that I knew was significantly higher than we could obtain it if an offshore vendor was used. When I asked whether offshore vendors had been invited to submit proposals, I was told that the RFP had specifically excluded offshore vendors and thus none were invited. In addition, when I further asked who had authorized such an exclusion of offshore vendors, our management team acknowledged that it had not checked authorizations, but *assumed* that the board would want to keep all transcription onshore. Further questioning revealed that there was no policy and no reason for the exclusion of offshore vendors. It had not even been considered even if they could provide better TAT (turnaround time) or accuracy or costs. We have since adopted a policy that specifically permits offshore vendors to submit proposals.

What is your hospital's position on offshoring its services? Do you permit, or prohibit, services provided by offshore vendors? If you prohibit offshoring, why? Is this an issue in which you employ logical analysis, or political analysis, or emotional analysis or patriotic analysis?

As Pulitzer Prize-winning *New York Times* columnist Tom Friedman said in his bestseller, *The World Is Flat*:

"Clearly, it is now possible for more people than ever to collaborate and compete in real time with more other people on more different kinds of work from more different corners of the planet and on a more equal footing than at any previous time in the history of the world-using computers, e-mail, networks, teleconferencing, and dynamic new software."

What if Tom Friedman is right -- what if you could receive better quality services with better TAT at a better price from a foreign vendor? Would you hire such vendor? If not, how do you justify that decision to your key stakeholders?

Our company has spent over five years considering the

possibilities of utilizing offshoring of transcription services, and we have found that we can obtain better quality and better TAT and better prices by offshoring than we can obtain in the U.S. That makes it very difficult to say no to an offshore alternative, yet we find many hospitals are categorically opposed to offshoring any services regardless of quality, TAT or cost.

But such mindsets are coming under increasing scrutiny. A *Wall Street Journal* article this week reports regarding a globalization symposium held by the Federal Reserve in Jackson Hole in which Chairman Ben Bernanke stated that "further progress in global integration is threatened by protectionist pressure from those who stand to lose the most."

If your hospital isn't open minded about offshoring yet, maybe it's time for you to reconsider that alternative.



**I would like to hear your comments.**

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### About

**TrendLeader** Connections

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

## END PIECE: Fewer Workers Can Afford Health Insurance

Fewer American workers are enjoying the generous health insurance benefits once offered by the country's biggest employers. This will likely impact the bottom lines of hospitals and hospital systems as levels of bad debt increase.

For generations, companies with more than 1,000 employees have been a haven for employees. These companies assured their workers generous health insurance even as healthcare costs were soaring and causing smaller businesses to drop coverage.

The number of small companies providing health benefits has fallen dramatically in recent years while 98 percent of these bigger companies still offer them.

But in recent years these big companies have also increased the premiums, deductibles and co-pays that employees must contribute under these programs, leading many workers to forgo their employers' insurance. Between 1996 and 2004, the number of private-sector employees who enrolled in the health-benefits plans offered to them declined from 87.7 percent to 81 percent at big employers, according to new government data.

Talking to the *Wall Street Journal*, Jim Branscome, survey statistician for the Agency for Healthcare Research and Quality, which conducts the annual survey said, "Large employers aren't stopping coverage, but what they're doing is passing on more of the cost of insurance to their workers."

One reason for the declining proportion of employees covered at big companies is that far fewer working married couples sign up for benefits at each spouse's company, as was typical just a few years ago. Premiums and costs have risen high enough that more of these couples pick whichever plan offers the best deal and sign the whole family onto it.

But the biggest reason appears to be that even company-subsidized health care is proving unaffordable or providing too little upfront value to

many workers. The sharpest drop in participation rates was among large retailers, where the share of eligible workers opting for company benefits fell to 67.3 percent from 83.8 percent over the eight years. But health-plan participation in other industries also has declined, even at companies with unions, many of which have fiercely fought employers' efforts to shift more health-care costs onto workers.

For many workers, it is a matter of the premiums employers require them to contribute. Last year, families paid an average \$226 in monthly premiums, a quarter of the total, according to the Kaiser Family Foundation, a nonprofit California health-policy research group. But many companies are requiring workers to contribute a third or more, or are no longer subsidizing the premiums of spouses or children. In those cases, participation rates drop off even more.

Health plans have typically been the great leveler within companies; no matter the wage, nearly everyone got the same health benefits. But now, disparities are emerging because low-paid employees are dropping coverage.

Beyond premiums, other changes in the way health plans are being designed may also be dissuading particularly low-paid workers from signing up. In an effort to control medical spending, a growing number of companies are moving to high-deductible plans with savings accounts that are designed to give the plan member more of a financial stake in his or her healthcare consumption.

But some policy experts argue that with deductibles that go as high as \$5,000 in a given year, lower-wage workers may be reluctant to pay a premium for a benefit they are unlikely to receive. Few such workers have enough money to save in the tax-free accounts these plans often come with.

These factors will contribute to higher levels of bad debt for hospitals and systems.