lieve that there is a stage at which a hospital can arrive, where it should be ashamed to tell how low its figure is, just as there is as stage where it should be ashamed to tell how high it is. I do not think that a cost of $1.00 a day is a thing to brag about, because there may be a deficiency in service.

The hospital must have a by-product in the education of nurses and physicians, and it is impossible to accurately charge the cost of this service, and determine whether or not the business is profitable. The degree of care which is given to patient, the quickness with which he is restored to usefulness, the amount of really valuable scientific work which comes from the laboratories, the degree of instruction which is given to interns, and the efficiency of the trained nurses, *all of these* must be considered in figuring whether or not one may consider the money of a hospital well spent.

It is impossible to tell, by merely looking at an annual report, whether the hospital is well run, whether the money has been well spent or not, unless there is some idea of the amount of preventive medicine, the kind of teaching, and the care which the patient gets.

None of us will dispute the question that there is only one important person about the hospital. Sometimes, I think, in our desire to have beautiful architecture and well-run plants, we forget that the patient is really the excuse for the hospital's existence, and that our whole endeavor must reflect back to the patient's bed, or all the effort is in vain.

I should like to second Mr. Chapman's statement relative to the folly of turning over the management of valuable hospital property to a person who is neither well trained nor well paid. The statement that the hospital is the most poorly run business in the world is too frequently true. There must come a time soon when boards of trustees will be educated to the fact that a successful hospital administrator is a real specialist, and that a person who might run a shoe store or a stocking factory can not walk into a hospital and make a success of it. I know that Mr. Chapman, in referring to some individuals as being abnormal, was thinking, for example, of the surgeon, who had talked at length on a case as being one of acute appendicitis, and then at the operation discovered it was something else. This is not the kind of a man to talk business to, or of whom at the moment to expect any calm consideration of a hospital problem. The administrator must have the hospital atmosphere, and know when to leave departmental people alone, and when to approach them for real, good judgment.

The administrator of the hospital must have concise ideas as to what work he expects from his various departments. Take, for example, the medico-social service worker; if the superintendent expects her to return dollar for dollar for the sum expended, by collecting money or any other material thing, I think he is mistaken in her function. She is a medical person, one of the personnel that should try to get people well, and you cannot estimate how much value the treatment is to this, that, or the other patient. It may cost $50.00 to cure red-headed Johnny Jones of pneumonia, and whether Johnny develops into a senator, a vagrant or a hold-up man, is a development of the future.

So outside of the fact that we should be careful of our purchases, and should endeavor to run our hospital organizations on an economic and efficient basis, we must remember that we have yet to reach the stage where enough money is spent on intensively trying to get people well.

HENRY WOOD SHELTON:[1] Suppose we here present constitute ourselves the newly elected board of managers of the "Hospital of the City of Brotherly Love." We have been elected for the purpose of strengthening and revivifying an old institution which has drifted into something of a rut.

Our first step is to define just what our institution should try to accomplish, and then to measure in some way the success of its efforts. We define our aim as a three-fold service to the community: (1) a quantitative service—to treat as many patients as possible; (2) a qualitative service—to cure the largest possible percentage of those we treat; and (3) an economy service—to render maximum quantitative and qualitative service at minimum cost.

As intelligent managers we appreciate the need for units of measurement by which progress in the rendering of these services may be known and compared. As what I wish to say has to do with the third kind of service—economy—only, let us assume our board adopts the cost of all we do for one patient in one day as a unit of measurement; that is, the cost per "patient day." Upon inquiry we are told that cost records on this basis are already being regularly kept, and that they reveal unusual managerial ability.

In support of this claim, for example, we are given the comparative monthly cost figures[2] for 1920 and 1921, and it is pointed out that in March, 1920, the free-ward

[1] Management Engineer, Philadelphia.
[2] The figures, but not the dates, in this illustration are taken from an actual case.

cost per patient day was $4.33, while in March, 1921 it was only $3.85. This saving of 48 cents or 11 per cent, is naturally a source of pride to our superintendent. It looks fine to us, too, until one of our number, an investigative board member sometimes described as "meddlesome," discovers that in 1920, $1,000 of the "cost" for March was spent for some new equipment. When that $1,000 has been charged properly to capital outlay, instead of wrongly to current expense, the unit cost per patient day in 1920 becomes only $3.90, and the saving in 1921 only 5 cents, or about 1 per cent. This discovery seems to have some bearing on our "size-up" of the record of "unusual managerial ability!"

From another angle, we find that that $1,000 item affects the comparative monthly cost of the particular department in which the new equipment was installed, by 200 per cent. After the correction, the difference in the monthly departmental expense in the two years is less than 1 per cent.

Our board becomes concerned about the validity of the figures it is getting. It cannot abandon them altogether, without being helplessly at sea in any attempted measurement and analysis of progress. So it does the usual thing,—appoints a committee (including the "meddler") to review present methods of getting costs and other vital facts, and to recommend desirable changes.

Our commitee finds some other interesting conditions. For instance, our hospital has several active and devoted "auxiliary" societies, as well as individuals, from whom are received many gifts during the year. These are accepted and absorbed without being valued or accounted for other than by thanks to the donors. One month our costs are low, because we have had some nice gifts which we can utilize; another month we have to buy those things, and our costs go up. We may have *used* the same amount of these articles each month, but our costs have changed. That seems rather upsetting.

Yet suppose we adopt the suggestion of one member, and value all the gifts of food, clothing, flowers, soaps, and so on, received each month, and enter them as part of the cost for that month. One of our well-wishers, a large soap manufacturer, sends us a supply of laundry soap enough to last six months. If we put the value of six months' supply into the cost of one month, it overweights the cost of that month, and underweights the cost of the succeeding five months.

In that connection our committee finds another interesting thing. According to our purchasing and accounting methods, goods may be ordered in January, received in February, paid for in March, and used in April, May and June. Or again, our earnest and really efficient superintendent, acting as purchasing agent, finds he can make a real saving by buying at a bargain for cash in March a supply of goods which will last a year. If he does it, what happens to our unit patient-day costs in March? And what is the corresponding effect on preceding months? A superintendent may even be tempted to sacrifice the real money saving to the hospital rather than expose himself to criticism for an inordinately high monthly cost figure.

So the committee shows the board that if one charges to monthly cost either the value of gifts received, or the money paid out for supplies, the effect on the validity of the figures is the same. It reports the way out as the establishment of both physical and financial stores control through a separate Stores Department. It points out the necessary distinction between "stores," which are supplies and other things to be used up in the operations of the institution, and "new equipment," which increases the permanent value of the plant. All stores items received, whether by gift or purchase, pass into the Stores Department, and are charged to a general ledger stores account at their estimated value if they are gifts, and at their cost, including transportation, if they are purchased. Stores items are withdrawn from the Stores Department for use only on written requisition, so that they may be credited to stores and charged to the departmental or other expense account for which used.

The committee report finally states that such stores control not only is essential to secure usable and dependable cost figures, based on actual consumption, but also gives the superintendent his only possible chance to make an indisputable record of progress in managerial efficiency by—

1. A reduced and wisely balanced investment in stores items.
2. A new certainty of having on hand what is needed, when it is needed, in the quantity needed.
3. A reduced variety of items carried, and so reduced cost of handling those items.
4. Reduced losses from waste, depreciation and obsolescence.
5. Increased economy in purchasing by more accurately anticipated needs.

The savings made possible by stores control have been estimated by one hospital superintendent at 15 to 30 per cent of the total expense for supplies. The possibility of such a saving should not be ignored.