Ethics in Organizations and Leadership

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Ethics must begin at the top of an organization. It is a leadership issue and the chief executive must set the example.

—Former Chief Justice Edward Hennessey,
Massachusetts Supreme Judicial Court

Objectives

After reading this chapter, the reader should be able to:

1. Discuss the significance of an open system for health care organizations.
2. Explore the ethical dimensions that shape the culture of an organization.
3. Compare the similarities and differences between the traditional cultures of an organization and Daft's unique list of cultures.
4. Explore the rationale for the two principles necessary for trust to exist between the community at large and the organization.
5. Specify the elements that help to explain the rationale for the critical nature of trust in nurses and organizations.
6. Delineate the common unethical and illegal behaviors that people sometimes exhibit in organizations.
7. Briefly explore the history of the adoption of compliance programs and officers in health care organizations.
8. Identify the reasons for health care fraud occurrences in the year 2006.
9. Examine Pearson et al.'s characteristics of an exemplary ethical organization.

10. Discuss prevention strategies for health care fraud and other unethical or illegal behaviors in organizations.
11. After thinking of a person that you have labeled as an ideal leader in your personal life, compare and contrast your ideal leader's characteristics with the characteristics of an exemplary leader listed in the book.
12. Analyze your level of morality about a situation involving a possible conflict of interest by taking the 8-item test of rightness or wrongness.

Key Terms

Organization
Mission culture
Organizational trust
Compliance programs
Billing for services not rendered
Duplicate claims
Medically unnecessary services
Conflict of interest
Ethical quality
Ethical tenure
Organizational culture
Clan culture
Fiduciary relationships
Corporate fraud
Upcoding of services
Unbundling
Kickbacks
Ethical leadership
Ethical collaboration
Adaptability culture
Bureaucratic culture
Organizational ethics
Health care fraud
Upcoding of items
Excessive services
Qui tam lawsuits
Ethical communication
Ethical succession planning

Ethical Organizations

An **organization** is defined as a group, in number from two people to tens of thousands, that intentionally strives to accomplish a shared common goal or set of goals. Organizations are systems, meaning that an organization consists of highly integrated parts or groups to accomplish shared goals. An organizational system is composed of inputs (resources—monetary and human), processes (how the organization moves to achieve goals), outputs (products or services), and outcomes (end results or benefits to consumers).

An open system, such as a health care organization, focuses on external relationships, which places the organization in a larger context or environment (Boyle, DuBose, Ellingson, Guinn, & McCurdy, 2001). An open system consists of relations with suppliers, regulatory bodies, customers, allies, and competitors. These external influencers help to guide the internal processes of the organization. An example of an

external influence is the Joint Commission (JCAHO) accrediting agency. For the accreditation and review process, administrators develop an internal structure and create roles to assist and coordinate, such as the role of a compliance officer. Because of the open system relationships, ethical issues emerge at a new level.

Organizational culture refers to an organization's beliefs, values, attitudes, ideologies, practices, customs, and language. Even when the beliefs of the organization stem from the chief executive officer or the board of trustees, managers and employees need to be loyal and committed to the organization's goals for a culture to be shaped. Dimensions that shape an organizational culture are highlighted in Box 4.1. How administrators and other people answer the questions in Box 4.1 will determine the ethical environment of the organization.

Researchers (e.g., Cartwright & Cooper, 1993; Zammuto & Krakower, 1991; as cited in Boyle et al., 2001) have indicated that four definitive characteristics can make up cultures in organizations. The traditional view of organizational cultures identified by these researchers is:

1. *Power:* This culture's descriptors include centralization; individual power and decision making; autocratic, patriarchal power; fear of punishment; and implicit rules. The values are control, stability, and loyalty.
2. *Bureaucracy:* This culture's descriptors include a hierarchical structure, emphasis on formal procedures and rules, clearly defined role requirements and boundaries of authority, minimized risks, an impersonal and predictable work environment, employees as cogs or slots, and positions more important than people. The values include efficiency, predictability, production, and control.
3. *Achievement and innovation:* This culture's descriptors include an emphasis on the team, a strong belief in the mission of the organization, organized work of task requirements, worker autonomy and flexibility, decision making pushed to lower ranks, and the promotion of cross-functional knowledge and skills. The values include creativity, adaptability, risk taking, and teamwork.
4. *Support:* This culture's descriptors include egalitarianism, nurturance of personal growth and development, usually nonprofit organizations, a safe environment, and a nonpolitical workplace. The values include commitment, consensus, and growth.

Several authors or researchers have labeled these four organizational cultures differently but with similar meanings. Daft (2004) labeled one such set of organizational cultures, and each culture has the potential to be successful. The four cultures identified by Daft are highlighted in Box 4.2.

BOX 4.1: HIGHLIGHTS FROM THE FIELD: DIMENSIONS THAT SHAPE AN ORGANIZATIONAL CULTURE

As Defined by E. H. Schein

Relationship to the environment	Is the organization's relationship to its environment dominant, submissive, or harmonious?
The nature of reality and truth	What is fact and what is truth? How is truth determined in this organization?
The nature of human nature	Is human nature evil, good, or neutral? Do humans have the potential to be perfect?
The nature of human activity	What is the right thing for humans to do regarding the stated assumptions about reality, the environment, and human nature? Should humans be active, passive, self-developmental, or fatalistic?
The nature of human relationships	What is the right way for humans to interact with each other and to distribute power and resources? Should humans be cooperative, individualistic, collaborative, or communal? Do humans follow a traditional line of authority or should they be participatory? Does the organization value diversity or homogeneity? How is conflict resolved? How are decisions made?

Largely quoted and adapted from Schein, E. H. (1991). *Organizational culture and leadership* (2nd ed.), pp. 95–96. San Francisco: Jossey-Bass/John Wiley & Sons.

BOX 4.2: HIGHLIGHTS FROM THE FIELD: DAFT'S TYPES OF ORGANIZATIONAL CULTURES (2004)

1. *Adaptability culture:* The focus is on the external environment where innovation, creativity, risk taking, flexibility, and change are the key elements for success. This type of organization creates change in a proactive way in an effort to anticipate responses and problems. Examples that Daft gave are the e-commerce companies such as Amazon.com and Buy.com. These companies are required to change quickly in anticipation of customer needs.
2. *Mission culture:* The vision and goals are clearly focused on a high level of competitiveness and profit-making strategies. In this type of culture, executives and managers strongly communicate a strategic plan for the organization's employees and expect high productivity, performance goals, and fringe benefits for goal attainment. An example of a mission culture that Daft gave was PepsiCo.
3. *Clan culture:* The focus is on employee needs and the strategies in which employees can engage for high performance. Key values in this culture consist of leaders taking care of their employees and making sure they have appropriate avenues to satisfaction and productivity. Responsibility and ownership are other key values in this type of culture. Rapid change occurs in this environment because of changing expectations from the external environment. One example that Daft gave is the MTW Corporation, which sells Web-based software and provides consultation to state governments and the insurance industry.
4. *Bureaucratic culture:* The focus is primarily on the internal environment where stability is a mainstay. Leaders develop and carry out scrupulous and detailed plans in a cautious and stable environment with slow-paced change. In this environment, personal engagement and involvement is lower in exchange for a high level of consistency, conformity, efficiency, and integration. Because of the inflexibility of this type of culture, many organizations are forced to change to a different, more flexible culture. However, one successful organization that Daft offered as an example is the Pacific Edge Software company run by a husband and wife team that thrives on order, discipline, and control.

Adapted from Daft, R. L. (2004). *Organizational theory and design* (8th ed., pp. 367–370). Mason, OH: South-Western.

No matter which culture is promoted by organizational leaders, the point is that the organizational culture needs to fit with the organization's strategy and environment. For a healthy organizational culture to flourish, elements of key values must be in place and practiced. These values begin with trust as an underlying and integrated premise.

A Matter of Trust

Trust is a multifaceted virtue that serves as an umbrella over the key values in organizations. Shore (2007) stated that **organizational trust** is the essential ingredient, what he labeled as the lubricant, facilitating everyday business and interactions. People can trust other people to follow through with their work and commitments just as people in the community can depend on organizations to uphold their words and promises to them. **Fiduciary relationships** hold a high value in organizations because these relationships represent a formal duty to another or others imposed by loyalty, commitment, and organizational structure, meaning that others have placed trust in persons to carry out activities with morally good judgment related to a position.

Williams (2006) emphasized that only when the key element of fairness exists can trust thrive in organizations. Creating a culture of justice with a focus on trust is essential for an organization to flourish. Practicing the virtue of justice promotes fair distribution among individuals in the community while trust is the "adhesive that binds its members" (Para 1). According to Gutmann (1995; as cited in Williams, 2006), there are two principles that an organization must maintain so that the community of individuals it serves can have a sense of fairness: (1) nondiscrimination in the moral standing of each person, and (2) nonrepression so that each person has a deliberate voice if so chosen. Without those principles, an organization cannot be trustworthy or just.

Although the key virtues of fairness, honesty, integrity, respect for others, promise keeping, and prudence are the typical values seen in organizations, the vision and mission will often determine the differential values within each organization (Boyle et al., 2001; Kovanic & Johnson, 2004). Some of these differential values are teamwork, community, achievement, competence, knowledge, creativity, innovation, agility, having fun, leading by example, valuing diversity, encouraging others, and encouraging risk-taking. Organizations need to define their values operationally through their philosophy and mission; likewise, organizations must define their ethical practices in writing and in verbal communication. Jack Welch, past chairman and CEO of General Electric, once said: "Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion" (as cited in Kovanic & Johnson, p. 101).

Trust in organizations has been eroding for years to the point of a current all-time low level of trust (Shore, 2007). Health care organizations are no different. The rapid transformation in health care organizations has been a contributing factor in the erosion of trust. As organizations must rapidly change to comply with regulatory standards, the demands of the internal and external stakeholders, and the needs of the population they serve, a greater complexity of ethical questions has emerged that are more difficult to resolve, given that organizations even want to resolve them. Executives abusing power and making self-serving corporate decisions lead to unethical behaviors in organizations (Morrison, 2006).

Trust in organizations is an obscure concept that consists of a web of convoluted relationships. A violation of trust in organizations will prompt verbalization such as angry and sarcastic remarks by personnel, especially if trust has been previously entrenched throughout the organizational levels (Williams, 2006). A violation of trust in organizations is less forgiving than in a relationship where trust historically exists between two people. Researchers have found that trust critically matters in organizations for nurses and others because

- Trust promotes economic value within organizations.
- Trust increases strategic alliances, teamwork, and productivity.
- Nurses experience a more positive practice environment as a result of trust.
- Nurses experience increased empowerment, autonomy, and overall job satisfaction because of organizational trust. (Kramer & Schmalenberg, 2002; Laschinger, Shamian, & Thomson, 2001; Williams, 2005; as cited in Williams, 2006)

Other Ethical Issues in Organizations

Organizations are sometimes compared to people in that an organization functions as a moral agent that can be held accountable for its actions; however, organizational ethics "focuses on the choices of the individual *and* the organization" (Boyle et al., 2001, p. 16). The term **organizational ethics** is a broad concept that includes not only culture and trust, but also processes, outcomes, and character and denotes "a way of acting, not a code of principles. . . . [and] is at the heart, pumping blood that perfuses the entire organization with a common sense of purpose and a shared set of values" (Pearson, Sabin, & Emanuel, 2003, p. 42). The ethic of an organization refers to an organization's attempt to define its mission and values, recognize values that could cause tension, seek best solutions to these tensions, and manage the operations to maintain its values. The ethics process serves as a mechanism for organizations to address ethical issues regarding financial, business, management, and relationship decisions.

Even though organizational ethics often refers to an organization's image, people who work in the organizations are the ones to behave unethically or illegally and therefore are what shape the ambiance and character of the organization. Refer to Box 4.3 for a list of ethical and legal behaviors that one will observe or that one could engage in within organizations. The list is not exhaustive, but consists of the more common behaviors. Many unethical behaviors of organizations are also illegal, so the lines between ethical and legal are blurred.

Compliance and Ethics Programs

Compliance programs, "designed to prevent unlawful conduct and to promote conformity with externally imposed regulations, provide a second component of background for organizational ethics" (Pearson et al., 2003, p. 28). During the 1980s, compliance programs became popular as a way for organizations to satisfy the mandate for addressing ethical and legal issues, primarily Medicare and Medicaid fraud at that time. These programs were enormously amplified in 1991 when officials in the U.S. Department of Justice (USDOJ) created the U.S. Sentencing Guidelines (USSG) to create consistency of the sentencing in federal courts (Pearson et al.). The guidelines allowed for a reduction in penalties if a corporation had previously implemented the seven standards of compliance before the organization incurred a federal violation. In 2004 the federal government expanded the 7 guidelines to 11, which included ethical responsibilities for senior management personnel of corporations (Verschoor, 2007). Refer to the 11 guidelines in Box 4.4.

Ethically, the principles of autonomy, beneficence, nonmaleficence, and justice are at risk for violation in relation to patients, health care professionals, and the general public. When corporate schemes have the potential to harm patients without their knowing it, autonomy is violated, as is the law, in the form of the Patient Self-Determination Act of 1990. Hurting or injuring someone because of illegal schemes violates beneficence, nonmaleficence, and justice.

Compliance programs are not synonymous with ethics programs, yet organizations tend to use compliance programs as a way of addressing ethical issues (Pearson et al., 2003). These two programs, compliance and ethics, are needed and can complement each other if appropriately structured. Ethics programs focus on the values of an organization, pursuing virtue, and delivering ethical patient care, whereas compliance programs focus on obedience to legal and required details of performance and have enforcement capability. Today compliance programs are mandatory, not optional. Some leaders of organizations, however, see compliance programs more as a vehicle for protecting themselves rather than as a means to instill important ethical values.

Box 4.3: Highlights from the Field: Typical Unethical or Illegal Behaviors in Organizations

- Corporate fraud
- Health care fraud
- Greediness
- Engaging in covert operations
- Producing misleading services
- Reneging or cheating on negotiated terms
- Creating unclear or inappropriate policies that can cause others to lie to get the job done
- Showing overconfidence in self-judgment
- Disloyalty
- Exhibiting poor quality in performance and apathy in goal attainment
- Engaging in humiliating and stereotyping tactics
- Engaging in bigotry, sexism, or racism
- Showing favoritism
- Suppressing rights such as freedom of speech and choice
- Obeying authority in a mindless routine
- Promoting people who are destructive go-getters yet they seem to outrun mistakes
- Price fixing as the standard regardless of the real cost
- Failing to speak up when unethical practices become evident
- Stepping on others to climb the promotion ladder
- Sacrificing innocent people to get jobs done, such as blaming subordinates
- Knowingly exaggerating the advantages of a plan to garner support
- Failing to cooperate with others
- Lying for the sake of business
- Failing to take responsibility for injurious practices
- Abusing corporate perks
- Corrupting the public process through legal means
- Obstructing or stalling actions and processes
- Dithering
- Inefficiency

Largely quoted from Boyle et al. (2001). *Organizational ethics in health care: Principles, cases, and practical solutions* (pp. 19–20). San Francisco: Jossey-Bass/John Wiley & Sons.

BOX 4.4: HIGHLIGHTS FROM THE FIELD: U.S. SENTENCING GUIDELINES AS OF 2004

1. Develop compliance standards and procedures tailored to the company's business needs.
2. Designate high-level personnel to oversee compliance.
3. Avoid delegating substantial discretionary authority to employees with a propensity for illegal conduct.
4. Educate employees in the company's standards and procedures through publications and training.
5. Design a compliance system that includes auditing and monitoring procedures and mechanisms that encourage employees to report potential violations.
6. Enforce standards through appropriate and consistent discipline.
7. Report all violations, and take appropriate steps to improve the program.

2004 Additions

Senior management and the board of directors' responsibilities include:

8. Being knowledgeable about and exercising reasonable oversight of the program.
9. Ensuring the senior-level compliance and ethics officer has adequate resources, credibility, and access to the board of directors.
10. Exercising independent review by directors.
11. Being sufficiently informed so directors can exercise independent judgment.

Quoted from Verschoor, C. C. (2007). How good is your ethics and compliance program? *Strategic Finance, 88*(10), 19–20.

The following sections briefly reflect corporate fraud but comprehensively discuss health care fraud. Another section presented is conflicts of interest. The topics for discussion are not an all-inclusive list; rather, the author has decided to choose some of the most critical issues for organizations.

Corporate Fraud

Corporate fraud occurs when a corporation deceives someone or the public to gain some sort of advantage to which it is not entitled. Corporate fraud has been a major priority with the Federal Bureau of Investigation (FBI) for a number of years. In 2006

alone, the FBI pursued 490 cases, and 19 of these cases cost investors $1 billion. Of the 490 cases, there were 171 indictments and 124 convictions. Besides the $1 billion loss to investors, the costs were $1 billion in restitutions, $4 billion in recoveries, and $62 million in seizures.

Health Care Fraud

Health care fraud occurs when a person steals money or services, which then become services unavailable for people who need these services. In the USSG 2004 revisions, the USDOJ mandated that organizations continuously improve their ethics and compliance programs by intermittently assessing for the risk of criminal conduct and taking steps to alleviate the violations. The USDOJ and the U.S. Department of Health and Human Services (USDHHS) began investigating and prosecuting abuse and fraud cases in health care organizations in significantly greater numbers in the 1990s (Boyle et al., 2001). The criminality in health care organizations, especially defrauding federal government programs such as Medicare, became apparent as the percentage of cases continually increased each year throughout the 1990s.

The FBI currently oversees and investigates all health care fraud for federal, state, and local levels of government and for private insurance and other programs. A recent significant trend that has concerned the FBI is the willingness for medical professionals to commit schemes risking patients' health and causing potential patient harm, some of which include unnecessary and harmful surgeries, prescriptions for dangerous drugs, and substandard care practices. The FBI (2006) believes the upsurge in incidence is because of high technology and computers. The damage that can occur from these crimes is an act of malfeasance in terms of personal injury, wrongful death, and possibly class action suits for the involved patients, not to mention the illegal corporate fraud acts.

The FBI reported in 2006 that health care fraud continues to rise dramatically each year despite the government's attempts to prevent it. In 2006 alone, there were 2,423 FBI health fraud cases, which resulted in 588 indictments and 534 convictions, plus there are numerous other cases pending. Of these cases, there were a total of $373 million in restitutions, $1.6 billion in recoveries, $172.9 million in fines, and $24.3 million in seizures.

As the U.S. population grows older more Medicare services are needed, thus more health care services are needed. The augmentation of Medicare use in light of the growth of the older population serves as a temptation for an increased incidence of corporate-driven schemes and systematic abuse. Health care fraud events in 2006

occurred throughout all segments of the health care system by means of various schemes. Refer to Box 4.5 for a highlight of 2006 schemes.

BOX 4.5: HIGHLIGHTS FROM THE FIELD: FBI FINANCIAL CRIME REPORT OF 2006—HEALTH CARE FRAUD REPORT

- **Billing for services not rendered:** The provider will bill even when no medical service of any kind was rendered, the service was not rendered as described in the claim for payment, or the service was previously billed and the claim had been paid.
- **Upcoding of services:** The provider submits a bill using a procedure code that yields a higher payment than the code for the actual service rendered. Cases of upcoding include a routine follow-up doctor's office visit being billed instead as an initial or comprehensive office visit, group therapy being billed as individual therapy, unilateral procedures being billed as bilateral procedures, and 30-minute sessions being billed as 50 minutes or more.
- **Upcoding of items:** The provider delivers basic equipment to a patient, such as a manually propelled wheelchair, but instead bills for the more expensive motorized version of the wheelchair.
- **Duplicate claims:** The provider files two claims on the same service or item, but usually changes the date or some other portion of the claim on the second claim.
- **Unbundling:** The provider submits bills in a fragmented fashion to maximize the reimbursement for various tests or procedures required to be billed together at a reduced cost. For example, clinical laboratory tests are ordered individually or in a panel (e.g., lipid profile), but the provider will bill within each panel as if the tests had been done separately on different days.
- **Excessive services**: The provider bills for excessive services beyond the patient's actual needs, such as a medical care supplier billing for 30 wound care kits per week for a nursing home patient who requires a dressing change only once a day, or a provider billing for daily medical office visits when only monthly visits are needed.
- **Medically unnecessary services:** The provider bills for services not needed or unjustified based on the patient's medical condition, diagnosis, or progress, such as a provider who bills for an EKG for a patient with no signs or symptoms that justify the test.

(*continued*)

Box 4.5: Highlights from the Field: FBI Financial Crime Report of 2006—Health Care Fraud Report (continued)

- **Kickbacks:** The provider or other staff in the system engages in a scheme to receive an illegal kickback, such as when money or gifts are accepted in exchange for the referral of a patient for health care services paid by Medicare or Medicaid. Gifts can include everything from money to jewelry to free paid vacations.

Largely quoted and adapted from Federal Bureau of Investigations. (2006). FBI 2006 financial crime report: Health care fraud. Retrieved June 10, 2007, from http://www.fbi.gov/publications/financial/fcs_report2006/financial_crime_2006.htm

Nurses may be involved in schemes unknowingly, but in these type of situations innocence would be difficult to prove in a court of law given that nurses were assisting with keeping the records where providers or others were operating secret fraudulent schemes. One such incident where nurses could be involved is in the billing and maintenance of fraudulent records on ambulance transfers of patients. A true story of ambulance fraud is highlighted in Box 4.6, except in this case Tracie Gieger, a licensed practical nurse and the wife of Jeffery Gieger, was knowingly and actively involved in the billing fraud. After reviewing her case, the Mississippi Board of Nursing revoked her license in October 1998 based on her felony conviction.

Sometimes nurse practitioners or other providers are unaware of their own acts of corporate fraud. One particular instance is when they accept gifts or possibly money from pharmaceutical companies in exchange for prescribing the company's medications. Medical suppliers and other vendors can place nurses in similar situations.

Hospital health care fraud is a tremendous problem in the United States. Two cases of hospital health care fraud are highlighted in Box 4.7. One case occurred in 2005 at HealthSouth Corporation, whose central office is located in Birmingham, Alabama, but is the largest provider of integrated health care services in numerous locations across the United States. The other case was in 2005 at Eisenhower Medical Center in Rancho Mirage, California. Readers need to keep in mind that these two cases and the Gieger case are just a few examples of the scores of cases that occur each year throughout the United States.

To reduce or prevent fraudulent schemes, Pearson et al. (2003) offered an exemplary list of broad normative ethical obligations for organizations. Although these

BOX 4.6: HIGHLIGHTS FROM THE FIELD: EXAMPLE OF BILLING FRAUD FOUND BY THE FBI: U.S. V. GIEGER

Tracie and Jeffery Gieger, Laurel, Mississippi, 1998

> On February 27, 1998, in the Southern District of Mississippi, the owners of Gieger Transfer Services, an ambulance company, were sentenced to 80 months in prison and ordered to pay restitution of $228,917 and a $12,500 fine [and 3 years of supervised release after the prison sentence was complete]. The defendants [Tracie & Jeffery Gieger] billed Medicare $400 per ambulance trip, claiming that patients taken on nonemergency ambulance trips were "bed confined" when, in fact, many could walk and had no need for ambulance transportation. A substantial portion of the money paid to the United States under the agreement is derived from the forced sale of beachfront properties purchased by the owners following the sale of their company in September 1997. The forced sale of the properties resulted from a $2.25 million civil settlement with the owners and the company formerly owned by them.

The Giegers were electronically billing the cases. While she was still an LPN, the Giegers founded the Gieger Transfer Service, Inc./Gieger Ambulance Service (GAS) and began transporting emergency and nonemergency patients. The company expanded quickly and by 1997 GAS operated more than 40 ambulances in 12 counties in rural southeastern Mississippi.

A large number of their ambulance transfers were elders on Medicare. After they founded GAS, the Giegers began billing Medicare by filing all of their nonemergency transfers as "bed-confined" patients, a misrepresentation that sparked the 1996 FBI investigation. They directed their paramedics and emergency medical technicians not to use the word "ambulatory" on the patient transfer report. The Giegers were indicted on 57 counts, which included charges of Medicare fraud, conspiracy to submit false claims, money laundering, transmitting money instruments or funds derived from specified unlawful activities, and a number of other similar charges. In 1997, the Giegers were tried on 46 of the 57 counts of the indictment. The jury returned a guilty verdict on Count 1—a conspiracy to submit false claims to Medicare. However, the sentencing of the Giegers was

(*continued*)

BOX 4.6: HIGHLIGHTS FROM THE FIELD: EXAMPLE OF BILLING FRAUD FOUND BY THE FBI: U.S. V. GIEGER (CONTINUED)

increased because they abused a position of trust and the conspiracy involved vulnerable victims (related to the patients' age).

On September 24, 1999, the Giegers filed an appeal but the appellant court upheld the convictions with the exception of the enhancement of the "vulnerable victim" provision. The Giegers' prison term was completed in 2004.

Above quote from U.S. Department of Justice. (1998). Deputy attorney general: Health care fraud report—Fiscal year 1998. Selected cases. Retrieved on June 10, 2007, from http://www.usdoj.gov/dag/pubdoc/health98.htm

From Mississippi State Board of Nursing. (1998, October). Disciplinary actions (by date). Retrieved on June 10, 2007, from http://www.msbn.state.ms.us/disactions.htm; *and* FindLaw. (1999). United States Court of Appeals for the Fifth Circuit [No. 98-60137]. *USA versus Jeffery W. Gieger & Tracie L. Gieger*. Retrieved June 10, 2007, from http://caselaw.lp.findlaw.com/scripts/printer_friendly.pl?page=5th/9860137cr0.html

BOX 4.7: HIGHLIGHTS FROM THE FIELD: HEALTH CARE FRAUD AND ABUSE CONTROL PROGRAM

HealthSouth Corporation, Birmingham, Alabama, 2005

This corporation paid the U.S. government $327 million to settle the allegations of fraud against Medicare and other federally insured health care programs. The government alleged that the rehabilitative services of HealthSouth engaged in three health care fraud schemes to cheat the government. The first scheme, requiring a $170 million settlement, involved alleged false claims for outpatient physical therapy services that were not properly supported by certified plans of care, were not administered by licensed physical therapists, or were not for one-on-one therapy as the corporation represented in the billing. The second scheme, requiring a $65 million settlement, involved alleged accounting fraud

(*continued*)

BOX 4.7: HIGHLIGHTS FROM THE FIELD: HEALTH CARE FRAUD AND ABUSE CONTROL PROGRAM (CONTINUED)

that resulted in overbilling Medicare on hospital cost reports and home office cost statements. The third scheme, requiring a $92 million settlement, involved allegedly billing Medicare for a range of unallowable costs, such as luxury entertainment and travel expenses for annual administrators' meeting at Disney World, among many other incurred expenses. The remaining $76 million settlement involved four ***qui tam* lawsuits**, also known as whistleblowing lawsuits. (The term *qui tam* is an abbreviation of a Latin phrase that means "he who sues for the king as well as for himself.") *Qui tam* lawsuits are filed by private citizens who sue on behalf of the federal government by alleging fraud against those organizations who received government funding. The private citizen who filed the lawsuit receives a portion of the recovery money if the case is successful, and the government receives the major portion of recovered funds.

Eisenhower Medical Center, Rancho Mirage, California, 2005

This corporation paid the U.S. government $8 million to settle allegations of overbilling federal health insurance programs. A former employee also filed a *qui tam* lawsuit. The allegation was that the health care financial advisors helped the hospital to seek reimbursement for unallowable costs, and specifically that the advisors prepared two cost reports—an inflated one submitted to Medicare and one designed for internal use only that reflected accurately the amount of reimbursement the hospital should have received.

Largely quoted from U.S. Department of Health and Human Services and the Department of Justice. (2006, August). Health care fraud and abuse control program annual report for FY 2005. Retrieved June 10, 2007, from http://www.usdoj.gov/dag/pubdoc/hcfacreport2005.pdf

obligations refer to organizations and not the leaders in them, providers of care and corporate leaders must make an effort to uphold these ethical obligations. Refer to Box 4.8 for a list of Pearson et al.'s exemplary obligations.

Prevention strategies are the most effective and efficient ways to deter financial loss through fraud. There is a supportive Web site by Blue Cross Blue Shield where people can access information regarding facts, statistics, and types of fraud (http://www.bcbs.com/antifraud); the site is also listed in the Web Ethics box at the

BOX 4.8: HIGHLIGHTS FROM THE FIELD: PEARSON ET AL.'S (2003) EXEMPLARY ETHICAL OBLIGATIONS FOR ORGANIZATIONS

An exemplary ethical organization must:

1. Hold deeply a set of values emphasizing care of the sick and the promotion of health.
2. Involve key stakeholders in identifying its values and in managing value conflicts.
3. State clearly and forcefully those values it commits itself to and guides itself by.
4. Disseminate understanding of its values to its entire staff.
5. Recognize that the full range of its activities influences the ethical quality of patient care.
6. Cultivate skill at identifying threats to and conflicts among its values.
7. Deliberate about value conflicts in light of what it has done and learned in previous similar conflict situations.
8. Ensure that it acts on its values: It "walks the walk" as well as "talks the talk."
9. Partner only with others who live by compatible values.

Quoted from Pearson, S. D., Sabin, J. E., & Emanuel, E. J. (2003). *No margin, no mission: Health-care organizations and the quest for ethical excellence* (p. 33). Oxford, UK: Oxford University Press.

end of this chapter. Nurses or others who suspect health care fraud or corporate fraud of any kind should call 1-877-327-2583 to report their observations. According to the Association of Certified Fraud Examiners (2004; as cited in Adams, Campbell, Campbell, & Rose, 2006), most defrauded companies will never recover their monetary losses. If organizations do not put prevention measures in place, they could be out of business literally in days. Adams et al. suggested for organizations to create a fraud prevention program. To do so, administrators or outside consultants need to assess the state of affairs within the organization. Strategies in the assessment phase include:

- The chief executive or executive board members need to consider hiring an external consultant to conduct the assessment and administer an assessment survey.
- Answer the question "What are the current fraud risks?"
- Interviews with stakeholders such as board members, key executives including the compliance officer, and other management personnel will usually reveal the organization's risks for fraud.

- An independent agent or party needs to perform an internal audit.
- Set benchmarks for measuring best antifraud practices.

Adams et al. (2006) included a sample questionnaire for assessing risks of fraud in organizations. The questions will yield quantitative and qualitative data. The chief executive, nurse executive, or consultant could adapt the following questions for their organization's survey and have employees and key people complete it:

- How frequently does management review key performance indicators (e.g., weekly, monthly, quarterly, or yearly)?
- Have the board and members of the management team delineated specific responsibilities relating to the oversight and management of fraud risks with the organization?
- What is the fraud risk management budget in dollars? In full-time equivalent resources?
- How frequently is the fraud risk management strategy updated (e.g., every 6, 12, 24, or 36 months)?
- How frequently are organizational charts reviewed to ensure proper segregation of duties (e.g., every 6, 12, 24, or 36 months)?
- Is an anonymous process available at any time for employees to use in reporting improprieties or breaches of ethics?
- Is the anonymous reporting process also available to customers and suppliers?
- Do you have a formal code of ethics or conduct for the board or senior management?
- Please list what you think are the top three fraud business risks that your organization faces. How would you assess your risk of exposure to each of these? (p. 58)

Evaluating responses to these questions and logically organizing the findings and levels of risks are invaluable ways to gather good information. For instance, if the organization already has an anonymous hotline for reporting fraud, the consultant needs to assess the types of fraud assertions reported by sorting the reports by levels or degrees of wrongdoing. Additionally, benchmarking is critically important for future measures against fraud.

After the assessment phase, the organization needs a plan for developing key components, policies, responsibilities, audits, reviews, and communication strategies. Programs that need to be developed include an ethics program and a code of ethical conduct, educational and training programs at all employee levels on ethical behaviors and processes of fraud prevention, and a hotline program. Once the fraud prevention program is in place, ongoing monitoring and training are necessary.

The FBI has put into place significant measures, though largely unsuccessful at this point in time, to try to prevent health care fraud and corporate fraud. Nurses

could serve in key positions to spot or report health care fraud and corporate fraud schemes in hospitals, clinics, or other places. Nurses need to remember that any illegal or unethical behavior by them, other nurses, or any licensed person could result in a suspension or revocation of their license.

Ethical Reflections

These three cases involve the Giegers and the two hospital cases that were highlighted in the boxes earlier in the chapter. Please review them and then refer to Pearson et al.'s (2003) exemplary ethical obligations for organizations highlighted in Box 4.8 and prevention of fraud strategies.

The Gieger Case

- Based on the jury's rationale for sentencing, make a list of the exemplary ethical obligations that the Giegers, paramedics, and EMTs did not uphold.
- Do you believe that as a paramedic working for the Giegers, your role would be to see that unethical practice was not committed? Why or why not? Give your rationale based on an ethical framework—a theory, approach, or principle.
- If you had been a paramedic working for the Giegers, jot down ways that you could have acted to alleviate or arrest these problems. Keep your ethical framework in mind as you compose your strategies.

The Two Hospitals' Cases

- Describe the feelings you might experience if you were working as a registered nurse in some area of either of these two provider organizations when the lawsuits were filed and became public knowledge to everyone in the community and the United States. Be specific with the description of your feelings.
- Make a list of the exemplary ethical obligations that these two hospitals did not uphold.
- What actions, if any, would you take in light of the charges against your place of employment? Give your rationale based on one ethical framework—a theory, approach, or principle.

Conflict of Interest

Conflicts of interest can occur on various levels from the individual to the organization, or between the internal organization and the external community. In the end, executives or board members engaging in a conflict of interest must have used their position to benefit themselves in some way at the expense of the organization. Cooper (2006) defined a conflict of interest legally as:

situations where our personal interests are at odds with our obligations as a public official of our professional values. There may be combinations of conflicting roles and tensions between sources of authority, but more typically these occasions simply present us with an opportunity to use our public office for the sake of our private gain of our friends or relatives. (p. 129)

These types of activities present conflicts between the person's position of authority in an organization and self-interest and/or between a person's objective accountability toward an organization and personal or monetary gain or advantage. Conflicts of interest from the standpoint of ethics are broader than the legal definition because the decision to engage in a conflict of interest involves loyalties, concerns, and emotions in relationships that collide with the organizational and public interests. The main ethical issue involved in conflicts of interest is a breach of trust to the public. Whatever an executive or board member engages in also affects the organization's image by the public. The following Ethical Reflections provides an example of a moderate-sized legal conflict of interest by the chief nursing officer of a hospital.

Ethical Reflections

Betty, the chief nursing officer, had to make a decision about buying 120 new hospital beds for patient rooms. After she interviewed nurse mangers at the units where the beds were going to be placed, Betty compiled her findings and decided to contact a well-known equipment company to obtain prices and contracts. The equipment company's executive salesperson, Jim, discussed options at length with her and invited her and her significant other to an upcoming all-expenses-paid lavish retreat at a five-star hotel in Hawaii to see demonstrations of the beds and to hear a comprehensive sales pitch. Betty thought to herself, "We badly need some relaxation and stress relief. Hawaii would be so much fun. Would it be wrong for us to go?"

- If you were Betty, what should you do? Give your rationale. Justify your answer with an ethical framework—a theory, approach, or principle.
- What ethical principles are at stake? What breaches?
- Do you consider this situation a conflict of interest? Why or why not? Give your rationale.
- How would Betty handle this case if she believed she needed to seek advice from someone in a higher authority? With whom would she discuss this issue?
- What policies should be in place regarding a scenario such as this one?

There are various ways that conflicts of interest can occur that are not illegal but may be an ethical violation of the organization. Ritvo, Ohlsen, and Holland (2004) emphasized the difficulty for people in authoritative positions to live active and ethical

lives while facing challenging decisions. Often the person's ethical obligations to fulfill job commitments can interfere with the person spending time with family or others. For example, how could an executive inform a higher-authority executive that a daughter's piano recital comes before a critical meeting with the executive board members?

Morrison (2006) mentioned other types of ethical conflicts of interest. One is when an individual's personal behavior conflicts with the organization's ethics, such as overindulgence of alcohol or a public use of other drugs. Because patient safety and competent care are critical to the viability of a health care organization, personal behavior outside the organization is extremely important, as is personal behavior inside the organization. Nurses, in particular, are open to scrutiny by the public and by hospital officials because of their nursing license and direct care of patients. The following Ethical Reflections reveals a scenario that could be more common than people would like to admit.

Ethical Reflections

Savannah, a registered nurse in charge of direct patient care, attended a party the night before a scheduled 12-hour work day, overindulged in cocktails, got to bed around 3 a.m., and came to work the next morning at 6:45 a.m. with a hangover and alcohol still on her breath. This situation placed Savannah in ethical violation of the organization's values and the *Code of Ethics for Nurses*, as well as a legal violation of the state board of nursing, because if alcohol is smelled on her breath, it is still in the bloodstream, which could alter her judgment. Savannah's altered judgment could result in unsafe patient care and treatments.

- Discuss the ethical implications of Savannah's partying before work. Do you believe that Savannah engaged in an ethical conflict of interest? Why or why not? Please explain your rationale.
- What ethical violations existed in Savannah's case regarding her personal behavior, the hospital's ethics and values, patient safety, the ANA Code of Ethics, and the state board of nursing?
- What other options could Savannah have considered other than going to work in an altered state of mind? Make a list of the pros and cons of at least two other alternatives Savannah could have chosen.
- Describe and justify how you would have handled this situation had you been Savannah. Justify your strategies by using an ethical framework—a theory, approach, or principle.
- What are the risks of Savannah attending work after drinking so much at the party? Explain your answers.
- Do you believe that the nursing supervisor should take action against Savannah? Why or why not? If you believe that the supervisor should take action against Savannah, describe

the specific options for disciplinary action based on your general knowledge of institutional and state board of nursing disciplinary protocol. For this particular answer, you could consider searching the internet for general institutional disciplinary protocol and your state board of nursing's disciplinary actions if you need more knowledge on this topic. Explain your rationale.

- Do you believe that the supervisor should report Savannah's behavior to the state board of nursing? Why or why not? Explain your rationale.

Compliance officers need to develop clear policies regarding conflicts of interest and conduct formal reviews of actions and transactions as well as order audits. Maintaining a sharp perception of behaviors within and outside the organization helps to spot impending conflicts of interest. Just like in fraud situations, employees and the public need to have an avenue for safe reporting of potential or alleged conflicts of interest. Conflicts of interest can occur on broad scales as well, such as massive legal violations of the organization as a whole.

Important to business activities by executives or other decision-makers is to fully disclose all material facts and arrangements of any proposed transaction to the board or other executive of higher authority (Cooper, 2006). When a board of trustees becomes aware that an executive's proposed transactions are not fully disclosed or the materials seem vague or fuzzy, the board should confront the person and allow for an explanation through deliberation. The board should then take disciplinary action toward the person if there was not a satisfactory explanation. If a board member is the one who has breached that trust, the other board members should exclude that member from meetings and deliberations until a time comes for confrontation. If money or luxury gifts are a source of the breach of trust, the state of affairs then becomes complicated. These type of breaches are difficult to prove and sometimes fall into a category of grayness. If board members cannot find solid evidence of a breach on their own, they must determine if legal fees and time are worth the effort of a trial that may never result in a conviction for that board member.

Ethical Leadership

The respect that leadership must have requires that one's ethics be without question. A leader not only stays above the line between right and wrong, he stays well clear of the "gray areas."

—G. ALAN BERNARD

For many years, philosophers and spiritualists have guided people on ethical ways to live and work. Even in light of the availability of this rich information and knowledge, there are untold numbers of temptations and acts of unethical and illegal behaviors within organizations, as evidenced by daily news media and government reports. Human beings often have a tendency to depart from the path that they know is right. It is a well known fact that power can corrupt a person in authority, and leadership is a power relationship. (See more about power in Chapter 3.) Having power opens the door for the person with power to capitalize on personal gain in certain situations. Motivations that spark wrongdoing are greed, envy, anger, fear, and even jealousy. In a letter to Mandell Creighton on April 5, 1887, Lord Acton stated, "Power tends to corrupt and absolute power corrupts absolutely." Lord Acton, an Englishman whose life work was studying the history of liberty, was one of the greatest history magistrates of the 19th century. As a magistrate, he interpreted liberty history for the application to his day and time and became a moral judge as he held the best known men to a historical standard or precedence. He quickly learned about the corruptness of powerful men. Some say that he was one of the most learned persons of his time in the world (Acton Institute, n.d.).

Organizations that do not participate in prevention and training programs or ethics programs place themselves at high risk for a substantial amount of unethical and illegal acts. Kovanic and Johnson (2004) stated, "individual behavior does not exist within a vacuum" (p. 12) and emphasized the importance of each person's role to act ethically in an organization. One person doing something unethical can perpetuate a chain of unethical actions in an organization. People within an organization need to decide how much influence they want to have on the system and in turn how much influence an organization or other individuals will have upon them.

Ethical leadership is essential in an organization because leaders who strive for ethical conduct motivate others to act in ethical ways. Ethical leadership has a structural component and a substantive character component. Substantively, leaders can use their power in a positive way to influence people through role modeling, which is the reason that many researchers have emphasized strong character for ethical leadership, thus using a virtue ethics approach (Knights & O'Leary, 2006; see virtue ethics in Chapter 1). With the crisis facing leaders today, a strong character is needed to survive within an organization. Thomas Aquinas (as cited in Knights & O'Leary) suggested that virtue ethics was more important than any of the ethical theories because he believed that all moral questions will lead to a virtue analysis, leading back to character.

Structurally, ethical leadership involves a strategic planning process so that policies, decision-making processes, consultation, accountability and ethical standards, and ongoing assessment and monitoring are in place to ensure ethical practice by the

leader and the followers. Leadership is a neutral word, and therefore leaders can be extremely strong but may not be ethical, as evidenced by Hitler, Stalin, and Mussolini. Many leaders, even in organizations, abuse their power by acting immorally (Workforce Management Online, 2003).

How is ethical leadership measured? The best measure is the organization's sustainable achievements over the long term. Workforce Management Online (2003) presented five necessary elements of ethical leadership structure that the author of this chapter believes sum up leading in an ethical way. The elements are communication, quality, collaboration, succession planning, and tenure.

Ethical Communication

Ethical communication refers to a high standard of truth set by an ethical leader. Leading by example with truthful communication is excellent, but the organization also needs to adopt truth as a primary value in a top-down approach, from board members to staff people. Leaders need to conduct investigations and review allegations of lies or wrongdoing without first blaming others. The crux of the problem may be poor leadership or a malfunction of the system, and attaching blame to someone may be harming the organization more than helping it. Truthful communication is hard to come by these days, but the best executives place a high level of importance on this type of communication. The ANA *Code of Ethics for Nurses with Interpretive Statements* (2001) emphasized the need for a virtuous wholeness of character, which would include truthful communication.

Ethical Quality

Ethical quality means that a leader will initiate quality throughout the organization. Three factors are important to a flourishing competitive organization: "a quality product, quality customer service, and quality delivery" (Workforce Management Online, 2003, Para 7). The organization's leaders are responsible for implementing quality throughout every process of the organization. Leaders who are ethical know that they have an ethical obligation to the organization and community at large to (1) focus on quality at all levels, (2) use benchmarking to denote successes and failures, (3) use innovations to heighten quality, and (4) set standards and ways to measure every entity in each department. Six Sigma and the American Nurses Credentialing Center's Magnet Status Recognition are ways that health care organizations can improve their image, but there is another way to ensure quality—leaders must use common sense judgments about ensuring quality and cutting waste by saving organizational time and money. The ANA *Code of Ethics for Nurses with Interpretive Statements* (2001) clearly

indicates the need for nursing leaders and all nurses to be responsible and accountable in maintaining standards of care, which includes quality care.

Ethical Collaboration

For ethical leaders to implement **ethical collaboration** means that they collaborate to reduce risks at every level and ensure best practices, solve the many problems, and focus on the issues that their organization is facing. To do so, they must seek knowledgeable, trustworthy, astute, and ethical advisors within and outside their own organization as well as keep the advisors, not as a closed circle, but as an open and fluid circle. Leaders who collaborate regarding ethical practice usually make better and more ethical decisions for the good of the organization. With an ethical and clever group of advisors, ethical leaders will usually decide upon implementing plausible solutions with worthwhile and practical actions and procedures. Nursing leaders also have the ANA *Code of Ethics for Nurses with Interpretive Statements* (2001) as a guideline for ethical collaboration. The code emphasizes the importance of collaboration to ensure the best possible patient care and outcomes. Administration decisions, as well as ethical collaboration, affect patient care and outcomes.

Ethical Succession Planning

Ethical succession planning is a way for leaders to allow and enable other leaders to surface within an organization so that successors have an opportunity to develop their leadership skills and exercise them. Once these leaders emerge, the existing leaders need to mentor them for future succession without fear of territorial loss. Ethical leaders realize the critical nature of having leaders in the making; that is, to have a strong leadership succession program for the overall long-term success of the organization. The ANA *Code of Ethics for Nurses with Interpretive Statements* (2001) emphasized that nurse administrators have a responsibility to ensure an ethical environment for personnel to carry out standards of practice. These strategies imply that leaders must make and mentor other future leaders.

Ethical Tenure

Good ethical leaders are hard to find, but when an organization finds that leader, it must invest in that leader for the sake of the organization. The **ethical tenure** translates to the "shelf life" of a leader and the length of time of success in relationship to the person's leadership, which will depend on the ethical conduct of that leader. People sometimes rate leaders more on their trustworthiness than on their talents and skills at

leadership, and on their level of commitment to serve the institution and not themselves. Leaders who can subdue their ego in order to build a successful organization will have a longer tenure within that organization.

Ethical leadership has become an essential part of organizational leadership, largely because of the leadership failure that has occurred in big business throughout the world, which has led to character-driven leadership styles. The five components just discussed are the ways to the future for ethical leadership. CoachThee (n.d.) presents an excellent test of the rightness or wrongness for ethical actions. The test consists of asking oneself and answering the following eight questions:

1. Is it legal?
2. Does it comply with my/our rules and guidelines?
3. It is in sync with my personal and our organizational values?
4. Will I be comfortable and guilt free if I do it?
5. Does it match my commitments and promised guarantees?
6. Would I do it to my family or friends?
7. Would I be perfectly okay with someone doing it to me?
8. Would the most ethical person I know do it? (Para 6)

These questions are excellent for leaders to use in their daily practice to test their potential actions. The author of this chapter suggests that leaders, educators, staff nurses, and students keep a list of these questions with them at all times and continually monitor their actions or potential actions on a regular basis. Please refer to Box 4.9 for essential aspects of the ANA *Code of Ethics for Nurses with Interpretive Statements* (2001) that relate to cultivating ethical leadership.

Web Ethics

Federal Bureau of Investigations
http://www.fbi.gov

U.S. Department of Justice Publications
http://www.usdoj.gov/05publications/05_3_a.html

Blue Cross Blue Shield Information Site on Health Care Fraud
http://www.bcbs.com/antifraud

Ethics Resource Center—Organization Ethics Links: Government
http://www.ethics.org/resources/articles-organizational-ethics.asp?aid=1008

Ethics and Culture Management Services
http://www.ethicsquality.com/about.htm

BOX 4.9: HIGHLIGHTS FROM THE FIELD: ESSENTIAL ASPECTS FROM THE CODE OF ETHICS FOR NURSES WITH INTERPRETIVE STATEMENT FOR CULTIVATING ETHICAL LEADERSHIP

- All nurses, regardless of role, have a responsibility to create, maintain, and contribute to environments of practice that support nurses fulfilling their ethical obligations (6.2, p. 21).
- Organizational structures, role descriptions,...[and] all contribute to environments that can either present barriers or foster ethical practice and professional fulfillment (6.2, p. 21).
- Nurse administrators have a particular responsibility to assure that employees are treated fairly... (6.3, p. 21).
- Nurses should not remain employed in facilities that routinely violate patient rights or require nurses to severely and repeatedly compromise standards of practice or personal morality (6.3, p. 21).
- Organizational changes are difficult to accomplish and may require persistent efforts over time (6.3, p. 21).
- The nurse as administrator or manager must establish, maintain, and promote conditions of employment that enable nurses within that organization or community setting to practice in accord with accepted standards of nursing practice... (7.1, pp. 22–23).

American Hospital Association
http://www.aha.org

American College of Healthcare Executives
http://www.ache.org

The CPA Journal Online (a wealth of full-text articles on organizational ethics)
http://www.cpajournal.com

Medicare and Medicaid Agency
http://cms.hhs.gov

Vanderbilt University, Center for Ethics
http://www.vanderbilt.edu/CenterforEthics/resources.html#business

The University of Texas at Austin, Center for Ethical Leadership
http://www.utexas.edu/lbj/research/leadership

Association of Certified Fraud Examiners
http://www.acfe.com

Summary

In Chapter 4, the author presented two major sections: (1) ethical organizations and (2) ethical leadership. Organizational culture, a matter of trust, corporate fraud, health care fraud, and conflicts of interest were presented in the section on ethical organizations. Strategies for ethical leaders were presented in the section on ethical leadership. Important concepts in these two sections are:

- An organization's relationship to its environment and the organization's interpretation of reality, truth, human nature, and human relationships are the ethical dimensions that shape the organizational culture.
- Each organizational culture—adaptability, mission, clan, and bureaucratic—has the potential to be successful if the strategic plans that relate to the desired culture are accomplished and maintained.
- Trust is the multifaceted, essential ingredient that serves as a lubricant for all operations and values in organizations. Without trust in organizations and among people, organizational values and relationships erode and crumble. The community at large will see the organization and the people in it as untrustworthy.
- Unethical and illegal behaviors committed by people ultimately shape the ambiance and character of the organization. Some of those behaviors include fraud; greediness; corruption; engaging in covert operations, humiliating tactics, bigotry, sexism, racism, cheating, reneging, and sacrificing people to get jobs done; abusing corporate perks, power, and the rights of others; and many others.
- Regulators of organizations and the government mandated the development of compliance programs to prevent unlawful behaviors and to promote conformity to regulations involving legal actions.
- In 2006 alone, the FBI investigations into corporate fraud resulted in uncovering billions of dollars of loss with 171 indictments and 124 convictions.
- In 2006, health care fraud, an entity reported separately from corporate fraud, increased dramatically. The FBI uncovered billions of dollars of loss with a total of 588 indictments and 534 convictions, and many other cases are still pending.
- Nurses are at an increased risk of participating, knowingly or unknowingly, in health care fraud cases. They need to develop a sharp perception of acts of fraud in their workplace and report their suspicions to the fraud hotline. Nurses remaining current on knowledge regarding the ANA *Code of Ethics for Nurses* and the state board of nursing rules and regulations is integral to understanding their role regarding fraud and other types of misuse.

Case Study

The Infection Control Nurse Coordinator, Thomas, reported to Joyce, the Chief Nursing Officer (CNO), that blood culture contamination rates in the blood test tubes had drastically increased in the last 6 months with increasing increments on each of the 6 months. At this acute-care hospital, RNs at all units and laboratory department technicians drew blood culture samples for testing. Thomas informed her that he had strong suspicions that the briefly trained lab technicians were the ones contaminating the tubes of blood. However, after he investigated the problem on his own and separated the RN blood culture samples from the lab technician samples, he found just the opposite to be the case. In fact, the blood culture samples that RNs drew were twice as likely to be contaminated as the samples drawn by the lab technicians. Joyce was so concerned about this problem that she met with Leon, a non-nurse Compliance Officer, for help with the situation. Together they planned a mandatory progressive and incremental long-term education and return demonstration program for the 156 patient-care RNs at the hospital. Every 2 months, the infection control team presented 30-minute education programs followed by their demonstration of the method of drawing blood culture samples and then a return demonstration by every RN. After 6 months, contamination rates of the blood culture samples began to decrease and at the end of 1 year, contamination rates were almost nonexistent with the RNs. After Leon realized the value of this program, he wanted Joyce to implement quickly and aggressively three other programs, specifically on medication errors, patient falls, and wound infections, with all RNs, but Joyce was strongly against implementing these programs so quickly and aggressively after the blood sampling program.

- If you were Joyce, give your rationale for not wanting to implement the other programs so aggressively at that time. Justify your answer with a framework that is theoretical, principle based, or another approach.
- Based on your knowledge of the work schedules of these 156 RNs and their demanding physical and mental work, plan a reasonable timeline for implementation of these three programs for the RNs. Give your rationale for your decision based on a framework that is theoretical, principle based, of another approach.
- Determine the ethical leadership characteristics that Joyce and Thomas displayed in this scenario along with your rationale for choosing those characteristics.
- Do you think that Joyce should consider implementing a long-term certification program for the blood culture sampling and the other three programs? Why or why not? Give your rationale.

- The five characteristics of an ideal ethical leader are (1) ethical communication, (2) ethical quality, (3) ethical collaboration, (4) ethical succession planning, and (5) ethical tenure.

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Critical Thinking Questions for Chapter 4

Please choose the most right answer!

1. You discovered that your co-worker and best friend, Nurse Practitioner Sandra, was accepting expensive gifts, such as a diamond watch, from a pharmaceutical company in exchange for prescribing that company's new antihypertensive drug to her patients with high blood pressure. Your best initial action will be to:
   - **a.** call the health care fraud hotline and file a detailed report.
   - **b.** confront Sandra and inform her that you are required by the state board of nursing to report her.
   - **c.** consider this conflict of interest none of your business and do nothing.

d. approach Sandra in a friend-to-friend manner by first allowing her to explain her rationale and then helping her to realize that what she is doing is a conflict of interest that is unethical and possibly illegal.

2. As a new RN, you are considering taking a position at the local hospital because of its geographical proximity to your home but you are hearing many negative remarks from your friends and neighbors about the hospital and its RNs, such as poor patient care, incompetency, and RN medication errors. Based on the ANA *Code of Ethics for Nurses with Interpretive Statements*, your initial action would be to:

a. disregard the gossip, take the position, and evaluate the conditions for yourself once you begin working.

b. verify that the stories are true before you accept the position because ANA informs nurses not to work in organizations where conditions are poor and care is incompetent.

c. report the stories to the state-level hospital association and let them know why there is an RN shortage at that facility.

d. confront the CNO of the hospital on Sunday when you see her at church and inform her that you cannot risk your license by taking a position at the hospital because of its negative image in the community.

3. Which one of the following statements is correct regarding organizational trust and trust violations?

a. Nurses generally do not feel as scrutinized, questioned, or monitored in environments where trust exists.

b. A violation of hospital-wide trust is more pardonable than a violation of trust between two best friends.

c. Executives know that trust is the adhesive that binds its employees, so all executives work hard to ensure a high level of trust in their organizations.

d. Trust is not an important element in the bureaucratic organizational culture.

4. What is most important in reducing or preventing illegal and unethical behaviors, such as fraud or conflicts of interest, in organizations?

a. The organization should hire a consultant to assess and diagnose the organization's state of affairs.

b. Each person within the organization must have a sense of right and wrong before the organization can expect people not to commit unscrupulous acts.

c. The organization should create and develop an official compliance program with a compliance officer overseeing the state of affairs, as well as form an ethics committee to address ethical issues.

d. The organization should have an accountant to conduct an internal audit and report the results of the audit to the board of trustees.

5. Which one of the following statements is true regarding ethical leaders and leadership?

a. An ethical leader is also a strong leader, and vice versa.

b. Ethical leaders will have future leaders in the making.

c. Of the five ethical leadership characteristics, the least important one is ethical succession planning.

d. The public and organizational personnel always judge leaders according to their level of trustworthiness rather than their talents and skills at leadership.

Key for Chapter 4 Questions

1. d
2. b
3. a
4. c
5. b