

**Allied Academies
International Conference**

**Maui, Hawaii
October 13-16, 2004**

**Academy of Health Care
Management**

PROCEEDINGS

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ABSTRACT

HealthSouth Corporation was a \$1 billion company and was the largest provider of rehab services in the industry and the largest surgical center provider in the United States in the 90s. This wave of success did not last. By the end of the decade HealthSouth was in serious financial trouble. Mismanagement and fraudulent accounting practices dating back to the 1980s and strange behavior by top executives nearly sent the company into bankruptcy.

After noting the strange occurrences at HealthSouth, one crucial factor remains missing from the equation. How did this behavior get so out of hand? How were all of the warning signs missed? Knowing the answers to these questions may help to prevent this disaster from occurring at other unsuspecting companies in the future.

In order to answer these questions, Dr. Eliyahu Goldratt created a method of thinking that could be applied to any organization and any situation. This approach is deemed as "The Theory of Constraints" (TOC), and it utilizes a distinct approach to solving problems through utilization of Goldratt's Thinking Process. (Rack, 1992)

This approach allows any individual to take undesirable effects (UDE's), place them in a logically ordered arrangement, determine a core problem, and ultimately solve the core problem, eliminating all the former UDE's. Through utilization of the Current Reality Tree, Evaporative Cloud, and Future Reality Tree, the situation plaguing HealthSouth is analyzed and discussed to hopefully prevent similar circumstances.

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