Health Care Finance & Budgeting

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Accountants

Conservative
Consistent

Budgeting

A BUDGET is a quantitative statement of the organization’s expressed operating intentions and it translates these intentions into numbers and dollar signs.
Budgeting

• Total Financial Requirements
  – Cost of Doing Business
  – Cost of Staying in Business
  – Cost of Changing the Business
  – Return to the Suppliers of Capital

Budgets

• Planning Tool
  – Expresses management's plans
• Control Tool
  – Benchmark to compare results

Strategic or Operational Planning

• Strategic
  – Long term
  – 5-10 years
  – Broad
• Operational
  – Short-term
  – 1-3 years
  – Objectives of Strategic Plan
Budgeting

• Operational Plan
• Operational Strategies
• Projections
• Calendar
• Targets

Budgeting

• Workloads & volumes
• Projects / Programs
• Equipment / Buildings
• Revenues
• Expense
• Cash flows

Budgets

• Operating
  – statistics, revenue and expense
• Capital
  – construction, equipment
• Cash
  – sources, uses and timing
**Statistical Budget**

- How do you estimate activity?
  - History
  - Trends
  - Known changes
  - Ask providers
  - Demographics
  - Optimism & Pessimism

**Revenue Budget**

- Volumes
- Pricing
- Payments / Contractual Allowances
- Other
Expense Budget

- Attempts to account for costs of operations for each department individually and for the institution as a whole.
- Attempts to match costs with revenues generated.
- Fixed and Variable.

Expense Budgeting

- Labor - wages + benefits
- Supplies - Rx, OR, other
- Purchased services
- Interest
- Depreciation

Operating Budget

Volumes
+ Net Revenues
- Labor, supplies
- Other Costs
- Capital Costs
= Net Income or Profit or Bottom Line
Capital Budget

- Short and long term
- Requests exceed funds available
- Prioritization
- Ability to buy
- Capital budget is linked with the operating budget & LRFP.

Cash Budget

- Projects cash—in and out
- Timing & amounts are both critical
- Impacts capital budget & operating budget