

**Speaking of Money...**

**Hospital Finance**

**MMA Physician Leadership  
Effectiveness Program**

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Community Medical Center

Missoula, MT

# **BRAIN TEASER # 1**

- Name the five senses
- Name Santa's nine reindeer
- Name the three R's
- Name the three primary colors

# **TOPICS TO BE COVERED:**

- General Definitions
- Balance Sheet
- Income Statement
- Budget Basics
- Community Benefits

# GOALS OF CLASS

- How to interpret health care and financial terminology
- How to read and understand income statements and balance sheets
- How to understand the basics of a budget
- How is non-profit status and community benefits related

# **FINANCE VS ENGLISH**

- **There is no eggplant, nor ham in hamburger; neither apple nor pine in pineapple. English muffins were not invented in England nor French Fries in France. Sweetmeats are candies while sweetbreads, which are not sweet, are meat. Quicksand works slowly, boxing rings are square.**

# **GENERAL DEFINITIONS**

# DIRECT COSTS

- An expense directly traceable to or incurred for the sole benefit of a specific department and ordinarily subject to the control of the department manager.
- Product cost-associated with the service or product, such as operating room supply expense for a procedure (sutures)

# INDIRECT COSTS

- An expense that is incurred for an entire business as a unit and is not subject to the control of individual department managers.
- Indirect costs are also referred to as overhead costs.
- Period costs, associated with a period of time, such as fire insurance, amount is the same regardless of activity of business.



# VARIABLE COSTS

- A cost which increases or decreases in proportion to changes in service or volume.
- Example: The more surgeries that a Hospital performs, suture expense will increase.

# FIXED COSTS

- Costs which remain substantially the same in total amount within a given range of output (volume) during a given period of time.

# DEDUCTIONS FROM REVENUE

- Revenues uncollectable due to contract language, such as contractual allowances, courtesy discounts and bad debts.
- Example: Hospital charges \$1,000 for a MRI exam and Medicare pays \$600, the remaining balance of \$400 is a deduction from revenue

# NET REVENUES

- The excess of gross revenues from patient services after revenue deductions.  
Frequently referred to as net revenues from patient services.
- Example: Hospital charges \$1,000 for an MRI exam and Medicare pays \$600, the \$600 is the net revenue.

# PROSPECTIVE PAYMENT

- Method of payment in which rates of payment are established in advance for a designed time period. DRG's are considered to be a form of prospective payment.

# CAPITAL EXPENDITURE

- An expenditure chargeable to an asset account where the asset acquired has an estimated life in excess of one year and is not intended for sale in the ordinary course of operations.
- The value of a capital expenditure is usually \$1,000 or higher, would not include a \$400 office chair.

# **MINIMUM CRITERIA FOR CAPITAL ASSET**

- Tangible asset
- Minimum useful life of one year
- Meet the minimum monetary cutoff in accordance with company's capitalization policy.

# DEPRECIATION EXPENSE

- What is it? It is the systematic and rational allocation of assets to future years which are expected to benefit by the purchase of this asset.
- It is an allocation process, not a valuation.
- It does not provide or use cash.



# EXAMPLE OF DEPRECIATION EXPENSE

- Hospital purchases a MRI machine for \$500,000 that will last for five years.

Formula: Total cost divided by useful life

Example:  $\$500,000 / 5 = \$100,000$  annual cost

# PERCENTAGE OF OCCUPANCY

- The ratio of actual patient days to maximum patient days determined by bed capacity during any given period of time.
- Example: Hospital has 100 beds and 65 inpatients, the occupancy rate is 65%.

# DEFINITION OF A FULL TIME EQUIVALENT (FTE)

NUMBER OF HOURS IN A STANDARD WORK DAY	8
times	
NUMBER OF DAYS WORKED/PAID PER WEEK	<u>5</u>
EQUALS TOTAL HOURS PAID PER WEEK	40
times	
NUMBER OF WEEKS PER YEAR	<u>52</u>
EQUALS TOTAL HOURS PAID PER YEAR OR ONE FULL TIME EQUIVALENT (FTE)	<b>2080</b>
AVERAGE MONTHLY HOURS OF >	173

# ACCOUNTING RULES

- Generally accepted accounting principles (GAAP) are the rules that govern how accountants measure, process, and communicate financial information.
- In a way, GAAP are much like our system of law, in that they are a set of rules used to govern behavior according to what is acceptable to a majority of people.

# FINANCE VS ENGLISH

- **If the plural of tooth is teeth, why isn't the plural of booth, beeth? One goose, 2 geese, so why not one moose, 2 meese?**
- **In what language do people: recite at a play and play at a recital? Ship by truck and cargo by ship? Have noses that run and feet that smell? How can a slim chance and a fat chance be the same , while a wise man and a wise guy are opposites?**

# **BRAIN TEASER #2**

- Name the seven dwarfs
- Name the five Great Lakes
- Name the Three Bears
- Name the four figures at Mt. Rushmore

# FINANCIAL STATEMENTS

1. BALANCE SHEET
2. INCOME STATEMENT
3. CASH FLOW STATEMENT (will not be discussed)

# **FINANCIAL REPORTING OBJECTIVES**

1. Information is relevant
2. Information is understandable
3. Numbers are verifiable
4. Information is timely
5. Format allows for comparison
6. Reporting is consistent
7. Numbers are complete



# **UNDERSTANDING THE BALANCE SHEET**

# BALANCE SHEET

- A statement of financial position showing the hospital's assets, liabilities and fund balance at a given date, usually at the end of the month.

# BALANCE SHEET

- The left side of the balance sheet shows the hospital's total assets available to generate cash or income, while the right side lists the liabilities or debt as well as the net assets (also called the hospital's fund balance or net worth).
- Assets (left side) should always equal the liabilities and net assets (right side)

# **BALANCE SHEET EQUATION**

**ASSETS = LIABILITIES + FUND BALANCE**

**ASSETS = LIABILITIES + NET WORTH**

**ASSETS = LIABILITIES + EQUITY**

**ASSETS - LIABILITIES = NET ASSETS**

**ANYWHERE HOSPITAL  
BALANCE SHEET  
June 30, 2005**

<b>ASSETS</b>		<b>LIABILITIES AND FUND BALANCE</b>	
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Cash and cash equivalents	\$12,000,000	Accounts payable	\$4,000,000
Patient accounts receivable	\$16,000,000	Accrued salaries & wages	\$2,000,000
Other receivables	\$1,500,000	Accrued payroll taxes	\$1,000,000
Supplies inventory	\$4,000,000	Accrued bond interest	\$2,000,000
Other assets	\$500,000	Estimated third-party settlements, includes Medicare and Medicaid	\$4,000,000
		Current portion of long-term debt	\$2,000,000
<b>Total current assets</b>	<u>\$34,000,000</u>		
		<b>Total current liabilities</b>	<u>\$15,000,000</u>
		<b>LONG-TERM DEBT</b>	
		Long-term debt net of current maturities	\$22,000,000
<b>LAND, BUILDINGS AND EQUIPMENT</b>		<b>Total long-term debt</b>	<u>\$22,000,000</u>
Land	\$2,000,000		
Buildings and Equipment	\$62,000,000		
Construction in Progress	\$1,000,000		
Less Accumulated Depreciation	(18,000,000)		
	<u>47,000,000</u>	<b>TOTAL LIABILITIES</b>	<u>\$37,000,000</u>
<b>OTHER ASSETS - AT COST</b>		<b>FUND BALANCE</b>	
Investments	\$35,000,000	Unrestricted fund balance	\$81,000,000
Investment in joint ventures	\$2,000,000		
<b>Total other assets</b>	<u>\$37,000,000</u>	<b>TOTAL FUND BALANCE</b>	<u>\$81,000,000</u>
<b>TOTAL ASSETS</b>	<u>\$118,000,000</u>	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$118,000,000</u>

# ASSETS

- The cash, merchandise (inventory), land, buildings, equipment, investments and accounts receivable that a company owns and that have monetary value.
- Resources acquired or owned by the Hospital
- Assets should provide future benefit and be under the control of the hospital

# CURRENT ASSETS

- Those assets which are cash or can be converted into cash or may be consumed in the normal operations of the hospital within one year of the balance sheet date.
- Current assets are listed on the BS in order of the ease with which the asset can be converted to cash. Cash is always listed first, then Accounts Receivable and then Inventories.

# EXAMPLES OF CURRENT ASSETS

- Cash—checking and savings accounts, certificates of deposits, petty cash funds
- Short term marketable securities
- Accounts Receivable
- Inventory
- Prepaid Expenses



# **LONG TERM INVESTMENTS**

Stocks and bonds that will be held more than one year.

Examples:

- Investments
- Bonds

# PLANT AND EQUIPMENT

Long term assets, expected to last more than one year.

Examples:

- Machinery and equipment
- Buildings
- Land

# **BRAIN TEASER # 3**

## **FIND THE HIDDEN ANIMAL**

- Mr. Roy Sterium is our new teacher
- Try some of these green grapes
- Please allow me to introduce you
- I can go at 5:30

# LIABILITIES

- Everything that a company owes to a creditor. Liabilities are debts owed by the company. They include accounts payables, salaries payable, notes payable and other payables. There are two categories of liabilities: current and non current (long-term).

# CURRENT LIABILITIES

- Liabilities incurred and that must be paid within one year or within of the operating cycle of the business.

Examples:

- Accounts payable
- Salaries payable
- Current portion of long term debt

# NON CURRENT LIABILITIES

- Liabilities that are not payable within one year from the balance sheet date, i.e., all liabilities except current liabilities.

Examples:

- Bonds payable
- Mortgage payable
- Capital lease obligations

# FUND BALANCE-NET WORTH

- What the company has left when all the liabilities have been met. It is represented on the balance sheet as the difference between total assets and total liabilities.
- Example: Total assets of \$118,000,000 and total liabilities of \$37,000,000 therefore net worth of \$81,000,000.

# **UNDERSTANDING THE INCOME STATEMENT**



# INCOME STATEMENT

- A financial statement indicating the results of operations of an company in terms of revenues and expenses incurred for a given period of time. Also, referred to as an operating statement, a statement of income and expense or a profit and loss statement.

# **KEY CONCEPT OF INCOME STATEMENT**

- The income statement matches effort with the benefit it produces. Expenses (effort) are the costs of producing the service or product. These expenses are matched against the revenue (benefits) they produce.
- Costs associated with producing specific revenues are recorded in the same period that the specific revenues are earned.

# INCOME STATEMENT DEFINED

- The benefits and costs of operations are the revenues and expenses; the excess of revenues over expenses net income or profit.
- Revenues measure the inflow of assets resulting from the earnings process; expenses measure the outflow.
- Expenses are grouped into either natural or functional categories.

# NATURAL EXPENSE CLASSIFICATION

- A natural grouping places all like expenses together regardless of the function from which the expense flows,
- For example, all nursing, technical, support and clerical salaries are shown as a single total for salary expense.
- The same would be true for all employee benefits or supplies. Our income statement included is a presented as a natural expense classification.

# **FUNCTIONAL EXPENSE CLASSIFICATION**

- A functional income statement groups all expenses that accomplish a particular operating function.
- For example all costs related to patient care services, administrative and clerical services could be shown on the income statement as separate lines.

ANYWHERE HOSPITAL  
MONTH OF JUNE 2005  
FYE 2005

PATIENT REVENUE:	--CURRENT MONTH--				--YEAR-TO-DATE--			
	ACTUAL	BUDGET	\$ DOLLARS	%	ACTUAL	BUDGET	\$ DOLLARS	%
INPATIENT	\$3,200,000	\$2,800,000	\$400,000	14%	\$34,300,000	\$32,500,000	\$1,800,000	6%
OUTPATIENT	\$4,300,000	\$4,100,000	\$200,000	5%	\$46,800,000	\$47,800,000	(\$1,000,000)	-2%
<b>TOTAL PATIENT REVENUE</b>	<b>\$7,500,000</b>	<b>\$6,900,000</b>	<b>\$600,000</b>	<b>9%</b>	<b>\$81,100,000</b>	<b>\$80,300,000</b>	<b>\$800,000</b>	<b>1%</b>
REVENUE DEDUCTIONS	\$2,100,000	\$1,900,000	\$200,000	11%	\$17,296,000	\$17,000,000	\$296,000	2%
<b>NET PATIENT REVENUE</b>	<b>\$5,400,000</b>	<b>\$5,000,000</b>	<b>\$400,000</b>	<b>8%</b>	<b>\$63,804,000</b>	<b>\$63,300,000</b>	<b>\$504,000</b>	<b>1%</b>
OTHER OPERATING REVENUE	\$350,000	\$320,000	\$30,000	9%	\$1,934,000	\$1,800,000	\$134,000	7%
<b>NET OPERATING REVENUE</b>	<b>\$5,750,000</b>	<b>\$5,320,000</b>	<b>\$430,000</b>	<b>8%</b>	<b>\$65,738,000</b>	<b>\$65,100,000</b>	<b>\$638,000</b>	<b>1%</b>
<b>EXPENSES:</b>								
SALARIES	\$1,500,000	\$1,400,000	\$100,000	7%	\$23,980,000	\$23,000,000	\$980,000	4%
EMPLOYEE BENEFITS	\$350,000	\$325,000	\$25,000	8%	\$5,000,000	\$4,800,000	\$200,000	4%
NON SALARY	\$900,000	\$800,000	\$100,000	13%	\$22,116,000	\$21,800,000	\$316,000	1%
DEPRECIATION	\$400,000	\$350,000	\$50,000	14%	\$6,176,000	\$6,050,000	\$126,000	2%
INTEREST	\$100,000	\$90,000	\$10,000	11%	\$3,260,000	\$3,000,000	\$260,000	9%
BAD DEBTS	\$300,000	\$275,000	\$25,000	9%	\$2,902,000	\$2,800,000	\$102,000	4%
<b>TOTAL EXPENSES</b>	<b>\$3,550,000</b>	<b>\$3,240,000</b>	<b>\$310,000</b>	<b>10%</b>	<b>\$63,434,000</b>	<b>\$61,450,000</b>	<b>\$1,984,000</b>	<b>3%</b>
<b>OPERATING NET INCOME</b>	<b>\$2,200,000</b>	<b>\$2,080,000</b>	<b>\$120,000</b>	<b>6%</b>	<b>\$2,304,000</b>	<b>\$3,650,000</b>	<b>(\$1,346,000)</b>	<b>-37%</b>



# **FINANCE VS ENGLISH**

- **We must polish the Polish furniture**
- **He could lead if he would the lead out.**
- **The insurance was invalid for the invalid.**
- **Why doesn't "buick" rhyme with "quick"?**
- **The wind was too strong to wind the sail.**
- **To help with planting, the farmer taught his sow to sow.**



# BRAIN TEASER #4

## CHOOSE THE CORRECT WORD

- Dry land                      dessert/desert
- Complete                      through/thorough
- Writing paper                stationary/stationery
- A basic law                    principle/principal
- To recline                     lie/lay
- In any case                    any way/anyway

# **OPERATING BUDGET**

- **Strategic plan**
- **Statistics budget**
- **Revenue budget**
- **FTE budget**
- **Salary Budget**
- **Non-salary/supply budget**
- **Capital budget-equipment and projects**
- **Cash budget**
- **Projected balance sheet**

**Anywhere Medical Center  
STATISTICAL BUDGET  
FYE 2006**

DEPT # 6220  
DEPT. Med/Surg

NOTE--ONLY COMPLETE THE YELLOW CELLS				
LINE #		INPATIENT	OUTPATIENT	TOTAL
1	DEPARTMENTAL FYE 05 STATS AT 02/28/2005	8,091	325	8,416
	DEPARTMENTAL FYE 2004 STATS	7,905	318	8,223
2	INPATIENT ADMISSIONS AT 02/28/2005	4,505		
	FYE 2004 ADMISSIONS	6,567		
3	OUTPATIENT VISITS AND ER VISITS AT 02/28/2005		106,476	
	FYE 2004 OUTPATIENT VISITS AND ER VISITS		164,740	
4	STATISTICS PER ADMISSION/VISITS - FYE 05	1.7960	0.0031	
	STATISTICS PER ADMISSION/VISITS - FYE 04	1.2037	0.0019	
5	FYE 2006 BUDGETED INPATIENT ADMISSIONS	6,901		
6	FYE 2006 BUDGETED OUTPATIENT VISITS AND ER VISITS		161,532	
7	FYE 2006 TOTAL BUDGETED STATS BEFORE ADJUSTMENTS	<b>12,394</b>	<b>493</b>	<b>12,887</b>
<b>DEPARTMENT ADJUSTMENTS: PLEASE EXPLAIN BELOW</b>				
8	ADDITIONS:--ADD TO ABOVE TOTAL LINE # 7 >	<b>0</b>	<b>0</b>	-
9	DELETIONS:--SUBTRACT FROM ABOVE TOTAL LINE # 7 >	<b>(0)</b>	<b>(0)</b>	-
10	<b>=NET ADJUSTED BUDGETED FYE 2006 STATS</b>	<b>12,394</b>	<b>493</b>	<b>12,887</b>

11 *EXPLANATION FOR ADJUSTMENTS IN LINES 8 AND 9*

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**MANAGER'S SIGNATURE:** \_\_\_\_\_

**VICE PRESIDENT SIGNATURE:** \_\_\_\_\_

**ANYWHERE MEDICAL CENTER  
REVENUE BUDGET WORKSHEET  
FYE 2006**

A/C #	DEPARTMENT	INPT REV @2/28	INPT STATS @2/28	INPT REV/UNIT @2/28	OUTPT REV @2/28	OUTPT STATS @2/28	OUTPT REV/UNIT @2/28	TOTAL REV @2/28	TOTAL STATS FYE 2,006	INPT STATS FYE 2,006	TOTAL FYE 2,006	INPT REV FYE 2,006	OUTPT REV FYE 2,006	TOTAL REV FYE 2,006
6011	ORTHO	1,438,597	1,307	1,100.69	5,485	52	105.48	1,444,082	2,603	68	2,671	2,865,086	7,173	2,872,259
6070	ICU/CCU	3,757,493	2,186	1,718.89	4,654	87	53.49	3,762,147	3,566	90	3,656	6,129,561	4,814	6,134,375
6075	MOTHER/BABY	3,529,801	4,371	807.55	42,126	175	240.72	3,571,927	7,320	181	7,501	5,911,266	43,570	5,954,836
6076	PEDIATRICS	1,529,754	1,821	840.06	61,433	73	841.55	1,591,187	1,830	81	1,911	1,537,315	68,165	1,605,480
6080	RNU	1,984,565	2,722	729.08	3,447	109	31.62	1,988,012	4,550	117	4,667	3,317,329	3,700	3,321,029
6120	NICU	3,946,781	3,415	1,155.72	194	137	1.42	3,946,975	5,124	143	5,267	5,921,905	202	5,922,108
6220	MED/SURG	3,895,433	8,091	481.45	80,512	325	247.73	3,975,945	12,394	493	12,887	5,967,124	122,131	6,089,254
7010	SURGERY	13,023,624	3,530	3,689.41	3,757,583	1,313	2,861.83	16,781,207	5,410	2,028	7,438	19,959,718	5,803,792	25,763,510
7026	RECOVERY	1,088,458	2,727	399.14	436,561	1,101	396.51	1,525,019	4,047	1,706	5,753	1,615,324	676,451	2,291,776
7065	LAB	3,588,608	83,379	43.04	6,160,787	159,137	38.71	9,749,395	127,380	241,423	368,803	5,482,398	9,346,385	14,828,783
7078	ELECTRODIAGNOSTICS	177,313	1,864	95.13	296,217	2,698	109.79	473,530	2,848	4,093	6,941	270,916	449,376	720,292
7111	CARDIAC REHAB	41,041	316	129.88	154,948	1,275	121.53	195,989	580	2,320	2,900	75,328	281,945	357,273
7112	CATH LAB	5,048,657	345	14,633.79	189,193	43	4,399.84	5,237,850	636	78	714	9,307,089	343,187	9,650,277
7113	NUC CARDIOLOGY	159,721	189	845.08	1,467,997	1,679	874.33	1,627,718	303	2,679	2,982	256,061	2,342,325	2,598,386
7118	MRI	307,232	191	1,608.54	11,973			319,205	291	12	303	468,086		468,086
7120	CT SCAN	1,124,269	1,438	781.83	1,164,358	1,495	778.83	2,288,627	2,197	2,268	4,465	1,717,677	1,766,397	3,484,074
7130	DIAG IMAGING	1,180,200	10,048	117.46	3,379,868	17,191	196.61	4,560,068	15,351	26,080	41,431	1,803,070	5,127,506	6,930,576
7142	ENDO	458,562	321	1,428.54	1,621,890	1,728	938.59	2,080,452	594	3,118	3,712	848,554	2,926,535	3,775,089
7160	PHARMACY	10,536,604	366,686	28.73	1,721,166	42,997	40.03	12,257,770	560,197	65,230	625,427	16,097,080	2,611,151	18,708,231
7177	RESP THERAPY	2,569,342	32,462	79.15	133,548	8,663	15.42	2,702,890	49,594	13,142	62,736	3,925,326	202,596	4,127,922
7200	IP THERAPIES	2,740,249	49,149	55.75	473			2,740,722	75,087		75,087	4,186,394		4,186,394
7206	EMERGENCY	612,008	1,123	544.98	2,092,008	8,600	243.26	2,704,016	1,716	13,047	14,763	935,179	3,173,771	4,108,949
7230	ER PHYSICIANS	271,169	1,123	241.47	1,479,688	8,600	172.06	1,750,857	1,716	13,047	14,763	414,360	2,244,824	2,659,184
7490	LABOR & DELIVERY	1,929,438	1,051	1,835.81				1,929,438	1,500		1,500	2,753,717		2,753,717
8321	STERILE SUPPLY	471,694	460,521	1.02	51,749			523,443	473,430		473,430	484,916		484,916
8380	MATERIALS MANAGEMENT	2,906,781	2,885,654	1.01	982,992			3,889,773	2,917,530		2,917,530	2,938,890		2,938,890
8420	NUTRITION CENTER	12,788	10,815	1.18	3,178			15,966	12,837		12,837	15,179		15,179
9465	DIABETES REHAB	3,564	3,684	0.97	49,239			52,803	3,578		3,578	3,461		3,461
	Total	68,333,746			25,353,267			93,687,013				105,208,312	37,545,998	
	TOTAL PER FEBRUARY FIN STM	6,833,746			25,353,267			93,687,014						
	<b>TOTAL BEFORE RATE INCREASE</b>	68,333,746			25,353,267			93,687,013	4,294,209	391,444	4,685,653	105,208,312	37,545,998	<b>142,754,310</b>
												110,468,728	39,423,297	149,892,025
	TOTAL PER FEBRUARY FIN STM	6,833,746			25,353,267			93,687,014						1.05
														<b>149,892,025</b>
														<b>7,137,715</b>

**ANYWHERE MEDICAL CENTER  
FTE BUDGET WORKSHEET  
FYE 2006**

**Dept # 6220  
Dept Name Med/Surg**

Line #	A Job Class	B F/V	C Amount	D Most Recent 2 Months		F FTE	G Hourly Rate	H Budget		J Amount	K Hours per Unit of Service				Manager's Adjusted Budget FY 2006
				E Hours	E Hourly Rate			Proposed FTE	Manager Request		Actual FYE 2003	Actual FYE 2004	6 Months FYE 2005	Proposed Budget FY 2006	
1	Units of Service			2,006				12,887			2,095	2,100	2,006	12,887	12,887
2	Wage Inflation							1.5%							
3	Manager	F	8,467.98	347.62	24.36	1.00	24.73	1.00		\$51,570	0.9956	0.9959	0.1733	0.1618	0.1618
4	Supervisor	F	7,675.41	347.62	22.08	1.00	22.41	1.00		46,743	1.4933	0.9959	0.1733	0.1618	0.1618
5	Nursing	V	19,000.82	1,042.86	18.22	3.00	18.49	3.21		123,815	2.4889	2.7886	0.5199	0.5195	0.5195
6	Tech	V	10,136.55	695.24	14.58	2.00	14.80	2.14		66,053	0.9956	1.7926	0.3466	0.3464	0.3464
7	Other	F	6,715.99	521.43	12.88	1.50	13.07	1.50		40,900	0.7965	0.9959	0.2599	0.2428	0.2428
8	Total		\$51,997	2,954.76		8.50		8.85	8.85	\$329,081	6.7698	7.5689	1.4730	1.4323	1.4323

**JUSTIFICATION OF MANAGER REQUESTS**

9

**MANAGER'S SIGNATURE:** \_\_\_\_\_

**VICE PRESIDENT SIGNATURE:** \_\_\_\_\_

**ANYWHERE MEDICAL CENTER  
SUPPLY & NON SUPPLY BUDGET WORKSHEET  
FYE 2006**

DEPARTMENT NUMBER:		6220																	
DEPARTMENT NAME:		Med/Surg																	
COLUMN >		aa	A	B	C	---ACTUAL COSTS---			---COST PER UNIT OF SERVICE---										
LINE #	SUB	DESCRIPTION	PROPOSED BUDGET FY 2006	DIRECTOR'S ADJUSTED BUDGET FY 2006	AMOUNT OF INCREASE OR (DECREASE) FY 2006	ACTUAL FYE 2003	ACTUAL FYE 2004	1ST 5 MONTHS FYE 2005	ACTUAL FYE 2003	ACTUAL FYE 2004	1ST 5 MONTHS FYE 2005	PROPOSED BUDGET FY 2006	DIRECTOR'S ADJUSTED BUDGET FY 2006						
1		<b>UNITS OF SERVICE</b>	12,887			13,016	11,577	5,330											
2		<b>SUPPLY-ACCOUNT</b>																	
	5002	5 IV SOLUTIONS & SETS	1,669		-	966	1,586	690	\$0.07	\$0.14	\$0.13	\$0.13							
	5004	7 PAT CHG SUP-STOCK	2,406		-	2,254	3,733	995	\$0.17	\$0.32	\$0.19	\$0.19							
	5005	8 PAT CHG SUP-NONSTOCK	-		-	1,718			\$0.13	\$0.00	\$0.00	\$0.00							
	5009	11 ORTHOTICS & PROSTHETICS	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5103	13 NON CHARG MEDICAL SUP	32,948		-	30,410	32,289	13,626	\$2.34	\$2.79	\$2.56	\$2.56							
	5107	17 MISC NONMED SUPPLIES	2,197		-	2,646	2,473	908	\$0.20	\$0.21	\$0.17	\$0.17							
	5202	22 FOOD SERVICE CHARGES	-		-	107			\$0.01	\$0.00	\$0.00	\$0.00							
	5203	23 PATIENT FLOOR FOOD	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5302	30 POSTAGE	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5304	32 FREIGHT-OTHER	-		-	5			\$0.00	\$0.00	\$0.00	\$0.00							
	5305	33 FURNITURE REFURBISH	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5308	36 OFFICE SUPPLIES	331		-	949	980	137	\$0.07	\$0.08	\$0.03	\$0.03							
	5309	37 CLEANING SUPPLIES	277		-	605	413	114	\$0.05	\$0.04	\$0.02	\$0.02							
	5311	39 PAPER & PLASTIC SUPPLIES	138		-	145	136	57	\$0.01	\$0.01	\$0.01	\$0.01							
	5314	42 LOST PATIENT ITEMS	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5320	48 ENGINEERING SUPPLIES	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5329	56 BOOKS	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
	5537	68 SAFETY SUPPLIES	-		-				\$0.00	\$0.00	\$0.00	\$0.00							
3		<b>TOTAL SUPPLY</b>	39,966		-	39,806	41,610	16,528	\$3.06	\$3.59	\$3.10	\$3.10	\$3.10						
4		<b>PURCH SVS &amp; OTHER EXPENSE-ACCOUNT</b>							---COST PER MONTH---										
	6008	33 TELEPHONE INSTALLATION	-		-							\$0.00							
	8003	40 STAFF EDUCATION	** 758		-		340	490		\$28.33	\$98.00	\$63.17							
	8101	43 EDUCATIONAL TRAVEL	-		-							\$0.00							
	8201	49 REPAIRS MAINTENANCE	-		-							\$0.00							
	8203	51 REPAIRS BIOMEDICAL	-		-							\$0.00							
	8504	84 USE OF RF-SCHOLARSHIPS	-		0							\$0.00							
	8510	90 USE OF RF-REIMB	-		0							\$0.00							
	8806	97 EMPL PUBLIC RELATIONS	-		-							\$0.00							
	8808	99 PATIENT CARE FOLLOW-UP	-		-							\$0.00							
	8813	103 EMPLOYEE WEARING APPARE	-		-							\$0.00							
	8816	106 MINOR EQUIPMENT	1,000		-	982	1,000		\$81.83	\$83.32		\$83.32							
	8835	117 SMALL TOOLS & INSTRUMENTS	55		-		55			\$4.57		\$4.57							
	7003	7 PRINT SHOP PRINTING	588		-	1,017	579	249	\$84.79	\$48.24	\$49.73	\$48.98							
	7005	9 OUTSIDE PRINTING	** 1,132		-	180	1,324	391	\$15.02	\$110.31	\$78.29	\$94.30							
	7107	14 AMBULANCE CHARGES	-		-							\$0.00							
	7203	19 OTHER LOCAL CONTRACT	-		-							\$0.00							
	7302	30 CARPENTRY	-		-							\$0.00							
	7306	34 ELECTRICAL	-		-							\$0.00							
	7402	43 LAUNDRY SERVICES	-		-	7,199			\$599.92			\$0.00							
	7408	49 COPIER USAGE	** 33		-	4	27	16	\$0.30	\$2.28	\$3.25	\$2.76							
	7412	53 KEYS & LOCKS	-		-	21			\$1.77			\$0.00							
	7413	54 MISCELLANEOUS PURCH SVC	192		-			80			\$16.00	\$16.00							
5		<b>TOTAL NON SUPPLY</b>	3,757		-	9,404	3,325	1,226	\$783.63	\$277.05	\$245.26	\$313.10	\$313.10						
6		<b>TOTAL SUPPLY AND NON SUPPLY</b>	43,723		-	49,210	44,935	17,754	\$3.78	\$3.88	\$3.33	\$3.39	\$3.39						



**ANYWHERE MEDICAL CENTER  
CAPITAL BUDGET EQUIPMENT REQUEST  
FYE 2008**

DO NOT COMPLETE SHADED AREAS

**ANYWHERE MEDICAL CENTER  
CAPITAL BUDGET EQUIPMENT REQUEST  
FYE 2007**

DO NOT COMPLETE SHADED AREAS

Item  
1

Item	Description of Equipment (2)	Priority-3	New(N)	Quantity	Estimate Unit Cost	Total Equipment	Related Project	Total Cost of Equipment
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**ANYWHERE MEDICAL CENTER  
CAPITAL BUDGET EQUIPMENT REQUEST  
FYE 2006**

DO NOT COMPLETE SHADED AREAS

Item 1	Description of Equipment (2)	Priority-3 Urgent(U) Essential(E) Economically desirable(ED) Generally desirable(G)	New(N) Replace(R) 4	Quantity 5	Estimate Unit Cost 6	Total Equipment Cost 7	Related Project or Installation Cost 8	Total Cost of Equipment & Project 9
1					\$ -	\$ -	\$ -	\$ -
2					\$ -	\$ -	\$ -	\$ -
3					\$ -	\$ -	\$ -	\$ -
4					\$ -	\$ -	\$ -	\$ -
5					\$ -	\$ -	\$ -	\$ -
6					\$ -	\$ -	\$ -	\$ -
7					\$ -	\$ -	\$ -	\$ -
8					\$ -	\$ -	\$ -	\$ -
9					\$ -	\$ -	\$ -	\$ -
10					\$ -	\$ -	\$ -	\$ -
11					\$ -	\$ -	\$ -	\$ -
12					\$ -	\$ -	\$ -	\$ -
13					\$ -	\$ -	\$ -	\$ -
14					\$ -	\$ -	\$ -	\$ -
15					\$ -	\$ -	\$ -	\$ -
16					\$ -	\$ -	\$ -	\$ -
17					\$ -	\$ -	\$ -	\$ -
18					\$ -	\$ -	\$ -	\$ -
19					\$ -	\$ -	\$ -	\$ -
20					\$ -	\$ -	\$ -	\$ -
<b>TOTAL FOR YEAR</b>					\$ -	\$ -	\$ -	\$ -



**ANYWHERE MEDICAL CENTER  
CAPITAL BUDGET EQUIPMENT JUSTIFICATION  
(COMPLETE ONLY FOR FYE 2006)  
FYE 6-30-2006**

Department: \_\_\_\_\_ Page \_\_\_\_ of \_\_\_\_\_

Item # : \_\_\_\_\_ Item: \_\_\_\_\_  
Preferred Vendor: \_\_\_\_\_ Preferred Model #: \_\_\_\_\_\*

(\*attach any applicable brochures/literature)

1. Complete description and operating characteristics of equipment:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Why is the equipment needed at this time? This should include a short narrative of the advantages of the equipment and how it will change or enhance the scope of services now being provided. Please indicate if the equipment is required by either regulations and/or JCAHO standards, if the item is obsolete and no longer supportable or is required to continue or improve performance of an existing service. If the equipment has a financial impact, please complete question 7.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Briefly describe the consequences if the equipment requested is not approved during this fiscal year.

\_\_\_\_\_  
\_\_\_\_\_

4. Will there be an installation charge by the manufacturer/vendor?

No: \_\_\_\_ Yes: \_\_\_\_ Cost: \$ \_\_\_\_\_

5. Will installation of the equipment require modification(s) by hospital to the physical plant?

No: \_\_\_\_ Yes: \_\_\_\_ If so, briefly describe electrical, plumbing, carpentry, etc. requirements:

\_\_\_\_\_  
\_\_\_\_\_

6. Can the hospital's Plant Services perform the installation described in question #5?

No: \_\_\_\_ Yes: \_\_\_\_ Cost: \$ \_\_\_\_\_

7. FINANCIAL FEASIBILITY:

**BEFORE PURCHASE   AFTER PURCHASE**

# Tests/Procedures Annually	_____	_____
Average Charge to Patient	_____	_____
<sup>1</sup> Gross Revenue Annualized	_____	_____
<b>LESS – EXPENSES:</b>		
Labor-Annual Salaries	_____	_____
Training Costs	_____	_____
Supply Costs	_____	_____
Service Contract	_____	_____
Other:	_____	_____
<b>TOTAL EXPENSES</b>	_____	_____
<sup>2</sup> Gross Profit (2 less 1)	_____	_____
Est. Medicare/Medicaid Utili.	_____	_____



**ANYWHERE MEDICAL CENTER  
COMPUTER BUDGET REQUEST  
FYE 2006**

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>PRICE</u>
	Terminal(s)	_____
	Printer(s)	_____
	Other – Please Describe	_____

Please list requests for any IT needs for the next fiscal year projects:

\_\_\_\_\_

Department Manager

\_\_\_\_\_

Vice President

\_\_\_\_\_

IS Manager

Please complete and return to Moe Howard on or before May 3, 2005.

Please complete the shaded area only.

# Anywhere Medical Center

## FY2005 Budget Request Form

Clinical Equipment   
  Non-Clinical Equipment   
  Facilities   
  Information Services  
 (Only mark one box)

Department Name \_\_\_\_\_ Department Number \_\_\_\_\_  
 Contact Person \_\_\_\_\_ Contact Phone Number \_\_\_\_\_  
 Description of Request   
 Estimated Equipment Cost \_\_\_\_\_ Estimated Facilities or Installation Cost \_\_\_\_\_  
 AHA Estimated Life of Equipment \_\_\_\_\_  
 Is this replacement for existing equipment ?     Yes     NO    (Contact-Dales Squires/Accounting)  
 If replacement item is **NOT** fully depreciated, then indicate book value at estimated purchase date. \_\_\_\_\_

Please score each of the categories as indicated used in ranking capital equipment requests.

**1. Required by laws, regulations and/or JCAHO accreditation standards, industry or patient care standards. Cite code or regulation that justifies this request. Summarize on Narrative sheet.**

- 0 No laws, regulations or standards
- 5 Industry or Saint Vincent Healthcare standards (**must be written**)
- 10 Required by laws and codes but have not been cited
- 0 15 Required by laws and codes, but have been or will be cited

**2. Is the item being replaced obsolete, or no longer supportable? (Needs to be verified by the appropriate department)**

- 0 No, the item is not obsolete, and is supportable.
- 0 20 Yes, the item is obsolete, and no longer supportable.

**3. Required to continue or improve performance of an existing service.**

- There must be supporting information in the narrative or no points will be given.**
- 0 10 Needed for infrastructure (Infrastructure is defined as equipment, facilities or information systems)
  - 0 10 Improves customer satisfaction (Define customer (I.e. patient, physician, general consumer) Cite surveys or other information that support your scoring.
  - 0 10 Improves patient care quality (Cite surveys or other information that support your scoring)
  - 0 10 Impacts/Supports Strategic Plan (Identify what Strategic Goal and Objective this request impacts)
  - 0 10 Maintains/Improves market share (Identify service line (i.e. inpatient cardiology) and impact on market share)
  - 0

**4. What is the Financial Impact of acquiring this request?**

- 0 Negative Financial Impact                      **Support Costs (from Financial worksheet)                      \$0**
- 5 No Financial Impact                              **Total Cost of Ownership (from Financial worksheet)                      \$0**
- 10 Positive Financial Impact                      **Breakeven Point (from Financial worksheet)                      #DIV/0!**
- 0 50 Has a minimum ROI of 15% and generates net revenue of \$100,000    **Attach Proforma Worksheet**

**5. Name of Physician sponsor for this request.**

0    **Total Score**                                      \_\_\_\_\_ **Score that Request was submitted with**

1.

2.

3.

4.

**Other Comments:**

## Financial Information

Description of request

Purchase Price

Life Expectancy in Years

Service Contract/Support Costs per Year

(please contact pertinent department  
for this information)

Labor Cost per Incremental Procedure

Consumable Cost per Incremental Procedure

Minimum Incremental Procedures per Year

CPT/DRG Amount / Reimbursement

Total Cost of Ownership

Breakeven Point in Procedures

ANYWHERE MEDICAL CENTER  
BUDGET CALENDAR FOR  
FISCAL YEAR ENDING 2006

DATE	ACTION
03/05/05	Senior Leadership Team prepares statement of assumptions including current and budget year admissions and patient days based upon the Department Directors and medical staff recommendations, new developments and services in health care and economic and population changes.
03/05/05	Budget assumptions are reviewed and approved by the Finance Committee of the Board of Directors.
03/05/05	Budget assumptions are reviewed and approved by the Board of Directors.
03/05/05	Budget assumptions are shared with the Management Council.
03/05/05	Pre-session data worksheets are distributed to Management Council to prepare for Management Council work session scheduled on 03/01/05
03/05/05	Statistical budgets are prepared and distributed to Department Directors based upon historical data and budget assumptions.
03/05/05	Statistical budgets are returned to Vice President of Finance for Review and finalization.
03/05/05	Management Council work session scheduled to assist in completing FYE 2006 budget.
03/05/05	Supply and non-supply salary expense worksheets are prepared and distributed to Department Directors.
03/05/05	Supply and non-supply salary expense worksheets are returned to Vice President of Finance for review.
03/05/05	Full-time equivalent (FTE's) Manpower worksheets are prepared and distributed to Department Directors.
03/05/05	Patient revenue budget is prepared by Vice President of Finance.
03/05/05	Capital expenditure budget reports are prepared and issued to Department Directors.
03/05/05	Full-time equivalent (FTE's) Manpower worksheets are requests are returned to Vice President of Finance for review
03/05/05	First review of preliminary operating budget is reviewed by Management Council.
03/05/05	Second review of preliminary operating budget is reviewed by Management Council.
03/05/05	Capital Budget requests are returned to Vice President of Finance for review.
03/05/05	Third review of preliminary operating budget is reviewed by Management Council.
03/05/05	Capital expenditure budget is reviewed by Senior Leadership Team.
03/05/05	Fourth review of preliminary operating budget is reviewed by Management Council.
05/04/05	Finance Committee reviews and approves master budget.
05/12/05	Board of Directors reviews and approves master budget.
07/01/05	Hospital begins operation with new budget for FYE 2006.

# **COMMUNITY BENEFITS**

- **Community benefits are the basis of the tax-exemption on not-for-profit hospitals.**
- **Not-for-profit means the Hospital does not pay taxes (federal-state or property) but the Hospital must provide CB**
- **Profits are used as follows:**
  - 1. Pay debt**
  - 2. Buy equipment and expand programs**
  - 3. Any dollars left-investments or savings**



# **COMMUNITY BENEFITS**

- **Community benefits are programs or activities that provide treatment or increase to healthcare to a community and meets at least one of these objectives:**
  - **Improve access to health care service**
  - **Enhance the health of the community**
  - **Advance health care knowledge**

# **COMMUNITY BENEFITS**

**Community benefit programs provide:**

- **Free and discounted care to those unable to afford health care**
- **Care to low-income beneficiaries of Medicaid**
- **Services designed to improve community health and increase to access to health care**

# **UPDATED SONGS FOR 2015**

- **Bee Gees-How Can You Mend a Broken Hip**
- **Roberta Flack-The First Time Ever I Forgot Your Face**
- **Temptations-Papa Got a Kidney Stone**
- **CCR-Bad Prune a Rising**
- **Nancy Sinatra-These Boots Give Me Arthritis**
- **ABBA-Denture Queen**
- **Herman Hermits-Mrs. Brown You've Got a Lovely Walker**

# THE END

- **QUESTIONS**