

BUDGET OVERVIEW FOR FRONTLINE LEADERS

ADAPTED FROM INPATIENT NURSING

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OUTLINE

- 1 Healthcare budget 101
- 2 Your role in budgeting
- 3 Budgeting principles
- 4 Basic terms
- 5 Navigating to the budget



HEALTHCARE BUDGET

WHAT IS IT?

- An estimation of revenue and expenses over a specified timeframe.
- Through the process, we can understand how much funding must be planned in certain areas, including operating costs and capital equipment.
- Leaders must account for key planning components, including volume growth assumptions, feedback and input from key stakeholders, and the ability to adjust when circumstances change.
- Ultimately, a well-planned budget allows us to plan appropriately for the future so we may provide high-quality and safe care.

HEALTHCARE BUDGET

WHY IS IT IMPORTANT?

- Healthcare is a rapidly changing industry that must continuously adapt as
 - new patient needs emerge
 - technologies and techniques are updated
 - and reimbursement models evolve
- A strong healthcare budgeting process allows leaders to plan for the future and establish priorities around care and clinical departments.
- A healthcare budget is an important tool to understand where funds are best spent and how to allocate capital (funds) among various departments and projects.

HEALTHCARE BUDGET

WHAT ARE THE BENEFITS OF BUDGETING?

This process is critical for decision-making and allows us to:

- Align operational plans with financial planning targets or Financial Action Plan objectives
- Prioritize capital investments to align with strategic initiatives
- Effectively manage capital spending and cash flow
- Better understand the allotment of funding to individual projects, initiatives, and clinical departments
- Minimize purchasing errors

YOUR ROLE IN BUDGETING

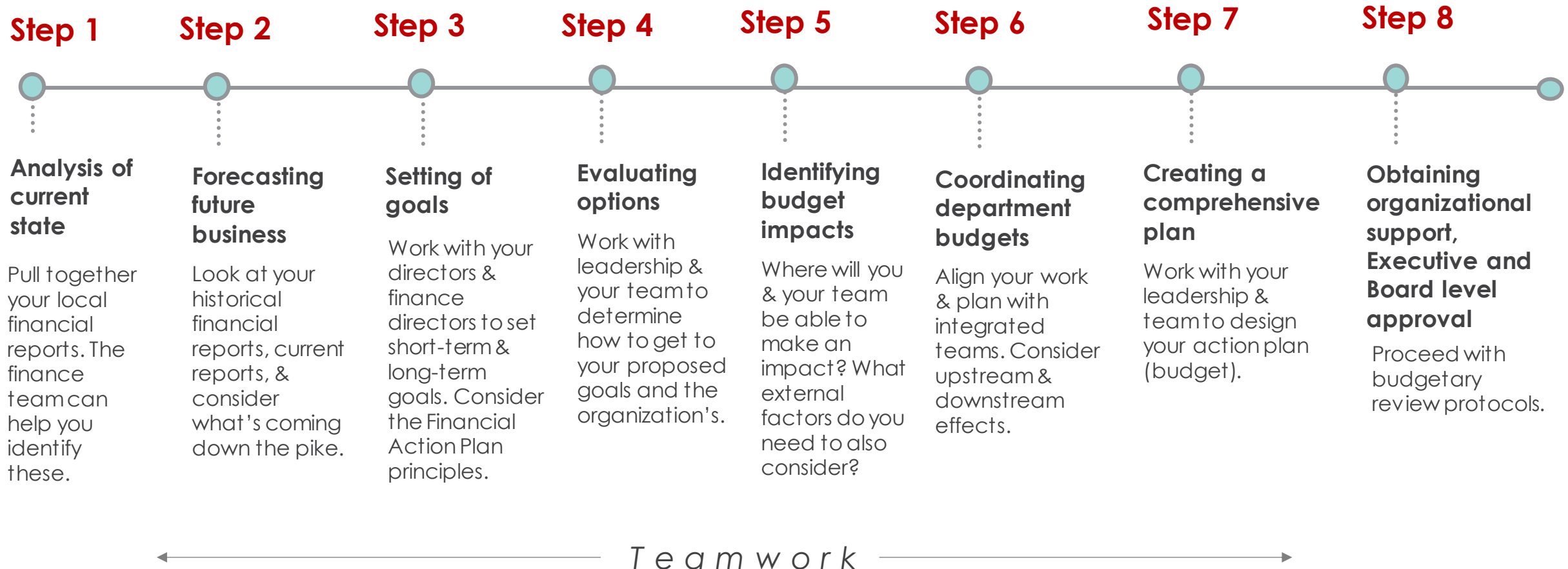
AS A LEADER & STEWARD OF FINANCE

- You have fundamental knowledge of your areas' operations that are essential for financial planning and decision-making
- Utilize your fundamental knowledge and finance to help you create a budget that supports your operations
- Embrace the power of numbers, but remain human focused
- Listen, ask questions, and learn to speak the language of budgeting and finance
- Ask: "Tell me how you got that number? "What is the calculation?"
- Utilize existing trainings, toolkits, and the finance team to build your confidence and hone in on what you can control
- Teach your local leaders the basics about labor management and/or processes under their control
- Help team members understand the role they play in defining value and financial stewardship

BUDGETING PRINCIPLES

- A budget is not a wish. It is an action plan for achieving your department's and our organization's financial goals.
- Base your plan on historical data and future strategic planning in partnership with key stakeholders.
- Utilize your plan (budget) to guide spending and maintain or improve the organization's financial position.
- Effective budgeting supports the delivery of safe patient care and optimal clinical outcomes.
- Budgets are the control standard, against which performance is managed and measured.

HOW TO DEVELOP A BUDGET



FACTORS AFFECTING THE BUDGET

BE COGNIZANT OF FLUCTUATING FACTORS:

- Patient volumes
- Rising interest rates
- Inflation; price and expenses
- Higher capital acquisition costs
- Contractual rates
- Bad debt and charity care
- Annual increases
- Depreciation
- Benefits and PTO

Work with your finance directors to understand how to plan for these factors.

CALENDAR YEAR VS FISCAL YEAR

Year	How it works
Calendar year	<p>Usually abbreviated: CY2024, CY24</p> <p>Duration: January 1, 2024 through December 31, 2024</p>
Fiscal year*	<p>Usually abbreviated: FY2024, FY24</p> <p>Duration: FY2023: July 1, 2022 through June 30, 2023 FY2024: July 1, 2023 through June 30, 2024 FY25: July 1, 2024 through June 30, 2025</p>

***University of Utah Health utilizes a fiscal year for budgeting**

FORMS OF BUDGETING

Form	How it works
Zero-based	begins with a blank slate, no prior history
Fixed budgets*	prepared for the fiscal year, never changes for that fiscal year
Flexible budgets	completed for the fiscal year, but is updated on a quarterly basis

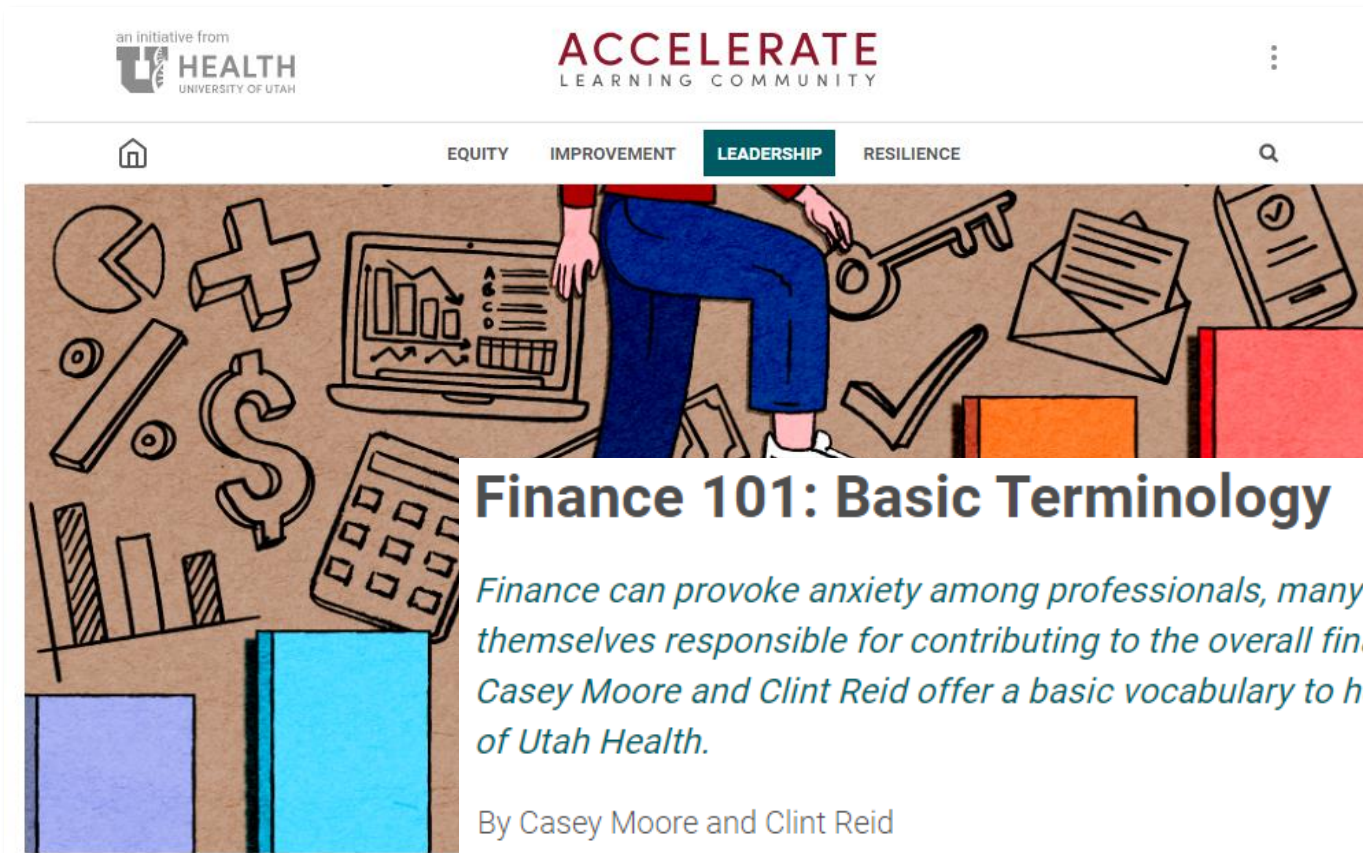
*University of Utah Health uses a Fixed budget

- Finance does provide both Fixed and Flex Operating Statements so that you can see how volume (census) has impacted your revenue and expenses
- Flexible budget is not relevant for departments without volumes

TYPES OF BUDGETING

Type	How it works
Capital Budget	<p>A plan to allocate funds for acquiring new assets and undertaking projects that align with our organizational mission. Capital assets encompass valuable, non-expendable items that are spread out over several years for accounting purposes.</p> <p>For instance, this might involve equipment exceeding \$5,000 in cost or investments in building improvements valued at over \$10,000.</p>
Operating Budget	<p>An detailed plan of what a company expects its revenue, expenses, and expected volumes will be over a period of time.</p> <p>This is viewed annually, usually around FYQ3, to plan for the upcoming fiscal year and be finalized in FYQ4.</p>
Project Budget	<p>A short-term plan, without ongoing expenses</p>

LEARN MORE: BASIC TERMINOLOGY



Finance 101: Basic Terminology

Finance can provoke anxiety among professionals, many of whom were never trained in finance, yet now find themselves responsible for contributing to the overall financial well-being of our system. Finance leaders Casey Moore and Clint Reid offer a basic vocabulary to help establish a shared financial language at University of Utah Health.

By Casey Moore and Clint Reid

Nov. 6, 2023 | 5 minutes



PATHWAY TO BUDGETING REPORTS

OPTION 1: S DRIVE OR SHAREPOINT

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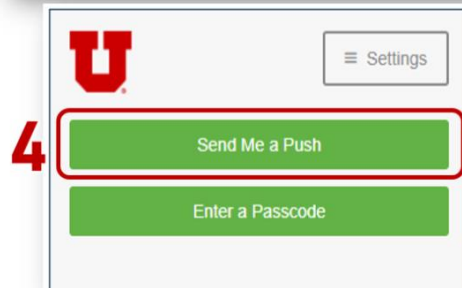
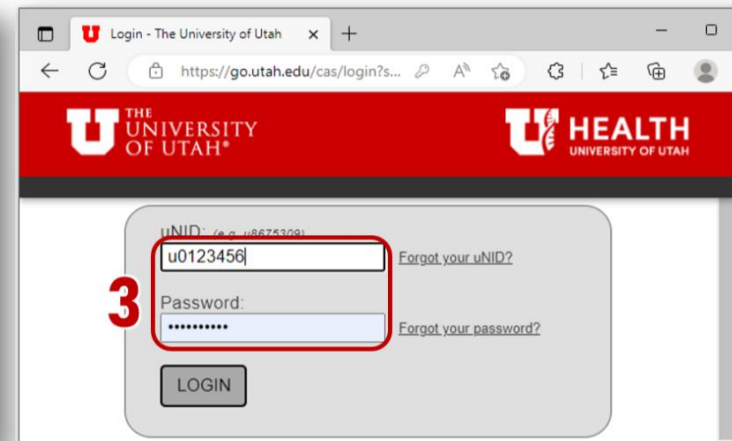
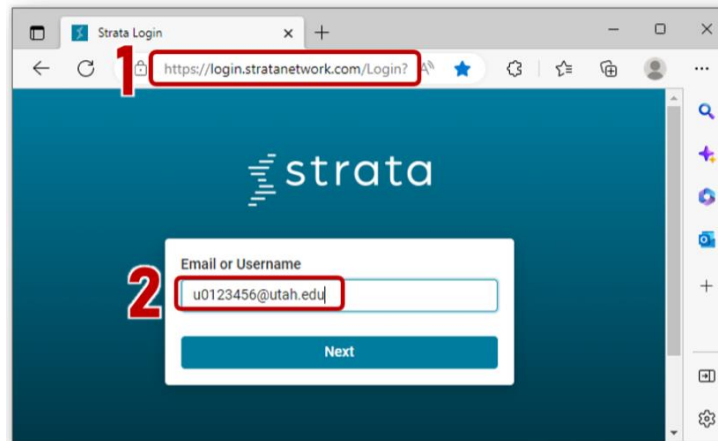
Flex Statement


Summary

OP Statement

Detail

OPTION 2: STRATA



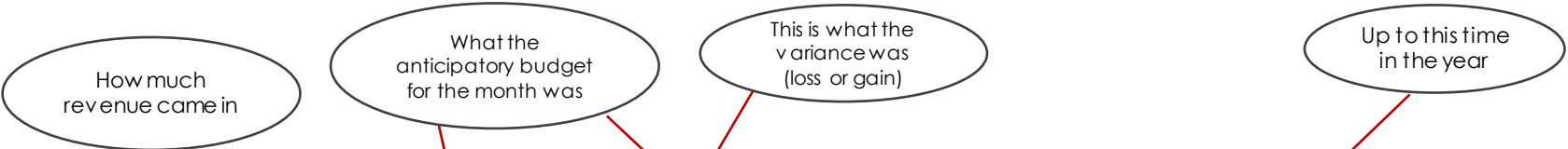
 Note, both Google Chrome and Microsoft Edge browsers work, but Strata indicates MS Edge is the best practice.

TYPES OF STATEMENTS

EACH SHOW THE SUMMARY OF ALL THE EXPENSES AND REVENUE

Type	How it works
OP Statement	<p>A financial statement that gives operating results for a specific period.</p> <p>Synonyms: earnings report, income statement, profit-and-loss statement</p>
Flex Statement	<p>A budget that adjusts to the activity or volume levels of a unit</p> <p>Variable to census (patient volumes, etc)</p> <p>Most common with a 'revenue generating' department</p>

HEADER DETAILS: OPERATING STATEMENT



		CURRENT FLEX %	CURRENT MONTH			YTD FLEX %	YEAR TO DATE			PRIOR YEAR
		155.53%				124.49%				
DESCRIPTION	FIV	ACTUAL	FLEX BUDGET	FLEX BUDGET VARIANCE	BASE BUDGET	ACTUAL	FLEX BUDGET	FLEX BUDGET VARIANCE	BASE BUDGET	ACTUAL
GROSS PATIENT REVENUE		-	-	-	-	-	-	-	-	-
DEDUCTIONS FROM REVENUE	-	-	-	-	-	-	-	-	-	-
NET REVENUE		-	-	-	-	-	-	-	-	-
OTHER REVENUE		603,928	634,154	(30,226)	407,740	5,805,850	5,842,574	(36,724)	4,693,389	4,684,263
TOTAL REVENUE		603,928	634,154	(30,226)	407,740	5,805,850	5,842,574	(36,724)	4,693,389	4,684,263
TOTAL SALARIES AND WAGES		117,993	190,065	72,072	122,205	1,290,529	1,556,039	265,510	1,249,979	1,148,955
FULL TIME EQUIVALENTS (FTE)		26.89	39.42	12.53	25.35	26.44	31.59	5.15	25.38	24.96
TOTAL BENEFITS	V	59,076	82,884	23,808	53,292	604,100	678,565	74,465	545,097	419,713
TOTAL PURCHASED SERVICES		103,417	70,833	(32,584)	70,833	1,026,307	779,167	(247,140)	779,167	807,771
TOTAL SUPPLY EXPENSE		239,084	261,740	22,656	168,290	2,450,899	2,304,464	(146,435)	1,851,195	1,883,171
TOTAL DRUGS AND MEDICINE		-	-	-	-	-	-	-	-	-
TOTAL OTHER EXPENSE		24,662	20,865	(3,798)	20,865	277,160	229,513	(47,647)	229,513	209,944
TOTAL DEPRECIATION		4,049	6,488	2,439	6,488	45,115	48,224	3,109	48,224	13,838
TOTAL EXPENSES		548,281	632,875	84,594	441,974	5,694,110	5,595,972	(98,138)	4,703,175	4,483,393
OPERATING GAIN (LOSS)		55,646	1,279	54,367	(34,234)	111,740	246,602	(134,862)	(9,786)	200,871

GET TO KNOW YOUR ACCOUNTS

LEARN WHAT EACH CATEGORY INCLUDES & HOW TO MAKE AN IMPACT

This +sign cascades and hold other account that come under this category

12	ACCOUNT	DESCRIPTION
13		REVENUES
+ 25		GROSS PATIENT REVENUE
26		
+ 31		DEDUCTIONS FROM REVENUE
32		
33		NET REVENUE
34		
35		OTHER REVENUE
36		
37		TOTAL REVENUE
38		
39		EXPENSES
+ 54		SALARIES AND WAGES
55		
+ 57		EMPLOYEE BENEFITS
58		
+ 60		PURCHASED SERVICES
61		
+ 78		SUPPLY EXPENSE
79		
+ 81		DRUGS AND MEDICINE
82		
+ 105		OTHER EXPENSE
106		
+ 108		DEPRECIATION
109		
110		TOTAL EXPENSES
111		
112		OPERATING GAIN (LOSS)
113		
114		NON-OPERATING REVENUE/EXPENSE
115		
116		NET INCOME (LOSS)
117		
118		
119		WORKLOAD STATISTICS

39		EXPENSES
40	50035	NONEXEMPT NON-CLINICAL
41	50040	LEADERSHIP AND SUPERVISION
42	50050	NONEXEMPT CLINICAL
43	50060	NON PER DIEM NURSING STAFF
44	50065	PER DIEM NURSING STAFF
45	50150	JOB CODES NOT MAPPED TO NAT. C
46	50210	ON CALL
47	50220	SHIFT DIFFERENTIAL
48	50230	LEADWORKER DIFFERENTIAL
49	50260	UNSCHEDULED NURSE PREMIUM
50	50280	OVERTIME REGULAR
51	50370	OUTSIDE CONTRACT NURSING
52	50980	HOLIDAY
53	50985	PAID TIME OFF
54		SALARIES AND WAGES
55		

LEARN MORE: READING FINANCIAL REPORTS

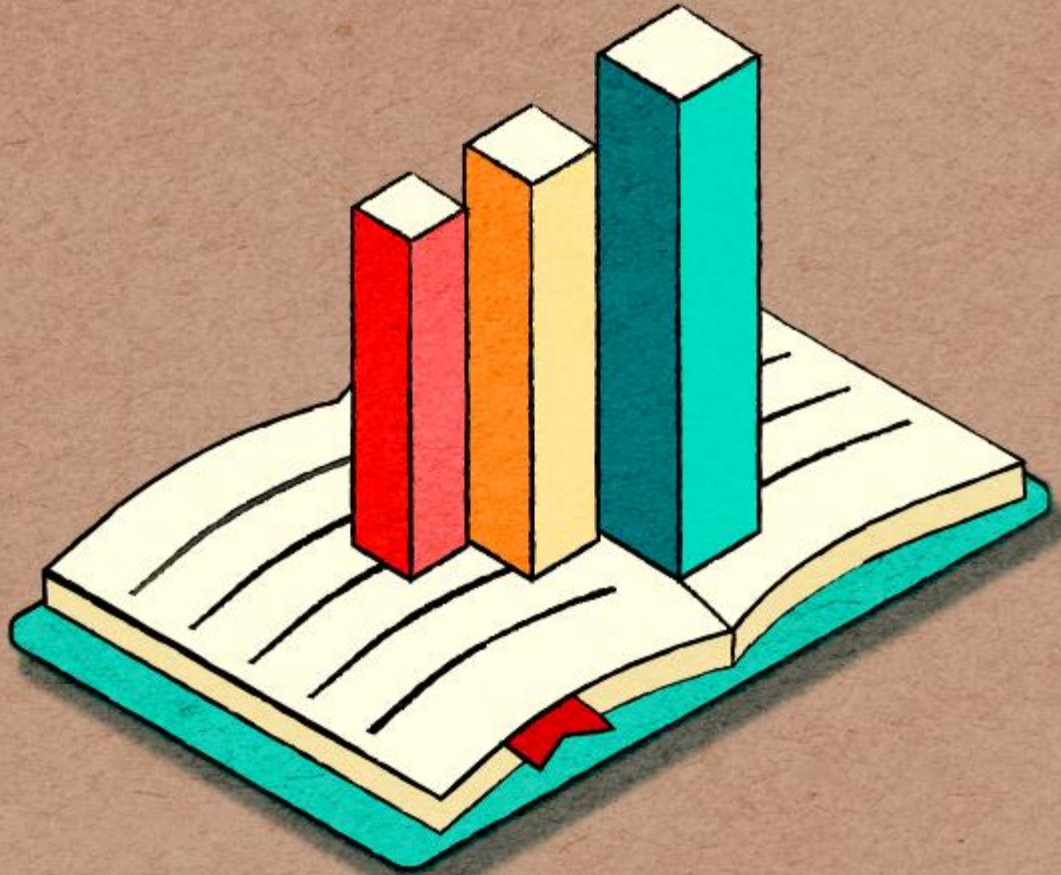


Finance 101: Reading Financial Reports

Understanding financial reports is crucial for leaders making informed decisions for their teams and departments. Finance leaders Clint Reid, Casey Moore, and Robert Dickson walk us through some of the most common reports that leaders can utilize in operations and strategy.

By Casey Moore, Clint Reid, and Robert Dickson

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THANK YOU