RESOURCE MANAGEMENT MODULE

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*What is The Patient Protection and Affordable Care Act (PPACA)?

INTRODUCTION

For decades, nursing management often played only a limited role in fiscal planning in health organizations. Nurse leader-managers were often given budgets with limited rationale and were allowed little input in fiscal decision making. Because nursing was generally classified as a "non-income-producing-service", nursing contribution to the budgeting process was undervalued. Since that time, however, health care organizations have come to recognize the importance of nursing participation in fiscal planning. The reality is that nursing budgets generally account for the greatest share of the total expenses in health care institutions, and participation in fiscal planning. The reality is that nursing budgets generally account for the greatest share of the total expenses in health care institutions, and participation in fiscal planning has become a fundamental and powerful tool for nursing.

IMPORTANCE TO NURSING

Healthcare in the US has skyrocketed. It is approx 15% of the gross domestic product (GDP). Healthcare in the U.S. often surpasses the per capita expenditures of other Western nations by almost 50%. The financing of health care is a big issue in the U.S. and over the years spending was out of control, the way health care was financed also contributed to the rising cost. When health care cost is being reimbursed by a third party payer (the government). There needed to be control on the spending. There is an attempt to reduce cost and improve the health and services to the patients.

What does this mean to nursing?

- The largest part of a hospital budget is personnel; nurses are the largest group of employees and account for the majority of the personnel budget.
- We as nurses must value ourselves as providers of care and that we are valuable assets to the healthcare systems. To do this we must add financial thinker to our repertoire of nursing skills and we must determine whether the service we provide add value to patients. Services that add value are of high quality, affect health outcomes positively, and minimize cost.

- Understanding what is required for nursing to remain financially sound requires that nursing think beyond the cost of individual patient care to thinking about income and expenses and the number of patients needed to make a profit.

FISCAL PLANNING

Although nurses in leadership and management roles will not have full responsibility for budgeting on their work units, they should have some knowledge of fiscal terms, various budgetary processes, and the reasons why reimbursement issues affect health care organizations' revenues.

What is fiscal planning? (Marquis & Huston 8th)

Fiscal Planning also requires:

Criteria of fiscal planning (Tappen, 4th ed.)

- A 12-month period for which an organization plans the use of its funds.
- The process of estimating the capital required, framing financial policies in relation to procurement and the administration of funds.
- Reasonable balance between outflow and inflow of funds so that stability is maintained
- Should reflect the philosophy, goals, and objectives of the organization

LEADERSHIP ROLES AND MANAGEMENT FUNCTIONS IN FISCAL PLANNING

Budgeting decisions affect everyone who works in an organization. Managers need to fully understand how to make decisions and make necessary changes to control cost and justify retaining personnel and maintaining services. To assist the manager in making fiscal decisions he or she must have the following characteristics:

LEADERSHIP ROLE	MANAGEMENT ROLE
• Visionary in identifying and forecasting short and long term needs of the unit. • Knowledgeable about political, social, and economic factors shaping fiscal planning and reimbursement. • Flexibility is fiscal goal setting in a raid changing system. • Anticipates, recognizes, and creatively solves budgetary constraints. • Influences and inspires group members to become short and long range fiscal planners • Recognizes fiscal constraints hindering organizational/unit goals. • Ensures patient safety. • Role model for health-care reform. • Proactive with changes associated with health-care reform.	• Identifies the importance of and develops short and long range fiscal planning for the unit. • Articulates and documents unit needs effectively. • Identifies environment of the organization and identifies driving forces and barriers to fiscal planning. • Demonstrates knowledge and techniques of effective budgeting. • Provides subordinates opportunities to participate in fiscal planning. • Coordinates unit level fiscal planning. • Coordinates the monitoring aspects of budget control. • Accurately assess personnel needs by using a predetermined standard. • Ensures documentation of patient's needs for service. • Proactive collaboration with health-care administrators about health-care reform initiatives.

BALANCING COST AND QUALITY

1. **What is cost containment?**

2. Who is responsible for cost containment? Give an example of when you were not fiscally responsible for cost containment.

3. Define cost effective

4. Cost effectiveness must take into account factors such as:

   1.

   2.

   3.

5. Give an example of cost effectiveness

- The US spends a tremendous amount of money on healthcare then much more than many other countries yet our health problems are rampant (teenage pregnancies, low-birth weight babies) in comparison with these other countries. So what is the problem? We have a lot of resources available……the problem is the US doesn't use the resources in a cost-effective manner.

Remember: Spending more does not always equate to higher quality outcomes in terms of healthcare.

RESPONSIBLE ACCOUNTING AND FORECASTING

Match the following:

a. A corollary
b. Responsibility accounting
c. Forecasting

_____ Making an educated budget estimate by using historical data.

_____ An organization's revenues, expenses, assets, and liabilities is someone's obligation

_____The person with the most direct control over financial elements.

BASICS OF BUDGETS

1. A_____ is a financial plan that includes estimated expenses as well as income for a period of time.

   Fiscal planning requires flexibility, ongoing evaluation, and revision

2. In a budget, expenses are classified as:

   _____ or

   _____ and

   are either controllable or noncontrollable.

3. Describe fixed expenses.

4. Give two examples of a variable expense in a hospital budget.

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5. _____expenses can be controlled or

   varied by the manager, whereas, _____ expenses cannot.

6. Give an example of what budgetary items which are controllable by the manager and what is not.

CONTROLLABLE	NONCONTROLLABLE
•	•
•	•

7. Describe the five steps of the budgetary process

1. ASSESS:	
2. DIAGNOSIS:	
3. PLAN:	
4. IMPLEMENTATION:	
5. EVALUATION:	

TYPES OF BUDGETS

1. List three major types of budgets a nurse-manager may be directly involved in:

   -
   -
   -

2. The largest of the hospital budget expenditures is the

   _____ because healthcare

   is _____.

3. What staffing mix?

Review: NCH/PPD = $\frac{\text{Nursing hours worked in 24 hours}}{\text{Patient census}}$

1. ***Worked time / Productive time / Salary expense***
   - At your facility, working at your scheduled time (working when you are supposed to).
   - You're working when you are supposed to and taking your scheduled breaks when you're supposed to.

2. ***Non-Productive / benefit time***
   a. Time your paid for when you are not working
   b. Off, sick days, holidays, orientation, also included is the cost of benefits employee turnover, and education time.

4. _____ is the second area of expenditure that involves all managers. This budget reflects expenses that change in response to the volume of service, such as the cost of electricity, repairs and maintenance, and supplies.

5. _____ are the second most significant component in the hospital budget.

6. _____ plan for the purchase of buildings or major equipment, which include equipment that has long life, is not used in daily operations, and is more expensive than operating supplies.

PERSONNEL BUDGET	OPERATING BUDGET	CAPITAL BUDGET
• Number of personnel • Salaries • Working days • Time off • Fringe benefits	• Supplies • Services • Small equipment • Miscellaneous items	• Large equipment usually > $1000 • Physical changes • Physical additions • Purchase of buildings

<u>Personnel Budget</u>

- Adjust staff to meet patient needs.
- Standard formula for calculating staffing.
- Another factor in the personnel budget is productive and non-productive time.

Operating budget

- Relies on the patient per day forecast.
- Includes services to be provided and goods the unit expects to consume or use during the budget period. For a nursing unit this covers the supplies, small equipment, and other miscellaneous items.

Capital Budget

- Items are usually requested on special forms that require a statement of justification.
- Capital cost considers long-term goals and must complement the agency's objectives.

Budget Busters

- Going through the difficult process of completing a budget estimate for the coming year, but never using it.
- Relying on the current year's budget numbers as a starting point for the next year's budget.
- Neglecting or underestimating cost related to capital expenditures.
- Ignoring declining patient volume in the hope that the trend will be temporary
- Failing to set aside enough money for unexpected capital expenses.

BUDGETING METHODS

1. List the four most common budgeting methods:

    -

    -

    -

    -

2. Discuss Incremental / flat-percentage increase method

(formula: Current year's expenses X consumer price index or inflation rate)

3. Managers who use _____ must re-justify their needs every budgeting cycle. This approach is based on the idea that no expense would be assumed to be absolutely necessary. It requires more documentation and justification than incremental budgeting. Also requires the manager to review the way in which business has been conducted and to decide whether it is the most cost efficient way to do business.

4. List the key components of decision packages in Zero-based budgeting. (See display 10.4)

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-
-
-

5. A _____ automatically calculates what the expenses should be, given the volume occurring. This works well in most healthcare organizations as a result of changing census and manpower needs that are difficult to predict. This budget method goes up and down depending of the volume.

6. A performance budget emphasizes _____

   and_____ Instead of activities or outputs. The manager would budget as needed to achieve a specific outcome and would evaluate the budgetary success.

CRITICAL PATHWAYS

- Critical pathways / clinical pathways / care pathways are predetermined courses of patient progress after admission for a specific diagnosis or surgery.
  - Method to assess, implement, and evaluate cost effectiveness of patient care.
  - Standardized predictions of patient progress.
  - Standardizes care according to evidence based practice which leads to improved patient outcomes.

1. Discuss the advantage and weakness of clinical pathways.

HEALTH-CARE REIMBURSEMENT

1. Which type of reimbursement was based on costs incurred to provide the service plus profit with no ceiling placed on the total amount that could be charged?

2. Differentiate between Medicare and Medicaid:

Medicare	Medicaid

Before the introduction of Medicare and Medicaid, most healthcare providers placed little emphasis on budgeting; however as hospital costs skyrocketed, government agencies began to look at expenditures and require a significant amount of fiscal accountability. This eventually led to prospective payment systems first by government and later by insurance companies including managed care.

3. Describe each of the following:

    a. Medicare part A -

    b. Medicare part B –

    c. Medicare part C –

    d. Medicare part D -

THE PROSPECTIVE PAYMENT SYSTEM (PPS)

1. What was invented in the 1980s, which was added to the need for monitoring cost containment? _____,

   which were predetermined payment schedules that reflected historical costs for treatment of specific patient conditions.

2. What was implemented in 2007 and is updated annually?

3. Why do hospitals use the ICD?

4. With DRGs, hospitals joined the PPS where the hospital will receive a specified amount for each Medicare patient admission, despite the actual cost of care. An exception to this can occur if the extra cost of providing care for

   the patient can be justified which is called an_____.

5. What is the responsibility of the nurse leader?

6. Explain what the Balanced Budget Act (BBA) is.

7. The BBA provided savings two ways. What are the two methods of saving?

   a.

   b.

Managed Care

1. _____ is a system that attempts to integrate efficiency of care, access, and cost of care. Primary care providers are "gate keepers" with a focus on prevention, a decreased emphasis on inpatient hospital care, the use of clinical guidelines, and selective contracting.

2. _____ is a process used by insurance companies/hospitals to assess the need for medical care and to assure that payment will be provided for the care

3. _____ is when providers receive a fixed monthly payment regardless of services used by the patient during the month. If the cost of care is less than the capitated amount, the provider will profit. If the cost is greater then the provider suffers a loss.

Types of Managed Care Organizations (MCO)

1. What is a Health Maintenance Organization (HMO)?

2. List the four different types of HMO's and give a brief description of each

   a.

   b.

   c.

   d.

**REVIEW DISPLAY 10.5

4. What is the purpose of a gatekeeper?

5. What is capitation?

6. What are two types of HMOs that vary according to the degree of provider choice available to enrollees? List and explain each.

   a.

   b.

7. Explain what Medicare part C has to do with HMO.

8. What are the pros and cons of MCO?

9. When an insured patient uses more medical services than necessary because their insurance covers so much of the cost, this is called:

Helath-Care Reform and the Patient Protection and Affordable Care Act

1. Explain what the Affordable Care Act is.

2. Place the letter of the best definition next to the corresponding words.

_____	Bundled Payments	A	Paid inpatient acute care services looks at both quality and quantity of care and services provided. Based on a system of rewards and consequences for the providers.
_____	Retrospective payment	B	Also called exchanges, created for those without access to health insurance through a job. Cannot turn down prospective clients for preexisting conditions.
_____	Prospective payment	C	A target payment amount for a defined episode of care
_____	Accountable Care Organizations (ACOs)	D	Delivery of seamless high quality care in an environment that is truly patient centered and where patients and providers are partners in decision making
_____	Hospital Value-Based Purchasing (VBP)	E	A single payment is made prospectively determined bundled payment to a hospital that would encompass all services furnished during an inpatient stay.
_____	The Medical Home	F	Has four broadly defined models that gives flexibility to work together to coordinate care for patients over the course of a single episode of illness.
_____	Health Insurance Marketplaces	G	Designed around patient needs. Aims to improve access to care, increase care coordination and enhances overall quality, while reducing costs.