

# Free essay about health care budget

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#### - 2010 Budget and assumptions

Budgets are useful planning tools that act as a guide to an organization's operations as well as an evaluation benchmark for the operations' progress. In that view, Patton-Fuller Hospital's budget for the year 2010 is shown as follows.

#### **Notes:**

The 2010 budget projections show that the hospital's total revenue is expected to increase by 3%. On the other hand, the total expenses are projected to increase by 1. 28%. Thus, the overall performance is projected to improve from the 2009 projected loss of \$373, 000 to a profit of \$8, 015, 000 in 2010. In summary, the hospital is expected to have a significant increase in profit on 2010 compared to the year 2009.

The hospital's budget is based on a number of assumptions that are based by the business trends, as well as the hospital's 2009 budget projections. Those assumptions are summarized on the following table with reference to their particular budget item.

2010 Budget Assumptions:

### - Budget creation and control practices

Budgets creation and control process entails financial management practices that ensure the budget are reasonable, addresses the crucial organizational aspects and are efficiency in resources allocation. However, some practices can be effective while others could be less effective in ensuring that the budgets serve their core purposes in the best way possible. In that view, the following is a summary of some best practices and those which are less efficient and which hampers budgeting efficiency.

### **Most effective practices**

- Preparation of flexible budgets' which allows swift and efficient adoption to change. That means that a budgeting process that accommodates possible changes in internal and external factors is more efficient in achieving the overall organization goals.
- Continued budgets review. That helps in identifying variances that could have a negative effect on attainment of budget objectives. Thus, the reviews allow the management to address factor changes and operation processes in order to align the them with the financial plan. (Bragg, 2011)
- Aligning the budgets with organization's corporate strategy. Budget creation and management is more efficient if it is aligned with the corporate strategy as its acts as an effective guide to resources allocation. In that respect, resources are allocated to areas where they enhance overall organizational success.
- Adoption of multidimensional budgeting that enhances the ability to view revenues by period, product, customer or regions. That enhances budgeting

efficiency by allowing various budget aspects to be aligned with the organization's financial targets. (Bragg, 2011)

### **Least effective practices**

- Embracing long budget cycles. That mainly results from multiple levels approvals that are required. In addition, the long budget cycles make the budgets less efficient as factors upon which they were based could have changed. In addition, the long cycles limit an organizations adoption to change as resources tend to be fixated.
- Too much focus on budget details rather than focusing on synthesis, analysis and interpretations. That would result to identify the key aspects that are relevant to an organization's success. In addition, it makes communications more difficult thus less efficient in seeking support from all relevant stakeholders.
- Inefficient budget evaluations. Budgets require efficient evaluations as a means of identifying and addressing possible variances. In that respect, any practices that do not involve adequate evaluation throughout the implementation process do not efficiently manage the attainment of planned goals.
- Unreasonable assumptions. Budgets require to be based on assumptions that reflect the correct organization position and trends. In that respect, the failure to consider reasonable assumptions makes the budget a less efficient tool for organizational planning. (Bragg, 2011)

## **References**

Bragg, S. (2011). Budgeting: The Comprehensive Guide. Centennial, Colo:  
Steven M. Bragg.