

Nursing: Itc 450 nursing home administration essay

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Lesson 7: The Budget Process

Lesson 8: Who Pays for Resident Care?

Lesson 9: Inventories and Purchasing

Lesson 7: The Budget Process

- Describe the budget development process for an actual nursing facility
- Nature of budget process

Modern approaches require that small hospitals' budgets reflect statistical; operating; capital and cash financial statements. Hospitals prepare their budgets based on anticipated income from patients through private insurance; Medicare/Medicaid. The process involves a top down' ' bottom up' approach. The top down is the first step whereby team leaders/ supervisors set their profitability margin for the coming year. Once this aspect of the planning is executed the bottom up approach is culminated involving lower level staff rendering their input. Strategies that to enhance fiscal planning include embracing ObamaCare techniques.

(b)When the budget development process begins and finishes each year, and who is involved in developing the budget

More importantly, departments are asked to submit their budgets ahead of time. Based on their projections one is tendered for the organization's fiscal year before the beginning of that fiscal year. My own experiences with fiscal planning and cost effectiveness relates to its functioning in this economy as a neutral fiscal policy. Adequate fiscal planning anticipates a cost effectiveness that contains equilibrium. Budgeting involves team leaders, staff, medical director, nursing home director and nursing management specifically.

(c) What type of information is used in developing projections for the coming year?

Information used in developing budget projections for a coming year include the present cash flow; establishment costs; sales records for the existing and previous years; cost of goods sold during the year and expenses for the current period. Cash flow is important since it would provide the basis for anticipating profits in the New Year. Costs of operating the organization can fluctuate, but this is necessary as a projection guide of cost expectations in the fiscal year ahead. Sales along with costs of goods reflect how much profit can be anticipated in the new year if there are minimal changes.

A major financial consideration encompasses evaluating the available options available for growing the organization and which is most cost effective. Subsequently, assessing turnover costs; market share, profits sales and staff numbers implications are imperative to defining the relevance of a new service line intervention. Turnover costs would determine from the beginning whether the addition would bring profit or create a burden when startup costs are added to the venture.

Market share would indicate how profit incurred from the venture would be dispersed and whether the organization stands to gain or lose. Profits sales must be carefully calculated as a growth measurement if the policy is producing growth. Finally, if it implicates hiring more staff definitely that is a cost which ought to be considered since training and higher wages costs have to be added to operations as well taken from profits.

Lesson 8: Who Pays for Resident Care?

- What is the difference between an accounts receivable and a bad debt?

Accounts receivable can be considered a legal claim that is tendered for payment according to transactions entered into between/among a business and customer/ clients. It entails the supply of goods/services to be supplied to the customer/client based on the order's demand. They appear as invoices designed by businesses, which are delivered to customers for payment at a specific time. These transactions are reflected assets on a balance sheet. Their process embodies billing customers for goods/ services previously ordered. Actually these transactions represent money owed by customers/clients to the organization/ industry for services and goods (Townsend & Davis, 2013).

Bad debt is money owed by a debtor/ customer/ client which seems unlikely to be paid when due. Examples of bad debt transaction occur when a company goes into liquidation. Definitions of bad debt vary with the organizations' financial culture. For example, when applying the concept to the USA, bank loans bad debt loan repayments not received after 90 are considered first past due then classification " problem loans.' Once this continues and the customer does not pay the amount at all it is written off as bad debt in the profit and loss account (Townsend & Davis, 2013).

In exploring the difference between accounts receivable and bad debt is that in accounts receivable the business grants credit on goods and services to be paid within a particular time. This is entered into a contractual agreement between the business and customer/client. The goods/ services may not be delivered immediately when the agreement is made, but both parties have a obligation to each other. The business anticipates receiving the payment and the customer likewise obtaining the goods/services. If the customer receives

the goods/services and does not pay at the appropriate time then the account can get into the bad debt category (Townsend & Davis, 2013).

- What must a nursing facility do in order to write off the account at the end of the year on the year-end cost report?

Writing off an account at the end of the year involves reducing determined value of some assets owned by the organization. In accounting, it is actually reducing or placing a zero value on declared asset. With reference to income tax payments it would mean that the organization would have review taxable income ceiling and reduce them based on expenses incurred during the year. For accounting purposes a business can write off investments. For example if certain equipment purchases were made. Over the year they were not utilized as anticipated or become damaged. This means that potential return on the item has diminished or unlikely. Writing them off the balance sheet is investable at the end of the year (Townsend & Davis, 2013).

3. Discuss the difference between “ billing charges versus accounts receivable.” Why are they different?

Billing charges is sometimes referred to balance billing in health care organizations. The process encompasses balancing the difference health insurance coverage and provider charges. With this system the patient either has to pay out of pocket or the provider may have to consider the amount account receivable or bad debt later. Arguments have been that the procedure forces patients/clients to pay more for health care and providers while provider acquires high income from the intervention (Townsend & Davis, 2013).

The main difference between billing charges and accounts receivable is that there should be no account receivable transactions when a patient receives services from a provider. It would appear that billing charges is a transaction entered into by the provider only. Many times patients do not know that they are billed extra when seeing a provider until the bill appears and he/she has to pay unless the credit becomes tarnished. Accounts receivable the patient/client/ customers agrees to pay for a particular goods/service within a particular time frame. In billing charges no time frame agreement was entered into by either party (Townsend & Davis, 2013).

Lesson 9: Inventories and Purchasing

1. Define the following terms, and give at least one example of each:

a. Internal Controls are measures adopted by an organization to monitor resources and detect

fraud within the system

b. FIFO is an acronym meaning ' first in first out' reflecting a data buffer computer system. The term is used to indicate a queuing theory applied to data processing formula.

c. Capital Expenditure is also referred to as CAPEX. It indicates incurred capital if money is spent in purchasing fixed assets that add value to existing ones.

d. Compliance Audit is a financial evaluation conducted by experts assessing the extent the company's administrators are adhering to current established guidelines.

e. Inventory Turnover Rate is the extent to which an inventory could be turned over. It is calculated by dividing the cost of goods sold by average

inventory.

f. Operating Expense is defined as the amount of money a company uses to conduct its operations these include rent, telephone bills, information technology maintenance and office supplies.

g. Reimbursable Cost is applied to agreements as those incurred by Medicare/Medicaid reimbursement where cost incurred are paid by these two entities.

h. Perpetual vs. Periodic Inventory (research) perpetual refers to pattern which could be complete using a digital scanner whereas period is spasmodic being conducted manually.

2. Complete the following statements:

a. The _Health IT_____basis of accounting is required by Medicare.

b. The Corporation_____ is the most common form of business organization for nursing facilities.

c. In your particular state, the fiscal intermediary for Medicare is _the Health Care administration_____, and the fiscal intermediary for Medicaid is Health Care Administration

d. OBRA requires that a resident's funds in excess of \$1, 000_____ be deposited in an interest-bearing account with the interest credited to the resident.

e. Medicare and Medicaid require use of the _ assets cost_____ method of computing depreciation

References

Townsend, J., & Davis, W. (2013). The Principles of Health Care Administration. Publicare.

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