

Health care reporting practices and ethics essay sample

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Financial management in health care is a major role for an organization. The success of an organization depends on the financial reporting practices and the ethical standards incorporated by the institution. Understanding the four elements of financial planning, generally accepted accounting practices (GAAP), and how to practice financial ethical standards to ensure accurate and fair reporting is the responsibility of the health care organization.

Holding employees and management to a standard of working within these acceptable guidelines to avoid fraudulent reporting is the responsibility of the health care organization. Organizations must examine examples of failures by other companies to report within ethical and reporting standards to understand the impact of errors made in financial management.

Financial Management

Financial management is vital to the success of a health care organization. As defined by the Business Dictionary, financial management is “ The planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization (“ Business Dictionary,” 2013, p. 1). These four steps are also outlined in Health Care Finance: Basic Tools for Nonfinancial Managers as the “ recognized elements of financial management: (1) planning, (2) controlling, (3) organizing and directing, and (4) decision making” (Baker & Baker, 2011, p. 5). These four steps are the accepted steps in the finance arena. Planning is the first step in financial management. Planning occurs at the beginning of the financial management process to identify the goals and objectives that the health care organization requires fulfilled. Financial managers require careful planning when beginning a

project to contain costs and to reach the final objective. The second step in financial management is control.

Controlling happens when the staff fulfills the objectives to achieve the guidelines set forth by financial management. The third step in financial management is organizing and directing. Organizing allows financial management to decide how to use the resources from the health care organization in the most effective ways to gain the financial benefit desired by the health care organization. Directing allows financial management the ability to follow through the entire four-step process to ensure the effectiveness of the planning and controlling. The final step is decision-making by financial management. Good, thoughtful decision-making at every step of the financial management process to allow changes benefits the entire projects final success. Generally Accepted Accounting Practices

Generally accepted accounting practices form the basis of financial accounting for organizations. GAAP also reflects the standards of federal financial regulations. GAAP are an agreed upon collection of processes set forth and used to process, prepare, and present financial data. Generalizing the accounting practices allows use in various organizations and business types. On October 19, 1999, The Federal Accounting Standards Advisory Board (FASAB) “ became the board that promulgates generally accepted accounting principles (GAAP) for federal governmental entities” (“ FASAB,” n. d., p. 1). In the United States, GAAP is the accepted norm by most industries for accounting. General Financial Ethical Standards

An important aspect of GAAP, the general financial ethical standards allow accurate and factual reporting by and accountant or financial manager. The American Institute of Certified Public Accountants (AICPA) states, “ A member should observe the profession’s technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member’s ability” (“ Ethical Statement,” 2013, p. 1). The standards set by the AICPA hold certified public accountants (CPA) accountable for their actions and accounting practices. Integrity in financial management is a key element in ensuring that the financial reporting for a health care organization is based on the facts of the data gathered. Fraudulent Financial Reporting

Testing of ethics in financial management happens on a daily and routine basis. Research articles reporting on health care organizations that have violated the ethical guidelines because of poor financial management are easy to find and becoming more abundant. The National Health Care Anti-Fraud Association, “ estimates that the financial losses due to health care fraud are in the tens of billions of dollars each year” (“ Health care fraud,” 2012, p. 1). This student reviews two articles for discussion. Kansas Medicaid Fraud

In the article, Kansas Medicaid fraud hits record levels, shocking levels of fraudulent billing and schemes have been prosecuted for an astounding \$33 million. Kansas, in the last fiscal year, spent \$1. 2 billion on Medicaid. The federal government added \$ 1. 8 billion dollars to cover the additional costs of the Medicaid program in Kansas. Kansas Attorney General Derek Schmidt

states that, “ the \$33 million represented a record for the state in terms of the amount of fraud detected” (Brino, 2013, p. 1). The conviction of a Chief-Financial-Officer (CFO) of Kansas Health Solutions who was directing funds of approximately two million into a shell company that billed for information technology (IT) services never completed, a computer for family use, and a house built in Lyndon, Kansas. Sentencing was three years in a federal prison and ordered to repay the two million. A nurse, convicted of 11 counts of health care fraud, is awaiting sentencing. The state of Kansas convicted the sister of a disabled woman who was receiving Medicaid benefits intended to care for the disabled woman.

The CFO of the Kansas Health Solutions organization did not follow the GAAP guidelines when he created the shell company to embezzle funds for personal use. In this article, he was the only person held accountable to the GAAP. The CFO violated his corporate compliance to his employer. The CFO violated the General Financial Ethical Standards set forth by the AICPA that holds financials professionals accountable for their accounting practices. The CFO found breakdowns in the financial management at Kansas Health Solutions and instead of creating better policies and procedures to fix the internal problems, he used the breakdowns for personal gain. National Century Financial Enterprises

In an article in The New York Times, The Associated Press reports five former executives who worked for National Century Financial Enterprises “ were convicted of conspiracy to commit wire and securities fraud” (“ Guilty of

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Fraud,” 2008, p. 1). Each of the five convicted former executives faced up to 30 years in federal prison depending on how many counts of fraud each former executive was convicted of. The Associated Press article states:

Small hospitals, nursing homes, and other health care providers sold their accounts receivable to the company, usually getting 80 or 90 cents on the dollar, rather than waiting for insurance payments. National Century then collected the full amount of the payments.

Prosecutors argued that company executives authorized millions of dollars of unsecured loans to those health care providers, then misled investors about the loans.

The government said the unsecured loans caused shortfalls that the executives covered up by moving money between accounts. The government contended that the executives fabricated data and lied to investors about the shortfalls and loaded false information onto a company computer system.

The executives in this case violated the GAAP and general financial ethical standards by creating false loans and payments on the loans by moving funds between accounts and lying about the financial data. The fraudulent actions in the financial reporting of the executives at National Century Financial Enterprises led to legal actions that had negative effects on the executives as well as the company.

Conclusion

Financial management is a vital role in the success of health care

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organizations. Adhering to the regulations set forth in the generally acceptable accounting principles and the general financial ethical standards aim to make the accounting professional responsible for their accounting practices. There are many situations, in which the allure of money, it seems easy to collect from the leaking accounts of a health care organization, has won over the ethical thoughts of a financial manager. The financial manager should have the best intentions toward the health care organization to help stop the flow of bad accounting practices and to retain the revenue for the use of the health care organization.

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