Nursing: ha health care financial management essay examples

Finance, Investment

Lesson 1- Overview

Lesson 2 -Financial Accounting Basics and Income Statements

Lesson 3- Balance Sheets and Cash Flow

Overview

- Health care finance versus business finance

It is important to study health care fiancé exclusively because health care conducts financial transactions, which are different from a normal business. Health care finance embraces a series of reimbursement protocols which do not exist in a non-health care business entity. Precisely, health care business is subsidized either by the state or through health insurance coverage.

With business financing the capital structure is different, which is the way the organization finances its assets. For example, in health care financing the assets are pre financed through Medicare, Medicaid and private insurances. Business finance capital structure embraces a combination of debt, hybrid securities and equity.

For example, in business financing a company can sell $25 billion in equity, but $75 billion in debt. Health care financing from an organizational level does not function at a debt ratio. In the given example this firm is has $25 billion equity, but $75 billion debt financed. This $75 billion debt financed could be taken as a loan from a bank. Health care financing does not require a startup bank loan financing, but compliance with Medicare and Medicaid requirements to be accept recipients.

- Payment Methods

- Cost-based- calculated upon cost of care defined by the health care reimbursement

is through cost reporting

- Charge-based and discounted charges – payers pay billed charges, which

can be

negotiated for discount charges

c. Per procedure – a prospective payment method whereby the patient pays

according to the

procedure performed

d. Per diagnosis – a prospective payment method whereby the patient pays

according to the

diagnosis.

e. Per diem – a specific amount of money allotted to a person per day to pay

health expenses.

f. Global – a health care reform payment system whereby providers receive a

payment per person

based on the individual’s health status.

g. Capitation – charging a standard fee per person for services rendered

h. Bundled payments – reimbursement whereby all costs are taken into

account together

i. Pay for performance – providers are rewarded for meeting pre-established

targets

j. Concierge – paying cash for an appointment to see the doctor

k. Case mix index – assigning a relative value for a diagnosis of a group of

patients and the

resources available to them

(Abbey, 2012).

- Interview with a financial manager in my health care organization

The finance structure of my organization consists of the Finance Director; next is the Assistant Director of Finance (Financial Accounts) who is responsible for Financial Accounting and Accounts Payable sections; cashiers; income collection; insurance and Financial Systems. Alongside the Assistant Manager Finance is the Assistant Director Finance (Management of Accounts) who is responsible for the Management Accounts section; Senior Accountant and Cost and Pricing.

Finance Department Organizational Chart

There is an organizational chart in the health care facility where I work and it is

depicted in the above diagram. In comparison to the model in the text it adheres to the basic standard required for efficient functioning of a health care Finance Department. The various levels of management are represented and sections organized to undertake the duties which ought to be executed in the finance accounts and management protocols.

Lesson 2 -Financial Accounting Basics and Income Statements

- Purpose of an audit

The purpose of audits varies with the organization and fall into three broad categories, namely operational audits; program audits and compliance audits. Each type has its significant focus. For example, operational audits are intended to examine whether the organization at the lowest possible cost to benefit taxpayers. Any extravagance of operations will be cited as dysfunctional for the particular organization (Gapenski, 2009).

Program audits are conducted to evaluate how funds are executed within management of the services. State programs particularly are audited frequently to determine if they are meeting specific objectives. For instance a program might be receiving funding to distribute food to mothers; infant and children up to age three. An audit may find either that no distributions are done or children over three years are receiving food from the program which is inconsistent with the objectives of the program. Compliance audit is the third type. Its aim is to verify that administrators are executing their duties according to legislation. In healthcare patients are expected to give consent to procedures. In this type of audit an evaluation of this process will be conducted for compliance requirements (Gapenski, 2009).

- (a) What are the purpose and the components of an income statement?

The purpose of an income statement is to assessing the financial integrity of an organization. Precisely, it measures of profitability. Its components four critical components are the balance sheet; profit and loss statement; statement of retained earnings and cash flow statement (Gapenski, 2009).

(b) The difference between income and cash flow is that income relates what the organization did in terms of brining in revenue. Cash flow relates money moving through the business over a period of time (Gapenski, 2009).

3. (a) The primary users of financial information are auditors; investors or potential investors. They are also used for completing income tax statements or applying for tax credits.

(b) Ways in which auditors; investors or potential investors rely strongly upon the financial information by checking the balance sheets for the organization’s profit and loss. They also pay attention to the income statement and cash flow (Gapenski, 2009).

4. Description of:-

a. Accounting entity is a concept denoting a business organization where the business itself is classified separate from its owners

b. Going concern is a business that functions without the threat of liquidation

c. Accounting period is a time when books are prepared for financial management

d. Objectivity and reliability is the process of viewing booking from a perspective of trust and transparency

e. Monetary unit is a currency used in a financial exchange process

f. Relevance means that the ‘ information generated by an accounting system should impact the decision-making of the individual or entity that peruses the information’ (Gapenski, 2009, p).

g. Full disclosure is an accounting principle whereby an organizations financial integrity should be included in all published information.

h. Materiality is an accounting concept requiring that the importance/significance of an amount, transaction, or discrepancy be accounted for in every transaction (Gapenski, 2009).

i. Conservatism is an approach requiring in-depth scrutiny of accounting information presenting by an organization

j. Consistency and comparability means that accounting information must be aligned to accounting principles consistent within the discipline and comparable to existing standards (Gapenski, 2009).

Lesson 3- Balance Sheets and Cash Flow

- What is the difference between the income statement

and balance sheet in regards to timing?

Balance sheets merely list assets and liabilities incurred in managing an organization/company. They project the net value of the company's net value. The equation used is Assets = Liabilities + Owner's Equity (in for-profit organizations) or Assets = Liabilities + Net Assets. Often it is completed at the end of the fiscal year. An income statement shows profit and loss incurred within the company or organization over a specific period established by the finance department (Gapenski, 2009).

- Statement of Cash Flows and income statement

- Difference

An income statement displays money incurred from sale of products and services before expenses are deducted. This is also considered the " top line." Cash flows show the flow of cash in and out of the business on a daily basis (Gapenski, 2009).

- The three major sections of the statement of cash flows

They are:-

Cash Flow from Operating Activities: This section deals with adjusted net income.

Cash Flow from Investing Activities: This section is concerned with investments in fixed assets.

Cash Flow from Financing Activities: This section is for investments in marketable securities

(Gapenski, 2009).

- Bottom line

Bottom line of the statement shows cash equivalents on the balance sheet at the end of the day or period. It is important because this portion transferred to the balance sheet.

- Two primary interrelationships between the balance sheet and the income Statement

The balance sheet measures assets while income statements relate profits. Therefore, two primary interrelationships are aligning assets with profits. A business' transactions can affect its income statement and balance sheet if they confuse for-profit with nonprofit entireties (Gapenski, 2009).

References

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