

# Report on analyze the impact of collections and claim denials on managing receiva...

[Economics](#), [Money](#)



## **Article Discussion (HEALTHCARE)**

Discuss the various costs and their relationship to planning, budgeting, and control

The healthcare sector in United States incurs many costs in relation to planning different operations. The rising concerns about the costs of health care have become a serious concern to the federal government. The passage of Medicare and Medicaid lead into the acceleration of the federal budget and overall national health costs. In an effort to minimize crises facing the health care sector, health care policy experts advised on expanding the number of health maintenance organizations. The increase in number of health care centers had a significant impact on the federal budget for both the national market and budget regulatory boards. Moreover, the health insurance plan affected the hospitals' budgets and planning. Indianapolis health Insurance plan affects state regulations for hospital budgets including physician fees (ehealth Insurance, 2013). The private insurance sector experiences higher costs especially when the state fails to act. In addition, the introduction of health care insurance costs affected control of health care sectors. Both the federal state government and the insurance companies take control of hospitals in the country.

The most successful healthcare providers today focus more on preventing denial prior to patient care. Collection and claim denials affect the efficient management of a health care institution when records on receivables and revenue cycle are poorly kept. Most hospitals focus on efficiently registering patients and taking care of various health related cases (Guyton, 2004).

Health care centers that fail to obtain an authorization and verification on the eligibility of a patient for coverage receive many collections and claim denials. Health care insurances and federal state governments require a proof of a clean claim from the payer before giving out payments. The revenue cycle forms the financial circulatory system of a health institution. Collections and claim denials maintain an efficient and healthy revenue cycle (Atchison, 2003). According to Cathey (2003), an organization should avoid claims denials as much as possible in order to maintain a perfect revenue cycle.

### **Analyze the impact of revenue cycle on a cash budget and the crucial impact on working capital**

Health organizations today face many challenges in managing cash budgets and the working capital causing a dramatic financial downfall. The revenue cycle, being the financial circulatory system of an organization, is always the key aspect. The health care sector has today registered a high level of debt in the struggle for growth in annual reimbursement levels through acquisition of modern health equipments. The large debts have affected the cash budget forcing institutions to acquire loans to support various health practices and cater for employee salaries. Poor revenue management also affects the capital budgets (Hammer, 2005). Health organizations are capital intensive as the industry more often receives new technologies requiring new equipments. A poorly managed revenue cycle reduces the working capital leaving little cash available for technological growth thus, poor health services (Guyton, 2004).

## **Describe how an organization generates and uses its cash**

There are different ways in which an organization generates and uses its cash. Health care organizations generate cash from health operations they offer to patients. Most hospitals in Indiana generate cash from attending to patients and operating activities that generate most of the net cash. According to Palmer (2004), some organizations make use of account receivables from and turn them into liquid cash through sales. On the other hand, an organization must consume the cash generated in many different ways. Health care organizations make use of cash generated by improving the health standards and installation of new operating equipments. In addition, organizations use cash to borrow loans from financial institutions. The emerging technology provides organizations with an opportunity to venture into business through adopting various benefits like mobile banking for revenue cycle improvement (D' Eramo & Umbreit, 2005).

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