Hospital Finance for Nurses at the Bedside

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Learning Objectives

• Articulate the importance of understanding the budget at the unit level

• Understand the interrelatedness of the budget, staffing, acuity and quality

• Define your role in the budget as a staff nurse
Introduction

- As nurses, we did not learn about finance in nursing school
- Talking the finance talk can be one of your biggest strengths
- As we have grown as a profession, so has our responsibility
- You all play an important role in the financial health of your organization
State of the Union

- 27% of California RNs plan to retire within the next 6 years
- 187,000 RNs nationally in the next 2 years
- 1/3 of population turned 50 in 1996 and will reach 65 by 2011
- A baby boomer turns 50 every 7 seconds
- Our healthcare system is siloed
The Health Care Environment

• Five key groups
  – Providers
  – Suppliers
  – Consumers
  – Regulators
  – Payers
Who Pays?

• Medicare
• MediCal
• Private insurance
  – Managed care
• Other
  – Self pay
Revenue

• What is revenue?
• How do we get paid?
  – Cost based reimbursement
  – Charity care
  – Managed care-negotiated rates
  – Prospective payment systems
    • DRGs
  – Pay for Performance
The Role of Leadership

• Healthcare finance and economics
  – Steward of the environment
  – Understands fiscal context
  – Evaluates products
  – Evaluates the effect of health care financing on care access and patient outcomes
The Role of the CFO

• Responsible for the overall budget
• Finance office manages money coming into the organization and money going out of the organization
• Do you know who your CFO is?
The Role of the Chief Nurse Executive

• Authority and responsibility for the expenses incurred by his/her departments – More than just nursing in most cases!
The Role of Mid Level Managers

• Unit or department level authority
• Does your manager (it could be you!) write their own budget?
• Have they informed you of the budget?
• Do you have a role in budget development?
Top 10 Trends for 2011

• Insurance enrollment takes a hit from slow recovery
• No easing on payment pressure
• Patients postponing care hurts providers
• Cost is king
• Capital remains elusive
Top 10 Trends, continued

• Physicians make or break new care models
• Construction focus is on fast returns
• IT becomes more pervasive--or else
• Let’s make a deal
• Market share, market share, market share

• Resource: The Camden Group, 2011
The Business of Healthcare

- Hospitals are businesses!
- The language of business
  - Managers use financial information to manage
- Financial
  - A new language for many of us
  - Organizational accounting of finances
  - Foundation of accounting
Cost Analysis

• Cost management
• Cost of care
• Cost of staff
• Recruitment and retention
Planning

• Strategic management
• Strategic budgeting
  – Types of budgets
• Variance analysis
• Benchmarking, productivity and cost analysis
Budget, Staffing, Acuity and Quality

• The budget is a budget!
• It is a “master plan” for annual operating expenses for an organization
• An evaluation tool to measure performance
• It can’t be changed mid-year (typically)
Avoid These Responses!

“Finances are not in my job description!”

“We need more because our patients are sicker....that is why.”

“Nurses will leave if we don’t have enough staff.”

“If I don’t get what I need...patients will die!”
STAFFING
Translating Budget to Staffing and Scheduling

- Volume/Units of Service established

- Total Direct, Indirect and Non Productive Replacement FTEs identified for unit or department (Finance and Nursing)

- Build Schedule (What are the considerations?)

- From Schedule to Daily Staffing Plan....and then to “actual” resources used”
Financial Terminology. . . . . .
Basic Equation

*Volume X Intensity Factor = Resources Needed*
Financial Acronym Alphabet

Can you identify them?
Payroll Expenses....healthcare is *labor intensive*

$\downarrow$ Typically 60-75% of total operating budget.

$\downarrow$ Benefits to each employee adds another 20-30%.

$\downarrow$ Skill Mix has an impact...an FTE is not an FTE is not an FTE.
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<thead>
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<th>DRIVERS of Staffing Variations ...</th>
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<tr>
<td>➡️ Scheduling imbalances</td>
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<td>➡️ Increase in volume/admissions</td>
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<td>➡️ Increase in acuity/1:1s</td>
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<td>➡️ Unplanned overtime</td>
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<td>➡️ Seasonal variations</td>
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<td>➡️ Clinical experience of staff</td>
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<td>➡️ Overuse of travelers</td>
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<td>➡️ Sick time, FMLA, AB109, Worker’s Comp</td>
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<td>➡️ Unplanned MD procedures</td>
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<td>➡️ High vacancy rate</td>
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<td>➡️ Staffing office-their role/your role</td>
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QUALITY AND PATIENT SAFETY
Quality: The New Driver for Reimbursement

• Centers for Medicare & Medicaid Services (CMS) has new policy for reimbursement
• Began in October, 2008
• Project that this policy will save Medicare $20M per year
• CMS will no longer reimburse hospitals for 8 selected conditions if acquired during hospital stay
The Eight Conditions

- Hospital-acquired injuries (such as falls, broken bones, intracranial injuries, and burns)
- Surgical site infection/mediastinitis after CABG
- Catheter associated urinary tract infections (UTI)
- Pressure ulcers
- Vascular catheter-associated infections
- Objects left in body during surgery
- Air embolisms
- Blood incompatibility
- More to come............
What Can You Do to Participate in Cost Containment?

• Communicate with your manager
• Stay current with journals
• Work closely with CNLs
• Join committees/unit councils
• Read hospital annual report
• Make decisions at the point of care related to cost and quality!
THANK YOU!
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