

## Budgeting and Forecasting - Exam 2

### Establish a budget for a Nursing Unit:

#### Major Steps:

- Forecast FY 2011
- Identify volume driven (or variable) expense categories
- Set budget based on assumptions given (both inflation and volume)

#### Budget Assumptions:

1. Volume growth of 4%
2. 5% rate increase for charges
3. Deductions will be 55% of charges

#### Other Assumptions:

4. Staffing will be based on the the following:
  - 12 Hour Staffing Shift Model
  - 30 FTE's during day shift 7 days a week
  - 15 FTE's during evening shift, 7 days a week
  - 12% add-on for non-productive pay
  - 2% of productive pay is at overtime rate
  - Standard assumed hourly rate is \$36
5. Benefit Costs will be 21% of direct salary costs
6. Supplies are variable and will have a 4 % increase from inflation.
7. You were approved for a new machine and expect repairs to go down by \$1,000.
8. Rent will remain flat over last year.
9. Deprectation will stay the same.
10. Fees will go up by 2% and are fixed.

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	FY 10	FY 11 9 months	FY 11 Annualized or Forecast	FY 2012 Budget
Admissions	1,000	700	933.33	
Charges <sup>590↑</sup>	30,000,000	22,500,000	30,000,000	
Deductions	(15,000,000)	(11,475,000)	15,300,000	
Net Patient Revenue	15,000,000	11,025,000	14,700,000	
Salaries	7,500,000	5,906,250	7,875,000	1,653,750.00
Benefits	1,350,000	1,063,125	1,417,500	21,000 sal. cost
Fees <sup>↑ 2%</sup>	250,000	196,875	262,500	5,250
Supplies <sup>X 4%</sup>	500,000	393,750	525,000	21,000
Repairs <sup>↓ 1,000</sup>	25,000	19,688	26,250.67	↓ 1,000
Rent	200,000	156,000	208,000	208,000.00
Depreciation	250,000	187,500	250,000	250,000.00
Total Expenses	10,075,000	7,923,188	10,564,250.67	
Income	4,925,000	3,101,813	4,135,750.67	
<b>Optional:</b>				
Charge Per Admission	30,000	32,143	42,857.33	
Supply Per Unit				

Benefit - 21% of Salaries =  $7,875,000 \times 21\% = 1,653,750$   
 $\Delta$  benefit FY 2012 =  $1,417,500 + 1,653,750$   
 =

Adm.  $933.33 \times 1.04 = 970.66$

$\frac{30,000,000}{adm.}$

*Justine*  
~~"It Could've Been Me"~~  
~~See~~  
 Add  
 "Cathy Brown"

