



Podcast Show Notes

Making Sense of Dollars and Cents: Capital Budgeting Best Practices

Before you take a seat at the healthcare leadership table, you'll need to be prepared with knowledge and skills that aren't typically taught in nursing school. In this series, you'll gain practical tips to help you develop – and showcase – your business acumen.

This CE course is relevant to nursing and advanced practice nursing professionals.

Episode 1 – Budgeting Best Practices

Of all the business skills they need to master, nurse leaders report that matters of money, including preparing capital budgets, tend to be the most challenging. Shorten your learning curve with the budgeting tips and real-world examples offered in this episode.

Guest

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Host

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Episode Key Points

Budgeting Action Steps

- Understand long-range plans and objectives of your organization.
- Understand what your department must do to support the organization's goals and objectives.
- Ask questions.
- Talk with other departments.
- Talk with purchasing and suppliers.
- Review historical data.

Assessing Your Department with SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Sample SWOT exercise for a perioperative team:

<p>S Strengths:</p> <ul style="list-style-type: none"> * Experience of clinical staff * Efficiency of clinical staff <ul style="list-style-type: none"> - Admit speed - Turnover time 	<ul style="list-style-type: none"> * Competencies of business office <ul style="list-style-type: none"> - Accurate coding - Low Accounts Receivable days * Rate of positive outcomes 	<ul style="list-style-type: none"> * Infection rate * Managed care environment * Diversity of specialty types
<p>W Weaknesses:</p> <ul style="list-style-type: none"> * OR PRN pool (inadequate) * Anesthesia cannot provide coverage 100% of the time 	<ul style="list-style-type: none"> * Clinical errors have increased in last quarter * Medical records management needs improvement 	
<p>O Opportunities:</p> <ul style="list-style-type: none"> * Increase size of anesthesia staff 	<ul style="list-style-type: none"> * Increase surgical volume in general surgery, Urology, & Podiatry 	<ul style="list-style-type: none"> * Expansion of OR PRN pool
<p>T Threats:</p> <ul style="list-style-type: none"> * Office-based surgery by Dr. Smith 	<ul style="list-style-type: none"> * In-fighting among partners 	<ul style="list-style-type: none"> * Current/potential litigation

Capital Budgeting Defined

- Analysis of potential additions to a business's fixed assets
- Important to a business's future, capital budgeting decisions:
 - Are typically long term in nature
 - Often involve large expenditures
 - Usually define a strategic direction

Capital Budget Project Classifications

- Construction or remodeling
- Mandatory replacement of an existing item
- Expansion of existing services
- Expansion into a new service

Capital Equipment Budgeting

- Definition varies by organization:
 - Length of life of the equipment
 - Purchase price
- Five- to 15-year planning:

- o Predicted replacements
- o Business/volumes
- o New regulations
- o Physician and staff input
- o Fiscal year purchases

Example:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	Asset Description	Qty.	Serial #	Acq. Date	Life	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
12	Blanket Warmer	1 R	0422889008	79	10	4,000										4,000
13																
14	Blanket Warmer	1 R	0414588029	91	10	4,000										4,000
15																
16	Surgical Table - Amsco 3085	1 R	B436804008	05	15											
17																
18	Surgical Table - Amsco 2080	1 R	0422888032	91	15											
19																
20	Surgical Table - Amsco 2080	1 R	0423088062	93	15	50,000										
21																
22	Surgical Table - Amsco 3080	1 R	B402894050	94	15		50,000									
23																
24	Surgical Table - Amsco 3080	1 R	B431782074	98	15					50,000						
25																
26	Bookwelder Retractor	1 R		87	10	6,000										6,000
27																
28	Bookwelder Retractor 50-4545	1 R		89	10			6,000								
29																
30	Laser - CO2 Sharpplan 1040	1 R	18-003	87	10	100,000										100,000
31																
32	Laser - Holmium Trimedyne	1 R	V595	94	10	90,000										90,000
33																
34	Laser - KTPYAG	1 R	22113300		10		140,000									
35																
36	Stretcher	1 R	TAT00 1161	90	10	5,000										5,500
37																
38	Stretcher	1 R	0012011	90	10	5,000										5,500
39																
40	Stretcher	1 R	49-0314	92	10		5,000									
41																
42	Stretcher	1 R	0206043729	97	10					5,500						
43																
44	Defibrillator - Life Pak 12	1 R	33993559	06	8						19,000					
45																
46	Dermatome	1 R	8801	92	10		9,500									
47																
48	PAGE TOTAL					264,000	204,600	6,000	0	5,500	50,000	19,000	0	0	0	215,000
49																

Information Relevant to Capital Budgeting

Source	Types of Information
Surgeons	<ul style="list-style-type: none"> • Increased patient population • Decreased procedure time • Decreased length of stay
Maintenance	<ul style="list-style-type: none"> • Safety regulations regarding obsolete equipment • Repair logs for standard equipment maintained
Biomedical	<ul style="list-style-type: none"> • Repair logs of specialty equipment maintained • Industry standards regarding potential purchases
Vendors	<ul style="list-style-type: none"> • Equipment specifications • Unique features of new equipment/need for each • Purchase sources, methods • Satisfied customer reference list • Service expectations and costs

	<ul style="list-style-type: none"> ● Maintenance contract availability ● Upcoming planned modifications/models ● Published research on benefits of equipment use
Journals	<ul style="list-style-type: none"> ● Consumer report information regarding potential purchases ● Reference hospitals to call regarding reliability
Medical Librarians	<ul style="list-style-type: none"> ● Literature searches on published data about patient outcomes of equipment use

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