



Podcast Show Notes

Making Sense of Dollars and Cents: Developing a Return on Investment

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 – Three Initials with Power: ROI to Prove What You Need, Part 1

Capital outlays come with a string attached: the validation of equipment purchases or other large expenses with a return on the investment, or ROI. To get what your department needs, be sure you know how to justify expenses with expected revenue.

Guest

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- Independent healthcare consultant specializing in productivity, quality and safety, improved organizational performance, caregiver engagement, leadership competence, talent development, and team building
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- Nursing Management Conference Chair for Wolters Kluwer in Philadelphia, Pennsylvania
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Host

Faith Roberts, MSN, RN

- Former Executive Director of Spiritual Care and Environmental Services for Carle Health in Urbana, Illinois
- Former Executive Director of Magnet, Pathway to Excellence, Professional Practice, Pastoral Care, and Faith Community Nursing at Carle Foundation Hospital and Carle Physician Group in Urbana, Illinois

Episode Key Points

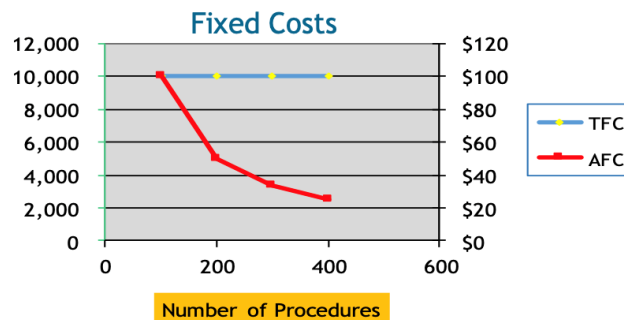
Financial Planning Concepts

- Types of expenses (costs)
 - Fixed cost: A cost that does not change with activity (in the short run) but becomes progressively smaller on a per-unit basis as activity (volume) increases
 - Variable cost: A cost that is uniform per unit but fluctuates in total in direct proportion to changes in volume
 - Total cost: The sum of all fixed and variable costs
 - Examples:

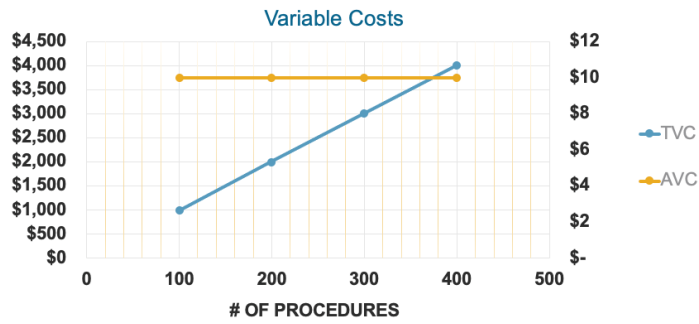
FIXED COSTS
Administrative staff salaries
Mortgage
Insurance
Capital equipment
Lawn service

VARIABLE COSTS
Wages
Overtime wages
Supplies
Medications
Entertainment
Utilities

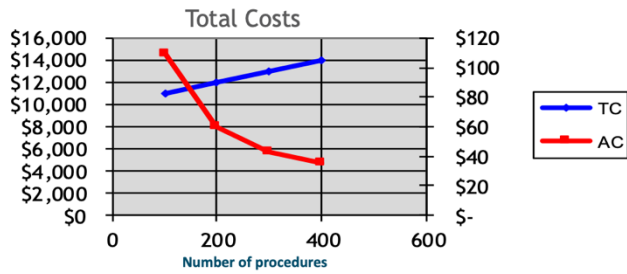
FIXED COSTS		
Total Fixed Costs	Number of Procedures	Average Fixed Costs
\$10,000	100	\$ 100
\$10,000	200	\$ 50
\$10,000	300	\$ 33
\$10,000	400	\$ 25



VARIABLE COSTS		
Number of Procedures	Unit Cost	Total Variable Cost
100	\$10	\$1,000
200	\$10	\$2,000
300	\$10	\$3,000
400	\$10	\$4,000



Total Cost		
Total Cost	Number of Procedures	Average Cost
\$11,000	100	\$110
\$12,000	200	\$60
\$13,000	300	\$43
\$14,000	400	\$35



- Break-even analysis
 - Determine the point at which a facility can expect to recover the cost of an investment.

Beginning	Break-Even Point	Ongoing
Costs exceed revenues	Revenues meet costs	Revenues exceed costs

- Expenses
 - Cost of capital
 - Cost of supplies
 - Cost of remodeling
 - Cost of staff time
 - Loss of revenue from other sources

- Revenue
 - Patient population
 - Payor mix
 - Reimbursement for service

References

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