***[HOSPITAL NAME]***

**ADMINISTRATIVE POLICY**

CATEGORY: Finance **CODE: B-2**

SUBJECT: Financial Reports and Controls **EFFECTIVE:**

**COORDINATOR: Business Manager**

1. A monthly financial report will be produced which contains the following:
2. A balance sheet/statement of financial position containing the current and previous year information.
3. A statement of financial activity which contains for each major income and expense area, the current year to date, the year to date budget, and the previous year to date information.
4. A statement of Cash Flow
5. A statement containing the income and expenses by department.
6. The notes to the Statement of Financial Position and Financial Activity.
7. The monthly report will be distributed to members of the Hospital Administrative Committee and to department heads.
8. The monthly reports will be prepared and submitted by the end of the 20th day of the following month.

APPROVED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***[HOSPITAL NAME]***

**ADMINISTRATIVE PROCEDURE**

CATEGORY: Finance **CODE: B-2.1**

SUBJECT: Financial Report Review

**COORDINATOR: Business Manager**

The following procedure will be followed to review the financial statements:

|  |  |
| --- | --- |
| **Initiator of Action** | **Action** |
| Business Manager | * Analyze the financial report and determine which areas of income are below budget and which area of expenses are over budget. * Consider the volume of the department Admissions, visits, surgeries, and identify if there have been changes in expectations for the month |
| Business Manager & Heads of Departments | * Meet with those department heads which are under budget in the income area and/or over budget in the expense area. The objective of the meeting is to determine the causes for the out of budget condition and agree upon a plan to deal with the budget problem. * A plan will be implemented to correct the discrepancies from the budget. |
| Business Manager | Present to the Hospital Administrative Committee a report on the financial statement, causes for out of budget occurrences and the plans for coping with the problem. |
| Administrative Committee | Carefully review the financial statement and corrective plans and vote receipt and approval of the corrective action plan. |
| Business Manager | Monitor the corrective action plans and report back to the Hospital Administrative Committee the progress on the plans. |

Key Performance Indicators:

Working Capital = Current Assets – Current Liabilities (Should be positive)

Current Ratio = Current Assets/Current Liabilities (This should be 1 or greater)

Quick Ratio = (Cash+AR)/Current Liabilities (This should be 1 or greater)

Assets to Commitments = % Liquidity= Total liquid Assets/Total commitments

Revenue per Admission = Patient Revenue/Admission or Visits (compare between time periods to show revenue per admission)

Total Expense per Admission = Total Expenses/Admission or Visits (compare between time periods to manage expenses)

Supply cost per Admission = Supplies/Admission or Visits (compare between time periods to manage supplies)