***[HOSPITAL NAME]***

**ADMINISTRATIVE POLICY**

CATEGORY: Finance **CODE: B-1**

SUBJECT: Hospital Budget **EFFECTIVE:**

**COORDINATOR: Business Manager**

1. The fiscal year for *[Hospital Name]* is January 1 to December 31. A balanced operating budget will be developed for HOSPITAL prior to the start of fiscal year and submitted to the Board of Directors for approval.
2. The budget should reflect the general mission of the institution and the specific mission of each department by having appropriate allocation of resources.
3. The Hospital Business Manager will initiate the budgeting process and is tasked with obtaining necessary input, coordinating, and approval of the budget. In completing this the following procedure.

APPROVED\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***[HOSPITAL NAME]***

**ADMINISTRATIVE PROCEDURE**

CATEGORY: Finance **CODE: B-1.1**

SUBJECT: Budget PROCEDURE

**COORDINATOR: Business Manager**

The following procedure will be followed to establish an annual budget:

|  |  |
| --- | --- |
| **Initiator of Action** | **Action** |
| Business Manager | 1. Meet with department heads and determine the volumes of service expected for the next fiscal year. Consideration will be given to:
2. Current volumes (Admissions, Outpatient visits, surgeries, deliveries, etc.)
3. Increase/decrease volumes due to increase/decrease in service staff
4. Increase/decrease volumes due to increase/decrease in equipment
5. Increase/decrease volumes due to added/deleted services
6. Any forecasted change in the patient mix
7. Meet with CEO and identify any capital projects or purchases required in the next year in accordance with Policy B-3 and 6.
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| Business Manager & Head of Department | 1. Input and cost evaluations, determine the pricing levels for the following year. This can be used to calculate expected income. Expected costs will impact projected expenses.
2. For each expense item the inflation factor and any added or reduced expenses will be determined including changes in the employee wage scales. Consideration should be given to each income and expense line in collaboration with the heads of each department. A flat percentage of current expenses should only be used if the projections for the following year are unknown.
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| Business Manager | Develop draft department budgets and the institutional budget based on the input of the above actions. |
| Department Heads | Review the draft budget for their area before submission to the Administrative Committee for any final comments. |
| Business Manager & Administrative Committee | Review the combined budget for the hospital as presented by the Business Manager and make any changes or recommendations. |
| CEO/Administrator | Present the finalized departmental and capital budget to the Board of Directors for approval. |

Once approved by the Board of Directors, the budget will be included in monthly financial statements. Financial statements will be produced each month and budget variances will be analyzed and appropriate corrective action taken in the event of budget variances.