



***Financial Management for Hospitals (Unit Code: FIN534)***

***Prepared by:***

***WASSIM HASSAN OUTHMAN***

***ID number: 13692***

**Executive summary**

Healthy human beings are the center of sustainable development, and human beings have long sought to maintain and improve their health by increasing their health reserves. In general, the use of services or the demand for medical services has a vital role in improving the level of health of each person. The demand for health care is a demand derived from the demand for health and is influenced by several factors, including price, income, population, etc. (Ghorbani, 2022). Individuals make choices about medical care. They decide when to visit a doctor when they feel sick, whether to go ahead with an operation, whether to immunize their children, and how often to have checkups. The process of making such decisions can be complicated, because it may involve accumulating advice from friends, physicians, and others, weighing potential risks and benefits, and foregoing other types of consumption that could be financed with the resources used to purchase medical care. (Welcome to World Bank Intranet, 2022). The kingdom of Saudi Arabia has targeted in the mission of 2030 for improving the health care services and enhancing the health care system and considered as a main goal in the national transitional program in 2030.

As a senior health care worker in a private hospital in the Kingdom of Saudi Arabia, I am targeting to be effective in a managerial role in the health care. This job needs a balanced scorecard (KPI) for achieving the requirements and the mission. The term balanced scorecard (BSC) refers to a [strategic management](https://www.investopedia.com/terms/s/strategic-management.asp) performance [metric](https://www.investopedia.com/terms/m/metrics.asp) used to identify and improve various internal business functions and their resulting external outcomes. Data collection is crucial to providing quantitative results as managers and executives gather and interpret the information. Company personnel can use this information to make better decisions for the future of their organizations. (How a Balanced Scorecard (BSC) Is Used, 2022). The balanced scorecard allows managers to look at the business from four important perspectives. These perspectives (customer perspective), internal perspective, (innovation and learning perspective) in addition to the (financial perspective). (The Balanced Scorecard—Measures that Drive Performance, 2022) are highly important for achieving financial advantage, providing good customer satisfaction and being highly efficient. (Walker & Dunn, 2006), (The Balanced Scorecard in Healthcare Organizations: A Performance Measurement and Strategic Planning Methodology, 2022). In addition to that also providing an equilibrium among the financial and non-financial measures, external and internal KPIs, and the long-short term objectives and goals. (Walker & Dunn, 2006).

**Table of Contents**

1. Executive summary…………………………………………………………....….2
2. Introduction ……………………………………………………………………....4

# Question 1: Explain and evaluate how the primary of objective in financial management of maximizing shareholder wealth is at conflict with other objectives such as ensuring favorable outcomes of patients…………...…….5-6-7

1. Question 2: Critically evaluate the use of a Balanced Scorecard in your organization (or a previous organization you have worked in) ………………….7

## Question 2.a: Outline the Key Strategy (What is the overall goal?) …….7-8-9-10

### Question 2.b: Develop a series of metrics based on Financial Performance, Customer, Internal Processes and finally Learning and Growth……….…11-12-13

#### Question 2.c: Explain and identify how your Key Performance Indicators (KPIs)

#### will meet the strategy goals……………………………………...…………. 13-14

##### Question 2.d: Evaluate the challenges of Balanced Scorecard and the challenges to achieving the goals in point 2c……………………………………………... 14

1. References………………………………………………………………….…15-16

**Introduction**

There is a tremendous new perception between beneficiaries and their health education, in addition to high expectations for better medical services with easy access to high quality standards. In the healthcare industry, financial management involves handling basic financial tasks such as negotiating contracts, allocating resources for salary and other purposes, and maintaining a cash buffer for unexpected expenses. A company's top-level financial management involves presenting data to other executives to develop long-term strategic strategies. For example, large hospitals and clinics may decide to purchase additional medical equipment for more treatment and testing (America, Kohn, Corrigan and Donaldson, 2022).

Financial management includes decision support and identification of the best payment method. The main goal of financial management in healthcare is to improve the proper use of resources within the organization. Financial management is a science and an art in every industry, but it is more difficult in healthcare due to the frequent changes in the market. As a result of the Affordable Care Act reform, insurers have been forced to rethink their program and premium structure (Walker & Dunn, 2006). Healthcare professionals and insurance companies will need competent financial management for many years to come.

Who owns a corporation? Shareholders do. These are the individuals, businesses, and institutions that have an ownership interest in a company after purchasing shares of that company's stock. Even if your [**business is a one-person shop**](https://www.thebalancesmb.com/top-tips-for-starting-a-business-that-will-succeed-2947246)**,** you are the shareholder based on your invested interest in your company. Because shareholders own the firm, they are entitled to the profits of the firm. Shareholder wealth is the appropriate goal of a business firm in a [**capitalist society**](https://www.thebalancesmb.com/the-characteristics-of-capitalism-and-socialism-393509)**,** whereby there is private ownership of goods and services by individuals. Those individuals own the means of production by the business to make money. The profits from the businesses in the economy accrue to the individuals. (CARLSON, 2022)

**Question 1**

# **Explain and evaluate how the primary of objective in financial management of maximizing shareholder wealth is at conflict with other objectives such as ensuring favorable outcomes for patients.**

When people are asked why health is important, many are unable to answer it. The reason for this may be due to their lack of awareness of the importance of health and the consequent lack of proper self-care. Health can generally be considered an essential basis of life, but many people still do things that show that health is not a priority in their lives. They spend a lot of time on the opportunities they find but do not spend time learning what is good for them to exercise or stay

healthy; they spend their budget on non-significant things. But for a more nutritious diet, they pay less. (Ghorbani, 2022). The demand for a good or service is inversely related to its price; as the price increases, the demand for it decreases, and vice versa. Of course, the rate of demand response to price changes is not the same for all goods. (Ghorbani, 2022)

There could conflicts between the financial management of maximizing shareholder wealth and providing good medical services, maintaining the patients’ satisfaction and favorable outcome.

The current challenges that underlie the top issues confronting hospitals are identified as follows:

1. Financial challenges

2. Governmental mandates

3. Patient safety and quality

4. Personnel shortages

5. Behavioral health and addiction issues

(ACHE 2018)

The specific financial challenges facing hospitals, as reported by the CEOs, are as follows (ACHE 2019):

• Increasing costs for staff, supplies, and so on

• Medicaid reimbursement

• Reducing operating costs

• Bad debt

• Competition from other providers

• Managed care and other commercial insurance payments

• Medicare reimbursement

• Government funding cuts

• Transition from volume to value

• Revenue cycle management (converting charges to cash)

• Inadequate funding for capital improvements

• Emergency department overuse

• Moving away from fee-for-service care

• Pricing and price transparency

(ACHE 2019):

When business managers try to maximize the wealth of their firm, they are actually trying to increase the company's stock price. As the stock price increases, the value of the firm increases, as well as the shareholders' wealth. (America, Kohn, Corrigan and Donaldson, 2022)

Although this mission statement provides Bay-side’s managers and employees with a framework for developing specific goals and objectives, it does not provide much insight into the goals of the hospital’s finance function.

For Bayside to accomplish its mission, its managers have identified five financial goals:

1. The hospital must maintain its financial viability.

2. The hospital must generate sufficient profits to continue to provide its current range of healthcare services to the community. Buildings and equipment must be replaced as they become obsolete.

3. The hospital must generate sufficient profits to invest in new medical technologies and services as they are developed and needed.

4. The hospital should not rely on its philanthropy program or government grants to fund its operations and growth, although it will aggressively seek such funding.

5. The hospital will strive to provide services to the community as inexpensively as possible, given these financial requirements. (Custom Care & Coverage Just for You | Kaiser Permanente, 2022)

**Question 2**

**Critically evaluate the use of a Balanced Scorecard in your organization (or a previous organization you have worked in)**

DASHBOARD VISUALISATION FOR HEALTHCARE PERFORMANCE MANAGEMENT: BALANCED SCORECARD METRICS. (Victor and Farooq, 2022)

**Question 2a**

## **2.a: Outline the Key Strategy (What is the overall goal?)**

The increase in demand for hospitalization in an environment of financial stress has hastened the quest for more efficient healthcare delivery systems. In the past performance management methodologies in the healthcare sector have been predominantly static resulting in a lack of consistency, comparability and timeliness. To mitigate these shortcomings this research work has attempted to create a conceptual framework in the digital dashboard format. Of the frameworks presently used, the Balanced Scorecard (BSC) is very popular, primarily because the BSC is a management system (not just a measurement system) that helps an organization highlight its vision and translate them into action. This study uses a qualitative and exploratory research design. The process entails gathering KPIs from the literature, crystallizing them using the Delphi Method, and prioritizing them using the Likert-scale. The creation of a digital dashboard was planned to make it easier to visualize the prioritized KPIs in the BSC format. (Victor and Farooq, 2022)

Overall, a dynamic dashboard was created in the BSC format with three Key Performance Indicators (KPI) for each of the four perspectives.

1. Financial: Return on assets, average daily collections and working capital ratio.

2. Customer Perspective: Patient satisfaction, lost business – number of appointments not attended and percentage of patients Leaving Against Medical Advice (LAMA).

3. Internal Processes: Billing and collections/posting time, emergency patients triaged within 15 minutes of arrival and patient waiting time.

4. Learning and Growth: Empowerment (decision-making & participation), employee satisfaction and strategic alliances/partnerships (Victor and Farooq, 2022).

**Introduction**

The management of an organization's performance determines its success. Frequently, healthcare executives are unable to see the big picture of their organization's success. The complexity of healthcare operations makes it difficult for managers to support the organization's goals successfully. Data for healthcare management, which comes in a number of formats, must also be analyzed and managed across various health-care tasks and departments. This variability creates numerous issues in managing healthcare operations, to the point where Gartner Research, a collection of IT industry researchers, describes it as "data-rich but information-poor. " (Victor and Farooq, 2021).

The cause of this poor state could be a combination of the following with varying degrees of influence:

• different software packages used for patient admissions, treatments and discharges.

• financial package variations in billing and claims.

• varied data formats for clinical diagnosis, research and laboratory tests (Victor and Farooq, 2021).

Administrators and managers may not have a clear picture of an organization's success because of these variables. Focusing solely on financial success is insufficient to improve an organization's total performance. ." (Victor and Farooq, 2021)

Non-financial factors such as consumer expectations and organizational efficiencies have a significant impact on performance. The Balanced Scorecard (BSC) has been widely used as a performance management tool in both academic and corporate circles over the years. The BSC has been extremely effective because to its well-balanced approach to financial and non-financial success metrics, internal and external organizational constituents, and lag and lead performance indicators. Analysts describe themselves as "data-rich but information-poor." (Victor and Farooq, 2021). The “Scorecard” comprises of targets and measures for each of the four components of the framework namely, Financial, Customer, Internal Business Processes and Learning and Growth. Each organization should decide on three or four “Key Performance Indicators (KPI)” based on scientific principles and arrive at target values for the KPIs. (Victor and Farooq, 2021). **FIGURE 1: BALANCED SCORECARD** (Victor and Farooq, 2021) 

Source: Linking the Balanced Scorecard to Strategy Source: Linking the Balanced Scorecard to Strategy

Each perspective of the BSC can be applied to benefit the management of healthcare organizations. Looking at the BSC from the healthcare management point of view, Končitíková, Culík and Pavla have given a specific definition as: “How patients perceive an organization (Customer perspective); what are financial situations (Financial Perspectives); what can we do to improve the level of services? (Perspective of learning and growth); what do we want to be the best in? (Perspective of internal business processes)”. It enables top-level decision-makers to a have smooth transition from judgments based on experience and intuition to fact-based decisions based on the healthcare BSC. (Victor and Farooq, 2021).

The BSC and the dashboard combination can be adopted as a model for cost-effective yet credible healthcare delivery. A notable study conducted by *Chow* provided insight regarding the benefits of using the BSC by healthcare organizations. This study documented the potential of the BSC as a management tool to meet many challenges like “changing demographics, increased customer expectations, increased competition, and intensified governmental pressure”. (Victor and Farooq, 2021).

The measurement of KPIs can be done at different levels in the organization to ensure that targets are successfully achieved. High-level KPIs may focus on the overall performance of the business, while low-level KPIs may focus on separate processes that make up for the corporate entity. (Victor and Farooq, 2021).

|  |  |  |
| --- | --- | --- |
| SAUDI ARABIA | “Developing strategic health care key performance indicators: A case study on a tertiary care hospital” (35) | Average length of stay (ALOS), OR Utilization Rate, ER waiting time, Outpatient satisfaction rate, Average bed occupancy rate |

Source: Researcher’s compilation (Victor and Farooq, 2021)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2.b: Develop a series of metrics based on Financial Performance, Customer,** **Internal Processes and finally Learning and Growth** | | | | |
|  | **Objectives** | **Measurements** | **Target** | **Initiative** |
| Financial perspective | Granting Money, affiliate patients back to Dr. Suleiman Al-Habib Group (HMG)  Opening sector of service for public non-HMG employees | Broadened revenue mix paid by HMG  Full booked schedules for primary care clinics | Full budget fund  100% booked slots | Payments as achieving per the KPIs  Bupa and Taawineyah coverage and HMG Funds |
| Customer | Easily booking appointment  Waiting Time | Waiting list appointment  within 7 days for outpatient  15 minutes for outpatient  Admission in Day surgery less than 30 minutes | less than 2 weeks for MRI  30 mins from check in  taking less than 20 minutes per visit | Extra late clinics  Use KPI management tool, time study and workflow with data search of EPIC |
| Internal | Less cases book as day surgery  availability of newest technology in the market for CT scan machine | Angio-cases as OP  Zero waiting time | All arterial and high-risk organs for biopsy  0 patients to wait from EMS | Use Lean management, time study and workflow and EPIC data search  Data record Time by Epic |
| Learning | Maintain a high nurse turnover rate.  Continuous education Program with HMG | Efficient orientation process  Certified hospital for Continuous education and internship | Internship program for Nursing Students Interns  Weekly conferences and accredited courses | Recruitment campaigns and virtual interviews  Analyzing and feeding back surveys |

#### **Question 2c**

#### **2.c: Explain and identify how your Key Performance Indicators (KPIs) will meet** **the strategy goals**

The KPIs that were identified are:

I.FINANCIAL

1. Granting Money, affiliate patients back to HMG.
2. Opening sector of service for public non-HMG employees.

II. CUSTOMER PERSPECTIVE

1. Easily booking appointment.
2. Waiting Time.
3. Patient satisfaction.
4. Number of cancelled appointments, Patients no show status.
5. unsatisfied patients who are determined to cancel the appointment due to the delay.

III. INTERNAL PROCESSES

1. Less cases book as day surgery.
2. availability of newest technology in the market for CT scan machine.
3. discharging patient after admission with minimal time stay.
4. Emergency patients triaged and sent to CT scan in less than 30 minutes waiting time.
5. Patient Waiting time: zero waiting time between scans.

IV. LEARNING AND GROWTH

1. Maintain a high nurse turnover rate.
2. Continuous education Program with Johns Hopkins
3. Empowerment
4. Employee satisfaction

**Question 2d**

##### **2.d: Evaluate the challenges of Balanced Scorecard and the challenges to achieving** **the goals in point 2c**

1. Payments as achieving per the KPIs
2. Bupa and Taawineyah coverage and HMG Funds
3. Extra late clinics
4. Use KPI management tool, time study and workflow with data search of EPIC
5. Use Lean management, time study and workflow and EPIC data search
6. Data record Time by Epic
7. Recruitment campaigns and virtual interviews
8. Analyzing and feeding back surveys

**References**

* Ghorbani, A., 2022. <https://www.researchgate.net/publication/353510886_Demand_for_Health_and_Healthcare>
* <https://www.semanticscholar.org/paper/The-Demand-for-Health-Care-Services/46ea95c6fe59d2e43cbb1b192ca203ff1e968630>
* Siteresources.worldbank.org. 2022. *Welcome to World Bank Intranet*. <http://siteresources.worldbank.org/INTHSD/Resources/topics/Health-Economics/PHE_Ch4.pdf>
* Jhah.com. 2022. *About JHAH | Johns Hopkins Aramco Healthcare* <https://www.jhah.com/en/about-us#:~:text=Mission,of%20quality%2C%20growth%20and%20learning>
* Investopedia. 2022. *How a Balanced Scorecard (BSC) Is Used*. <https://www.investopedia.com/terms/b/balancedscorecard.asp>
* Harvard Business Review. 2022. *The Balanced Scorecard—Measures that Drive Performance*. <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2>
* Improving hospital performance and productivity with the balanced scorecard. AHCMJ, 2. Retrieved 27 March 2022
* Taylor & Francis. 2022. *The Balanced Scorecard in Healthcare Organizations: A Performance Measurement and Strategic Planning Methodology*. <https://www.tandfonline.com/doi/abs/10.1080/00185860109597908>
* America, I., Kohn, L., Corrigan, J. and Donaldson, M., 2022. *Setting Performance Standards and Expectations for Patient Safety*. [online] Ncbi.nlm.nih.gov. <https://www.ncbi.nlm.nih.gov/books/NBK225181/>
* CARLSON, R., 2022. *What Every Business Should Know About Shareholder Wealth Maximization*. [online] The Balance Small Business. <https://www.thebalancesmb.com/shareholder-wealth-maximization-392844>
* Kaiserpermanente.org. 2022. *Custom Care & Coverage Just For You | Kaiser Permanente*. <https://www.kaiserpermanente.org/>
* Victor, S. and Farooq, A., 2022. Pdfs.semanticscholar.org: <https://pdfs.semanticscholar.org/bf78/40b59bace9b3388b086d870901ca317e22e8.pdf>
* Victor, S. and Farooq, A., 2021. Dashboard Visualisation for Healthcare Performance Management: Balanced scorecard method. *Asia Pacific Journal of Health Management*, 16(2), pp.28-38.