

**Module 3 Assignment 1: Financial Management Case Study vSP22(3)**

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**Overview: Financial Management Case Study**

One of the important duties of a nurse leader is to manage personnel and personnel budgets. In this assignment, you will assume the role of a nurse manager. You will use **given data** to make important decisions regarding budgets and staffing.

Some nurse managers have computer spreadsheets or software applications to help them make decisions regarding budgets and staffing. You will only need simple mathematical operations\* to perform the needed calculations in this assignment because the scenario has been simplified. Furthermore, **some data have been provided for you** that a nurse leader might need to gather or compute in a real setting. Still, you will get a glimpse of the complexity of responsibilities nurse leaders shoulder regarding financial management.

* To calculate the percent of the *whole* a given number represents, follow these steps:

Change the percentage to a decimal number by moving the decimal twice to the left (or dividing by 100).

Multiply the new decimal number by the whole.

Example: What is 30% of 70?

30%= .30; (.30) × 70 = **21**

* To find out what percentage a number represents in relation to the whole, follow these steps:

Divide the number by the whole (usually the small number by the large number).

Change the decimal answer to percent by moving the decimal twice to the right (or multiplying by 100).

Example: What percent of 45 is 10?

10 ÷ 45 = .222; so, 10 is **22%** of 45.

\* You will only need addition, subtraction, multiplication, and division.

**Case Study**

You are the manager for 3 West, a medical/surgical unit. You have been given the following data to assist you in preparing your budget for the upcoming fiscal year.

**Patient Data**

Average Daily Census (ADC): 55

Budget based on 6.2 Avg. Hours per patient day (HPPD)

(6.2 HPPD **excludes** Nurse Manager and unit secretaries)

**Staff Data**

Total FTEs 40 Variable FTEs

1 Nurse Manager

3 Unit Secretaries

44 Total FTEs

**Staffing Mix**

RN 75%

LVN 10%

NA 15%

**Average Salary Scale per Employee**

**Benefits are 35% of annual salaries**

|  |  |
| --- | --- |
| **Nurse Manager** | **$86,500.00 per year** |
| **Registered Nurses (RN)** | **$38.00 per hour** |
| **Licensed Vocational Nurses (LVN)** | **$26.00 per hour** |
| **Nurse Aides (NA)** | **$15.00 per hour** |
| **Unit Secretary (US)** | **$13.00 per hour** |

Rubric

Use this rubric to guide your work on this assignment.

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| --- | --- | --- | --- | --- |
| **Criteria** | **Target** | | **Acceptable** | **Unacceptable** |
| **Question 1** | | Both % and FTEs column totals within ± 2 of correct answers  (13-16 Points) | Either % or FTEs column totals within ± 2 of correct answers  (5-12 points) | Neither % nor FTEs column totals within ± 2 of correct answers  (0-4 points) |
| **Question 2** | | All column (**except Hours and Salary**) totals within ± 2 of correct answers  (17-20 Points) | At least 3 column totals within ± 2 of correct answers  (5-16 points) | Less than 3 column totals within ± 2 of correct answers  (0-4 points) |
| **Question 3**   1. **Table** | | All six values within ± 2 of correct answers  (6-8 points) | At least five values within ± 2 of correct answers  (1-7 points) | Less than five values within ± 2 of correct answers  (0-1 point) |
| 1. **Significance of variance in HPPD** | | Response is clearly stated and explains some potential details, ramifications, and/or solutions  (6-8 points) | Response states some potential details or ramifications  (2–7 points) | Response is unclear or lacks potential details or ramifications  (0-2 points) |
| 1. **Implications for nurse leader** | | Response shows keen understanding of responsibilities of the nurse leader regarding staff budgets  (6-8 points) | Response shows some knowledge of responsibilities of the nurse leader  (2-7 points) | Response fails to demonstrate knowledge of responsibilities of the nurse leader  (0-1 point) |
| **Question 4** | | All columns **(except Hours and Salary) t**otals within ± 2 of correct answers  (17-20 Points) | At least 3 column totals within ± 2 of correct answers  (5-16 points) | Less than 3 column totals within ± 2 of correct answers  (0-4 points) |
| **Question 5** | | All columns (**except Hours and Salary**) totals within ± 2 of correct answers  (17-20 points) | At least 3 column totals within ± 2 of correct answers  (5-16 points) | Less than 3 column totals within ± 2 of correct answers  (0-4 points) |

**Questions**

1. How many RNs, LVNs, and NAs, **by category**, are on the staff of 3 West? (**Round FTEs to the nearest tenth**.) Compute totals for each column.

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| --- | --- | --- | --- |
| Positions | Variable FTEs | % by Position | FTEs by Position |
| **RN** | **40** | **0.75** | **30** |
| **LVN** | **40** | **0.1** | **4** |
| **NA** | **40** | **0.15** | **6** |
| Totals | | 1 | **40** |

1. Compute the annual salary budget for 3 West.

Compute totals for appropriate columns.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Positions | FTEs | Salary | Hours | Salary Subtotals | Amount of Benefits | Total |
| **MANAGER** | **1.0** | **$86,500.00** | **XXXX** | **$86,500.00** | **$30,275** | **$116,775** |
| **RN** | **30** | **$38.00** | **2080** | **$2,371,200** | **$829,920** | **$3,201,120** |
| **LVN** | **4** | **$26.00** | **2080** | **$216,320** | **$75,712** | **$292,032** |
| **NA** | **6** | **$15.00** | **2080** | **$187,200** | **$65,520** | **$252,720** |
| **Sec** | **2.5** | **$13.00** | **2080** | **$67,600** |  |  |
| Totals | **43.5** | **XXXXX** | **XXXXXX** | **$559,990** |  |  |

1. Your hospital unit, 3 West, is a 60-bed general medical-surgical unit. Over the past year, the ADC (Ave. Daily Census) was 53 patients.

Use the following data on 3 West during the last year to perform these calculations and answer these questions.

1. Complete this table to calculate the **actual average hours of care required per patient day** (HPPD) for the patients in 3 West. Round to the nearest tenth

|  |  |  |  |
| --- | --- | --- | --- |
| Acuity Mix | Average Hours of Care Required | Average Daily Census  (ADC) | Total Hours of Care Per Day |
| I | 1.4 | 8 | **11.2** |
| II | 3.9 | 21 | **81.9** |
| III | 5.6 | 19 | **106.4** |
| IV | 8.8 | 5 | **44** |
| Totals | | 53 | **243.5** |
| Hours per patient day (HPPD) | | **4.59** | |

1. Remember that your established personnel budget for 3 West assumes a HPPD of 6.2. If your calculated HPPD is different, explain the significance of the variance. (**If your calculated HPPD is different than 6.2, you must write more than, “We need more/less nurses.”**)

What is the Significance of the variance? If you believe you need more staff, what will be your rationale for making this requires? If you have too much staff, what would your proposal be for bringing your staffing into a better balance?

1. What are the implications for the Nurse Manager? As an example, based on your conclusions in Section B, what other observations would you make as you review your total budget and what would you expect to see as a result? (Ex: supply costs; overtime hours, average census of 50 on a 60 bed unit, etc.)
2. You have set two new goals for your unit for the next year related to personnel:

* Provide stronger unit management support on evening and night shifts and in the absence of the manager.
* Correct unfavorable efficiency variances due to overtime.

To accomplish these goals, you plan to make these changes:

* Add 1.0 RN FTE position
* Eliminate 1.5 LVN positions
* Add 1.5 FTEs NA positions
* Add 1.0 Assistant HN position at $65,000/year

**Calculate ONLY the cost of the proposed recommendations for 3 West**. Compute totals for each column. If the change represents a reduction in the budget for that category, record the total as a negative number. If it represents an increase in the budget for that category, record the total as a positive number.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Positions | FTEs | Salary | Hours | Salary Subtotals | Benefits | Total |
| RN | **1** | **38.00** | **2080** | **$79,040** | **$27,664** | **$106,704** |
| LVN | **-1.5** | **26.00** | **2080** |  |  |  |
| NA | **1.5** | **15.00** | **2080** |  |  |  |
| AHN | **1** | **65,000** | **XXXXX** | **$65,000** | **$22,750** | **$87,750** |
| Totals | **2** | **XXXXX** | **XXXXX** | **113,620** | **$39,767** | **$153,387** |

1. Assume your proposal was approved. Calculate the **new** personnel budget (You will use your budget from question 2 and account for the changes you requested in question 4). Compute totals for each column.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Positions | FTEs | Salary | Hours | Salary Subtotals | Benefits | Total |
| **Manager** | **1** | **$86,500** | **XXXXX** |  |  |  |
| **AHN** | **1** | **$65,000** | **XXXXX** |  |  |  |
| **RN** |  | **38.00** | **2080** |  |  |  |
| **LVN** |  | **26.00** | **2080** |  |  |  |
| **NA** |  | **15.00** | **2080** |  |  |  |
| **Sec** |  | **13.00** | **2080** |  |  |  |
| Totals |  | **XXXXX** | **XXXXX** |  |  |  |