



November 2005

Part II Fellowship Examination in Administrative Medicine

Case Study 5

You are the Chief Executive of a teaching hospital with a full range of tertiary services including an emergency department. You have regular meetings with the Board. At these you are expected to explain the hospital's budget position. You are forecasting a significant budget deficit that the board is reluctant to accept in view of the political requirement to balance the budget.

Using the summary of financial information below, develop a presentation that you will make to the Board at the next meeting, including the demonstration of options to balance the budget.

Financial Report	Last Financial Year (a)	This financial Year to date (b)	% Change (a vs b)	Planned Budget (\$K) (c)	% variance (b vs c)
Expenditure (\$K)	450 000	490 000	8.8	470 000	4.3
Revenue (\$K)	3 500	4 000	14.2	3 800	5.3

Manpower	Last Financial Year (a)	This financial Year to date (b)	% Change (a vs b)	Planned Manpower (c)	% variance (b vs c)
Manpower (FTE)	4800	4990	4	4800	4

Workload	Last Financial Year (a)	This financial Year to date (b)	% Change (a vs b)	Planned Activity (c)	% variance (b vs c)
A&E Attendance	40 000	46 400	16	41 600	11.5
In-patient Discharges & Deaths	20 000	22 800	14	20 800	9
Outpatient Attendance	100 000	115 000	15	104 000	8.7

For Examiner

A pass candidate would cover the following:

- Theory of cost drivers:
 - staff (FTE) , number and PE (personal emolument)
 - Other charges : drugs, new technology, consumables, equipments, utilities
- Discussion around movement in each of the following:
 - Potential causes of change in activity level – impact of increase vs decrease
 - A&E attendance
 - Outpatient attendance - specialist outpatients; general outpatients
 - In-patients - Discharges & deaths - patient types - Elective vs emergency;
 - Other potential cost as severity of patient care type, use of expensive drugs, procedure related costs
 - Activity measurement – specialty costing
 - Manpower – seniority of staff , specialists vs trainees ratios, full-time vs part-time staff
 - Revenue – local residents (Eligible person –EP) vs non-residents (Non-eligible person –NEP)
- Discussion of key performance indicators used to monitor performance of the hospital
 - This should include discussion about financial & clinical KPIs and others (eg Balanced scorecard approach) to show that quality etc as as important and on track as well as budget
- Discussion of benchmarking with other institutions – the usefulness and potential pitfalls.
- Issues identified at previous meeting with Board should also be raised.
Possible solutions to be put forward:
 - Public private partnership
 - Re-engineering initiatives
 - Clustering and rationalization of services with other hospitals in the vicinity
 - Improvement on revenue collection
 - Explore alternative sources of income (advertising , sell service , promotion)

Outstanding Candidate

Outstanding candidate should be able to clearly identify the above and present in a systematic presentation outlining the above:

- Explanation on the increase in expenditure
- Measures already carried out to control expenditure
- Control measures to further reduce the level of deficit
- Long term measures to ensure a healthy financial position