

Case Study

Objectives

- Perform variance analysis (percentage of change) between specified HIM budget line items from FY2018 and FY2019
- Develop an operating budget for the HIM department for FY2020
- Use Excel to document and submit the FY2020 operating budget
- Create formulas in an Excel spreadsheet
- Write a budget justification

Instructions

Review the following case study. Using the Excel spreadsheet template provided in the online resources at ahimapress.org, calculate variances as indicated in the scenario. Use the spreadsheet template and assumptions to complete the proposed FY2020 budget. Include formulas for calculating all affected columns in the template. Write a budget justification for presentation to a budget committee.

Scenario

As the director of HIM at University Hospital, you are responsible for developing the annual operating budget for the HIM department. You have met with your coding and transcription supervisors to discuss their area needs and get input on projected volume statistics for the upcoming fiscal year. In addition, you have access to the past two years of budget data. It is now time to develop the operating budget for FY2020. You have been instructed by the budget department to use the Excel spreadsheet provided to submit your FY2020 budget. You will attach a written justification of your finalized budget to the University Hospital Budget Review Committee.

Calculate the following (round to the nearest tenth):

1. What is the percentage of increase or decrease in the total salaries/wages/benefits for the entire HIM department from FY2018 to FY2019?
2. What is the percentage of increase or decrease in the coders' total salaries/wages/benefits for all coding positions combined (I, II, III) from FY2018 to FY2019?
3. What is the percentage of increase or decrease in the use of outsourced coding services from FY2018 to FY2019?
4. What is the percentage of increase or decrease in the use of outsourced transcription services from FY2018 to FY2019?
5. What is the percentage of increase in the ROI copying fees from FY2018 to FY2019?
6. What is the percentage of increase in the physician office coding contract from FY2018 to FY2019?

Assumptions

- Over the past two years, the HIM department coding section has been centralizing coding within the facility. The HIM coding section implemented a new CAC product in FY2019. Now that the CAC product is fully operational, the coding section is taking over the remainder of coding for the entire hospital. By the end of FY2020, all hospital and physician coding will be performed by the HIM coding section.
- University Hospital went live with an EHR for ambulatory and inpatient medical records on March 1, 2018. Prior to this, all records were scanned into a document imaging product by HIM staff. In addition, all progress notes and history and physicals are now completed within the EHR.
- All employees will receive a flat 2.5 percent increase in salary or wage for FY2020.
- The total cost for benefits for all employees is 24 percent, which is added after the 2.5 percent increase in salary and wage for FY2020.

- One new coding supervisor will be hired.
- Two additional coders for each level—coder I, coder II, and coder III—will be hired for a total of six new coders.
- The CAC product requires that organizations designate specific individuals to receive a CAC specialist certification. The two coding supervisors and three data quality specialists will receive this certification. The cost per year, per individual is \$225. Add this as a line item to the budget.
- The number of electronic management clerks will be reduced by two.
- Outsourced coding expenses are expected to increase by 15 percent from FY2019.
- Outsourced transcription services are expected to decrease by 10 percent from FY2019.
- Travel to national and state meetings will be reduced by 5 percent from FY2019.
- Office supplies expenses will increase by 10 percent from FY2019.
- University Hospital pays AHIMA dues for the HIM director, all HIM coding managers, and all data quality specialists. The level of dues is Active Membership with credential. This includes four CEU credits. Research this cost.
- The HIM department will purchase six AHIMA live webinars to provide CEUs for employees. Research this cost.
- All CAC licensing fees will increase by 10 percent from FY2019.
- Apply the percentage of increase calculated for the ROI copying fees and the physician office coding contract from FY2018 to FY2019 to FY2020.
- The HIM director, all coding managers, and all data quality specialists will need a set of ICD-10-CM, ICD-10-PCS, and CPT code books for hospital billing and coding. Coders do not need a set of books as coding resources are available within the encoding system. Research this cost. Assume the basic AHIMA membership price for books, and find the most economical way to purchase the books. Use the most recent price available.

Deliverables

1. Completed variance analysis between the FY2018 and FY2019 budgets.
2. Completed FY2020 budget using the provided Excel spreadsheet template. All totals must be completed.
3. Written budget justification to the University Hospital Budget Review Committee explaining the budget variances from previous years as well as justification for the new positions. Include reference to one researched article from a peer-reviewed journal addressing centralization of coding or implementation of CAC to support your justification. The justification should be 300 to 350 words.

Review Questions

1. Capital assets are considered to be physical assets with a useful life of more than:
 - a. Six months
 - b. One year
 - c. Two years
 - d. Five years
2. Each year at the beginning of the budget planning process, the finance department sends a list of volume projections to all participating departments. These numbers are for use in planning each department's operating budget. This is an example of what type of approach?
 - a. Bottom-up
 - b. Close-ended
 - c. Open-ended
 - d. Top-down