

Financial Statement Analysis

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## **Financial Statement Analysis**

Every unit in a healthcare organization has a budget that it must work with, and each one consists of revenues and expenses on an annual basis. This formalized and quantified financial plan informs nurse leaders what their upcoming economic outcomes and goals entail. These plans indicate expectations set out by leaders to determine organizations upcoming expected profits or losses. These budgets are financial maps used to help leaders achieve organizational goals within their specific units (Jones et al., 2019).

Financial statement analyses are utilized to exam accounting information to determine the stability of the operating strategies, value of the business and its investments, and assess the efficiency of processes and credit rating. An analysis is used to help with making financial decisions and carrying out plans for an organization. (Bragg, 2021). The utility of financial statement analyses is helpful in nurse leaders, potential investors, and creditors; furthermore, they aid in measuring the success or failures of a company's operations.

Nurse leaders and executives must be skilled in budgeting concepts and financial statement analysis as it benefits their units, employees, and the organization overall. Being proficient in these concepts helps leaders determine raises, where costs need to be cut, and which areas are the most profitable; therefore, finding ways to maximize those gains (Jones et al., 2019). Nurse leaders need to be part of the financial decision-making process and be involved in creating a financial state analysis to help the company reach its monetary goals

## **Financial Statements**

Financial statements are used to communicate data about a business's financial state and the outcomes of its economic activities (Jones et al., 2019). Common financial statements included in budgets consist of a balance sheet, an income statement, and a cash flow statement.

A balance sheet informs leadership data on the book value of their organization and provides information such as assets, liabilities, and their shareholder's equity of the business. For this sheet to be balanced, assets must equal liabilities and equity (Drury, 2021).

An income statement shows revenue data a company receives and its operating expenses. This statement provides explicit details on an organization's operations, including direct and indirect costs endured by the business. A cash flow statement depicts the overall liquidity of a company and does so by providing all cash inflows and outflows over a specific period or on an annual basis. Cash flows are usually dissected even further, showing details regarding operations, investments, and finances (Drury, 2021).

### **Cardiac Intensive Care Finances**

The organization this report analyzes has 14 beds, and the unit focuses on cardiac intensive care (CICU). The department is based on the main campus within an extensive health network with six satellite locations; two are in a central metropolitan area in Pennsylvania. The CICU unique factors influencing the financial report are nursing pay, equipment, supplies, and general expenses.

The reports received had labor statistics, various employee payroll, benefits, supplies, and miscellaneous expenses. The labor statistics section provided how many total hours were used year-to-date (YTD) and the total budget allotted for the year. The various employee payroll included the budgets for patient care managers, patient care specialists, FTE RNs, graduate RNs, imaging nurses, weekend RNs, per diem RNs, LVAD coordinators, administrative partners, and technical partners. The benefits section included payroll taxes, health and dental, pension and retirement, and other benefits. It had supplies on the unit; however, it also contained contrast media, intravenous solutions, dialysis supplies, disposable linens, lab supplies, suture products,

office supplies, maintenance supplies, food service floor stock, and minor equipment. The miscellaneous section contained laundry service, freight charges, mailing and postage, printing, storage fees, pest control, business travel, seminars and conferences, and catering services.

The data received showed a surplus in monies for supplies, equipment, travel, and nursing salary. In contrast, there is a deficit in maintenance, food service, and laundry services. Overall, it seems the institution is in a decent financial position so far but has been declining steadily because of the pandemic. The data on the financial statements indicate the unit's strength lies in nursing pay, which was a surprise, but I thought there was a surplus. The total paid FTEs was 22.27, and the budget was 27.70; furthermore, the total amount paid for FTE was \$769,599, and the budget is \$1,710,995.

### **Leadership Interview**

The landscape of nursing in healthcare is continuously changing, especially with the introduction of COVID-19. COVID-19 has forced hospitals to become overrun with patients who acquired this disease, and these facilities are bursting at the seams as they cannot keep up with the demand. Financial statements and budgets have taken a hit with the pandemic resulting in overworked employees, a lack of supplies and equipment, and decreased funding.

The individual interviewed is the administrator of nursing and patient care services who oversees 15 various units, one of which is the CICU. I questioned this person a week ago to go over the budget and financial statements for the CICU. My interpretation of the financial statements compared to the interviewer was somewhat accurate; however, they could clarify information, and I learned a lot from our conversation.

I asked the interviewee if there was a surplus in nursing salary due to the high turnover rate, and she said yes, that was correct. She explained why the network could offer incentive pay

for existing nurses because the number of RNs quitting leaves extra within the budget; therefore, this money is being used to incentivize the remaining RNs. I asked if the surplus in funds for supplies and equipment had to do with the shortage across the nation. The interviewee informed me that the hospital has the money to spend on supplies and equipment, but there is a shortage, and delivery is taking twice as long then it has in the past. Additionally, she stated that many of the supplies come from overseas, and there are more stringent restrictions because of the virus.

I asked the interviewee what she learned about negotiations between the hospital and insurers. She stated that it takes very keen negotiations skills to strike a deal with insurance companies, involving a team effort. I then asked who was responsible for the negotiations. She replied that the CEO and CFO are responsible for the talks; however, other finance executives have been involved in the process.

I did ask her what approaches the organization will take to reduce expenses. My interviewee said they are working on several different strategies; however, she was not at liberty to disclose them now but will be transparent about them once they have been approved by upper management.

### Conclusion

Basic accounting and finance knowledge is vital for nurse leaders, and they must understand the organizational budget and their unit's financial plan. If a nurse leader does not have a basic concept of finances, they will not be able to make decisions that will positively affect their unit. Having a good understanding of finances can be overwhelming and complex; however, it can be achievable with adequate training and dedication. Making sound financial decisions is critical for the success of a department and in achieving a healthy, financially stable institution.

## Reference

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