

EMMM 6540
**Budgeting for
Physicians**

Budgeting for Physician Executives I and II is an applied operating budget course. Principles of organizational budgeting are developed and used to examine the difficult planning and control decisions existing for health care providers in a managed care environment. The general objective of this course is to provide the health care decision maker with the organizational and accounting theory, concepts, and tools necessary to make better budgeting decisions. It is also expected that this course will serve to enable the student to utilize the operating budget to guide their organization towards desired economic goals and objectives.

Objective # 1: Students will examine cost behavior such that the cost structure of an organization can be managed in a meaningful manner to respond to the economic and political pressures faced by health care entities.

Objective # 2: Students will learn to manage the fixed and variable costs of a health care organization through the use of such managerial tools as pro-forma income statements, breakeven analysis, and cost-volume-profit analysis in fee-for-service and capitated revenue environments.

Objective # 3: Students will learn to mobilize management accounting information to examine the economics of service/product lines and therefore inform important managerial decisions such as make-or-buy services/products, adding-or-dropping services/products, and expanding-or-reducing services/products

Objective # 4: Students will learn the important role that budgeting plays in health care organizations. Here we will examine the different types of budgets that are part of organizational planning and control, with a particular focus on developing a detailed operating budget.

Objective # 5: Students will then learn the manner in which the operating budget serves as a form of responsibility accounting (variance analysis) to enhance decentralized management decision making and control.

Objective # 6: An important part of appreciating all of the accounting information used in organizational decision making in general, and budgeting decision making in particular, is to have some insight as to the cost allocation process. As such, students will learn some of the fundamental principles and methods governing the allocation of costs within health care organizations, with a particular focus on the cost structure gained from activity-based costing.

Objective # 7: Students will then learn the various pricing approaches that have evolved in the health care setting with a particular focus on the manner in which accounting information (knowledge of the cost structure) provides one critical piece of information to guide and enhance pricing strategies.

