



**Family Medicine
Residency Network**

www.wwaminetwork.org

W UNIVERSITY of WASHINGTON
DEPARTMENT OF FAMILY MEDICINE



**Community
Health
Association of
Mountain/
Plains
States**

The Finance Toolkit

Mike Maples, MD, with

Joel Hughes

Community Link Consulting

PO Box 276

Newman Lake, WA 99025

509-226-1393 (P); 509-869-3347 (C); 509-651-9369 (F)

joelh@communitylinkconsulting.com

www.communitylinkconsulting.com

Budget Notes

- Two pages
- Not exhaustive
- Makes some important Points
- A word about accounting Faculty expense and Resident expense, and Impact on total program Expense

Educational Health Center Initiative: Draft – Notes – Samples Budget

Some Financial Notes regarding Residency Expenses and Reporting

Revenue sources to support a residency include:

- GME - Sponsoring hospital passes money through to the residency. An agreement will define what the payment will include.
- Medicare Cost Report - Faculty outpatient time is included as a direct cost on physician's time is included on a cost report. The calculated rate will be reimbursed.
- State Medicaid - Not all states have a Medicaid reimbursement for residencies. Payment is typically made to the teaching hospital.
- Grants - Federal and State Grants (and other state budget support) may be awarded some funds and others will be awarded for Teaching Health Centers developed.

Expenses of a residency

Residencies should be separated from other programs and expenses should be Examples of expenses specific to a residency include:

- Resident Wages and Benefits (~50% of program budget)
- Faculty time spent in a classroom setting or administering the non-patient care

What should it cost?

- The answer: \$150,000 to \$185,000 in FM
- Why is there so much variation in reported numbers?
 - Wide variation in size and format of programs
 - Programs with allocated expense that cannot be controlled
 - Variable sophistication in ability to capture and report true costs
- But the biggest factor.....

Accounting for Faculty Expense and Clinical Revenue

- Points worth (re)making:
 - Billing for Resident service would likely be considered FRAUD: they have no credentials, may not be licensed...and Mcr & Mcd will make the argument that they have already paid for them.
- There is no clinical revenue for the program
- Though a faculty doctor performing service based teaching may LOOK like an Educational expense... He/She is a Clinical expense.

What about indirect expenses?

- They exist
 - ...in most settings. The Board needs to understand that this is not a more efficient model of care.
- Nobody pays those currently.
- THC may pay for those. (ACA says so)



Chart of Accounts

Two pages:
 • Example only
 • Could be simplified
 Depending upon the
 Organization.

Example		Chart of Accounts	
General Ledger		Programs	When you begin a residency add to your COA is Residency
1000	General Checking	1 Medical	
1030	Investments	2 Dental	
1070	Petty Cash	3 Pharmacy	
1210	Grants Receivable		Expenses would include the materials, faculty time spent (example). Facility and Admin ratio of each program total to
1250	Pledges Receivable	4 Residency	
1310	Accts Receivable	8 Facility	
1315	Allowance for Bad Debt	9 Admin	
1510	Prepaid Expense		
1810	Furniture & Equipment	Sites	
1815	Accum Depr (F&E)	10 Happy Valley Community Health	
1820	Land	20 Friendly Faces Health Center	
1830	Buildings & Improvements	30 Joyful Family Health Center	
1835	Accum Depr (Buildings)	40 Lot's of Smiles Dental	
1841	Leasehold Improvements		
1845	Accum Depr (LHI)		
2000	Accounts Payable		
2200	Salary and Wages Payable	Departments	
2310	FIT Payable	100 General Medical	For detail breakdown of subs adding a department called r well on the UDS
2320	FICA Payable	101 Physicians/Faculty	
2340	State L&I Payable	102 Psychiatrist	
2410	Medical Premiums Payable	103 PA	
		104 ARNP	

Budget

- Three pages
- Mock up of a realistic scenario
- Contains a crosswalk to the Medicare Cost Report

Example

Budget

			Medical		Dental
Account Code	Account Title	Debit Balance	CR Line	GR Line	
4,100	Contributions	500,000			
4,110	Contributions - In-Kind	5,000			
5,100	Grants	1,565,000			
6,100	Fee For Service	5,936,031			
6,200	Capitated Revenue	81,000			
6,300	Interest & Dividends	31,831			
7100-101	Salary & Wages (Admin)	745,680			
7100-102	Salary & Wages (Physician)	900,000	1	900,000	
7100-103	Salary & Wages (PA)	450,000	2	450,000	
7100-104	Salary & Wages (ARNP)	-	3	-	
7100-105	Salary & Wages (RN)	224,640	5	224,640	
7100-106	Salary & Wages (MA)	133,120	9	133,120	
7100-107	Salary & Wages (Dental)	499,200		52	499,200
7100-108	Salary & Wages (Pharmacy)	120,000			
7100-109	Salary & Wages (Residents)	200,000			
7200-101	PTO Expense (Admin)	1,500			
7200-102	PTO Expense (Physician)	1,350	1	1,350	
7200-103	PTO Expense (PA)	750	2	750	
7200-104	PTO Expense (ARNP)	-	3	-	
7200-105	PTO Expense (RN)	850	5	850	
7200-106	PTO Expense (MA)	500	9	500	
7200-107	PTO Expense (Dental)	1,800		52	1,800
7200-108	PTO Expense (Pharmacy)	450			
7200-109	PTO Expense (Residents)	350			
7210-101	Employer's FICA (Admin)	57,045			
7210-102	Employer's FICA (Physician)	68,850	1	68,850	
7210-103	Employer's FICA (PA)	34,425	2	34,425	
7210-104	Employer's FICA (ARNP)	-	3	-	
7210-105	Employer's FICA (RN)	17,185	5	17,185	
7210-106	Employer's FICA (MA)	10,100	9	10,100	

NOTE: Typically the GL won't include separate accounts for each department. This is a redundancy, however for

CHC Medicare Cost Report

- Two pages
- Shows allowed, allocated, and un-allowed expenses

Sample Medicare Cost Report For Period

COST CENTER	COMPEN- SATION	OTHER	TOTAL	RECLASSI- FICATIONS	RECLASS TRIAL BALANCE	ADJUST. INCREASE (DECREASE)
	1	2	3	4	5	6
FACILITY HEALTH CARE STAFF COSTS						
1 Physician/Faculty	900,000	142,810	1,042,810		1,042,810	
2 PA	450,000	67,200	517,200		517,200	
3 NP	-	-	-		-	
5 Other Nurse	224,640	42,646	267,286		267,286	
6 Psychologist	-	-	-		-	
7 LCSW	-	-	-		-	
8 Lab Tech	-	-	-		-	
9 Medical Assistants & Other	133,120	32,283	165,403		165,403	
10	-	-	-		-	
11	-	-	-		-	
12 SUBTOTAL - Facility Health Care Staff (Lines 1 - 11)	1,707,760	284,939	1,992,699	-	1,992,699	-
COSTS UNDER AGREEMENT						
13 Physician Services Under Agreement	-	48,000	48,000		48,000	
14	-	-	-		-	
15	-	-	-		-	
16 SUBTOTAL Under Agreement (Lines 13-15)	-	48,000	48,000	-	48,000	-
OTHER HEALTH CARE COSTS						
17 Medical Supplies	-	137,280	137,280		137,280	
18 Travel/Training (Hlt care staff)	-	168,200	168,200		168,200	
19 Depreciation - Medical Equipment	-	120,000	120,000		120,000	
20 Professional Liability Insurance	-	30,580	30,580		30,580	
21 Other Medical Direct	-	16,400	16,400		16,400	
22 Dues / Licenses	-	61,500	61,500		61,500	
22.01 Medical Equipment Related	-	138,000	138,000		138,000	
23 Transcription	-	37,740	37,740		37,740	
24 SUBTOTAL - Other Health Care Costs (Lines 17 - 23)	-	709,760	709,760	-	709,760	-
25 TOTAL COST OF SERVICES, Lines 12, 16, and 24)	1,707,760	1,042,639	2,750,399	-	2,750,399	-
FACILITY OVERHEAD - FACILITY COST						
26 Rent	-	360,000	360,000		360,000	
27 Insurance	-	30,000	30,000		30,000	
28	-	300,000	300,000		300,000	