**Forecasting Assignment**

**Budget Forecasting for SLMC’s Cardiac Unit**

 Forecasting plays a crucial role in identifying shortcomings in budget allocation, potential risks in future and possible pitfalls in resource management in health organizations (Slyter, Hernandez, Borkowski & Smith, 2017). In the healthcare industry, forecasting involves projecting the probable occurrences in future and embarking on strategic responses that minimizes the risks and costs of these outcomes while maximizing benefits and revenues. Thus, the primary intent of this paper is to provide a forecast for the SLMC cardiac unit, the best budget strategies for the unit, the underlying variances and the key concepts revolving around the budgeting strategies. Finally, the paper will give a concluding statement regarding the SLMC’s cardiac unit forecast.

**Key Concepts**

According to Pentecost (2016), forecasting in healthcare revolves around four main concepts which include variance and trend analysis, corrective action plans and change initiatives. However, these four concepts have a fundamental pillar which requires that the forecasting task should focus on suggesting interventions that will lay new structures or restructure existing plans to suit market uncertainties (Pentecost, 2016). Regarding trend analysis, the healthcare manager should focus on studying the consistent phenomenon and shift in patient behavior to forecast the most probable future. In variance analysis, the manager examines the degree of disparity between the planned and actual occurrence. For instance, if the hospital allocated $10000 for patient care but ends up spending $11500, the variance is $1500 (11500-10000= 1500). A manager can analyze these variances over time to inform future decision making (Heering &Mennella, 2017). Change on the other hand refers to alterations in the internal budget However, this concept in broader terms can refer to shifts in roles, scope of practice, resources etc. The change can be an increase or a decrease in budget (Patel et al., 2012).

**Supporting Evidence**

Patel et al (2012) explain a trend as either a predictable or unpredictable but consistent change in behavior or performance in the healthcare system. Trends in healthcare arise from unbalanced nurse-patient ratios, large numbers of uninsured patients, poor methods of service delivery and increased period of hospitalization (Heering &Mennella, 2017). In healthcare organizations, trends a crucial tools used in identifying appropriate flexible budgets. The flexible budgets help in alleviating the internal variances in the health care delivery models. The variances in the delivery of health services arise from changes in procedures and policies, shift in technology, new equipment and change in quality of services (Heering &Mennella, 2017). It is important to note that these forces can have ripple effects that amplify the variances. For instance, a shift in technology can lead to lower demand for human labor and hence few nurses are employed and some are laid off. These changes in labor force amplify the variances in the healthcare environment (Heering &Mennella, 2017).

 Hughes, Bobay, Jolly and Suby (2015) states that change has a direct impact on organizational budget forecasting. According to these authors, changes such as reducing nursing staff and overloading others can have a negative impact on budget forecasting. However, the authors note that substituting a nurse with a new one for the next shift would have had positive impacts on the flexible budget. Therefore, the authors recommend that the healthcare manager should identify the forces causing the change and implement a corrective action to stop these negative changes. According to Harvey and Lemaire (2015), a corrective plan is a step-by-step action template that guides the managers on how to respond to the identified deficiencies, disruptive factors and causative agents. The manager then ensures that the problems identified will not recur in future.

**Budget Strategies**

 A strategy is an action of a plan that is specifically designed to achieve a pre-set target. According to an article published by the AxiomEPM (2015) group, there are five strategies to budgeting. The first approach is to use detailed budget history, multi-year plans and rolling forecasts. In this way, the manager is able to track trends in monthly, yearly and seasonal basis. The first approach focus on the short-term outcomes (usually 0-24 months). The second approach involves the use of statistics in designing ‘what if’ models. That is, the manager uses data on average daily census, patient influx, nurse-patient ratio, changes in dollars/hour as volume increases and other related statistics to design models that answer the question ‘what if.’ The third approach is utilizing line analytics in refining projections for the future. The fourth and fifth approaches include promoting inter-departmental sharing of information and cultivating a feedback culture in the internal and external environments. In this way, the healthcare manager is able to project future budgets more accurately and precisely.

**Conclusion**

This paper identifies the key concepts concerning the budget projection in the cardiac unit. Healthcare managers can use this information to inform the process of budget forecasting the SLMC’s cardiac unit. The most appropriate concept for this case is trend analysis. The managers at SLMC cardiac unit should analyze trends such as fluctuations in nurse hours, patient influx and the cost of services (in dollars/hour). The manager should then follow the five approaches outlined in the budget strategies section. These include analyzing trends, designing ‘what if’ models, utilizing line analytics, enhancing inter-departmental flow of information and feedback acquisition. In this way, the manager will not only forecast future budgets accurately but also improve service delivery in the SLMC’s cardiac unit.

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