

medhq<sup>+</sup>



# ASC Budgeting



# MedHQ Presenters

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# Agenda

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- **Business Planning and Setting Goals** – For the Next Year
- **Budget Process and Spreadsheet** – Methodological Forecasting Based on the Business Plan and Goals for the Upcoming Year
- **Budget Review and Timeline** – Assessment of Reasonability and Recommended Timeline



# Business Plan and Goals



## Create a realistic plan

### **For Micro factors, look at the current status of the ASC:**

- Physicians – Case Volume and Case Specialty Changes
- Replacement Equipment / Expansion
- Current Payor and Vendor Contracts

### **For Macro factors, consider the situations outside the ASC:**

- Competition
- Payor Changes
- Regulatory Changes

# Budget Process

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- Based on current year or trailing twelve months (TTMs) actuals, the lead accountant sends key operational input worksheet to the ASC administrator.
- The administrator will complete these five key operational inputs:
  - Case volumes
  - Labor hours and rates
  - Fixed expense changes
  - Capital expenditures
  - Inflation factors (known pricing changes)
- MedHQ converts key operational inputs into Financial Budget.



# Forecasting Case Volumes



Based on the planning and forecasting in Step 1, estimate the case volume for the next year

Case Specialty	Actual YTD or TTM Volume	Change Expected	Budgeted Volume
<b>Pain Management</b>			
Doctor A	110	11	121
Doctor B	9	1	10
Doctor C	47	5	52
<b>Total Pain Management</b>	166	17	183
<b>Podiatry</b>			
Doctor D	22	2	24
Doctor E	70	7	77
<b>Total Podiatry</b>	92	9	101
<b>Urology</b>			
Doctor F	36	12	48
<b>Total Urology</b>	36	12	48

# Estimating Labor Hours and Rates

## Payroll Hourly/Salary – Two Tabs

- Driven by case volumes
- How many hours worked do we need?
- Clinical vs. administrative employees
  - Weekly hours, pay rates
- Flexible scheduling (part-time, per diem)

## Salaried

Position	Name	Status (S/NS)	Paid Hours/Week	Current Annual Salary	Current Hourly Wage Rate	FTE	Annualized FT Wages	Pay Increase %	Total Wages
Admin	Employee X	S	40	\$150,000	\$72.12	1.00	\$150,000	3.00%	<b>\$154,500</b>
Dir-Nurs	Employee Y	S	40	\$110,000	\$48.08	1.00	\$110,000	3.00%	<b>\$113,300</b>

## Hourly

Position	Name	Status (S/NS)	Paid Hours/Week	Current Annual Salary	Current Hourly Wage Rate	FTE	Annualized FT Wages	Pay Increase %	Total Wages
RN	Employee A	NS	36.08	\$90,000	\$43.50	0.90	\$55,702	3.00%	<b>\$84,061</b>
RN-Cir	Employee B	NS	1.85	\$43,000	\$41.28	0.80	\$100,464	3.00%	<b>\$70,751</b>
Surg-Scrub-Tech	Employee C	NS	40	\$77,000	\$37.14	1.00	\$112,923	3.00%	<b>\$79,569</b>
RN	Employee D	NS	21.29	\$39,000	\$37.40	0.53	\$93,600	3.00%	<b>\$42,647</b>
Scrub-Tech	Employee E	NS	20	\$69,000	\$33.28	0.50	\$83,200	0.00%	<b>\$34,611</b>
Billing	Employee F	NS	1.64	\$17,000	\$39.59	0.40	\$64,480	3.00%	<b>\$ 33,927</b>
Rad-Tech	Employee G	NS	40	\$61,000	\$29.38	1.00	\$47,133	0.00%	<b>\$61,110</b>

# Fixed Expenses Changes

Acct #	Fixed Expenses	Actual TTM \$ / Month	Increase / (Decrease) \$ / Month	or	%	Budgeted \$ / Month
<b>Professional &amp; Labor</b>						
61100	Medical Director	\$3,000	\$1,000	or		\$4,000
<b>Facility (Non-Medical Equipment) Maintenance</b>						
63100	Maintenance Contracts	\$15,399		or	1%	\$15,553
<b>Facility Cost</b>						
64100	Rent or Lease Expense	\$31,797		or	4%	\$33,068
64150	Operating Costs	\$10,715		or		\$10,715
64200	Telephone Expense	\$2,903		or		\$2,903
64310	Utilities Expense	\$8,028		or		\$8,028
64315	Facility Repairs & Maintenance	\$961		or		\$961
64320	Storage Fees	\$65		or		\$65
<b>Purchased Services</b>						
65500	Janitorial	\$3,288	\$(500)	or		\$2,788
<b>Miscellaneous</b>						
70100	Advertising Expense	\$153		or	5%	\$161
70300	Bank Charges	\$23		or		\$23
70350	Charitable Contributions	\$283		or		\$283
71100	Client Relations	\$175		or		\$175
71200	Dues & Subscriptions	\$1,559		or		\$1,559
71300	Education & Development	\$978		or		\$978
71400	Employee Relations	\$2,213		or		\$2,213
73200	Insurance - General Liability	\$2,643		or		\$2,643
73201	Insurance - D & O	\$1,500		or		\$1,500
74100	License & Misc Tax Expense	\$2,246		or		\$2,246



## Capital Expenditures – Equipment and Building Improvements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>Additions Budgeted</b>													
Item													
Scopes		20,000											\$ 20,000
Furniture					10,000								\$ 10,000
<b>Total Assets</b>	-	20,000	-	-	10,000	-	-	-	-	-	-	-	\$ 30,000

## Inflation Factors

Budget Year Inflation Factors:	%
Direct Supplies	3.00%
Non-Direct Supplies	2.00%
Other Applicable Variable Expenses	3.00%
Net Revenue	2.50%
Fixed Expenses	3.00%

# Budget Review

- **Financial Review – Do Numbers Make Sense?**
  - Case Mix
  - Revenues / Revenue Per Case
  - Supply Costs / Supply Costs Per Case
  - Labor Costs / Labor Costs Per Case
- **Overall Review**
  - Case Volume Growth %
  - Supply Cost as a % of Net Revenue
  - Labor Cost as a % of Net Revenue
  - Operating Income Growth %
  - Monthly Seasonality
  - Syncs with Business Plan and Goals

Key Metrics Summary	Budgeted	Actual TTM	Variance	Variance %
Cases	4,292	3,933	359	<b>9.1%</b>
Net Revenues	\$21,081,201	\$15,497,273	\$ 5,583,928	<b>36.0%</b>
Net Revenue / Case	\$4,911	\$3,940	\$971	<b>24.6%</b>
Supplies	\$7,855,793	\$5,980,085	\$ 1,875,708	<b>31.4%</b>
Supply/Case	\$1,830	\$1,520	\$310	<b>20.4%</b>
Supplies % Net Revenue	37.3%	38.6%	-1.3%	<b>-1.3%</b>
Labor	\$4,813,761	\$3,531,773	\$1,281,988	<b>36.3%</b>
Labor/Case	\$1,121	\$898	\$223	<b>24.9%</b>
Labor % Net Revenues	22.8%	22.8%	0.0%	<b>0.0%</b>
EBITDA	\$5,216,247	\$3,445,261	\$1,770,986	<b>51.4%</b>
Operating Margin	24.7%	22.2%	2.5%	<b>2.5%</b>
Net Income	\$5,068,068	\$3,293,567	\$1,774,501	<b>53.9%</b>

# Budget Timeline

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- Budget Business Plan and Goals (October)
  - Analyze Micro and Macro Factors
  - Think About Business Plan For Next Year
- Complete Budget Spreadsheet (November)
  - Project Case Volumes By Surgeon
  - Supply/Labor Costs Needed To Support Volumes
  - Fixed Costs Changes
  - Capital Expenditures
- Budget Review (December)
  - Is Budget Reasonable?



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Questions?



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