**Part 3: Financial Plan to Implement Goals/Objectives**

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**Introduction**

From part 2, Children Hospital Los Angeles’ (CHA) mission is to enhance kids’ and adolescent health and well-being in an atmosphere of love, empathy, and respect for human beings through integrating medical treatment, preventative services, health education, and research. Its vision is to provide a family-friendly atmosphere where every youngster may feel comfortable seeing a doctor. When we try to deal with visual problems and blindness every day, our patients and family may trust in their place. In this regard, CHA serves its customers with passion and purpose, giving the best of products and services required. With a financial plan, CHA can effectively implement the goals and objectives created in Part 2 of its strategic plan. Therefore, the following presents the deliverables for CHA’s financial plan, including the firm’s projected budget for three years.

**Projected Budget Elements**

A budged is defined as an estimation of revenues and expenses over a given time in the future. Since a budget projects a future point, it is regarded as a plan. It is an integral aspect of running any business effectively, whether it is a public, private, or for-profit organizations. Also, a budget projection details an organization’s expected revenues, expenses, cash flows, profit, as capital outlay. The first component of a projected budget is revenues, which is the money that a business expects to make from its sales of products and services. Usually, there are two major constituents of the estimated revenues, including cost of goods and sales forecast. With a new business-like CHA, using similar local healthcare figures can assist in creating its projected revenues. However, whether it is a new or established business, maintaining realistic figures remain fundamental in preventing over-estimation of financial gains. The other component is expenses, which fall under two broad categories: fixed and variables expenses.

When the business makes a similar amount of money regularly, such expense is known as a fixed cost. Other examples of this type of expense include rent, salaries, insurance premium, or accounting fees. Hence, factoring these costs into the projected budget is essential because they set aside the financial resources required in covering the business’ expenditures. Fixed expenses also form an excellent reference area to check for issues if the company’s finances do not go as planned. On their part, variable costs refer to expenditures that fluctuate over time. Examples of these costs may include cost of raw materials, direct costs, and utility expenses. These costs are equally important because they affect the amount of revenues a business will generate. In other words, considering them will help the management to maximize profits. Another category of expenses often cited include one-time costs, which the organization might incur in any given time. For instance, they might include costs of replacing broken things in the company.

Profit is another central element of the projected budget. It is found by subtracting the organization’s estimated expenses from revenues. A rise in profits will imply that the firm is growing and vice versa. Once an organization’s projected profits have been established for a particular period, the management can decide how much to invest in different functions and areas. For instance, part of the profits can be invested in marketing the company’s products. Clearly, a projected budget is a roadmap for a business. In particular, it helps business owners and leaders predict the cash flows, recognize functional areas that require attention, and run the business smoothly (Finkler, Smith, & Calabrese, 2018).

**Capital Expenditure/ Contingency Planning**

Capital expenditure differs significantly from other types of expenses, such as operational costs. It refers to the funds spend to buy or upgrade an organization’s fixed assets, including real estate, equipment, and buildings. The costs involved in capital expenditures usually create a need for planning in advance. With successful capital expenditure planning, firms require to prioritize, manage risks, and maximize timing of capital expenditures. The different tools used for capital expenditure include payback period, return-on-investments, net present value, among others. No matter how efficient a company plans ahead, unexpected events will always happen. Therefore, capital expenditure planning can help in addressing unexpected events and expenses. On its part, contingency planning deals with unexpected monetary issues, which often arise abruptly. Thus, it prepares the business for unforeseen events, which might alter its spending. As such, it seeks to reduce the impact of significant unexpected events and offering a roadmap for how the company can promote its operations. The process of contingency planning entails recognizing how things might go wrong, knowing the possible impacts of sudden events, designing a plan to cope with such events, and instituting strategies to address future risks before they occur (McKinney,2015; Oliver, 2000).

**Strategic Plan Model**

As discussed in Part 2, companies repeatedly seek methods to better their activities. They remain relevant and, most all, lucrative. But, just by wanting it does not mean getting better. It requires strategies to apply a technique and then a model. No surprise, the so-called strategic planning models are available. They are good for companies, large and small, and help with the detailed and organized planning of projects and the implementation of organizational targets. Once a goal has been chosen, an organization moves to plan the model to execute effectively. A strategic planning model is how an organization implements its strategy and plans to enhance operations and improve its objectives. They achieve it by knowing what the firm wants and how it believes these objectives would be completed soon. For CHA, the strategic planning approach used is the problem-based paradigm.

An issue-based model is the next step from the fundamental model for strategic planning (also known as goal-based). It expands on the basic model and is designed for more established firms. The models emphasized are more thorough and the most popular. One of these models is using a SWOT analysis, which stands for ‘strengths, weaknesses, and threats. As such, a SWOT analysis tells a business to discover and assess its internal and external issues, which affects the production of products and services. Next is the the mission declaration and then the planning, budgeting, and planning of the implementation process. Lastly, the firm might want to follow the outcomes, report on its development after a year, and make changes as necessary to guarantee a high level of business success.

**Budget Assumptions**

The following are CHA’s budget assumptions, also attached in the excel file attached.

* Increase in revenue/year by 5.00%
* Increase in salaries/year by 2.50%
* Increase in supply expense/year by 5.00%
* Travel as a % of revenue by 0.60%
* Maintenance as a % revenue by 1.00%
* Contracts as a % of revenue by 1.00%
* Marketing as a % of revenue by 0.50%
* Miscellaneous as a % of revenue by 1.00%
* Salaries as a % of revenue by 60.00%

**Strategies to Increase Volume**

The following are CHA’s strategies to increase volume, also included in the attached excel file:

* Buying and installing a new MRI.
	+ With a new MRI in the hospital, the organization will open more doors to creative and innovative solutions that can enable it to build value that will drive more clinical, organizational, and operational gains.
	+ It will also provide long-term alternatives in reducing expenses
	+ Further, it will address organizational-specific and strategic aspects of what value means to the company and its customers.
* Training or hiring more workers to operate the new MRI.
	+ Training/hiring more employees to operate on the new MRI will also help the firm to increase volume, particularly as the workload will reduce.
	+ More skills workers will also increase customers’ value for money, attracting more customers to the facility.
* Increasing marketing to the medical staff.
	+ With this strategy, the facility will expand services and products to customers.
	+ It will also encourage positive reviews and give patients convenient ways to obtain care.
	+ This strategy will also help CHA to ensure constancy in its outreach to trained and highly experienced physicians.

References

CHLA. (2021). About us. https://www.chla.org/about-us

Finkler, S. A., Smith, D. L., & Calabrese, T. D. (2018). *Financial management for public, health, and not-for-profit organizations*. CQ Press.

McKinney, J. B. (2015). *Effective financial management in public and nonprofit agencies*. ABC-CLIO.

Oliver, L. (2000). *The cost management toolbox: a manager's guide to controlling costs and boosting profits*. Amacom Books.

Appendix 1: CHA’s Strategic Planning

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| --- | --- | --- |
| *Children's Hospital Los Angeles*  |  |  |
|  |  |  |  |  |  |  |  |
|  **Strategic Planning Spreadsheet** |  |  |  |  |
| **Diagnostic Imaging**  |  |  |  |  |  |
|  |  |  | **Purchase &** |  | **Hire & Train** |  |  |
|  |  |  | **Install** |  | **Staff** |  |  |
|  |  |  | **MRI** |  |  |  |  |
| **Revenue** |  |  | **Year 1** |  | **Year 2** |  | **Year 3** |
|  |  |  |  |  |  |  |  |
| CT |  |  | $1,000,000 |  | $1,050,000 |  | $1,102,500 |
| MRIs |  |  | $5,500,000 |  | $5,775,000 |  | $6,063,750 |
| General diagnostic |  | $4,000,000 |  | $4,200,000 |  | $4,410,000 |
| Interventional |  | $7,500,000 |  | $7,875,000 |  | $8,268,750 |
|  |  |  |  |  |  |  |  |
| **Total revenue** |  | $18,000,000 |  | $18,900,000 |  | $19,845,000 |
|  |  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Salaries |  |  | $10,800,000 |  | $11,340,000 |  | $11,907,000 |
| Supplies |  |  | $2,700,000 |  | $2,835,000 |  | $2,976,750 |
| Travel |  |  | $108,000 |  | $113,400 |  | $119,070 |
| Maintenance |  | $180,000 |  | $189,000 |  | $198,450 |
| Contracts |  |  | $180,000 |  | $189,000 |  | $198,450 |
| Marketing |  |  | $90,000 |  | $94,500 |  | $99,225 |
| Miscellaneous |  | $180,000 |  | $189,000 |  | $198,450 |
|  |  |  |  |  |  |  |  |
| **Total expenses** |  | $14,238,000 |  | $14,949,900 |  | $15,697,395 |
|  |  |  |  |  |  |  |  |
| **Net profit** |  |  | $3,762,000 |  | $3,950,100 |  | $4,147,605 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Capital outlay** |  | $2,500,000 |  | $0 |  | $0 |