
Key Features of a Budget and Why It is Importance in Health Care and Decision Making in Hospitals

Five key aspects of a budget and their influence on decision making

Budget is an itemized summary written down to decide on how an individual or institution will spend its money in a year or for a specified period of time (Wetherbe, Montanari, 2013). The following are some of the key aspects of a budget and how they influence decision making in hospitals and health care centers.

Income: This includes health care sales, dividends, interests and any other type of capital gained by the health care. These should be captured while writing a budget to show the total amount of money the health care earns annually or for stipulated period of time.

Expenses: All the monthly expenses are written down to help the health care to know how much it spends. Unexpected expenditure are cut and a fixed monthly variable set to ensure that the health care does not spend much in areas with no impact.

Overhead and Production: This influences the health care on the costs needed to pay for labor, materials, machinery while purchasing a product or service. These are marked as production costs while the rest such as office supplies, phones etc. marked as non- production costs.

Totals: This is the total amount which shows how an institution is doing monthly and for the year. It includes the total income and expenses and it helps to know the performance of the company and which area should be improved.

Projections: This acts as a predictor. It shows the end results if the same trend continues throughout the year, if the income and spending levels are not altered (Wetherbe, Montanari, 2013).

Conclusion

Health cares need a budget to make sure they have enough funds throughout the year and that they do not run out of money. They should use the budget aspects to set future goals for the business and follow the steps to achieve them.

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