Financial Management for Nurse Managers Merging the Heart with the Dollar 5th edition Leger Test Bank

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Chapter 2: The Economics of Health Care

1. **Although health care once derived its processes almost solely from its mission, healthcare services today seek to fulfill their mission while also balancing their profit margins. Explain how this balance relates to the role of a nurse leader and what aspects of the healthcare business nurse leaders must consider in order to maintain this balance.**

   Health care today is a business, which requires the balancing of competition, regulation, profit motive, and quality patient care. Historically, the focus of health care had been on the mission of the institution. However, the focus today is the profit margin. Nurses are an important contributor to the financial status of a hospital. An important part of the nurse leader's job is to communicate with key nonprovider hospital decision makers, such as the chief financial officer, to talk about the hospital's economic status.

   Macroeconomics is the study of the economy or market system on a large scale. Measures such as inflation, tax policies, and stock exchange rates are all contributing factors to the healthcare decision-making process. The complexities of macroeconomics on the healthcare sector are important but are often overlooked or undervalued.

2. **Describe the importance of quality of care and its effect on the economics of a healthcare institution.**

   Competition within the healthcare industry motivates decision makers to restrict expenses and maximize revenue while providing a high quality of care. Healthcare organizations must be strategic to optimize profit through contract negotiations, reduce expenses with delivery of care, and maintain patient satisfaction through the application of technology alongside a caring approach. One theory within healthcare economics suggests that better provision of care service results in better patient outcomes. When a hospital's patient outcomes are good, their reimbursement payments will be higher. Because of their competition with other providers, all healthcare operations are incentivized to provide the best patient outcomes in order to maximize their reimbursement and performance.

3. **What are some examples of how a nurse executive might demonstrate competency in the areas of microeconomics and cost accounting?**

   The ability to analyze supply and demand data helps nurse executives to ensure that the supply in health care will meet the demand of healthcare needs. The ability to analyze financial statements plays a key role in identifying company strategies, analyzing current profitability and risk, and identifying the current economic characteristic of the healthcare company. Thirdly, the ability to articulate business models based on economics, strategy, and business planning is another mastery component for the nurse executive. Lastly, creating and developing future business skills sets in other leadership team members demonstrates an understanding of the long-term benefits of economic training.

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4. **Identify the system change that occurred which increased the quality of care provided by healthcare systems.**

   The change from a system loosely concerned with quality of care to a system that now prices their services strategically while competing on quality has resulted in a cost-conscious era in health care. Healthcare systems now compete to provide services which are a balance between cost reduction and quality of care.

5. **Name three measures taken by healthcare systems to successfully adapt to external competitive threats.**

   Organizations make an effort to optimize profit through pricing strategies and contract negotiations. They also reduce expenses through decisions about the delivery of health care, such as personnel, supplies, and equipment, and by achieving reimbursable patient outcomes by satisfying consumers through both high-tech and caring approaches. It is believed that institutions with a pattern of good patient outcomes will survive while lower-performing institutions will not.

6. **Describe the rationale for regulating health care through managed care in the United states.**

   The healthcare system in the United States is among the most competitively driven in the world, but also faces huge regulatory demands and complicated reimbursement algorithms. Managed care was initiated to reduce healthcare costs to consumers through the restriction of resource allocation and to improve the overall health of individuals. Managed care has reduced healthcare costs by tying clinical decisions to economic decisions. With managed care, the physician, advanced practice nurse, or hospital provides covered services at a discounted rate in exchange for a steady revenue stream. The overall goal of managed care is to make the patient a better healthcare customer and places a higher burden of prevention and wellness on the patient. Additionally, managed care reduces and eliminates unnecessary services, tests, and procedures.

7. **Bradford Gray (1991) discussed the importance of stakeholders in health care. He wrote that one should ask *why a hospital exists*. Describe why you think that hospitals exist.**

   A hospital exists to satisfy the needs of its various stakeholders, such as physicians, nurses, and technicians, as well as patients and their families. They also satisfy the needs of consumers, researchers, schools of medicine and nursing, and the community. On the other hand, a hospital is also a business entity that responds to the demands of its

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stakeholders. Examples of these demands include the volume and morbidity of patients, requests from physicians and nurses, training opportunities, and profit.

8. **What do the following acronyms represent? What do they mean?**

   IO: IO stands for "investor owned." This term refers primarily to privately owned healthcare organizations that operate according to a "for profit" business model.

   NFP: NFP stands for "not-for-profit." This term refers to healthcare organizations that do not pay taxes and cycle their profits back into the organization rather than distributing profits to shareholders.

9. **The Hippocratic Oath is an oath of ethics derived from Greek medical texts and is historically recited by physicians. It requires a new physician to swear to uphold specific ethical standards and *to do no harm*. How does this apply to the philosophy of health care today?**

   The Hippocratic Oath, which states *to do no harm,* was a reflection of the times in which the goal was to be absent of disease. In today's health care, the consumer expects an improved state of health and, more specifically, the avoidance of increased morbidity as a result of seeking health care.

10. **Healthcare costs to society are underreported and understudied. Identify two costs to society regarding healthcare services.**

    Some costs to society include the alternative use of hospital resources in a community, which could otherwise be used to feed the poor or provide housing for homeless individuals. Additionally, consumption of a tax basis for not-for-profit hospitals, lost time and productivity for employers when employees are ill, and unreimbursed expenses related to caring for the uninsured and underinsured are some other costs to society associated with healthcare services.

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