

Healthcare Costs

Student's Name:

Institutional Affiliation:

Healthcare Costs

Across the United States, there is a substantial annual cost increase within healthcare centers. Various factors drive the increasing healthcare costs. Firstly, the patients' lifespan is increasing as they age and become more ill every day. Most of these patients have chronic conditions that drive up costs of hospital facilities and medical spending. Therefore they utilize many hospital services than in the past years. This factor affects both the inpatient and outpatient facilities, whereby the hospital ends up overpopulated with more patients than the number of nurses attending to their medical needs (Langabeer & Helton, 2016). Secondly, there is a growing rate of the capital budget in healthcare centers because the cost of medical equipment and technology continues to rise every day. When new technology or treatment comes on the market, medical professionals usually replace it with the existing one. The doctors demand the latest treatments even with little or no proof that they are better. The newer treatments that require surgeries for patients are very high, leading to overpaying (W.L. Langabeer & Helton, 2017).

Thirdly, labor costs of employees such as nurses and physicians have steadily increased due to market shortages for these positions. The institutions focus more on paying these professionals rather than improving the inpatient and outpatient services. Another factor is the emphasis on case managed care, which diminishes and shifts in practice instead of being a professional model. Lack of proper maintenance of hospital facilities cost more on replacing and repairing the equipment. Also pharmaceutical prices with health treatment plans increase continually to cover high development and research expenses. Specialty drugs used to treat chronic conditions or drugs are experimental therapies that use genetic data to provide highly

personalized and targeted treatment. These medications' complex state makes them very expensive to advance and dispense to patients (Karuppan *et al.*, 2016).

As a healthcare professional, I would like to work at Duke University hospital in North Carolina. The hospital relies on patient care revenues from government programs, direct payment from patients, and commercial insurance since it is a private non-profit institution. The following is the financial structure of the organization that was compiled in a balance sheet in 2020 and represented thousands:

Assets	
Current assets:	
Currency and cash correspondent	\$ -
Receivable accounts, net from patients	324,074
Other receivables	18,670
Supplies and drug inventories	88,000
Short-term investments	-
Assets to be liquidated	-
Other assets	110,000
Total up-to-date assets	530,744
Assets to be liquidated	-
Investments	-
Equipment and property, net	11,000,000
Right of use operating lease assets	6,000
Other non-current assets	-
Total assets	\$ 11,036,744

Net assets and liabilities	
Current liabilities	
Payable accounts	\$ 106,697
Accrued wages, vacation, and salaries payable	92,203
Estimated third-party payer reimbursements, net	222,015
A recent portion of post-employment and postretirement benefits responsibilities	-
Indebtedness recent amount	-
Finance lease liabilities current amount	2,900
Current amount of operating lease liabilities	2,124
The latest part of estimated professional liability budgets	-
Other present liabilities	14,066
Total up-to-date liabilities	440,005
Postemployment and postretirement benefit obligations, net of the existing portion	-
Indebtedness, net of the recent portion	-
Finance lease liabilities, net of the recent portion	7,763
Operating lease liabilities, net of the recent portion	2,052
Estimated professional liability cost, net of current portion	-
Derivative instruments	-
Other noncurrent liabilities	11,684
The total sum of liabilities	461,504
Net assets:	
With no beneficiary limitations	198,718
With beneficiary constraints	-
The total sum of net assets	198,718
The overall net assets as well as liabilities	\$ 1,428,428

One of the costs associated with the hospital's financial structure is assets, which are the institution's economic resources to provide future benefits (Langdon & Nelson, 2010). The resources can be used to increase value and benefit the operations of the hospital. Also, they improve value, reduce expenses or generate cash flow in the future. Current assets have a short duration and are converted to cash within a year. Fixed assets are long-term assets, which comprise of property and equipment. As a healthcare administrator who manages the hospital's

operations, I can liquidate the assets to obtain external financing due to the higher probability of repayment. Negatively, I can leverage the institution's assets that would result in the risk of low investment and failure to attract investors.

The second cost is the liabilities which is the sum of money that the healthcare owes. By transferring economic benefits such as goods, services, or money, liabilities are settled over time. Generally, they include a forthcoming service owed to others, short-term or extended pledging from the banks, other entities, or people. As an administrator, borrowing capacity stemming from tax-exempt conduit bonds' benefits can encourage the hospital to raise more debt capital. Negatively, there could be a risk of bankruptcy that would cause the institution to postpone investment and refrain from borrowing. Net assets represent the amount of cash returned to the shareholders if they liquidate all the resources and pay off the debts (McLaughlin & Olson, 2017).

References

- Karuppan, C. M., Dunlap, N. E., & Waldrum, M. R. (2016). *Operations management in healthcare: Strategy and practice*.
- Langabeer, J. R., & Helton, J. (2016). *Health care operations management: A systems perspective*.
- McLaughlin, D. B., & Olson, J. R. (2017). *Healthcare operations management*.