



UNIVERSITY *of* MARYLAND
SCHOOL OF MEDICINE

Demystifying the World of Finance for New Chairs

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In a Perfect World...

- **Education Mission** is fully supported by tuition and fees,
- **Research Mission** is fully supported by grants and contracts,
- **Clinical Mission** (regardless of specialty) is supported by patient care revenue

Challenges to the Budget

- **Education** – reduced appropriations, increased accrediting costs
- **Research** – NIH salary caps (\$221,900), time to first grant, infrastructure costs, regulatory & compliance costs
- **Clinical** – declining reimbursements

Prepare for the Budget Process

- **Set financial goals that will guide your decisions**
- **Key components might include**
 - **Program goals**
 - **Reserves**
 - **Capital expenses**
- **Gather data and begin building the budget template**
- **Forecast current year results (are we going to come in over or under projected expenses?)**

Budget Development: A 5-Step Process

- 1. Assemble a budget team**
- 2. Create a budget calendar**
- 3. Prepare for budget process**
- 4. Build the budget**
- 5. Monitor the budget**

Strategies For Achieving Success

- **Pay attention to revenue cycle**
- **Make sure that you are aligned with leadership**

Sample Department Budget Template

REVENUES	
Patient Cash Collections	31,071,864
Contract Income and Other Revenue	1,758,375
Clinical Revenue	\$32,830,239
Other Revenue Sources	
Gift and Endowment Income	364,680
School of Medicine Funds	5,063,063
NIH Indirect Cost Recoveries	200,000
Grant and Contract Revenue	8,744,000
University Other Revenue	4,094,054
Other Revenue - Total	\$18,465,797
Total Revenue	\$51,296,036
EXPENSES	
Assessments	
Medical School Assessments (9.725%)	2,636,445
Faculty Practice Plan Assessments (3.024%)	1,117,995
Revenue Cycle Billing Expense (11%)	2,800,877
Total Assessments/Billing Fee	(\$6,555,317)
Personnel Expenses	
Faculty Salary & Benefits	35,147,865
Non-Faculty Salary & Benefits	17,441,768
Post-Doc/Fellow Salary & Benefits	861,043
Personnel Expenses - Total	(\$53,450,676)
Operating Expenses	
Clinic and Lab Supplies	298,452
Printing and Office Supplies	94,124
Telephone & Communication	167,961
Meetings & Travel	134,665
Furniture, Fixtures & Equipment	164,517
Depreciation Expense (FF&E)	93,509
Purchased Services	2,940,725
Postage & Freight	26,291
Recruitment Costs	216,558
Other Employee Benefits	244,883
Professional Development	292,284
Dues, Licenses & Publications	82,066
Books & Subscriptions	22,625
Other Administrative Expenses	276,102
Malpractice	1,139,578
Repairs/Maintenance	61,500
Rent - Building & Equipment	827,591
Depreciation Expense (LHI)	13,284
Operating Expenses - Total	(\$7,096,715)
Total Expenses	(\$67,102,708)
Surplus/(Deficit)	(\$15,806,672)

Potential Sources of Revenue

Clinical Revenue	\$31,071,864
Contract Income	\$1,758,375
Gift and Endowment Income	\$364,680
School of Medicine Funds	\$5,063,063
NIH Indirect Cost Recoveries	\$200,000
Grant Revenue	\$8,744,000
University Other Revenue	<u>\$4,094,054</u>
TOTAL	\$51,296,036

Revenue

Clinical Revenue \$31,071,864

This is the only revenue you can impact

Average Level of Care Provided

	Billing Code	% of visits
New Visit	99202	1%
	99203	24%
	99204	48%
	99205	27%
Consult Visit	99242	1%
	99243	12%
	99244	67%
	99245	20%

Open Encounters

	Aging							
	1 day	2 days	4-7 days	8-30 days	31-60 days	61-90 days	>90 days	Total
Total	91	39	60	120	60	82	39	491
Division A	10							10
Division B	12	6				9	13	40
Division C			7	33			15	55
Division D		5	3			30		38
Division E	24	2			14			40
Division F			3				3	6
Division G		6	6	12				24
Division H		9	10	23				42
Division I	12			28	25	11	7	83
Division J	8	11		24	21	32	1	97
Division K			6					6
Division L	25		9					34
Division M			16					16

Revenue Cycle Monthly Dashboard

	YTD Charges	YTD Collections	A/R Days	AR > 90 Days	Net Collection Rate	Charge Lag Days YTD		YTD Initial Denial Rate	% Edits <30 Days
Dept X	125.3%	124.5%	37	10.4%	93.9%	Inpatient: 26	Outpatient: 20	6.65%	100.0%
Targets	100%	100%	30	12.5%	96.5%	18	12	5.75%	99.9%

Expenses Assessments

Medical School Assessments (9.725%)	(\$2,636,445)
Faculty Practice Plan Assessments (3.024%)	(\$1,117,995)
Revenue Cycle Billing Expense (11%)	<u>(\$2,800,877)</u>
TOTAL	(\$6,555,317)

Expenses Personnel

Faculty Salary & Benefits	(\$35,147,865)
Non-Faculty Salary & Benefits	(\$17,441,768)
Post-Doc/Fellows Salaries & Benefits	<u>(\$861,043)</u>
TOTAL	(\$53,450,676)

Expenses

Operating

Clinic and Lab Supplies
Printing and Office Supplies
Telephone & Communication
Meetings & Travel
Furniture, Fixtures & Equipment
Depreciation Expense (FF&E)
Purchased Services
Postage & Freight
Recruitment Costs

Other Employee Benefits
Professional Development
Dues, Licenses & Publications
Books & Subscriptions
Other Administrative Expenses
Malpractice
Repairs/Maintenance
Rent - Building & Equipment
Depreciation Expense (LHI)

TOTAL: (\$7,096,715)

Total Expenses

Assessments	(\$6,555,317)
Personnel Expenses	(\$53,450,676)
Operating Expenses	<u>(\$7,096,715)</u>
Total	(\$67,102,708)

Profit/Loss Analysis for FY24

Revenue	\$51,296,036
Assessments/Billing Fee	(\$6,555,317)
Personnel Expenses	(\$53,450,676)
Operating Expenses	<u>(\$7,096,715)</u>
Surplus or Deficit	(\$15,806,672)

Funds Flow Model for Hospital Support

Division

Total actual annual wRVUs

Total number of physician FTEs

Hospital support for teaching, admin & research at 0.15 FTE

Clinical FTEs - Physicians

Vizient 65th %ile wRVUs - Physician

Expected wRVUs for the division

Compensation

AAMC 50th %ile Annual Comp - Physician

Annual Salaries - Physician

Fringe Benefits Rate

Total Provider Compensation

Faculty Professional Expenses

Malpractice Insurance

Total Provider Expenses

Department Overhead per Clinical FTE

Total Department Overhead

Clinical Support Salaries & Benefits

Total Department Clinical Expenses

Sullivan Cotter 65th %ile Net Collections - Physician

Total Expected Collections

Collections Costs @ 10.3%

Dean's Tax/Assessments

Division Clinical Funding Deficit

Funds Flow Model for Hospital Support

- Vizient
 - *Generates physician RVU data*
 - *Strengthens members' delivery of high-value care by aligning cost, quality and market performance.*
- Sullivan Cotter
 - *Database for physician collections*
 - *Partners with health care and other not-for-profit organizations to enhance performance and improve outcomes through the development and implementation of integrated workforce strategies.*
- Association of American Medical Colleges (AAMC)
 - *Database for physician compensation*
 - *Dedicated to transforming health through medical education, health care, medical research, and community collaborations.*
- Association of Administrators in Academic Pediatrics (AAAP)
 - *Dedicated to enhancing leadership and professional skills among members to support their roles in health delivery system operations, education, research, advocacy and resource allocation, alone and in partnerships with medical leadership, to improve outcomes for children and young adults.*

The logo for Vizient, featuring the word "vizient" in a lowercase, orange, sans-serif font with a trademark symbol.The logo for Sullivan Cotter, featuring a blue diamond icon with white vertical lines to the left of the text "SullivanCotter" in a blue, sans-serif font.The logo for the Association of American Medical Colleges (AAMC), featuring a blue Rod of Asclepius symbol above the text "AAMC" in a blue, sans-serif font.The logo for the Association of Administrators in Academic Pediatrics (AAAP), featuring the letters "AAAP" in white, stacked vertically, on a dark blue square background.

Funds Flow Model for Hospital Support

- Total Compensation for physicians
 - *Calculated at the 50th percentile*
 - *Base plus variable compensation*
- Physician Productivity
 - *Calculated at the 65th percentile RVU*

Funds Flow Model for Hospital Support

Division

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Total number of physician FTEs

Hospital support for teaching, admin & research at 0.15 FTE

Clinical FTEs - Physicians

Vizient 65th %ile wRVUs - Physician

Expected wRVUs for the division

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Total Provider Compensation

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Department Overhead per Clinical FTE

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Total Department Clinical Expenses

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Total Expected Collections

Collections Costs @ 10.3%

Dean's Tax/Assessments

Division Clinical Funding Deficit

Funds Flow Model for Hospital Support

	<i>Division</i>	<i>Division X</i>
Total actual annual wRVUs		40,064
Total number of physician FTEs		9.40
Hospital support for teaching, admin & research at 0.15 FTE		1.41
Clinical FTEs - Physicians		7.99
Vizient 65th %ile wRVUs - Physician		5,759
Expected wRVUs for the division		46,003
Compensation		
AAMC 50th %ile Annual Comp - Physician		\$ 322,158
Annual Salaries - Physician		\$ 3,028,285
Fringe Benefits Rate		28.80%
Total Provider Compensation		\$ 3,900,431
Faculty Professional Expenses		\$ 40,000
Malpractice Insurance		\$ 100,333
Total Provider Expenses		\$ 4,040,765
Department Overhead per Clinical FTE		\$ 76,927
Total Department Overhead		\$ 614,490
Clinical Support Salaries & Benefits		\$ 1,000,548
Total Department Clinical Expenses		\$ 5,655,803
Sullivan Cotter 65th %ile Net Collections - Physician		\$ 408,270
Total Expected Collections		\$ 3,261,261
Collections Costs @ 11%		\$ (335,910)
Dean's Tax/Assessments		\$ (456,577)
Division Clinical Funding Deficit		\$ (3,187,029)

Funds Flow Model for Hospital Support

Total actual annual wRVUs	40,064
Total number of physician FTEs	9.40
Hospital support for teaching, admin & research at 0.15 FTE	1.41
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Funds Flow Model for Hospital Support

Compensation

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Annual Salaries - Physician	\$	3,028,285
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Funds Flow Model for Hospital Support

Sullivan Cotter 65th %ile Net Collections - Physician	\$	408,270
Total Expected Collections	\$	3,261,261
Collections Costs @ 11%	\$	(335,910)
Dean's Tax/Assessments	\$	(456,577)
Division Clinical Funding Deficit	\$	(3,187,029)

Funds Flow Model for Hospital Support – Entire Department

	Infectious Disease	Genetics	Behavioral & Developmental	Cardiology	Child Protection	Critical Care	Endocrinology	GI	General Pediatric	Hematology/Oncology	Comm Ped & Adolescent Med	Neonatology	Nephrology	Neurology	Pulmonology	Allergy	Education	Emergency Med	Hospitalist Program	Totals		
Total actual UMMC annual wRVUs	5,522	4,430	9,498	29,037		34,329	9,242	27,050	24,545	9,726	1,671	113,032	4,392	11,254	8,679	7,370			13,246	346,781		
Vizient 65th %ile wRVUs - Physician	2,388	2,800	3,330	5,800		6,800	4,500	5,300	8,012	3,005	6,500	18,112	4,509	8,812	4,862	1,170			1,568	3,845	91,282	
MGMA 50th %ile wRVUs - NP	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	11,151	
Clinical FTEs - Physicians	0.45	1.50	1.50	6.00	0.25	8.00	3.12	5.66	6.65	2.75	-	9.00	1.78	2.65	2.60	1.88			0.25	2.88	61.47	
Clinical FTEs - NPs	1.39	0.07	1.41	(1.80)	-	(6.27)	(1.50)	(0.92)	(8.98)	0.46	0.52	(15.62)	(1.18)	(3.78)	(1.24)	1.63				0.65	(26.48)	
AAMC 50th %ile Annual Comp - Physician	\$ 214,722	\$ 214,875	\$ 215,028	\$ 321,592	\$ -	\$ 319,542	\$ 209,561	\$ 271,847	\$ 217,894	\$ 240,036	\$ -	\$ 708,933	\$ 225,651	\$ 238,753	\$ 225,797	\$ -	\$ -	\$ -	\$ 284,099	\$ 230,178	\$ 3,988,228	
MGMA 50th %ile Annual Comp - NP	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 117,941	\$ 2,240,879
Annual Salaries - Physician	\$ 96,625	\$ 322,313	\$ 322,543	\$ 1,929,554	\$ -	\$ 2,556,339	\$ 653,831	\$ 1,538,654	\$ 1,448,997	\$ 660,099	\$ -	\$ 2,789,346	\$ 389,389	\$ 620,759	\$ 424,499	\$ -	\$ -	\$ -	\$ 662,913	\$ -	\$ 16,379,894	
Annual Salaries - NP	\$ 163,916	\$ 8,466	\$ 165,977	\$ (212,413)	\$ -	\$ (739,758)	\$ (176,820)	\$ (108,659)	\$ (1,059,610)	\$ 53,902	\$ -	\$ (1,841,937)	\$ (38)	\$ (445,000)	\$ (46,043)	\$ 192,715	\$ -	\$ -	\$ (17,756)	\$ -	\$ 77,227	\$ (3,122,960)
Fringe Benefits Rate	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%	28.80%
Total Provider Compensation	\$ 335,577	\$ 426,044	\$ 629,213	\$ 2,211,677	\$ -	\$ 2,339,755	\$ 1,841,833	\$ 1,841,833	\$ 1,448,997	\$ 714,001	\$ -	\$ 714,001	\$ 344,838	\$ 274,624	\$ 794,972	\$ -	\$ -	\$ -	\$ 2,975,804	\$ 953,299	\$ 17,074,922	
Faculty Professional Expenses	\$ 42,000	\$ 14,000	\$ 21,000	\$ 49,000	\$ 7,000	\$ 63,000	\$ 21,000	\$ 21,000	\$ 14,000	\$ 14,000	\$ -	\$ 14,000	\$ 14,000	\$ 21,000	\$ 14,000	\$ 14,000	\$ 7,000	\$ -	\$ 42,000	\$ 28,000	\$ 588,000	
Malpractice Insurance	\$ 62,708	\$ 14,109	\$ 15,677	\$ 100,333	\$ 7,838	\$ 131,509	\$ 43,750	\$ 43,750	\$ 28,875	\$ 7,838	\$ -	\$ 7,838	\$ 28,219	\$ 37,625	\$ 28,219	\$ 9,877	\$ -	\$ -	\$ 134,040	\$ 58,945	\$ 1,024,281	
Total Provider Expenses	\$ 440,284	\$ 454,153	\$ 665,890	\$ 2,361,011	\$ -	\$ 2,534,265	\$ 1,929,584	\$ 1,929,584	\$ 1,477,872	\$ 731,903	\$ -	\$ 731,903	\$ 387,056	\$ 333,249	\$ 818,848	\$ -	\$ -	\$ -	\$ 3,151,844	\$ 1,040,245	\$ 18,687,203	
Department Clinical Overhead/Physician FTE	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ -	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	\$ 123,727	
Total Department Overhead	\$ 35,677	\$ 185,591	\$ 185,591	\$ 742,363	\$ 123,727	\$ 895,818	\$ 386,021	\$ 386,021	\$ 322,786	\$ 340,213	\$ -	\$ 1,113,545	\$ 220,234	\$ 327,877	\$ 321,691	\$ 232,607	\$ 30,932	\$ -	\$ 562,959	\$ 356,334	\$ 7,605,511	
Split-Funded Positions - Salary & Benefits	\$ 144,099	\$ -	\$ -	\$ 427,765	\$ -	\$ -	\$ -	\$ 75	\$ -	\$ 13,461	\$ -	\$ -	\$ -	\$ -	\$ 24,640	\$ 161,590	\$ -	\$ -	\$ -	\$ -	\$ 1,042,751	
Clinical Support Salaries & Benefits	\$ 75,022	\$ -	\$ -	\$ 572,783	\$ -	\$ -	\$ 175,897	\$ -	\$ 73,971	\$ 78,563	\$ 124,673	\$ 250,035	\$ 196,768	\$ 215,672	\$ 419,302	\$ 315,510	\$ 242,170	\$ -	\$ 60,433	\$ 33,923	\$ 4,510,546	
Fellows - Salary & Benefits	\$ 8,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,188	
Total Department Clinical Expenses	\$ 723,570	\$ 619,911	\$ 849,251	\$ 4,103,922	\$ -	\$ 3,494,328	\$ 3,494,328	\$ 3,494,328	\$ 1,550,766	\$ 1,422,236	\$ 211,821	\$ 2,900,524	\$ 804,059	\$ 876,798	\$ 1,419,286	\$ 1,530,555	\$ 280,102	\$ -	\$ 3,775,236	\$ 1,430,502	\$ 31,995,198	
Sullivan Cotter 65th %ile Net Collections - Physician	\$ 185,138	\$ 237,626	\$ 237,626	\$ 237,626	\$ -	\$ 314,367	\$ 344,438	\$ 350,033	\$ 625,477	\$ 270,997	\$ 340,767	\$ 529,687	\$ 258,689	\$ 309,676	\$ 288,390	\$ 434,821	\$ -	\$ -	\$ 375,728	\$ 170,331	\$ 5,591,088	
MGMA 50th %ile Net Collections - NP	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ 237,626	\$ -	\$ -	\$ 237,626	\$ 237,626	\$ 4,039,642	
Total Expected Collections	\$ 413,568	\$ 475,252	\$ 475,252	\$ 475,252	\$ -	\$ 1,024,480	\$ 718,392	\$ 1,762,261	\$ 2,025,665	\$ 853,843	\$ 124,063	\$ 1,056,073	\$ 190,629	\$ (77,744)	\$ 455,569	\$ 1,205,744	\$ -	\$ -	\$ 3,760,124	\$ 646,149	\$ 17,108,354	
Collections Costs @ 10.3%	\$ (42,597)	\$ (48,951)	\$ (48,951)	\$ (48,951)	\$ -	\$ (105,321)	\$ (73,994)	\$ (181,513)	\$ (208,644)	\$ (87,946)	\$ (12,778)	\$ (108,776)	\$ (19,635)	\$ 8,008	\$ (46,924)	\$ (124,192)	\$ -	\$ -	\$ (387,293)	\$ (66,593)	\$ (1,762,160)	
Dean's Tax/Assessments	\$ (57,899)	\$ (8,444)	\$ (8,444)	\$ (281,031)	\$ -	\$ (143,427)	\$ (100,575)	\$ (246,717)	\$ (283,593)	\$ (119,538)	\$ (17,369)	\$ (147,850)	\$ (26,688)	\$ 10,884	\$ (63,780)	\$ (168,804)	\$ -	\$ -	\$ (526,417)	\$ (90,461)	\$ (2,395,170)	
Division Clinical Funding Deficit	\$ (410,456)	\$ (888,027)	\$ (939,378)	\$ (2,573,531)	\$ (45,770)	\$ (2,972,796)	\$ (684,009)	\$ (2,100,090)	\$ (17,337)	\$ (775,877)	\$ (117,905)	\$ (2,101,077)	\$ (659,752)	\$ (935,650)	\$ (1,074,420)	\$ (617,807)	\$ (280,102)	\$ -	\$ (928,822)	\$ (941,367)	\$ (19,044,174)	

Funds Flow Model for Hospital Support – Entire Department

Total actual annual wRVUs		348,102
Total number of physician FTEs		63.10
Hospital support for teaching, admin & research at 0.15 FTE		10.26
Clinical FTEs – Physicians		53.63
Expected wRVUs for the Department		341,589
<u>Compensation</u>		
Annual Salaries – Physician	\$	14,374,175
Fringe Benefits Rate		28.80%
Total Provider Compensation	\$	18,756,231
Faculty Professional Expenses	\$	588,000
Malpractice Insurance	\$	1,024,511
Total Provider Expenses	\$	20,368,742
Department Overhead per Clinical FTE		123,727
Total Department Overhead	\$	6,635,668
Clinical Support Salaries & Benefits	\$	4,509,605
Total Department Clinical Expenses	\$	32,705,750
Sullivan Cotter 65th %ile Collections	\$	20,931,274
Collections Costs @ 11%	\$	(2,155,921)
Dean's Tax/Assessments	\$	(2,930,378)
Department Clinical Deficit funded by the Medical Center	\$	(16,860,776)

Sample Department Budget Template

REVENUES	
Patient Cash Collections	31,071,864
Contract Income and Other Revenue	1,758,375
Clinical Revenue	\$32,830,239
Other Revenue Sources	
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Total Expenses	(\$67,102,708)
Surplus/(Deficit)	(\$15,806,672)
Medical Center Physician Service Contract	\$16,860,776
Surplus - 2% Margin	\$1,054,104

Profit/Loss Analysis

Revenue	\$51,296,036
Assessments/Billing Fee	(\$6,555,317)
Personnel Expenses	(\$53,450,676)
Operating Expenses	(\$7,096,715)
Surplus or Deficit	(\$15,806,672)
Medical Center Physician Services Contract	<u>\$16,860,776</u>
Surplus or Deficit after PSC (2% Margin)	\$1,054,104

Monitoring the Budget

Ongoing monitoring of the budget is important as it allows you to course correct and revisit throughout the year.

Remember:

- Your success is tied to the success of your Department.
- Compensation goes beyond salary.
- Financial stability creates opportunity.
- A transparent compensation model means that all faculty members are engaged in the financial success of the organization.
- Participate in the process – good plans are improved by diverse input, trial and error.

