Going Beyond Budgeting in Health Care

Beyond Budgeting Round Table focuses on enhancing performance management for health care executives by launching the BBRT Health Care Interest Group Kick-Off Meeting in Houston, TX July 13-14.

Dallas, TX (PRWEB) June 8, 2006 -- Houston, Texas June 8, 2006 – Success in today's environment requires organizations to focus on being ethical, lean and adaptive organizations. Yet, many organizations find that common financial management tools block their ability to achieve success.

“Being a business partner to those who provide the service or product requires an organization’s finance department to adopt tools of continuous planning and adaptive control,” says Paul Cooper, Beyond Budgeting Health Care Interest Group director and former CEO for the University of Texas Medical School at Houston.

Though unique in many respects, health care organizations and providers today are not immune from these same pressures. The pressures created by the cost environment, regulation and professional liability – to name a few – create a need for more effective ways of carrying out all the processes addressed by the Beyond Budgeting Round Table (BBRT) principles:

- Goal Setting and Rewards
- Continuous Planning and Controls
- Allocation of Resources as Needed
- Creating a High Performance Culture
- Freedom and Capability for the Right Decision Makers to Act
- Accountability for Results

What can financial managers in the health care arena gain from having more creative and adaptive processes to accomplish these functions?

First, there are a number of positive benefits:

- Like many other industries, health care has become an increasingly dynamic and rapidly changing environment. New techniques and processes are needed to respond to change and innovation.
- With today’s extraordinary cost pressures and reducing reimbursement, it is critical to minimize overhead costs.
- In today’s world of contracted and regulated reimbursement, superior techniques are required to monitor and verify that payments from third parties are timely and according to contract.
- New trends in reimbursement such as linking payment to compliance with performance criteria will require faster and more accurate linkages between finance and the actual process of providing care.

“There is also the benefit of eliminating negative and destructive behaviors such as gaming of the budgeting process,” Cooper explains.

“When operating units are working to negotiate the lowest performance targets while management is working to stretch the targets, budgeting can become a game or, even worse – participants can lapse into unethical behavior. Assumptions, including those that directly impact patient care, can become negotiating lever points,
and are often obsolete before the budget is finished. The focus increasingly becomes on the game and on negotiating skills, rather on the organization’s mission of providing patient care or other services.”

Success in applying the Beyond Budgeting principles can be greatly enhanced through support in the form of case studies and research to develop new tools, benchmarks and processes. Much of the BBRT’s research activity occurs within Special Interest Groups (SIGs) that focus on a particular industry or sector.

In addition to Health Care, BBRT North America has SIGs for Financial Services, Retail, Consumer Products, Hospitality and the Public Sector. Each SIG has the ability to develop its own deliverables and time frames to meet its members’ needs. Each group has a facilitator and research support with the requisite expertise. Research results are restricted to the members of the SIG and other members of the BBRT.

To assure that case studies and other research are tailored to their particular needs and circumstances, each Special Interest Group develops its own research agenda. While there is much in common to the implementation and practice of Beyond Budgeting principles, there is also much that is industry-specific. Health care institutions and providers may need to address questions that are specific to their field. Examples of these kinds of questions specific to health care organizations might include:

• If the institution is required by law or ownership to submit an annual budget, what is the best way for this requirement to coexist with a move to alternative approaches, such as using a rolling forecast as a principal management tool?
• In organizations where physicians are highly involved in budgeting and planning, what are best ways to bring them along in this change process?
• For organizations such as health plans that must file prices or premium rates with regulatory authorities, how can adaptive responses to changes in the environment be appropriately reflected in the pricing or rating structure?
• Are there Key Performance Indicators (KPIs) and benchmark values specific to health care that need to be developed?

The Beyond Budgeting Round Table will hold the kick-off meeting for the Health Care Special Interest Group in Houston on July 13-14 to set goals and plan its activities for the balance of this year and into 2007. For more information or to register for the event, please go to the website at www.bb rt.org.

About the Beyond Budgeting Round Table
The Beyond Budgeting Round Table (BBRT) is a supported network of member organizations with a common interest in improving planning, forecasting and control, thereby improving overall performance. BBRT is helping organizations look at world-wide best practice and showing them how to develop dramatically improved solutions to some of the constraints of the traditional approaches to budgeting. The BBRT has activities in Europe, North America and Australia. For further information go to www.bb rt.org.

About The Player Group
The Player Group operates unique communities of practice such as the Activity-Based Management Advanced Interest Group, and the Beyond Budgeting Round Table. Each of these organizations features a number of Fortune 500 companies among its membership. Each member company has numerous years of experience in either advanced cost management or adaptive planning and control. The Beyond Budgeting Round Table promotes methods to manage your organization which are more productive than traditional budgeting. To learn more about The Player Group, go to www.theplayergroup.com.
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