

# Profit-Bearing Administrators: Exploring the Application of Economics and Financial Concepts in Healthcare Management

2017

Brandon K. Riddick  
*University of Central Florida*

Find similar works at: <http://stars.library.ucf.edu/honorsthesis>

University of Central Florida Libraries <http://library.ucf.edu>

## Recommended Citation

Riddick, Brandon K., "Profit-Bearing Administrators: Exploring the Application of Economics and Financial Concepts in Healthcare Management" (2017). *Honors in the Major Theses*. 212.  
<http://stars.library.ucf.edu/honorsthesis/212>

This Campus Access is brought to you for free and open access by the UCF Theses and Dissertations at STARS. It has been accepted for inclusion in Honors in the Major Theses by an authorized administrator of STARS. For more information, please contact [lee.dotson@ucf.edu](mailto:lee.dotson@ucf.edu).

PROFIT-BEARING ADMINISTRATORS:  
EXPLORING THE APPLICATION OF ECONOMICS AND FINANCIAL  
CONCEPTS IN HEALTHCARE MANAGEMENT

by

BRANDON K. RIDDICK

A thesis submitted in partial fulfillment of the requirements  
for the Honors in the Major Program in Health Services Administration  
in the College of Health and Public Affairs  
and in the Burnett Honors College  
at the University of Central Florida  
Orlando, FL

Spring Term, 2017

Thesis Chair: Philip Wessel

## **Abstract**

Healthcare managers face an incredible challenge today; understanding and implementing financially and economically sound decisions in the complex healthcare environment of the United States. The pressure to be profitable managers is greater than ever. Considering current research, past studies, and articles focused on the demands of healthcare managers will illuminate the state of health care administration, and the importance of the real world application of accounting and economics in healthcare.

This thesis will explore and examine research about industry standards, and the need for preparedness in healthcare finance management. It will also examine the important and complex role of accounting and economics in healthcare administration by answering the three following questions: What do administrators, according to studies and literature available, believe is essential to becoming and remaining effective managers? What financial and economic concepts are understood and implemented by healthcare managers? What changes, if any, are necessary to adequately train and educate future healthcare administrators for successful financial management? The answers to these questions will highlight the impact of the economic, political, and social changes on administrators, as well as the best ways to succeed despite the difficulties often faced by those in this field.

## **Acknowledgements**

I would like to thank Prof. Philip Wessel, Dr. Tameca Harris-Jackson, Dr. Harold Griffin, and Dr. Reid Oetjen. I am deeply grateful to Prof. Wessel for his guidance, patience, and understanding throughout this process. I am also thankful to Dr. Harris-Jackson for her helpful ideas and suggestions, and for taking the time to help me when I was struggling to bring coherence to this thesis, while laying the groundwork for future projects and studies. Dr. Griffin, too, was kind enough to lend his expertise and time to review this thesis. I wish to thank all of my instructors, family, and friends for their support.

## Table of Contents

Introduction .....	1
An Issue in Healthcare Management: Poor Financial Management .....	3
Management Turnover.....	4
Financial Waste.....	5
Decreased Quality .....	6
Other Factors Contributing to Failure in Finance Management.....	7
Industry Apathy .....	7
Needed in Healthcare Management: Financial Management Improvement .....	10
Finance Analysis.....	10
Budget.....	12
Cash Flow Protection.....	14
Resource Management.....	15
Future Financial and Economic Application .....	16
The Bottom Line: The Future of Economics and Financial Management Skills in Healthcare Managers Remains Unclear.....	18

Thesis Limitations.....	20
References .....	21

## **Introduction**

No one can argue against the fact that the primary role of the administrator or director in the healthcare industry is to manage the assets of the facility under their care. Central to their role as managers and leaders is the understanding and application of economic and financial principles that govern all forms of business. Though healthcare professionals, they are charged with managing the business conducted in their facility; so it is the expectation of these managers' employers that they remain profitable and efficient, and in the healthcare industry this proves to be extremely difficult. This is particularly true in long term care administration. With the increasingly transparent nature of healthcare and the demand for more quality care at less cost, it is also in the interest of administrators to provide services at their facility that are cheaper, safe, and of good quality. The inability of an administrator to balance and maintain all of these responsibilities would inevitably lead to the failure of the healthcare facility, damage its reputation, damage the reputation and employability of the manager themselves, possibly even sinking their career, and worst of all, from the employers point of view, a financial loss. As the managers of their respective facilities and operations, skillful management of their company's assets is of top priority.

Yes, as any business manager, including those in healthcare understands - that no matter the structure or goals of the facility, what matters at the end of the day is the bottom line. Yet, not only are administrators expected to competently handle their fiscal responsibilities by the skillful application of financial and economic concepts and principles, but balancing these with other competencies that allow their property to thrive in every respect. This would be a primary

goal of healthcare managers that are determined to be profit-bearing administrators. We must consider what barriers exist that hinder the practical application of accounting, finance, and economics in the context of healthcare management, and what research indicates is necessary for these managers to acquire and maintain this core competency and associated skills for financial management.

The goal of this thesis is to capture new knowledge in the form of a comparative analysis of findings that support or reject the current status quo of financial management and its practical application in the healthcare context. By considering available literature and reviewing research on this subject, we will ascertain the role financial management plays in the everyday decision-making of healthcare managers. The current views of industry professionals, as we hope these studies reveal, will establish what financial concepts are relevant, even necessary for success.



## **An Issue in Healthcare Management: Poor Financial Management**

A knowledgeable administrator strategically fulfills their main duty, protecting revenue by managing occupancy, spending, and risk, while identifying, and managing other important factors for success like staff development, quality, ethics, and patient and staff satisfaction. Unfortunately this is not always accomplished. One study that considered what knowledge and skills are required in health care made a very sobering observation, “in a majority of institutions, a low number of health managers consider that they are adequately prepared through their formal education for the career of a competent health manager (Slipicevic 2012).

According to the American College of Healthcare Executives, “Without the benefit of being fully informed, students often enter programs that do not adequately prepare them for the challenges ahead. As a result, new health administration graduates are having difficulty finding positions or postgraduate fellowships that will contribute to their skill enhancement to help them succeed as future leaders” (ACHE 2014). This is the current reality of healthcare management; it is universal, and it has led to administrative turnover, an increase in deficiencies in long term care facilities, and impacts the level of quality care provided. This stems from a very basic problem seen across the business sector, the lack of economic and financial literacy.

There is general agreement that there is a lack of financial literacy, even among the educated. One article, Financial Literacy Education in the United States: Library Programming versus Popular Personal Finance Literature, noted that, “... among young Americans with a college education only 49 percent can answer a handful of very basic financial literacy questions correctly” (Faulkner 2016). This is, of course, an alarming development, especially for those

who may become healthcare managers, and will inevitably need to know and use, perhaps extensively, financial concepts, and at the very least, basic accounting principles in their line of work. With the presence of new healthcare laws, a shaky economy, and the recent change in the federal administration, financial restraints are being felt by the industry which has been described with these factors in mind “as go federal reimbursement rates, so goes the financial viability of healthcare providers, whether hospitals, nursing homes or medical practices.”(Hirschfield 2014)

### Management Turnover

In considering a number of articles, it is readily apparent that poor financial management is a serious problem in healthcare today. Why has this occurred, and with what results? Research indicates that the causes of turnover in healthcare management are often cumulative. As a result of a heavy workload, difficulty in prioritizing and meeting company goals, and ensuring that sufficient attention has been given to financial obligations and reports, while balancing other, often disruptive, responsibilities and challenges (leading staff, managing other commitments, etc.), healthcare managers have suffered burnout. This has been seen across the healthcare industry. In long-term care, in particular, this has been especially evident. In considering one example, in nursing homes, “approximately 40% of Nursing Home Administrators leave their jobs each year”, and “the average tenure for Nursing Home Administrators... falls just short of 3 years where turnover is particularly high” (ESS 2011).

Although the reasons for this high turnover were not identified in the article, one factor that is rarely explored is poor financial management, and more specifically, the role financial, economical literacy, and comprehension plays in the decisions of the manager, and the

consequences of its absence. After “conducting over 130,000 exit interviews with some of the largest and most successful companies and healthcare providers in America”, HSD Metrics listed training (due to its absence or poor quality, no doubt) as one of “13 controllable turnover causes”; and that “for healthcare... 80% of turnover is caused by employer influenced causes” (Dwyer 2012). Likely, training necessary for financial literacy and application were not provided to managers, whom may have minimal experience in budgeting and planning, and thus do not expect to use economics or financial concepts for analysis, reporting, and in gauging and improving profitability and quality.

#### Financial Waste

Productive and allocative inefficiencies are another product of poor financial management. Operational waste, that is, “the inefficient and unnecessary use of resources in the production and delivery of such services” (Bentley), is indeed a strong indicator of an increased lack of core competences, namely the practical application of economics in management. The poor use of resources poses a real danger to a managers financial reserves, which can be exhausted as a result of careless spending practices, or the inability to identify these inefficiencies in financial reports. Understanding the amount and allocation of resources needed, and measuring decisions against perceived and established risks protects the facility from dangers that arise in indecision, and understating the implications of oversight. As an example, it was found that “insurance and medical uncertainties muffle price competition and, in our litigious climate, promote overscreening and overtreatment” (Bentley 2008).

Though clearly a product of poor financial management, the accumulation of industry and commercial constraints adds to the difficulty of curbing these inefficiencies to increase the value of services, lowering the costs, and increasing the quality of care. Improving costs and quality also requires a change in the current culture of long-term care from a commercially driven industry to one utilizing evidence-based practice.

Currently, little evidence exists that shows a clear connection between the elimination of waste and able financial management. “Because data on these process improvements are limited and often proprietary, and because of the continuously evolving nature of such changes, it is not clear how improvements in operational processes will affect... overall financial viability” (Bentley 2008). Still, is it worth the time and energy to limit waste in long-term care management? Yes. By skillful use of the budgeted funds, greater accounting of expenditures, liabilities, and by tracking the patterns that emerge from these and other factors, future problems can be avoided. It has been found that “wasteful spending has many undesirable consequences that could be alleviated through waste reduction” (Bentley 2008).

#### Decreased Quality

The battlefield has been long drawn over the issue of quality improvement in healthcare. Its relation to the financial infrastructure and management in healthcare has been established. Poor financial management leads to decreased quality. As we discussed before, turnover in health care has many causes. One reason is “unreasonable work demands”, which may occur as a result of long-term care companies maintaining minimal staffing in their facilities (Dwyer 2012). This impacts quality. In the Harrington, et al. study, a comparison of profit and non-profit long-

term care companies was performed. This study highlighted the relationship between one specific result of poor policy and financial management (inadequate staffing) and decreased quality when it stated that, “the correlation between staffing levels and quality is well documented in the literature. With lower-than-expected RN and total staffing levels, it was not surprising’, the ‘quality-of-care problems compared to nonprofit nursing homes, as reflected in its high numbers of deficiencies and citations and its multiple lawsuits. Its deficiencies and complaints, while similar to other for-profit chains, were higher than nonprofit facilities” (Harrington 2016). This is the sad reality and current state of quality care in nursing homes, and with the interrelated factors considered thus far, would affect, and be a result of, poor financial management, and the eventuality that comes with decreased standards of care.

Yes, “the level of care quality at LTC facilities can be predicted by turnover, and that administrative turnover is also more predictive of care quality than structural characteristics, such as facility size and location” (Geletta 2013). This neglect has been aggravated by industry apathy and indifference in the preparation and training of managers to succeed in their positions.

#### Other Factors Contributing to Failure in Finance Management

##### **Industry Apathy**

From the very beginning it is easy to see that understanding financial management skills is of low priority in the industry, as studies that have been conducted to assess their knowledge and use have found. Interestingly, a number of studies have been conducted to understand financial literacy in older adults, and in clinical professionals like nursing, pharmacists, etc. (James 2012). However, few consider the perception of healthcare managers in long-term care,

to determine what they view is required and helpful in carrying out their fiscal duties. It must also be noted that I found few qualitative studies that identify the gaps in healthcare management knowledge, especially in regard to finance and economics. Considered analytical skills, finance as a functional discipline, was included in this group that has been “ranked as the minimum required skills” (Slipicevic 2012).

Further compounding this indifference shown by the healthcare industry is the lack of sound policies, standards, and support required to equip managers with tools and personnel necessary to carry out their jobs and responsibilities well. Their plight could be likened to a person charged with delivering an old car, barely held together, in very poor condition, to a distant location, without tools, fluids, or any practical assistance, and expecting the driver to deliver the vehicle without difficulty, complications or problems. As discussed previously, inadequate staffing is an example of this form of neglect, as it is an infrastructure systems issue that cannot be corrected by individual managers. Unfortunately, as is common in the industry, many “chains and for-profits [nursing homes], had low equity in its facilities (compared to nonprofits)” (Harrington 2016). However awareness about these business models can help future administrators keep clear of organizations, as one study found, that may find a terrible end in “financial instability and... bankruptcy” accompanied with questionable clinical, ethical, and legal liabilities (Harrington 2016). Limited oversight in some aspects of long-term care has given rise to low quality, unsustainable, and ultimately unsuccessful business models. As the study makes very clear, “currently, there are no federal or state minimum equity requirements for nursing homes or their management companies to ensure that companies have adequate financial resources to protect residents” (Harrington 2016).

Sometimes, a business manager or finance director works directly under the administrator of a facility in a long-term care organization. In some circumstances, however, there is no additional personnel provided to assist the manager with financial management duties. With the various sizes of facilities and administrative support staff, it begs the question of how much knowledge provides a reliable base for the skills needed in this setting, and if this is determined by the size of the facility and staffing needs? It is difficult to determine the exact extent to which the manager would need to employ finance management knowledge and skills or if analyzing this type of data is unnecessary. It remains to be seen, studies that can quantify the relevance, scope, and scale of financial data management knowledge and use. Whatever the state or size of the facility, no manager can succeed or go the distance without a successful business model, tools, and adequate personnel and other resources. Yet, understanding how to use financial information to maximize profitability and limit risks and liabilities are fundamental to success.

Underlying the crisis of poor financial management is apathy and the lack of support systems in place to aid healthcare managers. How is this evident in research? When searching for studies that highlight resources or tools managers are directed to use, references for managers searching for information, direction, or assistance, or policies in place to help managers that struggle, little was discovered.

## **Needed in Healthcare Management: Financial Management Improvement**

This thesis will now consider what research identifies as the underlying factors that contribute to the successful management of financial responsibilities of healthcare managers. Employers in healthcare are interested in what has been termed hard skills for managers in their companies, along with soft skills, as their importance cannot be underestimated. Hard skills “are the hands-on, technical, procedural skills” necessary “to perform the job effectively”, and soft skills are “the intangible social skills that an employee needs in order to facilitate communication and navigate the workplace successfully” (The Commuter 2016). Many assessments, in fact, are geared to expose these necessary skill sets. According to the Executive Search Solutions article entitled Leadership Turnover in Long Term Care, before healthcare organizations hire managers, behavioral assessment tools are used. Demonstrating its importance, the article states, “Most successful administrators tend to score highest in interpersonal and organizational sensitivity, communication skills, *analysis and critical thinking, and financial awareness*” (ESS 2011). The ability to analyze financial data for rational and measured decision-making is key to success in this industry. This is accomplished through financial analysis and proper application.

### Finance Analysis

A thorough understanding of accounting and finance, well-applied, is an important component to any successful business venture. This is especially true in healthcare, where sound financial management of healthcare systems and facilities, large and small, is key to being organized and profitable. With the complexities of healthcare management, financial considerations must be made for all of operations and obligations. With the constant changes that



take place in the industry it is an enormous burden to analyze and use financial data. This has been a difficult undertaking during this period of dramatic change in healthcare in the United States. According to Fiondella, et. al., “the failure of accounting changes in healthcare so far stems from the lack of an integrated and balanced approach to performance management, encompassing both the economic and quality logics, and its impact on the processes of management accounting change in the field”(Fiondella 2016).

Yes, according to Hirschfield, “declining reimbursement rates, combined with the uncertainty surrounding implementation of the Affordable Care Act (ACA), have put especially severe strains on middle-market healthcare providers that face the double shock of rising healthcare costs and declining revenues”(Hirschfield 2014). With the state of healthcare being so uncertain, it is vital that proper preparedness for such fiduciary responsibilities and concerns be learned in both an academic and practical environment, as financial setbacks and/or mismanagement “can lead to a vicious cycle of cost-cutting, layoffs and downgraded credit ratings, which drive up borrowing costs and further strain liquidity (Hirschfield 2014). It is no wonder that it had been noted in one study on administrator turnover made this comment:

“It would seem reasonable to believe that newly hired administrators will first attend to essential activities needed to keep the institution viable, such as staffing, billing, and purchasing. Indeed, the behavior of top managers is often characterized as reactive, and short run agendas, often consisting solely of financial objectives, consume the majority of the top manager's time (Kotter 1982)... Because administrators, on joining a facility, probably need to become accustomed to the basic practices of the new facility, they are especially likely to attend to staffing, billing, and purchasing prior to planning and coordinating resident care” (Castle 2001)

Some training should be tailored, like speed reading courses, to improve reading without taking an extended English, grammar, literature, or reading course. Analysis could perhaps be improved, not by sending the manager to an accounting, finance, economics, or mathematics course, but by providing a thorough explanation of financial duties (by someone who truly understands them) and the tools provided, with a network of supportive systems that aid the administrator in data interpretation, information sharing forums, and training sessions that highlight common problems and solutions.

### **Budget**

Critical to the success of sound financial management is the thorough consideration of capital costs, and the cost of operating a facility (Van Horssen 2010). This makes budgetary concerns very important in the analysis of quantitative data provided through the effective use of skills to discern the direction the facility and its staff must take. This must be the first step in creating plans, and executing them. It has been seen, especially in the consideration of healthcare systems, like hospitals, that targeting the financial metrics require the accurate interpretation of these indicators of financial performance, including “operating margin, days cash on hand, debt-to-capitalization... to set appropriate debt ratings” (Kaufman 2008). From beginning to end, attention to the details of financial management in long-term care cannot be stressed enough. According to other sources this could be even simpler in nature; “...it’s the small details, such as a lost invoice or late vendor payment that can make or break an operation—and can ruin crucial business partnerships along the way” (Thompson 2015). If these concepts are not understood or even used to gauge financial performance, how can administrators bear profits consistently and competently? This is a necessary analytical skill that allows for an accurate picture of the

facilities financial state, so that the true value of the financial assets or any given organization is creating revenue, or profit, while limiting the increase of expenses and rising costs (Kaufman 2008). Emphasis on patient care, and a rising standard of quality in long-term care will only be accomplished with due consideration of “financial performance, as reflected in balance sheet and income and cash flow statements (Kaufman 2008).

Since budget control, maintaining high occupancy, and limiting financial risk are priorities, as evident in any of the job descriptions for healthcare managers, what guides (or should guide) administrators to make decisions? How involved in the details of finance management systems are really required to render the best results, and paints an accurate and vivid picture of the state of the facility they manage? No research has yet provided an answer.

Though it is acknowledged in literature that higher cost efficiency in chain-affiliated long-term care facilities “centralize and standardize administrative services such as accounting for financial reporting purposes as well as operating processes”, much is dependent on the financial savviness of the healthcare manager to see and identify potential problems, from a strictly financial and economical point of view (Martin 2016).

A thorough analysis of financial statements, budgetary projections and restrictions are vital to improving financial outcomes in healthcare. Identifying the many causes of increased expenditures and profit loss, in light of financial data provided, will aid managers in setting realistic financial goals and in effective cost management.

## **Cash Flow Protection**

The claims reimbursement process is central to the flow of cash and revenue in long-term care facilities. The ‘fill the beds and the money will come’ approach is not necessarily true. This is especially so if the medical risks for the patient are great, their condition is unpredictable and precarious, costly, and has left the facility liable for damages. Whether these risks and liabilities arise from dissatisfaction, litigious persons, or from unfounded suspicions and accusations of medical error, it can derail cash flow.

The methods and timeliness of payments are another concern. Bundled payments, changing Medicare and Medicaid policy, data and submission issues, decreased reimbursement rates, unforeseen insurance complications and unanticipated coverage requirements too can have a squeezing effect on monthly revenue and the cycle of cash flow. Yet, unbroken sources of cash flow, and the daily tracking of payments and debts must be kept by managers for them to be considered by their superior’s able managers of financial resources. Finding out that certain procedures or services believed to be covered by the government or the patients , for example, could be cataclysmic to the administrator who has been trained through ‘trial by fire’ and has not prepared for, or anticipated this type of problem.

“When a patient first contacts... a healthcare provider to make an appointment, the claims reimbursement process begins. This is the stage when patient data – including insurance information, provider eligibility, and diagnosis codes – is gathered and stored. But collecting accurate and timely information is not always easy. A beneficiary’s claim becomes eligible for payment only after the unfolding of a fairly convoluted process” (DiChiara 2016). Delays may also cause other related difficulties aside from meeting budgetary goals and quotas. Payroll,

equipment maintenance, organizational and governmental standards could be compromised or neglected. If overlooked, financial stability could be at stake, as “the business of accounts payable creates an environment that can breed error and lost revenue. Something LTC communities can’t afford to risk” (Thompson 2015).

### **Resource Management**

Resource management is another important factor to be considered during financial analysis. Staffing considerations, asset acquisition, maintenance, and useful life of equipment, and the ability to quantify benefits and risk are key in successful financial management. The assets are theoretically and conceptually positive, often tangible items that contribute to the quality of care in any given healthcare facility. Careful analysis of the budget, revenue cycles, and the history of utilization would reveal another possible pitfall for unsuspecting managers that are completely unaware, uninformed, untrained, or casually give financial spreadsheets a passing glance, and that is how assets could become liabilities. Overextending expenditures by investment in fixed assets, for example, has been linked to the restriction of flexibility in strategic goals and funds, while not creating enough benefit to “improve clinical efficiency” and pertinent initiatives (Van Horryssen 2010).

Staffing is another major factor in managing resources. It is often an infrastructure systems issue that cannot be corrected by individual managers, however awareness about these business models can help future administrators keep clear of organizations, as one study found, that end in “financial instability and... bankruptcy” accompanied with questionable clinical, ethical, and legal liabilities (Harrington 2016).

Likely, future administrators will face increased pressure to be efficient and ethical despite the fact that government and healthcare institutions do not impose initiatives that can contribute to better financial performance and care. “Without greater accountability requirements, administrative costs and profit taking may continue to be high and may have negative consequences for the quality of care provided” (Harrington 2016) This negatively impacts human resources (staffing, morale, training, pay, etc.), and strains material resources. This highlights, yet again, the importance of understanding financial requirements, laws, and regulations to avoid crisis management, which includes the hectic, reactive nature of developments that could consume much time, energy, money, and other resources to incorporate serious, thoughtful, and comprehensive analysis of financial information for effective management of resources.

It is advantageous for students and managers who wish to understand healthcare administration, budgeting, cash flow, and resource management, to not only learn about financial concepts but how to retain them for future use and development. “Financial literacy requires both knowledge and skills. These two components complement one another, resulting in a framework for the evaluation and management of financial resources.”(Hagler 2016)

#### Future Financial and Economic Application

Future healthcare managers must be diligent, ethical, and competent, especially in financial matters. The ability to scrutinize, reconcile, and handle ethical dilemmas are a must. Managers of healthcare facilities are primarily accountable for the actions that occur in or with that facility. They have an ethical duty to ensure that financial records, statements, and payments

are warranted and accurate. With unethical, illegal, and with actions of incompetence on the rise, it will be expected that managers fully understand their responsibilities and measure their actions and decisions carefully. “In recent years, the Office of Inspector General has identified a number of problems with billing by skilled nursing facilities (SNF), including the submission of inaccurate, medically unnecessary, and fraudulent claims” (DHHS 2012)

Uniform financial systems are important, but they must be utilized properly for maximum benefit for all stakeholders. This requires training, not only to understand what is being used, but how to use it. This would provide an additional link to the chain of tools and skills needed for effective management of the facilities resources. This also would, as a result, create a burnout prevention strategy. “As technology changes, you need to retrain and upgrade your managers... Top management needs to retrain, refresh, and reinvigorate these managers as quickly as possible by getting them to seminars, workshops, and other activities away from the organization” (Levinson 1996).

## **The Bottom Line: The Future of Economics and Financial Management Skills in Healthcare Managers Remains Unclear**

A missing component of qualitative research is the view of front-line managers. Few studies explore how “expenses, fiscal margin, and asset and liability management all affect healthcare outcome quality. There is *less* evidence about how organizational finance factors affect structural or process quality, and there is *no* information about how structural or process quality mediates between finances and outcomes”(Beauvais 2006) Yes, no information or studies could be found that establishes a link between financial performance analysis and quality metrics in long-term care management. As we have considered, some articles and publications have been prepared that discuss, from a theoretical or academic perspective, the topic of accounting and economics in financial management. Yet little has been written or studied that seeks to understand how decisions are made, how managers prioritize responsibilities, and how these relate to the core competency of financial literacy and comprehension. New articles written for present and future administrators must keep in mind that reliance on past studies may not provide an accurate view of the job requirements and qualifications. “The last decade or two has brought a great deal of change to the nursing facility industry, and therefore to the role of the administrator, says NAB Executive Director Randy Lindner” (LaPorte 2008) Questions that must be in answered in future empirical research include: How are decisions made by front line managers? What has proven to be an effective approach to financial management, and coordinating or solving problems that inevitably arise?



Observational studies that highlight factors for success are desperately needed to further our understanding of this dilemma and provide solutions. Perhaps increased use of common scenarios healthcare professionals face in healthcare management should be included in their education and training. Increased familiarity with typical systems used by healthcare managers for organization, analysis, and that perform other essential and routine tasks necessary for healthcare facilities would be useful in preparing administrators for skillful management of finance and economics. Whatever the strategy, more must be done to close the immense gap that exists between conceptual knowledge and the application of skills. Also, if the industry recognizes the silent crisis, the lack of information-sharing, companies and the managers they employ can feel free to share concerns, questions, and ideas that can pinpoint the reasons for success or failure. An effort must be made to understand the views of administrators new and experienced, current and former managers from across the United States and abroad. These students and managers, whose “frustration and disappointment are often expressed through social media” should express their concerns and suggestions to, and through, the academic community to improve the experience of current and future health care managers (ACHE 2014). Citing other sources, Slipicevic concludes, “Although there is low consensus on the set of basic competences and skills required of health managers, nobody questions the necessity of additional academic improvement and professional development for a competent performance of managerial functions in an extremely complex and dynamic environment such as health care (Slipicevic 2012).

Yes, though there exists “a myriad of techniques essential to becoming an effective healthcare manager”, many of these must be made explicit for instructional value, especially

those that are deemed necessary for maintaining the financial viability of the organization (Lombardi 2014). It has been noted that “nursing home administrators... have significant influence over the facility budget and can control the distribution of monies for care and services” (Castle 2001) If this is true, a healthcare manager must have a firm foundation in healthcare policy, law, and fundamentally, economics and finance to implement sound decisions. Once it is understood by individual administrators how financial management relates to other problems commonly faced in healthcare like turnover, burnout, patient satisfaction ratings, quality metrics, business retention, etc., common problems faced in managed and long-term care organizations can be resolved.

#### Thesis Limitations

This literature review of healthcare studies and articles about finance management contains a number of limitations. Much time went into collecting reputable sources to be included in this paper. Very few articles exist, including qualitative and quantitative studies focused on economics and finance management and its real-world application as determined by the gathering of experiences, views, suggestions, and ideas from current and former healthcare managers, directors, and administrators. Secondly, many healthcare articles are written with the hospital management system in mind, while current articles, and empirical studies on long-term care management, budget, revenue, expenditure, profit-margins, and asset analysis are few in number, or practically non-existent. Some of the studies included focused on one company or facility with little to no comparison to other similar organizations, and some articles were written in or about distant places, many of them outside of the United States, which may affect its applicability and accuracy nationally, regionally, and locally.

## References

- American College of Healthcare Executives. (2014). Appropriate Preparation for Healthcare Executive Management Positions for All New Entrants to the Field. Retrieved from:  
<https://ache.org/policy/preparation-new-entrants.cfm>
- Beauvais, B., & Wells, R. (2006). Does money really matter? A review of the literature on the relationships between healthcare organization finances and quality. *Hospital Topics*, 84(2), 20-28.
- Bentley, T. G. K., Effros, R. M., Palar, K., & Keeler, E. B. (2008). Waste in the U.S. Health Care System: A Conceptual Framework. *The Milbank Quarterly*, 86(4), 629–659. <http://doi.org/10.1111/j.1468-0009.2008.00537.x>
- Castle, Nicholas G., PhD; Administrator Turnover and Quality of Care in Nursing Homes. *Gerontologist* 2001; 41 (6): 757-767. doi: 10.1093/geront/41.6.757
- DiChiara, Jacqueline. (2016). Revenue Cycle Management Success is About the Fundamentals. Retrieved from: <http://revcycleintelligence.com/news/revenue-cycle-management-success-is-about-the-fundamentals>
- Dwyer, Deb. (2012). Top Five Most Important Turnover Causes from Healthcare. HSD Metrics. Retrieved from: <http://hsdmetrics.com/employee-retention/top-five-most-important-turnover-causes-from-healthcare/>

- Faulkner, A. a. (2016). Financial Literacy Education in the United States. Reference & User Services Quarterly, 56(2), 116-125. Retrieved from:  
<http://eds.a.ebscohost.com.ezproxy.net.ucf.edu/eds/pdfviewer/pdfviewer?sid=6ac96187-57a6-453c-a3eb-2bc569235b47%40sessionmgr104&vid=2&hid=4213>
- Fiondella, Clelia; Macchioni, Riccardo; Maffei, Marco; Spano, Rosanna. (2016). In: Accounting Forum. Vol. 40 Issue 3, p186, 19 p.
- Geletta S, Sparks PJ. Administrator turnover and quality of care in nursing homes. Annals of Long-Term Care: Clinical Care and Aging. 2013;21(4):27-30.
- Hagler, Gina. (2016). Financial Literacy. Salem Press Encyclopedia. Retrieved from:  
<http://eds.a.ebscohost.com.ezproxy.net.ucf.edu/eds/detail/detail?sid=6c00569d-d6be-4cd3-b2d3-c2fbcf464f79@sessionmgr102&vid=3&hid=103&bdata=JnNpdGU9ZWRzLWxpdmUmc2NvcGU9c2l0ZQ==#AN=100039076&db=ers>
- Hard and Soft Skills. (2016). Allnurses. Retrieved from: <http://allnurses.com/nursing-and-professionalism/hard-and-soft-898866.html>
- Harrington, C., Ross, L., & Kang, T. (2015). Hidden Owners, Hidden Profits, and Poor Nursing Home Care. International Journal Of Health Services, 45(4), 779. doi:10.1177/0020731415594772
- Hirschfield, Marc E. and Marc Skapof. (2014). United States: Healthcare Providers Face Increasing Financial Pressure And Bankruptcy Risk. Retrieved from:  
<http://www.mondaq.com/unitedstates/x/323360/Healthcare/Healthcare+Providers+Face+Increasing+Financial+Pressure+And+Bankruptcy+Risk>

Inappropriate payments to skilled nursing facilities cost Medicare more than a billion dollars in 2009.

[electronic resource]. (2012). [Washington, D.C.] : Department of Health and Human Services, Office of Inspector General, [2012].

James B, D, Boyle P, A, Bennett J, S, Bennett D, A, The Impact of Health and Financial Literacy on Decision Making in Community-Based Older Adults. *Gerontology* 2012;58:531-539

LaPorte, Meg. (2008). A day in the life of a nursing facility administrator. *Provider magazine*. Retrieved from: <http://www.providermagazine.com/archives/2008/Pages/0508/A-Day-In-The-Life.aspx>

Leadership Turnover in Long Term Care. (2011). Executive Search Solutions. Retrieved from: <http://www.essusa.net/pdf/NURSINGHOMELEADERSHIPTURNOVERESSWhitePaperFinal.pdf>

Levinson, Harry. (1996). When Executives Burn Out. *Harvard Business Review*. Retrieved from: <https://hbr.org/1996/07/when-executives-burn-out>

Lombardi, D. N., & Slonim, A. D. (2014). *Manual of healthcare leadership : essential strategies for physician and administrative leaders*. New York : McGraw-Hill Education Medical, [2014].

Martin, C., & Jérôme, T. (2016). Cost (In)Efficiency and Institutional Pressures in Nursing Home Chains. *European Accounting Review*, 25(4), 687. doi:10.1080/09638180.2016.1169937

Thompson, Julia. (2015) Long-Term Living: For the Continuing Care Professional (LONG TERM LIVING), *Jul/Aug2015; 64(4): 58-61. (4p)*

Wiener, J. M. (2003). An Assessment of Strategies for Improving Quality of Care in Nursing Homes. *Gerontologist*, 43:19-27.