







<i>Non-medical supplies</i> .....	55000
<i>Total expenses</i> .....	2072160
<i>Operating Income</i> .....	105880165
<i>+Other Income</i>	
<i>Excess of revenues, through flat fee method of 0.5% charge</i> .....	515789
<i>Increase in Unrestricted Assets</i> .....	106395954
	<i>Net</i>

In this second method, i.e. extra charging predefined percentages of the expected revenues of the provided services; it could be of more value than the first method, i.e. extra charging a predefined amount of fees over the services provided.

As mentioned above, this extra revenue could be used in the welfare of the local patients, employees of the hospital. Moreover, this extra revenue could be invested in some relevant or irrelevant businesses to achieve multiplication and ensure sustainability of the self-funding strategy.

## 8. Outcomes

An overwhelming majority of patients had no issues regarding a slight increase in the prices of the services provided to them as long as the extra funds generated are invested in improving the facilities and providing medical facilities to those poor patients who cannot pay their bills. Patients wanted better care rather than a fancier hospital. On the other hand, reviewing and analyzing earlier conducted studies also provided the fact that those patients who were treated in expensively renovated hospitals and upscale medical centers did not necessarily had a positive review about the medical care provided to them. Their main concern was that the extra funds generated by the management through price adjustments have not been utilized properly towards improving the medical facilities (Stelwagon, 2012).

## 9. Discussion

Financial management in a non-for profit healthcare organization means to operate and make decisions in such a way that the entity is able to serve the patients effectively and at extremely low costs without facing too much of financial problems itself (Anheier, 2014). It is also the function of the financial management in a healthcare organization to generate funds staying within the constraints so that better healthcare facilities can be provided to the patients. It can be an extremely difficult decision to make regarding increasing the prices in a non for profit healthcare organization without shifting too much burden on the patients especially the poor patients as well as children because it can undermine the purpose of existence of these entities (Gregoroudis, 2012).

Price adjustment decisions are such kind of decisions where the entity needs to increase prices of services provided so that extra income and funds are generated and then invested back to improve health care facilities such as providing the latest medical treatments, heavily subsidizing for patients

who cannot afford to pay, investing in the utilities of the hospital (Newhouse, 2013).

From the given data, it is observed that the hospital tends to generate revenue from its insured and non-insured patients. All the financial analysis is represented in Jordanian dinar currency. The fixed costs of the hospital include the annual salaries of the personnel which stand at 1,614,360 JOD. The other part of fixed costs includes annual incentives which will be paid to nurses, physicians and other support staff which amounts to 292,800 JOD. Total revenue generation is expected to be 107,952,325 JOD regardless of any of the pricing structure adjustment. Whatever level of revenue the two pricing adjustments generate, they will be categorized as additional revenue. Flat fee system is based on the charge in piaster currency. In contrast, the other pricing method is imposed in percentage form. Both are imposed on three kinds of patient services. They include per clinical visit, per impatient day and visit in the emergency room (Zelman 2009). Poor patients and children below six years of age are excluded from the two pricing structures. The hospital will be catering to the medical issues of majority of insured patients. If the hospital employs a flat fee system, it will receive less revenue from patients and provide a high-quality service at low cost. To compensate the lost revenue, physicians and other staff members will be paid an annual incentive. The increase in the service fee will not be communicated to patients. However, the hospital is able to generate additional revenue if it charges the pre-defined percentage prices for medical services. This pricing structure generates more revenue of 416,622 JOD than the fixed fee system. Such additional revenue is proposed to be invested to acquire medical equipment and supplies (Genpact 2013). It will increase the quality of service provided (Miller 2013). Similarly, it is mentioned in anearlier section that the demand prevailing in the medical care industry is inelastic (Shafrin 2009). Patients who consume medical services are willing to pay any price to restore their health. They are less sensitive to any given change in price of medical services (Marotta & Russell 2014). Due to this any of the proposed pricing options could be used for adjustment. However, pre-defined percentage system seems more feasible than that of the flat fee system.

Comparative to results in the same industry, this study has some similarity with other researches and plans. All other health organizations are designing their price structures in the same manner as this organization. However, there is dissimilarity in the results about way fee for services that are charged. Results from other health institutions tend to focus on fee equivalent to the quantity of service provided. No percentage adjustment is embedded to their pricing structures just as in case of the organization under review.

## 10. Implications for Theory and Practice

The study of the patients' responses and analyzing the previous studies, the management can take several different steps in relation to price adjustment. The management can start off by initially increasing the prices of its lesser utilized medical facilities by a uniformly fixed percentage to ascertain the elasticity of demand and whether it has affected the number of patients using the facilities and whether the

step generated extra income for the organization. The increase in prices can then be applied on other health services as well. The management also needs to make sure that the increase in prices does not prove as a deterrent in patients visiting the hospital. The increase in charges must be minimal at first. The extra income generated must also be allocated towards the betterment of the entity's own employees by providing them incentives.

The management can either adjust the prices using a flat rate system in which it can set a pre-defined price regardless of the number of times the medical service is used by patients. This system can increase the costs for the hospital because it will receive a fixed sum despite the number of times the service is used (Just, 2011). Another method will be to charge a fixed percentage on the final billing amount of patients. This means that the patients will pay for the services they used along with the extra percentage of costs. This can assist the management in generating additional income.

## 11. Conclusion

Financial management in non-for profit healthcare entities is a thankless job because it requires the management to look after the society as well as its own organization and work for the betterment of both without compromising their duties towards either of them. Price adjustment options must be used in a sensible way after studying and analyzing the pros and cons of the techniques as well as taking a leaf out of the experiences of other non-for profit organizations.

Not-for-profit health organizations must operate efficiently to provide cost-effective and affordable health care services, and to ensure their continued ability to reinvest in the improvement of the community's care and access. To that end, not-for-profits should be held to the highest standards and practices of financial management and planning so that fiscal resources are managed responsibly for the public health good.

It was found that the use of fixed percentage charges from patients who are insured or able to pay; provide a better way to generate reasonable revenue to the not-for-profit hospital, and it is an easier and a more reproducible method that can be applied to a simple accounting system.

The revenue can be used in maximizing incentives to the employees of public hospitals, which in turn help as a motivator for better health services production. Also, this revenue can be used in expanding the hospital, opening new departments and providing better services, thus improving the existing one. An ethical challenge arises here, in the application of a strategy of extra charging already insured patients, balanced with the extra care provided by the more efficient health care system.

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