

### **Structure of a cost type plan**

The structure of cost planning differs with variations in the type of industries. Cost is classified in different ways depending on its nature. There is a continuous change to develop the cost structure with extreme accuracy and precision. It helps in increasing the financial efficiency and helps the organization become sustainable. Business is dependent on cost type plans, and the research and development all differ with different cost type plans.

The two fundamental cost types that generally cover every sector including health sectors are Fixed Costs and Variable Costs.

A fixed cost is one that does not change concerning the environment. It includes rental payments, salaries, interest payments, and other unchangeable activities (Johnson, 2020). The use of the equipment and other utilities also come under fixed costs. Hospitals and different health sectors majorly deal with fixed costs. It is a bigger portion than its counterpart and requires planning to effectively tackle any obstacles.

According to one of the articles on cost structure in hospitals, most hospitals are limited to fixed costs because they cannot change much of the structure (Texas, 2020). Fewer patients result in quite less revenue which ultimately affects the fixed costs creating bottleneck situations for the entire supply chain. Moreover, fixed costs in hospitals are required no matter the situation, unlike other sectors where there is much more flexibility. The fixed costs problem can only be overcome by increasing the number of patients. It is why hospitals cooperate with neighboring facilities and deal with partners to keep delivering fixed costs while increasing the revenues. The effective deals with insurers, corporate sectors are also useful in cutting unnecessary expenditures, helping fixed costs to be paid easily. However, there is not much chance to entirely pay fixed costs from private patients only. Most strategies prepared in the hospital accounts sectors is to solve this perplexing problem. The reason why fixed costs in hospitals are a very significant aspect is due to the nature of the business. The structure of the hospital insists the institution open 24/7, clinically assess patients and treat them with extreme proficiency. These factors link to an increase in fixed costs. If the entire cost management is not successful, the patients and providers are to pay extensive amounts for treatments. It eventually leads to

bankruptcy and makes the institution defunct. The other factors that structure the fixed costs are administrative costs and support costs. Support costs include cleaning services, replacing of laundries etc. This entire maintenance service is to be done regardless of how many patients are admitted in the hospital that is a huge fixed cost affecting the revenue numbers. Authors imply that it is more important to make sure that hospitals are an institution where cutting costs can be quite disastrous since it is related to the lives of human beings. Therefore, it is to make sure that hospitals can achieve savings while still meeting or exceeding the quality of services and deliver the best results.

Variable costs, on the other hand, is self-explanatory. It depends upon the types of operations and its outcomes. Variable costs in hospitals focus more on forming the competitive market. The classification and evaluation of variable costs are generally easier than its counterpart (Love, 2020). The inflation factor, medicines costs, and return on investments are all variable costs. Hospitals rely less on variable costs than fixed costs (Neumann, 2020). It is estimated that only 16-20 per cent of hospitals rely on the variable cost structure. Variable cost structure in hospitals provides numerous advantages if it deals with proficiency. The effective strategies for fluctuation in markets in variable cost structure lead to better efficiency in fixed costs structure.

There are numerous ways to gather the costs variables, constraints, and constants to effectively evaluate and create strategies around. It requires planning, monitoring, and dealing with successful partnerships. It not only has a positive impact on hospital proficiency and work performance but also helps patients as the treatment fees are reduced. Nowadays, the use of automation processes helps build successful costs frameworks that result in growth and proliferation of operations. The cost information also helps in identifying several variables of whether a physician can be allowed for overtime work or allow part-time practitioners. The consumers demand the best services in fewer fees and strategists have to determine and carefully assess both of the costs to provide the best result with accuracy, precision, and in time.

### **Planning and recording of the types of costs**

Different articles and researches provide various methods for planning and recording of the types of costs. Some are full of depth, but some highlight only uppermost factors. One of the articles provides two major cost planning to consider in hospitals. The first one is micro-costing while the other one is standard costing. Micro costing refers to the approach of identifying every possible resources and service used by the patients. The factors must consider every type of variable and in-depth knowledge of the treatment of patients. This method completely covers every aspect and records the type of costs with proficiency. The other one is Standard costing which is simply the average of all the costs of medical expenditures. It is illustrated by this formula  $\text{Average cost} = \text{total expenditure} \div \text{total output}$  (Hospaccx, 2020). The author further provided both of the costs merits and demerits. Both are useful in recording, planning, and development of cost structures. However, it is based on past events, and the fluctuation in future may not work accordingly.

The detailed cost data may also require time and resources but is useful incomplete recordings of the data.

Becker Hospital Review, on the other hand, demonstrates effective cost planning in eight different steps. The first one is to understand every variable that is linked to costs. This factor is the same as the mentioned one. The second one is to evaluate the cost-reduction goals that must relate to capital shortfalls. This factor is risky as severe cost reduction will lead to a decrease in performance factors creating ambiguities for the hospitals. The use of internal and external factors to identify cost-saving plans and benchmarking the data are also linked with effective cost planning (Healthcare, 2020). Becker Hospital Review also implies that change in staff, decluttering the unnecessary functions, and ensuring the organizational plan is all responsible for successful planning and recording of the types of costs.

Another research paper uses frameworks, charts, and blocks to demonstrate successful cost planning. It is more related to the waste management framework in health care facilities. From pretreatment to post-treatment, it covers all aspects of necessary waste management. The model talks about maintenance costs and how they contribute to the increase in running costs if they are not managed properly. The research paper mentioned the solid waste management, the disposal of syringes, liquid waste, discharge, steam sterilization, dry treatment and all other factors as

well. It validates how these expense categories can be a bottleneck for hospitals if they are not planned well. It provides a framework such as through the observation of EHS delivery in selected data collection sites (Anderson et al., 2020).

The World Health Organization WHO also demonstrates the successful, idealistic cost planning for efficiency. WHO implies that effective managers are significant for hospital planning and management. The article states "Simply ordering staff to implement new procedures usually does not work. It is much better to discuss and develop the procedures with the staff who will implement them. This could take the form of discussion, working groups or training workshops" (WHO, 2020)

. WHO believes that successful strategies are required for successful planning and recording of the cost measures which contribute to better hospital management. It mentions the effective use of inventories, stock value calculations which improves planning and budgeting of costs measures. The WHO article covers every aspect, including the budget line for equipment expenditures. It gives a deep insight into capital funds and recurrent funds which are responsible for better planning and management. Both types of funds help in identifying to monitor the different allocations and expenditures for these equipment requirements, and other necessary running factors.

Many chairpersons and leaderships are helpless when it comes to overhead costs in hospitals. It is unavoidable in many cases and results in the extreme deficiency of results. Labor prices, medicines, and administrative costs take a considerable amount of revenue. In this context and for strategic planning and recording of costs, authors concluded that **a more concerted effort to reduce prices and administrative costs** is likely needed." These are the opportunities for savings and saving costs for future uncertainties. It can be dealt with software acquiescing, better resource planning, understanding the future variables, and efficient collaborations with insurers, third parties, and other beneficiary services. The correct implementation will lead to the correct implications and create snowballing in the growth of hospitals. The utilization of software must be according to the particular hospital values, and generalization should be avoided at costs. All those costs that add value and eat revenues can only be catered with these recording and planning methods.

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