HOSPITAL ORGANIZATION,
ACCOUNTING FUNCTION

# 321 - 66

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To: Mr. John Rasmussen
   Administrator

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Subject: Hospital organization, in particular, the accounting function.

Objectives:

1. To recognize and establish the accountants role, versus the bookkeepers role, in the hospital organization.

2. To suggest alternative organizational structures to accomplish the above.

Background:

The business manager, Mrs. Marshall, is presently responsible for the hospital bookkeeping and accounting as well as admitting, credit, collections, disbursements, switchboard and miscellaneous record keeping.

While Mrs. Marshall has extensive supervisory experience in the above operations, she has had no formal training in accounting theory and has, therefore, relied heavily on AHA guidelines, auditors' recommendations, Administrators' requests, and the system originally inherited to formulate the present hospital accounting practices. Besides which, much of Mrs. Marshalls' time is needed to oversee credit and collections, thus severely limiting her attention to hospital accounting.

In recognition of the need for more capability in the area of accounting, Mr. Gearig, a person trained in accounting, was hired to fill this need.
Conclusions:

Because it is the routine bookkeeping function that furnishes the accountant with most of the information needed to compile fiscal reports, evaluate budgets, establish cost accounting systems, etc. it is necessary that the accountant establish the bookkeeping procedures to be followed.

Ideally, the accountant should also supervise the bookkeeping function since, not only must he establish routine bookkeeping procedures, but also a part of the information he will need will be non-routine, and will require extra effort to "dig out". This process, of course, would be expedited if the accountant had direct control of the bookkeeping function.

At Hillsdale, the business office is too small to afford specialization and the same personnel are involved in both bookkeeping and other facets of the business office operation, hence it would be impractical to separate bookkeeping personnel from other business office personnel and thereby create a separate accounting and bookkeeping department.

It would be equally impractical to expect business office personnel to serve two masters (i.e.; the accountant and the business office manager).

In view of this situation, three alternative positions for Mr. Gearig are explored herein.
1. Administrative Assistant:

This would be a staff position reporting directly to the Administrator with no direct authority or responsibility over existing departments.

In general, the position of Administrative Assistant is utilized as a "stepping stone" position for an employee either on his way up to a responsible managerial position or on his way down from same. As such, employees are eased into, or out of, an organization with a minimum of "boat rocking".

The primary duties of the Administrative Assistant would be to allocate expenditures (invoices) to appropriate cost centers, to maintain hospital general ledger (subsidiary ledgers would be maintained by the business office manager as per the Administrative Assistants' recommendations and/or the Administrators' requests), to recommend bookkeeping and fiscal reporting procedures, to recommend fiscal policies, and to perform other duties as assigned by the Administrator.

The job description of the Business Manager would be altered as per attachment one (1).

In the position of Administrative Assistant, Mr. Gearigs' only official influence on the bookkeeping and other related business office functions would have to be via the Administrator. This could be a serious disadvantage to Mr. Gearig inasmuch as he would have no direct control over his primary "inputs". Also, the Administrators' span of control already encompasses nine (9) department heads, therefore, adding still another position reporting directly to him may present a burden.

2. Controller:

This position would have virtually the same job description as the present business manager position. The title is changed because the existing job description already exceeds the usual bounds of a business manager.

Of course, Mrs. Marshall's position would have to be altered. In view of the fact that receivables have been, and continue to be, a problem, a position of "Accounts Manager" could be created for her which would have immediate responsibility for admitting, credit, and collections.
Thus, Mr. Gearig would assume immediate responsibility for accounting, bookkeeping (posting), disbursements (payroll, invoices) and miscellaneous records and would delegate, to the Accounts Manager, the immediate responsibility for admitting, credit and collections (billing, cashier-switchboard). While some of the business office personnel would still fall under the immediate supervision of both Mr. Gearig and Mrs. Marshall, this would not be a major problem as there would be only one ultimate authority for the entire business office.

This type of organization would maximize the usefulness of Mrs. Marshall's extensive knowledge of the Community, the hospital and its patients. Also, it would not add to the Administrators' span of control.

3. Assistant Administrator:

This position would have virtually the same duties as summarized under the position of Administrative Assistant with the addition of the direct responsibility for the business office and other departments as delegated by the Administrator.

Because the creation of this position would be quite a departure from the present organization, consideration should also be given to elevating the Director of Nurses to a position of Assistant Administrator. Insofar as this person is responsible for roughly half of the hospital personnel, it would be inappropriate to have a position above hers (organizationally) which controls services ancillary to hers.

At this point in time, it would probably be advantageous to have the Dietary Department head report to an Assistant Administrator since this department head lacks self confidence and feels the need for additional administrative support.

The major characteristic of this type of organization is that it lessens the autonomy of the department head. In the present, horizontal, type of organization, the Administrator's span of control is so broad that much of the decision making responsibilities must be delegated to the department heads. Whether or not this is successful is strictly a function of the energy of the Administrator and the problem solving abilities of the department heads.
In summary, it is apparent that Mr. Gearig has been functioning in a manner similar to an Administrative Assistant but without the benefit or prestige of that title. If it is felt that his "apprenticeship" has not been long enough, then this would be his next logical position.

From the position of Administrative Assistant (or perhaps his present position if, in fact, the apprenticeship" period has been long enough), the next logical step would be either to controller or Assistant Administrator depending upon which form of organization will best fit the existing department heads and the future Administrator.
ATTACHMENT I

BUSINESS MANAGER

Purpose:

To serve as chief business officer for the hospital and to assist the Administrator in planning the business management of the hospital; to supervise the activities of the business office including credit and collections.

Duties:

Note: The following duties and responsibilities are intended only as typical examples of the kind of work performed; this is not meant to be an all inclusive list of duties and responsibilities which may be required in this position. Duties are subject to change by addition or deletion as circumstances require and as specified by the supervisor or other authorized person.

Plans, organizes, staffs, and supervises the work of the business office, making recommendations to the Administrator and seeking the Administrator’s advice and approval as necessary or appropriate. Supervise the work of the business and credit offices directly or through intermediate supervisory personnel. Establishes procedures for the operation of the business office and coordinates systems, office methods, reporting activities, etc. Assures compliance with regulations of governmental agencies as they apply to the hospital business management functions. Initiates and maintains credit and collection procedures and gives general supervision to these activities; approves accounts to be written off, transferred for collection by a collection agency or attorney, and decides whether and how to proceed with difficult collections. Maintains hospital personnel and attendance records. Performs related duties as assigned or required.

Supervision Received:

Works under general supervision of the Administrator and within established hospital policies. Performs most duties independently, consulting with the Administrator on unusual or difficult situations or matters which require major policy decision.

Judgement:

Position requires exercising keen business judgement in dealing with financial and business problems. Requires good judgement in recognizing problems which should be called to the attention of the Administrator.
Relationship With Other People:

Position involves considerable contact with business people in the Community, with patients and families, and with other hospital personnel. Requires tact, diplomacy, and ability to relate well and work well with other people and to communicate ideas clearly and effectively.

Qualifications:

Education and Training: High School graduate with business course; college education with business management major is helpful. Experience: Previous credit and collection experience including supervisory experience. Previous hospital credit and collection experience, including supervisor experience, desirable.

Special Responsibilities:

Requires accuracy and attention to detail. Ability to find errors rapidly, interpret figures, and to project from past experience.

Physical Effort - Working Conditions:

Work performed under normal working conditions.