

MANAGERIAL DECISIONS TAKEN ON PUBLIC HEALTH ENTITIES MAY BE BASED ON INFORMATION DRAW FROM THE INCOME STATEMENT

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Abstract:

The current economic state put their mark on the public health entities in Romania, which recently went through a series of changes both in terms of organization and accounting. For supporting the managers from public healthcare institutions in making best decisions in the future we propose the use of intermediate balances which allows an analysis of performance regarding the activity, depending on their nature based on data provided by patrimony result account.

By using this panel can be determined capital accumulation that can be used effectively in financing future activities of public health institutions.

Key words: financial performance, income, costs, value added

JEL classification: M40, M41

I. Introduction

During the activities of public health institution under the Ministry of Public Health capital accumulation appear (from payment of medical services generating their own income), necessary to ensure a high quality medical services to citizens. Each activity, classified by nature (operational, financial and extraordinary) determine certain steps in the formation of public capital accumulation at the level of public health institutions, these accumulations can be identified individually (at the level of each public institution financed from state budget, local or FNUASS in part).

II. How can be interpreted the intermediate balance management in the public health entities?

A performance analysis of public health entities activities detailed by their nature can be achieved by building intermediate balances panel (SIG). This analysis is possible due to the introduction of the patrimonial outcome account at the level of public entities.

Considered as a useful panel for private sector, the SIG panel could enter as a tool for analysis and management for public sector.

Defined as a panel in which capital accumulation gradually formed to finance future activities, structure of the public health sector can be presented as follows:

Table 1. The SIG panel build on the base of results account classified by the method of grouping expenses according to their nature

INCOME	OUTGOINGS	INTERMEDIATE BALANCES
Income from medical services provided (Own activity)	Expense regarding stocks (-) Expense on services performed by third parties (-)	Own added value
Own added value Income of the Fund (health entities CJASS): Tax revenue, non-tax revenue , from capital (+)	Material expenses and fund services (entities) (-)	Value added tax
Value added tax Revenues of budgetary credits (+)	Expenses from budgetary credits allocated (-)	The added value budget
Overall value added	Expenses on personal(-) Expenses on taxes(-)	Gross operational surplus
Gross operational surplus Income from transfers and budget allocations (+) Income from provisions for operating activities (+) Other revenue from operating activities (+)	Operating expenses for depreciation and provisions (-) Other operating expenses (-)	The operating result SURPLUS/DEFICIT
The operating result SURPLUS/DEFICIT Financial income (+)	Financial expenses (-)	Financial result SURPLUS/DEFICIT
Operating result SURPLUS/DEFICIT + Financial result SURPLUS/DEFICIT		ORDINARY result SURPLUS/DEFICIT
Extraordinary income (+)	Operating expenses (-)	The extraordinary result SURPLUS/DEFICIT
The extraordinary result SURPLUS/DEFICIT + ORDINARY result SURPLUS/DEFICIT		The performance of the exercise SURPLUS/DEFICIT

**Source: by author*

The S.I.G. panel (intermediate balance management) includes the following key indicators:

- Value added,
- Gross operational surplus,
- The operating result,
- The ordinary result,
- The result of the exercise.

1. Value added, considered the most important indicator of the panel, shows public capital accumulation that appear (during operational activity), for finance the personnel costs (with significant weight to the public health sector in Romania) and eventual expenses and any taxes.

Given the decentralized public health system and the appearance of the three main entity of the system, namely MSP, CNAS și Healthcare providers, the structure of value added will be determinate depending on the type of the activities:

- **Value added from own activity (Hospitals and ASP)**

$$VA_{pr} = V_{serv} - C_{terți}$$

VA_e – value added established for own activity
V_{serv} – value of the provided services
C_{terți} - consumption from third parties

The significance of determining the added value for its own activities is found in the health system generally in the health care providers and interpretation may take the following:

VA_{pr} > 0, indicates an accumulation of capital from its own gross, designed to help finance the expenses with personal and any expenses related to taxes that may occur.

VA_{pr} < 0, means that from the own activity did not result in accumulation of public capital and therefore must be taken various measures to reorganize its activity as a whole, or to discontinue it because it will not be able to provide resources for any future expenses (the case of ASP).

- **Value added tax (CJASS) for fiscal activity** which is reflected at the CJASS compare their own income tax (without include budget allocations obtained from the state budget) with cost determined by cover medical services provided (excluding services for which funding is provided from the state budget), using the formula:

$$VA_f = V_{pr} - Ch_{pr}$$

VA_f - value added tax

V_{pr} - revenues of public health institutions (without amounts and allowances deducted from state budget)

Ch_{pr} - own expense to public services (payment of medical services without such amounts for special purpose from the state budget)

It is a very important indicator for public health institutions (CJASS), values recorded having various meanings:

VA_f > 0, indicates an accumulation of capital from fiscal activity, the result of fiscal policy to attract to national fund budget of health insurance financial resources necessary to fully cover the expenditure of resources in health services. If value added is sufficient, it can cover any needs in future periods and resources necessary to fund costs with personnel and other expenses (due to other budgets).

Comparison of value added tax in prior periods will indicate the trend (downward or upward) as its develop, to establish or fiscal measures or to limit spending on public services, when the trend is downward.

VA_f < 0, means that their tax resources are insufficient to cover the necessary resources for health services. For public health facilities is a warning, being forced to take action on fiscal policy; (example increased tax base), or to limit expenses on health services (example giving to different investment objectives), or if possible in some operational expenses.

- **Added value of special activities relate only to those restricted revenues and expenses**, as a destination special value added is determined as the difference between income from special funds and special funds expenses according to the relation:

$$VA_{sp} = Vf_s - Ch_{fs}$$

VA_{sp} - special added value

V_{fs} - income from special funds

Ch_{fs} - expenses from special funds

VA_{sp} > 0, as in previous cases, it means the existence of public capital accumulation from specific activity, sufficient to finance the expenses.

$VA_{sp} < 0$ indicates the existence of a deficit and various measures must be taken.

Overall added value obtained by summing the three categories of value-added: economic, fiscal and / or special is determined with the relation:

$$VA_{general} = VA_c + VA_f + VA_{sp}$$

$VA_{general} > 0$ means there is a gross public capital accumulation in the operational activity, able to finance in the future periods the necessary spending on human resources and any taxes.

$VA_{general} < 0$ indicates lack of public capital accumulation in the operational activity, measures to be taken in such cases can be various:

- Economic activities supported from its own income;
- Fiscal, policy formulation leading to increased national fund of health insurance;
- The special nature aimed restricted income and expenses.

2. Gross operating surplus (GOS) *is the result obtained after the remuneration of production factors (labor and state - taxes paid are considered as services rendered by the state). This indicator is independent of: the company's financial policy, meaning that disregards the influence of financial revenue and expenditure, investment policy, because it takes into account depreciation, fiscal policy ignores tax, exceptional items, not taking into account the expenses and revenue windfalls. Gross operating surplus is the ultimate source that has an enterprise of exploitation. It also expresses equally company's capacity to generate cash resources (Miculescu, C., 2012:116).*

So, in short, gross operating surplus indicates public capital surplus which can be registered when from the overall value added have been deducted the expenses with personal and taxes, calculation according to relation:

$$EBO = VA - (Ch_{pers} + Ch_{imp, tax})$$

EBO – Gross operating surplus

VA – value added;

Ch_{pers} – personal expenses;

Ch_{imp,taxe} – taxes expenses.

$EBO > 0$ indicates an accumulation of public capital intended to finance any deficits that can be recorded in operational activity or financial activity or extraordinary.

$EBO < 0$ means that there is no capital surplus that could be used to finance the public health institutions.

In case of public health entities, managers should allocate fund to invest in human capital which must be included in the budget to increase quality and improve the work done. As other authors have shown in their works in Romania currently most public and private entities, do not have the ability to become aware of the usefulness and need for human resource development programs, but the main problem is that they lack the necessary means to implement such programs. The impossibility for these companies to make long-term investments in the development of human resources actually means an impossibility to adopt the new forms of organization, which are more modern and more efficient and could help. [3].

3. The operating result obtained by adding at EBO of income from transfers and budget allocations, of revenues from provisions and other revenues, and concomitant deduction of expenses on depreciation and provisions and other operating expenses, is calculated using the formula:

$$R_{op} = EBO + Vt + V_{prov} + AV_{op} - Ch_{a,p} - ACh_{op}$$

R_{op} – operating result;

Vt – income transfers and budget allocations;

V_{prov} – income from provisions

AV_{op} – other operating income

$Ch_{a,p}$ – depreciation expenses and provisions;

ACh_{op} – other operating expenses

The result of operational values can be interpreted as:

$R_{op} > 0$ - indicates a surplus from operating activities which can be used to fund financial activities and / or extraordinary of public health institutions.

$R_{op} < 0$ indicates a deficit can be covered by surpluses recorded in the financial and extraordinary work performed at public health institutions.

4. Ordinary result (R_{or}) is obtained by summing the operating result with that financial being determinate by the formula:

$$R_{or} = R_{op} + R_{fin}$$

R_{or} - ordinary result

R_{fin} - financial result

5. The performance of the exercise (R_{ex}) is determinates by summing the ordinary result with extraordinary income from witch are deducted the extraordinary expenses according to relation:

$$R_{ex} = R_{or} + V_{extr} - Ch_{extr}$$

V_{extr} - extraordinary income

Ch_{extr} - extraordinary expenses

The performance of the exercise is the indicator from the panel witch shows the activity overall at the level of public health institutions , indicating, when the result is positive, that there is a potential source of accumulation to finance further exercises or, on the contrary, when the values are negative a deficit covered from the past and future exercises.

III. Conclusions

Informative value of the panel should not be neglected by the managers of public health institutions generally speaking, these being able to determine decisions concerning the current activity and the future one held by institutions, the panel "producing" information underlying fiscal decisions, economic or those with special character (restricted).

The intermediate balance management panel at public health entities is presented as follows:

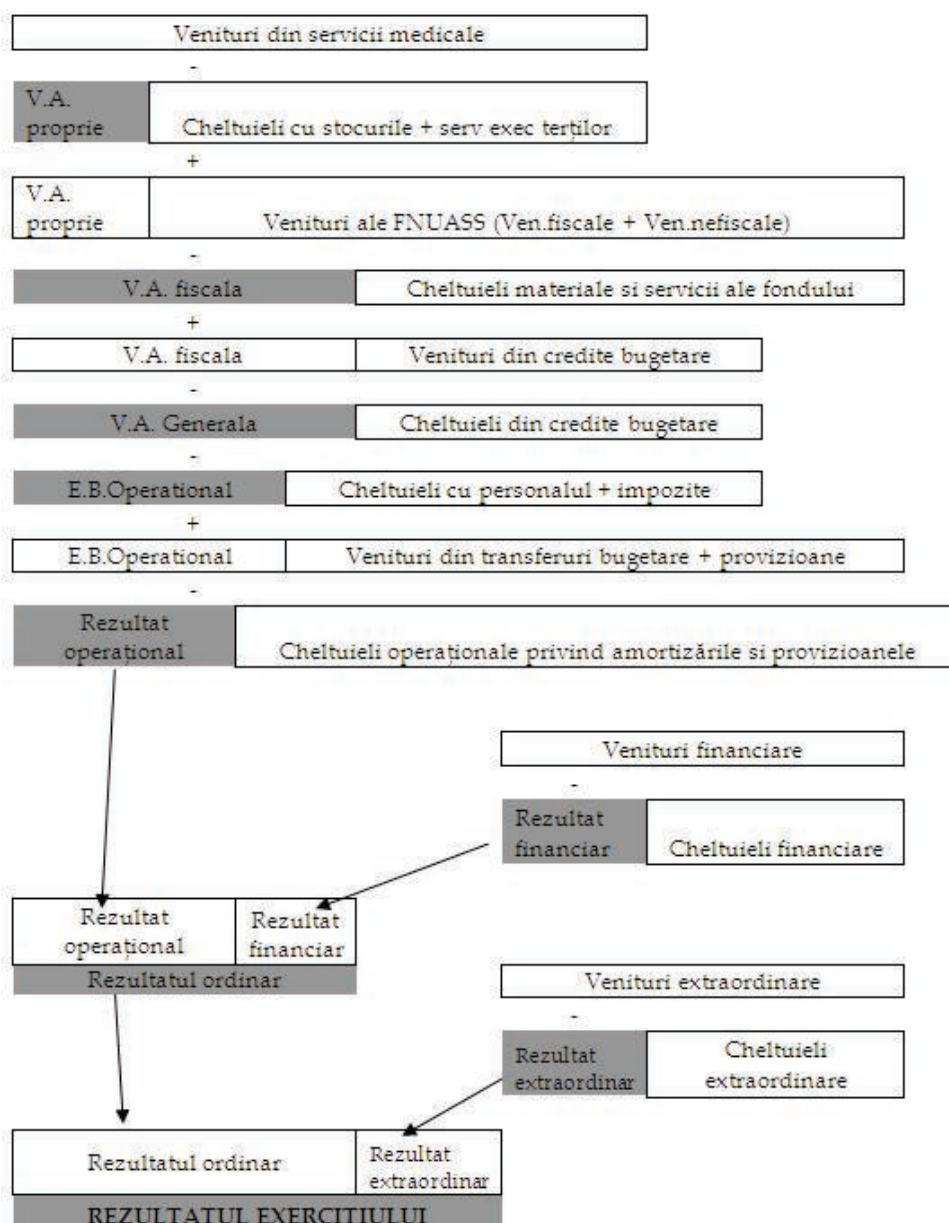


Figure no.1 The SIG panel phased scheme applicable to the health entities

*Source: by author

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