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HFMA CHFP Certification Series

Article 2 - Disbursements

This second knowledge and skills assessed in HFMA certification is *Disbursements*. Disbursement means the approved distribution of funds to third parties for the services or products they have provided to the organization. Third parties may include employees and contractors who provide direct and indirect patient care services or other services.

The disbursement functions of a healthcare organization include:

- Selecting, ordering and paying suppliers for the supplies, products, and contract staff and services
- Capturing and paying for hours eligible for payment for employees
- Applying for and paying for capital funded by lenders (loans made to the organization or bonds from investors)

Each of these functions requires management involvement and oversight.

Disbursement is a small area of exam comprising approximately 8% of exam. Note the cross-functional focus and breadth of coverage in 2 areas: 1) Payroll and 2) purchasing. Exam questions address each of the two areas.

Functional focus in these areas includes:

1) Payroll:

- Regulatory employee and contractor financial data collection (e.g. I-9; W-4, W-9)
- Work load data collection

2) Purchasing:

- Requisitions
- Authorizations
- Procurement
- Verification/approval
- Payment processing/posting

A brief summary of the issues certification candidates need to know follows.

Payroll Functions

This is the function that ensures that individuals are paid the authorized wages earned during the pay period. The payroll function may be involved in capturing information on independent contractors as and collaborating with Accounts Payable in issuing federal 1099s to certain vendors for tax purposes.

Payroll expenses include:

- all salaries and wages
- Labor-related expenses are defined as payroll expenses plus employee benefits
- Professional fees and those salary expenses excluded from payroll processing are defined as non-payroll expenses but will be included in an expense category (often labeled professional services) on the Statement of Operations/Income Statement

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All managers have payroll related responsibilities:

- Ensuring that an employee is present and working for each position and for every shift required for that position.
- Ensuring required positions are properly staffed but not overstaffed

Purchasing

“Purchasing” here refers to Materials Management (also known as Inventory or Supply Chain Management or Purchasing/Procurement). Purchasing involves the planning and control of the functions supporting the complete cycle (flow) of materials, and the associated flow of information.

Accounts payable

Accounts Payable facilitates paying approved vendor invoices for authorized services and supplies procured through Materials Management and other organization decision makers. Materials or Supply Chain Management serves virtually all departments of the healthcare organization. Everyone relies on this function to provide the supplies and products essential to everyday workflow from bandages for surgery to pencils for clerical work. As such, Materials Management must monitor and maintain sufficient inventories of products to meet the anticipated daily demand

Major areas of concern for purchasing/ materials management include:

Inventory: In the health services industry, inventory management requires close coordination among the following departments:

- marketing,
- purchasing,
- patient services, and
- finance departments.

Improper communication between departments and materials management could lead to inventory disasters.

Inventory Management Collaboration

Key areas of inventory/supply management:

1. Demands for services: The marketing department is generally the first to spot changes in demand. These changes must be worked into the company’s purchasing and operating schedules, and the financial manager must arrange any funding or financing that will be needed to support inventory buildups.
2. Ordering behaviors: The materials manager must know the ordering behaviors and supply usage activities of all departments to ensure:
 - How much of an item to order each time
 - When to order the item
 - What the cost of the item is¹
3. Department changes in suppliers or ordering patterns: Department managers who intend to change products or are considering other suppliers must keep the materials manager informed. The materials manager should monitor usage of products by different departments.

Experience in managing these operational areas is strong preparation for the certification examination.

The next article in the series will look at budgeting and forecasting.