

# Creating Your Post-Pandemic Operating Budget

By Kimberly Trotter, MA, RPSGT, FAAST

For some of us, it is the season of building budgets for the next fiscal year, depending on when your fiscal year begins. Whether you are new to the role of creating a budget or an old hat, I hope this primer will be helpful.

## Capital Budgets

Capital budget requests are usually made prior to creating your operating budget, and they consist of items you will need to purchase only once every few years, such as monitoring equipment, computers, a video system, etc. Capital items usually have a cap amount, such as items over \$5,000. Anything costing less than that would usually be considered an operating budget request. If you miss the cutoff deadline to submit these, or if equipment breaks mid-year, then some departments have contingency funds available to use for these purposes; or, your biomed department – if you are located within a hospital system – may pay for these repairs or replacements.

## Operating Budgets

Operating budgets are the month-to-month budget used to run the sleep laboratory. They consist of volume, revenue, and labor and non-labor costs.

### Volume

Within the operating budget, you must estimate what your volumes are going to be for the next fiscal year. I always recommend being conservative with this number and take into consideration sick days, vacations and holidays.

Many of us have experienced a severe decline in volume because of the pandemic, so it may be difficult to determine when the volumes will return to pre-COVID-19 levels. You can look at historical data from previous years, and review percentage changes from year to year to help you estimate future volumes. Also consider how many beds, technologists and physicians you have. Review study referral patterns and sources. If you have a work queue that your staff uses to schedule referred patients for sleep studies, look at those patterns before and after COVID-19 to help make decisions on your operating volumes.

---

*Many of us have experienced a severe decline in volume because of the pandemic, so it may be difficult to determine when the volumes will return to pre-COVID-19 levels.*

---

### Revenue

Revenue can sometimes seem difficult to understand. Revenue is the amount of money you bill out. Reimbursement is what you actually get from the insurance and patient copay and/or deductible. Revenue represents the types of sleep studies you are doing and not necessarily the volume. Revenue from an in-lab polysomnography (PSG) study is going to be higher than revenue from a home sleep apnea test (HSAT) because they are priced differently. Once you determine what your volume is going to be, and the type of studies you expect to perform, then you can estimate the revenue. In many hospitals, finance calculates this based on past volume and won't ask managers to focus on this, but it is important to understand it.

### Labor

The labor budget includes expenses related to the pay rates and full-time equivalency (FTE), but don't forget the benefits (insurance, paid time off and other tangibles), which are usually calculated as a percentage per FTE. How many staff members do you have? Are they all full time? If you add up all their percentages, what do you have for total FTE? Does that include vacation or nonproductive time? You will want to look at the volume you pledge to provide and work with the FTE you have to produce that volume. Are you able to hire more technologists? Sometimes asking for more FTE can be easier during budget time, especially if you can promise more volume. Looking back at pre-COVID-19 numbers can help you determine where you want to go from here.

### Non-Labor

Non-labor budget represents expenses related to supplies, sensors, electrodes and masks and will also include any rentals you may have, such as HSAT equipment

or positive airway pressure (PAP) devices. If you work in a hospital system, base budgets may be generated through hospital finance, which can give you a starting point. You can do some research and math to determine what your supply cost per sleep study is by dividing your total non-labor by the number of studies performed and annualize. Take into consideration possible inflation. You can contact your suppliers and ask if they foresee any increase in pricing. Some hospital finance departments add in a certain amount of inflation to your budget to make it easier.

Another aspect to look at is whether your non-labor budget is fixed or variable. Fixed means that your expenses are expected to remain the same, regardless of volume. Variable, or flexed, means you will spend more with increased volume. Most non-labor expenses would be considered variable, with the possible exception of rentals. You pay rent whether you use it or not. Regardless, you want to review your base budget to make sure it reflects what you expect to do in volume.

Another word about non-labor budget: It is important to pay attention to your spending patterns throughout the year. Many base budgets are created for you based on the spending of the first half of the fiscal year, then annualized. If you underspend during the first half of the year, you will likely wind up with a reduced base budget for the following year.

Overall, if you do your research and use resources available to you, creating a post-COVID-19 budget should be achievable. 🌙



**KIMBERLY TROTTER, MA, RPSGT, FAAST,** has been in the sleep technology profession for over 30 years and is

currently managing the UCSF Benioff Children's Hospital Sleep Lab. Her accomplishments include time on the AAST Board of Directors and participating on various committees. She has written articles for *A<sub>2</sub>Zzz* for many years, and has contributed chapters in sleep technology textbooks and research articles. She developed a bachelor's course in sleep technology, which she currently teaches. Kim is a recipient of the Carskadon and DeVilbiss awards and received her Fellowship with AAST in 2019.



From the makers of F&P Simplus

Full Face Mask

Redefining Performance



Ask your Rep about F&P's Dynamic Support technology



[www.fphcare.com/vitera](http://www.fphcare.com/vitera)

**Fisher & Paykel**  
HEALTHCARE