 <p>JOHNS HOPKINS MEDICINE JOHNS HOPKINS HEALTH SYSTEM</p>	The Johns Hopkins Health System Policy & Procedure	<i>Policy Number</i>	FIN085	
		<i>Effective Date</i>	01-01-08	
	<i>Subject</i>	JHHS BUDGET MONITORING – EXPENSE PERFORMANCE	<i>Page</i>	1 of 2
			<i>Supersedes</i>	10-01-06

POLICY


This policy applies to The Johns Hopkins Health System Corp. (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), Howard County General Hospital (HCGH), Johns Hopkins Community Physicians (JHCP), Johns Hopkins Medical Services Corporation (JHMSC), Johns Hopkins Medicine International (JHMI), Ophthalmology Associates (OA), Johns Hopkins Employer Health Programs (EHP), Johns Hopkins Medical Management Corporation (JHMMC), Priority Partners (PP), Johns Hopkins Pharmaquip, Inc. (JHPQ), Johns Hopkins Home Health Services, Inc. (JHHHS), Johns Hopkins Pediatrics Home, Inc. (JHPAHI), Johns Hopkins HealthCare (JHHC), Johns Hopkins Home Care Group (JHHCG), Suburban Health Center (SHC), Broadway Acquisition and Development, and HCGH OB/GYN Associates Series, LLC (HCGH OBGYN)

Purpose

The purpose of the policy is (1) to ensure the consistent and appropriate application of expense performance monitoring criteria among JHHS affiliates, and (2) to assure comparability of financial operating data among JHHS affiliates.

The process will incorporate the following:

1. Operating expense performance will be measured monthly on a departmental basis relative to fixed departmental budgets as reported in the Statement of Direct Income & Expense. Fixed operating expense variances as reported in the Statement of Direct Income & Expense shall directly support expense variances reflected in respective affiliate monthly Statements of Revenue and Expense.
2. Operating expense performance will be supplementally measured monthly on a departmental basis relative to departmental budgets. For affiliates using volume-based budgets, this measurement will be reported on the Volume Adjusted Departmental Expense Summary report, and variable budgets will be developed based on deviations in patient volumes upon which fixed budgets were based. For affiliates not using volume-based budgeting, operating expense performance will be measured against fixed budgets and reported on a monthly basis. This performance measurement will be used to explain Statement of Revenue & Expense expense variances in conjunction with Statement of Revenue & Expense revenue variances. Operating expense performance will also be used to measure the efficiency of departmental resource utilization.
3. Administrators, department heads or site managers will be responsible for providing central Finance management with written explanations of expense variations of greater than plus or minus five percent of budget at the expense category level (i.e., salaries, supplies, purchased services, etc.). Such variance explanations are required even in the absence of an aggregate departmental variance.
4. Expense variance explanations are due to central finance in such a timeframe during the preparation of the monthly financial statements as to ensure the validity of those financial statements. Such written explanations shall be presented to central finance according to the reporting schedule established by each affiliate. Explanations of both monthly and year-to-date expense variances and, where appropriate, volume variances are required.
5. In the event that a pattern of unfavorable expense variation (greater than 5.0% in any expense category) is established for a period of two consecutive months, a written action plan outlining a specific correction plan must be submitted to senior management as defined below

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<u>Affiliate</u>	<u>Representative</u>
All Affiliates	Vice President of Finance/Chief Financial Officer (CFO)
JHHS	Vice President of Finance/CFO and Treasurer President /Chief Executive Officer

While the above individuals have ultimate responsibility for expense performance monitoring, it is imperative that all appropriate staff from affiliate Finance Departments participate in the budget monitoring and expense performance measurement process.

SPONSOR

Vice President of Finance/CFO and Treasurer, JHHS

REVIEW CYCLE

Three (3) years

APPROVAL

President, JHHS

Date