Medical Accounting

- **Fee for Service vs Value Based Care Payment Models**
  Fee for Service vs Value Based Care Payment Models How HCC Coding Affects Risk Adjustment Scores DRGs and Their Role in Hospital Reimbursement Medicare Advantage and Risk Adjustment Strategies Addressing Disparities in Reimbursement Rates Understanding ESRD Risk Adjustment Models The Impact of Chronic Conditions on Reimbursement Optimizing Documentation for Risk Adjustment Challenges in Bundled Payment Models Auditing Risk Adjustment Coding Accuracy State Variations in Medicaid Reimbursement Future of Reimbursement in Telehealth Services
- **Improving Charge Capture Processes in Healthcare**
  Improving Charge Capture Processes in Healthcare Reducing Denial Rates Through Better Documentation Automating Claim Submission for Faster Payments Strategies for Efficient Payment Posting Managing Denials Due to Prior Authorization Using Analytics to Track Revenue Cycle Performance Training Teams for Revenue Cycle Efficiency Addressing Coding Errors in Claim Denials Streamlining Patient Registration Workflows The Role of Clearinghouses in Revenue Cycle Balancing Cost Control and Revenue Growth Case Studies in Revenue Cycle Turnaround
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Medical coding serves as a critical cornerstone in the intricate architecture of healthcare management, particularly within the realm of revenue cycle efficiency. As healthcare organizations navigate an increasingly complex landscape of patient care and financial sustainability, the precision and accuracy afforded by proficient medical coding cannot be overstated. For teams dedicated to optimizing revenue cycle efficiency, understanding the importance of medical coding is paramount.

At its core, medical coding involves translating diagnoses, treatments, and procedures into standardized alphanumeric codes. Proper workforce planning through staffing agencies reduces operational disruptions **staffing agency for medical assistant** property. This translation is not merely administrative; it forms the foundation upon which billing processes are built. Accurate coding ensures that healthcare providers receive appropriate reimbursement from insurance companies and government programs like Medicare and Medicaid. In essence, effective medical coding directly influences a healthcare organization's financial health.

Training teams on the nuances of medical coding enhances their ability to manage claims efficiently. Well-trained personnel can swiftly identify discrepancies or errors that might otherwise delay payments or result in claim denials. By minimizing these disruptions, trained teams contribute significantly to maintaining a steady cash flow-a vital aspect for any healthcare institution striving for stability and growth.

Moreover, as regulations surrounding healthcare continue to evolve, staying abreast of current coding standards becomes essential. Continuous training equips team members with up-to-date knowledge about changes in codes or new billing requirements. This proactive approach minimizes compliance risks and shields organizations from potential legal liabilities or financial penalties stemming from incorrect billing practices.

The integration of advanced technologies further underscores the importance of training in medical coding. Software tools that automate parts of the coding process still rely on human oversight for accuracy checks and nuanced decision-making-skills honed through comprehensive training programs. By combining technological prowess with human expertise, teams can exponentially increase their operational efficiency.

Ultimately, cultivating a culture that prioritizes education and mastery in medical coding empowers teams to excel beyond mere transactional tasks; they become strategic assets driving organizational success. As they refine their skills and expand their understanding of how precise coding supports broad financial objectives, these teams transform into pivotal

players in enhancing revenue cycle efficiency.

In conclusion, while medical coding may initially appear as a technical detail within broader healthcare operations, its impact reverberates across all facets of revenue cycle management. Training teams effectively not only fortifies an organization's immediate fiscal strategies but also sets the stage for sustained economic resilience amid an ever-shifting industry landscape.

In the ever-evolving landscape of healthcare, achieving revenue cycle efficiency is paramount to the financial health of any organization. At the heart of this endeavor lies a well-trained team, equipped not only with skills but also with a clear understanding of their roles and responsibilities. Identifying and defining these key roles within the team is crucial to ensuring that each component of the revenue cycle operates seamlessly.

The first step in this process is recognizing the diversity of tasks involved in managing the revenue cycle. From patient registration to claim submission and follow-up, each stage requires specific expertise and accountability. Thus, it becomes imperative to delineate roles clearly so that each team member knows where they fit into the larger picture.

One pivotal role is that of the Revenue Cycle Manager, who oversees all aspects of revenue management. This individual must possess a deep understanding of billing processes, compliance regulations, and performance metrics. Their responsibility extends beyond supervision; they are strategists who ensure that every cog in the machinery works efficiently towards reducing denials and enhancing collections.

Next are Medical Coders, whose accuracy directly impacts reimbursement rates. These professionals translate patient encounters into standardized codes used by insurance companies for billing purposes. Their attention to detail prevents costly errors and ensures compliance with regulatory standards.

Patient Financial Services Representatives play another critical role by acting as intermediaries between patients and insurers. They are responsible for verifying insurance coverage, explaining financial obligations to patients, and addressing billing inquiries or disputes. Their communication skills foster transparency and trust between healthcare providers and patients.

Additionally, Claims Processing Specialists handle the submission of claims to insurers promptly while maintaining meticulous records for tracking payments or rejections. Their vigilance in monitoring claim statuses helps identify patterns in denials that can be corrected proactively.

Training teams for revenue cycle efficiency demands more than just technical knowledge; it requires an organizational culture where every member understands their contribution's value. Regular training sessions should focus on cross-departmental collaboration, allowing team members to appreciate how interconnected their tasks are within the revenue cycle framework.

Furthermore, empowering staff through continuous education on industry updates equips them with tools to adapt swiftly to changes such as new coding regulations or payer requirements. Encouraging open dialogue among different roles fosters a collaborative environment where challenges can be addressed collectively rather than in silos.

In conclusion, identifying key roles and responsibilities within a revenue cycle team is fundamental for maximizing efficiency in healthcare operations. By clearly defining these roles-whether managerial or operational-and investing in comprehensive training programs tailored towards collaboration and adaptability, organizations can optimize their revenue cycles significantly while ultimately enhancing patient satisfaction through smoother financial interactions.

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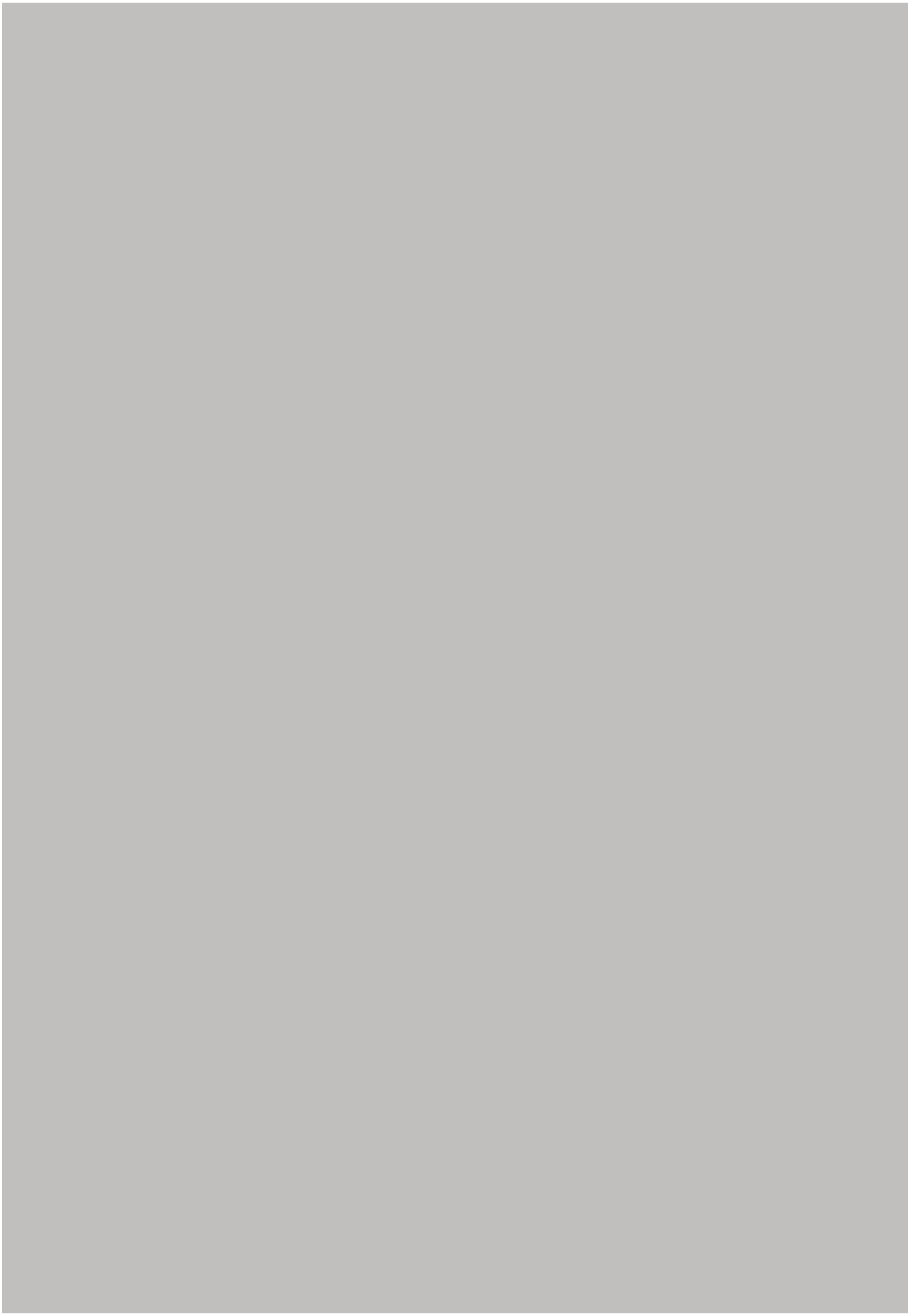


Impact of Fee for Service on Medical Coding Practices

In the rapidly evolving healthcare landscape, the demand for effective training programs in medical coding is more critical than ever. The intricate world of medical coding serves as a cornerstone of revenue cycle management, directly impacting the financial health of healthcare organizations. Thus, crafting strategies for effective training programs that enhance the proficiency of teams involved in this domain is paramount.

First and foremost, an effective training program should be grounded in a comprehensive understanding of both the theoretical and practical aspects of medical coding. This involves not only familiarizing trainees with current coding standards like ICD-10-CM, CPT, and HCPCS but also ensuring they understand how these codes are applied in real-world scenarios. Incorporating case studies and practical exercises into the curriculum can bridge the gap between theory and practice, enabling trainees to apply their knowledge effectively.

Moreover, leveraging technology can significantly enhance the efficiency of training programs. E-learning platforms provide flexible learning opportunities that cater to diverse learning styles and schedules. Interactive modules, webinars, and virtual simulations can make learning more engaging while offering hands-on experience with coding software tools commonly used in healthcare institutions.

Regular assessments are another crucial component of successful training programs. These evaluations help track progress and identify areas where further improvement is needed. Continuous feedback loops enable trainers to tailor their approaches to meet individual needs better while ensuring that all team members achieve a high level of proficiency.

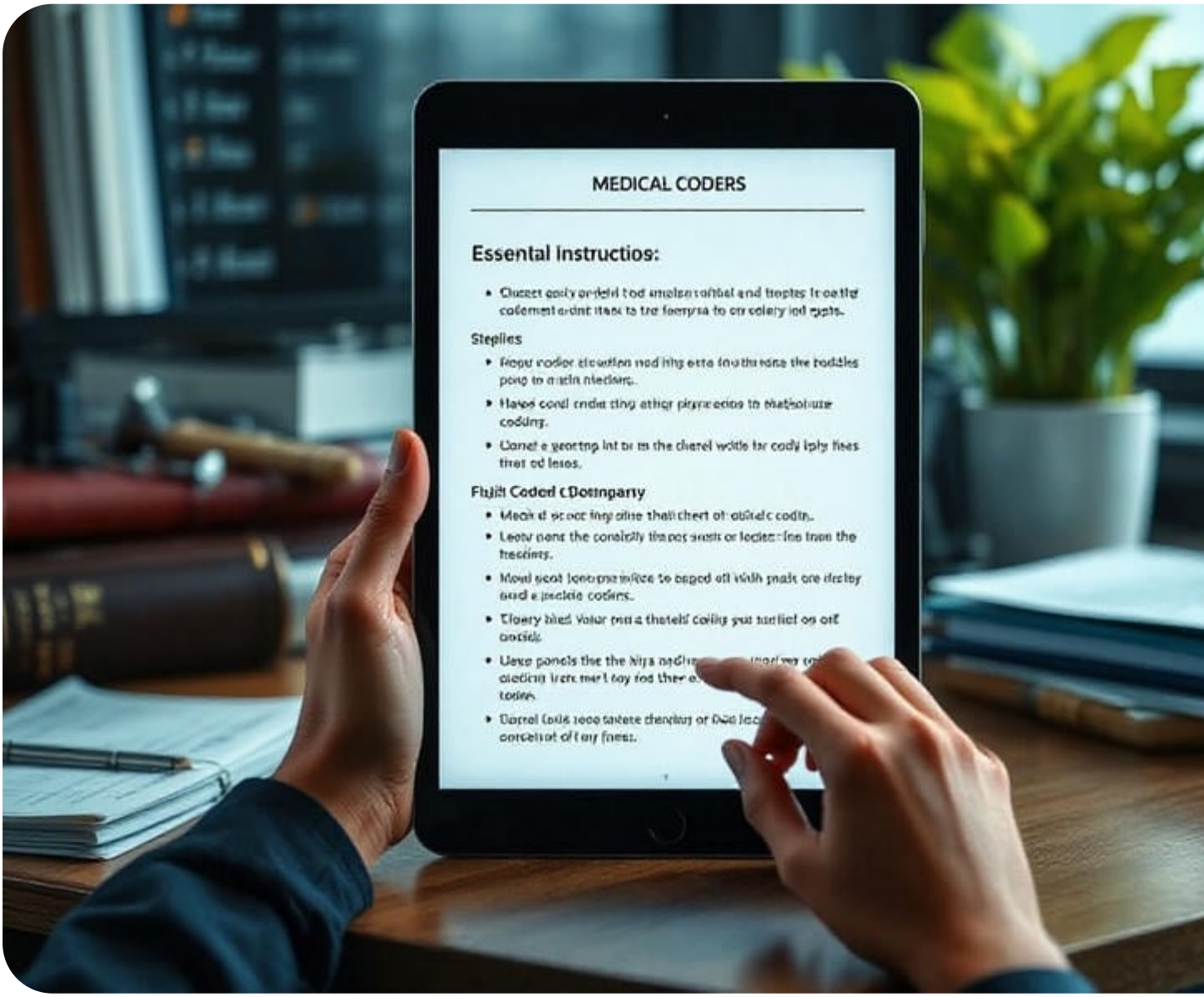
Furthermore, fostering an environment that encourages continuous learning is vital for maintaining revenue cycle efficiency. The field of medical coding is dynamic; regulations change frequently, requiring coders to stay updated with the latest developments. Encouraging participation in workshops, conferences, and certification programs can keep

teams abreast of industry changes.

Collaboration between departments also plays a significant role in optimizing training outcomes. Revenue cycle teams often work closely with other departments such as billing and compliance; therefore, interdisciplinary training sessions can create synergies that improve overall organizational efficiency. These collaborative efforts ensure that everyone understands their role within the larger context of revenue cycle management.

Lastly, leadership support is essential for any successful training initiative. Leaders must prioritize investment in resources necessary for comprehensive education programs while promoting a culture that values skill development as integral to organizational success.

In conclusion, developing strategies for effective medical coding training programs requires a multifaceted approach involving robust educational content delivery methods supported by ongoing assessments and interdisciplinary collaboration-all underpinned by strong leadership commitment towards continuous professional development among team members tasked with safeguarding revenue cycle efficiency within healthcare organizations today.


MEDICAL CODERS
Essental Instructios:

How Value Based Care Influences Medical Coding and Documentation Requirements

In the ever-evolving landscape of healthcare, where precision and efficiency are paramount, the integration of technology and tools into revenue cycle management is not just an option but a necessity. At the heart of this integration lies the enhancement of coding accuracy, a critical factor that ensures seamless operations and optimizes financial outcomes. Training teams to adeptly utilize these technological advancements is pivotal in achieving revenue cycle efficiency.

To begin with, it's essential to understand the role of coding accuracy in the revenue cycle. Accurate coding is the backbone of proper billing and reimbursement processes. It ensures that healthcare providers receive appropriate compensation for their services while maintaining compliance with regulatory standards. Inaccuracies in coding can lead to claim denials, delayed payments, and potential legal issues, impacting an organization's financial health adversely.

Technology offers a multitude of solutions designed to enhance coding accuracy. From sophisticated electronic health record (EHR) systems that streamline data entry to advanced analytics platforms that identify patterns and anomalies, these tools are indispensable allies in the pursuit of precision. For instance, computer-assisted coding (CAC) software leverages natural language processing (NLP) and machine learning algorithms to suggest codes based on clinical documentation. This not only speeds up the process but also reduces human error.

However, having access to cutting-edge technology alone isn't sufficient. The true value is unlocked when teams are effectively trained to leverage these tools. Training programs must be comprehensive, encompassing both technical skills and an understanding of how technology fits into broader operational goals. Employees need to be well-versed in navigating EHR systems, interpreting data from analytics dashboards, and utilizing CAC software efficiently.

Moreover, fostering a culture of continuous learning is crucial as technology continues to evolve rapidly. Regular training sessions should be supplemented with workshops on updates in coding guidelines and new software features. Encouraging collaboration among team members can also facilitate knowledge sharing and problem-solving.

Training programs should also emphasize critical thinking skills so employees can make informed decisions when technology presents multiple options or when discrepancies arise between automated suggestions and clinical documentation. This balance between human expertise and technological assistance is what ultimately drives accuracy.

Additionally, involving coders early during system implementation or upgrades ensures they have a say in customizing tools according to practical needs-a step that enhances user acceptance and maximizes tool utility.

The integration of technology into revenue cycle management does more than just improve coding accuracy; it transforms operational dynamics by freeing up human resources for more analytical tasks rather than repetitive ones. Teams become empowered not only by their enhanced skillsets but also by their ability to contribute more strategically toward organizational goals.

In conclusion, utilizing technology and tools effectively requires an investment in training teams thoroughly-a strategic move that promises significant returns through improved accuracy leading directly towards increased revenue cycle efficiency. As healthcare organizations navigate this digital era's complexities while striving for excellence amidst fiscal challenges-the synergy between skilled professionals equipped with powerful technologies will undoubtedly pave way for sustainable success.

Challenges and Benefits of Transitioning from Fee for Service to Value Based Care in Medical Coding

In today's rapidly evolving healthcare landscape, the importance of enhancing revenue cycle efficiency cannot be overstated. As organizations strive to improve financial performance while maintaining high standards of patient care, training teams to master revenue cycle processes becomes crucial. However, the journey doesn't end once the training sessions conclude. Monitoring performance and measuring success post-training are essential steps in ensuring that the newly acquired skills translate into tangible results.

To begin with, monitoring performance after training serves as a critical feedback loop for both participants and trainers. It allows organizations to assess how well team members have absorbed the material and can apply it in real-world scenarios. This phase involves setting clear expectations and defining key performance indicators (KPIs) that align with organizational goals. These KPIs may include metrics such as claim denial rates, days in accounts receivable, or collection ratios. By establishing these benchmarks, organizations can objectively evaluate whether the training has led to improvements in revenue cycle efficiency.

Moreover, regular performance monitoring fosters a culture of continuous learning and improvement. By encouraging team members to reflect on their progress and identify areas for growth, organizations can create an environment where individuals feel empowered to take ownership of their development. This not only enhances individual performance but also contributes to a more cohesive and efficient team dynamic.

Measuring success post-training is equally important as it provides insights into the overall effectiveness of the training program itself. This process involves evaluating both qualitative and quantitative data gathered from various sources such as participant feedback surveys, performance metrics before and after training, and anecdotal evidence from supervisors or peers. By analyzing this information, organizations can determine whether the training objectives were met and identify best practices or areas for improvement in future iterations.

Furthermore, sharing success stories and recognizing achievements play a vital role in reinforcing positive behavior changes. Celebrating milestones not only boosts morale but also reinforces the value of investing time and resources into employee development programs. When employees see tangible results from their efforts-whether it's reduced billing errors or faster claims processing-they are more likely to remain engaged and motivated in their roles.

In conclusion, monitoring performance and measuring success post-training are integral components of any initiative aimed at improving revenue cycle efficiency through team development. These processes provide valuable insights into how effectively new knowledge is being applied within everyday operations while highlighting opportunities for ongoing growth both individually and collectively across teams within healthcare organizations striving towards excellence amidst ever-changing industry demands today!

Case Studies Highlighting the Effects of Different Payment Models on Medical Coding Efficiency

Addressing common challenges and barriers in team training is crucial for achieving revenue cycle efficiency. As healthcare organizations strive to optimize their financial performance, the significance of an effective revenue cycle cannot be overstated. Team training plays a pivotal role in streamlining processes, reducing errors, and enhancing overall efficiency. However, this endeavor is not without its challenges.

One of the primary barriers in team training for revenue cycle efficiency is the diversity of roles within the team. Revenue cycle teams often comprise individuals from various departments such as billing, coding, registration, and customer service. Each role requires specific knowledge and skills, which can make it difficult to create a unified training program that addresses everyone's needs. To overcome this challenge, it's essential to design a modular training program that includes both general sessions applicable to all team members and specialized tracks catering to specific departmental tasks.

Another significant challenge is resistance to change. Implementing new processes or technologies can be met with skepticism or reluctance from staff accustomed to existing methods. This resistance can stem from fear of the unknown or concerns about increased workloads during transitions. To tackle this barrier, it is important to involve team members early in the process by seeking their input and feedback on potential changes. Providing clear communication about the benefits of new practices and offering continuous support during implementation can also help alleviate fears.

Time constraints present another obstacle in effective team training. In a fast-paced environment where daily responsibilities are already demanding, finding time for comprehensive training sessions can be difficult. Organizations must prioritize training by integrating it into regular work schedules rather than treating it as an additional task. This may involve shorter, more frequent sessions that fit into existing workflows or utilizing technology-based solutions like e-learning modules that allow flexibility.

Furthermore, measuring the effectiveness of training programs poses its own set of challenges. Without proper evaluation mechanisms in place, determining whether the training has translated into improved revenue cycle efficiency becomes challenging itself. Establishing clear metrics for success-such as reduced claim denials or faster processing times-and tracking these metrics over time can provide tangible evidence of progress.

Finally, fostering a culture of continuous improvement is essential for sustaining gains made through initial trainings efforts . Encouraging ongoing learning opportunities , such as refresher courses , workshops ,or knowledge-sharing sessions among peers fosters collaboration among team members ensures they remain updated on industry trends best practices .

In conclusion , addressing common challenges barriers associated withteamtrainingforrevenuecycleefficiencyrequirescarefulplanning thoughtful implementation By recognizing understandingthediversityofroleswithintheteamovercomingresistancetochangeprioritizingtimecommitme Ultimately cultivatingacultureofcontinuousimprovementensureslong-termbenefitsoptimizesrevenuecycleperformance

Future Trends: The Evolving Role of Medical Coders in a

Value-Based Healthcare Environment

Continuous education and certification have become essential components for teams striving for revenue cycle efficiency within the healthcare industry. As the landscape of healthcare administration evolves, driven by technological advancements and regulatory changes, training teams must adapt to maintain their edge in optimizing the revenue cycle.

At its core, continuous education ensures that team members are consistently updated with the latest knowledge, skills, and best practices necessary for managing various aspects of the revenue cycle. From patient registration and insurance verification to claims processing and accounts receivable management, each step requires a nuanced understanding that can only be achieved through ongoing learning. By investing in continuous education, organizations empower their employees to be proactive rather than reactive in handling challenges that may arise during these processes.

Certification further enhances this educational journey by setting a standard of excellence that individuals strive to achieve. Certifications serve as formal recognition of an individual's expertise and commitment to maintaining high standards within their role. For team members involved in revenue cycle management, obtaining relevant certifications not only validates their skills but also instills confidence among stakeholders-be it patients or partners-that they are being served by knowledgeable professionals.

Moreover, ongoing improvement through continuous education and certification fosters a culture of lifelong learning within organizations. It encourages team members to take ownership of their professional development while simultaneously aligning personal goals with organizational objectives. This alignment is crucial in creating cohesive teams that are motivated to work toward common goals such as reducing claim denials, improving cash flow, and enhancing patient satisfaction.

Training teams dedicated to revenue cycle efficiency benefit significantly from these initiatives as they create an environment where learning is part of daily operations rather than an afterthought. Regular workshops, webinars, and seminars provide platforms for sharing insights and discussing emerging trends or regulations affecting the industry. These interactions not only build camaraderie but also inspire innovative solutions tailored to specific organizational needs.

In conclusion, continuous education and certification play an indispensable role in ensuring the ongoing improvement of training teams focused on revenue cycle efficiency. By fostering a culture centered around learning and excellence, organizations can navigate the complexities of healthcare administration more effectively while achieving optimal financial performance. As we move forward into an increasingly dynamic healthcare environment, embracing these principles will undoubtedly be key to sustained success.

About health

This article is about the human condition. For other uses, see **Health (disambiguation)**.

Health has a variety of definitions, which have been used for different purposes over time. In general, it refers to physical and emotional **well-being**, especially that associated with normal functioning of the **human body**, absent of **disease**, **pain** (including **mental pain**), or **injury**.

Health can be promoted by encouraging healthful activities, such as regular **physical exercise** and adequate sleep,**[1]** and by reducing or avoiding unhealthful activities or situations, such as **smoking** or excessive **stress**. Some factors affecting health are due to **individual choices**, such as whether to engage in a high-risk behavior, while others are due to **structural** causes, such as whether the society is arranged in a way that makes it easier or harder for people to get necessary healthcare services. Still, other factors are beyond both individual and group choices, such as **genetic disorders**.

History

[**edit**]
World Health Organization's definition

> Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.

*Source: **"Constitution"**. World Health Organization. Retrieved 25 September 2024.*

The meaning of health has evolved over time. In keeping with the **biomedical** perspective, early definitions of health focused on the theme of the body's ability to function; health was seen as a state of normal function that could be disrupted from time to time by **disease**. An example of such a definition of health is: "a state characterized by anatomic, physiologic, and psychological integrity; ability to perform personally valued family, work, and community roles; ability to deal with **physical**, **biological**, **psychological**, and **social stress**".**[2]** Then, in 1948, in a radical departure from previous definitions, the **World Health Organization** (WHO) proposed a definition that aimed higher, linking health to **well-being**, in terms of "physical, mental, and social well-being, and not merely the absence of disease and infirmity".**[3]** Although this definition was welcomed by some as being innovative, it was also criticized for being vague and excessively broad and was not construed as measurable. For a long time, it was set aside as an impractical ideal, with most discussions of health returning to the practicality of the biomedical model.**[4]**

Just as there was a shift from viewing disease as a state to thinking of it as a process, the same shift happened in definitions of health. Again, the WHO played a leading role when it fostered the development of the health promotion movement in the 1980s. This brought in a new conception of health, not as a state, but in dynamic terms of resiliency, in other words, as "a resource for living". In 1984, WHO revised the definition of health defined it as "the extent to which an individual or group is able to realize aspirations and satisfy needs and to change or cope with the environment. Health is a resource for everyday life, not the objective of living; it is a positive concept, emphasizing social and personal resources, as well as physical capacities."**[**

5] Thus, health referred to the ability to maintain **homeostasis** and recover from adverse events. Mental, intellectual, emotional and social health referred to a person's ability to handle stress, to acquire skills, to maintain relationships, all of which form resources for resiliency and **independent living**.[4] This opens up many possibilities for health to be taught, strengthened and learned.

Since the late 1970s, the federal **Healthy People** Program has been a visible component of the United States' approach to improving population health.[6] In each decade, a new version of Healthy People is issued,[7] featuring updated goals and identifying topic areas and quantifiable objectives for health improvement during the succeeding ten years, with assessment at that point of progress or lack thereof. Progress has been limited to many objectives, leading to concerns about the effectiveness of Healthy People in shaping outcomes in the context of a decentralized and uncoordinated US health system. Healthy People 2020 gives more prominence to health promotion and preventive approaches and adds a substantive focus on the importance of addressing social determinants of health. A new expanded digital interface facilitates use and dissemination rather than bulky printed books as produced in the past. The impact of these changes to Healthy People will be determined in the coming years.[8]

Systematic activities to prevent or cure health problems and promote good health in humans are undertaken by **health care providers**. Applications with regard to animal health are covered by the **veterinary sciences**. The term "healthy" is also widely used in the context of many types of non-living organizations and their impacts for the benefit of humans, such as in the sense of **healthy communities**, **healthy cities** or **healthy environments**. In addition to **health care** interventions and a person's surroundings, a number of other factors are known to influence the health status of individuals. These are referred to as the "determinants of health", which include the individual's background, lifestyle, economic status, social conditions and spirituality; Studies have shown that high levels of stress can affect human health.[9]

In the first decade of the 21st century, the conceptualization of health as an ability opened the door for self-assessments to become the main indicators to judge the performance of efforts aimed at improving human health.[10] It also created the opportunity for every person to feel healthy, even in the presence of **multiple chronic diseases** or a terminal condition, and for the re-examination of determinants of health (away from the traditional approach that focuses on the reduction of the prevalence of diseases).[11]

Determinants

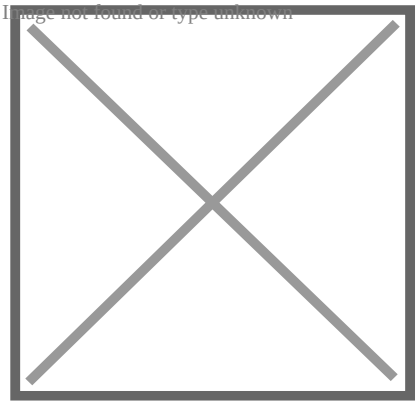
[edit]

See also: **Social determinants of health** and **Risk factor**

In general, the context in which an individual lives is of great importance for both his health status and quality of life. It is increasingly recognized that health is maintained and improved not only through the advancement and application of **health science**, but also through the efforts and intelligent **lifestyle** choices of the individual and society. According to the **World Health Organization**, the main determinants of health include the social and **economic** environment, the physical environment, and the person's individual characteristics and behaviors.**[12]**

More specifically, key factors that have been found to influence whether people are healthy or unhealthy include the following:**[12][13][14]**

- **Education** and **literacy**
- Employment/working conditions
- Income and **social status**
- **Physical environments**
- **Social environments**
- **Social support** networks
- **Biology** and **genetics**
- **Culture**
- **Gender**
- **Health care services**
- Healthy **child development**
- Personal health practices and **coping skills**



Donald Henderson as part of the CDC's **smallpox** eradication team in 1966

An increasing number of studies and reports from different organizations and contexts examine the linkages between health and different factors, including lifestyles, environments, **health care organization** and **health policy**, one specific health policy brought into many countries in recent years was the introduction of the **sugar tax**. Beverage taxes came into light with increasing concerns about obesity, particularly among youth. Sugar-sweetened beverages have become a target of anti-

obesity initiatives with increasing evidence of their link to obesity.[15]—such as the 1974 **Lalonde report** from Canada;[14] the **Alameda County Study** in California;[16] and the series of **World Health Reports** of the World Health Organization, which focuses on **global health** issues including access to health care and improving **public health** outcomes, especially in **developing countries**.[17]

The concept of the "*health field,*" as distinct from **medical care**, emerged from the Lalonde report from Canada. The report identified three interdependent fields as key determinants of an individual's health. These are:[14]

- Biomedical: all aspects of health, physical and mental, developed within the human body as influenced by genetic make-up.
- Environmental: all matters related to health external to the **human body** and over which the individual has little or no control;
- Lifestyle: the aggregation of personal decisions (i.e., over which the individual has control) that can be said to contribute to, or cause, illness or death;

The maintenance and promotion of health is achieved through different combination of physical, **mental**, and social well-being—a combination sometimes referred to as the *"health triangle."*[18] The WHO's 1986 ***Ottawa Charter for Health Promotion*** further stated that health is not just a state, but also "a resource for everyday life, not the objective of living. Health is a positive concept emphasizing social and personal resources, as well as physical capacities."[19]

Focusing more on lifestyle issues and their relationships with functional health, data from the **Alameda County Study** suggested that people can improve their health via **exercise**, enough **sleep**, spending time in nature, maintaining a healthy **body weight**, limiting **alcohol** use, and avoiding **smoking**.[20] Health and **illness** can co-exist, as even people with multiple chronic diseases or terminal illnesses can consider themselves healthy.[21]

The environment is often cited as an important factor influencing the health status of individuals. This includes characteristics of the **natural environment**, the **built environment** and the **social environment**. Factors such as clean **water** and **air**, adequate **housing**, and safe communities and **roads** all have been found to contribute to good health, especially to the health of infants and children.[12][24] Some studies have shown that a lack of

If you want to learn about the health of a population, look at the air they breathe, the water they drink, and the places where they live.[22][23]

—Ã¢â‚¬Å *Hippocrates, the Father of Medicine, 5th century BC*

neighborhood recreational spaces including natural environment leads to lower levels of personal satisfaction and higher levels of **obesity**, linked to lower overall health and well-being.**[25]** It has been demonstrated that increased time spent in natural environments is associated with improved self-reported health,**[26]** suggesting that the positive health benefits of natural space in urban neighborhoods should be taken into account in **public policy** and land use.

Genetics, or inherited traits from parents, also play a role in determining the health status of individuals and populations. This can encompass both the **predisposition** to certain diseases and health conditions, as well as the habits and behaviors individuals develop through the lifestyle of their **families**. For example, genetics may play a role in the manner in which people cope with **stress**, either mental, emotional or physical. For example, **obesity** is a significant problem in the **United States** that contributes to poor mental health and causes stress in the lives of many people.**[27]** One difficulty is the issue raised by the **debate** over the relative strengths of genetics and other factors; interactions between genetics and environment may be of particular importance.

Potential issues

[**edit**]

A number of health issues are common around the globe. **Disease** is one of the most common. According to GlobalIssues.org, approximately 36 million people die each year from non-communicable (i.e., not contagious) diseases, including **cardiovascular disease**, **cancer**, **diabetes** and chronic lung disease.**[28]**

Among communicable diseases, both viral and bacterial, **AIDS**/**HIV**, **tuberculosis**, and **malaria** are the most common, causing millions of deaths every year.**[28]**

Another health issue that causes death or contributes to other health problems is **malnutrition**, especially among children. One of the groups malnutrition affects most is young children. Approximately 7.5 million children under the age of 5 die from malnutrition, usually brought on by not having the money to find or make food.**[28]**

Bodily injuries are also a common health issue worldwide. These injuries, including **bone fractures** and **burns**, can reduce a person's quality of life or can cause fatalities including **infections** that resulted from the injury (or the severity injury in general).**[28]**

Lifestyle choices are contributing factors to poor health in many cases. These include smoking cigarettes, and can also include a poor diet, whether it is overeating or an overly constrictive diet. Inactivity can also contribute to health issues and also a lack of sleep, excessive alcohol consumption, and neglect of oral hygiene.[*citation needed*] There are also genetic disorders that are inherited by the person and can vary in how much they affect the person (and when they surface).[29][30]

Although the majority of these health issues are preventable, a major contributor to global ill health is the fact that approximately 1 billion people lack access to health care systems.[28] Arguably, the most common and harmful health issue is that a great many people do not have access to quality remedies.[31]

Mental health

[edit]
Main article: **Mental health**

The **World Health Organization** describes mental health as "a state of **well-being** in which the individual realizes his or her own abilities, can cope with the normal stresses of life, can work productively and fruitfully, and is able to make a contribution to his or her community".[32] Mental health is not just the absence of mental illness.[33]

Mental illness is described as 'the spectrum of cognitive, emotional, and behavioral conditions that interfere with social and emotional well-being and the lives and productivity of people.[34] Having a mental illness can seriously impair, temporarily or permanently, the mental functioning of a person. Other terms include: 'mental health problem', 'illness', 'disorder', 'dysfunction'.[35]

Approximately twenty percent of all adults in the US are considered diagnosable with a mental disorder. Mental disorders are the leading cause of disability in the United States and Canada. Examples of these disorders include **schizophrenia**, **ADHD**, **major depressive disorder**, **bipolar disorder**, **anxiety disorder**, **post-traumatic stress disorder** and **autism**.[36]

Many factors contribute to mental health problems, including:[37]

- Biological factors, such as genes or brain chemistry
- Family history of mental health problems
- Life experiences, such as trauma or abuse

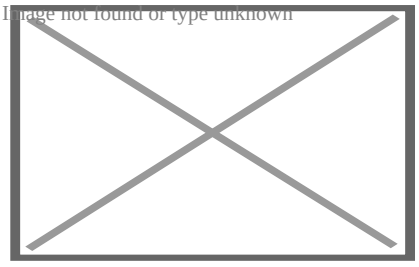
Maintaining

[edit]

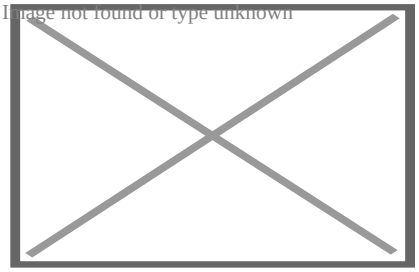
Achieving and maintaining health is an ongoing process, shaped by both the evolution of **health care** knowledge and practices as well as personal strategies and organized interventions for staying healthy.

Diet

[edit]
Main articles: **Healthy diet** and **Human nutrition**
See also: **List of nutrition guides**



Percentage of overweight or obese population in 2010. Data source: OECD's iLibrary.[38][39]



Percentage of obese population in 2010. Data source: OECD's iLibrary.[38] [40]

An important way to maintain one's personal health is to have a healthy diet. A healthy diet includes a variety of plant-based and animal-based foods that provide **nutrients** to the body.[41] Such nutrients provide the body with energy and keep it running. Nutrients help build and strengthen bones, muscles, and tendons and also regulate body processes (i.e., **blood pressure**). Water is essential for growth, reproduction and good health. **Macronutrients** are consumed in relatively large quantities and include proteins, carbohydrates, and fats and fatty acids.[42] Micronutrients – vitamins and minerals – are consumed in relatively smaller quantities, but are essential to body processes.[43] The **food guide pyramid** is a pyramid-shaped guide of healthy foods divided into sections. Each section shows the recommended intake for each food

group (i.e., protein, fat, carbohydrates and sugars). Making healthy food choices can lower one's risk of heart disease and the risk of developing some types of **cancer**, and can help one maintain their weight within a healthy range.**[44]**

The **Mediterranean diet** is commonly associated with health-promoting effects. This is sometimes attributed to the inclusion of bioactive compounds such as **phenolic compounds**, **isoprenoids** and **alkaloids**.**[45]**

Exercise

[**edit**]
Main article: **Exercise**

Physical exercise enhances or maintains **physical fitness** and overall health and wellness. It strengthens one's bones and muscles and improves the **cardiovascular system**. According to the **National Institutes of Health**, there are four types of exercise: **endurance**, **strength**, **flexibility**, and **balance**.**[46]** The CDC states that physical exercise can reduce the risks of heart disease, cancer, type 2 diabetes, high blood pressure, obesity, depression, and anxiety.**[47]** For the purpose of counteracting possible risks, it is often recommended to start physical exercise gradually as one goes. Participating in any exercising, whether it is housework, yardwork, walking or standing up when talking on the phone, is often thought to be better than none when it comes to health.**[48]**

Sleep

[**edit**]
Main articles: **Sleep** and **Sleep deprivation**

Sleep is an essential component to maintaining health. In children, sleep is also vital for growth and development. Ongoing **sleep deprivation** has been linked to an increased risk for some chronic health problems. In addition, sleep deprivation has been shown to correlate with both increased susceptibility to illness and slower recovery times from illness.**[49]** In one study, people with chronic insufficient sleep, set as six hours of sleep a night or less, were found to be four times more likely to catch a cold compared to those who reported sleeping for seven hours or more a night.**[50]** Due to the role of sleep in regulating **metabolism**, insufficient sleep may also play a role in **weight gain** or, conversely, in impeding **weight loss**.**[51]**

Additionally, in 2007, the **International Agency for Research on Cancer**, which is the cancer research agency for the **World Health Organization**, declared that "shiftwork that involves **circadian** disruption is probably **carcinogenic** to humans", speaking to the dangers of long-term nighttime work due to its intrusion on sleep.**[52]** In 2015, the National Sleep Foundation released updated recommendations for sleep duration requirements based on age, and concluded that "Individuals who habitually sleep outside the normal range may be exhibiting signs or symptoms of serious health problems or, if done volitionally, may be compromising their health and well-being."**[53]**

Age and condition	Sleep needs
Newborns (0–3 months)	14 to 17 hours
Infants (4–11 months)	12 to 15 hours
Toddlers (1–2 years)	11 to 14 hours
Preschoolers (3–5 years)	10 to 13 hours
School-age children (6–13 years)	9 to 11 hours
Teenagers (14–17 years)	8 to 10 hours
Adults (18–64 years)	7 to 9 hours
Older Adults (65 years and over)	7 to 8 hours

Role of science

[**edit**]
Main articles: **Health science** and **Health care**

> The Dutch Public Health Service provides medical care for the natives of the **Dutch East Indies**, May 1946.

Health science is the branch of science focused on health. There are two main approaches to health science: the study and **research** of the **body** and health-related issues to understand how humans (and animals) function, and the application of that knowledge to improve health and to prevent and cure diseases and other physical and mental impairments. The science builds on many sub-fields, including **biology**, **biochemistry**, **physics**, **epidemiology**, **pharmacology**, **medical sociology**. Applied health sciences endeavor to better understand and improve human health through applications in areas such as **health education**, **biomedical engineering**, **biotechnology** and **public health**.[*citation needed*]

Organized interventions to improve health based on the principles and procedures developed through the health sciences are provided by practitioners trained in **medicine**, **nursing**, **nutrition**, **pharmacy**, **social work**, **psychology**, **occupational therapy**, **physical therapy** and other **health care professions**. Clinical practitioners focus mainly on the health of individuals, while public health practitioners consider the overall health of communities and populations. **Workplace wellness** programs are increasingly being adopted by companies for their value in improving the health and well-being of their employees, as are **school health services** to improve the health and well-being of children.[*citation needed*]

Role of medicine and medical science

[**edit**]
Main article: **Medicine**

Contemporary medicine is in general conducted within **health care systems**. Legal, **credentialing** and financing frameworks are established by individual governments, augmented on occasion by international organizations, such as churches. The characteristics of any given health care system have significant impact on the way medical care is provided.

From ancient times, Christian emphasis on practical charity gave rise to the development of systematic nursing and hospitals and the **Catholic Church** today remains the largest non-government provider of medical services in the world.**[54]** Advanced industrial countries (with the exception of the **United States**)**[55]** and many **developing countries** provide medical services through a system of **universal health care** that aims to guarantee care for all through a **single-payer health care** system, or compulsory private or co-operative **health insurance**. This is intended to ensure that the entire population has access to medical care on the basis of need rather than ability to pay. Delivery may be via private medical practices or by state-owned hospitals and clinics, or by charities, most commonly by a combination of all three.

Most **tribal** societies provide no guarantee of healthcare for the population as a whole.**[56]** In such societies, healthcare is available to those that can afford to pay for it or have self-insured it (either directly or as part of an employment contract) or who may be covered by care financed by the government or tribe directly.

collection of glass bottles of different sizes

Modern drug **ampoules**

Transparency of information is another factor defining a delivery system. Access to information on conditions, treatments, quality, and pricing greatly affects the choice by patients/consumers and, therefore, the incentives of medical professionals. While the US healthcare system has come under fire for lack of openness,[57] new legislation may encourage greater openness. There is a perceived tension between the need for transparency on the one hand and such issues as patient confidentiality and the possible exploitation of information for commercial gain on the other.

Delivery

[edit]
See also: **Health care**, **clinic**, **hospital**, and **hospice**

Provision of medical care is classified into primary, secondary, and tertiary care categories.[58]

photograph of three nurses

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Nurses in **Kokopo**, **East New Britain**, **Papua New Guinea**

Primary care medical services are provided by **physicians**, **physician assistants**, **nurse practitioners**, or other health professionals who have first contact with a patient seeking medical treatment or care.[59] These occur in physician offices, **clinics**, **nursing homes**, schools, home visits, and other places close to patients. About 90% of medical visits can be treated by the primary care provider. These include treatment of acute and chronic illnesses, **preventive care** and **health education** for all ages and both sexes.

Secondary care medical services are provided by **medical specialists** in their offices or clinics or at local community hospitals for a patient referred by a primary

care provider who first diagnosed or treated the patient.[60] Referrals are made for those patients who required the expertise or procedures performed by specialists. These include both **ambulatory care** and **inpatient** services, **Emergency departments**, **intensive care medicine**, surgery services, **physical therapy**, **labor and delivery**, **endoscopy** units, diagnostic **laboratory** and **medical imaging** services, **hospice** centers, etc. Some primary care providers may also take care of hospitalized patients and deliver babies in a secondary care setting.

Tertiary care medical services are provided by specialist hospitals or regional centers equipped with diagnostic and treatment facilities not generally available at local hospitals. These include **trauma centers**, **burn** treatment centers, advanced **neonatology** unit services, **organ transplants**, high-risk pregnancy, **radiation oncology**, etc.

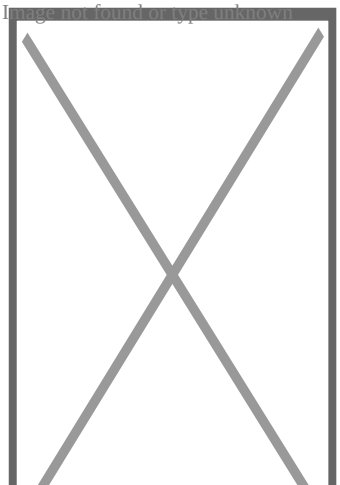
Modern medical care also depends on information – still delivered in many health care settings on paper records, but increasingly nowadays by **electronic means**.

In low-income countries, modern healthcare is often too expensive for the average person. International healthcare policy researchers have advocated that "user fees" be removed in these areas to ensure access, although even after removal, significant costs and barriers remain.[61]

Separation of prescribing and dispensing is a practice in medicine and pharmacy in which the **physician** who provides a **medical prescription** is independent from the **pharmacist** who provides the **prescription drug**. In the **Western world** there are centuries of tradition for separating pharmacists from physicians. In Asian countries, it is traditional for physicians to also provide drugs.[62]

Role of public health

[**edit**]
Main article: **Public health**
See also: **Global health**



Postage stamp, **New Zealand**, 1933. Public health has been promoted – and depicted – in a wide variety of ways.

Public health has been described as "the science and art of preventing disease, prolonging life and promoting health through the organized efforts and informed choices of society, organizations, public and private, communities and individuals."**[63]** It is concerned with threats to the overall health of a community based on **population health** analysis. The population in question can be as small as a handful of people or as large as all the inhabitants of several continents (for instance, in the case of a **pandemic**). Public health has many sub-fields, but typically includes the interdisciplinary categories of **epidemiology**, **biostatistics** and **health services**. **environmental health**, **community health**, **behavioral health**, and **occupational health** are also important areas of public health.

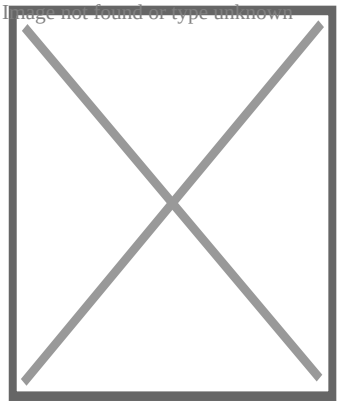
The focus of public health interventions is to prevent and manage diseases, injuries and other health conditions through surveillance of cases and the **promotion of healthy behavior**, **communities**, and (in aspects relevant to human health) **environments**. Its aim is to prevent health problems from happening or re-occurring by implementing **educational programs**, developing **policies**, administering services and conducting **research**.**[64]** In many cases, treating a disease or controlling a **pathogen** can be vital to preventing it in others, such as during an **outbreak**. **Vaccination** programs and distribution of **condoms** to prevent the spread of **communicable diseases** are examples of common preventive public health measures, as are educational campaigns to promote vaccination and the use of condoms (including overcoming resistance to such).

Public health also takes various actions to limit the health disparities between different areas of the **country** and, in some cases, the **continent** or **world**. One issue is the access of individuals and communities to health care in terms of financial, geographical or socio-cultural constraints.**[65]** Applications of the public **health system** include the areas of **maternal** and child health, health services administration, emergency response, and prevention and control of **infectious** and **chronic diseases**.

The great positive impact of public health programs is widely acknowledged. Due in part to the policies and actions developed through public health, the 20th century registered a decrease in the mortality rates for **infants** and **children** and a continual increase in **life expectancy** in most parts of the world. For example, it is estimated that life expectancy has increased for Americans by thirty years since 1900,**[66]** and worldwide by six years since 1990.**[67]**

Self-care strategies

[edit]
Main article: **Self care**
See also: **Chronic care management**, **Social relation**, and **Stress management**



A lady washing her hands c. 1655

Personal health depends partially on the active, passive, and assisted cues people observe and adopt about their own health. These include personal actions for preventing or minimizing the effects of a disease, usually a chronic condition, through **integrative care**. They also include personal **hygiene** practices to prevent infection and illness, such as **bathing** and **washing hands** with soap; **brushing and flossing teeth**; storing, preparing and handling **food safely**; and many others. The information gleaned from personal **observations of daily living** – such as about sleep patterns, exercise behavior, nutritional intake and environmental features – may be used to inform personal decisions and actions (*e.g.*, "I feel tired in the morning so I am going to try sleeping on a different pillow"), as well as clinical decisions and treatment plans (*e.g.*, a patient who notices his or her shoes are tighter than usual may be having exacerbation of left-sided heart failure, and may require diuretic medication to reduce fluid overload).**[68]**

Personal health also depends partially on the social structure of a person's life. The maintenance of strong **social relationships**, **volunteering**, and other social activities have been linked to positive mental health and also increased longevity. One American study among **seniors** over age 70, found that frequent volunteering was associated with reduced risk of dying compared with older persons who did not volunteer, regardless of physical health status.**[69]** Another study from Singapore reported that volunteering retirees had significantly better **cognitive performance** scores, fewer **depressive symptoms**, and better mental well-being and **life**

satisfaction than non-volunteering retirees.[70]

Prolonged psychological stress may negatively impact health, and has been cited as a factor in cognitive impairment with aging, depressive illness, and expression of disease.[71] Stress management is the application of methods to either reduce stress or increase tolerance to stress. Relaxation techniques are physical methods used to relieve stress. Psychological methods include cognitive therapy, meditation, and positive thinking, which work by reducing response to stress. Improving relevant skills, such as problem solving and time management skills, reduces uncertainty and builds confidence, which also reduces the reaction to stress-causing situations where those skills are applicable.

Occupational

[edit]
Main article: Occupational safety and health

In addition to safety risks, many jobs also present risks of disease, illness and other long-term health problems. Among the most common occupational diseases are various forms of pneumoconiosis, including silicosis and coal worker's pneumoconiosis (black lung disease). Asthma is another respiratory illness that many workers are vulnerable to. Workers may also be vulnerable to skin diseases, including eczema, dermatitis, urticaria, sunburn, and skin cancer.[72] Other occupational diseases of concern include carpal tunnel syndrome and lead poisoning.

As the number of service sector jobs has risen in developed countries, more and more jobs have become sedentary, presenting a different array of health problems than those associated with manufacturing and the primary sector. Contemporary problems, such as the growing rate of obesity and issues relating to stress and overwork in many countries, have further complicated the interaction between work and health.

Many governments view occupational health as a social challenge and have formed public organizations to ensure the health and safety of workers. Examples of these include the British Health and Safety Executive and in the United States, the National Institute for Occupational Safety and Health, which conducts research on occupational health and safety, and the Occupational Safety and Health Administration, which handles regulation and policy relating to worker safety and health.[73]

See also

[edit]

- **Disease burden** – Impact of diseases
- **Environmental health** – Public health branch focused on environmental impacts on human health
- **Healing** – Process of the restoration of health
- **Health equity** – Study and causes of differences in the quality of health and healthcare
- **Human enhancement** – Natural, artificial, or technological alteration of the human body
- **List of health and wellness podcasts**
- **Men's health** – Broad subject that encompasses all facets of men's health
- **One Health** – Collaborative global initiative
- **Population health** – Health outcomes of a group of individuals
- **Women's health** – Broad subject that encompasses all facets of women's health
- **Youth health** – range of approaches to preventing, detecting or treating young people's health risks and issues

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About activity-based costing

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Accounting

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Activity-based costing (**ABC**) is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. Therefore, this model assigns more indirect costs (overhead) into direct costs compared to conventional costing.

The UK's Chartered Institute of Management Accountants (CIMA), defines ABC as an approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs.[1]

The Institute of Cost Accountants of India says, ABC systems calculate the costs of individual activities and assign costs to cost objects such as products and services on the basis of the activities undertaken to produce each product or services. It accurately identifies sources of profit and loss.[2]

The Institute of Cost & Management Accountants of Bangladesh (ICMAB) defines activity-based costing as an accounting method which identifies the activities which a firm performs and then assigns indirect costs to cost objects.[3]

Objectives

[edit]

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With ABC, a company can soundly estimate the cost elements of entire products, activities and services, that may help inform a company's decision to either:

- Identify and eliminate those products and services that are unprofitable and lower the prices of those that are overpriced (product and service portfolio aim), or
- Identify and eliminate production or service processes which are ineffective, and allocate processing concepts that lead to the very same product at a better yield (process re-engineering aim)

In a business organization, the ABC methodology assigns an organization's resource costs through activities to the products and services provided to its customers. ABC is generally used as a tool for understanding product and customer cost and profitability based on the production or performing processes. As such, ABC has predominantly been used to support strategic decisions such as pricing, outsourcing, identification and measurement of process improvement initiatives.

Prevalence

[edit]

Following strong initial uptake, ABC lost ground in the 1990s compared to alternative metrics, such as Kaplan's balanced scorecard and economic value added. An independent 2008 report concluded that manually driven ABC was an inefficient use of resources: it was expensive and difficult to implement for small gains, and a poor value, and that alternative methods should be used.[4] Other reports show the broad band covered with the ABC methodology.[5]

However, application of an activity based recording may be applied as an addition to **activity based accounting**, not as a replacement of any *costing* model, but to transform concurrent process accounting into a more authentic approach.

Historical development

[edit]

Traditionally, cost accountants had arbitrarily added a broad percentage of analysis into the indirect cost. In addition, activities include actions that are performed both by people and machine.

However, as the percentages of indirect or overhead costs rose, this technique became increasingly inaccurate, because indirect costs were not caused equally by all products. For example, one product might take more time in one expensive machine than another product—but since the amount of direct labor and materials might be the same, additional cost for use of the machine is not being recognized when the same broad 'on-cost' percentage is added to all products. Consequently, when multiple products share common costs, there is a danger of one product subsidizing another.

ABC is based on George Staubus' Activity Costing and Input-Output Accounting.[6] The concepts of ABC were developed in the manufacturing sector of the United States during the 1970s and 1980s. During this time, the *Consortium for Advanced Management-International*, now known simply as *CAM-I*, provided a formative role for studying and formalizing the principles that have become more formally known as Activity-Based Costing.[7]

Robin Cooper and Robert S. Kaplan, proponents of the Balanced Scorecard, brought notice to these concepts in a number of articles published in *Harvard Business Review* beginning in 1988. Cooper and Kaplan described ABC as an approach to solve the

problems of traditional cost management systems. These traditional costing systems are often unable to determine accurately the actual costs of production and of the costs of related services. Consequently, managers were making decisions based on inaccurate data especially where there are multiple products.

Instead of using broad arbitrary percentages to allocate costs, ABC seeks to identify cause and effect relationships to objectively assign costs. Once costs of the activities have been identified, the cost of each activity is attributed to each product to the extent that the product uses the activity. In this way, ABC often identifies areas of high overhead costs per unit and so directs attention to finding ways to reduce the costs or to charge more for more costly products.

Activity-based costing was first clearly defined in 1987 by Robert S. Kaplan and W. Bruns as a chapter in their book *Accounting and Management: A Field Study Perspective*.[8] They initially focused on manufacturing industry where increasing technology and productivity improvements have reduced the relative proportion of the direct costs of labor and materials, but have increased relative proportion of indirect costs. For example, increased automation has reduced labor, which is a direct cost, but has increased depreciation, which is an indirect cost.

Like manufacturing industries, financial institutions have diverse products and customers, which can cause cross-product, cross-customer subsidies. Since personnel expenses represent the largest single component of non-interest expense in financial institutions, these costs must also be attributed more accurately to products and customers. Activity based costing, even though originally developed for manufacturing, may even be a more useful tool for doing this.[9][10]

Activity-based costing was later explained in 1999 by Peter F. Drucker in the book *Management Challenges of the 21st Century*.[11] He states that traditional cost accounting focuses on what it costs to *do something*, for example, to cut a screw thread; activity-based costing also records the cost of *not doing*, such as the cost of waiting for a needed part. Activity-based costing records the costs that traditional cost accounting does not do.

The overhead costs assigned to each activity comprise an activity cost pool.

From a historical perspective the practices systematized by ABC were first demonstrated by Frederick W. Taylor in Principles of Scientific Management in 1911 (1911. Taylor, Frederick Winslow (1919) [1911]. The Principles of Scientific Management. Harper & Brothers – via Internet Archive (Prelinger Library) Free access icon. LCCN 11-10339; OCLC 233134 (all editions). The Principles of Scientific Management – via Project Gutenberg Free access icon.). Those were the basis of the famous time and motion studies (Time and motion study) that predated the later work

by Walter Shewhart (Walter A. Shewhart) and W Edwards Deming (W. Edwards Deming). Kaplan's work tied the earlier work to the modern practice of accounting.

Alternatives

[edit]
Main article: Management accounting

Lean accounting methods have been developed in recent years to provide relevant and thorough accounting, control, and measurement systems without the complex and costly methods of manually driven ABC.

Lean accounting is primarily used within lean manufacturing. The approach has proven useful in many service industry areas including healthcare, construction, financial services, governments, and other industries.

Application of Theory of constraints (TOC) is analysed in a study[12] showing interesting aspects of productive coexistence of TOC and ABC application. Identifying cost drivers in ABC is described as somewhat equivalent to identifying bottlenecks in TOC. However the more thorough insight into cost composition for the inspected processes justifies the study result: ABC may deliver a better structured analysis in respect to complex processes, and this is no surprise regarding the necessarily spent effort for detailed ABC reporting.

Methodology

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Methodology of ABC focuses on cost allocation in operational management. ABC helps to segregate

- Fixed cost
- Variable cost
- Overhead cost

If achieved, the split of cost helps to identify cost drivers. Direct labour and materials are relatively easy to trace directly to products, but it is more difficult to directly

allocate indirect costs to products. Where products use common resources differently, some sort of weighting is needed in the cost allocation process. The *cost driver* is a factor that creates or drives the cost of the activity. For example, the cost of the activity of bank tellers can be ascribed to each product by measuring how long each product's transactions (cost driver) take at the counter and then by measuring the number of each type of transaction. For the activity of running machinery, the driver is likely to be machine operating hours, looking at labor, maintenance, and power cost during the period of machinery activity.

Application

[edit]

ABC has proven its applicability beyond academic discussion.[*citation needed*]

ABC

- is applicable throughout company financing, costing and accounting:
- is a modeling process applicable for full scope as well as for partial views.
- helps to identify inefficient products, departments and activities.
- helps to allocate more resources on profitable products, departments and activities.
- helps to control the costs at any per-product-level level and on a departmental level.
- helps to find unnecessary costs that may be eliminated.
- helps fixing the price of a product or service with any desired analytical resolution.

A report summarizes reasons for implementing ABC as mere unspecific and mainly for case study purposes[13] (in alphabetical order):

- Better Management
- Budgeting, performance measurement
- Calculating costs more accurately
- Ensuring product /customer profitability
- Evaluating and justifying investments in new technologies
- Improving product quality via better product and process design
- Increasing competitiveness or coping with more competition
- Management
- Managing costs
- Providing behavioral incentives by creating cost consciousness among employees
- Responding to an increase in overheads

- Responding to increased pressure from regulators
- Supporting other management innovations such as TQM and JIT systems

Beyond such selective application of the concept, ABC may be extended to accounting, hence proliferating a full scope of cost generation in departments or along product manufacturing. Such extension, however requires a degree of automatic data capture that prevents from cost increase in administering costs.

Implementation

[edit]

According to Manivannan Senthil Velmurugan, Activity-based costing must be implemented in the following ways:[14]

1. Identify and assess ABC needs - Determine viability of ABC method within an organization.
2. Training requirements - Basic training for all employees and workshop sessions for senior managers.
3. Define the project scope - Evaluate mission and objectives for the project.
4. Identify activities and drivers - Determine what drives what activity.
5. Create a cost and operational flow diagram – How resources and activities are related to products and services.
6. Collect data – Collecting data where the diagram shows operational relationship.
7. Build a software model, validate and reconcile.
8. Interpret results and prepare management reports.
9. Integrate data collection and reporting.

Public sector usage

[edit]

When ABC is reportedly used in the public administration sector, the reported studies do not provide evidence about the success of methodology beyond justification of budgeting practise and existing service management and strategies.

Usage in the US Marine Corps started in 1999.[15][16][17][18]

Use of ABC by the UK Police has been mandated since the 2003-04 UK tax year as part of England and Wales' National Policing Plan, specifically the Policing Performance Assessment Framework.[19]

Integrating EVA and process based costing

[edit]

Recently, Mocciaro Li Destri, Picone & Minà (2012)[20] proposed a performance and cost measurement system that integrates the economic value added (EVA) criteria with process based costing (PBC).

Authors note that activity-based costing system is introspective and focuses on a level of analysis which is too low.[*citation needed*] On the other hand, they underscore the importance to consider the cost of capital in order to bring strategy back into performance measures.[*citation needed*]

Limitations

[edit]

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Applicability of ABC is bound to cost of required data capture.[1] That drives the prevalence to slow processes in services and administrations, where staff time consumed per task defines a dominant portion of cost. Hence the reported application for production tasks do not appear as a favorized scenario.

Treating fixed costs as variable

[edit]

The potential problem with ABC, like other cost allocation approaches, is that it essentially treats fixed costs as if they were variable. This can, without proper understanding, give some people an inaccurate understanding which can then lead to poor decision making. For example, allocating PPE to individual products, may lead to discontinuation of products that seem unprofitable after the allocation, even if in fact their discontinuation will negatively affect the bottom line.

Tracing costs

[edit]

Even in ABC, some overhead costs are difficult to assign to products and customers, such as the chief executive's salary. These costs are termed 'business sustaining' and are not assigned to products and customers because there is no meaningful method. This lump of unallocated overhead costs must nevertheless be met by contributions from each of the products, but it is not as large as the overhead costs before ABC is employed.

Although some may argue that costs untraceable to activities should be "arbitrarily allocated" to products, it is important to realize that the only purpose of ABC is to provide information to management. Therefore, there is no reason to assign any cost in an arbitrary manner.

Transition to automated activity-based costing accounting

[edit]

The prerequisite for lesser cost in performing ABC is automating the data capture with an accounting extension that leads to the desired ABC model. Known approaches for event based accounting simply show the method for automation. Any transition of a current process from one stage to the next may be detected as a relevant event. Paired events easily form the respective activity.

The state of the art approach with authentication and authorization in IETF standard RADIUS gives an easy solution for accounting all workposition based activities. That simply defines the extension of the *Authentication and Authorization* (AA) concept to a more advanced *AA and Accounting* (AAA) concept. Respective approaches for AAA get defined and staffed in the context of mobile services, when using smart phones as e.a. intelligent agents or smart agents for automated capture of accounting data .

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[edit]

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External links

[edit]

- Who Wins in a Dynamic World: Theory of Constraints Vs. Activity-Based Costing? article on SSRN
- proposed International Good Practice Guidance on Costing to Drive Organizational Performance - International Federation of Accountants

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Frequently Asked Questions

How can we ensure that our medical coding team stays updated with the latest coding standards and regulations?

To ensure your medical coding team remains current with the latest standards and regulations, implement a continuous education program that includes regular training sessions, webinars, workshops, and access to updated resources. Encourage certification renewals, participation in professional organizations like AAPC or AHIMA, and leverage online platforms offering specialized courses.

What key performance indicators (KPIs) should we monitor to assess the efficiency of our medical coding processes?

Important KPIs for assessing medical coding efficiency include claim denial rates, accuracy rate of coded claims, average time taken per claim (coding turnaround time), coder productivity (number of charts coded per hour/day), and compliance audit results. Regularly

monitoring these metrics helps identify areas for improvement and ensures alignment with revenue cycle goals.

How can technology be leveraged to improve the accuracy and speed of medical coding within our team?

Technology can significantly enhance medical coding efficiency by implementing electronic health record (EHR) systems integrated with advanced computer-assisted coding (CAC) software. These tools automate code suggestions based on clinical documentation, reducing manual errors. Additionally, investing in data analytics solutions helps track performance metrics and identifies trends for further optimization.

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