PHARM.D • YEAR 4

Hospital Pharmacy

CHAPTER 3

The Budget: Preparation and Implementation

PPT CHAPTER COVER



Hospital pharmacy budgeting

A pharmacy budget forecasts and allocates financial resources for a defined period.

A budget helps control expenditure, justify priorities and anticipate changing demand.

Budgeting is a continuing cycle: plan resources, obtain approval, implement, monitor and improve.



It supports uninterrupted medicine supply and reliable pharmaceutical care.

Planning covers medicines, people, equipment and operating services.

Quality, safety and necessary treatment remain central when comparing costs.

Types of pharmacy budgets

Operating:



Operating: routine expenses such as medicines, salaries and utilities.

Capital:



Capital: long-term investments such as refrigerators, furniture or automation.

Cash:



Cash: expected inflows and outflows to maintain liquidity.

Flexible:



Flexible: recalculates expected costs for different activity levels.

Zero-based:



Zero-based: each proposed expenditure needs justification for the new period.

These describe different budgeting purposes or approaches; an organization can use more than one together.

Budget preparation: evidence and demand

1. Previous-year evidence



Review previous expenditure and investigate overspending or underspending.



Examine patient load, consumption, inventory movement and expiry losses.

2. Next-period demand estimate



Estimate future inpatient and outpatient workload.



Account for department expansion, new medicines and changed treatment protocols.



Forecast quantities and prices for medicines, disposables and surgical supplies.



Include storage and cold-chain costs.



Document assumptions so the next review can distinguish price changes from changes in workload or medicine use.

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