

Assessment 3 Context

Economic Decision Making

As part of economic decision making, all health care leaders are expected to conduct a basic cost-benefit analysis (CBA). If you have not yet had the opportunity to conduct a CBA in the workplace, it is important to become familiar with this highly relevant tool for economic decision making. You may also find that this tool is helpful in your daily life.

There are many factors to consider in making a sound economic decision. You must consider the major risk categories associated with the alternative, the time value of money, and the strategic fit over a long-term planning horizon. Some of the questions you need to consider are:

- Does the recommended alternative break even at year two, and become more profitable thereafter? What is the relative value of the income from the investment if one considers the time value of money? What about the organizational context?
- Will the organization's focus and strategy change?
- Will sufficient funds be available to support the project past the breakeven point in year two? Will the chosen alternative be at risk for obsolescence?

The Role of Health Care Executives

Economic decision making has many facets: legal issues, industry standards, risks, financial components, strategic alignment, and dynamic external environmental factors. Similarly, health care executives have many professional roles, responsibilities, and conduct expectations. Legal standards represent the bare minimum standard that is expected of health care professionals. Health care executives are sometimes held to higher standards than business people in other industries, as they are charged with protecting human lives and assuring patient safety. They are also expected to act in the best interests of others, and to serve as moral agents. Health care executives have fiduciary obligations, and an explicit code of conduct from the American College of Healthcare Executives (ACHE).