HIT Program

 Name

Institution

 Date

Introduction

 In any investment, it is essential to consider the costs and the capital outlay by the investors. The various expenses should be broken down in a manner that can be easily understood by the multiple parties. The costs should be analyzed on a periodical basis to make sure they are well spread out and realistic. This will not only facilitate cost control and minimization but also makes sure that the various expenses are well apportioned. Besides, revenues and other sources of income have to be carefully analyzed and evaluated. This will provide enough ground for the analysis of the return on the investment. This is crucial, especially where capital investment decisions have to be made in any business. The Hospital Information System (HIT) Program will not only increase efficiency but also result in a lot of cost savings.

 The project will entail various costs that have to be covered within five years of operation. Some of the costs will be a one-off cost while others will recur throughout this period. The healthcare facility will incur expenses two types of costs. This includes the capital costs and the operating costs. The former contains costs in consulting services vendor costs, implementation of salaries, database software, hardware costs in servers and devices, network costs in additional network needed, licensed software in both the vendor and third party. The former includes expenses incurred in software maintenance and support, hardware maintenance and support, physician salary, support for post-production salaries and the costs of traveling and training amongst others.

 It is assumed that the consulting services will be 10000. The implementation of salaries will be 5000. The database software will entail the capital outlay of 4000 dollars. The hardware costs amount to 3000, the network costs total to 1000 and the licensed software expenses amounts to 1000. All these costs will be incurred in the first financial year of the project. The operating costs will be incurred throughout the project period. It is assumed that the software maintenance will be 950 and will grow at the rate of 10% from one year to the other. The hardware maintenance will be 1900 in the first year and will grow at the rate of 6% annually. The physician salary support will grow at the rate of 5% while the traveling and training costs will increase by 4. The capital costs will amount to $24000 while the operating totals to 43632. This makes the HIT program to cost the hospital $67632.

Conclusion and recommendation

 The pro forma provides a great insight into the costs that will be incurred in the program. However, there is need to relook at the various revenues that will be generated by the programs. This will facilitate the use of other capital budgeting criteria such as Net Present value (NPV), Internal Rate of Return, the payback period amongst others (Gitman, Juchau & Flanagan, 2015). The Return on investment is a good yardstick in evaluating the investment, but it requires that the costs should be subtracted from the revenues to get the profits. The overall income or loss obtained is then divided with the capital outlay to achieve the ROI. The ratio obtained will be compared with the individual investor return. An investment will be accepted when the performance is equal to or exceeds the one set by the particular investor. I would recommend a comparison of the costs with the revenues to provide the best framework to analyze the specific investment. However, the proforma is an essential tool as it contains a wealth of financial information about the project.

 References

Gitman, L. J., Juchau, R., & Flanagan, J. (2015). *Principles of managerial finance*. Pearson Higher Education AU.

 Appendix

