

**Panuska College of Professional Studies
Department of Health Administration and Human Resources
University of Scranton**

HAD 521
Health Care Financial Management II
Spring 2012 - 3 credits
Room: McGurkin 406
Day/Time: Thurs 4:30pm-7:10pm

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Course Description:

HAD 521: (Prerequisite: HAD 501). Exposure to complex problems and case studies with a focus on healthcare providers. This course develops skills in analysis, synthesis and evaluation of advanced financial management theories, principles, concepts and techniques. Topics include: quantitative analysis in financial management; premium rate setting; cost and utilization rates; advanced managerial accounting concepts; variance analysis; HMO rate setting; private and public healthcare reimbursement systems under managed care; financial aspects of integration; managing resources.

Course Objectives:

Upon successful completion of this course, the student will be able to:

1. Understand and apply specific knowledge of economic and healthcare finance concepts, terminology, classifications, methods and trends;
2. Utilize financial information for decision-making and evaluate organizational performance;
3. Develop skills, competencies, values, and points of view needed for financial decision-making;
4. Discuss the concepts and analytical tools used for capital investment and financing decisions;
5. Demonstrate an understanding of payment methods used to reimburse health service providers and the role of health insurance in financing health services;
6. Relate financial decision-making to pressures from the external environment;
7. Develop and appreciate the role financial management and cost accounting have on organizational performance;
8. Demonstrate an understanding of the function of the financial team and chief financing officer of health organizations;
9. Use and improve spreadsheets, business calculators, and discussion skills;
10. Apply quantitative methods for decision-making;
11. Demonstrate the use of technology in financial and cost analysis
12. Reflect on services for underserved populations and costs
13. Integrate ethical decision-making in financial decision-making
14. Demonstrate written and oral communication skills through preparation and presentation of case studies;

Required Text:

Gapenski, L.C. (2007). *Healthcare finance: An introduction to accounting and financial management (4th ed.)*. Chicago, IL: Health Administration Press.

Gapenski, L.C. (2006). *Cases in healthcare finance (3rd ed.)*. Chicago, IL: Health Administration Press.

Required Supplies:

- a.) Business Calculator/Microsoft Excel
- b.) Memory stick for class assignments

Course Requirements:

Case Study	20 points
Critical Article Analysis	10 points
Applied Problem Set (In-class)	10 points
Mid-Term Exam	20 points
Feasibility Study	25 points
Mission versus Margin Exercise	10 points
Class Attendance, participation	<u>5 points</u>
Total	100 points

HLA Competency Model**Adopted MHA Program Course Specific Core Competencies****Domain #1: Communication and Relationship Management***Competency*

- A. Apply principles of communication and demonstrate specific applications
- B. Present results of data analysis to decision makers
- C. Use factual data to produce and deliver credible and understandable results
- D. Facilitate group dynamics, process, meetings, and discussion
- E. Utilize effective interpersonal skills

Domain #2: Leadership*Competency*

- A. Explain potential impacts and consequences of decision making in situations both internal and external
- C. Gain physician buy-in to accept risk and support new business ventures
- D. Accurately assess individual strengths and weaknesses

Domain # 3: Professionalism*Competency*

- B. Uphold and act upon ethical and professional standards
- C. Demonstrate professional norms and behaviors
- D. Engage in continued professional development including reflection and self-directed learning

Domain # 4: Knowledge of the Healthcare Environment*Competency*

- A. Assess the interrelationships among access, quality, cost, resource allocation, accountability, and community
- B. Prepare projects that are credible to governmental, regulatory, professional and accreditation agencies

Domain # 5: Business Skills and Knowledge*Competency*

- A. Integrate information from various sources to make decisions and recommendations
- B. Demonstrate critical thinking, analysis, and problem solving
- C. Apply basic financial management and analysis principles

- D. Apply reimbursement principles, ramifications and techniques including rate setting and contracts
- E. Apply principles of operating, project, and capital budgeting

Course Requirements/Assessment:

Symbol Designation

Domain = D1-5, Competency = A-Z, Week = W1-15,

Cognitive Domain Level = cd1-6, Affective Domain Level = ad1-6

Activity

Class Discussion and Participation

Case Study

Critical Article Analysis

Feasibility Study

In-Class Problems

Mid-Term Exam

Mission versus Margin Exercise

Domain/Competency

D1A-E, D2CD, D3B-D, D4A, D5A-D

D1A-E, D2AD, D3B-D, D4A, D5A-C

D1AD, D2A, D3CD, D4A, D5B

D1A-E, D2ACD, D3B-D, D4AB, D5A-E

D1A-E, D2CD, D3B-D, D4A, D5A-D

D1A, D2AD, D3B-D, D4A, D5B-E

D1A-CE, D2AC, D3B-D, D4A, D5AB

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6. Relate financial decision-making to pressures from the external environment;
7. Develop and appreciate the role financial management and cost accounting have on organizational performance;
8. Demonstrate an understanding of the function of the financial team and chief financing officer of health organizations;
9. Use and improve spreadsheets, business calculators, and discussion

Domain/Competency/Level

(D1ABCDE,cd3,4)(D2A-D,cd3,4)(D3C,cd1,2)(D4,cd2), (D5A-E,cd1,2,3)

(D1ABCcd3-4)(D2AD,cd4)(D3CD,cd4)(D4A,cd3,4)(D5ABC,cd4,5,ad2)

(D1A-E,cd4,ad4) (D2AD,cd3,ad3,4)(D3B-D,cd4,ad5)(D4AB,cd2-4)(D5A-E,cd4,5,ad2,3)

(D1ABC,cd2)(D2ACD,cd2)(D3BC,cd2,ad1,2)

(D4A,cd2)(D5A-E,cd2)

(D1A-E,cd1,2)(D4AB,cd1-2)(D5A-E,cd1-3)

(D1A,cd3)(D2AD,cd3)(D3B-D,ad3)(D5AB,cd3)

(D1ABCDE,cd1-3)(D2A-D,cd1,2)(D3C,cd3-4)(D4AB,cd3), (D5A-E,cd2-4)

(D1ADE,cd4)(D2ACD,cd3,4)(D3C,cd4,ad4)

(D1ABC,cd3,4)(D5ABDE,cd4)

skills;	
10. Apply quantitative methods for decision-making;	(D1ABC,cd3,4)(D4A,cd4)(D5A-E,cd3-5)
11. Demonstrate the use of technology in financial and cost analysis	(D1ABC,cd3,4)(D5ABDE,cd4)
12. Reflect on services for underserved populations and costs	(D3B-D,cd3,ad5)
13. Integrate ethical decision-making in financial decision-making	(D1AB,cd3)(D2A,cd3,ad3)(D3B-D,cd3,ad5)(D4A,cd3,ad3) (D5AB,cd5,ad5)
14. Demonstrate written and oral communication skills through preparation and presentation of case studies;	(D1A-E,cd3,4)(D2AD,cd3,4) (D3B-D,cd3, ad2)(D4A,cd4) (D5A-E,cd1-5)

Class Attendance

HAD 521 meets one time a week. Students are expected to attend and participate in each class and should not be absent more than the allowable classes per University of Scranton policy. Excessive tardiness (late for class) may affect performance in the class. Each student is responsible (in attendance or absent) for everything covered in class, additional readings, and announcements about assignments, mid term evaluation, and the final evaluation that are made during class hours. More than the allowable absences for reasons other than illness (physician's note required) will result in a 5-point reduction from your grade for each class missed. Full attendance and participation is expected.

Students with Disabilities

In order to receive appropriate accommodations, students with disabilities must register with the Center for Teaching and Learning Excellence and provide relevant and current medical documentation. Students should contact Mary Ellen Pichiarello (Extension 4039) or Jim Muniz (Extension 4218), 5th floor, St. Thomas Hall, for an appointment. For more information, see <http://www.scranton.edu/disabilities>.

Writing Center Services

The Writing Center focuses on helping students become better writers. Consultants will work one-on-one with students to discuss students' work and provide feedback at any stage of the writing process. Scheduling appointments early in the writing progress is encouraged.

To meet with a writing consultant, stop by during the Writing Center's [regular hours of operation](#), call (570) 941-6147 to schedule an appointment, or complete the [Writing Assistance Request Form](#) online. You can also schedule an online appointment using [Google Docs and Google Talk](#).

See the University of Scranton's **Academic Code of Honesty**.

Grading Distribution:

A =	95 - 100%	C + =	80 - 82%
A - =	92 - 94%	C =	77 - 79%
B + =	89 - 91%	C - =	74 - 76%
B =	86 - 88%	D + =	71 - 73%
B - =	83 - 85%	F =	Below

Course Schedule

February 2 – Class #1

Learning objectives:

- Review case study methodology
- Review critical analysis format and style
- Compare theories, models, and applications pertaining to health finance
- Compare theories, models, and applications pertaining to the managerial role and its relation to fiscal accountability
- Understand roles and responsibilities of health finance personnel
- Review and articulate the Health Care Financial Management I course and basic financial accounting
- Describe the components of the income statement, balance sheet, and statement of cash flows and perform analytical applications
- Explain the difference between net income and cash flow
- Explain the difference between gross charges, net revenue, and net income
- Apply time value analysis techniques
- Assess financial risk and interpret required return

Class Content

- Meet classmates and review syllabus
- Confirm presentation dates
- What is financial management and cost accounting?
- An overview of financial decision making
- Factors and forces influencing the organizations financial stability and delivery of services
- The evolution of health care finance
- Summary of key financial statements
- What are the basics of managerial accounting?
- How does cost accounting impact the financial statements?
- Types of audits
- What impact do managed care contracts and negotiations have on the financial position of an organization?
- Time value analysis applied
- Financial risk and required return applied

Reading:

Gapenski, ch. 1-4, 9, 10, 17 review
Reserved #1 – How to inject consumerism into your existing health plans
Reserved #2 – A managed care cycle provides contract oversight
Reserved #3 – Safety-net institutions buffer the impact of Medicaid managed care

Reserved #4 – Managed Medicaid at a crossroads

Activities:

- In-class lectures and discussion
 - Group interaction
 - Group exercises
 - **In-class Team problems and exercises**
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February 9– Class #2

Learning objectives:

- Describe how interest rates are set in the economy
- Discuss various types of long-term debt instruments and their features
- Discuss the components that make up the interest rate on debt security
- Value debt securities
- Describe the key features associated with equity financing
- Discuss the investment banking process
- Conduct valuation analyses of common stock
- Explain the concepts of market equilibrium and efficiency

Class Content

- What is the cost of money?
- Common long-term debt instruments
- Types of bonds
- Debt contracts
- Bond ratings
- Credit enhancement
- Interest rate components
- Debt valuation
- Equity in for-profit businesses and not-for profit businesses
- Types of common stock
- The investment banking process
- Common stock valuation
- Security market equilibrium
- Guest speaker: Maggie Koehler, MBA

Reading:

Gapenski, ch. 11, 12
Reserved #1 – Fixing Finance

February 16 – Class #3

Learning objectives:

- Prepare a capital budget acquisition statement and assess projected return on investment
- Make a decision on capital acquisition feasibility and cash flow assessment
- Assess the impact risk management has on health organizations
- Apply rate setting
- Describe how policy issues can impact reimbursement rates and rate setting
- Analyze the nature of managed care products
- Perform assessments on the impact of payor mix

- Explain historical context of charging practices
- Analyze methods of setting charges
- Explain implications that legislative attempts for cost containment has on health delivery
- Describe the process for estimating a business's corporate cost of capital
- Estimate the component costs as well as the overall (corporate) cost of capital
- Explain the economic interpretation of the corporate cost of capital and how it is used in capital investment decisions

Class Content

- Capital Budgeting
- How can risk sharing arrangements work?
- Developing capitation rates for providers
- Reserves and stop-loss arrangements
- Withholds and risk pools
- Medicare APC
- Private insurers
- Types of managed care payment systems
- Principles of risk and insurance

Reading:

Gapenski, ch. 13, 14
Reserved #1 – Cost and quality under managed care: Irreconcilable differences?

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises
- Guest lecture

February 23 – Class #4

Learning objectives:

- Assess the impact risk management has on health organizations
- Apply risk analysis techniques
- Assess the impact risk has on decision-making
- Explain the concept of financial risk
- Define and differentiate between corporate risk, stand-alone, and market risk
- Describe the three types of risk relevant to capital budgeting
- Discuss the techniques used in project risk assessment
- Conduct a project risk assessment
- Explain in general terms how businesses are valued
- Conduct a business valuation using both discounted cash flow and market multiple approaches

Class Content

- How can risk sharing arrangements work?
- Types of project risk
- Relationships between risks

- Risk analysis illustration
- Sensitivity analysis
- Scenario analysis
- Qualitative risk assessment
- Incorporating risk into the decision process
- Adjusting cash flow for risk
- Capital budgeting decision process
- Capital rationing

Reading: Gapenski, ch. 15
Reserved #1 – Medical service risk and the evolution of provider compensation arrangements.

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises
- **In-class applied problems**

March 1 – Class #5

Learning objectives:

- Explain why proper cost allocation is important to health services organizations
- Define a cost driver and explain the characteristics of a good driver
- Describe the three primary methods used to allocate overhead costs
- Apply cost-allocation principles across a wide range of situations within health services organizations
- Explain why product costing is necessary.
- Describe the difference between providers as price setters and price takers
- Explain the difference between full, marginal, and direct cost pricing
- Describe how target costing is used
- Explain how accounting and actuarial information are used for pricing decisions
- Conduct analysis to set prices and determine service offerings under both fee-for-service and capitation

Class Content

- Cost allocation
- What are the types of allocation methods?
- Product costing
- How do healthcare providers set prices?
- Who has the power to set prices?
- Price setting strategies
- Setting prices on individual services

Reading: Gapenski, ch. 7, 14
Reserved #1 – A new risk management paradigm for managed care
Reserved #2 – Financial risk sharing with providers in health maintenance organizations
Reserved #3 – Achieving a balance between risk and return

Reserved #4 – Tips to profitably manage risk in the era of managed care hybrids

Activities:

- In-class lectures and discussion
 - Group interaction
 - Group exercises
 - **In-class Team problems and exercises**
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March 8– Class #6

Learning objectives:

- Explain pricing models
- Practice price setting techniques
- Interpret physician and ancillary service reimbursement models

Class Content

- Full cost pricing, marginal cost pricing, direct cost pricing
- Setting prices under capitation
- Setting managed care premium rates
- Using RVUs to set prices
- Contract analysis
- What role does coding and documentation have on reimbursement?
- Historical methods of physician payment system
- Physician management models
- Relative value units – RVU
- Resource Based Relative Value System - RBRVS
- CPT coding systems
- Medicare and Medicaid
- Health Insurance Portability and Accountability Act
- Balanced Budget Acts
- Integrative Business Models (Faculty Research)

Reading:

Hand-outs

Activities:

- In-class lectures and discussion
 - Group interaction
 - Group exercises
 - **In-class Team problems and exercises**
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March 15– Class #7

Learning objectives:

- Apply the basics of managerial accounting
- Review cost behavior and profit analysis
- Describe how costs are classified according to their relationship with volume
- Demonstrate how contribution margin is used to make financial decision making
- Conduct profit analyses to analyze the impact of input value changes

- Explain the primary differences in profit analyses that arise when comparing fee-for-service reimbursement with capitation
- Understand the difference between physician payment and health organization payment system
- Conceptually explain Medicare physician payment system
- What types of physician compensation plans exist?
- How are physicians paid?
- Understand the basics of physician coding

Class Content

- Direct vs. Indirect costs
- Contribution margin and segment margin
- Service line deletion/addition
- Cost classifications
- Cost behavior
- Profit analysis and breakeven point
- What is operating leverage?
- Sunk cost

Reading:

Gapenski, ch. 7

Reserved #1 – Medicare's risk-adjusted capitation method

Reserved #2 – Medicare's fee schedule for hospitals outpatient care

Reserved #3 – Who gains and loses with community rating for small businesses?

Reserved #4 – Claims denial management has become critical component of a hospital's strategic effort to offset the adverse impact of Balanced Budget Act Payment Reductions

Reserved #5 – Hospitals raising rates for HMOs hikes cast doubt on cost control of managed care

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises
- **In-class Team problems and exercises**

March 22 – Class #8

Learning objectives:

- Compare and discuss healthcare payment methodologies and policy issues
- Interpret models of insurance and types of insurance products
- Apply financial/operational analysis with payment systems
- Identify incentives and disincentives for large charity care
- Compare charges vs. net revenue in a hospital setting
- Discuss hospital managed care payment contracting
- Assessing hospital contracts with payers
- Describe disease management and how it impacts costs to the healthcare system
- Discuss how utilization review effects a health organization's bottom line
- Analyze utilization review and cost efficiency

- Review the nursing role in improving outcomes in a managed care population
- Discuss the relationship physician and hospital contracting has on financial solvency

Class Content

- Models for third party payment
- Undercapitalization
- Predatory pricing issues
- Medicare capitation analysis
- Medicaid managed care issues
- Hospital in-patient payments
- Commercial insurance
- Charity care
- Utilization review process and teams
- Disease management
- Case management
- Sean Youngblood, MHA Alumni
- Physician-Hospital Contracting

Reading:

Reserved # 1 - Cost analysis helps evaluate contract profitability.
Reserved # 2 - Measuring segment performance: New ventures of today's innovative hospital systems pose evaluation challenges.

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises
- **Critical Article Analysis Due**

March 29 – Class #9

Learning objectives:

- Demonstrate comprehension of course material
- Demonstrate knowledge and competencies in third party payment systems and reimbursement, contracting, financial analysis in various health care settings, rate setting, and other topics applied in the first part of the semester

Class Content

- Mid-term Exam

Reading:

Gapenski, ch. 5
Supplemental Readings

Activities:

- **Mid-term Exam**

April 5 – Class #10 NO CLASS EASTER BREAK

April 12 – Class #11

Learning objectives:

- Analyze long term care financial issues
- Assess the impact managed care has on long term care facilities
- Explain the continuum of long term care and different reimbursement regulations.
- Describe the Eden Alternative approach to care and the return on investment the approach has shown
- Describe how long term care facilities are reimbursed

Class Content

- Medicare beds vs. Medicaid beds
- Case mix index
- Medical Data Set
- Medicare reimbursement in long term care
- Types of long term care settings
- Admissions placement, financial survival, and ethics
- Can the Eden Alternative save your long term care facility money?
- Guest Speaker: Susan Klimasausks, RNAC, MVCC

Reading:

Eden Alternative hand-out
MDS and Case Mix hand-out

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises

April 19 – Class #12

Learning objectives:

- Explain the types of variance analysis
- Explain why time value analysis is so important to healthcare financial management
- Find the present and future values for lump sums, annuities, and uneven cash flow streams
- Solve for interest rate and number of periods
- Explain and apply the opportunity cost principle
- Describe and apply stated, periodic, and effective annual interest rates

Class Content

- What types of variances exist?
- Using variances to improve performance
- What are the faces of financial risk?
- Rates of Return
- Portfolio risk
- Capital Asset Pricing Model (CAPM)

Reading:

Gapenski, ch. 8, 9
Reserved #1 – Achieving balance between risk and return
Reserved #2 – The impact of activity based cost accounting on health care capital investment decisions

Reserved #3 – A shotgun wedding: Business decision support meets clinical decision support.

Activities:

- In-class lectures and discussion
- Group interaction
- Group exercises
- **In-class Team problems and exercises**

April 26 – Class #13

Learning objectives:

- Explain lease financing
- Apply business valuation techniques
- Assess the impact Jesuit values and ideals have on health care financial leadership
- Engage and reflect on service to others and maintaining a healthy bottom line.

Class Content

- Leasing basics
- Tax effects
- Financial statement effects
- Lease evaluation
- Motivations for leasing
- Business valuation
- Communication
- Value-based financial decision-making
- Social justice and the bottom line

Reading:

Gapenski, ch. 18
Hand-outs

Activities:

- In-class lectures and discussion
- Group interaction
- Social justice, charity care, and the bottom line exercise
- Mission versus Margin Exercise
- Faculty Community Service

May 3– Class #14

Learning objectives:

- Present feasibility study
- Apply course material to real-life project
- Convince board (class) to fund team project

Class Content

- Applied feasibility study
- Team presentations
- Communication

Activities:

- In-class lectures and discussion
- Group interaction
- **Group #1 Feasibility Study Presentation**
- **Group #2 Feasibility Study Presentation**
- **Group #3 Feasibility Study Presentation**
- **Group #4 Feasibility Study Presentation**

May 10– Class #15

Learning objectives:

- Present case study
- Apply course material using case study
- Reflect on course experience
- Synthesize and describe course content and applications

Class Content

- Applied case study
- Team presentations
- Board relationships
- Class reflection
- Class summary and discussion
- Communication

Activities:

- In-class lectures and discussion
- Group interaction
- **Group #1 Case Study Presentation**
- **Group #2 Case Study Presentation**
- **Group #3 Case Study Presentation**
- **Group #4 Case Study Presentation**

May 14 - 19 – Class #16

FINAL EXAMS WEEK

Case Study Content Evaluation

During the class session #1, the instructor will break the class participants into teams of four. Each team will select a case provided by the instructor and be responsible for solving and presenting the solution in a written and oral format. The content of the paper and oral presentation should focus on:

Introduction – Stating the purpose and the importance of the case and provide an overview of the case

Organization – Describe the type of financial environment the organization in the case is operating in using the relevant course terms, concepts, principles, theories and knowledge

Techniques, methods, tools, etc. - Explain and analyze the case problem by applying the relevant course concepts, principles, theories and knowledge

Accurate use of case information/lessons - apply the relevant course terms, concepts, principles, theories and knowledge to make informed recommendations for a solution and develop a team solution. Useful lessons learned for health managers from the case need to be identified

Case Study/Oral Presentation Evaluation

Name(s):

Date:

Criteria	Points	Comments/Suggestions
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Content

Introduction
(0-1)

Organization
(0-2)

Techniques,
Methods, tools, etc.
(0-5)

Accurate use of
Case information/Lessons
(0-5)

Original thinking
(0-2)

Use of time
(0-1)

Executive Delivery
(0-1)

**Visual materials,
Handouts, etc.**
(0-1)

Questions to class
(0-2)

Total (0-20)