Table of Contents

New to This Edition............................................................................................................. xvii
Preface................................................................................................................................ xix
Acknowledgments ............................................................................................................. xxi
About the Authors ............................................................................................................ xxiii
PART I—HEALTHCARE FINANCE OVERVIEW................................................................... 1

Chapter 1  Introduction to Healthcare Finance ................................................................. 3
  The History .................................................................................................................. 3
  The Concept ............................................................................................................... 4
  How Does Finance Work in the Healthcare Business? ............................................. 4
  Viewpoints.................................................................................................................. 4
  Why Manage? ............................................................................................................. 5
  The Elements of Financial Management ................................................................. 5
  The Organization’s Structure .................................................................................... 5
  Two Types of Accounting ............................................................................................ 7
  Information Checkpoint .............................................................................................. 9
  Key Terms................................................................................................................... 9
  Discussion Questions ................................................................................................. 9
  Notes ............................................................................................................................ 9

Chapter 2  Four Things the Healthcare Manager Needs to Know About
  Financial Management Systems .................................................................................. 11
  What Does the Manager Need to Know? ................................................................. 11
  How the System Works in Health Care ..................................................................... 11
  The Information Flow ................................................................................................. 12
  Basic System Elements ............................................................................................... 14
  The Annual Management Cycle ................................................................................. 18
  Communicating Financial Information to Others .................................................... 20
  Information Checkpoint .............................................................................................. 20
  Key Terms................................................................................................................... 20
  Discussion Questions ................................................................................................. 20
  Notes ............................................................................................................................ 21
## Table of Contents

### Chapter 3
**The Digital Age: Changing the Landscape of Healthcare**
- **Finance** .................................................................23
- High-Tech and High-Touch Approaches ........................................... 23
- Patient Engagement ............................................................... 23
- Social Media .............................................................................. 24
- Resource Allocation ........................................................................ 25
- Changes in Health Information Technology ........................................... 25
- Population Health and the Digital Age: Crossing at the Intersection ......... 26
- Additional Trends and Complexities: Other Delivery Systems ................. 27
- Summary ................................................................................. 27
- Information Checkpoint ........................................................................ 28
- Key Terms ................................................................................. 28
- Other Acronymns ............................................................................ 28
- Discussion Questions ....................................................................... 28
- Notes ....................................................................................... 28

### Part II—Record Financial Operations .................................................31

#### Chapter 4
**Assets, Liabilities, and Net Worth** .........................................................33
- Overview .................................................................................... 33
- What Are Examples of Assets? ....................................................... 34
- What Are Examples of Liabilities? ................................................... 35
- What Are the Different Forms of Net Worth? .................................... 35
- Information Checkpoint .................................................................... 36
- Key Terms ................................................................................... 36
- Discussion Questions ....................................................................... 36

#### Chapter 5
**Revenues (Inflow)** ..............................................................................37
- Overview .................................................................................... 37
- Receiving Revenue for Services ....................................................... 37
- Sources of Healthcare Revenue ........................................................ 39
- Grouping Revenue for Planning and Control .................................... 42
- Information Checkpoint .................................................................... 45
- Key Terms ................................................................................... 45
- Discussion Questions ....................................................................... 45
- Notes ....................................................................................... 46

#### Chapter 6
**Expenses (Outflow)** ...........................................................................47
- Overview .................................................................................... 47
- Disbursements for Services ............................................................. 48
- Grouping Expenses for Planning and Control .................................... 48
- Cost Reports as Influencers of Expense Formats ................................. 52
- Information Checkpoint .................................................................... 53
- Key Terms ................................................................................... 54
- Discussion Questions ....................................................................... 54
- Notes ....................................................................................... 54
# Table of Contents

## Chapter 7  
**Cost Classifications** ..............................................................55  
Distinction Between Direct and Indirect Costs........................................ 55  
Examples of Direct Cost and Indirect Cost........................................... 56  
Responsibility Centers ........................................................................ 57  
Distinction Between Product and Period Costs ..................................... 60  
Information Checkpoint .................................................................... 61  
Key Terms ....................................................................................... 61  
Discussion Questions ........................................................................ 61  
Notes .............................................................................................. 62

PART III—TOOLS TO ANALYZE AND UNDERSTAND FINANCIAL OPERATIONS ........63

## Chapter 8  
**Cost Behavior and Break-Even Analysis** ......................................65  
Distinctions Among Fixed, Variable, and Semivariable Costs ............... 65  
Examples of Variable and Fixed Costs ............................................... 69  
Analyzing Mixed Costs ..................................................................... 71  
Contribution Margin, Cost-Volume-Profit, and Profit-Volume Ratios ...... 73  
Information Checkpoint .................................................................... 78  
Key Terms ....................................................................................... 78  
Discussion Questions ........................................................................ 78  
Notes .............................................................................................. 79

## Chapter 9  
**Understanding Inventory and Depreciation Concepts** ....................81  
Overview: The Inventory Concept ..................................................... 81  
Inventory and Cost of Goods Sold (“Goods” Such as Drugs) ................. 82  
Inventory Methods .......................................................................... 83  
Inventory Tracking .......................................................................... 84  
Inventory Distribution Systems .......................................................... 86  
Calculating Inventory Turnover ......................................................... 87  
Overview: The Depreciation Concept ................................................... 88  
Book Value of a Fixed Asset and the Reserve for Depreciation ........... 88  
Computing Tax Depreciation ............................................................. 92  
Information Checkpoint .................................................................... 93  
Key Terms ....................................................................................... 93  
Discussion Questions ........................................................................ 93  
Notes .............................................................................................. 93  
Appendix 9-A  
A Further Discussion of Accelerated and  
Units of Service Depreciation Computations ..................................... 95  
Accelerated Book Depreciation Methods ............................................. 95

## Chapter 10  
**Staffing: Methods, Operations, and Regulations** ..........................103  
Staffing Requirements ......................................................................... 103  
FTEs for Annualizing Positions .......................................................... 103  
Number of Employees Required to Fill a Position: Another Way to  
Calculate FTEs ................................................................................ 106  
Regulatory Requirements Regarding Staffing .................................... 111
## Table of Contents

Summary ........................................................................................................ 113
Information Checkpoint ........................................................................... 114
Key Terms .................................................................................................... 114
Discussion Questions ................................................................................. 114
Notes .......................................................................................................... 114

### PART IV—REPORT AND MEASURE FINANCIAL RESULTS ........................................ 117

### Chapter 11 Reporting as a Tool .............................................................. 119
- Understanding the Major Reports ......................................................... 119
- Balance Sheet ....................................................................................... 119
- Statement of Revenue and Expense ..................................................... 120
- Statement of Changes in Fund Balance/Net Worth ............................... 122
- Statement of Cash Flows ...................................................................... 123
- Subsidiary Reports ............................................................................... 124
- Summary .............................................................................................. 125
- Information Checkpoint ...................................................................... 125
- Key Terms ............................................................................................ 126
- Discussion Questions ........................................................................... 126
- Notes ..................................................................................................... 126

### Chapter 12 Financial and Operating Ratios as Performance Measures .......... 127
- The Importance of Ratios .................................................................... 127
- Liquidity Ratios .................................................................................... 129
- Solvency Ratios ................................................................................... 130
- Profitability Ratios ............................................................................... 132
- Information Checkpoint ...................................................................... 134
- Key Terms ............................................................................................ 134
- Discussion Questions ........................................................................... 134

### Chapter 13 The Time Value of Money .................................................... 135
- Purpose .................................................................................................. 135
- Unadjusted Rate of Return ................................................................... 135
- Present-Value Analysis ........................................................................ 136
- Internal Rate of Return ........................................................................ 137
- Payback Period .................................................................................... 137
- Evaluations ........................................................................................... 138
- Resources .............................................................................................. 139
- Information Checkpoint ...................................................................... 139
- Key Terms ............................................................................................ 139
- Discussion Questions ........................................................................... 139
- Note ...................................................................................................... 139

### Appendix 13-A Present-Value Table

(The Present Value of $1.00) ................................................................... 141
Appendix 13-B  Compound Interest Table: Compound Interest of $1.00 (The Future Amount of $1.00) .................................................... 143
Appendix 13-C  Present Value of an Annuity of $1.00.......................... 145

PART V—TOOLS TO REVIEW AND MANAGE COMPARATIVE DATA ........................................... 147

Chapter 14  Trend Analysis, Common Sizing, and Forecasted Data ............................................. 149
Common Sizing ..................................................................................................................... 149
Trend Analysis .................................................................................................................... 150
Analyzing Operating Data ................................................................................................. 151
Importance of Forecasts ..................................................................................................... 152
Operating Revenue Forecasts ........................................................................................... 153
Staffing Forecasts .............................................................................................................. 156
Capacity Level Issues in Forecasting ................................................................................ 158
Summary .......................................................................................................................... 160
Information Checkpoint ..................................................................................................... 160
Key Terms .......................................................................................................................... 160
Discussion Questions ........................................................................................................ 160
Notes ................................................................................................................................ 160

Chapter 15  Using Comparative Data ....................................................................................... 161
Overview ............................................................................................................................ 161
Comparability Requirements ............................................................................................. 161
A Manager’s View of Comparative Data .......................................................................... 162
Uses of Comparative Data .................................................................................................. 163
Making Data Comparable ................................................................................................. 168
Constructing Charts to Show the Data ............................................................................ 171
Information Checkpoint ..................................................................................................... 173
Key Terms .......................................................................................................................... 173
Discussion Questions ........................................................................................................ 174
Note .................................................................................................................................. 174

PART VI—CONSTRUCT AND EVALUATE BUDGETS .......................................................... 175

Chapter 16  Operating Budgets ............................................................................................. 177
Overview ............................................................................................................................ 177
Budget Viewpoints ............................................................................................................. 178
Budget Basics: A Review .................................................................................................... 179
Building an Operating Budget: Preparation ................................................................... 180
Building an Operating Budget: Construction .................................................................. 181
Working with Static Budgets and Flexible Budgets ......................................................... 183
Budget Construction Summary ....................................................................................... 186
Budget Review .................................................................................................................... 186
Information Checkpoint ..................................................................................................... 187
Key Terms .......................................................................................................................... 187
# Table of Contents

Discussion Questions ........................................................................................................... 187  
Notes .................................................................................................................................. 188  
Appendix 16-A  Creating a DRG Budget for Respiratory Care:  
                   The Resource Consumption Approach ................................................................. 189  
Background .......................................................................................................................... 189  
A DRG Budget for Respiratory Care .................................................................................... 190  
Notes .................................................................................................................................. 193  
Appendix 16-B  Reviewing a Comparative Operating Budget Report .................................... 195  
The Comparative Report to Review .................................................................................... 195  
Checklist Questions and Answers for the Comparative Budget Review ............................ 196  
Chapter 17  Capital Expenditure Budgets ............................................................................ 197  
Overview ............................................................................................................................... 197  
Creating the Capital Expenditure Budget ........................................................................... 197  
Budget Construction Tools .................................................................................................. 198  
Funding Requests ................................................................................................................ 200  
Evaluating Capital Expenditure Proposals ......................................................................... 202  
Information Checklist ......................................................................................................... 203  
Key Terms ............................................................................................................................ 203  
Discussion Questions .......................................................................................................... 204  
Note .................................................................................................................................... 204  
Appendix 17-A  A Further Discussion of Capital Budgeting Methods  
                   Assumptions ............................................................................................................. 205  
Payback Method ................................................................................................................... 205  
Unadjusted Rate of Return (AKA Accountant’s Rate of Return) .................................... 206  
Net Present Value ............................................................................................................... 207  
Internal Rate of Return ...................................................................................................... 207  
PART VII—TOOLS TO PLAN, MONITOR, AND CONTROL FINANCIAL STATUS ............ 209  
Chapter 18  Variance Analysis and Sensitivity Analysis ..................................................... 211  
Variance Analysis Overview ............................................................................................... 211  
Three Types of Flexible Budget Variance ........................................................................... 211  
Two-Variance Analysis and Three-Variance Analysis Compared ..................................... 212  
Three Examples of Variance Analysis ............................................................................... 214  
Summary .............................................................................................................................. 218  
Sensitivity Analysis Overview ............................................................................................ 218  
Sensitivity Analysis Tools ................................................................................................... 218  
Summary .............................................................................................................................. 222  
Information Checkpoint ...................................................................................................... 222  
Key Terms ............................................................................................................................ 222  
Discussion Questions .......................................................................................................... 222  
Note .................................................................................................................................... 222
Table of Contents ix

Chapter 19  Estimates, Benchmarking, and Other Measurement Tools 223
  Estimates Overview ................................................................. 223
  Common Uses of Estimates .................................................... 223
  Example: Estimating the Ending Pharmacy Inventory .............. 224
  Example: Estimated Economic Impact of a New Specialty in a
  Physician Practice ................................................................. 225
  Other Estimates ..................................................................... 226
  Importance of a Variety of Performance Measures .................... 226
  Adjusted Performance Measures Over Time ............................ 227
  Benchmarking ....................................................................... 227
  Economic Measures ................................................................. 229
  Measurement Tools ................................................................. 229
  InformationCheckpoint .......................................................... 231
  Key Terms ............................................................................ 231
  Discussion Questions ............................................................. 232
  Note ..................................................................................... 232

Chapter 20  Understanding the Impact of Data Analytics and Big Data 233
  Introduction .......................................................................... 233
  Defining Data Analytics ........................................................ 233
  Two Basic Approaches to Data Analytics .................................. 235
  Data Analytics and Healthcare Analytics Serve Many Purposes .. 236
  Data Mining .......................................................................... 237
  Impacts of Healthcare Analytics .......................................... 238
  Challenges for Healthcare Analytics ...................................... 239
  InformationCheckpoint .......................................................... 239
  KeyTerms ............................................................................. 239
  DiscussionQuestions .............................................................. 240
  Notes .................................................................................... 240

PART VIII—FINANCIAL TERMS, COSTS, AND CHOICES 243

Chapter 21  Understanding Investment and Statistical Terms Used in Finance 245
  Investment Overview ............................................................. 245
  Cash Equivalents .................................................................. 245
  Governmental Guarantor: The FDIC ...................................... 246
  Long-Term Investments in Bonds ........................................... 246
  Investments in Stocks .............................................................. 248
  Privately Held Companies Versus Public Companies ................ 248
  Investment Indicators .............................................................. 249
  Statistics Overview ................................................................. 250
  Commonly Used Statistical and Other Mathematical Terms ....... 251
  InformationCheckpoint .......................................................... 254
  KeyTerms ............................................................................. 254
  DiscussionQuestions .............................................................. 255
  Notes .................................................................................... 255
# Table of Contents

## Chapter 22  Business Loans and Financing Costs

- Overview of Capital Structure .......................................................... 257
- Sources of Capital ........................................................................ 257
- The Costs of Financing .................................................................. 258
- Management Considerations About Real Estate Financing .......... 259
- Management Decisions About Business Loans ......................... 260
- Information Checkpoint ................................................................. 260
- Key Terms ..................................................................................... 260
- Discussion Questions ................................................................. 260
- Appendix 22-A  Sample Amortization Schedule ......................... 261

## Chapter 23  Choices: Owning Versus Leasing Equipment

- Purchasing Equipment ................................................................. 263
- Leasing Equipment ...................................................................... 263
- Buy-or-Lease Management Decisions ......................................... 264
- Accounting Principles Regarding Leases .................................. 268
- Information Checkpoint ............................................................... 269
- Key Terms .................................................................................... 269
- Discussion Questions ................................................................. 269
- Note .............................................................................................. 269

## PART IX—STRATEGIC PLANNING: A POWERFUL TOOL

## Chapter 24  Strategic Planning and the Healthcare Financial Manager

- Major Components of the Strategic Plan: Overview .................... 273
- Introduction ................................................................................ 273
- Six Major Components ............................................................... 273
- Varied Approaches to Strategic Planning .................................... 275
- Examples of Mission, Vision, and Value Statements ................ 276
- Recognizing a Special Status or Focus Within the Statements ...... 276
- Financial Emphasis Within the Statements ................................ 278
- Relaying the Message ................................................................. 279
- The Strategic Planning Cycle and Its Process Flow ...................... 281
- Process Flow for Creating Goals, Objectives, and Action Plans .... 281
- Process Flow for Creating Action Plans and Their Performance Measures ........................................ 282
- The Planning Cycle Over Time ................................................... 283
- Managers’ Responsibilities .......................................................... 284
- Federal Governmental Agencies Must Prepare Strategic Plans ... 285
- Why are Federal Planning Requirements Important to Us? ...... 285
- Introduction: Requirements, Plans, and Performance ............... 285
- An Example: The VA Office of Information Technology IT Strategic Planning Cycle .......................... 288
- Introduction .............................................................................. 288
The VA Office of Information Technology IT Strategic Planning Cycle: An Example ................................................................. 288
The VA Planning Cycle’s Process Flow ......................................................... 288
Planning Cycle Definitions for this Example ............................................. 290
Management Responsibilities Within the Planning Cycle ......................... 291
Tools for Strategic Planning: Situational Analysis and Financial Projections ........................................................................ 292
Situational Analysis (SWOT) ........................................................................ 293
Financial Projections for Strategic Planning ................................................. 294
Case Study: Strategic Financial Planning in Long-Term Care .................... 296
Appendix 24-A: Sample SWOT Worksheets and Question Guides ............ 296
Information Checkpoint .............................................................................. 296
Key Terms ..................................................................................................... 297
Discussion Questions ..................................................................................... 297
Notes ........................................................................................................... 297

Appendix 24-A Sample SWOT Worksheets and Question Guides ............ 299
Introduction .................................................................................................. 299
Scoring Summary Sheet for EHR Adoption and Implementation .......... 299
Three Internal Worksheets for Strengths and Weaknesses ....................... 299
Internal Worksheet for EHR Information
  Technology (IT) Staff .................................................................................. 300
Internal Worksheet for Other Staff Involved in EHR ................................. 302
Internal Worksheet for Technology and Capital Funding ......................... 302
External Worksheet for Opportunities and Threats ..................................... 304

Chapter 25 Putting It All Together: Creating a Business Plan That Is Strategic ........................................................................... 309
Overview ..................................................................................................... 309
Elements of the Business Plan .................................................................... 309
Preparing to Construct the Business Plan .................................................. 310
The Service or Equipment Description ....................................................... 310
The Organization Segment ......................................................................... 310
The Marketing Segment .............................................................................. 311
The Financial Analysis Segment ................................................................. 311
The “Knowledgeable Reader” Approach to Your Business Plan .............. 313
The Executive Summary ............................................................................ 314
Assembling the Business Plan ................................................................... 314
Presenting the Business Plan ...................................................................... 314
Strategic Aspects of Your Business Plan .................................................... 315
Information Checkpoint ............................................................................ 315
Key Terms ................................................................................................... 316
Discussion Questions ................................................................................... 316

Chapter 26 Understanding Strategic Relationships: Health Delivery Systems, Finance, and Reimbursement .................................................. 317
Introduction .................................................................................................. 317
Defining Health Delivery Systems ............................................................... 317
# Table of Contents

Defining the Area of Healthcare Finance .......................................................... 319
Defining the Area of Healthcare Reimbursement .................................... 320
Strategic Relationship Between the Healthcare Delivery System and 
Finance ................................................................................................. 321
The Strategic Relationship Between Finance and Reimbursement .......... 323
Third-Party Reimbursement and Government Expenditures: Another 
Strategic Relationship ........................................................................ 325
A New Focus on the Relationship Between Finance and Healthcare 
Delivery ............................................................................................... 326
Reimbursement and Physicians: An Ongoing Strategic Challenge ........ 327
Information Checkpoint ........................................................................ 328
Key Terms ............................................................................................. 329
Other Acronyms .................................................................................. 329
Discussion Questions ............................................................................. 329
Notes .................................................................................................... 329

## PART X—INFORMATION TECHNOLOGY AS A FINANCIAL AND STRATEGIC TOOL.....331

### Chapter 27

**Understanding Value-Based Health Care and Its Financial and Digital 
Outcomes** ......................................................................................... 333
The Value-Based Concept: Introduction ................................................ 333
Value-Based Progress in the Private Sector ......................................... 334
Value-Based Progress in the Public Sector ............................................ 335
Value-Based Education Efforts ............................................................ 337
Value-Based Legislative Reform .......................................................... 338
Quality Measurement: The Concept .................................................... 341
Value-Based Public Reporting in the Private Sector ............................ 343
Value-Based Public Reporting in the Public Sector ............................. 344
Financial Outcomes ........................................................................... 346
Digital Outcomes ................................................................................. 347
Value-Based Strategic Planning by the Private Sector ......................... 349
Value-Based Strategic Planning by the Public Sector ......................... 350
Conclusion: The Future ....................................................................... 354
Information Checkpoint ...................................................................... 354
Key Terms ............................................................................................ 355
Other Acronyms .................................................................................. 355
Discussion Questions ........................................................................... 355
Notes .................................................................................................... 355

### Chapter 28

**New Payment Methods and Measures:**

**MIPS and APMs for Eligible Professionals** .................................................. 361
Introduction .......................................................................................... 361
Legislative Reform and MACRA: An Overview ................................... 362
Payment Choices: MIPS Versus APMs .................................................. 363
MIPS Incentives .................................................................................... 363
How Are MIPS Physicians and Other Eligible Professionals Paid? ....... 366
# Table of Contents

- MIPS Composite Performance Score ............................................................ 367
- MIPS Performance Categories ................................................................. 368
- How MIPS Scoring Works ......................................................................... 370
- MIPS Required Reporting Affects Payment ............................................... 373
- Data Submission ...................................................................................... 374
- APM Incentives—(Choice #2) .................................................................... 375
- Eligible Professionals Within APMs ............................................................ 376
- How Significant Participation Works ......................................................... 380
- Advanced APM Participation Standards .................................................... 380
- Scoring Standard for APMs ....................................................................... 381
- Creating Physician-Focused Payment Models (PFPMS) .............................. 382
- Building the Measurement Development Plan for MIPS and APMs:
  - Developing New Quality Measures ......................................................... 382
  - Timelines for Developing Quality Measures ........................................... 383
  - A Framework for MACRA Quality Measurement .................................... 384
  - Conclusion: Benefits and Costs of the Quality Payment Program .......... 388
- Three Incentive Programs as They Existed Before MIPS: A Reference ....... 389
- Alternative Payment Models: A Reference ................................................. 390
- Information Checkpoint ............................................................................ 392
- Key Terms .................................................................................................. 392
- Discussion Questions .................................................................................. 393
- Notes .......................................................................................................... 393
- Appendix 28-A Meaningful Use: Modified and Streamlined with a New Name ................................................................. 397
- How Meaningful Use Has Evolved ............................................................. 397
- Changes to Allowable MU Stages ............................................................... 398
- Changes to Meaningful Use Requirements ............................................... 400
- Conclusion: Advancing Care Information Becomes the New Meaningful Use .............................................................................. 401
- Acronyms ................................................................................................... 403
- Notes .......................................................................................................... 403

## Chapter 29 Standardizing Measures and Payment in Post-Acute Care: New Requirements ................................................................. 405
- The Impact Act: New Directions for Post-Acute Care ............................... 405
- Why Focus Attention on Post-Acute Care? ............................................... 407
- A New Alternative Payment Model for Four Care Settings ..................... 408
- Standardized Data and Interoperability: The Keys to PAC Reform .......... 409
- Standardizing Assessment and Measure Domains for PAC Providers ...... 411
- Electronic Reporting Timelines for PAC Providers .................................. 413
- Public Reporting: Impact Act Requirements ............................................. 414
- Impact Act Benefits and Costs: A Summary ............................................ 415
- Meeting Strategic Goals ............................................................................ 415
- Conclusion: Innovation in the Digital Age ................................................ 416
- The Future: Change Is Inevitable ............................................................... 418
#### Table of Contents

Seeking to Understand Healthcare Finance Reform ........................................ 449  
Reseaching Acquisition Viewpoints and Industry Trends ........................ 450  
Considering Other Physicians’ Reactions ........................................................ 451  
What Will Dr. Matthews Decide? ................................................................... 451  
Notes .............................................................................................................. 451  

**Chapter 32**  
**Case Study: Strategic Financial Planning in Long-Term Care** ................. 453  
Background ...................................................................................................... 453  
Framework of the Board’s Mandate ................................................................. 453  
Industry Profile ............................................................................................... 454  
Feasibility Determination ................................................................................ 454  
Notes .............................................................................................................. 457  

**Chapter 33**  
**Case Study: Metropolis Health System** ..................................................... 459  
Background ...................................................................................................... 459  
MHS Case Study .............................................................................................. 461  
Appendix 33-A Metropolis Health System’s Financial Statements  
and Excerpts from Notes .................................................................................. 471  
Excerpts from Metropolis Health System Notes to Financial  
Statements ....................................................................................................... 477  
Appendix 33-B Comparative Analysis Using Financial Ratios and  
Benchmarking Helps Turn Around a Hospital in the Metropolis  
Health System ................................................................................................. 483  
Appendix 33-C Proposal to Add a Retail  
Pharmacy to a Hospital in the Metropolis Health System .............................. 489  

**PART XII—MINI-CASE STUDIES** ................................................................ 495  

**Chapter 34**  
**Mini-Case Study 1: The Economic Significance of Resource Misallocation: Client Flow Through the Women, Infants, and Children Public Health Program** ..................................................... 497  
Confronting the Operational Problem ............................................................. 497  
The Environment ............................................................................................. 497  
The Peak-Load Problem .................................................................................. 498  
Method ............................................................................................................ 499  
Results ............................................................................................................ 499  

**Chapter 35**  
**Mini-Case Study 2: Technology in Health Care: Automating Admission Processes** .......................................................... 503  
Assess Admissions Process ............................................................................. 503  
Areas to Automate ........................................................................................... 504  
Fax and Document Management ................................................................... 504  
Communication Is Important ......................................................................... 504  
Referral Tracking and Approval .................................................................... 505  
Analyzing Referral Activity ........................................................................... 505  
Hours Saved ................................................................................................. 505
# Table of Contents

**Appendix A**  Checklists .............................................................. 507  
**Glossary** ....................................................................................... 511  
**Examples and Exercises, Supplemental Materials, and Solutions** ........................................... 525  
  Examples and Exercises ................................................................. 525  
  Supplementary Materials: The Mechanics of Percentage Computations ....................... 578  
  Solutions to Practice Exercises .................................................................. 578  
**Index** ................................................................................................... 591
New to This Edition

The Fifth Edition continues to provide practical information, with examples taken from real life in the healthcare finance world. For example, we have added the following:

NEW MATERIAL IN THE 5TH EDITION:

- **Chapter 3 “The Digital Age: Changing the Landscape of Healthcare Finance”—**This new chapter is about understanding the impact of data analytics and big data, along with other important trends in the changing landscape of healthcare finance. It is important to recognize that digital advancements in health care are the drivers that enable innovation.

- **Chapter 26 “Understanding Strategic Relationships: Health Delivery Systems, Finance and Reimbursement”—**This new chapter focuses upon describing the strategic relationships between and among health delivery systems, finance, and reimbursement. This chapter assists a manager in recognizing both differences and interrelationships and in applying this recognition to their own organization’s structure.

- **Chapter 27 “Understanding Value-Based Health Care and Its Financial and Digital Outcomes”—**Value-based performance, the subject of this new chapter, is particularly important because it is the key to both improving patient care and reforming payment systems. Healthcare organizations should define what value means and make sure that definition is shared across the entire entity.

- **Chapter 28 “New Payment Methods and Measures: MIPS and APMs for Eligible Professionals”—**This new chapter highlights significant legislation and regulations that change payment methods and performance measures for physicians and other eligible professionals. The new payment method for physicians hinges upon proper reporting of new performance measures. The new system is a true reform, as it replaces a physician payment system that has been in effect for decades.

- **Appendix 28-A “Meaningful Use: Modified and Streamlined with a New Name”—**This new appendix describes the evolution of meaningful use before and after its transition into the new physician performance measures that are described in Chapter 28.

- **Chapter 29 “Standardizing Measures and Payment in Post-Acute Care: New Requirements”—**This new chapter is about important legislation and regulations that standardize measures and require studies about payment reform for post-acute care. This means performance measures for skilled nursing facilities, home health agencies, inpatient rehabilitation facilities, and long-term care hospitals are being standardized. Models for a patient-centered payment system that cuts across all four care settings are also being created.

- **Chapter 30 “ICD-10 Implementation Continues: Finance and Strategic Challenges for the Manager”—**This updated chapter focuses upon challenges for the manager within ICD-10 implementation. An all-new section introduces useful Key Performance Indicators that are used to assess an organization’s ICD-10 implementation progress.

Other new material in this edition includes the following:

- **Chapter 9 “Understanding Inventory and Depreciation Concepts”—**A new section about drug distribution systems in use in hospitals has been added to this chapter.

- **Chapter 10 “Staffing: Methods, Operations, and Regulation”—**A new section has been added describing legislation that requires reporting “verifiable and auditible” payroll information for the “Nursing Compare” website, along with information about existing Certificate of Need regulations.
New to This Edition

- Appendix 16-B “Reviewing a Comparative Operating Budget Report”—This new appendix describes the review of a section from an actual operating budget report.
- Chapter 21 “Understanding Investment and Statistical Terms Used in Finance”—This chapter was originally only about investment terms; it now has a new section about understanding statistical terms.
- Chapter 31 “Case Study: The Doctor’s Dilemma”—This new case study is about a physician deciding whether or not to sell his practice to a health delivery system.

MATERIAL OMITTED FROM THIS EDITION

- Two Fourth Edition chapters and a Fourth Edition appendix have been omitted because they are becoming outdated. This includes the following: Chapter 24 “Information Technology and EHR: Adoption Requirements, Initiatives, and Management Decisions” has been replaced with the new value-based chapter.
- Appendix 24-A Accordingly, the e-Prescribing (eRx) appendix has also been omitted because the incentive program is ending.
- Chapter 25 “Electronic Health Records Framework: Incentives, Standards, Measures, and Meaningful Use” has been omitted because the incentives are ending.
- Relevant additions and deletions have been made to the “Examples and Exercises” section.

To summarize: A fundamental theme in the Fifth Edition is that healthcare financing is embracing the digital age. This is manifested by its coverage of electronic health records (EHRs), data analytics, value-based healthcare, and social media, among other topics. In this era of population health and the resulting need for clinical integration, data-driven collaboration has the potential to improve outcomes and lower costs, as well as more effectively engage the patient. The upshot: Everything is connected.
Our world of work is divided into three parts: the healthcare consultant, the instructor, and the writer. Over the years, we have taught managers in seminars, academic settings, and corporate conference rooms. Most of the managers were mid-career adults, working in all types of healthcare disciplines. We taught them and they taught us. One of the things they taught us was this: A nonfinancial manager pushed into dealing with the world of finance often feels a dislocation and a change of perspective, and that experience can be both difficult and exciting. We have listened to their questions and concerns as these managers grapple with this new world. This book is the result of their experiences, and ours.

The book is designed for use by a manager (or future manager) who does not have an educational background in financial management. It has long been our philosophy that if you can truly understand how a thing works—whatever it is—then you own it. This book is created around that philosophy. In other words, we intend to make financial management transparent by showing how it works and how a manager can use it.

USING THE BOOK

All our examples are drawn from the healthcare industry. Thus users will find examples and exercises covering many types of healthcare settings and providers, including hospitals, clinics, physician practices, long-term care facilities, and home health agencies.

Standard Elements

Each chapter within these parts contains the following four elements:

- “Progress Notes” set out learning objectives at the beginning of each chapter.
- An “Information Checkpoint” segment at the end of each chapter tells the user three things: information needed, where this information can be obtained, and how this information can be used.
- A “Key Terms” section follows the “Information Checkpoint.” Every Key Term is defined in the Glossary; it is also bold faced the first time it appears in the text.
- The “Discussion Questions” segment inquires about practical uses of chapter material and encourages responses based upon experience.

Structure and Topics

The book is structured in 12 parts, as follows.

Part I: Healthcare Finance Overview [Three chapters; one is new]
Part II: Record Financial Operations [Four chapters]
Part III: Tools To Analyze and Understand Financial Operations [Three chapters plus appendix; new text added to two chapters]
Part IV: Report and Measure Financial Results [Three chapters plus three appendices]
Part V: Tools to Review and Manage Comparative Data [Two chapters]
Part VI: Construct and Evaluate Budgets [Two chapters plus two new appendices]
Part VII: Tools to Plan, Monitor, and Control Financial Status [Three chapters; one is new]
Part VIII: Financial Terms, Costs, and Choices [Three chapters; one entire new section]
Preface

Part IX: Strategic Planning: A Powerful Tool [Three chapters plus one appendix; one chapter is new]
Part X: Information Technology As A Financial and Strategic Tool [Four chapters plus two appendices; three chapters and one appendix are all new and the fourth chapter has been substantially revised. In addition, two previous chapters and a previous appendix that have become outdated have been omitted and replaced in the Fifth Edition.]
Part XI: Case Studies [One new case study about the doctor’s dilemma, one case study about strategic financial planning in long-term care, and a group of four interrelated case studies about the Metropolis Health System]
Part XII: Mini-Case Studies [Two mini-case studies; one concerns resource misallocation in a public health clinic and the other is about automating admissions processes]

More About the Metropolis Health System Case Studies

A group of four case studies about the Metropolis Health System (MHS) represents a comprehensive suite of information. This section includes the major case study about the system, followed by an appendix containing an MHS financial statement and excerpts from notes. A second case study appendix shows how one MHS hospital was turned around using comparative analysis of benchmarks and statistical data. A third case study appendix describes a detailed proposal to add a retail pharmacy to another of the MHS hospitals. The Metropolis group- ing thus provides an interactive suite of case study material.

Supplemental Resources

At the back of the book you will find additional resources as follows, all of which have been updated for the Fifth Edition:

- An Appendix containing Checklists
- A Glossary
- Examples and Exercises, with Solutions
- Other Supplemental Materials
Acknowledgments

With this edition we welcome Dr. Neil R. Dworkin as our coauthor. Neil brings a formidable combination of both educational and practical on-the-ground experience in health care. He also brings fresh viewpoints that are as valuable as his career achievements.

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xxi
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Judith’s doctorate is in human and organizational systems, with a concentration in healthcare costing systems. She has served as adjunct faculty at the University of Texas at Houston and the Texas Woman’s University in Dallas, as well as the University of Rochester School of Nursing and the Case Western Reserve University Francis Payne Bolton School of Nursing.

Judith has written numerous peer-reviewed articles and has served as Consulting Editor for Aspen Publishers, Inc. Her books include Activity-Based Costing and Activity-Based Management for Health Care, Prospective Payment for Long-Term Care, Prospective Payment for Home Health Agencies, Management Accounting for Health Care Organizations (with Robert Hankins) and Essentials of Cost Accounting for Health Care Organizations (with Steven Finkler and David Ward). She is Editor Emeritus of the quarterly Journal of Healthcare Finance.

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Neil R. Dworkin, PhD, is Emeritus Associate Professor of Management at Western Connecticut State University, where he was Coordinator of the Masters in Health Administration Program and where he taught Strategic Management, Finance, Marketing, Health Policy, and Health Delivery Systems. He is presently an adjunct faculty member at Charter Oak State College, which is part of the Connecticut State University System and where he teaches Continuous Quality Improvement in Health Care and Health Care Systems and Administration.

Neil has hospital administration experience, and has been a nursing home administrator in New York and Connecticut. He has over 40 years’ experience in the healthcare field. He was the lead author in a three-article series on “Managerial Socialization in Short-Term Hospitals” that was published in Hospital Topics and Problems and Perspectives in Management. Neil has also served as an editor of The Journal of Health Administration Education.