Health Care Finance

Basic Tools for Nonfinancial Managers

Third Edition

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Table of Contents

Preface

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, in academic settings, and in corporate conference rooms. Most of the managers were midcareer 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

Users will find examples and exercises covering many types of healthcare settings and providers included. The case study of Metropolis Hospital System is woven throughout the book. Four mini-case studies are provided to give an even broader view of the subjects covered. “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.” Each of these features displays its own quick-reference icon.

Access to the Web site is shown in Appendix B, “Web-Based and Software Learning Tools.” For users who prefer a calculator, Appendix B provides guidance on where to obtain information on using a business analyst calculator. And for those users who choose neither a computer nor a calculator, instructions are set out so problems can also be worked by hand, with paper and pencil.

New to This Edition

THE THIRD EDITION

This Third Edition continues to provide practical information with examples taken from real life in the healthcare finance world.

For example, we have added:

- Two new chapters about healthcare technology electronic health records because of their relevance today. They contain details and examples about information systems conversions along with the incentives for adoption and the penalties for non-adoption that will affect both facilities and eligible professionals over the next several years.
- A new chapter that includes the concept of inventory. We also expanded the concept of depreciation in this new chapter.
- A new chapter about basic investment terms.
- A new chapter on using comparative data and new sections on sensitivity analysis and estimates, along with expanded sections about forecasts and operating budgets.
- A new case study about automating admissions processes.
- New supplemental material about ICD-10 conversion costs for a hospital.
- Updates throughout the book.

Besides the new electronic templates, the Third Edition Web site also has lists of electronic resources for those who want to take a deeper look at some subjects. (The lists can also be used as a springboard for additional assignments.)

In short, we have continued to work to reveal the basic tools of healthcare finance and make them usable.

Acknowledgments

This book originated during the course of our activity-based costing seminars for Irwin Professional Seminars, when class members kept inserting finance questions into the sessions. The original concept for the book was clarified when Cleo Boulter, then Associate Professor at the University of Texas at Houston Center on Aging, recruited us to teach intensive finance sessions to her midcareer students, an arrangement that continued over a period of years. The needs of these students and their reaction to the material provided the core of the book's First Edition content.

This Third Edition has evolved with the help of numerous instructors and students who have given us feedback: we listened. The input from finance sessions we taught as Adjunct Faculty at Texas Womans' University in Dallas also contributed to shaping this third edition's contents. Our continued gratitude goes to Craig Sheagren, Senior Vice President/CFO, McDonough District Hospital, Macomb, Illinois; and Nancy M. Borkowski, PhD, Professor, Dept. of Professional Management/Health Management, St. Thomas University, Miami, Florida for their encouragement, information, suggestions, and assistance with the original concept of the book; and to John Brocketti, Chief Financial Officer, SUMA Health System, Akron, Ohio; Christine Pierce, Partner, The Resource Group, Cleveland, Ohio; and Dr. Frank Welsh, Cincinnati, Ohio, for their ongoing information and suggestions.

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