

**New York University**  
**Robert F. Wagner Graduate School of Public Service**  
**Summer 2009**

**Course Number:** P11.2855

**Course Title:** Budgeting Concepts

**Course Description and Objectives:**

The focus of this course is on the budget process for health care organizations. Participants are exposed to specific techniques of health care budgeting and variance analysis. The objectives for this course are for participants to improve their understanding of the budget process as it applies to health care organizations and to learn valuable specific techniques of budgeting and variance analysis. This course accomplishes its objectives by covering a wide range of budgeting topics from introductory through advanced. The course is provided in an online format.

The course is six weeks. Each week there are approximately 3 hours of Lessons using video imaging, audio, and power point slides. Students watch and listen to these Lessons online at their convenience via a Blackboard website. During each week students participate in online discussions focusing on not only the Lessons, but also readings and homework problem sets that are assigned for that week. Students taking the course for Graduate credit are required to submit homework assignments via Blackboard each week.

Topics covered include an introduction and overview of health care budgeting covering basic definitions, purposes, and uses of budgets in health care, the long range plan, programming, operating budgets, capital budgets, and fixed and variable costs. A nursing unit operating budget is examined in detail. Additional topics covered include zero based budgeting, cost estimation and forecasting, break-even analysis, performance budgeting, flexible budget variance analysis and capital budgeting. Health care examples and applications are used throughout all parts of the organization.

Another objective of the course is to provide a working knowledge of the Excel computer software program to class participants who are not already conversant in Excel. Tutorial lessons in Excel are provided covering the basic mechanics of Excel, Excel charts and graphs, and the application of Excel to operating budgets, long-range budgets, capital budgets, variance analysis, regression analysis, and forecasting.

**Credits:**

Wagner School 4 credits (NYU College of Nursing students may register for 3 credits)

## **Times & Location:**

Online course is held on Blackboard at: <http://classes.nyu.edu> starting Tuesday, May 26, 2009. Class discussions end on Tuesday, July 7. The final exam is available anytime from 9 AM to 9 PM on Monday, July 13. The class does not meet in person. All sessions are computer based.

Each week of the course will run from Tuesday morning through Monday night. Students taking the course for graduate credit must submit homework each week by Sunday night (actually, no later than 3 AM on Monday morning). Solutions will be available online each week at 3:05 AM Monday morning. Homework solutions should be reviewed prior to group sessions.

Approximately 3 hours of online Lesson each week to be watched at your convenience.

Asynchronous online discussions operate continuously over 6 weeks. That is, you may post questions or comments 24 hours a day, 7 days a week at your convenience. This conversation will be conducted using the Blackboard email function. Participants in the course can send an email to all participants in the course at any time.

### **One-Hour Synchronous Online Discussions:**

Tuesday May 26	8-9 PM	Introduction to course
Wednesday June 10	8-9 PM	First third of course
Tuesday June 23	8-9 PM	Second third of course
Tuesday July 7	8-9 PM	Last third and course conclusion

All class members are expected to get online together for a group class discussion on the four dates above. **However, class members who cannot participate in the live sessions because of class or work conflicts will be able to review recordings of each session, without penalty.**

**Final Exam:** A 2 Hour Exam taken and submitted online is required if taking the course for Graduate credit. Multiple-Choice and Fill-in-the-Blank.  
Available online anytime from 9 AM - 9 PM, Monday, July 13.

**Faculty:** Steven A. Finkler, Ph.D., CPA  
Contact - Email [steven.finkler@nyu.edu](mailto:steven.finkler@nyu.edu)  
If you have questions about this syllabus or course, please contact Prof. Finkler at the email address.

**Prerequisites:** None

**Course Outcomes:** Upon successful completion of this course the student will be able to:

1. define budget and identify the major benefits of budgeting for health care organizations;
2. describe the budget process for a health care organization;
3. distinguish among the cash, operating, and capital budget as used by hospitals and other types of health care organizations;
4. explain the difference between average and marginal cost and the role of each, and explain which cost is more appropriate for decisions such as negotiations with an HMO;
5. explain how regression analysis can be used to estimate future costs of health care organizations at varying patient volumes;
6. explain the use of forecasting software for improved forecasting results, and how this might help a health care manager make more effective decisions;
7. prepare a nursing unit operating budget;
8. prepare a breakeven analysis for a proposed new program, project, or venture for a health care organization;
9. discuss the use and advantages of a performance budget for a health care organization, focusing on outcomes rather than inputs;
10. utilize variance analysis to control operating results for health care organizations;
11. discuss the use of process improvement techniques such as zero-based budgeting; and
12. explain the purpose of capital budgeting, and the importance of the time value of money in capital budgeting decisions by health care organizations.
13. be able to create an excel spreadsheet and apply it to budgeting problems
14. be able to create excel charts and graphs

### **Exemplars**

The course focuses on the application of budgeting concepts specifically to nursing units of health care organizations. Many examples use hospital settings, but the material is widely applicable to health care organizations and some other types of organizations are also discussed. Example include preparing operating budgets for nursing units, evaluation of a proposed cardiac surgery service, HMO/PPO negotiations, cost analysis for an outpatient surgery center, cost estimation for an operating room, forecasting supply use for an endoscopy lab, hospital breakeven analysis by DRG, breakeven analysis when revenues are based on per member per month capitation, performance budgeting for a cardiac cath lab, variance analysis for hospital nursing units, clinical supplies, nursing labor, patient acuity, and patient volume.

### **Teaching/Learning Strategies:**

1. Didactic online Lessons using power points.
2. Text reading.
3. Completion of homework discussion questions, numerical, and Excel problems.
4. Review of solutions to homework problems.
5. Asynchronous online discussions continuously throughout the six week session.
6. Synchronous online discussions when the class meets online together in a chat room on Blackboard.

### **Grading Policy and Evaluation Methods for Graduate Credit:**

1. 18% of course grade is based on submitting all required homework problem sets on time. Homework must be submitted by Sunday night (actually 3:00 AM Monday morning).
2. 82% of course grade is based on the final exam.
3. An average of 70% is required to pass the course.

### **Course Assignment/Outcome Measures:**

1. There will be six weekly homework sets. Submitted homework assignments will each receive full credit of 3% if it appears an honest effort was made to complete the work. They will not be graded for the correctness of the solutions.
2. The final exam will be multiple-choice and fill-in-the-blank, but will require numerical calculations to find the correct solutions. A sample final exam will be provided.
3. Students taking the final exam must attest to the fact that they took the exam on their own without any collaboration or assistance from other individuals.

### **Required Text:**

Finkler, Steven A. and Mary L. McHugh, *Budgeting Concepts for Nurse Managers*, 4th Edition, W.B. Saunders Company, New York, 2008. Available at the NYU Professional Bookstore, or online at places such as Amazon.com or BN.com.

### **Optional Resource:**

Excel Tutorials at <http://www.baycongroup.com/el0.htm> Lessons 1 and 2 in particular.

### **Required Internet sites:**

1. All students must have an active e-mail account.
2. The course will rely HEAVILY on Blackboard. The Blackboard site for this course may be found at <http://classes.nyu.edu>

### **Required Software:**

1. You must have internet access. High speed (cable or dsl) is highly recommended.
2. You need to have Adobe Acrobat Reader on your computer. This is free software that you probably already have. If not, you may download it from within <http://home.nyu.edu> . Click on Ask ITS, then in the ITS Software section click on File Management.
3. You need to have a Flash Reader on your computer. This is free software that you probably already have. If not you may download it from within <http://home.nyu.edu> . Click on Ask ITS, then in the ITS Software section click on File Management, and then look under the MultiMedia heading.
4. You must have access to the Microsoft Excel software program. NYU computer labs have Excel available if it is not on your personal or work computer.

### **Recommended Journal Articles:**

Those listed at the end of each of the assigned chapters from the required text.

### **Academic Integrity & Professional Behavior Policies:**

You are referred to <http://www.nyu.edu/nursing/bulletin/policies.pdf>

In particular, from that site you should note that, “Examples of violating the principle of academic integrity are as follows: • Cheating on an examination .... • Receiving help on a take-home examination that calls for independent work”

### **Content Outline**

**PLEASE NOTE:** These lessons were originally recorded to run for about 90 minutes each. That turned out to create significant downloading problems. Therefore the lectures have been subdivided into parts. I have done my best to find reasonable breaking points.

Even with these smaller files, please be aware that it may take several minutes or longer for some of the lectures to download to your computer, even if you are using cable or DSL. It is not recommended that you try to watch these lessons using a dial-up connection.

<b>Week/ Date</b>	<b>Online Lessons/Topic</b>	<b>Required Reading / Assignments due/Exams dates</b>
<b>1. May 26 – June 1</b>	Welcome and Introduction [Brief Video intro]  Lesson 1 - Overview and Definitions [Parts I and II]  Lesson 2 - Cost Analysis [Parts I , II, III, and IV]  Excel Lesson [1A, 1B, and 1C]  [Welcome and Intro, Lesson 1, Lesson 2, and Excel Lessons - total running time: 3 Hours, 15 minutes]	Text: Chapters 1, 2, and 4 (up to middle of page 58).  Excel Tutorials (available online) Part IA Basics, IB Charts, and IC Database Sorting.  Homework to Submit: Problem Set 1 from the assignment section of Blackboard.  Homework is due by late Sunday night May 31 (specifically, by 3:00 AM Monday morning, June 1).

<b>Week/ Date</b>	<b>Online Lessons/Topic</b>	<b>Required Reading / Assignments due/Exams dates</b>
<b>2. June 2-8</b>	<p>Lesson 3 - Preparing an Operating Budget - Foundations [Parts I, II, and III]</p> <p>Lesson 4 - Preparing an Operating Budget – Calculations [Parts I, II, III, and IV]</p> <p>[Lessons 3 and 4 total running time: 2 Hours, 39 minutes]</p>	<p>Text: Chapter 8</p> <p>Homework to Submit: Problem Set 2 from the Assignments section of Blackboard.</p> <p>Excel Tutorial (available online) Part II .</p> <p>Homework is due by late Sunday night June 7 (specifically, by 3:00 AM Monday morning, June 8).</p>
<b>3. June 9-15</b>	<p>Lessons 5 – Cost Estimation [Parts I, II, and III]</p> <p>Lesson 6 – Forecasting [Parts I, II, III, and IV]</p> <p>[Lessons 5 and 6 total running time: 3 Hours, 35 minutes]</p>	<p>Text: Chapters 4 (middle of page 58, up to Break-Even Analysis on page 68), and Chapter 6</p> <p>Homework to Submit: Problem Set 3 from the Assignments section of Blackboard.</p> <p>Excel Tutorial (available online) Part III.</p> <p>Homework is due by late Sunday night June 14 (specifically, by 3:00 AM Monday morning, June 15).</p>

<p><b>4. June 16-22</b></p>	<p>Lesson 7 - Breakeven Analysis [Parts I and II]</p> <p>Lesson 8- Performance/ Outcomes Budgeting [Parts I, II, and III]</p> <p>Lesson 9 – Zero-Base Budgeting [Parts I and II]</p> <p>[Lessons 7, 8, and 9 total running time: 2 Hours, 53 minutes]</p>	<p>Text: Chapters 4 (page 68 up to Activity Based Costing on page 77), Chapter 11, and Chapter 7 (from page 133 up to Business Plans on page 155)</p> <p>Homework to Submit: Problem Set 4 from the Assignments section of Blackboard.</p> <p>Excel Tutorial (available online) Part IV .</p> <p>Homework is due by late Sunday night June 21 (specifically, by 3:00 AM Monday morning, June 22).</p>
<p><b>5. June 23-29</b></p>	<p>Lesson 10 Variance Analysis – Part I - More than Numbers [Parts I and II]</p> <p>Lesson 11 Variance Analysis – Part II – Calculations [Parts I, II, and III]</p> <p>[Lessons 10 and 11 total running time: 2 Hours, 55 minutes]</p>	<p>Text: Chapters 3, 13, 14</p> <p>Homework to Submit: Problem Set 5 from the Assignments section of Blackboard.</p> <p>Excel Tutorial (available online) Part V .</p> <p>Homework is due by late Sunday night June 28 (specifically, by 3:00 AM Monday morning, June 29).</p>

<p><b>6. June 30 – July 6</b></p>	<p>Lesson 12 - Capital Budgeting – Basics [Parts I and II]</p> <p>Lesson 13 - Capital Budgeting – Time Value of Money [Parts I, II, and III]</p> <p>[Lessons 12 and 13 total running time: 2 hours, 29 minutes]</p>	<p>Text: Chapter 10 and Chapter 10 Appendix</p> <p>Homework to Submit: Problem Set 6 from the Assignments section of Blackboard.</p> <p>Homework is due by late Sunday night July 5 (specifically, by 3:00 AM Monday morning, July 6).</p>
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<p><b>FINAL EXAM</b></p>	<p><b><u>Two Hour Final Exam</u></b></p>	<p>Available on Blackboard: Monday July 13 from 9 AM to 9 PM. You are allowed 2 hours and ten minutes. Complete on Blackboard No Later Than July 13 at 9 PM. That means you should plan on starting the test no later than 6:50 PM.</p>

Revised: April 24, 2009