

**HPAM-GP-4840**

**Financial Management for Health Care Organizations I:**

**Financial Management and Budgeting**

**Fall 2023**

Instructor: Julius Wool

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Office Hours: in person before or after class or scheduled on demand via Zoom.

Class Date and Time: Tuesdays, 4:55-6:35 pm

Location: GCASL, Room 379

# COURSE DESCRIPTION

This is a required course for all Wagner students in the health management and health care financial management specializations. The topics are relevant, however, for any student wishing to expand his or her financial management skills. The course focuses on the related topics of planning and financial decision making as applied to health care organizations. This course will build from the skills students have acquired in the core financial management course (1021); specifically, we will in many cases review topics already familiar to students, apply them specifically to health care organizations, discuss more advanced features of these topics, and apply them to professional situations. Students will learn and practice these skills through lectures, problem solving, a finance term project and a final cumulative exam. The course is structured to integrate both academic and practical approaches and perspectives on current health care financial issues.

# COURSE AND LEARNING OBJECTIVES

The primary goal of this course is to familiarize students with tools to manage, plan, and analyze the financial operations of health care organizations. This includes a basic understanding of the unique financial environment health care organizations operate within. Another goal of the course is to reinforce the spreadsheet and quantitative skills that are essential in the financial management process. A final goal of this course is to help students learn how to communicate financial concepts clearly and effectively.

At the end of this course, you should be able to:

 Discuss the financial environment of health care organizations, including health insurance and third-party reimbursement, and how this environment has evolved since the implementation of the Affordable Care Act in 2010.

1. Perform profit/loss and breakeven analyses under various reimbursement models, including fee-for-service, discounted fee-for-service, and capitation.
2. Conduct cost allocations using multiple techniques and set prices for health care services using various methodologies.
3. Discuss the major components of the operating budget, including the expense and revenue budgets, and understand how these budgets are used to plan and manage an organization’s financial functions.
4. Utilize key operating indicators to assess the operating performance of health care organizations and dashboards to analyze the overall financial condition of health care organizations.
5. Incorporate these topics into the financial planning and budgeting of your organization.

 **KEY COMPETENCIES ADDRESSED IN THIS COURSE**

Assignments in this course will be used to assess progress against the competencies listed below. No student will receive a B or higher without demonstrating satisfactory progress toward mastery of each competency. The level of competency expected to be achieved is denoted in brackets according to the following key:

* [1] = Basic: Foundational understanding of knowledge/skill/competency.
* [2] = Intermediate: Student demonstrates greater depth of understanding of this knowledge/skill/competency and can use this ability to analyze a problem.
* [3] = Advanced: Student demonstrates expertise in this knowledge/skill/competency and can use this ability to evaluate, judge, and synthesize information.

 **Learning Assessment Table**

|  |  |  |  |
| --- | --- | --- | --- |
| **Program Competency**  | **Corresponding** **Course Learning** **Objective**  | **Corresponding** **Assignment Title**  | **Level of** **Competency** **Expected to** **Achieve via the** **Assignment**  |
| The ability to synthesize evidence, and apply statistical, financial, economic and cost effectiveness methods in organizational analysis  | 2, 3, 4, 5, 6  | HomeworkCase StudyFinal Exam  | 2  |
| The ability to use information systems and evidence-based management principles for problem-solving, strategic planning and decision-making, and measuring change  | 2, 3, 4, 5, 6  | HomeworkCase StudyFinal Exam | 2  |
| The ability to hold people accountable to standards of performance and assure organizational, professional and ethical compliance  | 6, 7  | HomeworkCase StudyFinal Exam | 2  |
| The ability to draw implications and conclusions to develop an evolving vision that leads to organizational viability  | 1  | HomeworkCase StudyFinal Exam | 2  |
| An understanding of healthcare financing and the ability to use financial analysis as a tool for organizational control  | 1, 2, 3, 4, 5, 6  | HomeworkCase StudyFinal Exam | 2  |

**COURSE MATERIALS**

# The required text for this course is Kristin L. Reiter and Paula H Song, Gapenski’s Healthcare Finance: An Introduction to Accounting and Financial Management, 7th Edition(Chicago,

IL: Health Administration Press), 2021. Throughout the syllabus, this text is referred to as

“Reiter and Song.” Page numbers referenced in the syllabus refer to the paper bound version and not the e-book. Older editions are likely sufficient for materials, but students should verify that homework problems are the correct ones.

The text may be purchased from the New York University bookstore. It is also on reserve at the library. It may be accessed remotely through the library (see the Brightspace site for the link).

# GRADING

2 Homework Assignments (10 points each, 20 points total)

Health Care Financial Improvement Case Study (written case study 20 points)

Health Care Financial Improvement Case Study (class presentation 10 points)

Final Exam (30 points)

Class Attendance & Participation (20 points)

**Letter Grade Points Letter Grade Points**

A 95 – 100 C+ 77 - 79

A- 90 – 94 C 73 - 76

B+ 87 – 89 C- 70 - 72

B 83 – 86 D 60 - 69

B- 80 – 82 F <60

# Homework Assignments

1. Assignments are due prior to the beginning of the class. Solutions will be made available after class on Brightspace.
2. Homework should be submitted through the Brightspace course site. Students are responsible for ensuring that they submit the homework on-time, that they have completed the assigned problems, and that they turn in the correct file. Assignments emailed to the professor are not acceptable.
3. Students are encouraged to use Excel to complete the assignments.
4. Students will receive credit for making a good-faith effort. This means that all assigned problems are attempted. You may discuss questions with me prior to the due date.

 **Health Care Financial Improvement Case Study – Team Assignment**

Each team will select a successful financial improvement program or project that has been implemented at an institution where one of the team members works. The program or project selected for the case study will have achieved measurable financial improvement at the institution, division, department or program in which it was implemented. **The students will meet with the leadership of the selected institution to discuss the selection of a successful program or project and to identify resources, including people and data, needed to complete the case study**.

The Case Study will follow the format below:

* Name and description of the program or project
* Description of the initial problem or opportunity, including baseline financial metrics (income, expense, net revenue)
* Description of the proposed solution, including target financial metrics (income, expense, net revenue)
* Description of the specific actions taken to achieve the program/project goals.
* Description of who led the improvement effort and which departments and staff participated in the effort.
* Description of the obstacles encountered during the program/project and how these obstacles were overcome.
* Description of the results of the program/project, including success in achieving the target financial metrics (income, expense, net revenue) and how well this success has been sustained.
* Summary of what the participants learned because of the successful program/project and the lessons that can be applied to future financial improvement activities.

**The Case Study** should not exceed ten pages, double-spaced, 12-point font. You must include a reference list, including the titles of staff interviewed. Teams will present their case studies during class 6. Team presentations should be limited to 15 minutes and highlight the key elements of the case study. The written case study and team presentation should be submitted through the Brightspace course site prior to class 6.

***Required Preliminary Proposal***– Each team is required to meet with the leadership of their selected institution by the end of the second week of class and select a topic for the healthcare financial improvement case study by class 3. A list of suggested general topics follows:

* New health care program/service or redesign of an existing health care program/service to reduce costs and/or enhance income.
* Redesign or improvement of a business process, e.g., inventory management or revenue cycle management, to reduce costs and/or enhance income.
* Change in staffing, scheduling to reduce personal services expense or change in purchasing or materials management process to reduce OTPS expense.
* Capital project resulting in reduction in operating expenses and/or enhanced income.
* Insourcing or outsourcing a program, service or function to reduce costs and/or enhance income.
* Implementation or enhancement of information technology to reduce costs and/or enhance income.
* Program or project designed to improve financial performance under a value-based payment contract by improving clinical performance, e.g., reducing avoidable admissions, reducing avoidable readmissions, reducing ALOS, reducing Emergency Department visits.

Please include the following table in your case study to summarize the revenue and expense data for your program or project:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Baseline | IncrementalBudget Yr.1 | IncrementalBudget Yr. 2 | IncrementalActual Yr. 1 | IncrementalActual Yr. 2 |
| Revenue |  |  |  |  |  |
|  Third Party |  |  |  |  |  |
|  Other  |  |  |  |  |  |
| Total Revenue |  |  |  |  |  |
| Expense |  |  |  |  |  |
|  PS  |  |  |  |  |  |
|  OTPS |  |  |  |  |  |
|  Debt Service |  |  |  |  |  |
| Total Expense |  |  |  |  |  |
| Net Revenue |  |  |  |  |  |

Definitions:

* Baseline – Revenue and expense for the program/service for the fiscal year prior to implementation of the improvement program or project. If this is a new program or service, this column will be blank.
* Incremental Budget – Projected change in revenue and expense associated with the improvement program or project for the first and second full years following implementation of the improvement program or project.
* Incremental Actual – Actual change in expense and revenue for the first and second full years following implementation of the improvement program or project.
* Third Party Revenue – Income from third party insurers, i.e., Commercial, Medicare, Medicaid, etc. for patient care services.
* Other Revenue – Income from patient out of pocket payments and non-patient revenue, e.g., grants, fees, subsidies from government or other sources
* PS Expense – Personal Services expense for salaries, fringe benefits, overtime, etc.
* OTPS Expense – Other Than Personal Services expense for supplies, equipment, space, utilities, etc.
* Debt Service Expense – On-going payments of interest and principal resulting from borrowing money for the program or project.
* Net Revenue – positive net revenue (surplus) or negative net revenue (deficit).

Grading of the Health Care Financial Improvement Case Study will be based on the following elements:

* Selection of a case study topic that demonstrates a successful financial improvement project or program, i.e., one that achieved measurable financial improvement, in an organization in which one of the students works. It is important to select a project or program that is properly scoped, i.e., not too large and not too small. Discussion of the case study topic with the Professor prior to class 3 will assist with the selection process.
* Written case study that covers all the elements described in the syllabus, is well written, well organized and demonstrates a thorough understanding of the selected project or program.
* A classroom presentation of the case study that clearly communicates the key elements of the case study within the time allotted. Each member of the team should participate in the presentation and demonstrate a familiarity with the case study material. Students can refer to slides or notes during the presentation but should not read directly from the slides or notes.

 SCHEDULE

|  |
| --- |
| Tuesdays, 4:55-6:35 pm  |
|   |
| September 5 – Class 1  |
| September 12 – Class 2  |
| September 19 – Class 3  |
| September 26 – Class 4  |
| October 3 – Class 5  |
| October 17 – Class 6  |
| October 24 – Class 7  |

# OTHER COURSE RULES AND REQUIREMENTS

1. This is an intermediate level graduate course. The material builds cumulatively, so do not fall behind. Please complete readings and review the weekly slide presentations BEFORE class. Please reach out to the professor if you need assistance in understanding the course material or completing the course assignments. Office hours can be scheduled in person before or after class or at other times remotely through Zoom.

1. There are no extra credit assignments.
2. The final exam will be administered in class through Brightspace.
3. Academic dishonesty is unacceptable and will not be tolerated. Cheating and plagiarism undermine Wagner’s educational mission and your own personal and intellectual growth. You are expected to bear individual responsibility for your work and to uphold the ideal of academic integrity. Assignments submitted must reflect your own thinking, writing and understanding of the material. Any student who compromises or devalues the academic process will be subject to disciplinary action.
4. Attendance at, and participation in, class sessions is required. Points will be deducted from the final grade for each unexcused absence. Students are required to notify the professor in advance of all absences, including the reason for the absence. Students are expected to actively participate in class discussions, including asking and answering questions and sharing knowledge, opinions and experiences related to the content of the class sessions.

# COURSE OUTLINE

**NOTE:** It is assumed that students know how to read financial statements and are familiar with basic financial terms. These skills should have been acquired in CORE-GP.1021. You will not be tested on financial accounting concepts. If you wish to review these concepts, you should read Reiter and Song Chapters 3 and 4.

Each class has a PowerPoint. These are not intended to substitute for reading, but to highlight the most important concepts. Students should complete the assigned readings and review the PowerPoints in advance of class. We will not review every slide in class.

# Class 1: Introduction to Health Insurance

We will discuss the basic principles of health insurance, the private and public health insurance market, and how the Affordable Care Act of 2010 (ACA) reformed both private and public health insurance.

Read before class: Reiter and Song, Chapter 2, pp. 37-50.

Read before class: Garfield, R., et al. (Jan 25, 2019). The Uninsured and the ACA: A Primer – Key Facts about Health Insurance and the Uninsured amidst Changes to the Affordable Care Act. Kaiser Family Foundation (pp. 1-19). <https://www.kff.org/uninsured/report/the-uninsured-and-the-aca-a-primer-key-facts-about-health-insurance-and-the-uninsured-amidst-changes-to-the-affordable-care-act/>

(Optional: Reiter and Song Chapters 3 and 4 if you want a refresher on financial statements)

Due before Class 3: Meet with the leadership of your health care institution to discuss the selection of the Health Care Financial Improvement Case Study. Please reach out to the professor prior to Class 3 to schedule a Zoom meeting to discuss potential Case Study topics.

**Class 2:** **Introduction to Health Care Reimbursement**

We will discuss the most common methodologies used by Medicare and other payers to reimburse hospitals and physicians, and how the ACA accelerated the transformation of health care payment from fee-for-service to value based payment. We will consider how different reimbursement methodologies influence provider incentives.

Read before class: Reiter and Song, Chapter 1, pp. 24-29; Chapter 2 pp. 50-63.

Read before class: Abrams M.K, et al. (May 7, 2015) The Affordable Care Act’s Payment and Delivery System Reforms: A Progress Report at Five Years. The Commonwealth Fund. <https://www.commonwealthfund.org/publications/issue-briefs/2015/may/affordable-care-acts-payment-and-delivery-system-reforms>

# Class 3: Cost Behavior and Profit Analysis at the Organizational Level

We will build off the breakeven analysis concepts students learned in 1021 and apply them specifically to health care organizations, with special attention paid to the effects of multiple products/services, discounted fee-for-services, and capitation have on the analysis. We will also discuss cost classifications.

Read before class: Reiter and Song, Chapter 5

Assignment #1: Questions: 5.8, 5.9 Problems: 5.4, 5.8 (on pages 200-203).

Due: submit a brief description of the topic for the Healthcare Financial Improvement Case Study through Brightspace.

# Class 4: Departmental Cost Allocation and Service Line Costing and Pricing

We will discuss the departmental cost allocation process, with special attention to why cost allocation is essential for health care organizations. We will also review how health care organizations determine costs for individual services and review methods providers use to determine prices for these services.

Read before class: Reiter and Song, Chapter 6. pp. 213-232 & 235-236; Chapter 7, pp. 249-257 & 260-271.

Assignment #2: Questions: 6.1, 6.2 Problems: 6.3a, 6.3b (on pages 238-240); Questions: 7.1,7.3 Problems: 7.2a, 7.4a (on pages 273-275)

 Due: Assignment #1

# Class 5: Budgeting, Revenue Cycle Management & Monitoring Organizational Financial Performance

We will discuss financial planning, budgeting, and revenue cycle management, which have become increasingly challenging since the implementation of the ACA. We will also discuss operating indicators and the use of dashboards to monitor and manage organizational financial health.

Read before class: Reiter and Song, Chapter 8, pp. 287-301, Chapter 16, pp. 638-647, & Chapter 17, pp. 690-698 beginning with Operating Indicator Analysis

Due: Assignment #2

# Class 6: Case Study Presentations

Students will present their Health Care Financial Improvement Case Studies in class.

Due: Health Care Financial Improvement Case Study and Presentation submitted through Brightspace.

 **Class 7: Final Exam**

The Final Exam will be administered during regular class time in Brightspace.

# Students with Disabilities

Academic accommodations are available for students with disabilities. Please visit the Moses

Center for Students with Disabilities (CSD) website at [www.nyu.edu/csd](http://www.nyu.edu/csd) and click on the Reasonable Accommodations and How to Register tab or call or e-mail CSD at (212-998- 4980 or mosescsd@nyu.edu) for information.

Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.