Robert F. Wagner Graduate School of Public Service
New York University
Fall 2012

Professor: Thad Calabrese
E-mail: thad.calabrese@nyu.edu
Office Hours: Wednesdays, 3 pm – 6pm, and by appointment
Classroom Location: Room B06, Goddard Hall (45 West 4th Street)

COURSE DESCRIPTION

This is a required course for all Wagner students in the health care financial management specializations. However, the topics are important and relevant for any student wishing to expand his or her financial management skills. The course focuses on long-term financing, capital investment, and corporate finance as applied specifically to health care organizations. The course spends significant time incorporating risk into organizational decision-making. Students will learn and practice these skills through lectures, problem solving, and case studies. The course is structured to integrate both academic and practical approaches and perspectives on current health care financial issues.

COURSE OBJECTIVES

The primary goal of this course is to familiarize students with the tools to effectively manage, plan, and analyze the long-term solvency of health care organizations (broadly defined). The long-term prospects of health care organizations are intimately tied up with the manner in which services are financed in this sector, and so we will examine how the financial environment affects solvency. 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 financial risks facing health care organizations;
- Understand the use of long-term debt and equity in financial management;
- Calculate an organization’s cost of capital;
- Construct a capital budget;
- Assess project risk;
COURSE MATERIALS

The required text for this course is Louis C. Gapenski, *Healthcare Finance: An Introduction to Accounting and Financial Management, 5th Edition* (Washington, DC: Health Administration Press), 2012. Throughout the syllabus, this text is referred to as “Gapenski.”

The text may be purchased from the New York University bookstore.

In addition, students will be responsible for completing one case study, which will be posted to Blackboard.

GRADING

5 Homework Assignments: 25% (5% each)

1 Case Study: 10%

1 Take-Home Final Examination: 30%

1 Final Examination In-Class: 35%

SUBMITTING ASSIGNMENTS

1. Assignments are due at the beginning of the class.

2. You may email assignments to me. You must email assignments prior to class time, or you will not receive credit. You should bring a copy of your homework assignment to class regardless.

3. Hand-written assignments will not receive credit. Please staple assignments. Failure to do so will result in the loss of points.

4. Homework is graded on a good-faith effort, not for accuracy. However, you must attempt ALL assigned problems or you will lose points.
COURSE RULES AND REQUIREMENTS

1. This is an intermediate level graduate course. As such, you need to devote significant time to this course. The material builds cumulatively, so do not fall behind. Please complete readings BEFORE class.

2. If you need to miss class, you are responsible for finding out what you missed, including any announcements made in class.

3. There are no extra credit assignments.

4. The final exam date is not negotiable. Please do not ask for separate accommodations unless something occurs that is truly severe and life altering. These usually are provable to me.

5. Academic dishonesty is unacceptable and will not be tolerated. Cheating, forgery, plagiarism, and collusion in dishonest acts 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. Any student who attempts to compromise or devalue the academic process will be reported to the administration and subject to disciplinary action.

<table>
<thead>
<tr>
<th>Week</th>
<th>Wednesdays, 6:45 – 8:25 pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>October 24 – Class 1</td>
</tr>
<tr>
<td>2</td>
<td>October 31 – Class 2</td>
</tr>
<tr>
<td>3</td>
<td>November 7 – Class 3</td>
</tr>
<tr>
<td>4</td>
<td>November 14 – Class 4</td>
</tr>
<tr>
<td>5</td>
<td>November 21 – Class 5</td>
</tr>
<tr>
<td>6</td>
<td>November 28 – Class 6</td>
</tr>
<tr>
<td>7</td>
<td>December 5 – Class 7</td>
</tr>
<tr>
<td>8</td>
<td>December 19 – FINAL EXAM</td>
</tr>
</tbody>
</table>
COURSE OUTLINE

Class 1: Course Overview, and Review of the Time Value of Money
We will discuss the overall structure of the course and introduce ourselves. Because time value of money analysis is central to many capital decisions, we will review this concept in detail. Special attention will be paid to reviewing these concepts in Excel, so that students can improve their proficiency in this critical spreadsheet use.

Read before class: Gapenski, Chapter 9

Class 2: Financial Risk and Reward
In this class we will apply the corporate finance concepts of financial risk and reward to health care organizations and projects. We will discuss the capital asset pricing model theory, but focus primarily on its application.

Read before class: Gapenski, Chapter 10

Homework #1 Due: Gapenski, Problems 9.6-9.8, 9.11-9.13 (pages 324-325)

Class 3: Long-Term Financing - Debt
We will discuss the use of long-term debt and review how to value debt instruments. We will also discuss the factors that affect an organization’s cost of money.

Read before class: Gapenski, Chapters 11

Homework #2 Due: Gapenski, Problems 10.1, 10.3, 10.6-10.7 (pages 364-365)

Class 4: Long-Term Financing - Equity
In this class we will expand our discussion of long-term financing to include equity financing. In addition to equity valuation, we will discuss market regulations, investment banking, and market equilibrium.

Read before class: Gapenski, Chapter 12

Homework #3 Due: Gapenski, Problems 11.1-11.4 and 11.7 (pages 405-407)
Class 5: Case Study
We will discuss a case study that applies one or more of the topics discussed in the course.

Homework #4 Due: Gapenski, Problems 12.1-12.4 (pages 442-443)

Class 6: Cost of Capital and Capital Structure
We will discuss how the debt and equity choices of an organization affect its business risk and return. We will spend considerable time examining an organization’s cost of capital.

Read before class: Gapenski, Chapter 13

Class 7: Capital Budgeting
We will discuss capital budgeting analyses. Of great importance, we will discuss cash flow estimation in detail. We will also review questions for the final exam.

Read before class: Gapenski, Chapter 14

Homework #5 Due: Gapenski, Problems 13.1, 13.5-13.7

Class 8: Final Exam
Students will complete an in-class final exam. Further details will be provided.
Students with Disabilities

Students with disabilities may receive assistance and accommodation of various sorts to enable them to participate fully in courses at Wagner. To establish the accommodations appropriate for each student, please contact the Henry and Lucy Moses Center for Students with Disabilities at 726 Broadway, 2nd Floor; (212) 995-4114. I am more than happy and willing to work with students to ensure they gain the most knowledge and perform to the best of the abilities in this course. Therefore, if you are entitled to these accommodations, please avail yourself of them.