Robert F. Wagner Graduate School of Public Service
New York University
HPAM-GP 4841: Financial Management of Health Care Organizations II:
Capital Financing and Advanced Issues
Fall 2014

Professor: Thad Calabrese
E-mail: thad.calabrese@nyu.edu
Office Hours: Tuesdays, 3 pm – 6pm, and by appointment
Classroom Location: Goddard Hall, Room B06

COURSE DESCRIPTION

This is a required course for all Wagner students in the health care financial management specialization. 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;
- Conduct sensitivity and scenario analyses for proposed projects;
- Analyze lease financings;
- Value health care organizations.
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. It is also available on reserve at the library.

TUTOR

TBA

GRADING

6 Homework Assignments: 24% (4% each)

1 Case Study: 36%

1 Final Exam: 40%

SUBMITTING ASSIGNMENTS

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

2. Assignments should be submitted through NYU Classes. Students are responsible for ensuring that they submit the homework on-time, and that they turn in the correct file. Assignments emailed to the professor are not acceptable.

3. Hand-written assignments will not receive credit.

4. You will receive credit for making a good-faith effort at the homework. Students will not earn points if reasonable attempts at solutions are not provided.
CASE STUDIES

Each student is expected to complete a case study on a topic covered in this course. These cases are intended to provide a more professional application of the material. As such, students are expected to turn in thorough, logical, and clear analyses as if they were work products. Students may complete and turn in the case studies at any time BEFORE the final exam. After the final exam, none will be accepted. Graded cases will be returned to students after the final exam. Cases and instructions are posted to NYU Classes.

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.

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COURSE OUTLINE

NOTE: It is expected that students understand time value of money concepts and can complete problems in Excel. If you need to review these concepts, please read Gapenski Chapter 9, and the notes posted on NYU Classes.

Class 1: Course Overview, and Financial Risk and Reward
We will discuss the overall structure of the course and introduce ourselves. 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

Class 2: 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

Due: Homework #1 - 10.1, 10.5, 10.6, 10.7 (pages 363-365)

Class 3: 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

Due: Homework #2 - 11.1, 11.3, 11.5, 11.6, 11.7 (pages 405-407)
Class 4: 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

Due: Homework #3 - 12.2, 12.3, 12.4, 12.8, 12.9 (pages 442-443)

Class 5: Capital Budgeting
We will discuss capital budgeting analyses. Of great importance, we will discuss cash flow estimation in detail.

Read before class: Gapenski, Chapter 14

Due: Homework #4 - 13.1, 13.2, 13.5, 13.6, 13.7 (pages 482-484)

Class 6: Project Risk Analysis
We will expand our understanding of capital budgeting by discussing sensitivity and scenario analyses.

Read before class: Gapenski, Chapter 15

Due: Homework #5 - 14.6, 14.7, 14.8, 14.9 (pages 526-528)

Class 7: Lease Financing and Business Valuation
We extend our discussion of long-term asset acquisition by discussing lease financing, which is a substitute for debt financing. We then discuss valuation of businesses (as opposed to capital items) because of its importance in mergers and acquisitions - an increasingly important and common process following implementation of the ACA.

Read before class: Gapenski, Chapter 18

Due: Homework #6 - 15.1, 15.3 (pages 563-564)

Class 8: Final Exam
Students will complete a final exam. Further details will be provided.

Due – Case Study
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 their abilities in this course. Therefore, if you are entitled to these accommodations, please avail yourself of them.