Robert F. Wagner Graduate School of Public Service
New York University
HPAM-GP 4841: Financial Management for Health Care Organizations II:
Capital Financing and Advanced Issues
Fall 2016

Professor: Thad Calabrese
E-mail: thad.calabrese@nyu.edu
Office Hours: Mondays, 1-3:00 pm, and by appointment (including via phone)
Classroom Location: Silver, Room 414

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.
COURSE MATERIALS

The required text for this course is Louis C. Gapenski and Kristin L. Reiter, *Healthcare Finance: An Introduction to Accounting and Financial Management, 6th Edition* (Chicago, IL: Health Administration Press), 2016. Throughout the syllabus, this text is referred to as “Gapenski and Reiter.”

The text may be purchased from the New York University bookstore. It is also on reserve at the library.

Students should also have a calculator that can do simple calculations. It does not need to have time value of money capabilities. The calculator cannot be on a smart phone.

GRADING

5 Homework assignments – 25% (5% each)

1 Problem set – 40%

1 Final Exam – 35%

HOMEWORK

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

2. Homework should be submitted through NYU Classes. 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. Hand-written assignments will not receive credit. 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. I will post solutions at the end of each class, and can answer questions in the brief time available. I will also post solutions 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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<td>November 2 – Class 1</td>
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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 and Reiter 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 and Reiter, Chapter 10
Assignment #1: 10.1, 10.5, 10.6 (on pages 387-389).

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 and Reiter, Chapters 11
Assignment #2: 11.1, 11.2, 11.5, 11.7 (on pages 425-427)
Due: Assignment #1

Class 3: Long-Term Financing - Equity
In this class we will expand our discussion of long-term financing to include equity financing. We will focus on valuing equity in this class.

Read before class: Gapenski and Reiter, Chapter 12
Assignment #3: 12.2, 12.3, 12.4, 12.6, 12.7 (on pages 464-465)
Due: Assignment #2
**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 and Reiter, Chapter 13
Assignment #4: 13.1, 13.3, 13.4, 13.7 (on pages 512-514)
Due: Assignment #3

**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 and Reiter, Chapter 14
Assignment #5: 14.1, 14.2, 14.4, 14.5, 14.7 (on pages 554-557)
Due: Assignment #4

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

Read before class: Gapenski and Reiter, Chapter 15
Due: Assignment #5

**Class 7: Final Exam**
Due: Problem Set

**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) 998-4980; mosescsd@nyu.edu. 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.