

# PREFACE

**I**ntroduction to the *Financial Management of Healthcare Organizations* is intended to be the primary textbook in introductory courses in healthcare financial management at both the undergraduate and graduate levels as well as a reference book for program graduates and other practicing healthcare managers. The purpose of this book is to introduce nonfinancial students and managers to the fundamental concepts and skills necessary to succeed as managers in an increasingly competitive employment environment.

For instance, program graduates find employment in a variety of healthcare settings. Therefore, the focus of this book—as well as the title of the book—extends beyond the hospital. Program graduates consistently report a deficiency in quantitative skills; this book includes problems representing key concepts. Traditional-age students report a need to apply the quantitative skills introduced in financial management. To address both of these concerns, this book includes mini-case studies within chapters, practice problems at the ends of many chapters, and a comprehensive case study at the end of the book.

*Introduction to the Financial Management of Healthcare Organizations* is part of Health Administration Press's Gateway to Healthcare Management series. The textbooks in this series are geared specifically for students new to healthcare management.

In this edition, Part I includes an overview of financial management; the organization of financial management, including updated information on job responsibilities and salaries; financial analysis and management reporting; and the tax status of healthcare organizations, including the most recent court cases differentiating for-profit and not-for-profit hospitals.

Part II includes information about third-party payers and payment methodologies; Medicare and Medicaid, including updated laws pertaining to these public programs as

well as federal government settlements with providers on fraud and abuse allegations; cost accounting and analysis; and reimbursement, including charge setting.

Part III covers the management and financing of working capital; the management of the revenue cycle, including the distinction between the revenue cycle and accounts receivable; and materials management.

Part IV focuses on resource allocation and includes strategic, strategic financial, and operational planning; budgeting; and capital budgeting.

Finally, Part V provides an analysis of trends that will affect healthcare organizations in the future, including healthcare cost projections and the need for entitlement reform. The Affordable Care Act (ACA) of 2010 and the Medicare Access and CHIPS Reauthorization Act (MACRA) of 2015 are discussed throughout the book but more prominently in Parts II and V.

Each part of the book includes its own recommended reading list. A running glossary of important terms accompanies each chapter and is compiled at the end of the book; a list of acronyms used in the text is also included at the end of the book. At the end of every chapter, important points and discussion questions encourage students to summarize what they are learning and put it into their own words. The chapters are modular to allow instructors to either delete specific chapters or assign the chapters in an order based on individual preference or classroom requirements.

I hope you find *Introduction to the Financial Management of Healthcare Organizations* relevant, current, and easy to understand.

## ACKNOWLEDGMENTS

I would like to gratefully acknowledge those who assisted me in this seventh edition: my wife, Tracey, and our kids, Hannah and David, who have often sacrificed time with Dad so that I could write; my many students over the years, who have challenged me to find a better way to explain, teach, and evaluate the understanding of difficult concepts; Thamarai Selvi Sundararajan, my graduate assistant, who helped proofread the book and provided the valuable supplemental materials; Texas State University for continuing to support faculty research efforts; and Dick Clarke, president emeritus of HFMA, who in ways too numerous to mention has always supported my academic career. Finally, special thanks to those at Health Administration Press who have made this seventh edition what it is.

—Michael Nowicki

### **INSTRUCTOR RESOURCES**

This book's instructor resources include a test bank of both multiple choice and short-answer questions, PowerPoint slides in both outline and Socratic methods, and answer guides for the in-book discussion questions as well as the case.

For the most up-to-date information about this book and its instructor resources, go to [ache.org/HAP](http://ache.org/HAP) and browse for the book by its title or author name.

This book's instructor resources are available to instructors who adopt this book for use in their course. For access information, please e-mail [hapbooks@ache.org](mailto:hapbooks@ache.org).