



Transition Guide

Fundamentals of Healthcare Finance, Fourth Edition

Kristin L. Reiter and Paula H. Song

February 2022

The book was updated and clarified throughout. Particular care was taken to include the most recent information on payment models and current financial accounting standards, and to update the real-world examples.

Brief discussions of rate and efficiency variances; the relationship between quality and revenue cycle management under value-based payment; and data-driven decision making were added to Chapters 6, 7 and 13, respectively.

Financial accounting coverage was updated to conform to the latest requirements under Generally Accepted Accounting Principles. For example, in chapter 11, we added a discussion of the new revenue recognition standard and associated changes to the classification and reporting of bad debt. In chapter 12, we modified the examples to reflect current requirements for the presentation of net assets by not-for-profit entities.

Chapter 14 was added to provide an introduction to governance and internal control in health care organizations.

New Material and Changes in the Fourth Edition

Chapter	Chapter Title	New Material
1	Introduction to Healthcare Finance	Introduces the concept of governance and internal controls that will be covered in more detail in Ch 14. Updated all US healthcare facts, statistics, and figures to most recent data.

2	Healthcare Business Basics	Streamlined discussion of business forms to most relevant for healthcare. Updated all facts and figures, updated real-world examples. Added more detail around requirements for tax-exempt hospitals under the ACA around community benefit.
3	Paying for Health Services	Added more details around the ACA and Supreme court decisions around the individual mandate, Medicaid expansion, and the new hospital price transparency rule.
4	Estimating Costs	A brief discussion of the importance of cost information in a value-based payment environment was added. Real-world examples were updated with more recently available data.
5	Pricing Decisions and Profit Analysis	Text was clarified to distinguish cost-shifting from cross-subsidization. Real-world examples were updated with more recently available data.
6	Planning and Budgeting	A new Healthcare in Practice was added discussing the use of rolling budgets in a performance-based culture. A new For Your Consideration discusses extension of the expense variance analysis to examine unit costs and resource inputs separately.
7	Managing Financial Operations	A new For Your Consideration was added discussing revenue cycle management and new models of reimbursement.
8	Business Financing and the Cost of Capital	Updated interest rates to reflect most up to date rates, updated any other figure or examples to most recent estimates available.
9	Capital Investment Decision Basics	Removed all financial calculator examples to focus on spreadsheet based solutions which is the most practical application for most students.
10	Project Cash Flow Estimation and Risk Analysis	Updated all dates and figures to most recent data available.
11	Reporting Profits	Content and financial statements were revised to reflect current financial reporting standards. A new Healthcare in Practice was added discussing the new revenue recognition standard and its implementation.
12	Reporting Assets, Financing, and Cash Flows	Content and financial statements were revised to reflect current financial reporting standards. A new For Your Consideration was added discussing changes to accounting for leases.
13	Assessing Financial Condition	Text was updated to discuss the importance of benchmarking performance against peer organizations as opposed to average values for an entire industry. A new Healthcare in Practice was

		added discussing the growth in and importance of data-driven decision making.
14	Internal Control Over Financial Reporting and Effective Board Governance	The new chapter on governance and internal control contains material that will help the reader understand the oversight mechanism for financial reporting and compliance that promotes the accuracy and transparency of financial information including strategies to prevent, detect and enable management to identify errors or fraud in the financial statements. Without strong governance and internal controls, internal and external stakeholders would be unable to rely on the integrity of the financial statements that they use to support business decisions.