Instructor Resources Sample

This is a sample of the instructor materials for *Gapenski's Healthcare Finance: An Introduction to Accounting and Financial Management, Seventh Edition*, by Kristin L. Reiter and Paula H. Song.

The complete instructor materials include the following:

- Test bank
- Presentation PowerPoint slides
- Solutions to the end-of-chapter questions and problems
- Transition guide to the new edition

This sample includes the PowerPoint slides and solutions to the end-of-chapter questions and problems for chapter 1.

If you adopt this text, you will be given access to the complete materials. To obtain access, e-mail your request to hapbooks@ache.org and include the following information in your message:

- Book title
- Your name and institution name
- Title of the course for which the book was adopted and the season the course is taught
- Course level (graduate, undergraduate, or continuing education) and expected enrollment
- The use of the text (primary, supplemental, or recommended reading)
- A contact name and phone number/e-mail address we can use to verify your employment as an instructor

You will receive an e-mail containing access information after we have verified your instructor status. Thank you for your interest in this text and the accompanying instructor resources.

Digital and Alternative Formats

Individual chapters of this book are available for instructors to create customized textbooks or course packs at XanEdu/AcademicPub. For more information about pricing and availability, please visit one of these preferred partners or contact Health Administration Press at hapbooks@ache.org.

7th Edition:
What's New?

Improvements to ancillary content (PowerPoint Slides)

Accessible & Inclusive Design

- All slides are designed with accessibility in mind, including:
  - Use of predefined slide layouts
  - Text sizes that are readable
  - Dyslexia-friendly fonts
  - Color-blind-friendly color palettes
  - Recommended color contrast for text
  - Objects ordered correctly for screen readers
  - Images with alt-text (alternative text) to allow for text-to-speech or screen-reading software

Customizable

All PowerPoint slides are structured so instructors and students can change the design in a few easy steps. This includes changes to:

- Themes
- Color palettes
  - Five options included in every PowerPoint file (including grayscale)
- Fonts combinations
- Templates

- Instructors can put additional information in the footer of all sides.

Part I:
The Healthcare Environment

Part I provides background information that creates the framework for financial decision making within healthcare organizations.

Chapter 1:

Healthcare Finance Basics

Chapter 2:

Healthcare Reimbursement & Methodologies

Course Goal

- The primary goal of this course is to **introduce** students to the field of healthcare finance, including:
  - Principles and concepts.
  - Applications across a wide variety of provider settings.
  - The impact of alternative reimbursement methods.

- Along the way, some important **personal finance** concepts also are discussed.

Chapter 1:
Healthcare Finance Basics

Gapenski's Healthcare Finance: 7th Edition

Definition of Healthcare Finance

Depends on context:

- Policymaker or manager
- Type of healthcare organization

For purposes of this class, healthcare finance is the practice of finance, including both accounting and financial management, within health services (provider) organizations.

Accounting vs. Financial Management

Accounting

- Concerns the measurement, in financial (dollar) terms, of events that reflect the resources, operations, and financing of an organization.

Financial Management

- Provides the theory, concepts, and tools necessary to help managers make better financial decisions.

? Are the two disciplines independent?

Definition of a Business

- A business has the following characteristics:
  - Obtains financing from the marketplace.
  - Uses the funds to buy assets.
  - Operates the assets to provide goods or services.
  - Sells the goods or services to create revenue.

? What is the difference between a business and a **pure charity**?

The Role of Finance

The primary role of finance within any organization is to plan for, acquire, and utilize resources to maximize the efficiency (and hence value) of the enterprise.

Finance activities include:

- Planning and budgeting
- Financial reporting
- Capital investment decisions
- Financing decisions
- Working capital management
- Contract management
- Financial risk management

The Four Cs

The finance activities listed on the previous slide can be summarized by the four Cs:

- Cost minimization
- Cash sufficiency
- Capital access
- Control of financial resources

Finance Department Structure

At large providers (typically hospitals), the finance department usually is organized as follows:

Chief financial officer (VP-finance)

Comptroller

- Budgeting and reporting activities
- Payables and receivables management

Treasurer

- Acquisition and employment of capital
- Debt management
- Financial risk management

What about a small medical practice?

Health Services Settings

Health services are provided by numerous types of organizations in many different settings.

- Applications presented in this course will include the following settings:
  - Hospital (inpatient) care
  - Ambulatory (outpatient) care
  - Long-term care
  - Integrated delivery systems

Current Management Challenges

According to ACHE

- Financial concerns
- Medicaid
- Medicare
- Indigent care and bad debt losses

According to HFMA

- Balancing financial and quality issues
- Revenue cycle improvement
- Access to capital (financing)

Legal Forms of Businesses

- There are three major categories of business organization (legal forms of businesses).
  - Proprietorship (sole proprietorship)
  - Partnership
  - Corporation

- Plus many different hybrid forms

? How much does the organizational form influence the practice of healthcare finance?

Proprietorships & Partnerships

Advantages

- Ease of formation
- Subject to few regulations
- No corporate income taxes

Disadvantages

- Limited life
- Difficult to transfer ownership
- Unlimited liability
- Difficult to raise capital

Corporations

Advantages

- Unlimited life
- Easy transfer of ownership
- Limited liability
- Ease of raising capital

Disadvantages

- Cost of formation and reporting
- Double (or triple) taxation for investor-owned corporations

Hybrid Forms of Organization

Limited liability partnership (LLP)

- Partners share general business liability
- But partners are liable only for their own malpractice actions

Limited Liability company (LLC)

- Members are taxed like partners
- Liability like stockholders

Professional corporation (PC) or professional association (PA)

- Owners have benefits of incorporation
- However, still liable for malpractice
- Often used by individual clinicians

Forms of Ownership

- In most industries, the only form of ownership is the investor-owned (for-profit) business.
- However, in the health services industry, a significant proportion of businesses, particularly hospitals, are organized as not-for-profit corporations.

? How much does ownership influence the practice of healthcare finance?

Investor-Owned Corporations

Investors become owners by purchasing shares of common stock.

Stockholders have:

- Right of control
- Claim on residual earnings and residual liquidation proceeds
- Typically expect a return on their investment in the form of dividends and/or capital gains.

Investor-owned corporations must pay:

- Property taxes
- Income taxes
- Sales taxes

Not-for-Profit Corporations

- If a business meets a stringent set of requirements, it can qualify as a not-for-profit (nonprofit) corporation. Such firms also are called tax-exempt or 501(c)(3) or (c)(4) corporations.

- These corporations:
  - Generally have no shareholders.
  - Are exempt from property, income, and sales taxes.

Organizational Goals

- The primary goal of **investor-owned corporations** is **shareholder wealth (stock price) maximization**.
  - Do investor-owned businesses have any responsibilities to society at large?
  - Is stock price maximization good or bad for society?
  - Should such firms behave ethically?

? What is the primary goal of proprietorships and partnerships?

Organizational Goals (cont.)

- The primary goal of not-for-profit corporations is given by a mission statement, often in terms of service to the community.
- All businesses have stakeholders.
  - Stakeholders have an interest (usually financial) in the business.
  - Not-for-profit managers must satisfy all stakeholders.
  - For-profit managers are primarily concerned with satisfying stockholders.

Discussion Item

Not-for-profit businesses generally are exempt from local property taxes and state and federal sales and income taxes. Overall, this benefit is worth several billion dollars annually to NFP hospitals.

- Do NFP hospitals provide community care equal to the value of their tax exemptions?
- Should these hospitals be required to provide indigent (charity) services equal to the tax benefits received?

Financial Goals

- The primary financial goal of investor-owned corporations stems from their organizational goal: shareholder wealth (stock price) maximization.
- The primary financial goal of not-for-profit corporations is to ensure the financial viability of the organization.

? Does the difference in financial goals lead to appreciably different behavior?

The Impact of Health Reform

Health reform (the Affordable Care Act) has had a significant impact on provider organizations, including the following:

- Accountable care organizations (ACOs)
- Industry consolidation
- Emphasis on population health
- Clinical integration
- Requirement for more data analytics
- Staffing shortages in selected areas

Over time, the implications may change, but providers must respond to the changing environment to ensure future success.

Organization of this course

Healthcare environment

- Basic concepts
- Insurance and reimbursement methodologies

Financial accounting

- Basics
- Income statement
- Statement of changes in equity
- Balance sheet
- Statement of cash flows

Organization of this course (continued)

Managerial Accounting

- Basics
- Organizational costing and profit (CVP) analysis
- Department costing and cost allocation
- Service line costing and pricing
- Financial planning and budgeting

Basic Financial Analysis Concept

- Time value analysis
- Financial risk and return

Organization of this course (continued.)

- Long-term financing
  - Long-term debt capital
  - Equity (ownership) capital
  - Capital structure decisions
  - The cost of capital

- Capital investment decisions
  - Cash flow estimation
  - Breakeven and profitability measures
  - Risk assessment
  - Risk incorporation

Organization of this course (continued..)

- Other topics (not all may be covered)
  - Revenue cycle management
  - Current account management
  - Current asset (short-term) financing
  - Analyzing financial performance
  - Lease financing
  - Business valuation
  - Profit distributions to owners

Conclusion

- This concludes our discussion of **Chapter 1** (Healthcare Finance Basics).
- Although not all concepts were discussed in class, you are responsible for all the material in the text.

Do you have any questions?

6/1/2020

ANSWERS TO END-OF-CHAPTER QUESTIONS

1.1

The purpose of this book is to provide an introduction to healthcare finance such that readers will be better able to function as managers, judge the quality of financial analyses performed by others, and incorporate sound principles and practices into their own personal finance decisions.

- **Part I (The Healthcare Environment)** contains fundamental background materials essential to the practice of healthcare finance.
- **Part II (Financial Accounting)** begins the actual discussion of healthcare finance principles and practices with a discussion of the four primary financial statements that summarize a business's financial status.
- **Part III (Managerial Accounting)** focuses on the creation of data used in the day-to-day management and control of a business.
- **Part IV (Basic Financial Management Concepts)** introduces two important concepts that underlie financial management—time value analysis and financial risk and required return.
- **Part V (Long-Term Financing)** examines the two primary types of long-term financing—long-term debt and equity.
- **Part VI (Capital Investment Decisions)** considers the vital topic of how businesses analyze new capital investment opportunities (or capital budgeting).
- Finally, **Part VII (Other Topics)** covers two diverse topics. Chapter 16 discusses the revenue cycle and the management of current assets. Chapter 17 discusses the techniques used to analyze a business's financial and operating condition. Two additional chapters covering lease financing and business valuation, and distributions to owners, respectively, are available from the publisher's website.

Regarding learning tools, students should pay particular attention to the *LEARNING OBJECTIVES* listed at the beginning of each chapter. These objectives will give readers a feel for the most important topics, and the related learning goals, in each chapter. *SELF-TEST* questions are included after each major section to allow readers to self-assess their understanding of the content. Within the text, italics and boldface are used to indicate importance. *Italics* are used for emphasis. Therefore, italics should alert readers that a new, and important, concept is being discussed. **Boldface** indicates terms that are defined in each chapter's running glossary and is occasionally used for emphasis.

It is useful for readers to have important equations both embedded in the text to illustrate their use and broken out separately to permit easy identification and review. Thus, this edition contains *KEY EQUATION* boxes that can be used both for section and chapter review and as an aid to working end-of-chapter problems. In addition, the book contains *FOR YOUR CONSIDERATION* and *HEALTHCARE IN PRACTICE* boxes. These boxes present an important issue relevant to the text discussion and allow readers to pause for a few moments to think about the issue presented, generate opinions, and draw conclusions.

In addition to in-chapter aids, there are materials at the end of each chapter designed to help students learn healthcare finance. First, each chapter ends with a summary section titled *KEY CONCEPTS*. These sections summarize (very briefly) the most important principles and practices covered in each chapter. Next, each chapter contains a series of

QUESTIONS designed to assess understanding of the conceptual (qualitative) material in the chapter. The questions are followed by a set of *PROBLEMS* designed to assess understanding of the quantitative material (if there is any). Finally, each chapter ends with a set of *REFERENCES AND ADDITIONAL RESOURCES*—books and articles that can be consulted for more in-depth coverage of each chapter's content. Some chapters contain a *SUPPLEMENT*, whose purpose is to present additional information that is useful, but not essential, to understanding the topics covered in the chapter. Taken together, the pedagogic structure of the text is designed to make the learning of healthcare finance as easy and enjoyable as possible.

1.2

a. The *healthcare sector* is composed of a wide variety of industries, including the health services industry, health insurance industry, managed care industry, medical equipment and supplies industries, and pharmaceutical and biotechnology industries, as well as a diverse collection of other entities, ranging from consulting firms to educational institutions to government and private agencies.

b. *Healthcare finance*, as the term is used in this book, relates to the finance function as practiced within the health services subsector (healthcare providers); however, the material covered is also relevant for managers in industries related to health services.

c. *Healthcare finance* consists of two broad areas of specialization. *Accounting* involves the recording and reporting, in financial terms, of economic events that reflect the operations, resources, and financing of an organization. *Financial management*, also known as *corporate finance*, provides the theory, concepts, and tools necessary to help managers make better financial decisions. In practice, the boundary between accounting and financial management is blurred, because some aspects of accounting involve decision-making and many financial management applications require accounting data.

d. While all industries have some individual characteristics, the health services industry is truly unique, and hence students planning to work in that industry can better understand the application of finance by using a book that incorporates the unique features of the industry. The two primary sources of uniqueness are the large number of *not-for-profit corporations* and the *third-party payment system*.

1.3

A *business* obtains its revenues primarily from the sale of products or services. Thus, a business has direct influence over its revenues. Conversely, a *pure charity* raises funds (revenues) through contributions and then uses these dollars to provide services. Thus, the amount of services provided is constrained by the amount of contributions received.

1.4

a. The primary *role of finance* in health services organizations, as in all businesses, is to plan for, acquire, and utilize financial resources in such a way as to maximize the efficiency and value of the enterprise. In general, finance activities include planning and budgeting, financial reporting, capital investment decisions, financing decisions, revenue cycle and current accounts management, contract management, and financial risk management.

b. When most healthcare providers were reimbursed on the basis of costs incurred, the role of finance was focused primarily on bureaucratic functions. At that time, the most critical finance function was cost accounting, because it was more important to account for costs than it was to control them. Today, however, the role of finance is increasingly strategic. Healthcare providers are facing an increasingly competitive environment, and finance must help lead organizations into the future by supporting cost containment efforts, third-party payer contract negotiations, joint venture decisions, and integrated delivery system participation.

1.5

The size and structure of the finance department depend on the type and size of the provider. That said, the finance department within larger provider organizations generally follows this model: The head of the finance department holds the title of chief financial officer (CFO), or sometimes vice president–finance. This individual typically reports directly to the organization's chief executive officer (CEO) and is responsible for all finance activities within the organization. The CFO directs two senior managers who help manage finance activities: (1) The comptroller (or controller) is responsible for accounting and reporting activities such as routine budgeting, preparation of financial statements, payables management, and patient accounts management. (2) The treasurer is responsible for the acquisition and management of capital (funds). Treasurer activities include the acquisition and employment of capital, cash and debt management, lease financing, financial risk management, and endowment fund management (within not-for-profits).

In larger organizations, the comptroller and treasurer have managers with responsibility for specific functions, such as the patient accounts manager, who reports to the comptroller, and the cash manager, who reports to the treasurer. In very small businesses, many of the finance responsibilities are combined and assigned to one individual. In the smallest health services organizations, the entire finance function is managed by one person, often called the business (practice) manager.

1.6

a. Here is a brief discussion of the most important health services settings:

Hospitals: *Hospitals* traditionally provide diagnostic and therapeutic services to individuals requiring more than several hours of care, although most hospitals are actively engaged in ambulatory services, including emergency services, as well. Hospitals differ in function, length of patient stay, size, and ownership. *General, acute care hospitals,* which provide general medical and surgical services and selected specialty services, are short-stay (generally less than 30 days) facilities that account for the majority of hospitals. *Specialty hospitals*, such as psychiatric, children's, women's, rehabilitation, and cancer hospitals, limit admission of patients to specific ages, sexes, illnesses, or conditions. Hospitals range in size from fewer than 25 beds to more than 1,000 beds. Hospitals are organized as private, not-for-profit, investor-owned, public (nonfederal), and federal entities. *Federal hospitals* serve special purposes, such as those administered by the military services or the Department of Veterans Affairs. *Public hospitals* are primarily (or wholly) funded by a city, county, tax district, or state. *Private, not-for-profit hospitals* are nongovernment entities organized for the sole purpose of providing healthcare services. Finally, *investor-owned hospitals* are for-profit entities owned by their stockholders.

Ambulatory (Outpatient) Care: *Ambulatory care*, also known as *outpatient care*, encompasses services provided to noninstitutionalized patients in a healthcare facility (as opposed to at home). Outpatient settings include medical (physician) practices, hospital outpatient departments, emergency departments, ambulatory surgery centers, urgent care centers, diagnostic imaging centers, rehabilitation/sports medicine centers, and clinical laboratories. In general, outpatient settings may offer patients increased amenities and convenience (atmosphere, parking, scheduling, waiting times, and privacy) compared to hospital-based services and, in many situations, provide services at a lower cost than hospitals. Technology has been a leading factor contributing to the expansion of ambulatory services.

Home Health Care: *Home health care* brings many of the same services provided in ambulatory care settings into the patient's home. In addition to meeting purely medical needs, such as infusion therapy, ventilator care, pregnancy monitoring, and pain management, home health care often involves assistance with activities of daily living, such as eating, bathing, and locomotion.

Long-Term Care: *Long-term care,* which entails healthcare services that must be provided over an extended period, includes inpatient, outpatient, and home health care services, often with a focus on mental health, rehabilitation, and nursing home care. Although the greatest use is among the elderly, long-term care services are used by individuals of all ages. Individuals become candidates for long-term care when they become too mentally or physically incapacitated to perform tasks necessary to function in their environment, and their family members are unable to provide the services needed. Long-term care is a hybrid of health services and social services, but perhaps the most prominent setting for such care is the *nursing home*. Three levels of nursing home care exist: (1) skilled nursing facilities, (2) intermediate care facilities, and (3) residential care facilities. *Skilled nursing facilities (SNFs)* provide the level of care closest to hospital care. Services must be provided under the supervision of a physician and must include 24-hour daily nursing care. *Intermediate care facilities (ICFs)* are intended for individuals who do not require hospital or SNF care but whose mental or physical condition requires daily continuity of one or more medical services. *Residential care facilities* are sheltered environments that do not provide professional healthcare services, and thus for which many health insurance programs, including Medicare, do not provide coverage. Nursing homes are more abundant than hospitals, and they are smaller, with an average size of about 100 beds. Many new services (other than nursing homes) are also developing to meet society's needs in less institutional surroundings, such as adult day care, life care centers, and hospice programs. These services tend to offer a higher quality of life, although they are not necessarily less expensive than institutional care.

Integrated Delivery Systems: Hospitals and physicians sometimes combine resources to create new organizations that, instead of providing a single healthcare service, provide a coordinated continuum of services. Although these organizations can be structured in many different ways, they all fall under the broad category of *integrated delivery systems*. The defining characteristic of an integrated delivery system is that a provider organization assumes full clinical and, in some cases, financial responsibility for the healthcare needs of the members of a managed care plan or the employees of a major company or government unit.

b. The hypothesized benefits of providing hospital care, ambulatory care, long-term care, and other healthcare services through an integrated delivery system include the following:

1. Patients are kept in the corporate network of services (*patient capture*).
2. Providers have access to managerial and functional specialists.
3. Fully integrated information systems can be developed more easily and the development costs are shared.
4. Larger, more diversified organizations have better access to capital.
5. The ability to recruit and retain management and professional staff is enhanced.
6. Integrated delivery systems are able to offer insurers a complete package of services.
7. Integrated delivery systems are better able to manage population health.
8. Incentives can be created that encourage all providers to work for the common good.

Unfortunately, achieving these benefits in practice has proven to be difficult.

1.7

According to surveys of CEOs and CFOs conducted by the American College of Healthcare Executives, the Advisory Board, and the Healthcare Financial Management Association, respectively, financial concerns top the list of healthcare managers' concerns. Specifically, managers cite reimbursement, revenue growth, population health, ACO strategy, cost containment, and improving the revenue cycle as primary concerns.

1.8

The three primary forms of business organization are proprietorship, partnership, and corporation. A *proprietorship*, sometimes called a *sole proprietorship*, is a business owned by one individual. A proprietorship is easily and inexpensively formed, is subject to few governmental regulations, and pays no corporate income taxes.

A *partnership* is formed when two or more persons associate to conduct a nonincorporated business. Like a proprietorship, the major advantages of the partnership form of organization are its low cost and ease of formation. In addition, the tax treatment of a partnership is similar to that of a proprietorship; the partnership's earnings are allocated to the partners and taxed as personal income, regardless of whether the earnings are actually paid out to the partners or retained in the business.

Proprietorships and partnerships have three important limitations:

1. Selling their interest in the business is difficult for owners.
2. The owners have unlimited personal liability for the debts of the business, which can result in losses greater than the amount invested in the business. In a proprietorship, unlimited liability means that the owner is personally responsible for the debts of the business. In a partnership, it means that if any partner is unable to meet his or her pro rata obligation in the event of bankruptcy, the remaining partners are responsible for the unsatisfied claims and must draw on their personal assets if necessary.
3. The life of the business is limited to the life of the owners.

These three disadvantages—difficulty in transferring ownership, unlimited liability, and impermanence of the business—lead to the fourth and perhaps the most important disadvantage from a finance perspective, the difficulty that proprietorships and partnerships have in attracting substantial amounts of capital.

A *corporation* is a legal entity that is separate and distinct from its owners and managers. The creation of a separate business entity gives the corporation three main advantages:

1. A corporation has unlimited life and can continue in existence after its original owners and managers have died or left the company.
2. It is easy to transfer ownership in a corporation because ownership is divided into shares of stock that can be easily sold.
3. Owners of a corporation have limited liability.

The corporate form of organization has two primary disadvantages. First, corporate earnings of taxable entities are subject to double taxation—once at the corporate level and then again at the personal level when dividends are paid to stockholders. Second, setting up a corporation, and then filing the required periodic state and federal reports, is more costly and time-consuming than the activities required to establish a proprietorship or partnership.

1.9

There are three key features of investor-owned corporations. First, the owners (the stockholders) of the business are well defined, and they exercise control of the firm by voting for directors. Second, the residual earnings of the business belong to the owners, so management is responsible only to the stockholders for the profitability of the firm. Finally, investor-owned corporations are subject to taxation at the local, state, and federal levels.

If an organization meets a set of stringent requirements, it can qualify for incorporation as a tax-exempt, or not-for-profit, corporation. Tax-exempt corporations are sometimes called nonprofit corporations. Because nonprofit businesses (as opposed to pure charities) need profits to sustain operations, and because it is hard to explain why nonprofit corporations should earn profits, the term *not-for-profit* makes more sense, especially in a finance context. Not-for-profit corporations differ significantly from investor-owned corporations. Because not-for-profit firms have no shareholders, no single body of individuals has ownership rights to the firm's residual earnings or exercises control of the firm. Rather, control is exercised by a board of trustees that is not constrained by outside oversight. Also, not-for-profit corporations are generally exempt from taxation, including both property and income taxes, and they have the right to issue tax-exempt debt (municipal bonds). Finally, individual contributions to not-for-profit organizations can be deducted from taxable income by the donor; thus, not-for-profit firms have access to tax-subsidized contribution capital. Not-for-profit corporations are increasingly being held accountable for the provision of community benefit (e.g., charitable activities) in exchange for maintaining their tax-exempt status.

1.10

a. The primary goal of investor-owned corporations is shareholder wealth maximization, which translates into stock price maximization.

b. The primary goal of most not-for-profit healthcare corporations generally takes the form of accomplishing a mission, such as to enhance the health of the communities served.

c. In spite of overall goal differences, there actually is little difference between the finance goals of investor-owned and not-for-profit businesses. In general, the finance function must ensure the financial viability of the organization and support organizational goals.

1.11

The Patient Protection and Affordable Care Act (ACA) of 2010, or healthcare reform, was designed to provide all US citizens and legal residents with access to affordable health insurance, to reduce healthcare costs, and to improve care and quality. Some key provisions include the development of accountable care organizations (ACOs), the transformation of primary care practices to medical homes, and the creation of reimbursement models that reward value and population health management. The implementation of these provisions has created a need for more clinical integration as ACOs and physician practices can receive financial rewards for controlling healthcare costs and delivering high-quality services; alternatively, financial penalties are associated with failing to meet certain cost or quality targets. This need for integration and the increasing focus on population health have led to industry consolidation in an effort not only to increase access to capital, gain economies of scale, and increase market share but also to improve patient care by facilitating sharing of patient information, using clinical practice guidelines, and ensuring access to high-quality specialists. Population health management has also led to an increased need for information technology and data analytics, to identify problems and opportunities for improvement in care delivery. In addition, with incentives to reduce healthcare utilization and costs, efforts to address the social determinants of health have increased across the healthcare field, in recognition of the social, economic, and environmental factors that affect health. Finally, some observers project that the increase in insurance coverage through the ACA may lead to shortages of certain types of staff, such as primary care providers, as more people access the health system.

1.12

Accountable care organizations are networks of physicians, other clinicians, hospitals and clinics, and sometimes payers that share responsibility for providing coordinated care to patients. Anticipated benefits include lower healthcare costs and higher quality through better care coordination. ACOs receive financial incentives to (1) reduce costs by avoiding unnecessary tests and procedures, eliminating duplication of services, and coordinating care and (2) improve quality by focusing on prevention and better management of patients with chronic diseases.

Medical homes are team-based models of care led by a personal physician who provides continuous and coordinated care throughout a patient’s lifetime with the goal of maximizing patient outcomes. Care teams in a medical home model work collaboratively to ensure the delivery of coordinated and integrated care focused on the whole person. Key features include an increased emphasis on quality and safety through care planning, use of evidence-based medicine and clinical decision-support tools, performance measurement, quality improvement, and inclusion of patients in shared decision-making. Additionally, medical homes provide enhanced patient access through open scheduling, expanded service hours, and innovative communication methods (e.g., e-mail). Anticipated benefits include better access to healthcare, increased patient satisfaction, and improved health.