

PREFACE

Almost 30 years ago, Louis C. Gapenski published his first healthcare finance textbook, *Understanding Healthcare Financial Management*. Over time, his experiences prompted him to write others, including this book, *Fundamentals of Healthcare Finance*. When he passed away on April 20, 2016, the field of healthcare finance lost a gifted scholar, writer, teacher, mentor, and friend.

In this edition, we have worked very hard to build on Lou's original vision for the book: to provide a learning resource for students interested in how healthcare finance is used by clinical and operational managers as opposed to financial managers. We have provided updates and edits throughout to ensure that it remains a relevant and valuable learning tool for students and instructors. We hope that the book will continue to provide financial acumen to those who strive daily to improve healthcare delivery.

CONCEPT OF THE BOOK

Our goal in the fourth edition of *Fundamentals* was to create a text that introduces readers to those basic principles and applications of healthcare finance that are most important to entry-level clinical and operational managers. Thus, principles that are used primarily by financial staff are covered either lightly or not at all. For example, background information about financial markets and securities is not included in this book.

The end result is a book that contains three introductory chapters, six accounting chapters, four financial management (corporate finance) chapters, and a chapter on governance and internal control. The idea here is that entry-level managers, who typically

will be working at the department level or perhaps in a medical practice setting, need to understand those finance principles that they will encounter and work with on a daily basis, while other concepts can be learned later as needed. Although this book does cover some “organizational” finance issues, its focus is on topics that are most relevant to managers of clinical operations.

Another consideration in writing this book is that most readers will be seeing the material for the first time. Thus, the concepts here are explained as clearly and succinctly as possible. We have tried hard to create a book that readers will find user-friendly, enjoyable, and self-instructive. If students don’t find a book interesting, understandable, and useful, they won’t read it.

INTENDED MARKET AND USE

The book is not designed for any specific type of educational program. Rather, it can be used in a wide variety of settings: undergraduate and graduate, traditional and executive, on-campus and distance learning, and even independently for professional development. However, the book is ideal for undergraduate health administration programs, undergraduate and graduate public health and health science programs, and nursing administration programs and courses.

The key to the book’s usefulness is not the educational program but the focus of the course. If the course covers the fundamentals of healthcare finance, with a concentration on operational management, this book will be a good fit.

Practicing healthcare professionals who need to gain a better understanding of healthcare finance may greatly benefit from this book as well. Such professionals include clinicians who have management responsibilities and clinical managers who require additional finance skills.

CHANGES IN THE FOURTH EDITION

Since the publication of the previous edition of this book, we have received comments from students and users at other universities. The reaction of students, other professors, and the marketplace in general has been overwhelmingly positive—every comment received indicates that the basic concept of the book is sound. Even so, nothing is perfect, and the healthcare environment is evolving at a dizzying pace. Thus, we have made many changes to the book, the most important of which are listed here:

- ◆ 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. In addition, there is no doubt that text material improves as it is repeatedly edited. Like all

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books, the first three editions had some rough spots, and considerable effort was expended to improve these discussions.

- ◆ 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. The lecture presentation material was updated based on continual use and suggestions from adopters and students alike.

All in all, these changes improve the quality and value of the book without affecting its basic concept and approach to learning.

INSTRUCTOR RESOURCES

This book's instructor resources, which are fully described below, include PowerPoint slides, a test bank, cases, and solutions to the end-of-chapter questions and problems and the five online cases.

For the most up-to-date information about this book and its instructor resources, go to ache.org/HAP and search for the book's order code (24521).

This book's instructor resources are available to instructors who adopt this book for use in their course. For access information, please email hapbooks@ache.org.

ANCILLARY MATERIALS FOR INSTRUCTORS

- ◆ *PowerPoint slides.* The essential material in each chapter—concepts, graphs, tables, lists, and calculations—is presented in roughly 25 to 35 slides. Hard-copy versions (or the files themselves) can be provided to students as lecture notes. Instructors may use these slides as is or customize them to meet their own unique needs.
- ◆ *Test bank.* An online test bank is available to adopters. It consists of roughly 15 to 20 multiple-choice questions per chapter.

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- ◆ *Selected cases.* Five cases are available to instructors who want to incorporate cases into their courses. These cases are not as complex as those in *Cases in Healthcare Finance*, and they come with questions intended to guide students and keep them on track. (See the next section for details.)
- ◆ *Solutions.* Instructors have access to solutions to the end-of-chapter questions and problems, and solutions to the five online cases.
- ◆ *Additional online chapter.* Instructors who want to go over concepts of time value analysis beyond the fundamentals covered in the text may access an online supplemental chapter. (See the next section for details.)

ANCILLARY MATERIALS FOR STUDENTS

Students (and instructors) can find the following learning tools on the Health Administration Press website at ache.org/books/FinanceFundamentals4.

- ◆ *Additional online chapter.* A supplemental online chapter on time value analysis aims to expand the scope of study.
- ◆ *Online appendixes.* These two appendixes (operational analysis ratios and financial analysis ratios) provide a more extensive list of ratios and their definitions than what is provided in this book.
- ◆ *Selected cases.* These cases are not overly complex, and they give students the opportunity to apply many of the concepts discussed in the book and in class. The cases contain a set of questions that guide students along a solution path as they work each case.
 - Case 1—The Dialysis Center: Cost Allocation Concepts
 - Case 2—University Hospital: Marginal Cost Pricing
 - Case 3—Panhandle Medical Practice: Activity-Based Costing
 - Case 4—Better Care Clinic: Breakeven Analysis
 - Case 5—Twin Falls Community Hospital: Capital Investment Analysis

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ERRORS IN THE BOOK

In spite of the significant effort that has been expended by many individuals on this book, it is safe to say that some errors exist. In an attempt to create the most error-free and useful book possible, we strongly encourage both instructors and students to e-mail us with comments and suggestions for improving the book. We certainly welcome your input.

CONCLUSION

In the environment faced by healthcare providers today, sound financial management is more important than ever to the economic well-being of the enterprise. As such, clinical managers must be thoroughly grounded in finance principles and applications. However, this is more easily said than done.

We hope that *Fundamentals of Healthcare Finance* will help you understand the finance issues currently faced by healthcare providers and, more important, that it will provide guidance on how best to deal with them.

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