

BRIEF CONTENTS

Preface	xvii
Purpose of the Book	xxiii

Part I: Foundation Concepts

Chapter 1 Introduction to Healthcare Finance.....	3
Chapter 2 Healthcare Business Basics.....	29
Chapter 3 Paying for Health Services	55

Part II: Planning, Managing, and Control

Chapter 4 Estimating Cost.....	97
Chapter 5 Pricing Decisions and Profit Analysis.....	132
Chapter 6 Planning and Budgeting	168
Chapter 7 Managing Financial Operations.....	200

Part III: Financing and Capital Investment Decisions

Chapter 8 Business Financing and the Cost of Capital 233

Chapter 9 Capital Investment Decision Basics 267

Chapter 10 Project Cash Flow Estimation and Risk Analysis..... 301

Part IV: Reporting Results

Chapter 11 Reporting Profits 337

Chapter 12 Reporting Assets, Financing, and Cash Flows 373

Chapter 13 Assessing Financial Condition 406

Chapter 14 Internal Control Over Financial Reporting
and Effective Board Governance, *with Marci Thomas*..... 443

Glossary 481

Index 497

About the Authors 499

About the Contributor 501

DETAILED CONTENTS

Preface xvii
Purpose of the Book..... xxiii

Part I: Foundation Concepts

Chapter 1 Introduction to Healthcare Finance 3
 Theme Set-Up: Careers in Healthcare Management 3
 Learning Objectives 4
 1.1 Introduction 5
 1.2 Defining Healthcare Finance..... 5
 1.3 The Role of Finance in Health Services Organizations 6
 1.4 The Structure of the Finance Department 10
 1.5 Healthcare Settings 11
 1.6 Regulatory and Legal Issues 19
 1.7 Current Challenges 22
 Theme Wrap-Up: Careers in Healthcare Management 22
 Key Concepts..... 23
 End-of-Chapter Questions..... 25
 References..... 25

Chapter 2 Healthcare Business Basics.....	29
Theme Set-Up: Business Goals.....	29
Learning Objectives	30
2.1 Introduction	31
2.2 Concept of a Business	31
2.3 Legal Forms of Businesses	33
2.4 Alternative Forms of Ownership	37
2.5 Organizational Goals	43
2.6 Tax Laws	46
Theme Wrap-Up: Business Goals	49
Key Concepts.....	50
End-of-Chapter Questions.....	51
End-of-Chapter Problems	52
References.....	53
Chapter 3 Paying for Health Services	55
Theme Set-Up: Big Sky’s Revenue Sources	55
Learning Objectives	56
3.1 Introduction	57
3.2 Basic Insurance Concepts.....	57
3.3 Third-Party Payers.....	64
3.4 Managed Care Organizations.....	69
3.5 Alternative Reimbursement Methods.....	71
3.6 The Impact of Reimbursement on Financial Incentives and Risks	79
3.7 Medical Coding: The Foundation of Fee-for-Service Reimbursement	83
3.8 Healthcare Reform.....	85
Theme Wrap-Up: Big Sky’s Revenue Sources.....	88
Key Concepts.....	89
End-of-Chapter Questions.....	91
References.....	91
Part II: Planning, Managing, and Control	
Chapter 4 Estimating Cost.....	97
Theme Set-Up: Cost Structure	97
Learning Objectives	98
4.1 Introduction	99
4.2 The Basics of Managerial Accounting.....	100
4.3 Cost Classification 1: Fixed Versus Variable Costs	101
4.4 Cost Classification 2: Direct Versus Indirect (Overhead) Costs	109

4.5 Cost Allocation	110
4.6 Service Line Costing	116
Theme Wrap-Up: Cost Structure	124
Key Concepts.....	125
End-of-Chapter Questions.....	126
End-of-Chapter Problems	127
References.....	131
Chapter 5 Pricing Decisions and Profit Analysis	132
Theme Set-Up: Profit Analysis	132
Learning Objectives	133
5.1 Introduction	134
5.2 Healthcare Providers and the Power to Set Prices	134
5.3 Price-Setting Strategies.....	135
5.4 Target Costing	138
5.5 Profit Analysis.....	139
5.6 Breakeven Analysis.....	145
5.7 Marginal Analysis	149
5.8 Profit Analysis in a Capitated Environment	153
5.9 The Impact of Cost Structure on Financial Risk.....	158
Theme Wrap-Up: Profit Analysis.....	160
Key Concepts.....	161
End-of-Chapter Questions.....	162
End-of-Chapter Problems	163
References.....	167
Chapter 6 Planning and Budgeting	168
Theme Set-Up: Actual Versus Expected Results	168
Learning Objectives	170
6.1 Introduction	171
6.2 Strategic Planning.....	171
6.3 Operational Planning.....	174
6.4 Introduction to Budgeting	176
6.5 Budgeting Decisions	177
6.6 Budget Types	181
6.7 Variance Analysis	186
Theme Wrap-Up: Actual Versus Expected Results	193
Key Concepts.....	194
End-of-Chapter Questions.....	195
End-of-Chapter Problems	196
Reference	199

Chapter 7 Managing Financial Operations.....	200
Theme Set-Up: Revenue Cycle Management.....	200
Learning Objectives	201
7.1 Introduction	202
7.2 The Revenue Cycle and Receivables Management.....	202
7.3 Cash Management.....	211
7.4 Supply Chain Management	214
7.5 Monitoring Operations.....	217
Theme Wrap-Up: Revenue Cycle Management.....	223
Key Concepts.....	224
End-of-Chapter Questions.....	225
End-of-Chapter Problems.....	226
References.....	229

Part III: Financing and Capital Investment Decisions

Chapter 8 Business Financing and the Cost of Capital	233
Theme Set-Up: Starting a New Medical Practice	233
Learning Objectives	234
8.1 Introduction	235
8.2 Setting Interest Rates	235
8.3 Debt Financing.....	236
8.4 Debt Contracts	240
8.5 Debt Ratings.....	241
8.6 Equity Financing	244
8.7 The Choice Between Debt and Equity Financing.....	247
8.8 The Choice Between Long-Term Debt and Short-Term Debt	254
8.9 Cost of Capital	255
Theme Wrap-Up: Starting a New Medical Practice	260
Key Concepts.....	261
End-of-Chapter Questions.....	263
End-of-Chapter Problems	264
References.....	265
Chapter 9 Capital Investment Decision Basics	267
Theme Set-Up: Evaluating a Project's Financial Merit	267
Learning Objectives	268
9.1 Introduction	269
9.2 Project Classifications	269

9.3 The Role of Financial Analysis in Capital Investment Decisions.....	270
9.4 Overview of Capital Investment Financial Analysis.....	271
9.5 Creating the Timeline.....	272
9.6 Breakeven Analysis.....	274
9.7 Discounted Cash Flow Analysis.....	275
9.8 Return on Investment.....	284
9.9 Project Scoring.....	292
9.10 The Postaudit.....	294
Theme Wrap-Up: Evaluating a Project's Financial Merit.....	295
Key Concepts.....	296
End-of-Chapter Questions.....	297
End-of-Chapter Problems.....	297
References.....	300
Chapter 10 Project Cash Flow Estimation and Risk Analysis.....	301
Theme Set-Up: Estimating a Project's Cash Flows and Assessing Risk.....	301
Learning Objectives.....	302
10.1 Introduction.....	303
10.2 Cash Flow Estimation.....	303
10.3 Estimating the Cash Flows for Bayside's Open MRI Project.....	308
10.4 Risk Analysis.....	312
10.5 Incorporating Risk into the Decision Process.....	323
10.6 An Overview of the Capital Investment Decision Process.....	325
10.7 Capital Rationing.....	326
Theme Wrap-Up: Estimating a Project's Cash Flows and Assessing Risk.....	327
Key Concepts.....	328
End-of-Chapter Questions.....	329
End-of-Chapter Problems.....	330
Reference.....	333
Part IV: Reporting Results	
Chapter 11 Reporting Profits.....	337
Theme Set-Up: Interpreting an Income Statement.....	337
Learning Objectives.....	338
11.1 Introduction.....	339
11.2 Financial Accounting.....	339
11.3 Historical Foundation.....	341
11.4 Financial Statement Regulation and Standards.....	342

11.5 Reporting Methods.....	344
11.6 Income Statement Basics.....	346
11.7 Revenues.....	348
11.8 Expenses.....	355
11.9 Operating Income.....	358
11.10 Nonoperating Income.....	360
11.11 Net Income.....	361
11.12 Net Income Versus Cash Flow.....	364
11.13 A Look Ahead: Financial Condition Analysis.....	365
Theme Wrap-Up: Interpreting an Income Statement.....	366
Key Concepts.....	367
End-of-Chapter Questions.....	368
End-of-Chapter Questions.....	369
References.....	372
Chapter 12 Reporting Assets, Financing, and Cash Flows.....	373
Theme Set-Up: Understanding the Balance Sheet and the Statement of Cash Flows.....	373
Learning Objectives.....	374
12.1 Introduction.....	375
12.2 Balance Sheet Basics.....	375
12.3 Assets.....	380
12.4 Liabilities.....	385
12.5 Equity (Net Assets).....	388
12.6 Fund Accounting.....	392
12.7 The Statement of Cash Flows.....	394
12.8 A Look Ahead: Financial Statement Analysis.....	398
Theme Wrap-Up: Understanding the Balance Sheet and the Statement of Cash Flows.....	399
Key Concepts.....	400
End-of-Chapter Questions.....	401
End-of-Chapter Problems.....	402
References.....	405
Chapter 13 Assessing Financial Condition.....	406
Theme Set-Up: Techniques for Evaluating Financial Statements.....	406
Learning Objectives.....	407
13.1 Introduction.....	408
13.2 Financial Statement Analysis.....	409
13.3 Interpreting the Statement of Cash Flows.....	409

13.4 Ratio Analysis	413
13.5 Comparative and Trend Analysis.....	426
13.6 Dupont Analysis	430
13.7 Other Analytical Techniques	432
13.8 Limitations of Financial Statement Analysis.....	433
Theme Wrap-Up: Techniques for Evaluating Financial Statements.....	435
Key Concepts.....	435
End-of-Chapter Questions.....	437
End-of-Chapter Problems	437
References.....	442
Chapter 14 Internal Control Over Financial Reporting	
and Effective Board Governance, <i>with Marci Thomas</i>	443
Theme Set-Up: Preventing Errors and Fraud.....	443
Learning Objectives	444
14.1 Introduction	445
14.2 Internal Control.....	445
14.3 Effective Governance in Healthcare Organizations.....	466
Theme Wrap-Up: Preventing Errors and Fraud	476
Key Concepts.....	476
End of Chapter Questions	477
References.....	478
Additional Resources	480
Glossary	481
Index	497
About the Authors	499
About the Contributor	501