



## Transition Guide

### *Gapenski's Healthcare Finance: An Introduction to Accounting and Financial Management, Seventh Edition*

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This significantly revised edition introduces the key foundational elements of healthcare finance, including both accounting and financial management. Dates, exhibits, references, and additional resources have been updated throughout. Specific changes in individual chapters are detailed in the chart below.

#### New Material and Changes in the Seventh Edition

Chapter	Chapter Title	New Material/Changes
1	Healthcare Finance Basics	<ul style="list-style-type: none"> <li>Updated the discussion of health reform to reflect the current status of various programs under the ACA.</li> <li>Added a brief discussion of the increasing focus on social determinants of health.</li> <li>Updated the discussion of patient-centered medical homes to align with the Agency for Healthcare Research and Quality's definition of a medical home.</li> </ul>
2	Healthcare Insurance and Reimbursement Methodologies	<ul style="list-style-type: none"> <li>Added discussion of the effects of the Tax Cuts and Jobs Act on ACA programs.</li> <li>Updated the discussion of Medicaid expansion and health insurance exchanges to reflect the current status.</li> </ul>
3 (and 4 – see below for more)	Financial Accounting Basics, the Income Statement, and the Statement	<ul style="list-style-type: none"> <li>Significantly reorganized the financial accounting chapters to orient students to financial accounting before discussing the income statement and the statement of changes in equity in Chapter 3 and the balance sheet and statement of cash flows in Chapter 4.</li> </ul>

on Ch. 4)	of Changes in Equity	<ul style="list-style-type: none"> <li>• Added a section on financial accounting basics that describes the primary financial statements and defines the five types of accounts that comprise the financial accounting model: assets, liabilities, equity, revenues and expenses.</li> <li>• Updated the conceptual framework of financial reporting to reflect recent amendments by the Financial Accounting Standards Board.</li> <li>• Removed the sections on the double-entry accounting system and the recording of financial accounting data to maintain a focus in Chapter 3 on the introduction to financial statements, including the income statement and the statement of changes in equity. Chapter 4 continues this focus with a discussion of the balance sheet and statement of cash flows. The content on the double-entry accounting system and recording of financial accounting data has been expanded and moved to a supplement following Chapter 4 to allow students to first understand the outcome of financial accounting (i.e., financial reporting) before diving into the more technical aspects of the double-entry accounting system. This also allows instructors to choose the level at which they would like to cover financial accounting content, depending on the needs and backgrounds of their student populations. Some instructors may choose to focus on developing students' ability to read the financial statements without requiring students to understand the technicalities of how the data are recorded and compiled to create the financial statements. Others may choose to utilize the Chapter 4 supplement to orient students to the double-entry accounting system.</li> <li>• Updated the presentation of the statement of operations and changes in net assets to reflect the current revenue recognition standard. Added a discussion of explicit and implicit price concessions and described the changes in the reporting of bad debt over time. The revenue deduction for bad debt has been removed and is now treated as an implicit price concession in the calculation of net patient service revenue.</li> <li>• In the discussion of the income statement, updated the presentation of the statement of operations and</li> </ul>
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		<p>changes in net assets to reflect the combined presentation used by most not-for-profit organizations. The separate discussion of the statement of changes in net assets later in the chapter has been maintained.</p>
4	The Balance Sheet and Statement of Cash Flows	<ul style="list-style-type: none"> <li>• Updated the presentation of net assets on the balance sheet to reflect current not-for-profit reporting standards.</li> <li>• Updated the presentation of net accounts receivable on the balance sheet to reflect the treatment of bad debts as an implicit price concession.</li> <li>• Added a key equation showing the relationship between depreciation expense on the income statement and accumulated depreciation on the balance sheet.</li> <li>• Moved the discussion of financial accounting transactions to a new Chapter 4 supplement.</li> </ul> <p>Chapter 4 Supplement (New)</p> <ul style="list-style-type: none"> <li>• The new supplement to Chapter 4 introduces students to the double-entry accounting system. Content previously included in Chapters 3 and 4 has been moved to the supplement, and additional content has been added. New content includes a discussion and illustration of journal entries and the general ledger, T-accounts, the accounting equation, and the relationship between net income on the income statement and equity on the balance sheet. In addition, the supplement walks students through a series of transactions and concludes with the compilation of the data into a simple balance sheet and income statement.</li> </ul>
5	Cost Behavior, Organizational Costing, and Profit Analysis	<ul style="list-style-type: none"> <li>• Text and end-of-chapter problems have been edited for clarity.</li> </ul>

6	Departmental Costing and Cost Allocation	<ul style="list-style-type: none"> <li>Text and end-of-chapter problems have been edited for clarity.</li> </ul>
7	Service Line Costing and Pricing	<ul style="list-style-type: none"> <li>In the chapter supplement, the presentation of the step-down cost allocation method has been significantly edited for clarity, and a new exhibit has been added that more closely resembles the format of the step-down cost allocation in the Medicare cost report.</li> </ul>
8	Financial Planning and Budgeting	<ul style="list-style-type: none"> <li>Text and end-of-chapter problems have been edited for clarity.</li> <li>The discussion of variance analysis has been expanded, and a new exhibit has been added to illustrate the calculation of labor rate and efficiency variances.</li> </ul>
9	Time Value Analysis	<ul style="list-style-type: none"> <li>Financial calculator solutions have been removed to reduce chapter length and acknowledge that most students now use spreadsheets for calculations.</li> </ul>
10	Financial Risk and Required Return	<ul style="list-style-type: none"> <li>Chapter has been significantly revised. Risk measures of realized vs. expected return distributions have been better differentiated. Actual return data used to calculate beta and to lay out how the capital asset pricing model is used to make investment decision more explicitly.</li> </ul>
11	Long-Term Debt Financing	<ul style="list-style-type: none"> <li>Examples in the chapter and its supplement have been updated with current data and information.</li> <li>Financial calculator solutions have been removed (see Chapter 9 comments).</li> </ul>
12	Equity Financing and Securities Markets	<ul style="list-style-type: none"> <li>Examples have been updated with current data and information.</li> </ul>
13	Capital Structure and	<ul style="list-style-type: none"> <li>Text has been edited for clarity.</li> <li>Tax rates and examples have been updated to reflect the effect of the Tax Cuts and Jobs Act.</li> </ul>

	the Cost of Capital	
14	The Basics of Capital Budgeting	<ul style="list-style-type: none"> <li>• Text has been edited for clarity.</li> <li>• Tax rates and examples have been updated to reflect the effect of the Tax Cuts and Jobs Act.</li> <li>• Discussion of the difference between accrual accounting income and cash flow has been expanded and clarified.</li> </ul>
15	Project Risk Analysis	<ul style="list-style-type: none"> <li>• Text has been edited for clarity.</li> </ul>
16	Revenue Cycle and Current Accounts Management	<ul style="list-style-type: none"> <li>• Text, exhibits, and end-of-chapter problems have been edited for clarity.</li> <li>• Examples have been updated to reflect current data and information.</li> <li>• A brief discussion of the implications of value-based payment for the revenue cycle has been added.</li> </ul>
17	Financial Condition Analysis	<ul style="list-style-type: none"> <li>• Financial statements in chapter, supplement and end-of-chapter problems have been updated to reflect current accounting and reporting standards.</li> <li>• Discussion of comparison of financial ratio values to industry averages has been revised to reflect the importance of comparison to a (similar) peer-group of organizations. Industry averages have been changed to peer-group averages throughout.</li> <li>• Text has been edited for clarity.</li> </ul>