



## Transition Guide

### Gapenski's Understanding Healthcare Financial Management, Eighth Edition

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This book leads off with basic concepts pertaining to health services and financial management. It then progresses to illustrate how managers of healthcare businesses can apply financial management theory and concepts to make better decisions—that is, decisions that promote the financial well-being of the organization. The book is designed primarily for use in graduate-level courses for students whose primary interest is the management of health services organizations. The book can be used for other student clienteles, but the absence of explicit accounting content, the amount of theory, and the nature of the ancillaries make the book most suitable for master of health administration, master of business administration (healthcare concentration), and master of public health (management concentration) programs.

### Changes in the Eighth Edition

- The most substantial change to the textbook involves authorship. The seventh edition was authored by Louis Gapenski and George Pink; however, Dr. Gapenski passed away in 2016. Dr. Paula H. Song, associate professor of healthcare finance at the University of North Carolina at Chapel Hill, has stepped in as coauthor.
- All aspects of the text discussion, as well as the references, have been updated and clarified as needed. The authors have taken particular care to include content reflective

of the changed healthcare financial environment after the passage of tax reform in 2017. In addition, contemporary real-world examples have been added throughout the text.

- Throughout the textbook, illustrative tax rates have been changed from 40 percent to 30 percent, based on an assumption of a 21 percent federal tax rate and a 9 percent state tax rate.
- Chapter supplements have been removed from the textbook and can now be found online at [ache.org/HAP/PinkSong8e](http://ache.org/HAP/PinkSong8e)
- References at the end of each chapter have been updated and now primarily include recent articles from 2016-19.
- An in-class problem for each chapter has been created; instructors can use these new in-class problems to illustrate concepts and calculations.
- Content in supplemental chapter models is now directly linked to chapter content. For example, Exhibit x.x in the textbook is clearly identified as Exhibit x.x in the chapter model. This allows students to see exactly how the textbook numbers are calculated. In addition, the chapter models now include the calculations for the Integrative Application at the end of each chapter.

The authors had two primary goals for the eighth edition: (1) to update the book by incorporating changes such as tax reform and leasing reporting requirements and (2) to make the book even more reader friendly. In addition, they had three primary goals related to the ancillary material: (1) to create in-class problems that instructors can use to illustrate theory and calculations, (2) to improve the user-friendliness of the chapter models by directly linking examples and calculations to textbook content and 3) to create brief videos (5-10 minutes) that demonstrate key calculations available through the online student ancillaries.

**Many revisions were made to accomplish the above and other goals; here is a list of the most important chapter-specific revisions:**

Chapter	Chapter Title	New Material
<b>1</b>	Introduction to Healthcare Financial Management	This chapter has been revised to reflect the major changes of the December 2017 tax reform bill. Federal tax rates have been updated and ranges of state tax rates are included.
<b>2</b>	Health Insurance	Some historical information has been deleted and examples and costs have been updated.
<b>3</b>	Payments to Providers	New content about ICD-10 has been added and the section on value-based purchasing (VBP) has been substantially revised, including new content on the VBP programs used by the Centers for Medicare and Medicaid Services.

<b>4</b>	Time Value Analysis	Financial calculator examples have been deleted to shorten chapter and to focus on spreadsheet solutions.
<b>5</b>	Financial Risk and Required Return	This chapter has been extensively rewritten to better differentiate risk measures of realized and expected return distributions, to incorporate actual return data for calculation of beta, and to more explicitly lay out how the Capital Asset Pricing Model is used to make investment decisions.
<b>6</b>	Debt Financing	Interest rates have been changed to more recent levels.
<b>7</b>	Equity Financing	Some industry information has been updated.
<b>8</b>	Lease Financing	This chapter has been substantially revised to reflect the recent changes in FASB reporting standards for operating leases.
<b>9</b>	Cost of Capital	Some content about estimating the risk-free rate and estimating beta has been deleted for sake of brevity.
<b>10</b>	Capital Structure	Modigliani and Miller examples have been reworked, using new corporate and personal tax rates.
<b>13</b>	Financial Condition Analysis	There is extensive discussion of the new bad debt accounting standards and how they will affect financial reporting. "Industry averages" have been replaced by "peer group averages" to reflect more focused and relevant comparisons.
<b>16</b>	Business Combinations and Valuation	Some historical information has been deleted and examples and costs have been updated.