



PREFACE

Some 20 years ago, after years of teaching corporate finance and writing related textbooks and casebooks, I began teaching healthcare financial management in the University of Florida's Master of Health Administration (MHA) program. The move prompted me to write my first healthcare finance textbook, *Understanding Healthcare Financial Management*. The book was designed for use in health services administration financial management courses in which students had taken prerequisite courses in both accounting and corporate finance. Often, such MHA courses are case courses, so this book served primarily as a reference tool when working healthcare finance cases.

Later on, I expanded my healthcare finance teaching to include other courses in traditional and executive MHA programs in which students do not have a formal educational background in accounting or financial management. Finance courses in these programs require a book that provides basic information on foundation topics. Furthermore, these courses often are part of programs that contain just one healthcare finance course, so the course must cover both accounting and financial management.

In reviewing the books available for use in such courses, I found some that were strong in accounting and others that were strong in financial management; however, I could not find one that gave equal emphasis to both components of healthcare finance. This situation prompted me to write *Healthcare Finance: An Introduction to Accounting and Financial Management*.

More recently, I started teaching healthcare finance outside MHA programs, including public health, health science, health education, and professional development programs. I found that students in these programs were not required to have the same depth of knowledge as MHA students do. Furthermore, these students were much more interested in how healthcare finance was used by clinical as opposed to financial managers. This unique need for healthcare finance education prompted me to write this book, *Fundamentals of Healthcare Finance*.

CONCEPT OF THE BOOK

My goal in writing *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 operational managers. Thus, principles that are used primarily by financial staff members are either covered lightly or not at all. Also, background information about financial markets and securities are not included in this book.

The end result is a shorter book that contains three introductory chapters, six chapters that cover accounting, and four chapters devoted to financial management (corporate finance). 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. 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 entry-level 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. I 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 and in undergraduate and graduate public health and health science programs.

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 line managers who require additional finance skills.

ANCILLARY MATERIALS FOR INSTRUCTORS

Several teaching aids are available for instructors who adopt this book. They can be obtained through the Health Administration Press website. For access information, please e-mail hap1@ache.org.

- ◆ *PowerPoint slides.* The essential material in each chapter—concepts, graphs, tables, lists, and calculations—are 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.
- ◆ *Additional online chapters.* Instructors who want to go over concepts beyond the fundamentals covered in the text may access four chapters that are posted online. (See the next section for details.)
- ◆ *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 both guide students and keep them on track. (See the next section for details.)
- ◆ *Instructor's manual.* The manual includes a sample course syllabus, solutions to the end-of-chapter questions and problems, and solutions to the online cases.
- ◆ *Test bank.* An online test bank is available to adopters. It consists of roughly ten multiple-choice questions per chapter.

ANCILLARY MATERIALS FOR STUDENTS

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

- ◆ *Additional online chapters.* These four chapters aim to expand the scope of study.
 - Chapter 14: Financial Markets and Securities
 - Chapter 15: Lease Financing and Business Valuation
 - Chapter 16: Distributions to Owners: Bonuses, Dividends, and Repurchases
 - Chapter 17: Capitation, Rate Setting, and Risk Sharing

- ◆ *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

ACKNOWLEDGMENTS

This book reflects the efforts of many people. First and foremost, I thank the following three reviewers whose comments helped transform my rough concept into a book. Without their help, this text could not have been written.

Rod McAdams, PhD

Armstrong Atlantic State University

Kristin Reiter, PhD

University of North Carolina at Chapel Hill

Debra Tennyson, PhD

Hofstra University

Colleagues, students, and staff at the University of Florida provided inspirational support, as well as more tangible support, during the development and class testing of this book. Also, the Health Administration Press staff was instrumental in ensuring the quality and usefulness of the book.

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, I strongly encourage both instructors and students to write me at the address on the next page with comments and suggestions for improving the book. I certainly welcome your input.

CONCLUSION

In the environment faced by healthcare providers today, good finance 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. But this is easier said than done.

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

Louis C. Gapenski, PhD
Box 100195
Health Science Center
University of Florida
Gainesville, FL 32610-0195

June 2009