HEALTHCARE FINANCIAL MANAGEMENT

COURSE NUMBER: 312-624

FOURTH TERM 2019

CLASS TIME: Monday, 2:30pm – 4:50pm

LOCATION: Wolfe 2015

INSTRUCTOR: John W. Ellis
Adjunct Professor
Johns Hopkins Bloomberg School of Public Health
615 N Wolfe St.
Baltimore, MD 21205
Jellis1@jhu.edu

TA: Justin Serrano (jserran7@jhu.edu)

OFFICE HOURS: By Appointment

PREREQUISITES: 312.617 Fundamentals of Financial Accounting
551.603 Fundamentals of Budgeting & Financial Management
312.623 Healthcare Financial Management

DESCRIPTION: The fourth term Healthcare Financial Management course is designed to provide the opportunity for students to apply knowledge of accounting, budgeting and financial management in a real world setting, emphasizing analysis and decision-making. As more students are selecting careers outside of acute-care hospitals, the course is designed around a broad range of healthcare settings, including the pharmaceutical, insurance, consulting and for-profit industries. The students will learn from the perspective of the senior leadership group and will take a “big picture” approach rather than micromanagement.

Healthcare Financial Management is a broad based course that covers topics utilized by a senior level executive in the day-to-day management of healthcare organizations. The subject matter will be covered from a prospective of understanding the theory and practical application of the concepts rather than the actual preparation of financial transactions. It is assumed that the students will attain leadership positions in an organization that will require interaction or direct supervision of a chief financial officer; and, as such, will learn techniques to communicate and understand the results of the financial statements of an organization. The topics will include:

- Business Plan Preparation
- Financial Analysis and Business Planning
- Financial Forecasting and Cash Budgeting
- Maryland Reimbursement System
• Mergers and Acquisitions
• Healthcare Reform and Third Party Reimbursements
• Full Risk Capitation

COURSE OBJECTIVES:

The course is structured to mirror a Healthcare work environment that the students will experience upon graduation. As such, the students will acquire and practice leadership and teamwork skills and use strategic management models and tools in the analysis, planning, decision making and development of organizational goals and objectives.

The course is designed around a team approach wherein the students are grouped at random into teams of five or six in order to promote cultural diversity and collaboration.

Assignments will be in the form of both oral and written communications and each group will make a public presentation to the class on an assigned topic/case. This will promote clear and concise communications both within the group and also demonstrated in the presentation.

At the conclusion of this course, students will be able to:

• Identify the complexities and challenges of financing a healthcare business;
• Interpret the economic performance of the organization based on its financial statement;
• Develop operating plans as a result of financial trends and results;
• Present clear and concise conclusions and recommendations through oral presentation for action to a Board of Directors;
• Analyze the financial viability of a new business venture and how it contributes to the mission of the organization;
• Apply the concepts of the Maryland reimbursement system in business planning situations;
• Prepare business plans based upon multiple data points and business trends;
• Develop framework to measure and monitor organizational performance;
• Develop a strategy to solidify an organization’s place in the market;
• Execute a plan to consolidate multiple business lines and estimate the financial impact of a combined entity;
• Calculate an insurance premium and capitation payment; and
• Demonstrate teamwork skills within a work team resulting in a completed case study.

COURSE MATERIALS:

Text


Lecture Slides

Slides for each week’s lectures will be available on course plus.
**Other Material**

Will be distributed in class.

**CLASS STANDARDS:**

**Ethical Behavior**

The academic ethics code, [https://apps4.jhsph.edu/academicethics/](https://apps4.jhsph.edu/academicethics/), as discussed in the Policy and Procedure Memorandum for Students, March 31, 1998, will be adhered to in this class.

**Disability Support Services**


**STUDENT EVALUATION:**

There are no exams in this course, as the students will prepare conclusions and recommendations based on “real life” cases and will prepare three cases that the students will analyze in a team approach (the class will be divided into six teams). Each team will be assigned a case presentation, which should last about 20 to 30 minutes, excluding discussion, and should be of “board presentation” quality. Teams that do not make the presentation will prepare written reports. The written reports should be similar to an executive summary; that is, they should be word processed, consist of no more than three to four pages of text that provide the essentials of the analysis, and be supported by relevant exhibits. Reports are due at the beginning of the class period in which the case is being discussed.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Due Date</th>
<th>Presentation</th>
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</thead>
<tbody>
<tr>
<td>Business Plan – Palms Hospital</td>
<td>April 1</td>
<td>Teams 5 &amp; 6</td>
</tr>
<tr>
<td>Mergers and Acquisitions – St. Jerome</td>
<td>April 22</td>
<td>Teams 3 &amp; 4</td>
</tr>
<tr>
<td>Capitation – Cooperville Healthcare</td>
<td>May 13</td>
<td>Teams 1 &amp; 2</td>
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</table>

**Business Plan:** The students will utilize the facts presented in the case entitled “Palms Hospital” that was utilized at the end of the third term. Each team will present a business plan for the development of a free standing ambulatory surgery center, including:

- Market Assessment
- Implementation Plan
- Financial Analysis; and
- Exit Strategy

**Mergers and Acquisitions:** The students will analysis the business strategy and financial performance of the healthcare environment of a town with three substantially different hospitals. Each team will make a recommendation as to the ability of the major teaching hospital to either acquire another hospital or affect a merger. In the event of a recommendation to acquire a
hospital, the team will be able to calculate a strike price based on techniques learned during the lecture.

**Capitation:** Each team will analysis the pertinent operational, financial, and political ramifications of accepting a full risk capitation contract. The team will present a plan detailing the following recommendations for accepting the contract:

- Operating Company
- Medical Staff Composition
- Financial Impact; and
- Full Risk Capitation Rate

**GRADING**

Much of the learning in this course will come from your own individual work and from interacting with other students, so the benefits that you receive will be directly related to your individual efforts. Note that this is an upper level graduate course, and your performance will be judged accordingly. FINAL grades will reflect your performance in these areas:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Weight</th>
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<tbody>
<tr>
<td>1 Team Case Presentation</td>
<td>30%</td>
</tr>
<tr>
<td>2 Team Case Preparation</td>
<td>50%</td>
</tr>
<tr>
<td>3 Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>4 Peer Review</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

1 Grading will be weighted on content (50%), teamwork (25%) and presentation skills (25%).
2 Grading will be weighted on content and understanding of the concept (75%) and conclusion on recommendation (25%)
3 Students will be rated on a 10 point scale by engagement during lectures, attendance, and interaction with the presenting groups
4 Students will be rated by their peers within their work group on a 10 point scale reflecting attendance, engagement and quality of work.
### COURSE AGENDA: HEALTHCARE FINANCIAL MANAGEMENT

<table>
<thead>
<tr>
<th>Class Session</th>
<th>Topics</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Plan Development and Presentation</td>
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<tr>
<td>2</td>
<td>Financial Analysis and Business Planning</td>
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<tr>
<td>3</td>
<td>Financial Forecasting and Cash Budgeting/Maryland Reimbursement System</td>
</tr>
<tr>
<td>4</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>5</td>
<td>Healthcare Reform and Third Party Reimbursement</td>
</tr>
<tr>
<td>6</td>
<td>Capitation</td>
</tr>
<tr>
<td>7</td>
<td>Presentations and Summary</td>
</tr>
</tbody>
</table>

**Session 1: Business Plan Development and Presentation**

At the conclusion of this module, the student will be able to:

- identify the key financial and operating concepts that are critical to start a business line or unit;
- prepare a market assessment to justify the need and future profitability of a business line or unit;
- development of an implementation plan for a new business line or unit;
- write a business plan to permit an investor to make an informed business decision.

**Session 2: Financial Analysis and Business Planning**

At the conclusion of this module, the student will be able to:

- use financial and operating analysis techniques to understand and explain financial performance of an organization;
- identify the need for a ratio analysis and develop a framework for utilization of key financial and operating metrics;
- understand Dupont analysis and its utility in determining return on investment;
- utilize benchmarking in the development of key performer indicators and dashboards.

**Session 3: Financial Forecasting and Cash Budgeting/Maryland Reimbursement System**

At the conclusion of this module, students will be able to:

- identify the components of a financial plan, including capital and operating budgets;
• forecast financial statements utilizing several techniques to measure growth and expenses;
• understand working capital management and its impact on financial performance and operating results;
• prepare a detailed cash budget to determine liquidity;
• understand the Maryland reimbursement system and apply its concepts to business planning.

Session 4: Mergers and Acquisitions

At the conclusion of this module, students will be able to:

• analyze the motivation to enter into merger discussions or business combinations;
• identify the types of business combinations and the justification for each;
• value a business utilizing discounted cash flow and market value techniques;
• understand how mergers create value.

Session 5: Healthcare Reform and Third Party Reimbursement

At the conclusion of this module, students will be able to:

• identify the payment mechanisms utilized by third party payors;
• calculate an insurance premium utilizing underwriting concepts;
• design an accountable care dashboard to measure patient care effectiveness;
• define strategies to maximize a shared savings payment.

Session 6: Capitation

At the conclusion of this module, students will be able to:

• understand the mechanics of capitation and providers incentives;
• utilize financial risk techniques to develop a full risk capitation rate;
• calculate sub-calculation rates based on historical data;
• construct a risk sharing entity that can accept capitation.

Session 7: Presentations and Summary

At the conclusion of this module, students will be able to:

• refine their skills in presenting conclusions and results to a board of directors.
# Team Evaluation

**Team:** ________  **Case:** ____________________________

<table>
<thead>
<tr>
<th>Dimension/Task</th>
<th>Inadequate (0 pts.)</th>
<th>Mediocre (1 pts.)</th>
<th>Standard (3 pts.)</th>
<th>Mastered (5 pts.)</th>
<th>Presentation Weight</th>
<th>Report Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization and presentation of facts</strong></td>
<td>Audience cannot understand presentation because the sequencing of information and/or other organizational issues</td>
<td>Audience has intermittent difficulty following presentation because speaker(s) jumps around or other organizational issues</td>
<td>Information is presented in a logical sequence which the audience can follow</td>
<td>Information is presented in a logical and interesting sequence which can be easily followed</td>
<td>25%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Subject Knowledge</strong></td>
<td>Speaker(s) does not have grasp of information; cannot answer questions about subject</td>
<td>Speaker(s) is uncomfortable with information and can only answer rudimentary questions</td>
<td>Speaker(s) is at ease with all expected answers to all questions, but fails to elaborate.</td>
<td>Speaker(s) demonstrates full knowledge (more than required) by answering questions with explanations and elaboration</td>
<td>25%</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>Critical Thinking/ Creativity</strong></td>
<td>Presentation does not respond appropriately to the assigned task</td>
<td>Presentation does not provide feasible recommendations or reasonable financial projections</td>
<td>Presentation addresses all appropriate issues and offers a solution or proposal that is feasible and financially reasonable</td>
<td>Presentation addresses all issues and offers solution that exhibits an extraordinary level of creativity and critical thinking</td>
<td>25%</td>
<td>33.3%</td>
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<tr>
<td><strong>Mechanics</strong></td>
<td>Presentation has &gt;4 spelling and/grammatical errors; presentation does not adhere to time limits</td>
<td>Presentation has 3 spelling and/or grammatical errors; runs too long or too short</td>
<td>Presentation has no more than two spelling and/or grammatical errors; adheres to time limits</td>
<td>Presentation has no misspellings or grammatical errors; adheres to time limits</td>
<td>10%</td>
<td></td>
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<tr>
<td><strong>Visual Presentation</strong></td>
<td>Presentation includes superfluous graphics or no graphics</td>
<td>Presentation includes graphics that rarely support text and presentation</td>
<td>Graphics relate to text and presentation</td>
<td>Graphics explain and substantially add to the meaning and visual appeal of the report</td>
<td>10%</td>
<td></td>
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<tr>
<td><strong>Professional Appearance</strong></td>
<td>Speaker(s) has poor eye contact or cannot be understood or heard by audience; does not exude confidence; awkward transitions between speakers</td>
<td>Speaker(s) reads most of presentation and cannot be heard by most of audience. Speakers are not actively engaged in presentation.</td>
<td>Speaker(s) maintains eye contact but frequently refers to notes; words are pronounced correctly and audience can hear presentation. Smooth transitions between speakers.</td>
<td>Speaker(s) maintains eye contact, seldom refers to notes; uses a clear voice with appropriate inflections that all audience members can hear. All speakers exude confidence and are actively engaged.</td>
<td>5%</td>
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# Peer Evaluation Rubric

Completed by ___________________  Team Number ___________________  Date ____________

10=Strongly Agree | 8=Agree | 6=Somewhat | 4=Disagree | 2=Strongly Disagree

<table>
<thead>
<tr>
<th>Team Member Name</th>
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<tbody>
<tr>
<td><strong>EVALUATION CRITERIA</strong></td>
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<tr>
<td>Willingly accepted assigned tasks</td>
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<td>Open to ideas from other group members</td>
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<td>Completed work on time or made alternative arrangements</td>
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<td>Helped others with their work when needed</td>
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<tr>
<td>Did work accurately and completely</td>
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<tr>
<td>Contributed fair share to assignments</td>
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<td>Worked well with others in the group</td>
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<tr>
<td>Was a valuable member of the team overall</td>
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<td>Brought new information to the group</td>
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<tr>
<td>Was on time for meetings with the group</td>
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