HEALTHCARE FINANCIAL MANAGEMENT

COURSE NUMBER: 312-623

THIRD TERM 2020

CLASS TIME: Tuesday, 3:30pm – 5:50

LOCATION: HH 901

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

TA's: Iris Chijioke (ichijio1@jhmi.edu)

OFFICE HOURS: By Appointment

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

DESCRIPTION: The third 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 perspective 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 with 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:

- Discounted Cash Flow Analysis and the Application of These Techniques
- Long-Term Financing and the Application to Long-Range Strategy
- Accountable Care Organization (ACO)
- Break-Even Analysis and Utilization of the Results and Decision Making
- Capital Budgeting
- Leadership and Management of Physician Groups
**COURSE OBJECTIVES:**

The course is structured to mirror a health care 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 within the group which should be reflected during 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;
- Prepare business plans based upon multiple data points and business trends;
- Develop frameworks to measure and monitor organizational performance; and
- Demonstrate teamwork skills 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/), as discussed in the Policy and Procedure Memorandum for Students, March 31, 1998, will be adhered to in this class.

Disability Support Services

If you are a student with a documented disability who requires an academic accommodation, please contact Betty H. Addison in the Office of Career Services and Disability Support: dss@jhsph.edu, 410-955-3034, 2017 W. Monument Street. http://www.jhsph.edu/offices-and-services/student-affairs/disability/

STUDENT EVALUATION:

There are no exams in this course, as the students will prepare conclusions and recommendations based on “real life” cases. There will be 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 – Team</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Rating Agency Presentation</td>
<td>02/04</td>
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<tr>
<td>Capital Budget and Capital Analysis</td>
<td>02/25</td>
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<tr>
<td>Physician Compensation</td>
<td>03/10</td>
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</table>

Long-Term Financing: The team will make a financing presentation to a rating agency in order to obtain bond financing for a new hospital. The students will construct the presentation utilizing several topics, including:

- Competitive Factors
- Operating and Financial Performance
- Management Strength and Capabilities
- Future Strategies

Break Even Analysis: In class, students will prepare a break-even analysis for a proposed ambulatory clinic. The purpose of the assignment is to evaluate the students’ comprehension of the theory behind break-even analysis and be able to contrast fixed verses variable expenses. The students will make recommendation as to the viability of this business.
Capital Budget and Capital Analysis: The team will present recommendations and implementation plans for an ambulatory surgery center that is being contemplated on a hospital campus. The students will utilize techniques learned in the previous class for break-even analysis and other business planning skills. The final recommendation will be based on the feasibility analysis and financing plan of the new business venture. In addition, the students will make a presentation on the implementation of the center, including the legal and governmental requirements for this entity.

Pay for Performance: Students will prepare a recommendation to management for a compensation system for the physician partners of a family practice group. Students will perform the following tasks to reach a conclusion:

- Simulate four scenarios utilizing several factors
- Conduct a sensitivity analysis to reflect a change in variables
- Identify the strength and weakness of each model

(Reference – Fundamentals of Physician Practice Management Slides)
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>
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<th>%</th>
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<tbody>
<tr>
<td>Team Case Presentation</td>
<td>30%</td>
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<tr>
<td>Team Case Preparation</td>
<td>50%</td>
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<tr>
<td>Class Participation</td>
<td>10%</td>
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<td>Peer Review</td>
<td>10%</td>
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<tr>
<td><strong>Total</strong></td>
<td>100%</td>
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</tbody>
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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 recommendations (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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<tbody>
<tr>
<td>1</td>
<td>Introduction and Overview of the Healthcare System and Financial Structure</td>
</tr>
<tr>
<td>2</td>
<td>Discounted Cash Flow and Long-Term Financing</td>
</tr>
<tr>
<td>3</td>
<td>Accountable Care Organizations</td>
</tr>
<tr>
<td>4</td>
<td>Capital Budget and Break-Even Analysis</td>
</tr>
<tr>
<td>5</td>
<td>Capital Budget and Capital Analysis</td>
</tr>
<tr>
<td>6 &amp; 7</td>
<td>Leadership and Management of Physician Groups</td>
</tr>
<tr>
<td>8</td>
<td>Presentations and Summary</td>
</tr>
</tbody>
</table>

### Session 1: Introduction and Overview of the Healthcare System and Financial Structure

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

- understand the forms of business organization, ownership and organizational structures;
- be familiar with tax laws and depreciation funding;
- an understanding of the third-party payer system, including insurance concepts and reimbursement methods;
- understanding the government payer structure, including incentives and risks.

### Session 2: Discounted Cash Flow and Long-Term Financing

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

- calculate the future and present values of discounted cash flow;
- understand and analyze best returns;
- explain and analyze opportunity cost;
- understand and explain financial risks basics;
- calculate and explain risk and required return for an individual business project;
- understand the basics of long-term financing with a focus on corporate bonds;
- be able to determine the best use of long-term and short-term financing;
- prepare a rating agency presentation in order to secure bonds.

### Session 3: Accountable Care Organizations

At the conclusion of this module, students will be able to:
• identify the characteristics of an ACO;
• understand organization models and governance structure;
• monitor the performance of the ACO;
• measure and analyze quality metrics;
• define regulations and legal considerations of an ACO;
• calculate a shared savings payment;
• benchmark clinical and financial results.

**Session 4: Capital Budget and Break-Even Analysis**

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

• estimate the cost of capital, debt and equity for a not-for-profit organization;
• prepare a break-even analysis to determine future viability of a business venture;
• be able to discern between fixed and variable expenses for business planning.

**Session 5: Capital Budget and Capital Analysis**

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

• prepare a capital budget utilizing techniques for financial planning and operational analysis;
• prepare a cash flow estimation and break-even analysis based upon future capital needs;
• be able to determine the return on investment analysis for each capital project assigned throughout the process.

**Session 6 & 7: Leadership and Management of Physician Groups**

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

• identify the characteristics of a physician group;
• understand organizational models-structure of a multi-specialty group practice;
• understand the legal governance issues of a physician group;
• prepare and analyze budgets for a group practice;
• prepare a practice valuation utilizing financial and operational ratios;
• flow chart and analyze practice operations, including patient flow;
• monitor performance of a multi-specialty group practice;
• measure and analyze quality factors and risk management issues;
• describe physician-hospital relations in a historical construct;
• define regulations and legal considerations of physician-hospital relations;
• identify strategic alliances and collaborative relationships between physician and hospital.

**Session 8: Presentations and Summary**

At the conclusion of this module, students will be able to:
• understand the financial issues and management of a multi-specialty group practice;
• design and implement a physician compensation model;
• refine their skills in presenting conclusions and results to a Board of Directors.
## TEAM EVALUATION

<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>
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</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 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/or 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>
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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>
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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>
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PEER EVALUATION RUBRIC

Completed by ___________________________ Team Number ___________________________ Date ____________

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

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<th>Team Member Name</th>
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**EVALUATION CRITERIA**

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<tr>
<th>Willingly accepted assigned tasks</th>
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<tbody>
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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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<td>Did work accurately and completely</td>
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<td>Contributed fair share to assignments</td>
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<td>Worked well with others in the group</td>
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<td>Was a valuable member of the team overall</td>
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<tr>
<td>Brought new information to the group</td>
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<td>Was on time for meetings with the group</td>
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