

**TRINITY UNIVERSITY**  
**Department of Health Care Administration**

Financial Management for Health Care Executives  
 HCAI 5353  
 Fall, 2011  
 Syllabus

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**Course Goal**

The goal of this course is to build upon the concepts and techniques studied in Managerial Accounting for Health Care Executives. Whereas Managerial Accounting focused more on issues that would be addressed by middle management, Financial Management examines executive management matters with emphasis on: 1) capital investment decisions, 2) management of working and financial capital, 3) measuring risk and required rates of return, 4) measuring financial position and performance using ratio analysis and 5) current issues and challenges within the industry. Upon completion of the course the individual should be able to actively participate in these functions as well as make presentations of financial material and respond to questions of a financial nature.

**Learning Objectives**

This course covers selected financial principles and concepts applied in the management of today's health care organizations. The primary learning objectives are to develop in the students the skill and ability to:

- (1) Develop cash flow projections of capital investments (projects) under consideration.
- (2) Evaluate the feasibility of capital and other financial investments considering the "time value of money".
- (3) Apply the "time value of money" concepts to other business and personal financial considerations.
- (4) Relate the required and expected rates of return from an investment to its level of risk.
- (5) Evaluate the options available for capital financing including debt, equity or leasing.
- (6) Estimate the average cost of various capital structures.
- (7) Manage the working capital of the organization.
- (8) Calculate and interpret ratios used to measure financial position and performance.

**Trinity HCAD Competency Model Coverage**

<u>Competency Model Domain &amp; Criteria</u>	<u>Level</u>	<u>How Covered</u>	<u>How Evaluated</u>
<b>Communication and Relationship Management</b>			
Working in Teams	Application	Homework & Team Projects	Grade
<b>Knowledge of Healthcare Environment</b>			
Healthcare Issues and Trends	Knowledge	Homework & Team Projects	Grade
Standards and Regulations	Knowledge	Homework & Team Projects	Grade
<b>Business Skills and Knowledge</b>			
Financial Management	Application	Homework & Team Projects	Grade
Quantitative Skills	Application	Homework & Team Projects	Grade
Economic Analysis & Application to Business Decision Making	Application	Homework & Team Projects	Grade

## Textbook

Louis C. Gapenski, *Healthcare Finance: An Introduction to Accounting and Financial Management*, 4th Edition, 2007. Association of University Programs in Health Administration and Health Administration Press. ISBN 978-1-56793-280-5

## Handouts and Other Readings

Students are encouraged to read and be prepared to discuss related news and magazine articles. The instructor may also identify related readings during the semester to discuss.

## Grading

Assignments (8 points each)	40 points
Comprehensive Final Exam	30 points
Financial Analysis Paper	<u>30</u> points
<b>Total Possible</b>	<b>100 points</b>

## Participation

Students are expected to be prepared for and participate in the in-class sessions and teleconference discussions. Should you be unable to participate in any of the scheduled discussions you should notify the instructor in advance and make arrangements to obtain the information and material discussed from some other source (e.g. recording of session, etc.). Students are also encouraged to identify subjects of interest from periodicals or other sources (e.g. employment experience, etc.) to discuss. You should feel comfortable to disagree with the instructor or other students as long it is based on sound principle and is done in a professional manner. Debate can be healthy and an excellent learning experience if conducted with respect for one another's positions and opinions. Please be sure to open your mind to the same level that you open your mouth.

## Assignments

In addition to reading the chapters, you will be assigned selected problems at the end of the chapter of the text or in handout material. All homework will be completed within a group setting. Each group is required to submit solutions along with the Cover Sheet using Word, Excel or similar applications to the instructor via email by the established due date. A copy should also be sent to the Healthcare Administrative offices. Unless arrangements have been made with the instructor in advance, any assignment received after the due date but before the teleconference will be graded down one full letter grade. Any assignment received after the teleconference or not submitted will receive a failing grade. Homework will be graded and returned via email. Homework scores will be identified in the name of the file (e.g., Beauvais – Homework 1 – 90), which identifies the author's name, the homework in question and the score received.

## Presentation of Assignments

The development of financial reports and analysis is relatively simple when compared to the more significant challenge of presenting the material, both orally and in written form, to your audience. It is highly likely that during your career you have had or will have the opportunity to make presentations of a financial nature to any number of audiences with a wide variance of knowledge of finance and of the health care industry. You must be prepared for this challenge. Therefore, evaluation and grading of the assignments will focus as much on the presentation of the material as the analysis and development of the solution or recommendation.

## Healthcare Finance Organizational Analysis Paper

As part of this class, your group will be required to develop a financial analysis of a healthcare organization of your group's choice. The intent of this assignment is to deepen your knowledge of course concepts by observing the application of course content in professional context. Access to pertinent data and information may be the driving force behind which option you choose. With this in mind, you may pursue, analyze and synthesize any information source you choose (e.g., website content, personal interviews, organizational documentation, etc). Students are encouraged to research as far as is reasonable.

Proprietary data concerns may limit research and students are encouraged to begin research as early in the course as possible to facilitate overcoming information / data collection problems. Once grading is complete, all projects will be destroyed if desired by host institution leadership.

The focus of this project is to evaluate a firm from the perspective of a potential investor or creditor. This is part of the due diligence research process. Your final paper should report on the business' reportable business segments and should include a title page, brief executive summary of the company, analysis, discussion, conclusion & enclosures sections. There is no page minimum or maximum. The focus is on content and depth of analysis. Final papers should contain analysis / discussion on each of the following components. Unless otherwise indicated a five year trend analysis – including the most recent year of available data – is expected.

- a. Five year net sales, operating expenses, operating income and net income analysis. Once calculations are complete, interpret the resulting data and comment on the significance of the trend results.
- b. Five year total profit margin, asset turnover, return on assets and return on stockholder equity analysis. Once calculations are complete, interpret the resulting data and evaluate the company's profitability.
- c. Five year current ratio, days cash on hand and working capital analysis. Once calculations are complete, interpret the resulting data and evaluate the company's liquidity.
- d. Five year debt ratio & times interest earned ratio analysis. Once calculations are complete, interpret the resulting data and comment on the company's long term solvency.
- e. Complete a Du Pont Analysis for each of the five most recent years. Once calculations are complete, interpret the resulting data and comment on the company's individual Du Pont characteristics (e.g., Total Margin, Total Asset Turnover & Equity Multiplier) and trends across the analysis period.
- f. What is the name of the company's independent auditors? What type of opinion did the independent auditors issue on the financial statements (unqualified, qualified, adverse or disclaimer)? What does this opinion mean?
- g. Ultimately a decision has to be made...would you invest and/or lend money to this company? Why or why not?

## Tentative Schedule

### Monday 8/15/11

- Introductions
- Review of Course Objectives
- Review of prior course exam & paper
- Time Value of Money (Chapter #9)
- Financial Risk versus Required Return (Chapter #10)
- Debt & Equity Financing (Chapters #11 & #12)
- Capital Structure & Cost of Capital (Chapters #13 & 14)
- Introduction to ratio analysis (Chapter #17)

### Section I – *Time Value of Money & Risk & Return*

- **Assignment #1 Due 9/6/11:**
  - Problems 9.1 – 9.6, 9.9, 9.11, 9.12, 10.1, 10.3 and 10.5

### Section II – *Debt & Equity Financing*

- **Teleconference Discussion #1 9/10/11 Saturday @ 8 AM:**
  - Reading – Chapters #11 & 12
- **Assignment #2 Due 9/26/11:**
  - Problems #11.1, 11.2, 11.3, 11.7, 12.2, 12.3, 12.5, 12.6

### Section III – *Capital Structure & Cost of Capital*

- **Teleconference Discussion #2 10/1/10 Saturday at 10 AM:**
  - Reading – Chapters #13 & 14
- **Assignment #3 Due 10/17/11:**
  - Problems #13.1, 13.2, 13.3, 13.7, 14.1, 14.3, 14.5, 14.7

### Section IV – *Risk Management & Financial Condition Analysis*

- **Teleconference Discussion #3 10/22/11 Saturday at 8 AM:**
  - Reading – Chapters # 15 & 17
- **Assignment #4 Due 11/7/11:**
  - Problems #15.3, 17.4

### Section V – *Working Capital Management & Financial Forecasting*

- **Teleconference Discussion #4 11/12/11 Saturday at 10 AM:**
  - Reading – Working Capital Structures & Forecasting (both to be provided)
- **Assignment #5 Due 11/28/11:**
  - Problems #WCM 2, 4 & 7. No problems from Financial Forecasting.

### Section VI – *Analyzing Financial Performance*

- **Teleconference Discussion #5 12/3/11 Saturday at 8 AM:**
  - Final Exam Prep
  - Final Paper Discussion

**FINAL EXAM DUE 12/10/11**

**FINAL PAPER DUE 12/17/11**