

Finance
Course Number: 22:390:659
Course Title: Healthcare Finance

COURSE DESCRIPTION

This is a course on Health Care Finance offered in the Department of Finance & Economics. In this course, the emphasis will be on application of different financial and economic tools in Healthcare settings. Students will be selected at random to present any article of the day (scheduled as follows, more may be added later) in the class and answer any relevant question.

COURSE MATERIALS

There is no specific textbook for this course, but you may use the following as reference books for this course. Other readings include book chapters of several texts, journal articles and handouts in the class.

1. *Essentials of Health Care Finance* by William O. Cleverly and Andrew E. Cameron, Jones and Bartlett Publishers, 2006.
2. *Your Money or Your Life* by David Cutler, Oxford University Press, 2004.
3. *Health Economics* by Charles E. Phelps, Addison-Wesley, 2002.
4. *Health Economics* by Rexford E. Santerre and Stephen P. Neun, South-Western, 2004.
5. *Health Insurance* by Michael A. Morrisey, Health Administration Press, 2008.
6. *Healthcare Finance: An Introduction to Accounting and Financial Management* by Louis C. Gapenski, Health Administration Press, 2012, Fifth Edition.

LEARNING GOALS AND OBJECTIVES

The course is designed with an emphasis on applications of analytical tools in healthcare organizations. Combinations of lectures and discussions on different topics important to healthcare finance will enable students to develop analytical skills necessary to solve a variety of financial management problems. After completing this course, students should be able to analyze investment decisions, evaluate different sources of financing projects, analyze cost of capital, understand the issues of reimbursements including physician payments, capitated payments and fee-for-service payments, differences between for-profit and no-profit organizations, taxable and tax-exempt bond issues and their impact on the supply of charity care by non-profit hospitals, and the operations of physicians' practice.

PREREQUISITES

The students are required to have taken at least one course on Financial Management.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, "On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment." I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don't let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

Attendance to each lecture is mandatory. Students are expected to be prepared to ask questions on the readings and actively participate in class room discussions. If students miss more than two classes, their grades may be downgraded by a notch i.e. from A to B+, B+ to B etc.

COURSE GRADE

The following weights will be used to determine the course grade:

Midterm Exam	50%
Final Exam	50%

COURSE SCHEDULE

Introduction to the Course, Overview of the Health Care Sector and Review of Basic Theory of Health Insurance

Readings:

Dickman et al. "Health Spending For Low, Middle, and High Income Americans, 1963-2012", *Health Affairs*, July 2016, Vol. 35, No. 7, pp: 1189-1196.

Hartman, Micah; Martin, Anne; Lassman, David; Catlin, Aaron; and the NHE Accounts Team, "National Health Spending in 2013: Growth Slows, Remains In Step With The Overall Economy", *Health Affairs*, Vol 34, No. 1, 2015, pp:

Ryu, Gibson, McKeller and Chernew. "The Slowdown in Health Care Spending in 2009-11 Reflected Factors Other Than the Weak Economy and Thus May Persist", *Health Affairs*, Vol 32, May 2013, pp: 835-840.

Truffer, Christopher; Keelan, Sean; Smith, Sheila; et al "Healthcare Spending Projections Through 2019: The Recession's Impact Continues",

Health Affairs, Vol 29, No. 3, pp: 1-9.

Dartmouth Atlas Project Brief, “Healthcare Spending, Quality, and Outcome”, The Dartmouth Institute, Feb 27, 2009.

Healthcare Dollar – American Health Insurance Plan (AHIP), 2018

Sources of Revenue of Healthcare Organizations,
Reimbursements – DRGs

Readings:

Medicare Deductible and Co-Insurance 2013.

Bai, Ge and Anderson, Gerard. “Extreme Markup: The Fifty US Hospitals with the Highest Charge-to-Cost Ratios”, *Health Affairs*, Vol. 34, No. 6, 2015:922-928.

Brooks, Li, Uno et al. “Acute Hospital Care Is The Chief Driver of Regional Spending Variation In Medicare Patients with Advanced Cancer” , *Health Affairs*, Vol. 33, Oct., 2014, pp: 1793-1800.

Fisher, Elliott, Bynum, Julie, and Skinner, Jonathan. “Slowing the Growth of Healthcare Costs – Lessons from Regional Variation”, *New England Journal of Medicine*, Vol. 370, No. 9, Feb. 26, 2009, pp: 849-852.

Reinhardt, Uwe. “The Pricing of U.S. Hospitals Services: Chaos Behind A Veil of Secrecy”, *Health Affairs*, Vol. 25, No. 1, 2006:57-69.

Dafny, Leemore “How Do Hospitals Respond to Price Changes?”,
American Economic Review, December, 2005, pp:1526-1547.

CMS – Hospital Payments, 2018

Impact of Managed Care

Readings:

Wu, Vivian Y. “Managed Care’s Price Bargaining With Hospitals”,
Journal of Health Economics, Vol. 28, 2009: 350-360..

Dranove, David; Lindrooth, Richard; White, William; Zwanziger, Jack.
“Is the Impact of Managed Care on Hospital Prices Decreasing?” *Jouranal*
of Health Economics, Vol. 27, No. 2, 2008:362-376.

Shen, Yu-Chu. “ The Effect of Financial Pressure on the
Quality of Care in Hospitals”, *Journal of Health Economics*,
2003:243-269.

Deloitte , Hospital M&A, 2017

Payments for Physicians' Services and Pharmaceuticals

Readings:

“Landscape of Physicians Practice”, *Health Affairs*, March 2016, Vol. 35, No. 3, pp: 388-389.

Jena, Anupam B.; Seabury, Seth; Lakdawalla, Darius; and Chandra, Amitabh “Malpractice Risk According to Physician Specialty”, *New England Journal of Medicine*, 2011, Vol. 357, No. 7, August 18, pp: 629-636.

Fuchs, Victor R. “The Doctor’s Dilemma – What is ‘Appropriate’ Care?”, *New England Journal of Medicine*, 2011, Vol. 357, No. 7, August 18, pp: 585-587.

Maxwell, Stephanie; Zuckerman, Stephen; and Berenson, Robert. “Use of Physicians’ Services under Medicare’s Resource-Based Payments”, *New England of Medicine*, 2007, vol. 356, pp: 1853-1861.

Medical Malpractice Insurance Premiums, Excellus, New York, 2013.

Schweitzer, Stuart and Comanor, William, “Prices of Pharmaceuticals in Poor Countries Are Much Lower Than in Wealthy Countries”, *Health Affairs*, Vol. 30, No. 8, August 2011, pp: 1553-1561.

Danzon, Patricia and Furukawa, Michael, “Prices and Availability of Pharmaceuticals: Evidence From Nine Countries”, *Health Affairs, Web Exclusive*, 2003: W3:521-536 Vol. 29, Oct, W3:521-536.

Reiffen, David; and Ward, Michael, “Generic Drug Industry Dynamics”,
The Review of Economics and Statistics, 2005, Vol. 87, No. 1, pp: 37-49.

Medicare Prescription Drug Coverage , 2003, see www.cms.gov

Lichtenberg, Frank. “Do (More and Better) Drugs Keep People
Out of Hospitals?” *American Economic Review*, May, 1996:384-388.

Long-Term Debt Financing

Bond market - Taxable and Tax-Exempt Financing

Supply of Charity Care

Readings:

Bai, Ge; Yehia , Farah; and Anderson, Gerard. “Charity Care Provision by
US Nonprofit Hospitals”, *JAMA, Internal Medicine*, February 17, 2020,
pp: E1 and E2.

Herring, Bradley; Gaskin, Darrell; Zare, Hossain; and Anderson, Gerard.
“Comparing the Value of Nonprofit Hospitals’ Tax Exemption to Their
Community Benefits”, *Inquiry*, 2018, 55:1-11.

James, Julia; “Health Policy Brief: Nonprofit Hospitals’ Community
Benefit Requirements”, *Health Affairs*, Feb 25, 2016.

Corrigan, Janet; Fisher, Elliott; and Heiser, Scott. “Hospital Community

Benefit Programs: Increasing Benefits to Community”, *JAMA*, March 24/31, 2015, Vol. 313, No. 12.

Young, Gary et al. “Provision of Community Benefits by Tax-Exempt U.S. Hospitals”, *NEJM*, April 18, 2013, Vol. 368, No. 16.

NJ Hospitals Economic Impact Report 2013,
<http://www.njha.com/media/407520/njha2013economicimpactreport.pdf>

Koenig, Lane; Dobson, Allen; Ho, Silver; Siegel, Jonathan;
Blumenthal, David; and Weissman, Joel "Estimating The Mission
Related Costs of Teaching Hospitals", *Health Affairs*,
November/December, 2003, pp: 112-122.

Reinhardt, U.E. "The Economics of For-Profit And Not-For-Profit
Hospitals", *Health Affairs*, November/December, 2000, Vol. 19, No. 6:
178-186.

Nicholson et. al. "Measuring Community Benefits Provided By
For-Profit And Nonprofit Hospitals", *Health Affairs*, November/
December, 2000, Vol. 19, No. 6:168-177.

Morrisey, Wedig and Hassan. “Do Nonprofit Hospitals
Pay Their Way?” *Health Affairs*, Winter, 1996, Vol. 15, No. 4:132-144.

Long-Term Debt Financing

Bond market - Taxable and Tax-Exempt Financing

Supply of Charity Care (**contd**)

Managing Physician Practice Organizations

Guest Speaker

Midterm Exam

No Class

Economics of Healthcare I

Readings:

Garber, Alan; and Skinner, Jonathan, “Is American Health Care Uniquely Inefficient?”, *Journal of Economic Perspective*, Vol. 22, Number 4, Fall 2008, pp: 27-50.

Reinhardt. “The Welfare Economics of Health Insurance”, 2009.

Guy, Yabroff et al. “Estimating the Health and Economic Burden of Cancer Among those Diagnosed as Adolescents and Young Adults”, *Health Affairs*, June 2014: 1024-1031.

Papanicolas, Irene; Woskle, Lian; and Jha, Ashish ; “Healthcare Spending in the United States and other High Income Countries”, JAMA, March 13, 2018.

OECD Report, 2017, “International Comparison of Healthcare Prices and Volumes: New Findings.

Economics of Health Care II

Readings:

McWilliams, Zaslavsky, and Huskamp. “Implementation of Medicare Part D and Nondrug Medical Spending for Elderly Adults with Limited Prior Drug Coverage”, *Journal of American Medical Association (JAMA)*, July 27, 2011, Vol. 306, No. 4, pp: 402-409.

Murphy, Kevin; and Topel, Robert. “The Value of Health and Longevity”, *Journal of Political Economy*, 2006, Vol. 114, No. 5, pp. 871-904.

Meer, Jonathan; Miller, Douglas; and Rosen, Harvey.

“Exploring the Health-Wealth Nexus”, *Journal of Health Economics*, 2003:713-730.

Grossman, Michael. “On the Concept of Health Capital and the Demand for Health”, *Journal of Political Economy*, Vol. 80, No. 2, 1972: 223-255.

Healthcare Services: Payer Perspective

Guest Speaker

Healthcare Project Evaluation: Cost-Benefit Analysis

Readings:

Brent, Robert. “Cost-Benefit Analysis and Healthcare Evaluation”, Ch. 1.

Boyle M.H., et al (1983), “Economic Evaluation of Neonatal Intensive Care of Very-Low-Birth-Weight Infants”, *New England Journal of Medicine*, vol. 308: 1330-1337.

Carpenter, Daniel. “What Politics May Be Telling Us About Cost-Effectiveness Analysis”, *Health Affairs*, July/August, 2005: 1174-1175.

Dolan, Paul; and Edlin, Richard. “Is It Really Possible to Build a Bridge Between Cost-benefit Analysis and Cost-effectiveness?”, *Journal of Health Economics*, 2002:827-843

Role of Telemedicine and M-Health on the Delivery of Healthcare Services.

Guest Speaker

Final Exam

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7. You may also contact the Office

of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu>.

If you are a military **veteran** or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of **mental health** services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of **physical health** services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of **legal** services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to **English as a second language (ESL)** should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional **academic assistance**, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter/>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]