

CONTENTS

Tables, Figures, and Exhibits	ix
Preface	xvi
Acknowledgments	xix
The Author	xxi
CHAPTER ONE: JANUARY	1
What Is Health Care?	4
What Is Management?	6
What Is Financial Management?	7
Why Is Financial Management Important?	8
Ridgeland Heights Medical Center: The Primary Statistics	9
Pro Forma Development	15
Living with the Finance Committee and Board of Directors' Calendar	32
Year-End Closing	35
CHAPTER TWO: FEBRUARY	43
Accounting Principles and Practices	45
Objectives of Financial Reporting	47
Basic Accounting Concepts	48
Basic Financial Statements of a Health Care Organization	50
Uses of Financial Information	51
The Financial Statements	52
Preparing for the Auditors	70
Analysis of Sensitive Accounts	72
February Finance Committee Special Reports	74
	v

CHAPTER THREE: MARCH	81
Strategic Financial Planning: Five-Year Projections	84
RHMC Strategic Financial Planning	88
Ratio Analysis	95
The Capital Plan and Its Relationship to the Strategic Plan	109
CHAPTER FOUR: APRIL	116
Medicare and Medicaid Net Revenue Concepts	120
Calculation of Medicare and Medicaid Contractual Adjustments	126
Implications of the Balanced Budget Act of 1997	136
Implication of the Medicare Modernization Act of 2003	143
Managed Care Net Revenue Concepts	146
Preparation of the Medicare and Medicaid Cost Report	153
Ratio of Costs to Charges	158
Presentation of the Audited Financial Statements to the Finance Committee	160
CHAPTER FIVE: MAY	164
Fundamentals of Revenue Cycle Management	166
Patient Registration: To Which Division Should It Report?	181
Calculation of the Allowance for Doubtful Accounts and Bad-Debt Expense	183
Calculation of the Allowance for Contractual Adjustments	189
CHAPTER SIX: JUNE	194
Budget Preparation: The Beginning	196
Budget Calendar	197
Volume Issues	207

Capital Budgeting: June	211
Accounting and Finance Department Responsibilities	219
June Finance Committee Special Agenda Items	223
CHAPTER SEVEN: JULY	227
Budget Preparation: The Middle Months	229
Capital Budgeting: July	253
Regulatory and Legal Environment	255
Other Regulatory and Business Compliance Issues	259
Corporate Compliance	259
Accreditation Issues	262
Patient Satisfaction Issues	264
CHAPTER EIGHT: AUGUST	267
Capital Budget: August	269
Operating Budget	280
Budget Variance Analysis	283
Budget Variance Parameters	287
Flexible Budgeting	287
Cost Accounting and Analysis	289
August Finance Committee Special Agenda Items	296
CHAPTER NINE: SEPTEMBER	301
Operating Budget	304
Capital Budget: September	319
Cash Budget	319
Physician Practice Management Issues	323
CHAPTER TEN: OCTOBER	343
Information Systems Implications for Health Care	
Financial Management	345
Information Technology Strategic Plan Initiatives	349
HIPAA Implementation Issues	351

Selection of a New Health Care Information System	353
Budget Presentation to the Board Finance Committee	362
October Finance Committee Special Agenda Items	385
CHAPTER ELEVEN: NOVEMBER	387
Preparation of the Budget Results and Delivery to the Department Managers	390
Budgeting and Spreading Contractual Adjustments by Department	394
Issues Involving RHMC's Cost Structure	395
How to Improve the Organization's Cost Structure	401
Supply Chain Management in Health Care	411
Benefits of Tax Status for Health Care Organizations	415
Preparation and Implications of the Annual IRS 990 Report	419
CHAPTER TWELVE: DECEMBER	426
Getting Ready for Year-End Reporting—Again	431
Open-Heart Surgery Pro Forma	432
December Finance Committee Special Agenda Items	448
Looking into the Future of Health Care Finance	452
References	469
Index	472