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Financial Management Made Easy for the Healthcare Professional, Part I

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Note to Participants: There are interactive pop-up questions throughout this lecture. If you choose to pause the lecture and return at a later time, a natural break time would be after answering the interactive questions. (You are able to pause at any time and the presentation will "remember" where you were. It's just a more natural time to pause after the interactive questions.) For your convenience, this outline reflects where/when within the lecture the interactive questions occur.

This lecture has 50 slides and is 47 minutes in duration.

- I. Goal of a practice or business
- II. Risk/Return concepts
 - A. What is risk and tolerances
 - 1. Risk in healthcare
 - 2. Examples
 - 3. Risk/return relationships
 - B. Key to handling risk
- III. Capital decision criteria
 - A. Considerations
 - 1. Examples
 - B. Time value of money

Interactive Questions – slide 16 at 17 minutes

- IV. Competitive markets
- V. Financial statements
 - A. The balance sheet
 - 1. Assets
 - 2. Liabilities

Interactive Questions – slide 33 at 31 minutes

- 3. Stockholder equity
 - B. The income statement
 - 1. Income
 - 2. Expenses
 - 3. Profit
 - C. The cash flow statement
- VI. Financial ratios
 - A. Why needed?
 - B. How liquid is the business
 - C. Ratios explained

Notes

Bibliography

1. Bodie Z, Merton RC. *Finance*. Upper Saddle River, NJ: Prentice Hall; 1998.
2. Gapenski, LC. *Healthcare Finance: An Introduction to Accounting and Financial Management*. 4th ed. Chicago, IL: Health Administration Press; 2007.
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4. Crane DB. *Harvard Business Review: Financial Management*. New York: John Wiley & Sons; 1983.
5. Hamermesh RG. *Harvard Business Review: Strategic Management*. New York: John Wiley & Sons; 1983.
6. Kemp S, Dunbar E. *Budgeting for Managers*. New York: McGraw Hill; 2003.
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Line #

ACME HEALTH PROS, INC.

Balance Sheet

As of May 31, 20XX

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ASSETS

Current Assets	
Cash	\$13,455.12
Due from Employees	\$450.00
Total Current Assets	<u>\$13,905.12</u>
Equipment	\$110,167.38
Leasehold Improvements	\$22,579.08
Less accumulated depreciation	<u>(\$32,090.98)</u>
Total Fixed Assets	\$100,655.48
TOTAL ASSETS	\$114,560.60

LIABILITIES AND STOCKHOLDER EQUITY

Liabilities	
Current Liabilities	
Sales Tax Payable	124.35
Due to First Bank	3,458.08
Cafeteria Plan Payable	<u>895.00</u>
Total Current Liabilities	4,477.43
Long Term Debt	<u>19,003.86</u>
TOTAL LIABILITIES	23,481.29
Stockholder Equity	
Capital Stock-Founder	5,000.00
Retained Earnings	13,463.10
Net Income	<u>72,616.21</u>
TOTAL STOCKHOLDER EQUITY	<u>91,079.31</u>
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	114,560.60

ACME HEALTH PROS, INC.
Statement of Earnings
Five (5) Months Ending May 31, 20XX

Line #			
1	INCOME		
2	Patient Revenue	\$	173,708.20
3	Medical Supply Income		310.50
4	Record Copy Fees		200.00
5	Industrial Clinic Income		21,123.59
6	Patient Refunds		<u>(3,411.45)</u>
7	Total Income	\$	191,930.84
8			
9	EXPENSE		
10	Advertising	\$	1,578.04
11	Bank Charges		46.59
12	Computer expense		637.21
13	Depreciation & Amortization		6,435.00
14	Education		610.35
15	Insurance		3,445.33
16	Interest		2,470.67
17	Legal & Accounting		668.21
18	Medical Supplies		2,035.05
19	Office Supplies		1,410.54
20	Postage		1,476.05
21	Printing		112.54
22	Rent		10,984.61
23	Repairs & Maintenance		858.22
24	Taxes & Licenses		242.00
25	Telephone		1,240.47
26	Utilities		1,810.69
27	Payroll Expenses		
28	Gross Wages		74,306.11
29	Payroll Taxes		7,964.55
30	401K Expense		<u>982.40</u>
31	Total Payroll Expense		<u>83,253.06</u>
32	Total Expense	\$	119,314.63
33			
34	Net Income	\$	\$72,616.21
35			