

HM 562 Advanced Health Economics and Finance

Professor Thomas Getzen

Fall 2003 TBA

Prerequisites

Finance 401, Economics 403 and HM 503 or equivalent and permission of instructor

Objectives: To value the human and financial dimensions of health care.
To estimate cash flows from healthcare operations, and to value the organization's assets.
To structure accounts for efficient and meaningful transactions records.
To gain competence and confidence in the skills needed to manage the financial operations of a medical organizations.

Topics of Study

- Risk Contracts, Capital Reserves and Solvency
- Professional Incomes and Supply Regulation
- Medical Cost Accounting
- Provider Reimbursement Calculation
- Pharmaceutical Financing
- Asset Valuation
- Regulatory Agency Behavior
- Forecasting, Macroeconomics
- Workforce Trends
- Working Capital Markets in Health Care, IBNR, Loss Ratios
- Long Term Debt Markets in Health Care
- Corporate Organization
- Transparency, Fraud and Integrity
- Mergers and Acquisitions

Students are expected to obtain an overall understanding of the flow of funds in healthcare, and to choose a particular aspect for their term project. The role of contracts in solving problems of risk and ownership are emphasized, with a case study of the organization of the Pharmaceutical Industry used as an exercise in relating function, structure and cash flow. Analysis administrative and regulatory detail in a wide range of organizational settings provides a cumulative picture of the health care industry, and is tied to macroeconomic trends and their current budgetary expression (e.g., "sustainable growth rate" limitations in physician reimbursement, area wage indices).

The mechanics and ethics of cost shifting are examined in detail. The justification and merits of for-profit and not-for-profit capital structures in the hospital and insurance industry are contrasted.

Guest Speakers (tentative)

S. Fillebrown, NJ Health Care Facilities Financing Authority

K. Russell, CFO (Corporate), CHE

D. Peknay, Standard & Poors

M. Minielle, Deloitte & Touche

T. Rim, Amerihealth

S. Weiss, Aetna

M. Freeland, U.S. Office of the Actuary, CMS
R. Bradley, Bureau of Labor Statistics

Readings:

The course will draw on a variety of readings from *Journal of Health Care Finance*, *Journal of Health Economics*, *Health Affairs* and *Health Care Financing Review*, the *NBER Working Papers*, and other journals. We will also draw on the readings from HM 503 and HM 513. As an advanced course, students are expected to have a solid foundation in economics, finance and health care organizationa and reimbursement which can be drawn on for class discussion and analysis.

Assignments

- **Homeworks/Cases:** There will be 8 homework assignments to be completed and turned in. Most of these are cases, and several have spreadsheets available to save time in preparation. These will be available on Blackboard.
- **Midterm:** There will be a brief quiz early in the term on several important concepts and calculations, and a written Midterm examination.
- **Term Project.** Significant in-depth analysis of a current problem in health care finance. Preferred format is an executive summary (1 to 3 pages), brief report (15 to 25 pages) followed by addenda and worksheets (as many as necessary). To the extent possible, these should be submitted in electronic format. All students will be expected to make a 15 minute presentation of their project followed by a class analysis and discussion of 30 minutes. The oral grade will depend upon the quality of both the presentation and the discussion. Projects may be carried out by individuals or groups (maximum of three members) and workload expectations will be adjusted accordingly by the instructor.

Help: TU Office (215) 204-6826 home office (215) 242-1196 (ok until 11:30 pm) # is also fax
TU fax (215) 204- Web www.healthconomics.org
email: getzen@temple.edu listserv: hm562-getzen@listerv.temple.edu

For learning finance, there is no substitute for doing problems. This requires time, and often entails one or more false starts. I encourage students to work in groups. However, each person must turn in their own homework, and do their own case write-ups. If you get stuck on a point for more than half an hour, follow the following steps: 1) read the relevant material and review instructions 2) ask your friends 3) send me an email 4) call (up until 11:30 PM) at (215) 242-1196. Please try to remember that it is not brutality, but love of quantitative learning, which makes me assign all these calculations for you to do.

Part of what your tuition is paying for is technical assistance. For HM562, **I am** the help desk. Prior to starting the course, I expect you to know a the basics, including how to do simple forecasting and pro forma financial statement analysis and simple risk assessments with a spreadsheet. If not, you need to do a little remedial work. If you are seeking help, it is often useful to transmit to me your work in its current state via email, so our time can be most fruitfully directed. To arrange face time to sit down and go over a problem, discuss your career, ask for market advice, etc., call and we can find something mutually convenient around Center City, Temple Main, or Chestnut Hill.