

**Health Financial Management 525
Midterm Exam**

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You need to **answer 5** of the 11 questions. Please write a brief discussion (100 to 350 words for each question). You will receive 15 points for each

1. What is the difference between accounting and financial management. Provide examples of these concepts in health services finance.
2. Briefly discuss the role of finance in health services.
3. What are some of the difference types of hospitals? What trends are occurring in them?
4. What is a stakeholder? What stakeholders are most interested in financial management of financial condition of a healthcare provider?
5. What is the difference between income statement and balance sheet in regards to timing? Provide examples of these concepts in health services finance.
6. What are the differences between fixed cost, semi-fixed cost, and variable cost? Provide examples for these concepts in health service finance.
7. What are the three alternative current assess policies. Explain each policy's risk and return characteristics?
8. What is the difference between permanent assets and temporary assets? Provide examples of these concepts in health service finance.
9. What is the primary difference between financial statement analysis and operation statement indicator analysis? Provide an example of these concepts in finance management. Why are both types of analysis useful to health services managers and investors?
10. What is the primary difference between direct and indirect cost? Provide examples of these concepts in health services finance.
11. Why are planning budgeting importance to organizational success?

Define and provide the following terms:

1. Hospitals (2 points)
2. Ambulatory care (2 points)
3. Home health care (2 points)
4. Long-term care (2 points)
5. Cost-based (2 points)
6. Integrated delivery system

7. Global pricing (2 points)
 8. Capitation (2 points)
 9. Accounting entity (2 points)
 10. Reverence (2 points)
 11. Accounting period (2 points)
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You are to complete the calculations on the budget sheet

Example 1: Income Statement Basics

Please calculate the Total Revenue, Net Expenses and Net Income for 2007 and 2008

Calculation 1. 5 points

	2007	2008
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Revenue		
Net patient services	\$179.986	\$160.545
Other revenues	<u>8,078</u>	<u>6,092</u>
Total Revenues	\$	
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Expenses	\$123.000	\$124.000
Salaries and Benefits	20.000	32.000
Supplies	4.456	5.888
Insurance	3.187	5.876
Lease	6.089	7.987
Depreciation	5.892	6.897
Provision for bad debts	2.056	3.456
Interest	<u>5.782</u>	<u>5.569</u>
Total Expenses	\$	\$
Net expenses		
Net Income	\$	\$

Example 2: Clinic A

Please calculate the total liabilities and equity

Calculation 1. 5 points

There are really only two key concepts here. First, the accounting **identity** (**Assets= liabilities + Equity**) is used to find the value in the top two sections of the table. Second, as for Non-for-profit organization, all income must flow to equity. The concept was applied to the bottom section of the table.

Here is a clinic's sheet:

Assets

Cash	\$30,000
Account receivable <u>net</u>	<u>50.000</u>
Total current assets	90.00

Long-term Investments \$100.000

Net property and equipment \$150.000

Other assets \$40.00

Total assets = **\$380.000**

Liability and Equity

Account payable	<u>\$20.000</u>
	<u>\$20.000</u>

Long-term debt	\$120.000
Other Long-term liabilities	<u>10.000</u>
Total long-term liabilities	\$130.00

Total liabilities	\$150.000
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Equity	\$230.000
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Total liabilities and equity =