

Healthcare Financial Management Association
Certification Course 2009-2010

Accounting and Finance Specialty

For examination period 1/09 through 12/10

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HFMA Certification Course 2009-2010
Accounting and Finance Specialty



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Delivery Method: Self Study **Field of Study:** Accounting

Program content: Various aspects of healthcare financial management including accounting and finance, patient financial services, physician practice management, and managed care. Specific **learning objectives** are on the following pages.

Program Level: Intermediate. The *intended audience* is anyone who will be completing the corresponding Core program certification exam. This course can also serve as a reference for individuals working in related areas of the healthcare industry. The *estimated completion time* is about 13 hours, based on the actual average completion time of persons who completed this course. Actual completion times may vary based on current knowledge level, learning style, and other factors.

Pre-requisites: Working knowledge of accounting principles **Advance Preparation:** None

Amount of CPE: This course is eligible for *13.0 CPE* when the course activities are completed at the minimum required level, as stated in the course, and required documentation submitted within one year of purchasing the course and prior to the expiration date of the course materials (12/31/10). CPE will not be issued if the required documentation is submitted after 12/31/10.

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Refund Policy: Refunds will be granted only for self-study course materials (binders and inserts) returned unopened and unused within 30 days of the order date and prior to the expiration date of the course. The 2009-2010 Self-Study Courses expire on December 31, 2010.

Contact Information: For questions or comments about this program, please contact the HFMA certification departments at 1-800-252-4362, ask for certification, or send an e-mail to certification@hfma.org

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

The topics in this course are as follows. The topic outline and learner objectives for each chapter are on the pages that follow.

Introduction

Chapter 1 Cost Analysis and Management

Chapter 2 Financial Planning and Budgeting

Chapter 3 Capital Planning and Financing

Chapter 4 Investments and Cash Management

Chapter 5 Internal Control

Chapter 6 Financial Reporting, Accounting Principles, and Auditing

Chapter 7 Regulatory Environment and Corporate Compliance

Chapter 8 Employee Benefits, Insurance and Risk Management

Glossary

End-of-Course Test

Self Assessment Exercise Answer Key

Administration

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 1. Cost Analysis and Management

- 1.0 Here's What You'll Learn
- 1.1 Introduction
- 1.2 Break-Even Analysis
- 1.3 Full and Differential Costing
- 1.4 Activity-Based Costing
- 1.5 Product Line Costing/Profitability Analysis
- 1.6 Responsibility Accounting
- 1.7 Standard Costs
- 1.8 Variable and Fixed Costs
- 1.9 Variance Analysis
- 1.10 Managed Care Product Costing/Profitability Analysis
- 1.11 Modeling of Managed Care Products
- 1.12 Partial and Full Risk Arrangements
- 1.13 Self Assessment Exercise

Learner Objectives

- Explain why a healthcare organization must learn to accurately predict the true cost of providing its services.
- Define and give an example of the different kinds of cost behaviors.
- Describe how to use the break-even formula to determine to what extent you are making a profit on the services you provide.
- Describe when it is most appropriate to use the differential or full absorption costing method.
- Describe when it is appropriate to use activity-based costing.
- Define the objectives of product line costing.
- Explain typical management responsibilities during responsibility accounting.
- Identify the advantages and disadvantages of each type of standard costs.
- Describe and list an example of each of the cost behaviors.
- Explain what information is identified as a result of completing a variance analysis.
- Identify when it is most appropriate to use each of the four primary methods of managed care reimbursement methods.
- Categorize the costs of managed care contracts.
- Explain how a provider quantifies the anticipated revenues and costs of providing the proposed services of a managed care contract.
- Explain the different types of risk-sharing arrangements in managed care contracts.
- Describe which type of excess loss insurance is most appropriate for a given managed care contract.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 2. Financial Planning and Budgeting

- 2.0 Here's What You'll Learn
- 2.1 Components of Budgetary Control
- 2.2 Budgeting Techniques
- 2.3 Productivity Measurement and Evaluation
- 2.4 Types of Budgets
- 2.5 Reporting
- 2.6 Capital Budgeting
- 2.7 Risk Analysis and Financial Analysis Techniques
- 2.8 Self Assessment Exercise

Learner Objectives

- Describe management responsibility for each of the three main types of control budgets used in the budgeting process.
- List the common sources of information used to develop the budgets included within the operating budget.
- Explain the two most common approaches to departmental budgeting.
- Identify how to measure and evaluate productivity in the budgeting and reporting process.
- Explain at least two approaches to flexible budgeting.
- Explain an effective responsibility reporting process, including steps and responsibilities.
- Describe three approaches to validating and prioritizing capital requests, and when it is most appropriate to use each one.
- Discuss who uses ratio analysis for what purpose.
- Describe the objectives of each category of financial ratios.
- Given appropriate data, calculate specific financial ratios.
- Given a specific financial ratio, indicate the direction (up or down) for the desired value of that ratio.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 3. Capital Planning and Financing

- 3.0 Here's What You'll Learn
- 3.1 Debt Financing
- 3.2 Capital Investment Decision-Making Techniques
- 3.3 Equity Financing
- 3.4 Business Relationships
- 3.5 Leases
- 3.6 Credit Rating Criteria
- 3.7 Self Assessment Exercise

Learner Objectives

- Distinguish alternative sources of capital.
- Use the debt-to-equity ratio to determine debt capacity.
- Describe the process for determining debt capacity.
- Explain how to calculate the value of assets to be acquired using each of the three valuation methods.
- Given appropriate discount factors and cash flow data, calculate the net present value of a stream of expenditures and income.
- Discuss the advantages and disadvantages of each type of equity financing.
- Distinguish between equity and debt financing.
- Explain the benefits and risks of a joint venture business relationship.
- Describe the benefits and risks of leases.
- Describe the factors used by a ratings agency to determine the credit rating of a specific organization.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 4. Investments and Cash Management

- 4.0 Here's What You'll Learn
- 4.1 Introduction
- 4.2 Development of Investment Policy Statements
- 4.3 Investment Alternatives
- 4.4 Evaluating Risk, Liquidity, and Return
- 4.5 Selection and Ongoing Evaluation of Qualified Money Managers
- 4.6 Self Assessment Exercise

Learner Objectives

- Describe the components of an investment policy.
- Explain the overall objectives of each of the investment alternatives available to an organization.
- Describe the steps for preparing a cash budget.
- List factors that affect a healthcare organization's cash management activities.
- Discuss services a commercial bank can provide for a healthcare organization to maximize return on cash balances.
- Identify criteria used to determine the financial institution's suitability for an organization.
- Describe the process for determining an appropriate asset allocation.
- List different types of investments available to healthcare organizations for their portfolios.
- List the different kinds of investment risk that a healthcare organization must consider.
- List some specific questions that a healthcare organization should ask a prospective investment manager.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 5. Internal Control

- 5.0 Here's What You'll Learn
- 5.1 Components of Internal Control
- 5.2 Accounting and Financing Controls
- 5.3 Governmental Actions on Corporate Integrity and Controls
- 5.4 Legislation on Corporate Finance
- 5.5 Role of Public Company Accounting Oversight Board (PCAOB)
- 5.6 Operational Auditing
- 5.7 Hospital and Health System Internal Audit Processes
- 5.8 Self Assessment Exercise

Learner Objectives

- Describe the five interrelated components that affect management's objectives of an internal control process.
- Explain the characteristics and purpose of an internal control procedure.
- Explain the characteristics and purpose of an accounting control procedure.
- Describe each of the 11 titles of the Sarbanes-Oxley Act.
- Explain why the HFMA Principles and Practice Board include Issue Analysis 98-1.
- Explain the impact the Sarbanes-Oxley Act of 2002 has had on corporate reporting for public companies.
- Explain how an operational audit ensures management objectives and organizational policies are effectively carried out.
- Discuss the role of a hospital's or health system's internal audit department.
- Briefly describe the Institute of Internal Auditor's standards for the professional practice of internal auditing.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 6. Financial Reporting, Accounting Principles, and Auditing

- 6.0 Here's What You'll Learn
- 6.1 Introduction
- 6.2 Revenue from Healthcare Services
- 6.3 Classification and Reporting of Net Assets
- 6.4 Current Asset Reporting Issues
- 6.5 Investments
- 6.6 Property and Equipment, Supplies, and Other Assets
- 6.7 Current Liabilities
- 6.8 Tax Considerations for Not-For-Profit Healthcare Organizations
- 6.9 Long-Term Debt
- 6.10 Commitments and Contingencies
- 6.11 Revenue
- 6.12 Healthcare Contracting
- 6.13 The Reporting Entity and Related Organizations
- 6.14 Financial Statements
- 6.15 Accounts Receivable
- 6.16 Self Assessment Exercise

Learner Objectives

- Based on a healthcare organization's operating characteristics, classify the type of organization.
- Identify sources of revenue from healthcare services.
- Identify examples of unrestricted net assets used in fund accounting.
- Explain the difference between a temporarily restricted net asset and a permanently restricted net asset as defined by Financial Accounting Standards Board (FASB) Statement No. 116.
- Explain how cash and cash equivalents are reported in the financial statements of a healthcare organization.
- Explain the accounting and reporting for investments in equity securities that have readily determinable fair values and all investments in debt securities held by different entities.
- Describe how property and equipment, supplies, and other assets are handled in a healthcare organization's financial statements.
- List typical current liabilities you would find in a healthcare organization.
- Describe tax considerations for not-for-profit healthcare organizations.
- Describe how healthcare organizations handle unrelated business income tax.
- Discuss different ways that healthcare organizations can handle long-term debt.
- Describe the accounting associated with restructure of existing debt and the criteria required for de-recognition of existing debt.
- Identify commitments and contingencies to which a healthcare organization may be subjected.
- Explain how a healthcare organization accrues malpractice claims on its financial statements.
- Identify circumstances that would warrant a healthcare organization to engage actuary assistance in estimating the amount of medical malpractice loss.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 6. Financial Reporting, Accounting Principles, and Auditing

Learner Objectives (cont'd)

- Define and describe three classes of net assets that the not-for-profit healthcare organization should report on its balance sheets.
- Describe three types of revenue a healthcare organization derives based on type of service rendered or contracted to be rendered.
- Explain risks incurred by a contract with payment for services based on a discount from the provider's established rates and the contract with payment for services based on a capitated arrangement.
- Explain healthcare contracting, including payments, revenue, gains and losses.
- Explain when a healthcare organization should consolidate its financial statements if it is part of a healthcare entity.
- Describe how equity transfers are handled in the financial statements.
- List elements of a financial statement for a healthcare organization.
- Describe how to value patient receivables and account for contractual adjustments, discounts, and allowances for bad debts.
- Differentiate prospective and retrospective rate setting.
- Explain how promises to give in future periods are handled in the financial statements of a healthcare organization.
- Describe how a healthcare organization usually treats uncompensated care in its financial statements.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 7. Regulatory Environment and Corporate Compliance

- 7.0 Here's What You'll Learn
- 7.1 Entities Involved in Regulatory Environment
- 7.2 Medicare and Medicaid Legislation
- 7.3 Corporate Compliance Function and Plan
- 7.4 Health Insurance Portability and Accountability Act (HIPAA)
- 7.5 Tax Exemption/Taxation
- 7.6 Community Benefit Accounting
- 7.7 Self Assessment Exercise

Learner Objectives

- List and explain the purpose and activities of various healthcare regulatory agencies including CMS, PRRB, FTC, JCAHO, PRO, OIG, and US Public Health Service.
- Differentiate Medicare from Medicaid.
- Explain how parts A and B of the Medicare insurance plan are funded.
- Explain the mechanics of Prospective Payment System (PPS) reimbursement and the services covered under the DRG payment.
- Describe the four phases of the process that Medicare uses to determine cost reimbursement to providers.
- Explain the provisions of the Emergency Medical Treatment and Active Labor Act (EMTALA).
- Identify situations that would be classified as fraud or abuse under the Social Security Act and other legislation.
- List elements that should be included in a compliance program for conformance to the False Claims Act.
- Explain the provisions and purpose of the Health Insurance Portability and Accountability Act (HIPAA).
- Describe how a healthcare organization qualifies for tax-exempt status.
- Explain the types of transactions that may create excess benefit for individuals affiliated with tax-exempt organizations and tax penalties that may arise from such transactions.
- Explain the need for reporting and the costs that are typically included in community benefits.

HFMA Certification Course 2009-2010
Accounting and Finance Specialty

Chapter 8. Employee Benefits, Insurance and Risk Management

- 8.0 Here's What You'll Learn
- 8.1 Types of Insurance
- 8.2 Methods of Insuring
- 8.3 Malpractice Insurance
- 8.4 Risk Management Techniques
- 8.5 Post Retirement Benefits
- 8.6 Self Assessment Exercise

Learner Objectives

- Explain two approaches to risk financing that a healthcare organization can employ.
- Explain how to calculate the covered loss of an insurance policy.
- Discuss the advantages for different methods of insuring.
- Compare and contrast different types of insurance policies.
- Describe how to estimate and accrue uninsured loss, including and required conditions.
- Describe the areas where exposure to risk is greatest in the healthcare organization environment.
- Explain the accounting treatment for post retirement benefit plans.